

H B

26

HB-26 -  
HB-22 -

1/27

⊗ AIDA - NO PRIMARY LOANS; ONLY SECONDARY MARKET; LIMIT OF \$5,000;

INTEREST RATE -

SBA PURCHASE PROGRAM, MOODYS AA, 12 1/4

BONDED INTEREST ~~to~~  $\frac{1}{8}$ ; MATURITY RATES;

FORMULA - 20 YR - 40-45 BASIS POINT

10 YR 30 BASIS POINT -

RATE OF INTEREST OVER LAST 18 MONTHS

57-M - 20-25 14% - LOAN RATE -

13% LOAN RATE - Aug

11.5% " " - OCT

FORMULA

1. COMMERCIAL BANK - SBA. -

2. ELIGIBILITY APPLICATION; I.R.S. - TAX EXEMPTIONS

BANK CREDIT PACKAGE; PAYMENT -

3. BANK SERVICES THE LOAN; 3/8

4. QUALIFICATIONS FOR LOANS;

5. PROVISION - CONCERNS

6. - 35 LOAN PROGRAMS - SOLUTION TO PROBLEM

27 - STATE BANKS

20 - 10,000 UNDER

- PERMANENT FUND QUESTION;

- BILL COVERS EVERYTHING BUT HOW DO

- SBA - REFINANCE FLEXIBLE PROGRAM, LEGISLATION

- FIXING AMOUNT UNDER SEC. - NO FIXING OF LOAN AMOUNT -

BY LINDAUER, FURNACE AND  
BETTISWORTH

1 IN THE HOUSE

2 HOUSE BILL NO. 26

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the business refinancing and  
7 expansion loan program in the Alaska Industrial  
8 Development Authority; and providing for an effective  
9 date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 \* Section 1. AS 37.13.120 is amended by adding a new subsection to  
12 read:

13 (n) Notwithstanding the other provisions of this section, the  
14 board shall invest up to 25 percent of the assets of the corporation  
15 to purchase, on the date offered, Alaska Industrial Development  
16 Authority Bonds, bearing interest of 10 percent, guaranteed by the  
17 Alaska Industrial Development Authority, and secured by loans made  
18 under the Alaska Industrial Development Authority business refinancing  
19 and expansion loan program (AS 44.88.300 - 44.88.390).

20 \* Sec. 2. AS 44.88 is amended by adding new sections to read:

21 ARTICLE 5. BUSINESS REFINANCING AND EXPANSION LOAN PROGRAM.

22 Sec. 44.88 300. PROGRAM ESTABLISHED; PURPOSE AND INTENT. The  
23 Alaska Industrial Development Authority business refinancing and  
24 expansion loan program is established in the authority. The purpose  
25 of the business loan program is to enable state residents to refinance  
26 existing business debt and finance business expansion. It is the  
27 intention of the legislature that business loans be made through state  
28 banks and other financial institutions without unnecessary involvement  
29 of the authority.

1           Sec. 44.88.310. POWERS AND DUTIES OF THE AUTHORITY. The author-  
2           ity shall sell its bonds to the Alaska permanent fund under AS 37.13.-  
3           120(n) and shall use the bond sale proceeds to purchase business loans  
4           under the terms and conditions set out in AS 44.88.300 - 44.88.390.

5           Sec. 44.88.320. LOAN PURCHASE REQUIRED. Subject only to the  
6           availability of funds from the sale of bonds to the Alaska permanent  
7           fund under AS 37.13.120(n) and the priorities set out in AS 44.88.330,  
8           the authority shall purchase a business loan when offered by a bank or  
9           other financial institution if the business loan meets the conditions  
10          set out in AS 44.88.340 and is made to an eligible borrower under  
11          AS 44.88.350. The authority shall accept a sworn statement from the  
12          bank or financial institution that the loan conforms to the require-  
13          ments of AS 44.88.300 - 44.88.390 in purchasing a business loan under  
14          this section.

15          Sec. 44.88.330. PRIORITIES. If insufficient money is available  
16          from the sale of bonds to the Alaska permanent fund under AS 37.13.-  
17          120(n) to purchase all qualifying business loans offered to the  
18          authority, the following priorities shall be followed by the authority  
19          in purchasing business loans:

20                 (1) loans for expansion of business in communities having a  
21                 population under 10,000 have priority over all other qualifying busi-  
22                 ness loans; and

23                 (2) loans that use at least 25 percent of the loan proceeds  
24                 for expansion of a business have priority over loans that use less  
25                 than 25 percent of the loan proceeds for business expansion.

26          Sec. 44.88.340. LOAN CONDITIONS. (a) To qualify for purchase  
27          by the authority under the business loan program, a business loan

28                 (1) may not exceed \$2,000,000 or 75 percent of the net  
29          market value of the borrower's business, whichever is less;

*loans*

1           (2) may not bear interest in excess of 10.9 percent or one  
2 percent above the prime lending rate, whichever is less;

3           (3) shall have a fixed interest rate and fixed monthly  
4 payments;

5           (4) shall have a term of 15 years but may not impose a  
6 penalty for acceleration of payments;

7           (5) may be assumed;

8           (6) shall be made to refinance the business debt or expand  
9 the business of an eligible sole proprietorship, partnership, corpora-  
10 tion, or other business entity doing business primarily in the state;

11          (7) may not be made to a business that is engaged in the  
12 construction or rental of single or multiple housing units;

13          (8) shall be personally guaranteed by the sole proprietor,  
14 partners, corporate shareholders, or other owners of the business; and

15          (9) shall be secured by documents establishing a first  
16 priority on assets of the business, including assets to be acquired  
17 with the proceeds of the loan, valued at an amount equal to the amount  
18 of the loan.

19          (b) In order to qualify a business loan for purchase by the  
20 authority under the business loan program the bank or financial insti-  
21 tution that originates the loan must retain at least 10 percent of the  
22 financing of the loan, or the maximum amount that the bank or finan-  
23 cial institution is allowed, as a matter of law, to invest in a single  
24 loan, whichever amount is less.

25          Sec. 44.88.350. BORROWER ELIGIBILITY. To be eligible for a  
26 business loan that qualifies for purchase by the authority under the  
27 business loan program the borrower must do business in the state for  
28 at least one year before applying for the loan and shall be

29          (1) a sole proprietorship owned by a state resident;

1 (2) a partnership in which all of the partners are state  
2 residents;

3 (3) a corporation in which the controlling interest is  
4 owned by state residents; or

5 (4) a business entity that is not a sole proprietorship,  
6 partnership, or corporation, in which a controlling interest is owned  
7 by state residents.

8 Sec. 44.88.360. LIMIT ON THE NUMBER OF LOANS. A business may  
9 receive only one loan under the business loan program except that a  
10 corporation that is eligible to receive a business loan is not dis-  
11 qualified from receiving a loan by the fact that a prior business loan  
12 was made to a shareholder of the corporation.

13 Sec. 44.88.370. FEES. (a) The bank or other financial institu-  
14 tion that originates a business loan purchased by the authority may  
15 charge the borrower an amount not to exceed three percent of the total  
16 loan amount as an application or origination fee.

17 (b) The bank or other financial institution that originates a  
18 business loan purchased by the authority shall act as the collection  
19 agent for the authority and shall receive six-tenths of one percent of  
20 all amounts collected as a collection fee. *C/10 4/16/41*

21 (c) The authority may not charge a fee for authority participa-  
22 tion in a business loan.

23 Sec. 44.88.380. REGULATIONS. The authority may make and enforce  
24 reasonable regulations to carry out the purposes of the business loan  
25 program.

26 Sec. 44.88.390. DEFINITIONS. In AS 44.88.300 - 44.88.390

27 (1) "business loan" or "business loan program" refers to  
28 the Alaska Industrial Development Authority business refinancing and  
29 expansion loan program;

1                   (2) "net market value" means the total assets of a business  
2                   less the total liabilities of the business and less an amount equal to  
3                   the total amount of interest due on business debts that are not to be  
4                   retired by using the proceeds of a business loan, plus the increased  
5                   value of the business that will result from use of the business loan  
6                   proceeds, as valued by an appraiser acceptable to the originating bank  
7                   or other financial institution.

8           \* Sec. 3. AS 44.88.320 enacted in sec. 2 of this Act applies to the  
9           first \$2,000,000 of loans made by a bank or other financial institution  
10          after June 1, 1983.

11          \* Sec. 4. This Act takes effect July 1, 1983.

*GETTING MONEY OUT TO  
RURAL AREAS; GEOGRAPHIC*

*CONTINUATION;*

STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: HB 26 Date on Bill: 1/17/83  
 Title: Act establishing the business refinancing and expansion loan program...  
 Sponsor: Lindauer, Furnace and Bettisworth  
 Requestor: \_\_\_\_\_

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital				
Operating	-0-	200.0	100.0	-0-
Total	-0-	200.0	100.0	-0-

b. Revenues: Program Receipts

Revenue	-0-	200.0	100.0	-0-
---------	-----	-------	-------	-----

2. Source of funds to offset fiscal impact of bill:

3. Assumptions: It is anticipated that 18 months will be the maximum duration of the program. Additional personnel may be necessary to handle volume. Program will be short lived due to exhaustion of funds and large default rate. Please note that although program receipts is shown as a funding source (since A.I.D.A. is funded 100% with program receipts) the actual source of funds will have to come from other A.I.D.A. activities, since this bill essentially precludes A.I.D.A. from charging any fees for this program. This means users of other A.I.D.A. programs will have to pay for the operation of this program. These figures represent only increased operational costs. No estimate is included as to the amount of loss on A.I.D.A. investment funds, or
4. Disclaimer: the costs of potential interest rate subsidies. This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Bert Wagon Phone: 274-1651  
 Division: Alaska Industrial Development Authority Date: \_\_\_\_\_  
 Approved by Commissioner: Richard A. Lyon Date: \_\_\_\_\_  
 Department: Commerce & Economic Development

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/15/83