SCOMM

#50:21

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST
Bill/Resolution No: HB 146
Title: An Act relating to housing loans for the permanently disabled
Sponsor: Furnace, Collins
Requestor: Spec. Comm. on Loans
Date of Request:

FISCAL DETAIL
Agency Affected: Revenue
Program Category Affected: Economic Development
BRU, Program of Subprogram(s) Affected: Alaska Housing Finance Corporation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND	-	-	11.0	11.7	12.4	13.1
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	12.2	-	-	-	-
TOTAL	-	12.2	11.0	11.7	12.4	13.1

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: Mark K. Cameron
Division: Alaska Housing Finance Corporation
Phone: 276-5599
Date: 3/8/85

Approved by Commissioner: [signature]
Agency: Revenue
Date: 3/11/85

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Analysis:

HB 146 would establish within AHFC a loan program for the severely and permanently disabled. The key to the program is a lower mortgage rate (6%). The lower interest rate will assist in qualifying those individuals who would not be afforded the opportunity of home ownership based upon current AHFC rates. Since this program will increase the number of residents who would qualify for AHFC loans, it is program expansive. The demand for this program is not expected to be offset by a reduction in any other AHFC program.

As drafted, a significant portion of the loans purchased would be nonconforming in that they would not be eligible for pledge to bonds issued by the Corporation. Accordingly, they would have to be funded out of pocket without the benefit of leveraging. As detailed below, the incremental cost of the program would be $12.2 million for FY 86. Were the bill amended to require a minimum 5% down payment on each loan, they would be eligible for pledge to bonds and the FY 86 cost would be reduced to approximately $4.5 million.

The purpose of the bill is to make financing available to those with special housing needs. It would be available to not only the severely disabled but also their parents and guardians if they are living with the individual. To prevent those who have already managed to obtain home ownership from selling their current home and buying another with a 6% loan, a prior homeownership rule could be imposed that would limit the program to those individuals who have not had an ownership interest in their primary residence during the 3 year period preceding their application. This additional requirement is estimated to reduce the program cost to $3.4 million for FY 86.

The program is not expected to increase operating expenses above those reflected in the Corporation's proposed FY 86 operating budget.

Summary of Assumptions

FY 86 applications for disabled	105
FY 86 applications for parents and guardians	149
Total loans	254

Direct funded loans [254 x 25% x $140,000]	$ 8,960,000
Subsidized leveraged loans [190 x $115,000 x 14.7%*]	3,211,950
	$12,171,950

* Analysis of subsidy percentage:

50% Tax-Exempt First Time Homebuyer Program	at 14% subsidy	= 7.0%
30% Tax-Exempt Veterans Mortgage Program	at 11% subsidy	= 3.3%
20% Taxable Program	at 22% subsidy	= 4.4%
		14.7%

Subsequent fiscal year activity:

- The analysis assumes program implementation in July 1986.

- A 10% decrease is estimated in FY 87 followed by 5% increases each year in FY 88 through FY 90.

- Effects of changing program mix in subsequent years when tax-exempt financing may not be available to AHFC are not included.

by the disability under which the borrower became eligible for the loan.

(e) For an individual or a parent or guardian of the individual to be eligible for a loan under this section, the individual must

(1) provide a written statement from a physician stating that the nature of the individual's disability is permanent;

(2) establish that the individual has a specialized housing need; and

(3) establish that the individual is severely disabled, through

(A) a statement from the federal Veterans Administration indicating that the individual is at least 70 percent disabled;

(B) proof of eligibility as a blind or disabled person under the federal supplemental security income program (42 U.S.C. 1381 - 1385) or the federal disability insurance benefits program (42 U.S.C. 423);

severe disability

(C) a statement of eligibility from the Board of Vocational Rehabilitation (AS 23.15.010); or

(D) a statement of disability from the division of public health, family health section.

Introduced: 1/30/85
Referred: House Special Committee on State Loans, Health, Education & Social Services and Finance

IN THE HOUSE BY FURNACE AND COLLINS

HOUSE BILL NO. 146

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to housing loans for the permanently disabled."

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

* Section 1. AS 18.56 is amended by adding a new section to read:

Sec. 18.56.102. LOANS FOR THE PERMANENTLY DISABLED. (a) The corporation shall establish a residential housing loan program for the permanently disabled under the special mortgage loan purchase program (AS 18.56.098). A loan may be made under this section to an individual who is eligible under (e) of this section, or to a parent or guardian of the individual if the parent or guardian is living with the individual.

(b) A loan made under this section shall be at a fixed annual interest rate of six percent. The loan amount may not exceed the maximum loan amount for a single family residence under the special mortgage loan purchase program, and the appraised value of the residence may not exceed the loan amount by more than 25 percent. The corporation may not require a borrower to make a down payment toward purchase of a residence under this section.

(c) The value of the equity in a residence purchased with a loan under this section may not be used to deny the borrower state benefits to which the borrower may be otherwise entitled.

(d) The corporation may require a borrower under this section to prove present and future financial ability to repay the loan. However, a loan may not be denied solely because of circumstances caused

Introduced: 2/15/85
Referred: House Special Committee on State Loans, Health, Education & Social Services and Finance

Funding Information

General Fund	$2,000,000
Other Funds	- 0 -
	$2,000,000

IN THE HOUSE

BY FURNACE, MARTIN AND COLLINS

HOUSE BILL NO. 204

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act making a special appropriation to the Alaska housing finance revolving loan fund for housing loans for the permanently disabled; and providing for an effective date."

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

* Section 1. The sum of $2,000,000 is appropriated from the general fund to the Alaska housing finance revolving loan fund (AS 18.56.082) for housing loans for the permanently disabled.

* Sec. 2. The appropriation made by this Act is for capitalization of a loan fund and does not lapse in accordance with AS 37.25.010.

* Sec. 3. This Act takes effect on the effective date of an Act establishing a residential housing loan program for the permanently disabled.

Testifying on HB 146:

Deborah Keller (needs to testify before 4:30)
Rep. Furnace
Steve Russell
Bob Franken } By teleconference from AHFC
Denna Cline

Rm 411

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M   March 7, 1985

SUBJECT: Sectional analysis of HB 146 (housing loans for permanently disabled)

TO: Representative Walt Furnace

FROM: Keith B. Levy KBL
Legislative Counsel

You have requested a sectional analysis of HB 146, relating to housing loans for the permanently disabled.

This bill adds a new section to the Alaska Housing Finance Corporation provisions (AS 18.56.102) to require AHFC to set up a residential housing loan purchase program for the permanently disabled under the existing special mortgage loan purchase program. These loans must be at a fixed annual interest of six percent. The loan amount may not exceed the maximum single family loan amount under the existing special mortgage loan program (currently $178,650) and the appraised value of the residence may not exceed the loan amount by more than 25 percent. AHFC may not require a down payment for the loans.

The bill also provides that the value of the equity in a home purchased with one of these loans may not be used to deny the borrower other state benefits to which the borrower may otherwise be entitled. Although AHFC may require the borrower to prove financial ability to repay the loan, it may not deny a loan solely because of circumstances caused by the disability under which the borrower became eligible for the loan.

The loans may be made to an individual or the parent or guardian living with the individual if the individual meets certain criteria. The person must prove that he or she is severely disabled, that the disability is permanent, and that the person has a specialized housing need. The disability may be established through any of the following:

a statement from the Veterans Administration indicating a minimum of 70 percent disability, proof of eligibility as a blind or disabled person under the federal SSI program or the disability insurance benefits program, a statement of eligibility from the state Board of Vocational Rehabilitation, or a statement of disability from the division of public health, family health section.

KBL:ojb
J12/067

Fiscal Note HB 146
Attachment

Analysis:

HB 146 would establish within AHFC a loan program for the severely and permanently disabled. The key to the program is a lower mortgage rate (6%). The lower interest rate will assist in qualifying those individuals who would not be afforded the opportunity of home ownership based upon current AHFC rates. Since this program will increase the number of residents who would qualify for AHFC loans, it is program expansive. The demand for this program is not expected to be offset by a reduction in any other AHFC program.

As drafted, a significant portion of the loans purchased would be nonconforming in that they would not be eligible for pledge to bonds issued by the Corporation. Accordingly, they would have to be funded out of pocket without the benefit of leveraging. As detailed below, the incremental cost of the program would be $12.2 million for FY 86. Were the bill amended to require a minimum 5% down payment on each loan, they would be eligible for pledge to bonds and the FY 86 cost would be reduced to approximately $4.5 million.

The purpose of the bill is to make financing available to those with special housing needs. It would be available to not only the severely disabled but also their parents and guardians if they are living with the individual. To prevent those who have already managed to obtain home ownership from selling their current home and buying another with a 6% loan, a prior homeownership rule could be imposed that would limit the program to those individuals who have not had an ownership interest in their primary residence during the 3 year period preceding their application. This additional requirement is estimated to reduce the program cost to $3.4 million for FY 86.

The program is not expected to increase operating expenses above those reflected in the Corporation's proposed FY 86 operating budget.

Summary of Assumptions

FY 86 applications for disabled	105
FY 86 applications for parents and guardians	149
Total loans	254

Direct funded loans [254 x 25% x $140,000]	$ 8,960,000
Subsidized leveraged loans [190 x $115,000 x 14.7%*]	3,211,950
	$12,171,950

* Analysis of subsidy percentage:

50% Tax-Exempt First Time Homebuyer Program	at 14% subsidy	= 7.0%
30% Tax-Exempt Veterans Mortgage Program	at 11% subsidy	= 3.3%
20% Taxable Program	at [illegible] subsidy	= 4.4%
		14.7%

Subsequent fiscal year activity:

- The analysis assumes program implementation in July 1986.

- A 10% decrease is estimated in FY 87 followed by [illegible] increases each year in FY 88 through FY 90.

- Effects of changing program mix in subsequent years when tax-exempt financing may not be available to AHFC are not included.

41

```
*************************************************************
*                                                           *
* DELIVER TO: JPOM                                          *
*                                                           *
*                                                           *
* ORIGINAL                                                  *
* SENT:          03/21/85  TIME: 11:34                      *
* FROM:          LIDA                                       *
* SUBJECT:       POM                                        *
* PRINT DATE:    03/21/85  TIME: 11:34                      *
*                                                           *
*************************************************************
```

TO: ALL REPRESENTATIVES

FROM: LUCINDA LAIRD
SVC COORDINATOR, ALASKA CHAPTER
MULTIPLE SCLEROSIS SOCIETY
933 E 12TH #1
ANCHORAGE, AK. 99501
PHONE 279-0809 HM 279-3752 WK

RE: HB 146-HOME LOANS FOR PERMANENTLY DISABLED

THIS LEGISLATION WILL EFFECTIVELY USE A COMPARATIVELY SMALL AMOUNT OF MONEY TO MEET THE OVERWHELMING NEED FOR ACCESSIBLE HOUSING IN ALASKA. THIS APPROACH WILL ALLOW THE FREE ENTERPRISE SYSTEM TO MEET THE NEEDS OF THE SPECIAL POPULATION, STIMULATING ECONOMIC GROWTH FOR THE ENTIRE STATE.

****