

**COMMITTEE REPORT  
SENATE**

FURTHER:

4/11/85

Date 4/8/86

Mr. President

The Committee on FINANCE considered SB 281  
interest rate on the state loan programs; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 281 (File)
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation OSFC 4/8/86
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Rick Halford  
J. Ferguson  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

J. Halford  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Co-Chairman John Fuchs  
Chairman recommendation do pass.

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : \_\_\_\_\_

**REQUEST**

Bill/Resolution No. : CSSB 281 (Finance)  
 Title : Act relating to the interest rate on state loan programs

Sponsor : \_\_\_\_\_  
 Requestor : \_\_\_\_\_  
 Date of Request : \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected : All  
 BRU : \_\_\_\_\_

Components : \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**POSITIONS :**

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

Prepared by : \_\_\_\_\_ Phone : 465-4523  
 Division : Senator Jan Faiks, Co-chairman Date : 4/8/86  
Senate Finance Committee

Approved by Commissioner : \_\_\_\_\_ Date : \_\_\_\_\_  
 Agency : \_\_\_\_\_

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Bradley  
4/8/86

Original sponsors: Halford, Faiks,  
Sackett, et al

1 IN THE SENATE BY THE FINANCE COMMITTEE  
 2 CS FOR SENATE BILL NO. 281 (Finance)  
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 4 FOURTEENTH LEGISLATURE - SECOND SESSION  
 5 A BILL

6 For an Act entitled: "An Act relating to the interest rate on state loan  
 7 programs; and providing for an effective date."

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

9 \* Section 1. AS 37.05.035 is amended by adding new subsections to read:

10 (b) Notwithstanding any other provision of law, the interest  
 11 rate for loan programs administered by the state or an instrumentality  
 12 of the state shall increase by one-half percent October 1 of each year  
 13 until the interest rate is equal to:

14 (1) the prevailing market rate for each type of loan; or

15 (2) the cost of funds, if the loan program is financed by  
 16 the sale of bonds or other indebtedness.

17 (c) The provisions of (b) of this section do not apply to the  
 18 interest rate for loans made under AS 14.43.120.

19 \* Sec. 2. This Act takes effect October 1, 1986.  
 20  
 21  
 22  
 23  
 24  
 25  
 26  
 27  
 28  
 29

4/8/84

*Copy of this fiscal note for SB 281 provided to Legis. Fin. for informational purposes this date*  
*JK*

**REQUEST**

Bill/Resolution No.:  
 Title: An act relat  
interest rate on S  
 Sponsor: Halford, Fa  
 Requestor:  
 Date of Request: Ap

Commerce & Economic Developmen  
 ected:  
 ment  
 Program(s) Affected:  
 lections

**EXPENDITURES/REVENUE**

						FY 89	FY 90
<b>OPERATING</b>							
100 PERSONAL SERVICES							
200 TRAVEL							
300 CONTRACTUAL							
400 SUPPLIES							
500 EQUIPMENT							
600 LAND & STRUCTURES							
700 GRANTS, CLAIMS							
800 MISCELLANEOUS							
TOTAL OPERATING							
<b>CAPITAL</b>							
<b>REVENUE</b>							
		80.2	258.4	484.1		750.5	1,048.6

**FUNDING:** (Thousands of Dollars)

GENERAL FUND							
FEDERAL FUNDS							
OTHER							
TOTAL							

**POSITIONS:**

FULL-TIME							
PART-TIME							
TEMPORARY							

**ANALYSIS:** Attach a separate page if necessary  
 Data was provided by the Division of Investments for current market interest rates for the various loan programs and the resulting decreased loan demand.

The fiscal impact to revenue is the net interest rate increase of .5 percent per year, as proposed in SB 281. All active loan programs administered by DCED are included.

Prepared By: Margaret I. Hamley, Director  
 Division: Accounting & Collections

Phone: 465-2555  
 Date: 4-19-84

Approved by Commissioner: Loren H. Lounsbury  
 Agency: Commerce & Economic Development

Date: 4/17/84

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

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: SB 281  
 Title: An act relating to the  
interest rate on State loan programs  
 Sponsor: Halford, Faiks, Sackett, et al  
 Requestor: \_\_\_\_\_  
 Date of Request: April 12, 1985

**FISCAL DETAIL**

Agency Affected: Commerce & Economic Development  
 Program Category Affected: \_\_\_\_\_  
 Program or Subprogram(s) Affected: \_\_\_\_\_  
 Accounting & Collections

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>						

<b>CAPITAL</b>						
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<b>REVENUE</b>		80.2	258.4	484.1	750.5	1,048.6
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** Attach a separate page if necessary

Data was provided by the Division of Investments for current market interest rates for the various loan programs and the resulting decreased loan demand.

The fiscal impact to revenue is the net interest rate increase of .5 percent per year, as proposed in SB 281. All active loan programs administered by DCED are included.

Prepared By: Margaret I. Hamley, Director  
 Division: Accounting & Collections

Phone: 465-2555  
 Date: 4-17-85

Approved by Commissioner: Loren H. Lounsbury  
 Agency: Commerce & Economic Development

Date: 4/17/85

**Distribution (by Agency preparing fiscal note):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

SB 281  
FISCAL NOTE - REVENUE ANALYSIS

ESTIMATED CHANGE IN LOAN DEMAND FOR EACH .5% INCREASE IN INTEREST RATE:

	CF	BF	CC	HD	M	AE	REC	FE
Statutory Rate	10.50	10.52	7.00	7.50	10.00	5.00 15.00	10.52	9.50
Market Rate	14.50	12.50	14.00	15.00	15.50	17.50	17.50	15.50
Decreased Loan Demand								
FY '86	none	none	none	none	none	none	none	none
FY '87	2%	none	none	none	5%	none	5%	none
FY '88	2%	none	none	none	5%	none	5%	none
FY '89	2%	none	none	none	5%	none	5%	none
FY '90	2%	none	none	none	5%	none	5%	none

Estimates provided by Division of Investments, Department of Commerce and Economic Development, as of April 16, 1985.

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SUMMARY OF FISCAL IMPACT: REVENUE (based on Division of Investments' assumptions above)

	FY '86	FY '87	FY '88	FY '89	FY '90
Commercial Fish	\$38,010	\$132,525	\$264,749	\$431,176	\$ 627,707
Bulk Fuel	2,625	5,250	7,875	10,500	10,500
Child Care	1,504	6,006	13,493	22,758	36,076
Historical Districts	750	3,191	6,777	12,072	18,892
Mining	24,000	63,624	92,309	108,876	110,855
Alternative Energy	10,307	40,025	87,885	152,524	232,394
Residential Energy Conservation	3,000	7,811	11,058	12,587	12,220
Fisheries Enhancement	Ø	Ø	Ø	Ø	Ø
<b>TOTAL</b>	<u>\$80,196</u>	<u>\$258,432</u>	<u>\$484,146</u>	<u>\$750,493</u>	<u>\$1,048,644</u>

Fiscal impact revenue analysis prepared by Division of Accounting and Collections

STATE OF ALASKA 1985 LEGI  
FISCAL NOT

4/2/86

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CS (Fix)

exempts student  
loans

REVISION  
FISCAL DE  
Agency Af  
Program C  
Posts  
BRU, Prog  
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REQUEST  
Bill/Resolution No.: SB 281  
Title: Re: Interest Rates on  
State Loans  
Sponsor: Halford, et. al.  
Requestor: Senator Halford  
Date of Request:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87				
<b>OPERATING</b>							
100 PERSONAL SERVICES							
200 TRAVEL							
300 CONTRACTUAL		20.0					
400 SUPPLIES							
500 EQUIPMENT							
600 LAND & STRUCTURES							
700 GRANTS, CLAIMS							
800 MISCELLANEOUS							
<b>TOTAL OPERATING</b>	N.A.	20.0	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>							
<b>REVENUE</b>	N.A.	N.A.	(85.6)	(295.4)	(671.8)	(1,297.0)	

FUNDING: (Thousands of Dollars)


GENERAL FUND	N.A.	20.0	(85.6)	(295.4)	(671.8)	(1,297.0)
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached table.

Prepared By: Kerry D. Romesh  Phone: 465-2854  
Division: Postsecondary Education Commission Date: 4/17/85

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

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

7/1/84

**STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE**

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: SB 281  
 Title: Re: Interest Rates on  
                     State Loans  
 Sponsor: Halford, et. al.  
 Requestor: Senator Halford  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: Education  
 Program Category Affected:  
                     Postsecondary Education  
 BRU, Program or Subprogram(s) Affected:  
                     Student Loan Program

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		20.0				
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	N.A.	20.0	-0-	-0-	-0-	-0-
<b>CAPITAL</b>						
<b>REVENUE</b>	N.A.	N.A.	(85.6)	(295.4)	(671.8)	(1,297.0)

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	N.A.	20.0	(85.6)	(295.4)	(671.8)	(1,297.0)
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

**ANALYSIS:** Attach a separate page if necessary

See attached table.

Prepared By: Kerry D. Romeshing  
 Division: Postsecondary Education Commission  
 Phone: 465-2854  
 Date: 4/17/85

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

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

7/1/84

Increase loan interest rates by 1/2% per year, until it reaches 8%, retain other current terms.

(a) Fiscal Impact:

Year of Impact	BORROWING YEAR													Total Impact
	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	
FY86	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
FY87	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
FY88	46.8	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	46.8
FY89	91.2	85.6	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	176.8
FY90	136.8	167.0	128.4	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	432.2
FY91	204.2	250.2	250.5	171.1	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	876.0
FY92	208.8	373.7	375.4	333.9	214.0	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,505.8
FY93	208.8	382.1	560.5	500.5	417.4	256.7	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,326.0
FY94	208.8	382.1	573.1	747.3	625.6	500.9	256.7	-0-	-0-	-0-	-0-	-0-	-0-	3,294.5
FY95	208.8	382.1	573.1	764.1	934.1	750.7	500.9	256.7	-0-	-0-	-0-	-0-	-0-	4,370.5
FY96	208.8	382.1	573.1	764.1	955.1	1,225.1	750.7	500.9	256.7	-0-	-0-	-0-	-0-	5,616.6
FY97	208.8	382.1	573.1	764.1	955.1	1,146.2	1,225.1	750.7	500.9	256.7	-0-	-0-	-0-	6,762.8
FY98	162.0	382.1	573.1	764.1	955.1	1,146.2	1,146.2	1,225.1	750.7	500.9	256.7	-0-	-0-	7,862.2
FY99	117.6	296.5	573.1	764.1	955.1	1,146.2	1,146.2	1,146.2	1,225.1	750.7	500.9	256.7	-0-	8,878.4
FY00	72.0	215.1	444.7	764.1	955.1	1,146.2	1,146.2	1,146.2	1,146.2	1,225.1	750.7	500.9	256.7	9,769.2

4/8/86

SESSION

REQUEST

Bill/Resolution No  
Title: "An Act r  
rates on State loan  
Sponsor: Halford  
Requestor:  
Date of Request:

*Byrd per Jens.  
Not the intent of  
Committee to report  
the bill out  
w/ financial implications.*

Commerce & Econ. Dev.  
Affected:  
velopment  
program(s) Affected:  
Investments

EXPENDITURES/REVENUE

				FY 89	FY 90
<b>OPERATING</b>					
100 PERSONAL SERVICES					
200 TRAVEL					
300 CONTRACTUAL		10.0	10.0	10.0	10.0
400 SUPPLIES		10.0			
500 EQUIPMENT					
500 LAND & STRUCTURES					
700 GRANTS, CLAIMS					
800 MISCELLANEOUS					
<b>TOTAL OPERATING</b>		<b>20.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>

<b>CAPITAL</b>		-0-	-0-	-0-	-0-	-0-
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<b>REVENUE</b>		-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND		20.0	10.0	10.0	10.0	10.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		<b>20.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>

POSITIONS:

FULL-TIME		-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

\$10,000 is requested for a one-time charge to prepare and distribute copies of regulations for public comment relating to determination of the existing market rate for each program, and revision and reprinting of the State loan applications and pamphlets. A continuing cost of \$10,000 is required for a contractor to determine market rates for each program on a yearly basis in a manner that would be defensible in court.

Prepared By: Paul B. Arnoldt, Director  
Division: Investments

Phone: 465-2510

Date: 4/16/85

Approved by Commissioner: Loren H. Lounsbury  
Agency: Commerce and Economic Development

Date: 4/17/85

Distribution (by Agency preparing fiscal note):

Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION

FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: SB281  
 Title: "An Act relating to rates on State loan programs . . . ."  
 Sponsor: Halford  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.  
 Program Category Affected: Development  
 BRU, Program or Subprogram(s) Affected: Division of Investments

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		10.0	10.0	10.0	10.0	10.0
400 SUPPLIES		10.0				
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		20.0	10.0	10.0	10.0	10.0
<b>CAPITAL</b>		-0-	-0-	-0-	-0-	-0-
<b>REVENUE</b>		-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND		20.0	10.0	10.0	10.0	10.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		20.0	10.0	10.0	10.0	10.0

POSITIONS:

FULL-TIME		-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

\$10,000 is requested for a one-time charge to prepare and distribute copies of regulations for public comment relating to determination of the existing market rate for each program, and revision and reprinting of the State loan applications and pamphlets. A continuing cost of \$10,000 is required for a contractor to determine market rates for each program on a yearly basis in a manner that would be defensible in court.

Prepared By: Paul B. Arnoldt, Director  
 Division: Investments

Phone: 465-2510  
 Date: 4/16/85

Approved by Commissioner: Loren H. Lounsbury  
 Agency: Commerce and Economic Development

Date: 4/17/85

Distribution (by Agency preparing fiscal note):

Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

7/1/84

**STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE**

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: SB 281  
 Title: An Act realted to interest rate on State loan programs, etc.  
 Sponsor: \_\_\_\_\_  
 Requestor: Halford, Raiks, etc.  
 Date of Request: 4-11-85

**FISCAL DETAIL**

Agency Affected: DCED  
 Program Category Affected: Energy  
 BRU, Program or Subprogram(s) Affected: Alaska Power Authority  
Rural Electrification Revolving Loan Fund  
 ( Current interest rate 2% )

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>A TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>38</b>	<b>68</b>

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**POSITIONS:**

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

**ANALYSIS:** Attach a separate page if necessary

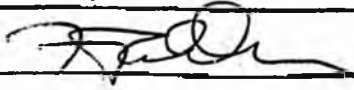
**A** APA financial staff will research and recommend the prevailing market rate index appropriate to this loan program.

**B** Reflects gradual bill impact

Prepared By: William H. Batt  
 Division: Alaska Power Authority

Phone: 276-0001

Date: 4-17-85

Approved by Commissioner:   
 Agency: \_\_\_\_\_

Date: 4/18/85

Distribution (by Agency preparing fiscal note):

Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

7/1/84

**STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE**

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: SB 291  
 Title: An Act relating to the in-  
terest rate on state loan programs  
 Sponsor: Halford, Faiks et al  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: Department of Revenue  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program or Subprogram(s) Affected:  
Alaska Housing Finance Corporation

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** Attach a separate page if necessary

Please refer to Exhibits A and B and to Exhibit I and April 24, 1985 letter to Senator Halford for fiscal impacts of SB 281

*Mark K. Cameron*

Prepared By: Mark K. Cameron Phone: 276-5599  
 Division: Alaska Housing Finance Corporation Date: \_\_\_\_\_  
 Approved by Commissioner: [Signature] Date: 4/29/85  
 Agency: Department of Revenue

Distribution (by Agency preparing fiscal note):

Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

7/1/84

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 1/16/86

**REQUEST**

Bill/Resolution No. : SB 281  
 Title : An Act relating to interest rates  
on State loan programs

Sponsor : Senator Halford, et al  
 Requestor : Senate Finance Committee  
 Date of Request : \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected : DCRA  
 BRU : n/a

Components : n/a

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING : (Thousands of Dollars)**

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS :**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

Prepared by : Clark Boston *JB for* Phone : 561-0900  
 Division : Housing Assistance Division Date : 1/16/86

Approved by Commissioner : Emil Notti Date : 1/16/86  
 Agency : Community and Regional Affairs

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

ANALYSIS FOR SENATE BILL 281

An Act relating to the interest rate on state loan programs

This bill amends Title 37, Public Finance with the addition of a new section which would raise interest rates for loan programs administered by the state or an instrumentality of the state. On October 1 of each year the interest rate would be raised by  $\frac{1}{2}$  per cent until it was equal to the prevailing market rate or equal to the cost of borrowing money if the loan program is financed by the sale of bonds or other indebtedness.

Effective date is October 1, 1985.

EXHIBIT B

Senate Finance Committee Hearing

SB 281

April 18, 1985

ALASKA HOUSING FINANCE CORPORATION

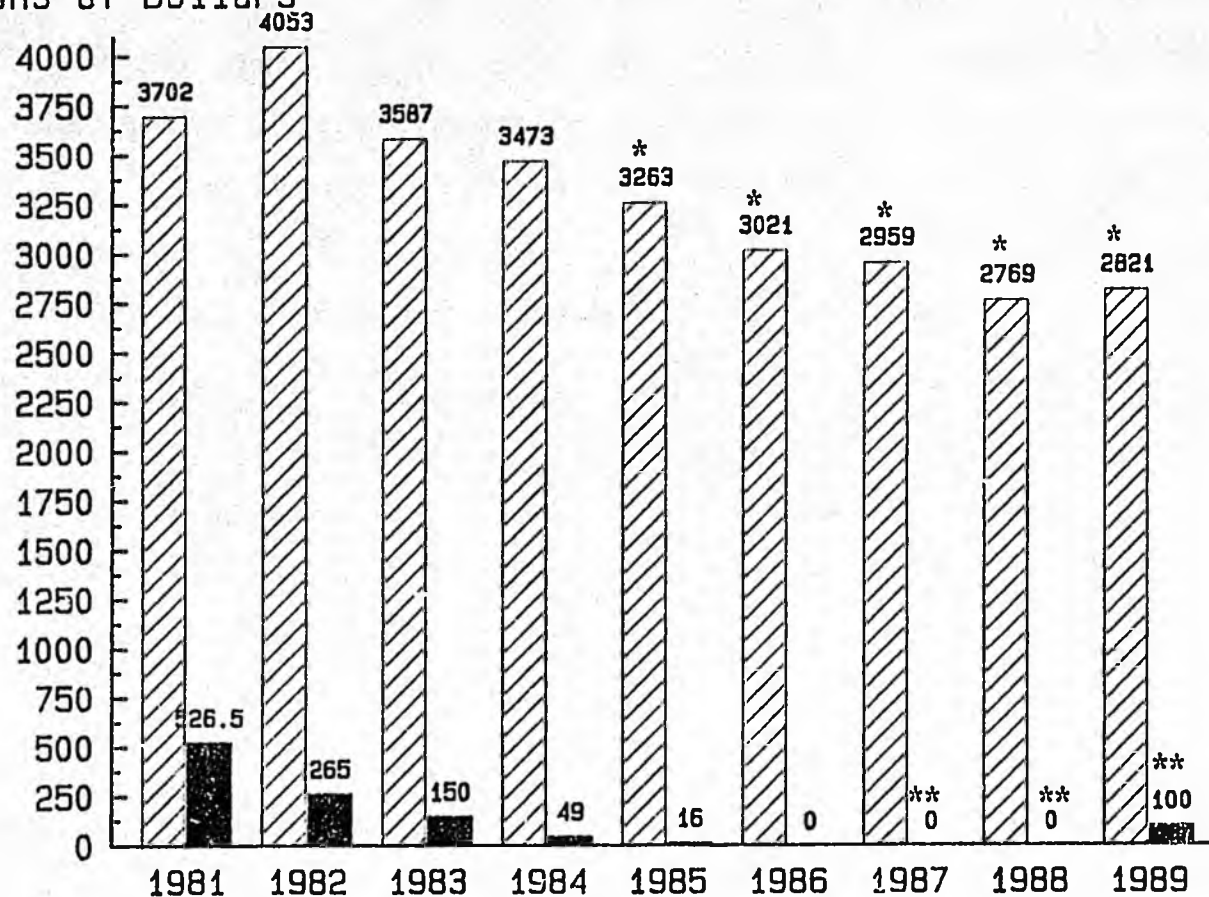
PROGRAM OVERVIEW

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*STATE GENERAL FUND UNRESTRICTED REVENUES*  
 - VS -  
*TOTAL AHFC APPROPRIATIONS*

Millions of Dollars

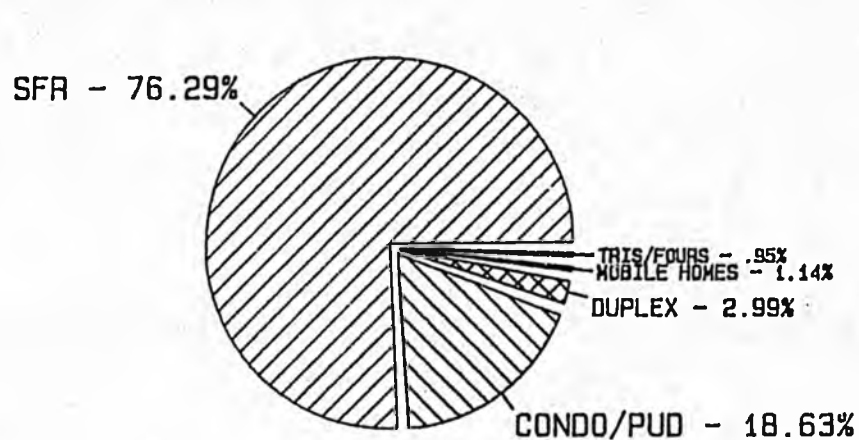


State General Fund Unrestricted Revenue  
 Total AHFC Appropriations

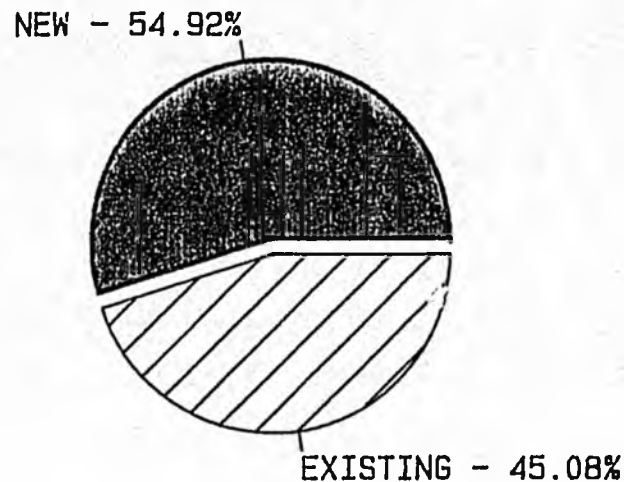
\* Dept of Revenue Mean Average Projection  
 \*\* AHFC 4-15-85 Estimate

State Fiscal Year

ALASKA HOUSING FINANCE CORPORATION  
 SUMMARY OF ALL FIRST MORTGAGES PURCHASED  
 Fiscal Year 1985 Thru 3/31/85

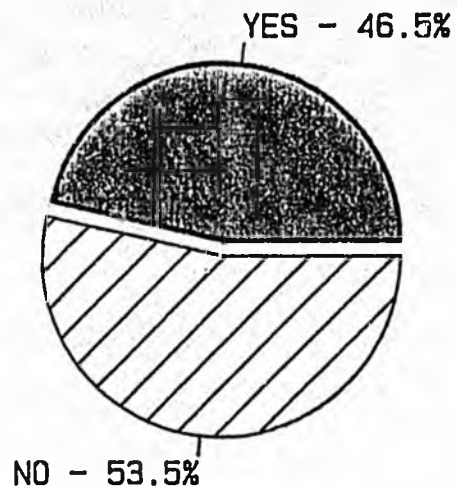


Dwelling Type

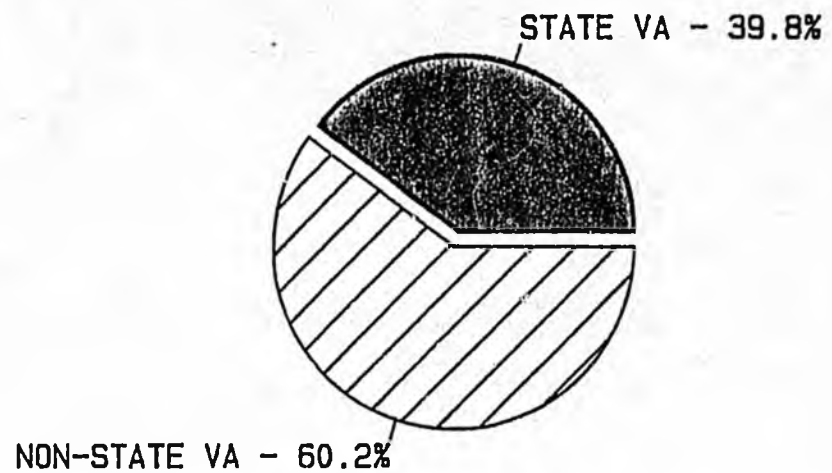


New or Existing Dwelling

ALASKA HOUSING FINANCE CORPORATION  
SUMMARY OF ALL FIRST MORTGAGES PURCHASED  
Fiscal Year 1985 Thru 3/31/85



First Time Homeowner



Veteran Eligibility

DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION  
ALL FIRST MORTGAGES  
LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983 -----	%	FY 1984 -----	%	FY 1985 THRU( 3/31/85) % -----	
SALES PRICE	105,807		120,754		123,545	
APPRAISED VALUE	108,430		123,572		128,371	
NOTE AMOUNT	93,012		106,003		106,912	
MONTHLY INCOME	4,059		4,536		4,490	
AGE OF BORROWER	33.7		34.7		35.1	
SIZE OF HOUSEHOLD	2.5		2.7		2.7	
LOAN TO SALES PRICE RATIO	87.91%		87.78%		86.54%	
WEIGHTED AVG INT. RATE	10.73%		10.09%		11.22%	
MONTHLY P&I	877.14		943.72		1,036.98	
DWELLING TYPE..SFR	5,989	69.72	8,821	74.13	4,624	76.29
CONDO	2,036	23.70	2,083	17.50	924	15.25
DUPLX	287	3.34	476	4.00	181	2.99
PUD	268	3.12	361	3.03	205	3.38
MOHM			5	.04	69	1.14
TRI-PLEX	4	.05	40	.34	20	.23
FOUR PLEX	6	.07	114	.96	38	.63
NEW/EXISTING....NEW	5,382	62.65	6,814	57.26	3,329	54.92
EXISTING	3,208	37.35	5,086	42.74	2,732	45.08
1ST TIME HOMEOWNER..YES	4,461	51.93	5,445	45.76	2,816	46.46
NO	4,129	48.07	6,455	54.24	3,245	53.54
INSURANCE TYPE.....FHA					0	.00
VA	814	9.48	2,073	17.42	1,161	19.16
CONVA	7,776	90.62	9,827	82.58	4,900	80.84
ELIGIBILITY.....STVA	2,391	27.83	4,915	41.30	2,414	39.83
NON-STVA	6,199	72.17	6,985	58.70	3,647	60.17
					0	.00
ORIG. PRINCIPAL BALANCE	798,968,900.00		1,261,435,600.00		647,996,650.00	
ORIG. NUMBER OF LOANS	8,590		11,900		6,061	

DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION  
TAXABLE FIRST MORTGAGES  
LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983		FY 1984		FY 1985 THRU( 3/31/85) %	
		%		%		%
SALES PRICE	117,418		135,722		123,399	
APPRAISED VALUE	120,477		139,275		126,531	
NOTE AMOUNT	98,764		113,460		104,768	
MONTHLY INCOME	4,614		5,174		4,455	
AGE OF BORROWER	35.5		34.6		33.4	
SIZE OF HOUSEHOLD	2.7		2.7		2.5	
LOAN TO SALES PRICE RATIO	84.96%		83.60%		84.90%	
WEIGHTED AVG INT. RATE	11.53%		10.72%		11.73%	
MONTHLY P&I	999.53		1,068.85		1,056.23	
DWELLING TYPE..SFR	3,408	74.64	3,368	73.03	2,544	71.97
CONDO	755	16.54	548	11.88	612	17.31
DUPLX	297	4.53	359	7.78	157	4.44
PUD	186	4.07	183	3.97	120	3.39
MOHM					48	1.36
TRI-PLEX	4	.09	40	.87	16	.45
FOUR PLEX	6	.13	114	2.47	38	1.07
NEW/EXISTING....NEW	2,640	57.82	2,542	55.12	2,021	57.17
EXISTING	1,926	42.18	2,070	44.88	1,514	42.83
1ST TIME HOMEOWNER..YES	1,372	30.05	1,187	25.74	1,653	46.76
NO	3,194	69.95	3,425	74.26	1,882	53.24
INSURANCE TYPE.....FHA					0	.00
VA	314	6.88	114	2.47	154	4.36
CONVA	4,252	93.12	4,498	97.53	3,381	95.64
ELIGIBILITY.....STVA	1,274	27.90	451	9.78	262	7.41
NON-STVA	3,292	72.10	4,161	90.22	3,273	92.59
					0	.00
ORIG. PRINCIPAL BALANCE	455,521,850.00		523,278,050.00		370,353,950.00	
ORIG. NUMBER OF LOANS	4,566		4,612		3,535	

DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION  
TAX EXEMPT MSBTA F. 1ST MORTGAGES  
LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983		FY 1984		FY 1985 THRU( 3/31/85) %	
		%		%		%
SALES PRICE	85,059		88,458		90,041	
APPRAISED VALUE	87,153		90,846		92,483	
NOTE AMOUNT	79,654		82,777		84,415	
MONTHLY INCOME	3,074		3,055		3,102	
AGE OF BORROWER	30.3		30.4		30.7	
SIZE OF HOUSEHOLD	2.2		2.3		2.3	
LOAN TO SALES PRICE RATIO	93.65%		93.58%		93.75%	
WEIGHTED AVG INT. RATE	9.88%		9.89%		10.58%	
MONTHLY P&I	692.83		720.35		777.79	
DWELLING TYPE..SFR	1,882	59.24	2,020	61.74	284	65.44
CONDO	1,200	37.77	1,173	35.85	139	32.03
DUPLX	33	1.04	26	.79	3	.69
PUD	62	1.95	50	1.53	4	.92
MOHM			3	.09	4	.92
TRI-PLEX					0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	2,294	72.21	2,226	68.03	259	59.68
EXISTING	883	27.79	1,046	31.97	175	40.32
1ST TIME HOMEOWNER..YES	2,814	88.57	2,873	87.81	379	87.33
NO	363	11.43	399	12.19	55	12.67
INSURANCE TYPE.....FHA					0	.00
VA	251	7.90	363	11.09	81	18.66
CONVA	2,926	92.10	2,909	88.91	353	81.34
ELIGIBILITY.....STVA	546	17.19	448	13.69	61	14.06
NON-STVA	2,631	82.81	2,824	86.31	373	85.94
					0	.00
ORIG. PRINCIPAL BALANCE	253,061,800.00		270,847,450.00		36,636,000.00	
ORIG. NUMBER OF LOANS	3,177		3,272		434	

DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION  
 STATE GUARANTEED BONDS - VETERANS MORT.  
 LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983		FY 1984		FY 1985 THRU( 3/31/85)	
		%		%		%
SALES PRICE	122,747		129,877		130,743	
APPRAISED VALUE	125,123		132,573		133,132	
NOTE AMOUNT	112,348		116,362		115,204	
MONTHLY INCOME	4,823		5,009		4,837	
AGE OF BORROWER	37.8		38.4		38.7	
SIZE OF HOUSEHOLD	3.0		3.1		3.1	
LOAN TO SALES PRICE RATIO	91.53%		89.59%		88.11%	
WEIGHTED AVG INT. RATE	9.06%		9.51%		10.54%	
MONTHLY P&I	909.44		982.01		1,058.24	
DWELLING TYPE..SFR	391	81.20	3,433	85.48	1,796	85.85
CONDO	65	13.43	362	9.01	173	8.27
DUPLX	10	2.07	91	2.27	21	1.00
PUD	18	3.31	128	3.19	81	3.87
MOHM			2	.05	17	.81
TRI-PLEX					4	.19
FOUR PLEX					0	.00
NEW/EXISTING....NEW	247	51.03	2,046	50.95	1,049	50.14
EXISTING	237	48.97	1,970	49.05	1,043	49.86
1ST TIME HOMEOWNER..YES	200	41.32	1,385	34.49	784	37.48
NO	284	56.68	2,631	65.51	1,308	62.52
INSURANCE TYPE.....FHA					0	.00
VA	210	43.39	1,596	39.74	926	44.26
CONVA	274	56.61	2,420	60.26	1,166	55.74
ELIGIBILITY.....STVA	484	100.00	4,016	100.00	2,091	99.95
NON-STVA					1	.05
					0	.00
ORIG. PRINCIPAL BALANCE	54,376,200.00		467,310,100.00		241,006,700.00	
ORIG. NUMBER OF LOANS	484		4,016		2,092	

DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION  
 MOBILE HOMES  
 LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983	%	FY 1984	%	FY 1985 THRU( 3/31/85) %	
	-----		-----		-----	
SALES PRICE	33,864		38,433		40,775	
APPRAISED VALUE	35,041		40,425		42,631	
NOTE AMOUNT	31,376		36,861		41,648	
MONTHLY INCOME	2,864		2,895		2,848	
AGE OF BORROWER	31.9		32.1		31.8	
SIZE OF HOUSEHOLD	2.5		2.5		2.4	
LOAN TO SALES PRICE RATIO	92.65%		95.91%		102.14%	
WEIGHTED AVG INT. RATE	11.39%		10.22%		10.96%	
MONTHLY P&I	343.30		372.50		444.82	
DWELLING TYPE..SFR					0	.00
CONDO					0	.00
DUPLX					0	.00
PUD					0	.00
MOHM	1,872	100.00	1,619	100.00	593	100.00
TRI-PLEX					0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	390	20.83	312	19.27	84	14.17
EXISTING	1,482	79.17	1,307	80.73	509	85.83
1ST TIME HOMEOWNER..YES	1,249	66.72	1,142	70.54	453	76.39
NO	623	33.28	477	29.46	140	23.61
INSURANCE TYPE.....FHA					0	.00
VA	4	.21	10	.62	22	3.71
CONVA	1,868	99.79	1,609	99.38	528	88.70
ELIGIBILITY.....STVA	263	14.05	333	20.57	74	12.48
NON-STVA	1,609	85.95	1,286	79.43	474	79.93
					0	.00
ORIG. PRINCIPAL BALANCE	58,735,850.00		59,677,888.00		24,897,547.00	
ORIG. NUMBER OF LOANS	1,872		1,619		593	

DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION  
RECEIVING HOME OWNERSHIP SUBSIDY  
LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983	%	FY 1984	%	FY 1985 THRU( 3/31/85)	%
	-----		-----		-----	
SALES PRICE	74,320		77,505		74,792	
APPRAISED VALUE	75,258		78,345		75,759	
NOTE AMOUNT	69,798		73,177		71,982	
MONTHLY INCOME	1,993		2,116		2,276	
AGE OF BORROWER	29.5		30.0		30.4	
SIZE OF HOUSEHOLD	1.8		2.2		2.2	
LOAN TO SALES PRICE RATIO	93.92%		94.42%		96.24%	
WEIGHTED AVG INT. RATE	10.31%		9.93%		11.16%	
MONTHLY P&I	628.66		639.55		702.03	
DWELLING TYPE..SFR	433	39.98	580	47.62	470	42.34
CONDO	641	59.19	586	48.11	427	38.47
DUPLX					0	.00
PUD	9	.83	7	.58	14	1.26
MOHM			45	3.69	199	17.93
TRI-PLEX					0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	735	67.87	832	68.31	601	54.14
EXISTING	348	32.13	386	31.69	509	45.86
1ST TIME HOMEOWNER..YES	846	78.12	976	80.13	921	82.87
NO	237	21.88	242	19.87	189	17.03
INSURANCE TYPE.....FHA					0	.00
VA			20	1.64	196	17.66
CONVA	1,083	100.00	1,198	98.36	897	80.81
ELIGIBILITY.....STVA	77	7.11	96	7.88	166	14.95
NON-STVA	1,006	92.89	1,122	92.12	927	83.51
					0	.00
ORIG. PRINCIPAL BALANCE	75,590,900.00		89,130,193.00		79,900,516.00	
ORIG. NUMBER OF LOANS	1,083		1,218		1,110	

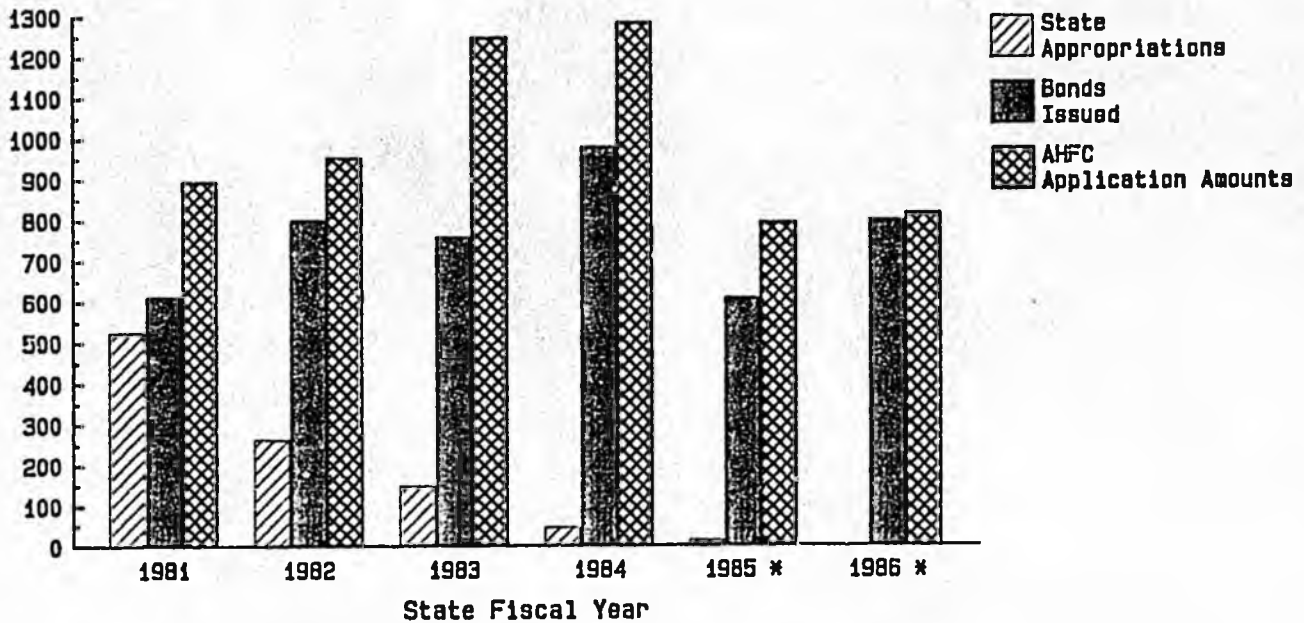
DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION  
 PLEDGED ACCOUNT MORTGAGES  
 LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983 %		FY 1984 %		FY 1985 THRU( 3/31/85) %	
	-----		-----		-----	
SALES PRICE	106,938		121,863		128,949	
APPRAISED VALUE	109,778		124,969		132,550	
NOTE AMOUNT	96,656		107,572		114,523	
MONTHLY INCOME	3,438		3,489		3,922	
AGE OF BORROWER	31.8		34.0		34.6	
SIZE OF HOUSEHOLD	2.4		2.5		2.6	
LOAN TO SALES PRICE RATIO	90.39%		88.27%		88.81%	
WEIGHTED AVG INT. RATE	11.49%		10.41%		11.62%	
MONTHLY P&I	969.97		983.00		1,144.86	
DWELLING TYPE..SFR	165	69.33	181	69.88	221	77.00
CONDO	56	23.53	52	20.08	36	12.54
DUPLX	3	1.26	13	5.02	16	5.57
PUD	14	5.88	13	5.02	14	4.88
MOHM					0	.00
TRI-PLEX					0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	161	67.65	147	56.76	148	51.57
EXISTING	77	32.35	112	43.24	139	48.43
1ST TIME HOMEOWNER..YES	98	41.18	103	39.77	95	33.10
NO	140	58.82	156	60.23	192	66.90
INSURANCE TYPE.....FHA					0	.00
VA					1	.35
CONVA	238	100.00	259	100.00	286	99.65
ELIGIBILITY.....STVA	23	10.50	64	24.71	81	28.22
NON-STVA	215	89.50	195	75.29	206	71.78
					0	.00
ORIG. PRINCIPAL BALANCE	23,004,150.00		27,861,250.00		32,868,050.00	
ORIG. NUMBER OF LOANS	238		259		287	

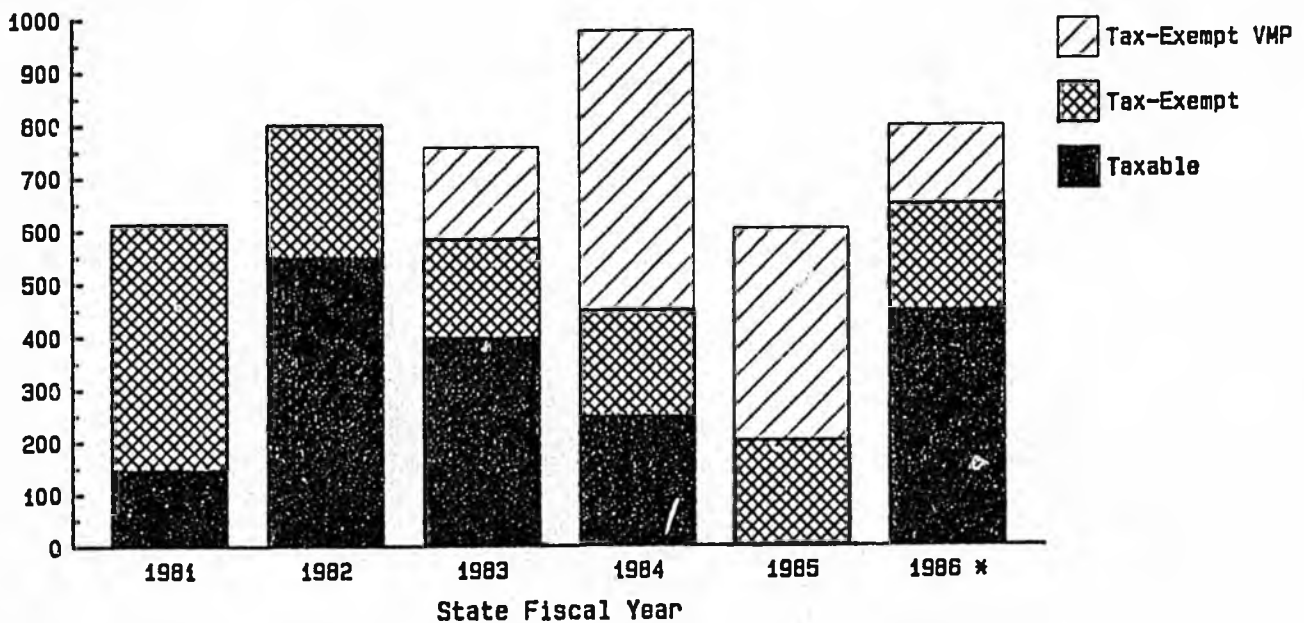
**ALASKA HOUSING FINANCE CORPORATION  
SUBSIDY, BONDING & MORTGAGE LEVELS**

Millions of Dollars



**ALASKA HOUSING FINANCE CORPORATION  
SUMMARY OF BONDS ISSUED BY TYPE**

Millions of Dollars



\* Projected

FY 1984 does not include \$ 175 million of financing arranged under agreements to deliver collateralized notes to FNMA.

FY 1985 does not include \$ 75 million of financing arranged under an agreement to deliver collateralized notes to FNMA.

EXHIBIT A

Senate Finance Committee Hearing

SB 281

April 18, 1985

ALASKA HOUSING FINANCE CORPORATION

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NOTE: Projections have been based upon recent mortgage application volume. Bonding and subsidy projections are extremely sensitive to fluctuations in mortgage demand.

ALASKA HOUSING FINANCE CORPORATION

Summary of Exhibit A

<u>Current Programs</u>	<u>Bonds Issued</u>	<u>Est. Mtg. Demand All Programs</u>	<u>Related Subsidy Transfers</u>	<u>Revolving Fund Liquid Assets (General Account) End of FY</u>	<u>Level of Subsidy</u>
FY 86	800	785	152	172	3%
FY 87	500	792	92	104	3%
FY 88	550	824	98	28	3%
FY 89	550	870	122	27*	3%

<u>As Modified By SB 281</u>	<u>Bonds Issued</u>	<u>Est. Mtg. Demand All Programs</u>	<u>Related Subsidy Transfers</u>	<u>Revolving Fund Liquid Assets (General Account) End of FY</u>	<u>Level of Subsidy</u>
FY 86	750	726	126	205	2-1/2% eff. 10-1-85
FY 87	425	634	45	198	2% eff. 10-8-86
FY 88	400	527	14	231	1-1/2% eff. 10-1-87
FY 89	150	480	-0-	287	1% eff. 10-1-88

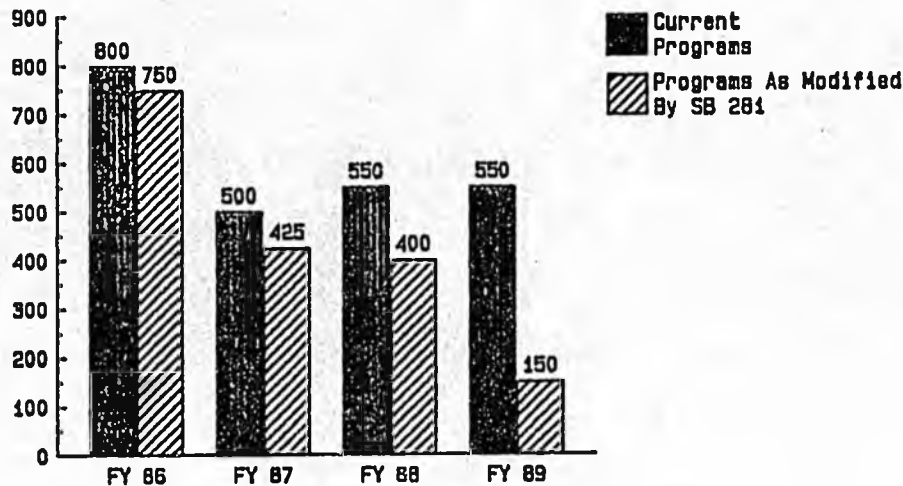
NOTE: Above projections anticipate receipt of \$16 million FY 84 appropriation and retention of all assets of the Alaska Housing Finance Revolving Fund.

\* Anticipates receipt of \$100 million appropriation in FY 89.

**ALASKA HOUSING FINANCE CORPORATION**  
*Analysis of the Projected Effects of SB 281*

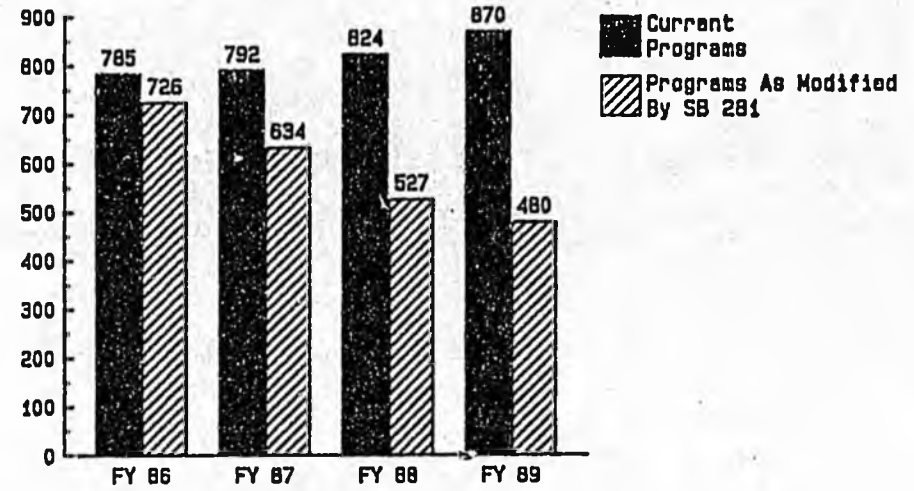
**BONDS ISSUED**

Millions of Dollars



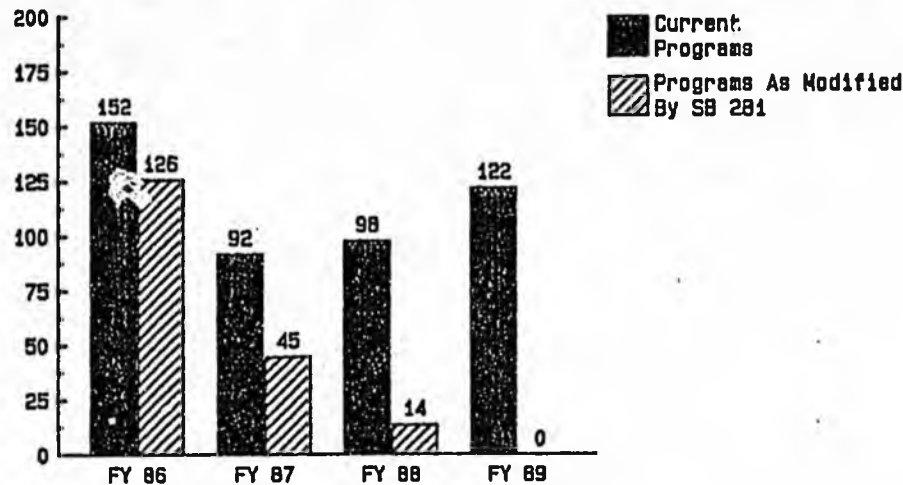
**ESTIMATED MORTGAGE DEMAND ALL PROGRAMS**

Millions of Dollars



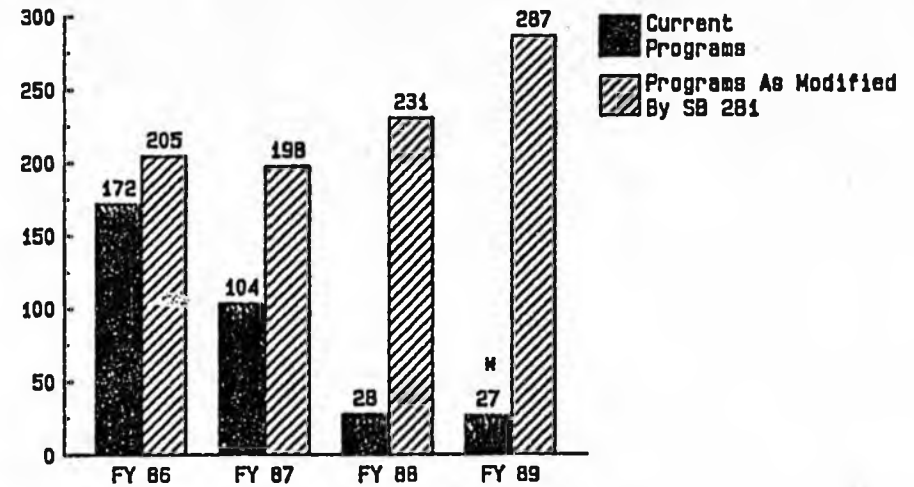
**RELATED SUBSIDY TRANSFERS**

Millions of Dollars



**REVOLVING FUND LIQUID ASSETS GENERAL ACCOUNT END OF FISCAL YEAR**

Millions of Dollars



NOTE: Above projections anticipate receipt of \$16 million FY 84 appropriation and retention of all assets of the Alaska Housing Finance Revolving Fund.

\* Anticipates receipt of \$100 million appropriation in FY 89.

2

SECTION 1

Current Programs

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1986  
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1985	\$110	-0-	\$202	\$142	\$ 93	\$547
Prepayments and principal reductions	(8)	\$ 8		(13)	13	-0-
Earnings		11			38	49
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					16	16
Non-bonded mortgage programs						
Second mortgages				10	(10)	-0-
Mobile home loans	12	(12)		28	(28)	-0-
Reduction in loans warehoused			(50)		50	-0-
Increase in HOF account	30			(30)		-0-
Required subsidy transfers	—	—	—	—	(152)	(152)
Balance: June 30, 1986	<u>\$144</u>	<u>-0-</u>	<u>\$152</u>	<u>\$137</u>	<u>\$ 20</u>	<u>\$453</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION  
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing  
Fiscal Year 1986  
(In Millions)

	Mortgage Loan Funds Available 7-1-85	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 86	Mortgage Loan Funds Available 6-30-86
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 62 <sup>(4)</sup>	\$ 60 <sup>(1)</sup>	\$150	\$ (2)	\$ 42	\$ 40	\$280	\$ 72
First Mortgage Veterans Program State Guaranteed Bonds	209	17 <sup>(2)</sup>	150	(4)	18	(14)	250	126
First Time Homebuyers Program Home Mortgage Bonds	75	5 <sup>(2)</sup>	200	(6)	32	(26)	205	75
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	10 <sup>(3)</sup>					10	
Mobile Home Loan Program	-0-	40 <sup>(3)</sup>					40	
	<u>\$346</u>	<u>\$132</u>	500	<u>\$(12)</u>	92	<u>-0-</u>	<u>\$785</u>	<u>\$273</u>
Deferred FNMA Note Closings			<u>300</u>		<u>60</u>			
			<u>\$800</u>		<u>\$152</u>			

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

(4) Includes amounts related to subsequent issuance of \$300 million collateral notes to be sold directly to FNMA.

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1987  
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities Conforming	Non-Conforming	Investments	
Balance: July 1, 1986	\$144	-0-	\$152	\$137	\$ 20	\$453
Prepayments and principal reductions	(10)	\$ 10		(10)	10	-0-
Earnings		14			28	42
Home ownership assistance subsidies		(9)				(9)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				7	(7)	-0-
Mobile home loans	15	(15)		20	(20)	-0-
Reduction in loans warehoused			(50)		50	-0-
Required subsidy transfers					(92)	(92)
Balance: June 30, 1987	<u>\$149</u>	<u>-0-</u>	<u>\$102</u>	<u>\$154</u>	<u>\$ 2</u>	<u>\$407</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

## ALASKA HOUSING FINANCE CORPORATION

## SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary Based Upon Subsidy Restructure Proposal  
Mortgage Demand and Proposed Bond FinancingFiscal Year 1987  
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-86</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 87</u>	<u>Mortgage Loan Funds Available 6-30-87</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 72	\$ 65 <sup>(1)</sup>	\$150	\$ (3)	\$ 42	\$ 40	\$295	\$ 71
First Mortgage Veterans Program State Guaranteed Bonds	126	20 <sup>(2)</sup>	150	(4)	18	(14)	240	56
First Time Homebuyers Program Home Mortgage Bonds	75	7	200	(6)	32	(26)	215	67
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	7 <sup>(3)</sup>					7	
Mobile Home Loan Program	-0-	35 <sup>(3)</sup>					35	
	<u>\$273</u>	<u>\$134</u>	<u>\$500</u>	<u>\$(13)</u>	<u>\$ 92</u>	<u>-0-</u>	<u>\$792</u>	<u>\$194</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1988  
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1987	\$149	-0-	\$102	\$154	\$ 2	\$407
Prepayments and principal reductions	(12)	\$ 12		(13)	13	-0-
Earnings		14			20	34
Home ownership assistance subsidies		(10)				(10)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				5	(5)	-0-
Mobile home loans	16	(16)		19	(19)	-0-
Reduction in loans warehoused			(75)		75	-0-
Required subsidy transfers	—	—	—	—	(98)	(98)
Balance: June 30, 1988	<u>\$153</u>	<u>-0-</u>	<u>\$ 27</u>	<u>\$165</u>	<u>\$ 1</u>	<u>\$346</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION  
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing  
Fiscal Year 1988  
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-87</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 88</u>	<u>Mortgage Loan Funds Available 6-30-88</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 71	\$ 65 <sup>(1)</sup>	\$150	\$ (3)	\$ 42	\$ 44	\$319	\$ 50
First Mortgage Veterans Program State Guaranteed Bonds	56	27 <sup>(2)</sup>	200	(6)	24	(18)	230	53
First Time Homebuyers Program Home Mortgage Bonds	67	11 <sup>(2)</sup>	200	(6)	32	(26)	235	43
<u>Internally Funded Programs</u>								
Second Mortgage Program		5 <sup>(3)</sup>					5	
Mobile Home Loan Program		35 <sup>(3)</sup>					35	
	<u>\$194</u>	<u>\$143</u>	<u>\$550</u>	<u>\$(15)</u>	<u>\$ 98</u>	<u>-0-</u>	<u>\$824</u>	<u>\$146</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1989  
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1988	\$153	-0-	\$ 27	\$165	\$ 1	\$346
Prepayments and principal reductions	(12)	\$ 12		(15)	15	-0-
Earnings		14			18	32
Home ownership assistance subsidies		(11)				(11)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				5	(5)	-0-
Mobile home loans	15	(15)		20	(20)	-0-
Reduction in loans warehoused						-0-
FY 89 legislative appropriation					100	100
Required subsidy transfers	—	—	—	—	(122)	(122)
Balance: June 30, 1989	\$156	-0-	\$ 27	\$175	-0-	\$358

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION  
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing  
Fiscal Year 1989  
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-88</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 89</u>	<u>Mortgage Loan Funds Available 6-30-89</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 50	\$ 65 <sup>(1)</sup>	\$350	\$ (6)	\$ 98	\$ 18	\$544	\$ 31
First Mortgage Veterans Program State Guaranteed Bonds	53	35 <sup>(2)</sup>	200	(6)	24	(18)	220	68
First Time Homebuyers Program Home Mortgage Bonds	43	23 <sup>(2)</sup>					66	-0-
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	5 <sup>(3)</sup>					5	
Mobile Home Loan Program	-0-	35 <sup>(3)</sup>					35	
	<u>\$146</u>	<u>\$163</u>	<u>\$550</u>	<u>\$(12)</u>	<u>\$122</u>	<u>-0-</u>	<u>\$870</u>	<u>\$ 99</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

SECTION 2

As Modified by SB 281

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1986  
(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans &amp; Net Mtg. Securities</u>		<u>Investments</u>	
			<u>Conforming</u>	<u>Non-Conforming</u>		
Balance: July 1, 1985	\$110	-0-	\$202	\$142	\$ 93	\$547
Prepayments and principal reductions	(8)	\$ 8		(13)	13	-0-
Earnings		11			41	52
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					16	16
Non-bonded mortgage programs						
Second mortgages				9	(9)	-0-
Mobile home loans	12	(12)		25	(25)	-0-
Reduction in loans warehoused						-0-
Increase in HOF account	30			(30)		-0-
Required subsidy transfers	—	—	—	—	(126)	(126)
Balance: June 30, 1986	<u>\$144</u>	<u>-0-</u>	<u>\$202</u>	<u>\$133</u>	<u>\$ 3</u>	<u>\$482</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION  
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing  
Fiscal Year 1986  
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-85</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 86</u>	<u>Mortgage Loan Funds Available 6-30-86</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 62 <sup>(1)</sup>	\$ 60 <sup>(1)</sup>	\$125	\$ (2)	\$ 30	\$ 27	\$259	\$ 43
First Mortgage Veterans Program State Guaranteed Bonds	209	17 <sup>(2)</sup>	125	(3)	12	(9)	231	120
First Time Homebuyers Program Home Mortgage Bonds	75	5 <sup>(2)</sup>	200	(6)	24	(18)	190	90
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	9 <sup>(3)</sup>					9	
Mobile Home Loan Program	-0-	37 <sup>(3)</sup>					37	
	<u>\$346</u>	<u>\$128</u>	450	<u>\$(11)</u>	66	<u>-0-</u>	<u>\$726</u>	<u>\$253</u>
Deferred FNMA Note Closings			<u>300</u>		<u>60</u>			
			<u>\$750</u>		<u>\$126</u>			

- (1) Housing and Insured Mortgage Bond prepayments.
- (2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.
- (3) Portion of earnings and prepayments of Revolving Fund including HOF Account.
- (4) Includes amounts related to subsequent issuance of \$300 million collateral notes to be sold directly to FNMA.

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1987  
(In Millions)

	HCF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1986	\$144	-0-	\$202	\$133	\$ 3	\$482
Prepayments and principal reductions	(10)	\$ 10		(10)	10	-0-
Earnings		14			33	47
Home ownership assistance subsidies		(8)				(8)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				6	(6)	-0-
Mobile home loans	16	(16)		12	(12)	-0-
Reduction in loans warehoused			(25)		25	-0-
Required subsidy transfers	—	—	—	—	(45)	(45)
Balance: June 30, 1987	<u>\$150</u>	<u>-0-</u>	<u>\$177</u>	<u>\$141</u>	<u>\$ 21</u>	<u>\$489</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

## ALASKA HOUSING FINANCE CORPORATION

## SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary Based Upon Subsidy Restructure Proposal  
Mortgage Demand and Proposed Bond FinancingFiscal Year 1987

(In Millions)

	<u>Mortgage Loan Funds Available 7-1-86</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 87</u>	<u>Mortgage Loan Funds Available 6-30-87</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 43	\$ 65 <sup>(1)</sup>	\$125	\$ (3)	\$ 25	\$ 12	\$236	\$ 31
First Mortgage Veterans Program State Guaranteed Bonds	120	20 <sup>(2)</sup>	100	(2)	4	(2)	192	48
First Time Homebuyers Program Home Mortgage Bonds	90	7	200	(6)	16	(10)	172	125
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	6 <sup>(3)</sup>					6	
Mobile Home Loan Program	-0-	28 <sup>(3)</sup>					28	
	<u>\$253</u>	<u>\$126</u>	<u>\$425</u>	<u>\$(11)</u>	<u>\$ 45</u>	<u>-0-</u>	<u>\$634</u>	<u>\$204</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1988  
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1987	\$150	-0-	\$177	\$141	\$ 21	\$489
Prepayments and principal reductions	(12)	\$ 12		(13)	13	-0-
Earnings		14			35	49
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				3	(3)	-0-
Mobile home loans	19	(19)		11	(11)	-0-
Reduction in loans warehoused			(35)		35	-0-
Required subsidy transfers	—	—	—	—	(14)	(14)
Balance: June 30, 1988	<u>\$157</u>	<u>-0-</u>	<u>\$142</u>	<u>\$142</u>	<u>\$ 89</u>	<u>\$530</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION  
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing  
Fiscal Year 1988  
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-87</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 88</u>	<u>Mortgage Loan Funds Available 6-30-88</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 31	\$ 65 <sup>(1)</sup>	\$ 50	\$ (1)	\$ 8		\$119	\$ 34
First Mortgage Veterans Program State Guaranteed Bonds	48	27 <sup>(2)</sup>	150	(4)			185	36
First Time Homebuyers Program Home Mortgage Bonds	125	11 <sup>(2)</sup>	200	(6)	6		190	146
<u>Internally Funded Programs</u>								
Second Mortgage Program		3 <sup>(3)</sup>					3	
Mobile Home Loan Program		30 <sup>(3)</sup>					30	
	<u>\$204</u>	<u>\$136</u>	<u>\$400</u>	<u>\$(11)</u>	<u>\$ 14</u>	<u>-0-</u>	<u>\$527</u>	<u>\$216</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1989

(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1988	\$157	-0-	\$142	\$142	\$ 89	\$530
Prepayments and principal reductions	(12)	\$ 12		(15)	15	-0-
Earnings		15			40	55
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				2	(2)	-0-
Mobile home loans	20	(20)		10	(10)	-0-
Reduction in loans warehoused			(92)		92	-0-
Transfer of HOF Account excess	(35)			35		-0-
Required subsidy transfers	—	—	—	—	-0-	-0-
Balance: June 30, 1989	<u>\$130</u>	<u>-0-</u>	<u>\$ 50</u>	<u>\$174</u>	<u>\$237</u>	<u>\$591</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing

Fiscal Year 1989

(In Millions)

	<u>Mortgage Loan Funds Available 7-1-88</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 89</u>	<u>Mortgage Loan Funds Available 6-30-89</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 34	\$ 65 <sup>(1)</sup>					\$ 99	-0-
First Mortgage Veterans Program State Guaranteed Bonds	36	35 <sup>(2)</sup>	\$150	\$ (4)			180	\$ 37
First Time Homebuyers Program Home Mortgage Bonds	146	23 <sup>(2)</sup>					169	-0-
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	2 <sup>(3)</sup>					2	
Mobile Home Loan Program	-0-	30 <sup>(3)</sup>					30	
	<u>\$216</u>	<u>\$155</u>	<u>\$150</u>	<u>\$ (4)</u>	<u>-0-</u>	<u>-0-</u>	<u>\$480</u>	<u>\$ 37</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

## FACT SHEET

### 1. History:

The state's loan program is 35 years old. The first loan fund was set up before Statehood: in 1953. It was the Agriculture Revolving Loan Fund (Ch 122 SLA 53) to "promote the more rapid development of agriculture as an industry...by means of long-term, low-interest loans."

### 2. Today:

There are 33 loan programs.  
\$5.6 billion outstanding. (Of that \$5.6 billion, 4.4 billion is in Housing).

Of the 33 loan programs:

21 are active ("active": presently making or servicing loans)  
12 are inactive ("inactive": no money appropriated this quarter)

List of the active and inactive loan programs attached.

### 3. Money outstanding:

\$5.6 billion outstanding ("outstanding": still owed to the agency plus unpaid principal)

Breakdown of this \$5.6 billion:

Economic development:	\$725.7 million (12.8%)
Education	256.4 million (4.5%)
Energy	50.0 million (.9%)
Housing	4.4 Billion (78.4%)
Medical/Child Care	16.2 million
Municipal Assistance:	170.3 million

### 4. State appropriations:

17 of the 21 active loan programs are financed through direct state expenditures.

4 are bond financed (ANFC, AIDA, Medical Facility Auth, Municipal Bond Bank Auth.)

Breakdown of LOAN DOLLARS approved in 3rd Quarter 85:

83.4% of dollars approved (\$183.6 m) came from bonds.  
16.6% of dollars approved (\$36.6 m) came from state approp.

Breakdown of NUMBER OF LOANS approved in 3rd Quarter 85:

70.5% of loans approved (3,350) were state appropriations.  
29.5% of loans approved (1,405) were bonds.

5. The kinds of loans approved in 3rd Quarter 85:

The largest NUMBER OF LOANS approved was to Education but the MOST LOAN DOLLARS were approved for Housing (68%):

By NUMBER OF LOANS approved:

Education:	3,005 loans approved (63.2%)
Housing:	1,484 loans approved (31.2%)
Economic Dev:	208 loans approved (4.4%)
Energy:	51 loans approved (1.1%)
Muni Assist & misc	7 loans approved (0.1%)

By LOAN DOLLARS approved:

Housing:	\$149.7 million (68.0%)
Economic Dev:	\$ 55.5 million (25.2%)
Muni Assist & misc	\$ 10.1 million (4.6%)
Education:	\$ 4.6 million (2.1%)
Energy:	\$ .3 million (.1%)

6. Evaluation of loan programs.

Although a Jan. 1982 study prepared for the Legislative Budget and Audit Aommittee (by Northern Development Assoc of Fbks) recommended continuing evaluation of how loan programs contribute to the State or the citizens, "no one does this," according to House Research Agency (Jay Livey).

LB&A Study recommendations attached.

Agencies are required by law to file annual loan reports. Copy of statute attached.

7. A Jan. 1983 study for the Governor (by the Loans Task Force) included several recommendations:

- a. Centralize loan administration under Commerce and Economic Development and consolidate accounting and collection.

In 1983 there were 30 loan programs in 6 different departments, administered by 17 divisions or agencies.

(Since 1983, two more loan programs have been added -- grain reserve and teacher.)

- b. State should avoid direct lending programs.  
State should not compete with private financial institutions.

(Except where "reasonable private financing" is not available.)

- c. State lending has driven private financial institutions out of the Alaskan market.

State should shift some of the default risk to private institutions. Task Force made two suggestions (pp. 31 and 32): guarantee funds and use CD's through private institutions.

- d. State should not subsidize loan interest rates except for explicit social or economic objectives. (Task Force says there is no policy concerning subsidized interest rates in loan programs.)

Any subsidies should be reconsidered once every 2 years and rescinded or reaffirmed.

Cost of any subsidy should be reported annually.

- e. Tie loan rates to US Treasury rate.
- f. Only qualified persons should get agricultural land from DNR. Agriculture loan program should be for development only. Should encourage Agriculture loan program toward private sector.
- g. Increase loan interest rate and adopt financial need criteria in Scholarship Loan Fund.
- h. Annual audits of all loan programs.
- i. Public officials should not attempt to influence decisions on loan applications or collections.

**FREE**

4/18/85  
Halford

## Federation's Role in our Enterprise Economy



April 13, 1985

Senator Rick Halford  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Senator Halford,

We are pleased to write this letter in support of SB 281.

We understand that the bill will raise interest rates on all State loan programs by one-half percent per year until they reach the going market rate for commercial loans.

The AWC FREE Committee's Tax and Economic Development subcommittee has completed a two year study of the State loan programs and recently published the enclosed position paper.

Passage of SB 281 would achieve three of our recommendations:

- Strive for reduction and eventual elimination of State dollar contributions to loan programs,
- Refine present programs to make them self supporting and revolving,
- Eliminate interest subsidies.

Indirectly, the bill would affect our other recommendations.

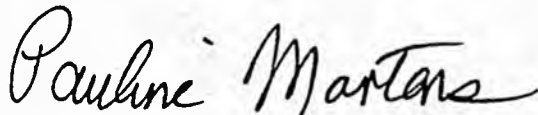
One of the positive aspects of SB 281 is the bill's equitable treatment of all State loan programs. This feature recognizes the decline in State revenues and the effect of less available funding for all loan programs. We realize that loan recipients are not equally divided among the programs and that the AHFC program services the largest share of recipients.

The AHFC program should be able to continue without subsidy. AHFC has been structured to become self supporting and has received diminishing appropriations for interest subsidies. Elimination of subsidies in a gradual manner should improve AHFC's ability to operate independently. As AHFC's interest rates approach market rates, demand will increase for other housing loan programs. Increased competition in the housing loan market should result in lower market interest rates.

The subcommittee has produced a twenty minute video entitled "Decisions for the 90's" reviewing the loan programs of Alaska and presenting the FREE Committee's recommendations. We are enclosing it for presentation as testimony at hearings concerning SB 281.

If we can be of further assistance, please contact Sarah Schierhorn (279-5305) or Pam Lambe (349-6531) co-chairmen of the committee responsible for the position paper.

Sincerely,



Pauline Martens, Chairman  
AWC FREE Committee

*Alaska* HOUSING  FINANCE CORPORATION

April 16, 1985

The Honorable Jan Faiks  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Faiks:

Enclosed please find a booklet containing lending and financing activity projections along with an analysis of Revolving Fund activity and balance estimates. The first section of the booklet contains projections based upon existing programs, while the second section presents the same information adjusted to reflect the changes expected should legislation in the form of that contained in SB 281 be implemented.

The projections are extremely sensitive to fluctuations in mortgage demand. Fairly low levels of mortgage activity are reflected in the analysis. Recent activity which has been at record lows provided the base for the estimates.

Total mortgage demand for FY 89 is projected to be reduced from \$870 to \$480 million under the provisions of SB 281. Subsequent to FY 89, the only program which would continue would be the tax-exempt financed Veterans Mortgage Program with annual activity of \$175 to \$225 million per year. These bonds would be issued on a non-subsidized basis.

The effect of SB 281 on Revolving Fund balances is dramatic. At the end of FY 89 without changing the program, \$27 million in liquid assets would be in the General Account of the Revolving Fund after receiving an additional appropriation of \$100 million. This compares to a projected liquid asset balance without any future appropriations of \$287 million if SB 281 is effected, representing a net difference of \$360 million.

You have asked whether the Corporation would need future legislative appropriations were SB 281 to become law and \$50 million reappropriated to the State General Fund. As demonstrated in the summary of Exhibit A, projected liquid assets of the Revolving Fund are substantially in excess of \$50 million. Accordingly, such a reappropriation in connection with a phasing out of the Corporation's loan programs is not expected to result in future appropriation requests.

If I can be of further assistance in any way, please let me know.

Sincerely,

*Mark K. Cameron*

Mark K. Cameron  
Acting Executive Director

MKC:lmg

Enclosure

ALASKA HOUSING FINANCE CORPORATION

Exhibit A - Table of Contents

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NOTE: Projections have been based upon recent mortgage application volume. Bonding and subsidy projections are extremely sensitive to fluctuations in mortgage demand.

ALASKA HOUSING FINANCE CORPORATION

Summary of Exhibit A

<u>Current Programs</u>	<u>Bonds Issued</u>	<u>Est. Mtg. Demand All Programs</u>	<u>Related Subsidy Transfers</u>	<u>Revolving Fund Liquid Assets (General Account) End of FY</u>	<u>Level of Subsidy</u>
FY 86	800	785	152	172	3%
FY 87	500	792	92	104	3%
FY 88	550	824	98	28	3%
FY 89	550	870	122	27*	3%

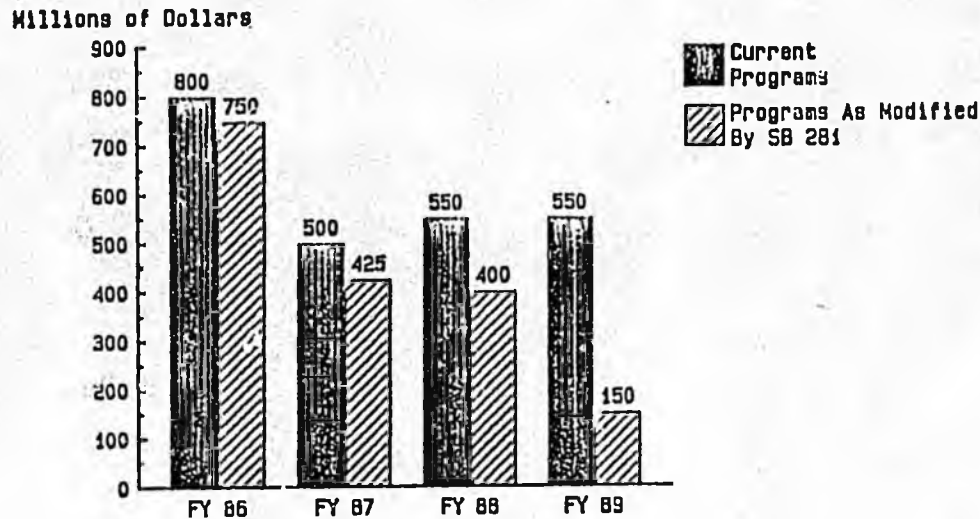
<u>As Modified By SB 281</u>	<u>Bonds Issued</u>	<u>Est. Mtg. Demand All Programs</u>	<u>Related Subsidy Transfers</u>	<u>Revolving Fund Liquid Assets (General Account) End of FY</u>	<u>Level of Subsidy</u>
FY 86	750	726	126	205	2-1/2% eff. 10-1-85
FY 87	425	634	45	198	2% eff. 10-8-86
FY 88	400	527	14	231	1-1/2% eff. 10-1-87
FY 89	150	480	-0-	287	1% eff. 10-1-88

NOTE: Above projections anticipate receipt of \$16 million FY 84 appropriation and retention of all assets of the Alaska Housing Finance Revolving Fund.

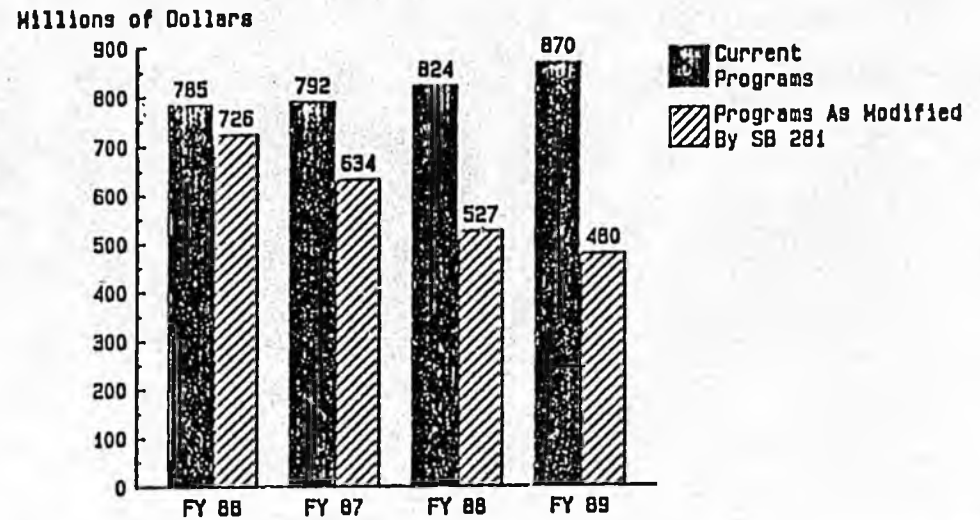
\* Anticipates receipt of \$100 million appropriation in FY 89.

**ALASKA HOUSING FINANCE CORPORATION**  
**Analysis of the Projected Effects of SB 281**

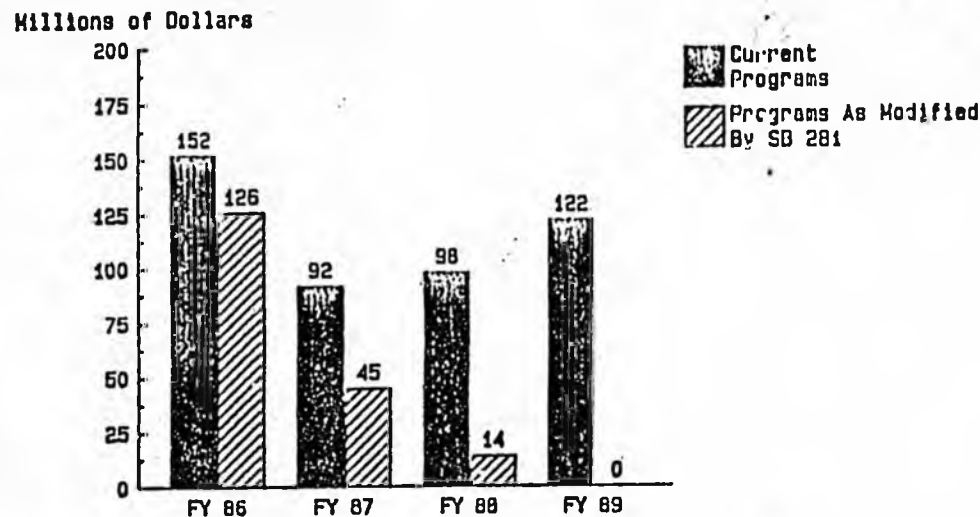
**BONDS ISSUED**



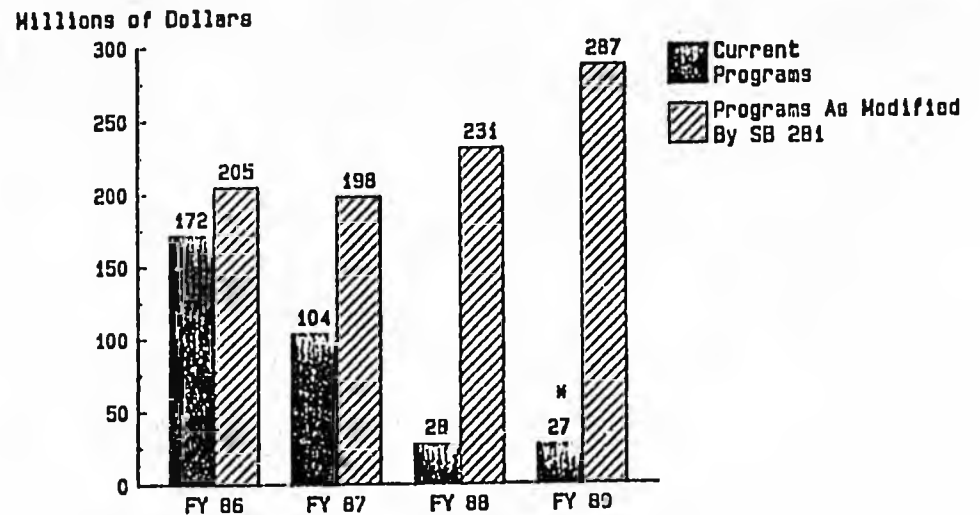
**ESTIMATED MORTGAGE DEMAND ALL PROGRAMS**



**RELATED SUBSIDY TRANSFERS**



**REVOLVING FUND LIQUID ASSETS GENERAL ACCOUNT END OF FISCAL YEAR**



NOTE: Above projections anticipate receipt of \$16 million FY 84 appropriation and retention of all assets of the Alaska Housing Finance Revolving Fund.

\* Anticipates receipt of \$100 million appropriation in FY 89.

SECTION 1 - CURRENT PROGRAMS

04/15/85

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1986  
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1985	\$110	-0-	\$202	\$142	\$ 93	\$547
Prepayments and principal reductions	(8)	\$ 8		(13)	13	-0-
Earnings		11			38	49
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					16	16
Non-bonded mortgage programs						
Second mortgages				10	(10)	-0-
Mobile home loans	12	(12)		28	(28)	-0-
Reduction in loans warehoused			(50)		50	-0-
Increase in HOF account	30			(30)		-0-
Required subsidy transfers	—	—	—	—	(152)	(152)
Balance: June 30, 1986	<u>\$144</u>	<u>-0-</u>	<u>\$152</u>	<u>\$137</u>	<u>\$ 20</u>	<u>\$453</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

04/15/85

## ALASKA HOUSING FINANCE CORPORATION

## SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing

Fiscal Year 1986

(In Millions)

	Mortgage Loan Funds Available 7-1-85	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 86	Mortgage Loan Funds Available 6-30-86
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 62 <sup>(4)</sup>	\$ 60 <sup>(1)</sup>	\$150	\$ (2)	\$ 42	\$ 40	\$280	\$ 72
First Mortgage Veterans Program State Guaranteed Bonds	209	17 <sup>(2)</sup>	150	(4)	18	(14)	250	126
First Time Homebuyers Program Home Mortgage Bonds	75	5 <sup>(2)</sup>	200	(6)	32	(26)	205	75
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	10 <sup>(3)</sup>					10	
Mobile Home Loan Program	-0-	40 <sup>(3)</sup>					40	
	<u>\$346</u>	<u>\$132.</u>	500	<u>\$(12)</u>	92	<u>-0-</u>	<u>\$785</u>	<u>\$273</u>
Deferred FNMA Note Closings			<u>300</u>		<u>60</u>			
			<u>\$800</u>		<u>\$152</u>			

(1) Housing and Insured Mortgage Bond repayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

(4) Includes amounts related to subsequent issuance of \$300 million collateral notes to be sold directly to FNMA.

04/15/85

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund ActivityFiscal Year 1987

(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1986	\$144	-0-	\$152	\$137	\$ 20	\$453
Prepayments and principal reductions	(10)	\$ 10		(10)	10	-0-
Earnings		14			28	42
Home ownership assistance subsidies		(9)				(9)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				7	(7)	-0-
Mobile home loans	15	(15)		20	(20)	-0-
Reduction in loans warehoused			(50)		50	-0-
Required subsidy transfers	—	—	—	—	(92)	(92)
Balance: June 30, 1987	<u>\$149</u>	<u>-0-</u>	<u>\$102</u>	<u>\$154</u>	<u>\$ 2</u>	<u>\$407</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

04/15/85

## ALASKA HOUSING FINANCE CORPORATION

## SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary Based Upon Subsidy Restructure Proposal  
Mortgage Demand and Proposed Bond Financing

Fiscal Year 1987  
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-86</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 87</u>	<u>Mortgage Loan Funds Available 6-30-87</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 72	\$ 65 <sup>(1)</sup>	\$150	\$ (3)	\$ 42	\$ 40	\$295	\$ 71
First Mortgage Veterans Program State Guaranteed Bonds	126	20 <sup>(2)</sup>	150	(4)	18	(14)	240	56
First Time Homebuyers Program Home Mortgage Bonds	75	7	200	(6)	32	(26)	215	67
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	7 <sup>(3)</sup>					7	
Mobile Home Loan Program	-0-	35 <sup>(3)</sup>					35	
	<u>\$273</u>	<u>\$134</u>	<u>\$500</u>	<u>\$ (13)</u>	<u>\$ 92</u>	<u>-0-</u>	<u>\$792</u>	<u>\$194</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including MOF Account.

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1988  
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1987	\$149	-0-	\$102	\$154	\$ 2	\$407
Prepayments and principal reductions	(12)	\$ 12		(13)	13	-0-
Earnings		14			20	34
Home ownership assistance subsidies		(10)				(10)
II-B earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				5	(5)	-0-
Mobile home loans	16	(16)		19	(19)	-0-
Reduction in loans warehoused			(75)		75	-0-
Required subsidy transfers	—	—	—	—	(98)	(98)
Balance: June 30, 1988	<u>\$153</u>	<u>-0-</u>	<u>\$ 27</u>	<u>\$165</u>	<u>\$ 1</u>	<u>\$346</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION  
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing  
Fiscal Year 1988  
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-87</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 88</u>	<u>Mortgage Loan Funds Available 6-30-88</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 71	\$ 65 <sup>(1)</sup>	\$150	\$ (3)	\$ 42	\$ 44	\$319	\$ 50
First Mortgage Veterans Program State Guaranteed Bonds	56	27 <sup>(2)</sup>	200	(6)	24	(18)	233	53
First Time Homebuyers Program Home Mortgage Bonds	67	11 <sup>(2)</sup>	200	(6)	32	(26)	235	43
<u>Internally Funded Programs</u>								
Second Mortgage Program		5 <sup>(3)</sup>					5	
Mobile Home Loan Program		35 <sup>(3)</sup>					35	
	<u>\$194</u>	<u>\$143</u>	<u>1550</u>	<u>\$(15)</u>	<u>\$ 98</u>	<u>-0-</u>	<u>\$824</u>	<u>\$146</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund ActivityFiscal Year 1989

(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1988	\$153	-0-	\$ 27	\$165	\$ 1	\$346
Prepayments and principal reductions	(12)	\$ 12		(15)	15	-0-
Earnings		14			18	32
Home ownership assistance subsidies		(11)				(11)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				5	(5)	-0-
Mobile home loans	15	(15)		20	(20)	-0-
Reduction in loans warehoused						-0-
FY 89 legislative appropriation					100	100
Required subsidy transfers	—	—	—	—	(122)	(122)
Balance: June 30, 1989	<u>\$156</u>	<u>-0-</u>	<u>\$ 27</u>	<u>\$175</u>	<u>-0-</u>	<u>\$358</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

04/15/85

## ALASKA HOUSING FINANCE CORPORATION

## SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing  
Fiscal Year 1989  
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-88</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 89</u>	<u>Mortgage Loan Funds Available 6-30-89</u>
<u>Bonded Programs</u>								
Flexible First Mortgage Program	\$ 50	\$ 65(1)	\$350	\$ (6)	\$ 98	\$ 18	\$544	\$ 31
First Mortgage Veterans Program State Guaranteed Bonds	53	35(2)	200	(6)	24	(18)	220	68
First Time Homebuyers Program Home Mortgage Bonds	43	23(2)					66	-0-
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	5(3)					5	
Mobile Home Loan Program	-0-	35(3)					35	
	<u>\$146</u>	<u>\$163</u>	<u>\$550</u>	<u>\$ (12)</u>	<u>\$122</u>	<u>-0-</u>	<u>\$670</u>	<u>\$ 99</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

SECTION 2 - AS MODIFIED BY SB 231

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1986  
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1985	\$110	-0-	\$202	\$142	\$ 93	\$547
Prepayments and principal reductions	(3)	\$ 8		(13)	13	-0-
Earnings		11				52
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					16	16
Non-bonded mortgage programs						
Second mortgages				9	(9)	-0-
Mobile home loans	12	(12)		25	(25)	-0-
Reduction in loans warehoused						-0-
Increase in HOF account	30			(30)		-0-
Required subsidy transfers	—	—	—	—	(126)	(126)
Balance: June 30, 1986	<u>\$144</u>	<u>-0-</u>	<u>\$202</u>	<u>\$133</u>	<u>\$ 3</u>	<u>\$482</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION  
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing  
Fiscal Year 1986  
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-85</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 86</u>	<u>Mortgage Loan Funds Available 6-30-86</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 62 <sup>(4)</sup>	\$ 60 <sup>(1)</sup>	125	1 (2)	\$ 30	\$ 27	\$259	\$ 43
First Mortgage Veterans Program State Guaranteed Bonds	209	17 <sup>(2)</sup>	125	(3)	12	(9)	231	120
First Time Homebuyers Program Home Mortgage Bonds	75	5 <sup>(2)</sup>	200	(6)	24	(18)	190	90
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	9 <sup>(3)</sup>					9	
Mobile Home Loan Program	-0-	37 <sup>(3)</sup>					37	
	<u>\$346</u>	<u>\$128</u>	450	<u>1(11)</u>	66	<u>-0-</u>	<u>\$726</u>	<u>\$253</u>
Deferred FHMA Note Closings			<u>300</u>		<u>60</u>			
			<u>1,750</u>		<u>1,126</u>			

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

(4) Includes amounts related to subsequent issuance of \$300 million collateral notes to be sold directly to FHMA.

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1987  
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mto. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1986	\$144	-0-	\$202	\$133	\$ 3	\$482
Prepayments and principal reductions	(10)	\$ 10		(10)	10	-0-
Earnings		14			33	47
Home ownership assistance subsidies		(8)				(8)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				6	(6)	-0-
Mobile home loans	16	(16)		12	(12)	-0-
Reduction in loans warehoused			(25)		25	-0-
Required subsidy transfers	—	—	—	—	(45)	(45)
<u>Balance: June 30, 1987</u>	<u>\$150</u>	<u>-0-</u>	<u>\$177</u>	<u>\$141</u>	<u>\$ 21</u>	<u>\$489</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

## ALASKA HOUSING FINANCE CORPORATION

## SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary Based Upon Subsidy Restructure Proposal  
Mortgage Demand and Proposed Bond Financing  
Fiscal Year 1987  
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-86</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 87</u>	<u>Mortgage Loan Funds Available 6-30-87</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 43	\$ 65(1)	\$125	\$ (3)	\$ 25	\$ 12	\$236	\$ 31
First Mortgage Veterans Program State Guaranteed Bonds	120	20(2)	100	(2)	4	(2)	192	48
First Time Homebuyers Program Home Mortgage Bonds	90	7	200	(6)	16	(10)	172	125
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	6(3)					6	
Mobile Home Loan Program	-0-	20(3)					28	
	<u>\$253</u>	<u>\$126</u>	<u>\$425</u>	<u>\$ (11)</u>	<u>\$ 45</u>	<u>-0-</u>	<u>\$634</u>	<u>\$204</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1988  
(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans &amp; Net Mtg. Securities</u>		<u>Investments</u>	
			<u>Conforming</u>	<u>Non-Conforming</u>		
Balance: July 1, 1987	\$150	-0-	\$177	\$141	\$ 21	\$489
Prepayments and principal reductions	(12)	\$ 12		(13)	13	-0-
Earnings		14			35	49
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				3	(3)	-0-
Mobile home loans	19	(19)		11	(11)	-0-
Reduction in loans warehoused			(35)		35	-0-
Required subsidy transfers	—	—	—	—	(14)	(14)
Balance: June 30, 1988	<u>\$157</u>	<u>-0-</u>	<u>\$142</u>	<u>\$142</u>	<u>\$ 89</u>	<u>\$530</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION  
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing  
Fiscal Year 1988  
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-87</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 88</u>	<u>Mortgage Loan Funds Available 6-30-88</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 31	\$ 65 <sup>(1)</sup>	\$ 50	\$ (1)	\$ 8		\$119	\$ 34
First Mortgage Veterans Program State Guaranteed Bonds	48	27 <sup>(2)</sup>	150	(4)			105	36
First Time Homebuyers Program Home Mortgage Bonds	125	11 <sup>(2)</sup>	200	(5)	6		190	146
<u>Internally Funded Programs</u>								
Second Mortgage Program		3 <sup>(3)</sup>					3	
Mobile Home Loan Program		30 <sup>(3)</sup>					30	
	<u>\$204</u>	<u>\$136</u>	<u>\$400</u>	<u>\$ (11)</u>	<u>\$ 14</u>	<u>-0-</u>	<u>\$527</u>	<u>\$216</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

## ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1989  
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities		Investments	
			Conforming	Non-Conforming		
Balance: July 1, 1988	\$157	-0-	\$142	\$142	\$ 89	\$530
Prepayments and principal reductions	(12)	\$ 12		(15)	15	-0-
Earnings		15			40	55
Home ownership assistance subsidies		(7)				(7)
IMB earnings release:					13	13
Non-bonded mortgage programs						
Second mortgages				2	(2)	-0-
Mobile home loans	20	(20)		10	(10)	-0-
Reduction in loans warehoused			(92)		52	-0-
Transfer of HOF Account excess	(35)			35		-0-
Required subsidy transfers	—	—	—	—	-0-	-0-
Balance: June 30, 1989	<u>\$130</u>	<u>-0-</u>	<u>\$ 50</u>	<u>\$174</u>	<u>\$237</u>	<u>\$591</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

## ALASKA HOUSING FINANCE CORPORATION

## SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing

Fiscal Year 1989

(In Millions)

	<u>Mortgage Loan Funds Available 7-1-88</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 89</u>	<u>Mortgage Loan Funds Available 6-30-89</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 34	\$ 65 <sup>(1)</sup>					\$ 99	-0-
First Mortgage Veterans Program State Guaranteed Bonds	36	35 <sup>(2)</sup>	\$ 150	\$ (4)			180	\$ 37
First Time Homebuyers Program Home Mortgage Bonds	146	23 <sup>(2)</sup>					169	-0-
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	2 <sup>(3)</sup>					2	
Mobile Home Loan Program	-0-	30 <sup>(3)</sup>					30	
	<u>\$216</u>	<u>\$155</u>	<u>\$150</u>	<u>\$ (4)</u>	<u>-0-</u>	<u>-0-</u>	<u>\$480</u>	<u>\$ 37</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOA Account.

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 18, 1985

## POSITION PAPER

RE: SENATE BILL 281

SPONSOR: SENATOR HALFORD, ET AL

### Program Effects of the Bill:

This bill seeks to raise the interest rates on loan programs administered by the state or an instrumentality of the state by one half percent annually, until the rate charged equals the prevailing market rate. Neither this bill nor the other sections of this statute really define "prevailing market rate," although AS 37.05.035(a) gives each loan program agency the right to determine prevailing market rate if none exists.

For the purpose of determining the effects of this bill on our rural loan programs, we used the current FHA/VA rate of 13 percent, and tried to determine what effect this rate would have on our loan program activity if that rate were in effect today. Our average loan amount on our Rural Owner-Occupied Loan Program for FY 84 and FY 85 year to date is \$89,929. Using this figure and our current interest rate of 9.875 percent, a borrower must have a monthly income of at least \$2,374 to qualify for this loan amount. This is assuming the house payment is their only monthly obligation, which is often the case in rural Alaska. In FY 84 and year to date FY 85, 88.6 percent of our borrowers had incomes greater than or equal to this amount. Using the same loan amount and a 13 percent interest rate and the same assumption about the house payment being the sole monthly obligation of the borrower, it would require a monthly income of \$2,985 to qualify. Only 74 percent of our current borrowers could have met this monthly income amount.

We realize that this bill would not increase the interest rate overnight, however, with construction costs increasing approximately three percent per year, the eventual effects of this legislation on the Rural Housing Loan Program would be more devastating than even the current year figures demonstrated, since we assumed construction costs would remain constant and a larger loan amount would not be required to buy the same house in the future.

BILL SHEFFIELD, GOVERNOR

POUCH #  
JUNEAU, ALASKA 99811  
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Position Paper  
RE: SENATE BILL 281  
April 18, 1985  
Page 2

The intent and purpose of this loan program, to upgrade and improve the housing stock in rural Alaska and make homeownership a reality for more rural Alaskans, would be seriously compromised.

The effects on the Rural Nonowner-Occupied Loan Program would virtually put the program out of business. Most of the projects we are financing today are just breaking even with a 10.5 percent interest rate and the high operating costs incurred in the rural areas. An interest rate any higher than this would make the vast majority of the projects economically nonviable.

To summarize, the increase in interest rates proposed by this bill would put homeownership out of the reach of most rural residents once again. We would see a run on the loan programs during the first few years by those seeking to own homes before the ideal is out of their reach. We would see people buying or building homes before they are financially stable or emotionally ready for homeownership. This will result in higher delinquency rates and more foreclosures.

One last item to be addressed is the effect of this bill on the Homeownership Assistance Fund. The demand on the fund would be significantly increased with the greater differential between the current program interest rate and the six percent rate to which we can subsidize the payments. A portion of any savings the state may realize by eliminating the subsidy in interest rates in whole would be consumed by the greater subsidies used by individual borrowers under the Homeownership Assistance Program.

Comments:


Another aspect that should be examined is the overall effect this bill would have on the state economy. The construction business and service industries constitute a large part of this state's economy. It is estimated that 20 people are employed by every real estate sales transaction that takes place on an existing structure. These would be people at the lending institutions, mortgage companies, credit unions, title insurance firms, real estate brokerage firms, appraisal firms, surveyors, mortgage insurance firms, tax service firms and firms dealing in fire, hazard, flood or homeowners insurance.

Position Paper  
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The numbers can grow to as much as 60 - 75 jobs when you are dealing with new construction, depending on the size of the project and whether it is a contractor or an owner builder doing the construction. These figures were supplied to HAD by Dave Ribachi, an Anchorage realtor at a HAD training workshop.

With the slowdown that would be brought about in the market due to the higher interest rates - and based on most economic projections, that is the direction interest rates are expected to go - the unemployment rates will probably increase, or at least not decrease. The state will incur greater costs in welfare and unemployment compensation as a result of this increase. The communities relying upon property taxes will see their tax base growth diminished due to the slowdown in development and market values.

If the goal of SB 281 is to leave the lending business, the State should face this directly by not appropriating money for those loan programs. An across the board increase of interest rates, however, is not an equitable solution to phase out these programs. If the goal of SB 281 is to affect interest rates alone, we recommend that the committee defer to the Governor's bill HB 109--which sets interest rates for State loans.

  
\_\_\_\_\_  
Emily Notti, Commissioner

4/18/85  
Halewood

A POSITION PAPER ON  
ALASKA STATE LOAN PROGRAMS

Prepared By  
G. F. W. C. ANCHORAGE WOMAN'S CLUB  
FREE COMMITTEE

January 1, 1985

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	III. Alaska Land Acreage Summary	Page 30

## INTRODUCTION

The Anchorage Woman's Club FREE Committee has completed a study of Alaska State loan programs in conjunction with research on the Permanent Fund and State spending policies.

Our studies of the Permanent Fund, the State budget process and capital spending including loan programs illustrate Alaska's unique situation. The public sector owns most land and resource rights. This circumstance requires government to manage what would normally be managed by private individuals. On the public's behalf, the State attempts to strike the best bargain in obtaining resource revenue and dispenses earnings in the most equitable manner possible. The vehicle of loan programs is one avenue in this process. Loan programs are an investment in the infrastructure of the state. They should provide a satisfactory yield measured by interest return, social benefits or economic growth. The investment in these loan programs has had a short term positive impact in most cases. Even if we can maintain continued subsidies, over the long term they will create an unhealthy dependency on loan programs.

The State has attempted to encourage economic development through loan programs. They are, however, an imperfect vehicle. Until the private sector possesses more land and resource rights, true economic growth will not flourish.

### SUMMARY OF RECOMMENDATIONS

1. Strive for reduction and eventual elimination of State dollar contributions to loan programs.
  - a. Reword the State spending limit.
  - b. Refine present programs to make them self supporting and revolving.
  - c. Eliminate interest subsidies.
  - d. Institute strict collection procedures.
2. Implement adequate statutory review of programs.
  - a. Use review to evaluate programs.
  - b. Base continued support of programs on evaluation.
3. Recognize that the market will limit bonded indebtedness of the debt issuing entities of the State.

## OVERVIEW OF ALASKA'S INVESTMENT IN STATE LOAN PROGRAMS

Over the last 15 years the State of Alaska has made a substantial investment in loan programs. The programs have been designed to benefit all Alaskans by encouraging economic growth, increasing employment, easing the effects of inflation and meeting social needs.

State lending policy has developed some 35 programs offering low interest loans to all Alaskans to buy housing; to develop businesses, renewable resources and energy; to finance education and child care; and to build municipal facilities and hospitals.

As of June 30, 1984, there were 121,680 loans outstanding totaling more than \$4.9 billion.

Loan programs have existed since statehood, but most have been enacted since 1978. During the 1970's, many of the State's present loan programs were designed as revolving loan funds. These revolving loan funds were intended to be self sustaining. Steady growth in demand coupled with larger loan amounts and higher interest rates has often meant that repayments did not replenish the loan funds. State appropriations remain the chief source of additional capital for revolving loan programs.

As lending activity increased, the State began "leveraging" its funds to provide the maximum capital for lending. The national tax exempt bond market was used to do this. Because of recent congressional changes in rules for tax-exempt bond sales, the State now also sells taxable bonds. Alaska Housing Finance Corporation is the State's most frequent and best known borrower. In fact, they are the third largest corporate borrower of taxable U.S. dollars in the world preceded only by General Motors Acceptance Corporation and the World Bank. The State's revenue sources have allowed for development of these methods of financing. A significant portion of the State's investment in loan programs is funded through revenue bonds. For example,

of \$382 million in loans approved in the 4th quarter of FY 1984, \$349 million were funded by bond sales and \$32 million were funded by state appropriations. It must be remembered that the loans are investments, not direct outlays, and most will be repaid with interest.

The State's primary investment in loan programs has been in housing. Business development accounts for a lesser share of the total with the remaining dollars divided between renewable resource and energy development and social programs. Charts I - IV provide graphic information on the State's investment in loan programs. A description of the various loan programs is included in the Appendices section of this paper. Also, the FREE Committee has prepared a video program describing all the State loan programs. This video program is available upon request.

ALASKA STATE LOAN PROGRAMS

	<u>LOANS OUTSTANDING JUNE 30, 1984</u>	<u>BONDED INDEBTEDNESS JUNE 30, 1984</u>	<u>TYPE OF LENDING</u>
<u>HOUSING</u>			
Alaska Housing Finance Corporation	\$3,798,838	\$3,507,438	Secondary
Housing Assistance Loan Fund	102,189	-	Secondary
Residential Energy Conservation Fund	5,251	-	Direct
<u>BUSINESS DEVELOPMENT</u>			
Alaska Industrial Development Authority	325,028	155,432	Secondary
Small Business Revolving Loan Fund	71,065	-	Direct
Tourism Revolving Loan Fund	6,342	-	Direct
Veterans Revolving Loan Fund	94,384	-	Direct
<u>RENEWABLE RESOURCE DEVELOPMENT</u>			
Agricultural Revolving Loan Fund	44,516	-	Direct
Alaska Grain Reserve Loan Fund	152	-	Direct
Alaska Resources Corporation	19,105	-	Direct
Commercial Fishing Revolving Loan Fund	80,250	-	Direct
Fisheries Engagement Revolving Loan Fund	33,989	-	Direct
<u>ENERGY AND NONRENEWABLE RESOURCE DEVELOPMENT</u>			
Alaska Power Authority - Power Project Fund	29,229	-	Direct
Alaska Power Authority - Rural Electrification Revolving Loan Fund	3,845	-	Direct
Alternative Technology and Energy Revolving Loan Fund	10,806	-	Direct
Mining Revolving Loan Fund	19,008	-	Direct
Water Resources Revolving Loan Fund	910	-	Direct
<u>SOCIAL PROGRAMS</u>			
Scholarship Revolving Loan Fund	185,496	-	Direct
Alaska Medical Facility Authority	12,767	12,767	Direct
Child Care Facility Revolving Loan Fund	671	-	Direct
Medical Malpractice Liability Revolving Loan Fund	3,000	-	Direct
Alaska Municipal Bond Bank Authority	145,462	145,462	Direct
Bulk Fuel Revolving Loan Fund	404	-	Direct
Historical District Revolving Loan Fund	255	-	Direct
	<u>\$4,992,972</u>	<u>\$3,821,099</u>	

Source: House Research Agency, 4th Quarter 1984 Report  
June 30, 1984 Financial Statements

CHART I

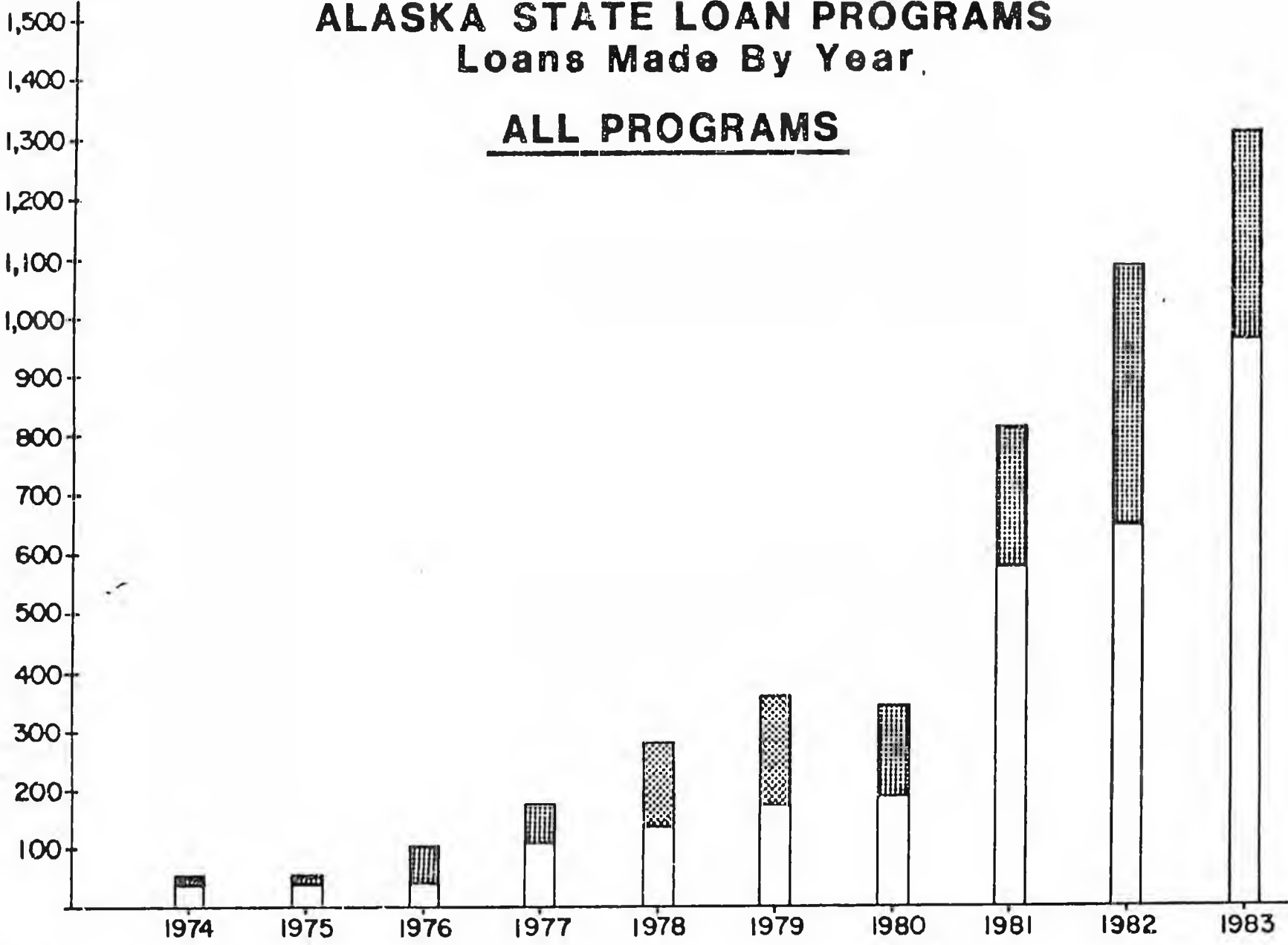
# ALASKA STATE LOAN PROGRAMS



## Loans Made By Year.

### ALL PROGRAMS

8

MILLIONS \$



 FUNDED BY BOND SALES  
 FUNDED BY STATE APPROPRIATIONS

Summary of Delinquency and Default  
State Loan Programs, 4rd Quarter FY 84

Loan Program	Delinquent Loans <sup>1</sup>		Loans in Default <sup>2</sup>	
	\$(thousands)	%	\$	%
<u>Indirect Lenders:</u> Alaska Housing Finance Corporation (all programs)	\$113,615.1	3.0%	\$3,078.2	---*
Alaska Industrial Development Authority:				
AIDA-purchased	7,163.2	3.2%	375.7	---
Appropriated to AIDA	8,107.0	7.7%	2,581.8	2.4%
Alaska Medical Facility Authority	0.0	0.0%	0.0	0.0%
Alaska Municipal Bond Bank Authority	0.0	0.0%	0.0	0.0%
<u>Direct Lenders:</u> Agriculture Revolving Loan Fund	6,953.5	15.6%	5,976.9	13.4%
Alaska Power Authority:				
Power Project Fund	0.0	0.0%	0.0	0.0%
Rural Electrification Revolving Loan Fund	0.0	0.0%	0.0	0.0%
Alaska Resources Corporation	NA	NA	NA	NA
Alternative Technology & Energy Rev. Loan Fund (est.)	2,408.0	22.3%	24.0	.2%
Bulk Fuel Revolving Loan Fund	148.0	.7%	0.0	0.0%
Child Care Facility Rev. Loan Fund	103.0	15.4%	0.0	0.0
Commercial Fishing Revolving Loan Fund	11,551.3	14.4%	607.0	.8%
Fisheries Enhancement Revolving Loan Fund	0.0	0.0%	0.0	0.0%
Housing Assistance Loan Fund <sup>3</sup>	1,977.2	2.0%	0.0	0.0%
Medical Malpractice Liability Revolving Loan Fund	0.0	0.0%	0.0	0.0%
Minino Loan Fund	10,621.0	55.9%	0.0	0.0%
Residential Energy Conservation Fund	1,029.2	19.8%	13.4	.3%
Scholarship Revolving Loan Fund	12,470.1	6.7%	10,581.7	5.7%
Small Business Revolving Loan Fund	34,198.0	48.1%	1,763.0	2.5%
Tourism Revolving Loan Fund	1,034.0	16.3%	0.0	0.0%
Veterans' Revolving Loan Fund <sup>4</sup>	20,333.1	21.5%	540.0	.6%
Water Resources Revolving Loan Fund	0.0	0.0%	0.0	0.0%

\*--- less than .1%

<sup>1</sup>Delinquency includes all loans that are more than one day past due at the end of the quarter; the exceptions are the Agricultural Revolving Loan Fund, AIDA and the Scholarship Revolving Loan Fund.

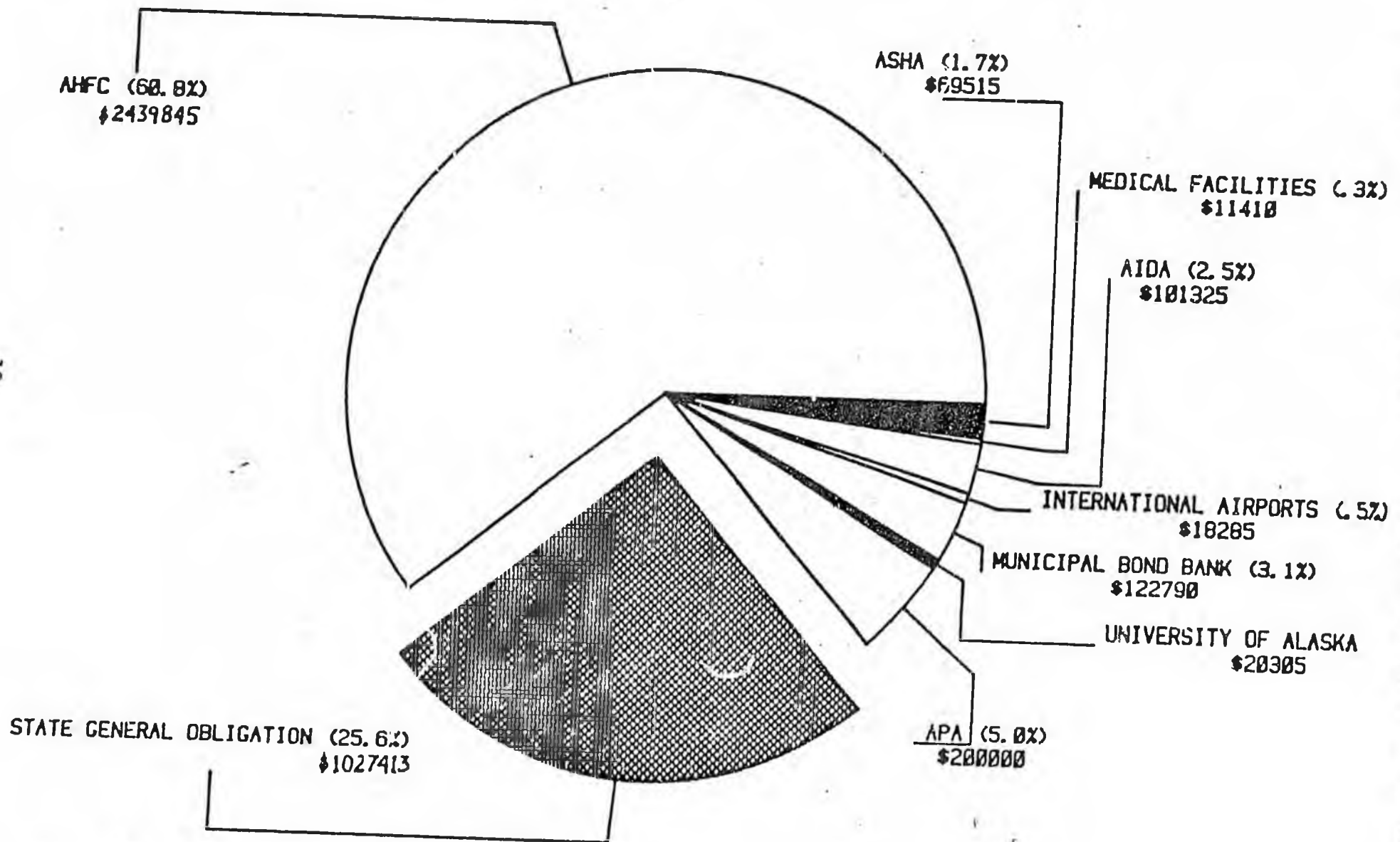
<sup>2</sup>Loans in default are defined as delinquent loans that have been turned over to counsel for legal action, except loans made from the Scholarship Revolving Loan Fund which are considered to be in default if more than 120 days delinquent.

<sup>3</sup>Includes only the Nonconforming Housing Loan program and mortgages for the Rural Owner-Occupied and Rural Non-Owner-Occupied programs that were purchased since the start of FY 83; mortgages made by the two rural programs before July 1, 1982 are serviced by AHFC and are included in AHFC's delinquency and default figures.

<sup>4</sup>Reflects transfer of all AHFC owned veteran loans effective 11/1/83.

TOTAL STATE DEBT OUTSTANDING BY ISSUER  
 (DOLLARS IN 000'S AS OF APRIL 1, 1983)

10



Source: "A Review of Debt Capacity and Debt Management for the State of Alaska"  
 Prepared by the Municipal Finance Officers Association, August, 1983

ALASKA

CHART IV

APPENDIX I

DESCRIPTION OF PROGRAMS

HOUSING

ALASKA HOUSING FINANCE CORPORATION

Special Mortgage Loan Purchase Program  
Home Ownership Assistance Program  
Pledged Account Mortgage Program  
Tax Exempt Mortgage Loan Program  
Veterans Mortgage Loan Programs  
Tri-Plex and Four-Plex Mortgage Loan Program  
Alaska Building Equity Mortgage  
Mobile Home Loan Program  
Second Mortgage Loan Purchase Program

HOUSING ASSISTANCE DIVISION

Rural Housing Mortgage Program  
Non Owner Occupied Rural Mortgage Purchase  
Program  
Non Conforming Housing Loan Program

Originally, Alaska wanted to offer people of low and moderate income decent housing. In 1971, Alaska Housing Finance Corporation (AHFC) was created to do this. In 1980, new programs were created which increased loan limits and no restrictions on income. A dramatic increase in housing activity was felt throughout the Alaskan economy. The largest single program is the Special Mortgage Loan Purchase Program, accounting for approximately 90 percent of the agency's activities. AHFC loans its bond proceeds at an interest rate that is 3 percent below the cost of its taxable funds for the first \$90,000 of each loan provided, however, the rate may not be less than 10 percent (9 percent for veterans) unless the cost of funds is below 10 percent.

The Special Mortgage Loan Purchase Program includes assistance programs to meet specific borrower needs, one of these is the Home Ownership Assistance Program established to assist low and moderate income families in purchasing a home. Funded by appropriations from the State, the Home Ownership Assistance Program purchases investment securities and mortgages under other AHFC programs. The earnings of the fund are then used to pay the additional interest subsidy for the borrower. Income restrictions and purchase price ceilings apply to this program. As the borrower's income increases, the subsidy is reduced minimizing the cost to the state while maintaining the objective of the program allowing low to moderate income borrowers the opportunity for home ownership.

The Pledged Account Mortgage Program is also included in the Special Mortgage Loan Purchase Program. It offers a graduated payment mortgage, featuring low initial payments supplemented by payments from a pledged savings account for the first five years. The borrower's line of employment would be expected to be upwardly mobile.

The Tax-Exempt Mortgage Loan Program is funded by tax-exempt mortgage revenue bonds. AHFC's bonding authority had been limited to \$200 million of these bonds per year pursuant to federal legislation which also provided that no bonds may be issued under this program subsequent to December 31, 1983. Accordingly, this popular program for applicants who have not owned a home the prior 3 years will terminate when the proceeds of the 1983 bond issues have been utilized unless the U.S. Congress enacts specific legislation extending the program.

The Veteran's Tax-Exempt Mortgage Program is funded by bonds issued by AHFC which carry the general obligation of the State. Bonding limits are established by Alaska voters. To apply under this program, borrowers must be qualified veterans as defined in Title 38 of the United States Code 101(2).

In response to concerns about availability of rentals throughout the State, the Triplex and Four-plex Mortgage Loan Program was created allowing individuals to purchase owner-occupied tri and four-plex residences.

Due to increasing interest rates caused by volatile capital markets and a weakening in demand for longer term taxable securities, Alaska Building Equity Mortgages were implemented June 1, 1982. These gave AHFC access to less expensive short-term capital markets. Loans under this program are fully paid in 16 to 19 years. The Alaska Building Equity structured mortgage applies to all of the Corporation's programs except certain loans under the Mobile Home Loan Program and Second Mortgage Loan Program.

The Mobile Home Loan Program finances the purchase of mobile homes which have played a significant role in providing housing in Alaska by offering an alternative to the high cost of stick-built dwellings.

Reflecting the Legislature's intent to give all residents the same opportunity to borrow up to \$90,000 in State subsidized mortgage funds, the Second Mortgage Loan Purchase Program offers second mortgages to help refinance or make home improvements.

Because of the low interest rates offered in all of AHFC's programs and the removal of income restrictions, the State of Alaska is now the primary lender for single-family and duplex homes. Since most of these loans are made contingent on State purchase, the State can be viewed almost as a direct lender using the private institutions as agents. AHFC has experienced delinquency rates substantially below the national average.

Housing loans are also made by the Housing Assistance Division of the Department of Community and Regional Affairs, which administers the Rural Housing Mortgage Program, the Non Owner-Occupied Rural Mortgage Purchase Program, and the Nonconforming Housing Loan Program. The programs were developed to answer the special housing needs of those in remote and undeveloped areas of Alaska. Loans are made from the Housing Assistance Loan Fund at varying rates of interest depending on the program. Loans originated by others are also purchased. Direct appropriations supply the fund.

BUSINESS DEVELOPMENT

ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY

Revenue Bond Program  
Economic Development Umbrella Bond Program  
Consolidated Umbrella Bond Program  
Small Enterprise Loan Account  
Multi-Family Housing Bond Program

INACTIVE PROGRAMS

Small Business Revolving Loan Fund  
Tourism Revolving Loan Fund  
Veterans Revolving Loan Fund

The primary program developed by the State of Alaska to encourage business development is the Alaska Industrial Development Authority (AIDA). It was established in 1967 to promote prosperity and economic welfare of the people of Alaska by financing industrial, manufacturing and business enterprises. AIDA received initial funding from the State in general fund appropriations and transfer of loans from the small business revolving loan fund. Except for the Multi-family Housing Bond Program, AIDA receives no additional funding from the State. It is authorized to operate five programs.

The Revenue Bond Program is available to businesses as a means of securing funds through the tax-exempt bond market. AIDA acts essentially as a conduit for businesses, issuing industrial development revenue bonds. The bonds are secured solely by the private business benefitting from the bond sale and are not a liability of the Authority. Projects funded through the program include pulp mills, freight terminals, fuel facilities, school buses, motels, deep water ports and a tour boat.

The Economic Development Umbrella Bond Program uses the tax-exempt bond market to finance business projects of \$1 million or less. These bond issues are secured by the project, individual guarantees and the full faith and credit of the Authority. Lending institutions are required to originate these loans and fund 10% while AIDA finances 90% through bond sales.

The Consolidated Umbrella Bond Program is a similar program which provides financing for projects over \$1 million. Originating financial institutions fund 20% of the loan, AIDA 80%.

Alaska statutes have authorized a Small Enterprise Loan Account which is used to purchase the federally guaranteed portion of a loan made by a private financial institution. These loans are guaranteed by the Small Business Administration.

The 1982 Legislature created the Multi-Family Housing Bond Program to develop an adequate supply of multi-family housing projects. The Authority sells bonds and uses the proceeds to purchase participations in qualifying projects.

Congressional action in 1984 significantly affected the Authority's ability to issue tax-exempt bonds. This

action prompted AIDA to implement a taxable umbrella bond program. In addition, legislation passed in 1984 allows the Authority to own and operate certain types of public projects. Under this legislation AIDA has received \$3.4 million to fund the Authority's initial involvement with the possible construction of transportation infrastructure aiding development of mineral resources in the DeLong Mountains area of Northwestern Alaska.

RENEWABLE RESOURCE DEVELOPMENT

AGRICULTURAL REVOLVING LOAN FUND

ALASKA GRAIN RESERVE LOAN FUND

ALASKA RESOURCES CORPORATION

COMMERCIAL FISHING AND AGRICULTURE BANK

COMMERCIAL FISHING REVOLVING LOAN FUND

FISHERIES ENHANCEMENT REVOLVING LOAN FUND

FISHERY PRODUCT REVOLVING LOAN GUARANTEE FUND

The state has a long standing commitment to resource development. Programs have been established for the agriculture, fishing and timber industries. The State's investment in this area has been by direct appropriation excepting renewable resource projects financed through AIDA.

The oldest state loan program is the Agricultural Revolving Loan Fund. It was established in 1953 to promote more rapid development of agriculture as an industry in Alaska. Loans are made for development of farms and to businesses in farm related industries.

The Alaska Grain Reserve Loan Fund was established in 1983 to assist grain producers by making loans secured by grain reserves.

The Alaska Resources Corporation was created by Alaska statute in 1978. It received a portion of oil royalty income to be used to develop capital in renewable resources industries. The corporation no longer receives State appropriations and was significantly reorganized in 1982. The corporation makes loans and equity investments in businesses. It has experienced a significant delinquency and default record on loans. Legislation in 1984 provides for the orderly termination of the Corporation.

The Commercial Fishing and Agriculture Bank is a private lending cooperative established by the State of Alaska in 1978. The bank received \$32 million in capital from the State in the form of preferred stock which will be repaid to the state by the year 2000. The Bank is a member of the Federal Farm Credit System and uses the national taxable bond market to secure funds for loans. The Bank's investments are primarily in the fishing industry.

The Commercial Fishing Revolving Loan Fund provides low-interest loans for businesses in the fishing industry to purchase limited entry permits, gear and vessels.

The Fisheries Enhancement Revolving Loan Fund provides low-interest, long-term loans to regional associations for fish hatchery planning, construction and operation.

The Fishery Product Revolving Loan Guarantee Fund was established by the Alaska legislature in 1982 in response to the large recall of Alaska fish products. The fund does not make loans, but rather, guarantees up to 50% of loans made to fish processors with facilities in Alaska.

ENERGY AND NON-RENEWABLE RESOURCE DEVELOPMENT

ALASKA POWER AUTHORITY

Power Project Fund

Rural Electrification Revolving Loan Fund

RESIDENTIAL ENERGY REVOLVING LOAN FUND

ALTERNATIVE ENERGY REVOLVING LOAN FUND

MINING REVOLVING LOAN FUND

Five loan programs comprise the energy section. Two programs are administered by the Alaska Power Authority, funded by State appropriation, and make loans to utilities for power project development. The legislature turned almost \$50 million in loans made by the Power Project fund into grants in 1981. The Rural Electrification Revolving Loan Fund was created to provide low cost financing to electric utilities to extend service lines into rural areas that are not currently served.

Two programs make loans to individuals and are administered by the Division of Investments. The Residential Energy Revolving Loan Fund makes grants to cover energy audits and loans to cover cost of improvements recommended by the audits. The Alternative Energy Revolving Loan Fund makes loans to encourage development of means of energy production based on sources other than fossil fuel or nuclear fuel.

The Mining Revolving Loan Fund is the only state industrial loan program funded solely by state appropriation, lending funds at interest rates of 10% as set by statute. It is to provide financing for mineral exploration, development or mining. The largest loan has been made for coal mining and other financing has been for gold mining.

SOCIAL PROGRAMS

EDUCATION

Scholarship Revolving Loan Fund  
Teacher Scholarship Loan Fund

MEDICAL AND CHILD CARE

Alaska Medical Facility Authority  
Child Care Facility Revolving Loan Fund  
Medical Malpractice Liability Revolving Loan  
Fund

MUNICIPAL ASSISTANCE

Alaska Municipal Bond Bank Authority  
Bulk Fuel Revolving Loan Fund  
Historical District Revolving Loan Fund

We're fortunate to have one of the most generously subsidized educational loan programs in the country. A qualified borrower may borrow \$6,000 per year for undergraduate post secondary study and \$7,000 per year for graduate study for a maximum of eight years. The terms are a 10 year repayment, at 5% interest, with 50% of the loan forgiven after 6 years of work in Alaska. As tuitions and interest rates have risen, demand for student loans has soared.

The Alaska Medical Facility Authority provides low cost financing to construct and equip private medical facilities. Loans are financed by the sale of bonds. One \$12 million loan has been made to Fairbanks Memorial Hospital.

The Alaska Municipal Bond Bank was established in 1975 to loan funds for capital construction projects to Alaskan cities and boroughs. It is a separate, legal, public corporation. The bank raises money for loans by issuing tax exempt bonds that are general obligations of the bank alone - not the State of Alaska. The State, however, pledges its moral obligation to the maintenance of debt service reserve funds. Alaska's localities benefit from lower interest and administration cost for funds borrowed from the Bond Bank. Schools, water and sewer systems, public buildings and paved streets have been built by local governments in all parts of Alaska with Municipal Bond Bank financing. The Bank is authorized to have \$200 million in debt outstanding. The bank has one employee; its executive director and contracts in the private sector for a wide range of professional services.

## APPENDIX II

### ALASKA STATE LOAN PROGRAMS

#### RESEARCH SOURCES

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Sheffield, Bill. Governor Sheffield's Goals for Alaska, A Public Discussion Draft. State of Alaska, Office of Governor, Juneau, 1984.

APPENDIX III  
ALASKA LAND ACREAGE SUMMARY  
December 31, 1983

	Millions of Acres	% of Total
<u>Total Land Alaska</u> -----	367.7	100.0%
<u>State Land Entitlement</u> <sup>1</sup> -----	104.8*	28.5%
Selected Land <sup>2</sup> (includes over-selection) -----	34.6	
Tentatively Approved -----	54.2	
Patented -----	22.4	
<u>Private Land Owned by Individuals</u> <sup>3</sup> -----	2.0*	0.5%
<u>Native Corporation Land Entitlement</u> <sup>4</sup> -----	43.7*	11.9%
Selected Land (includes over-selection) <sup>5</sup> -----	49.0	
Interim Conveyed or Patented <sup>6</sup> -----	30.4	
<u>Total Federal Land</u> -----	217.7*	59.2%
<u>National Park System</u> <sup>7</sup> -----	51.0**	13.9%
(Parks Acreage Also Within the National Wilderness Preservation System: 32.4)		
Parks/Monuments Established Prior to 1980- 7.5		
Parks/Monuments Established in Alaska Lands Act <sup>11</sup> -----	24.6	
Preserves Established in Alaska Lands Act <sup>11</sup> -----	18.9	
<u>U.S. Fish and Wildlife System</u> <sup>8</sup> -----	76.0**	20.6%
(Refuge Acreage also within the National Wilderness Preservation System: 18.6)		
Refuges Established Prior to Alaska Lands Act -----	22.3	
Refuges Established in Alaska Lands Act <sup>11</sup> -----	53.7	
<u>U.S. Forest System</u> <sup>9</sup> -----	23.2**	6.3%
(Forest Acreage also within the National Wilderness Preservation System: 5.4)		
Forests Established Prior to Alaska Lands Act -----	19.8	
Forests Established in Alaska Lands Act <sup>11</sup> -----	3.4	
<u>Bureau of Land Management</u> -----	65.0**	17.7%
National Petroleum Reserve-Alaska -----	22.4	
Areas Established in Alaska Lands Act <sup>11</sup> Conservation and Recreation Areas -----	2.2	
Nat'l Wild & Scenic Rivers System -----	1.5	
Other Alaska Lands -----	38.9	
<u>Military Lands</u> <sup>10</sup> -----	2.5**	0.7%

**Note:** Because of unresolved overlaps between state and native selection and various federal designations, the sum of subtotals exceeds the statewide total.

\*Figures add to statewide total.

\*\*Figures add to federal total.

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DIV. OF TECHNICAL  
SERVICES

- SOURCES:
1. Alaska Statehood Act P.L. 85-508 (January 3, 1959)
 

General Grant Sec. 6(b)-----	102,550,000
Community Grant Sec. 6(a)-----	400,000
Community-National Forest Sec. 6(a)	400,000
Territorial Grants-----	1,200,000+
School Land Settlement P.L. 96-487	75,000
  2. Monthly Land Activity Report. Selected land figure includes unresolved overlaps with certain Native land selections.
  3. Represents state and federal land disposals including an estimated 700,000 acres to be conveyed to individual Alaskan Natives under the Native Allotment Act of 1906.
  4. Alaska Native Claims Settlement Act P.L. 92-203 (December 18, 1970).
  5. Resource Assessment System, Department of Natural Resources.
  6. Bureau of Land Management, Division of ANCSA Operations.
  7. National Park Service, Department of Interior.
  8. U.S. Fish and Wildlife Service, Department of Interior.
  9. U.S. Department of Agriculture, Forest Service: Chugach Forest, 4.6 million; Tongass Forest, 15.2 million.
  10. Public Land Statistics, Bureau of Land Management, 1977.
  11. Alaska National Interest Lands Conservation Act P.L. 96-487 (December 2, 1980.)

Prepared By

Alaska Department of Natural Resources  
Division of Land and Water Management

Introduced: 4/11/85  
Referred: Finance

BY HALFORD, FAIKS, SACKETT,  
BENNETT, STURGULEWSKI, V. FISCHER,  
JOSEPHSON, ELIASON AND FERGUSON

1 IN THE SENATE

2

SENATE BILL NO. 281

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the interest rate on state loan  
7 programs; and providing for an effective date."

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

9 \* Section 1. AS 37.05.035 is amended by adding a new subsection to  
10 read:

11 (b) Notwithstanding any other provision of law, the interest  
12 rate for loan programs administered by the state or an instrumentality  
13 of the state shall increase by one-half percent October 1 of each year  
14 until the interest rate is equal to

15 (1) the prevailing market rate for each type of loan; or  
16 (2) the cost of funds, if the loan program is financed by  
17 the sale of bonds or other indebtedness.

18 \* Sec. 2. This Act takes effect October 1, 1985.