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Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

HOUSE BILL 269

FILE CONTENTS

1. HB 269: AN ACT RELATING TO ELIGIBILITY FOR VETERANS' INTEREST RATES FOR HOUSING MORTGAGE LOANS
2. MEMORANDUM FROM REPRESENTATIVE BARNES TO REPRESENTATIVE ULMER, APRIL 28, 1987
3. LETTER FROM ALASKA HOUSING FINANCE CORPORATION TO REPRESENTATIVE BARNES
4. "WHAT'S AVAILABLE TO THE VETERAN," BY THE ALASKA HOUSING FINANCE CORPORATION
5. "THE INTENT OF HB 269," FROM REPRESENTATIVE BARNES, AND ATTACHED INFORMATION

FISCAL NOTE

1. DEPARTMENT OF REVENUE, ALASKA HOUSING FINANCE CORPORATION: -0-

HOUSE COMMITTEE REPORT

(7)

Date referred: 4/13/87

FURTHER REFERRALS: HESS
Finance

DATE: 5-16-87

The State Affairs Committee has considered HB 269

"An Act relating to eligibility for veterans' interest rates for housing mortgage loans."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING TO PASS:

E. A. Bunker
~~*[Signature]*~~

SIGNING OTHER RECOMMENDATIONS:

Terry Martin - No Rec.
[Signature] NO REC.
[Signature] no rec
[Signature] No Rec

[Signature]
 Chairman's signature



Official Business

Alaska State Legislature


House of Representatives

REPRESENTATIVE
RAMONA L. BARNES
DISTRICT 14

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BOX V
JUNEAU, ALASKA 99811
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MEMORANDUM

TO: Representative Fran Ulmer, Chairperson House State
Affairs Committee

FROM: Representative Ramona L. Barnes 

DATE: April 28, 1987

SUBJECT: HB 269

HB 269, " An Act relating to eligibility for veterans' interest rates for housing mortgage loans", would amend AS 18.56.101. by adding Public Health Service Officers to the current definition of veteran.

The addition of Public Health Service Officers to this definition would allow a large block of people to take advantage of the veterans interest rate offered by AHFC. It is my feeling that this may help many people refinance their homes at a favorable interest rate and avoid future housing problems.

Public Health Service officers are considered veterans under federal law and are eligible for federal Veterans Housing loans. Therefore, this amendment would bring the definition of veteran under AS.18.56.101 into line with the federal definition.

This bill is currently in your committee awaiting action. I would appreciate a scheduled hearing in the near future. If there are any questions I can answer for you please do not hesitate to contact me.

Thank you for your prompt consideration of this matter.

Alaska HOUSING FINANCE CORPORATION



3

May 13, 1987

The Honorable Ramona Barnes
Representative, State of Alaska
Post Office Box V
Juneau, Alaska 99811
ATTENTION: PATTY SWENSON

SUBJECT: PROPOSED LEGISLATION HB 269

Dear Representative Barnes:

You have asked AHFC to provide information regarding the possible fiscal impact to the Corporation should HB 269 be enacted.

As HB 269 was introduced and currently reads, AHFC's State Veterans Interest Rate Preference would be expanded to include Public Health Service commissioned officers. All PHS officers regardless of the amount of time they served, would be eligible under this proposal.

It is difficult to determine how much this would cost AHFC since we have no historical data which tells us how many PHS borrowers we have. However, according to the Anchorage PHS office, there are currently 250 PHS commissioned officers living in Anchorage.

The number of PHS officers located in Alaska, outside of Anchorage, was not immediately available. However most PHS employees working in rural areas live in federal government-provided housing.

AHFC estimates that on an average loan of \$110,000, a one-percent interest rate subsidy costs AHFC approximately \$6,000. Therefore, if 250 PHS officers were qualified to buy homes and sought financing through AHFC, the one-percent subsidy would cost approximately \$1.5 million.

Also, AHFC has no way of predicting how much it would cost AHFC if HB 269 should be amended to allow active military with at least 5 years of service to participate in the State Veterans Interest Program. However, from 1982 to present, AHFC has loaned to 3,605 active duty military borrowers. About half, or 1,874, have loans made under the federal Veteran's Mortgage Program (tax-exempt).

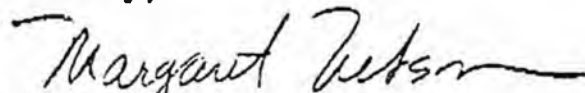
If we assume that the remaining borrowers would have been eligible for the State Veterans Interest Rate, which would have cost AHFC \$12 million.

The Honorable Ramona Barnes
May 13, 1987
Page 2

For your information, in FY 1987, through February 28, 1987, AHFC has made 1589 loans under the State Veterans Interest Rate Program and 356 loans under the federal Veterans Mortgage Program. The average loan was \$116,000.

If you need more information, don't hesitate to contact me.

Sincerely,



Margaret Nelson
Special Assistant/Public Information Officer

MN:de

What's Available To The Veteran



There are three basic options available to the veteran through AHFC:

- 1. An AHFC Loan combined with a Federal Veterans Administration Loan;**
- 2. The Veterans Mortgage Program; and**
- 3. The State Veterans Interest Rate Preference.**

1. AHFC/Federal VA

Benefit:

The major benefit of combining an AHFC loan with a Federal VA guaranteed loan is the lower down payment.

Maximum Loan Amount: \$135,000

Minimum Down Payment:

Up to \$110,000	Zero down
\$110,000-\$135,000	25% on the amount over \$110,000

***Qualification:**

Eligibility for the Veteran benefit is determined by the Federal Veterans Administration. This program may be combined with AHFC's Regular Program, the Veterans Mortgage Program, Tax-Exempt Program, HOF Program and Mobile Home Program.

2. Veteran's Mortgage Program (VMP)

Benefit:

A lower interest rate than under AHFC's other programs, on the entire loan amount.

Maximum Loan Amount:

Single Family Residence	\$199,850
Duplex	\$255,850
Triplex	\$308,900
Four-plex	\$394,000

If the residence is a multi-family dwelling (duplex - four-plex) then all units must have been occupied as such for at least 5 years.

Minimum Down:

Single-Family and Duplex	
Triplex and Four-plex	

***Qualification:**

Federal restrictions require that in-



dividuals applying under this program be "qualified veterans" as defined under Title 38, United States Code 101(2) and have been on active duty prior to January 1, 1977, and cannot have been out of the service for more than 30 years.

Documentation that is accepted by AHFC as evidence of meeting the code is the Veterans Certificate of Eligibility, or a letter from the Federal Veterans Administration and a DD-214, or, for Commissioned Officers, a letter from Personnel stating the entry date of service. Basically, an individual must have served in the Armed Forces and have been discharged other than dishonorably. In addition, active military who have completed their initial period of duty may qualify. The code also includes certain individuals in the Public Health Service but severely limits National Guard and Reservist. You may combine this program with Number 1 to receive the benefit of both the lower interest rate and the down payment.

3. State Veterans Interest Rate Preference

Benefit:

The State Veteran receives a 1 percent lower interest rate on the first \$90,000 of the loan. The important thing to remember is that this is not a program but an interest rate differential that must be applied to a program. It may be applied to all of the programs offered by AHFC but it may not be combined with Number 2, the Veterans Mortgage Program.

***Qualification:**

Determination for the State Veterans Interest Rate preference is made by AHFC. To qualify for the lower rate, the borrower may not currently be on active duty. An individual must have served in the Armed Forces for 90 days or more (unless discharged due to a service connected injury) and have been discharged other than dishonorably. Active duty for the purpose of training will not be counted toward the 90 day requirement. Members of

the Reserve (if the unit is a troop program unit) and Alaska National Guard with a minimum of 5 years service may also qualify. In addition, a widow or widower may qualify if the Veteran was inducted from Alaska.

Type of Loan

AHFC utilizes an Alaska Building Equity (ABE) mortgage which is assumable by a qualified buyer. Under this type of mortgage, the interest rate is fixed, however, there are moderate in-

creases to the monthly payments in years four through nine. These increases are applied directly to the outstanding principal balance on the loan. Therefore, the loan is repaid in approximately 18 years. A detailed description of the ABE mortgages is available in AHFC's pamphlet: "Buying a Home In the Future"

Interest Rates

Mortgage interest rates are based on the interest rate for AHFC bonds plus

the Corporation's operating costs and will vary from time to time. INTEREST RATES ARE SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. Consult your lender for the current AHFC rate.

**The qualifications given for the three options are not intended to be inclusive but to provide only the basic guidelines.*



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RAMONA L. BARNES
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5

THE INTENT OF HB 269

The intent of HB 269 is to allow Public Health Service Officers to become eligible as veterans for the purpose of the Alaska Housing Finance Corp. State Veterans Interest Rate Preference program.

Public Health Service Officers are eligible for federal VA housing loans, and Alaska's Veteran Mortgage Program (VMP). They are eligible for most VA benefits under federal law, therefore, to exclude these "Veterans" from this interest preference program offered by the state is inconsistent with other aspects of veterans benefits.

The AHFC/ Fed VA program can be combined with the State Veterans Interest Rate Preference program to produce an extremely attractive interest rate for those purchasing or refinancing a home. Under the current statute (AS.56.101), Public Health Service Officers are not eligible for this combination. It is the intent of this bill to add these "Veterans" to this statute.

The foreclosure rate of AHFC has increased significantly over the past year. It is the intent of this legislation that this group of veterans should be eligible for the benefit this preference provides. In Alaska's current poor economy, anything that will help people keep their homes or buy a home helps our state.

Public Health Service Officers currently number 250 in the Anchorage area. The number living outside of this area is not available at this time. It is difficult to say how many people will make use of this program, therefore, the cost is not known. (See fiscal note and letter).

Favorable consideration of this bill would be appreciated by its sponsors.

Thank you for your time.

38 USCS § 101

VETERANS' BENEFITS

GENERAL

1972, Act Oct. 24, 1972, P. L. 92-540, Title IV, § 409, 86 Stat. 1092, substituted new item 102 for one which read: "102. Dependent parents and husbands."

§ 101. Definitions

For the purposes of this title [38 USCS §§ 101 et seq.]—

(1) The term "Administrator" means the Administrator of Veterans' Affairs.

(2) The term "veteran" means a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable.

(3) The term "surviving spouse" means (except for purposes of chapter 19 of this title [38 USCS §§ 701 et seq.]) a person of the opposite sex who was the spouse of a veteran at the time of the veteran's death, and who lived with the veteran continuously from the date of marriage to the date of the veteran's death (except where there was a separation which was due to the misconduct of, or procured by, the veteran without the fault of the spouse) and who has not remarried or (in cases not involving remarriage) has not since the death of the veteran, and after September 19, 1962, lived with another person and held himself or herself out openly to the public to be the spouse of such other person.

(4)(A) The term "child" means (except for purposes of chapter 19 of this title [38 USCS §§ 701 et seq.] and section 5202(b) of this title [38 USCS § 5202(b)]) a person who is unmarried and—

- (i) who is under the age of eighteen years;
- (ii) who, before attaining the age of eighteen years, became permanently incapable of self-support; or
- (iii) who, after attaining the age of eighteen years and until completion of education or training (but not after attaining the age of twenty-three years), is pursuing a course of instruction at an approved educational institution:

and who is a legitimate child, a legally adopted child, a stepchild who is a member of a veteran's household or was a member at the time of the veteran's death, or an illegitimate child but, as to the alleged father, only if acknowledged in writing signed by him, or if he has been judicially ordered to contribute to the child's support or has been, before his death, judicially decreed to be the father of such child, or if he is otherwise shown by evidence satisfactory to the Administrator to be the father of such child. A person shall be deemed, as of the date of death of a veteran, to be the legally adopted child of such veteran if such person was at the time of the veterans' death living in the veterans' household and was legally adopted by the veteran's surviving spouse within two years after the veteran's death or the date of enactment of

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the death resulted from a disability incurred or aggravated, in line of duty in the active military, naval, or air service.

(17) The term "non-service-connected" means, with respect to disability or death, that such disability was not incurred or aggravated, or that the death did not result from a disability incurred or aggravated, in line of duty in the active military, naval, or air service.

(18) The term "discharge or release" includes (A) retirement from the active military, naval, or air service, and (B) the satisfactory completion of the period of active military, naval, or air service for which a person was obligated at the time of entry into such service in the case of a person who, due to enlistment or reenlistment, was not awarded a discharge or release from such period of service at the time of such completion thereof and who, at such time, would otherwise have been eligible for the award of a discharge or release under conditions other than dishonorable.

(19) The term "State home" means a home established by a State (other than a possession) for veterans disabled by age, disease, or otherwise who by reason of such disability are incapable of earning a living. Such term also includes such a home which furnishes nursing home care for veterans.

(20) The term "State" means each of the several States, Territories, and possessions of the United States, the District of Columbia, and the Commonwealth of Puerto Rico. For the purpose of section 903 and chapters 34 and 35 of this title, such term also includes the Canal Zone.

(21) The term "active duty" means—

(A) full-time duty in the Armed Forces, other than active duty for training;

(B) full-time duty (other than for training purposes) as a commissioned officer of the Regular or Reserve Corps of the Public Health Service (i) on or after July 29, 1945, or (ii) before that date under circumstances affording entitlement to "full military benefits" or (iii) at any time, for the purposes of chapter 13 of this title;

(C) full-time duty as a commissioned officer of the National Oceanic and Atmospheric Administration or its predecessor organization the Coast and Geodetic Survey (i) on or after July 29, 1945, or (ii) before that date (a) while on transfer to one of the Armed Forces, or (b) while, in time of war or national emergency declared by the President, assigned to duty on a project for one of the Armed Forces in an area determined by the Secretary of Defense to be of immediate military hazard, or (c) in the Philippine Islands on December 7, 1941, and continuously in such islands thereafter, or (iii) at any time, for the purposes of chapter 13 of this title;

(D) service as a cadet at the United States Military, Air Force, or Coast Guard Academy, or as a midshipman at the United States Naval Academy; and

(E) authorized travel to or from such duty or service.

(22) The term "active duty for training" means—

(A) full-time duty in the Armed Forces performed by Reserves for training purposes;

(B) full-time duty for training purposes performed as a commissioned officer of the Reserve Corps of the Public Health Service (i) on or after July 29, 1945, or (ii) before that date under circumstances affording entitlement to "full military benefits", or (iii) at any time, for the purposes of chapter 13 of this title;

(C) in the case of members of the National Guard or Air National Guard of any State, full-time duty under section 316, 502, 503, 504, or 505 of title 32, or the prior corresponding provisions of law; and

(D) authorized travel to or from such duty.

The term does not include duty performed as a temporary member of the Coast Guard Reserve.

(23) The term "inactive duty training" means—

(A) duty (other than full-time duty) prescribed for Reserves (including commissioned officers of the Reserve Corps of the Public Health Service) by the Secretary concerned under section 206 of title 37 or any other provision of law; and

(B) special additional duties authorized for Reserves (including commissioned officers of the Reserve Corps of the Public Health Service) by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with the prescribed training or maintenance activities of the units to which they are assigned.

In the case of a member of the National Guard or Air National Guard of any State, such term means duty (other than full-time duty) under sections 316, 502, 503, 504, or 505 of title 32, or the prior corresponding provisions of law. Such term does not include (i) work or study performed in connection with correspondence courses, (ii) attendance at an educational institution in an inactive status, or (iii) duty performed as a temporary member of the Coast Guard Reserve.

(24) The term "active military, naval, or air service" includes active duty, any period of active duty for training during which the individual concerned was disabled or died from a disease or injury incurred or aggravated in line of duty, and any period of inactive duty training during which the individual concerned was disabled or died from an injury incurred or aggravated in line of duty.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE



Revision Date: _____

REQUEST
Bill/Resolution No.: _____
Title: HB 269

FISCAL DETAIL
Agency Affected: Revenue
Program Category Affected: _____

Sponsor: Reps. Barnes and Furnace
Requestor: Barnes
Date of Request: _____

BRU, Program or Subprogram(s) Affected:
Alaska Housing Finance Corporation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-					
CAPITAL	-0-					
REVENUE	-0-					

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis - See attached

Prepared By: Margaret Nelson *M Nelson* Phone: 276-5599
Division: Alaska Housing Finance Corporation Date: May 8, 1987

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

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

12/1/83

ALASKA HOUSING FINANCE CORPORATION
Fiscal Note - HB 269

It is difficult to determine how much this measure would cost AHFC since it is difficult to estimate how many former and current Public Health Service (PHS) employees will take advantage of this program. Currently there are 250 PHS commissioned officers working in Anchorage. (Statewide figures were not immediately available.) If all took advantage of the program and qualified, at an average loan amount of \$110,000, a 1 percent subsidy would cost AHFC \$1.5 million.

If the bill was amended to extend the 1 percent preference interest rate to all active military with at least five years of service, again AHFC finds it difficult to determine just how much it would cost. However, the following is an estimate.

As of September 1986, there were 25,906 active military personnel -including Navy, Army, Air Force, Marines and Coast Guard - serving in Alaska. If one-third of those personnel, applied for, were qualified and received the subsidy, based on an average loan of \$116,000, the 1 percent subsidy would cost AHFC \$64 million.

It should be noted that the Fiscal Note columns all show zeros. The impact of this proposal would be on AHFC's Revolving Loan Fund.

Additional background and historical information is contained in the attached letter to the bill's sponsor, Representative Barnes.