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HOUSE STATE AFFAIRS COMMITTEE

NEXT COMMITTEE: FINANCE

BILL: HB 555

CURRENT VERSION:

SCHEDULED: APRIL 22, 1988

SPONSOR: JCER/KAY BROWN/CATY MCHUGH
(JOINT COMMITTEE ON ECONOMIC RECOVERY)

PHONE NO: 3784

CONTACT FILE: _____

BILL SUBJECT: AUTHORIZING AHFC TO FUND DISPOSAL OF SUBSTANDARD PUBLICLY OWNED HOUSING

SPONSOR BACKUP: IN FILES

AFFECTED AGENCIES:

<u>DEPARTMENT</u>	<u>CONTACT/PHONE</u>	<u>COMMENT</u>
REVENUE	ROYCE WELLS/2303	
AHFC	BARBARA MORRIS QUINN/786-6218	

FISCAL NOTES

<u>AGENCY</u>	<u>REQUESTED</u>	<u>DATED</u>	<u>FY 88 AMT</u>	<u>FY 89 AMT</u>
REVENUE		4/18/88	-0-	\$10,000,000

ACTION

<u>DATE</u>	<u>COMMENT</u>
4/18/88	HEARING: HELD IN COMMITTEE
4/20/88	HEARING: HELD UNTIL 4/22/88
4/22/88	COMMITTEE SUBSTITUTE ADOPTED AND PASSED FROM STATE AFFAIRS

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House State Affs:

April 18, 88

April 20, 88

April 22, 88

Alaska HOUSING  FINANCE CORPORATION

April 15, 1988

The Joint Committee on Economic Recovery
Alaska State Legislature
Juneau, AK 99811

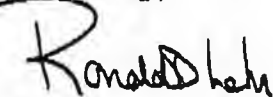
On April 15 the Alaska Housing Finance Corporation staff presented to the Board of Directors suggested legislation to help AHFC in its efforts to stabilize the Alaska residential real estate market. The Board made some changes and unanimously approved the proposal which is attached.

I recommended this proposed legislation to the Board because I believe it has the potential for helping us deal with a particularly hard-hit part of the Alaska housing market - the condominium market.

I want to stress that even if AHFC had all of the powers specified in the proposed legislation, we cannot guarantee success in our proposed market stabilization efforts since any actions involve a number of other institutions (e.g. Federal National Mortgage Association, Mortgage Guaranty Insurance Corporation, and Federal Housing Administration). However, I believe that it is far preferable to try and mitigate the severe problems facing condo owners and the condo market, rather than continuing a "business as usual" approach, with its associated difficulties of large losses, unsuitable properties, and so forth.

I realize that we are proposing a major departure from our past programs; however, it seems that extraordinary problems require extraordinary solutions.

Sincerely,



Dr. Ronald D. Lehr
Executive Director

su

Attachment

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

Sec. 18.56.210. MARKET STABILIZATION POWERS. (a) If the board of directors determines that it is in the state's best interest, The corporation may take appropriate action to stabilize the market price of and demand for residential housing in the state. To accomplish the purposes of this section, the corporation may:

(1) make and execute necessary agreements and conveyances under which a borrower may exchange residential housing securing a mortgage loan owned, held, or sold by the corporation for other residential housing owned by the corporation;

(2) repurchase a mortgage loan sold or pledged by the corporation for the purpose of exercising a power conferred by this section;

(3) for the purpose of qualifying residential housing situated in a condominium project for the best available financing for mortgage loans, make and execute agreements, contracts and other agreements necessary to encourage all owners who occupy units in a condominium project that is not eligible for financing under this chapter to exchange their ownership interest for a condominium unit owned by the corporation in another project;

(4) make and execute appropriate agreements with insurers, investors, and guarantors concerning the temporary removal of residential housing owned by the corporation from the resale market;

(5) demolish residential housing owned by the corporation if the corporation determines that the housing is sub-standard compared to housing available on the open market, cannot be converted to a public or charitable use, ^{or} for which there is ^{substantial} an oversupply of similar housing on the open market;

(6) convert residential housing owned by the corporation which is designed and constructed for owner, occupancy to another beneficial use ;

7
(7) make bulk sales of property owned by the corporation under procedures and terms the corporation determines are in the best interests of the corporation;

8
(8) provide financing under terms established by the board, to promote the sale of residential housing owned by the corporation;

substantive

9
(~~8~~) invest funds of the corporation in publicly - owned projects involving the destruction of residential housing if the the board of directors determines that the investment is prudent, properly secured, and in the ^{long term} best interests of the corporation;

10
(~~9~~) create subsidiary entities to implement a power conferred by this section and to provide insurance as provided in AS 18.56.093 and 18.56.095; and

11
(~~10~~) take other actions necessary, convenient, or desirable to carry out the powers granted in this subsection.

(b) The corporation shall implement the powers conferred by this section by adopting regulations under the procedures set out in AS 18.56.088.

Sec. 2. AS 45.50.572 is amended by adding a new subsection to read:

(i) AS 45.50.562 - 45.50.596 do not forbid activities of the Alaska Housing Finance Corporation to stabilize the market price of and demand for residential housing in the state as provided in AS 18.56.210.

* Sec. 3. This act takes effect immediately under AS 01.10.070(c).

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ALASKA HOUSING FINANCE CORPORATION
 BOARD OF DIRECTORS
 REGULAR MEETING

APRIL 15, 1988

Tape C-8399
700

PROCEEDINGS

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MR. SMITH: Maybe so the Board gets the full flavor of what's out there Jay Schmidt would comment insofar as he feels it's appropriate to do so on the exchange program that he's discussed with you, Ron, and with myself.

MR. SCHMIDT: Thank you, Mr. Chairman. We have had discussions, as I said. I'd like to just point out that over the last year we, along with the cooperation of Alaska Housing have taken -- undertaken a major marketing effort targeted specifically at the condominium market. About two years ago when we first started looking at this at becoming most sensitive to the severity of the problem we made an initial decision to try to maximize return on the property, to stabilize the market, to protect the market to whatever extent we could, and to do so by the traditional aggressive marketing.

The results of the program that we ran last year and are continuing to run were encouraging. We sold more condominiums in the last year than we ever had before. But, one of the things that we learned was that there is a significant segment of the condominium market which we cannot sell. Primarily, we cannot sell the properties because of their location, the type of product, and we're faced with a situation where we have little alternative right now other than to look at programs that will take these units off the market to cut the risk, to cut the loss. And the concept that Ron was speaking

1 about regarding clearing out units, targeting the viable units,
2 strengthening those units is one that -- one that we agreed is
3 a legitimate strategy.

4 The exchange program is also a concept which we
5 think has much merit as a tool to Number (1) assist us in
6 consolidating ownership in viable projects; and Number (2) in
7 assisting homeowners who are trapped in their unit that cannot
8 move because those people can realistically only afford to hang
9 on for so long and when they are ultimately trapped in their
10 units and they cannot move both AHFC, MGIC and the State suffer.
11 So the need to provide for some (indiscernible) to allow people
12 to move to units, to homes that they are more comfortable in is
13 an important goal for us to achieve.

14 The mechanics, the specific mechanics of a
15 program of this sort, I'm not certain if we want to get into
16 those -- into those specific issues because, as Ron can
17 understand, they are rather complicated when we talk about how
18 we -- how the insurance actually works. But, in essence, what
19 we're talking about for purposes for the MGIC/AHFC relationship
20 is, is that the trade of a unit to a borrower in an existing unit
21 will be considered to be a sale of the property as required under
22 the pool policy and will result in a claim payment being made to
23 Alaska Housing. We pay the loss that we are obligated to pay on
24 a current basis, and Alaska Housing is -- has a -- they're still
25 in the position of owning a good asset, that mortgage, with the

1 borrower who is continuing to make his payments. And we are
2 left in the insurance relationship as we were previously. We
3 paid a claim and we have a good borrower. But, that does require
4 that somebody hold onto that property and figure out what to do
5 with the trade of property.

6 Now, you know, in terms of our settlement and the
7 issue that Ron alluded to of their positive and negative, we
8 have not gotten to the point of where we have been able to agree
9 as to what the specific formula will be, but we have always
10 talked about the fact that for purposes of the settlement we will
11 use realistic (indiscernible) values that we both can agree upon.
12 And I'm confident that we'll be able to work a program of this
13 sort out. It's just that we're not there right now. We're in
14 very con- -- rather conceptual stages.

15 MR. SMITH: Jay, if I could ask you a few
16 questions, and I may have this transcribed for some legislators
17 because we have -- we have many economists that like to argue
18 about Alaska from a theoretical context, and MGIC -- if I
19 understand it correctly is active in all 50 states; aren't you?

20 MR. SCHMIDT: Yes, sir.

21 MR. SMITH: And you have, as I understand it, in
22 Alaska tested the waters from auctioning to aggressively
23 marketing and analyzed all your options before you decided that
24 market stabilization makes some sense up here, haven't you?

25 MR. SCHMIDT: Well, we have not auctioned property

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1 in Alaska. We have auctioned properties in other states.

2 MR. SMITH: Okay.

3 MR. SCHMIDT: But, yes, we have done a lot of
4 work reviewing the markets and the specific problems. So we
5 haven't reached this conclusion in a hasty fashion.

6 MR. SMITH: Well, I think -- 'cause one of the
7 arguments that we -- that Ron and I hear a lot in Juneau is that
8 you cannot effectively engage in market stabilization and that
9 isn't an appropriate role. And what I hear MGIC saying is you've
10 looked at the situation up here and that a market stabilization
11 program in this particular market does make sense from MGIC's
12 perspective.

13 MR. SCHMIDT: Yes, without a doubt.

14 MR. SMITH: Can you explain why you got there?

15 MR. SCHMIDT: Well, there are a couple of unique
16 factors that we have at play in Alaska. Probably the most
17 significant factor is the overwhelming position that AHFC holds
18 over the market in general and the fact that by having one player
19 to work with we can -- we can devise the attitude to make
20 relatively -- not relatively, very complex strategy work where we
21 have two or three parties, whereas in other parts of the country
22 where interests are more diverse it's extremely difficult,
23 impossible to try to achieve the same goal.

24 So the fact that we have Alaska Housing and
25 Fannie Mae and MGIC, all of whom have significant and

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1 concentrated exposure and all of whom have a willingness and a
2 desire to work together is a major benefit.

3 The other factors that are unique in Alaska are
4 the relative concentration of the problem within a rather small
5 geographic area. You know, we can do a lot of good in the City
6 of Anchorage and in Fairbanks and in other cities, primarily in
7 Anchorage, because the effect of our actions are multiplied on a
8 much greater and to a much greater extent in Alaska than they
9 would be if, for example, we were working in Houston. Taking
10 150 or 300 or 500 units off a market in Houston doesn't have the
11 same overall effect as it does in the City of Anchorage.

12 THE OPERATOR: Excuse me. This is the conference
13 operator and I show that John Moore is not on the line any
14 longer. Was he cut off or did he hang up voluntarily?

15 MR. SMITH: He may have hung up voluntarily,
16 Operator.

17 THE OPERATOR: Oh, okay. I'm sorry to interrupt.
18 Thank you.

19 MR. SMITH: Go ahead, Jay.

20 MR. SCHMITT: No. I think those are the two
21 major factors that come to play in Alaska that lead us to the
22 conclusion that a strategy of this sort can be successful.

23 MR. SMITH: The one other area that I think's
24 important, has your analysis indicated what effect this type of
25 strategy will have on those people who are presently in their

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1 condos who may be delinquent -- that are the HOF program type of
2 people. Do you -- have you analyzed whether this'll help those
3 people's equity situation and help them, in fact, stay in the
4 market?

5 MR. SCHMIDT: Well, we haven't done a specific
6 analysis of that nature, Mr. Chairman. But, common sense tells
7 you that if you are able to move an individual from a unit which
8 cannot be sold in the first instance in which you have a
9 significant negative equity position into another unit which is
10 more desirable, which will respond sooner to changes in the --
11 in the improvement in the economy and a unit that more
12 adequately suits that individual's needs that you've enhanced
13 your possibility and probability that that person will be
14 satisfied to remain in that unit significantly. But,
15 (indiscernible) right now, no, we haven't because there are
16 issues that have to be, you know, resolved. How -- you know,
17 what are the specific terms of the trade or the exchange and it's
18 really a subjective qualitative sort of analysis that we've done,
19 and common sense.

20 MR. SMITH: Okay. Jay -- yeah. Jay, just for
21 the record because I'm going to have this transcribed and give
22 it to the Senate and the House who are considering these kinds
23 of questions and including the authority to do these kinds of
24 things. You're a vice-president of MGIC, right?

25 MR. SCHMIDT: Right.

1 MR. SMITH: How long and what's your job there,
2 have you worked in all the states?

3 MR. SCHMIDT: I've been with MGIC for
4 approximately six years. I'm a vice-president working in the
5 claims department and I have specific responsibility for
6 special projects. We work closely with housing agencies in --
7 all throughout the country, special loss, mitigation loss
8 situations, general involvement with our REO activities as well.

9 MR. SMITH: So that the things that you've just
10 been discussing with the Board are the things that you do in your
11 normal course of business and that's your responsibility for
12 MGIC?

13 MR. SCHMIDT: Yes, sir.

14 MR. SMITH: Thank you very much, Jay. I think
15 it's been very helpful.

16 MR. SCHMIDT: Appreciate the opportunity.

17 MR. SMITH: Any questions from any other Board
18 members?

19 1035

20 (END OF REQUESTED PORTION)

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State of Alaska

House Majority Leader

COMMITTEES

HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES
HOUSE JUDICIARY
HOUSE RULES



Representative Max F. Gruenberg, Jr.
District 11
Spenard, Upper Midtown Anchorage

P.O. BOX V
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(907) 465-3718
465-4968/4986

914 CLAY COURT
ANCHORAGE, ALASKA 99503
(907) 276-6844

MEMORANDUM

TO: REPRESENTATIVE FRAN ULMER, CHAIR
HOUSE STATE AFFAIRS COMMITTEE

FROM: MAX F. GRUENBERG, JR., HOUSE CHAIR
JOINT COMMITTEE ON ECONOMIC RECOVERY

DATE: APRIL 13, 1988

RE: JOINT COMMITTEE LEGISLATION

I would appreciate your consideration of HB 555 at your earliest convenience. HB 555, "An Act authorizing the Alaska Housing Finance Corporation to fund disposal of substandard publicly owned housing; and providing for an effective date" was developed and considered by the members of the House side of the Joint Committee on Economic Recovery after hours of hearings before the Housing and Banking Subcommittee and the full House committee. This bill was then introduced at the House members' request by the House Rules Committee.

HB 555 would allow the AHFC to use a portion of its reserves, not exceeding \$10,000,000, for the demolition of substandard public housing.

I hope you can speedily schedule this bill before your committee to enhance its chances of passage this session.

If you have any questions please give Tom Begich of my staff a call at 465-3718 or 465-4968.

Thanks.

attachment

Alaska HOUSING  FINANCE CORPORATION

April 15, 1988

The Joint Committee on Economic Recovery
Alaska State Legislature
Juneau, AK 99811

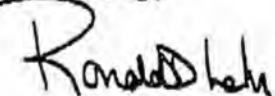
On April 15 the Alaska Housing Finance Corporation staff presented to the Board of Directors suggested legislation to help AHFC in its efforts to stabilize the Alaska residential real estate market. The Board made some changes and unanimously approved the proposal which is attached.

I recommended this proposed legislation to the Board because I believe it has the potential for helping us deal with a particularly hard-hit part of the Alaska housing market - the condominium market.

I want to stress that even if AHFC had all of the powers specified in the proposed legislation, we cannot guarantee success in our proposed market stabilization efforts since any actions involve a number of other institutions (e.g. Federal National Mortgage Association, Mortgage Guaranty Insurance Corporation, and Federal Housing Administration). However, I believe that it is far preferable to try and mitigate the severe problems facing condo owners and the condo market, rather than continuing a "business as usual" approach, with its associated difficulties of large losses, unsuitable properties, and so forth.

I realize that we are proposing a major departure from our past programs; however, it seems that extraordinary problems require extraordinary solutions.

Sincerely,



Dr. Ronald D. Lehr
Executive Director

su

Attachment

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act authorizing the Alaska housing Finance Corporation to fund disposal of substandard publicly owned housing; effective date."
Sponsor: house rules
Requestor: house State Affairs

Agency Affected: Revenue
bku: Alaska housing Finance Corp.

Components: operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 85	FY 80	FY 87	FY 82	FY 83
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

BINDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		*	*	*	*	*
TOTAL						

POSITIONS:

FULL TIME						
PART TIME						
TEMPORARY						

ANALYSIS:

* Proposal may not exceed \$10,000,000

Prepared by: Margaret Nelson Phone: 561-7500
Division: Alaska housing Finance Corporation Date: 04/18/88

Approved by Commissioner: Hugh Malone Date: 04/18/88
Agency: Department of Revenue

Distribution (by preparer):

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

Original sponsor: Rules by request/House
Members of the Joint
Committee on Economic
Recovery

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 555 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-
7 ration to stabilize the market price of and the
8 demand for residential housing in the state; and
9 providing for an effective date."

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

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

12 Sec. 18.56.210. MARKET STABILIZATION POWERS. (a) If the board
13 of directors determines that it is in the best interest of the state,
14 the corporation may take appropriate action under this section to
15 stabilize the market price of and demand for residential housing in
16 the state. To accomplish the purposes of this section, the corpo-
17 ration may

18 (1) make and execute necessary agreements and conveyances
19 under which a borrower may exchange residential housing securing a
20 mortgage loan owned, held, or sold by the corporation for other res-
21 idential housing owned by the corporation;

22 (2) repurchase a mortgage loan sold or pledged by the
23 corporation for the purpose of exercising a power conferred by this
24 section;

25 (3) for the purpose of qualifying residential housing
26 situated in a condominium project for the best available financing for
27 mortgage loans, make and execute agreements and contracts necessary to
28 encourage all owners who occupy units in a condominium project that is
29 not eligible for financing under this chapter to exchange their

1 ownership interest for a condominium unit owned by the corporation in
2 another project;

3 (4) make and execute appropriate agreements with insurers,
4 investors, and guarantors concerning the temporary removal of residen-
5 tial housing owned by the corporation from the resale market;

6 (5) demolish residential housing owned by the corporation
7 if the corporation determines that ^{Foreclosure}

8 (A) the housing is substandard compared to housing
9 available on the open market;

10 (B) the housing cannot be converted to a public or
11 charitable use; and

12 (C) there is a substantial oversupply of similar
13 housing on the open market;

14 (6) convert residential housing owned by the corporation
15 that is designed and constructed for owner occupancy to another bene-
16 ficial use;

17 (7) make bulk sales of property owned by the corporation
18 under procedures and terms the corporation determines are in the best
19 interests of the corporation;

20 (8) provide financing under terms established by the board
21 to promote the sale of residential housing owned by the corporation;

22 (9) invest funds of the corporation in the removal and
23 disposal of substandard publicly-owned residential housing if the
24 board of directors determines that the investment is prudent, properly
25 secured, and in the long-term best interests of the corporation;

26 (10) create subsidiary entities to implement a power con-
27 ferred by this section and to provide insurance under AS 18.56.093 and
28 18.56.095; and

29 (11) take other actions necessary, convenient, or desirable

IF CORP. CAN MAKE \$10 BY BUYING HOLLYWOOD UNIT, ETC.
AND KNOCK IT DOWN, COULD RAISE MONEY - ?
SOMEONE FROM STATE OWNED POWER

1 to carry out the powers granted in this subsection.

2 (b) The corporation shall implement the powers conferred by (a)
3 of this section by adopting regulations under AS 18.56.088.

4 * Sec. 2. AS 45.50.572 is amended by adding a new subsection to read:

5 (i) AS 45.50.562 - 45.50.596 do not prohibit activities of the
6 Alaska Housing Finance Corporation to stabilize the market price of
7 and demand for residential housing in the state under AS 18.56.210.

8 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).
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Official Business

Alaska State Legislature

House

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Members of the House State Affairs Committee

FROM: Representative Steve Rieger, Co-Chair *SR*
Representative Kay Brown, Co-Chair *Kay*
Subcommittee on Housing and Banking of the
House Joint Economic Recovery Committee

DATE: April 18, 1988

RE: HB 555 - Authorizing AHFC to stabilize the market price
of and the demand for residential housing in the state.

The following is an overview of the above referenced bill. Suggested amendments are noted below and comments to each section are included in boldfaced type for your review. These changes were recommended by Alaska Housing Finance Corporation after their April 11, 1988 board meeting, and most changes have also been discussed by the Subcommittee on Housing and Banking.

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

Sec. 18.56.210 MARKET STABILIZATION POWERS. (a) If the board of directors determines that it is in the [state's] corporation's best interest, the corporation may take appropriate action to stabilize the market price of and demand for residential housing in the state. To accomplish the purposes of this section, the corporation may:

(1) make and execute necessary agreements and conveyances under which a borrower may exchange residential housing securing a mortgage loan owned, held or sold by the corporation for other residential housing owned by the corporation;

(SPECIFICALLY AHFC LOANS ON LOW QUALITY TRADE UP TO HIGHER QUALITY AHFC HELD CONDOS: WOULD NOT PRE-EMPT CONDO TO HOUSE TRADE UNDER THIS LANGUAGE)

(2) repurchase a mortgage loan sold or pledged by the corporation for the purpose of exercising a power conferred by this section;

(I.E. TRADE UP/DOWN, REFINANCING ABE, EXISTING AHFC MORTGAGES)

(3) for the purpose of qualifying residential housing situated in a condominium project for the best available financing for mortgage loans, make and execute agreements, contracts and other agreements necessary to encourage all owners who occupy units in a condominium project that is not eligible for financing under this chapter to exchange their ownership interest for a condominium unit owned by the corporation in another project;

(ADDRESSES CURRENT "OWNER-OCCUPANCY" FINANCING PROBLEM IN CONDO PROJECTS AND MAY ALSO AFFECT TRADE-UP PROGRAM)

(4) make and execute appropriate agreements with insurers, investors, and guarantors concerning the temporary removal of residential housing owned by the corporation from the resale market;

(AS PER HJR 72 - HOLD FORECLOSED-UPON PROPERTIES OFF THE MARKET IN INSTANCES WHERE SUCH ACTION MAKES LONG-TERM ECONOMIC SENSE)

(5) demolish residential housing owned by the corporation if the corporation determines that the housing is substandard compared to housing available on the open market, cannot be converted to a public or charitable use, and for which there is a substantial oversupply of similar housing on the open market;

(DEMOLISH LOW QUALITY SUBSTANDARD CONDO UNITS)

(6) convert residential housing owned by the corporation which is designed and constructed for owner - occupancy to another beneficial use;

(INCLUDES MENTAL HEALTH HOUSING, SENIOR CITIZEN HOUSING, ASBA LOW INCOME HOUSING, UNIVERSITY DORM HOUSING, ETC.)

(7) make bulk sales of property owned by the corporation under procedures and terms the corporation determines are in the best interests of the corporation;

(ADDRESSES AHFC EXCESS MOBILE HOME PROBLEM (HCR 54); COULD ALSO ADDRESS OVERSUPPLY OF CONDOS)

(8) provide financing under terms established by the board, to promote the sale of residential housing owned by the corporation, if the board of directors determines that the terms of financing do not work an excessive hardship on competing individual sellers of residential housing;

(ALLOWS AHFC TO COMPETE WITH HUD, FNMA LOW FINANCING TERMS IN THE CURRENT MARKET) (NEW LANGUAGE ADDED WOULD ALSO ADDRESS CURRENT OWNER FINANCING PROBLEMS, I.E. THOSE INDIVIDUALS WHO ARE

ATTEMPTING TO SELL THEIR PROPERTY BUT ARE COMPETING WITH AHFC LOWER FINANCING/OWNER-OCCUPANCY REQUIREMENTS)

(9) invest funds of the corporation in publicly-owned projects involving the destruction of substandard residential housing if the board of directors determines that the investment is prudent, properly secured, and in the long-term best interests of the corporation;

(COULD MEAN A SECURITY INTEREST IN THE LAND IF AHFC FUNDS ARE UTILIZED FOR THIS PURPOSE.)

(10) create subsidiary entities to implement a power conferred by this section and to provide insurance as provided in AS 18.56.093 and 18.56.095; and

(ALLOWS AHFC TO SET UP SUBSIDIARY MANAGEMENT OF AHFC OWNED PROPERTIES. ALSO ALLOWS AHFC TO ESTABLISH ITS OWN MORTGAGE INSURANCE ON CERTAIN PROPERTIES. THEY DO HAVE BROAD GENERAL POWERS IN THIS AREA; HOWEVER, AT THIS TIME, AHFC IS NOT PREPARED TO ESTABLISH IN-HOUSE MORTGAGE INSURANCE PROGRAM UNTIL THEY HAVE HAD A CHANCE TO REVIEW A SIMILAR ARRANGEMENT USED BY THE STATE OF CALIFORNIA. THIS WOULD WORK TO THE BENEFIT OF AHFC IN INSURING MORTGAGES THAT MGIC, FNMA AND OTHER PMI WILL NOT TOUCH IN ALASKA, I.E. CONDO UNITS.)

(11) take other actions necessary, convenient or desirable to carry out the powers granted in this subsection.

(SIMILAR TO GENERAL AHFC POWERS PROVISION IN AS 18.56.090)

(b) The corporation shall implement the powers conferred by this section by adopting regulations under the procedures set out in AS 18.56.088.

Sec. 2 AS 45.50.572 is amended by adding a new subsection to read:

(i) AS 45.50.562 - 45.50.596 do not forbid activities of the Alaska Housing Financing Corporation to stabilize the market price of and demand for residential housing in the state as provided in AS 18.56.210.

(ANTI-TRUST PROVISION - GIVES AHFC SPECIFIC EXEMPTION AUTHORITY TO MAKE ARRANGEMENTS TO HOLD PROPERTIES OFF OF THE MARKET FOR PUBLIC PURPOSES)

Sec. 3 This act takes effect immediately under AS 01.10.070 (c).

Expanded powers - strengthen
powers - e.g. conduct +
travellers - to work as single family

5-2091B
Bradley
4/21/88

Original sponsor: Rules/House Members
of the Joint Committee
on Economic Recovery

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 555 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-
7 ration to stabilize the market price of and the
8 demand for residential housing in the state; and
9 providing for an effective date."

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

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

12 Sec. 18.56.210. MARKET STABILIZATION POWERS. (a) If the board
13 of directors determines that it is in the best interest of the corpo-
14 ration, the corporation may take appropriate action under this sec-
15 tion to stabilize the market price of and demand for residential
16 housing in the state. To accomplish the purposes of this section, the
17 corporation may

18 (1) make and execute necessary agreements and conveyances
19 under which a borrower may exchange residential housing securing a
20 mortgage loan owned, held, or sold by the corporation for other res-
21 idential housing owned by the corporation;

22 (2) repurchase a mortgage loan sold or pledged by the
23 corporation for the purpose of exercising a power conferred by this
24 section;

25 (3) for the purpose of qualifying residential housing
26 situated in a condominium project for the best available financing for
27 mortgage loans, make and execute agreements and contracts necessary to
28 encourage all owners who occupy units in a condominium project that is
29 not eligible for financing under this chapter to exchange their

1 ownership interest for a condominium unit owned by the corporation in
2 another project;

3 (4) make and execute appropriate agreements with insurers,
4 investors, and guarantors concerning the temporary removal of residen-
5 tial housing owned by the corporation from the resale market;

6 (5) demolish residential housing owned by the corporation
7 if the corporation determines that

8 (A) the housing is substandard compared to housing
9 available on the open market;

10 (B) the housing cannot be converted to a public or
11 charitable use; and

12 (C) there is a substantial oversupply of similar
13 housing on the open market;

14 (6) convert residential housing owned by the corporation
15 that is designed and constructed for owner occupancy to another bene-
16 ficial use;

17 (7) make bulk sales of property owned by the corporation
18 under procedures and terms the corporation determines are in the best
19 interests of the corporation;

20 (8) provide financing under terms established by the board
21 to promote the sale of residential housing owned by the corporation if
22 the board of directors determines that the terms of financing do not
23 work an excessive hardship on competing individual sellers of residen-
24 tial housing;

25 (9) invest funds of the corporation in the removal and
26 disposal of substandard publicly-owned residential housing if the
27 board of directors determines that the investment is prudent, properly
28 secured, and in the long-term best interests of the corporation;

29 (10) create subsidiary entities to implement a power

1 conferred by this section and to provide insurance under AS 18.56.093
2 and 18.56.095; and

3 (11) take other actions necessary, convenient, or desirable
4 to carry out the powers granted in this subsection.

5 (b) The corporation shall implement the powers conferred by (a)
6 of this section by adopting regulations under AS 18.56.088.

7 * Sec. 2. AS 45.50.572 is amended by adding a new subsection to read:

8 (i) AS 45.50.562 - 45.50.596 do not prohibit activities of the
9 Alaska Housing Finance Corporation to stabilize the market price of
10 and demand for residential housing in the state under AS 18.56.210.

11 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).
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