SCOMM

60:3

STATE OF ALASKA

THE LEGISLATURE

1989

Source		Legislative Resolve No.
HCS CSSCR 28(Fin)		54

Establishing a Housing Finance Task Force to review and recommend changes to publicly-assisted residential finance programs.

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

WHEREAS the State of Alaska has created a substantial public financing system designed to assist Alaska homebuyers and has provided more than $1,000,000,000 of capital as well as bonding authority to initiate and sustain these loan programs; and

WHEREAS the management of these loan programs has been assigned to several agencies, including executive departments and public corporations; and

WHEREAS the Alaska residential housing market has evolved tremendously since most of these loan programs were established; and

WHEREAS, due to recent economic hardship, these agencies have taken possession of hundreds of residential properties throughout the state; and

WHEREAS scrutiny of the state's initial capital investment, outstanding bonded indebtedness incurred by these agencies, authorities, and public corporations, and the reinvestment of income earned from residential loans requires the expertise of the agencies, authorities, and public corporations currently involved;

BE IT RESOLVED by the Alaska State Legislature that a Housing Finance Task Force is established to review and analyze the publicly-assisted residential finance programs, including but not limited to housing loan programs managed by the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs; and be it

FURTHER RESOLVED that the task force shall report to the legislature by the 15th day of the Second Session of the Sixteenth Alaska State Legislature summarizing the financial condition of all state-assisted residential loan programs, guidelines governing each of the loan programs, and the status and condition of any bonds sold to capitalize these loans; and be it

FURTHER RESOLVED that the task force shall administer an independent evaluation of the options and implications for restructuring, reducing the size of, privatizing, or phasing out the Alaska Housing Finance Corporation, and that the evaluation also include an analysis of the potential for return on the capital invested in the corporation by the state; and be it

FURTHER RESOLVED that the task force shall review the proposal which would require the Alaska Housing Finance Corporation to purchase mortgage loans from the housing assistance loan fund, the effects of this policy on each of the loan programs, whether the purchases should be at par value or at market value and, if at market value, an appropriate method for determining that value, and the long-term anticipated demand for residential loans through the housing assistance loan fund; and be it

FURTHER RESOLVED that the task force shall consist of six members, including three members of the Senate to be appointed by the president of the Senate and three members of the House of Representatives to be appointed by the speaker of the House, and that the task force shall have an advisory group composed of the director of the rural development division of the Department of Community and Regional Affairs, the executive director of the Alaska Housing Finance Corporation, the executive director of the Alaska State Housing Authority, and the executive director of the Alaska Housing Market Council, or their designees; and be it

FURTHER RESOLVED that the Housing Finance Task Force terminates when the task force submits its report.

MEMORANDUM

TO: Rep. C.E. Swackhammer

FROM: Carl Nickel, Finance Aide

DATE: April 3, 1990

TOPIC: HB 462/SB 427

Senate Bill 427 passed the Senate by a vote of 13-6 with two amendments. The NAYS were Adams, Coghill, Fischer, Halford and Kerttula.

The first amendment by Senator Faiks was directed at the Railroad. According to debate, the fundamental change of the procurement code for the railroad excludes Alaska Bidder's Preference for anything that directly relates to railroad "rolling-stock" and rails. The rationale is, there are so few manufacturers of specific railroad that the bidder preference was thwarted by "someone in Alaska with a FAX machine, PC and a $25.00 business license could call potential bidders and offer to bid for them for a fee." Senator Faiks gave examples of large commissions being paid for virtually no involvement.

The question regarding railway ties not having Alaska Bidder's Preference. They too would be excluded, but it was decided that the bidder's preference for Alaska wood products covered that issue.

The second amendment by Senator Kerttula removed the exclusion of LB&A from AHFC expenditures of program receipts. He stated there has to be oversight and if LB&A does nothing within 45 days, an appropriation request automatically passes. There was considerable debate regarding the funds in front of the budget vs funds in general. I do not think people walked away with this resolved in their minds.

There is a sectional analysis attached which addresses this bill. Please note the separate sheet dated April 2, 1990 by Dierdorff. It was requested to clarify (4) at the top of Page 2.

6-2074Gd
Chenoweth

AMENDMENT #1

OFFERED IN THE SENATE BY SENATOR FAIKS & SZYMANSKI

TO: CSSB 427 (Rules)

Page 7, line 3:

Delete "the Alaska Railroad Corporation,"

Insert "[THE ALASKA RAILROAD CORPORATION]"

Page 7, line 4, after "Corporation":

Delete ","

Page 7, following line 14:

Insert a new bill section to read:

"* Sec. 9. AS 36.30.015 is amended by adding a new subsection to read:

(f) The board of directors of the Alaska Railroad Corporation shall adopt procedures to govern the procurement of supplies, services, professional services, and construction. The procedures must

(1) reflect competitive principles and provide vendors reasonable and equitable opportunities to participate in the procurement process;

(2) include procurement methods to meet emergency and extraordinary circumstances; and

(3) for a contract awarded for supplies, services, and construction, comply with the provisions of AS 36.30.170(b) and 36.-30.250(b) that establish a preference for an Alaska bidder, except

that the Alaska bidder preference provisions of AS 36.30.170(b) and 36.30.250(b) do not apply to a contract that actually and directly relates to the purchase, operation, expansion, reduction, or maintenance of track structure or equipment moving upon track structure of the railroad."

Renumber the following bill sections accordingly.

6-2074Gb
Chenoweth

AMENDMENT #8

✓ w/memo

OFFERED IN THE SENATE BY SEN. KERTTULA

TO: CSSB 427 (Rules)

Page 1, line 10, after "Code":

Delete "and allowing the corporation to expend additional corporation receipts immediately after submission of a revised program to the Legislative Budget and Audit Committee"

Page 7, line 29, through page 8, line 16:

Delete all material.

Renumber the following bill sections accordingly.

3/29/90

MEMORANDUM

State of Alaska

Office of the Governor
Division of Policy

TO: Representative Swackhammer
House Finance Committee

DATE: March 20, 1990

FROM: Mary Halloran
Director, Policy

PHONE: 465-3568

SUBJECT: AHFC: DIVIDEND POLICY
HB 462

FILE NO:

Here are comments about the proposed dividend statute for AHFC from the following organizations: Bear Stearns, Shearson Lehman Hutton, and Paine Webber.

Bear Stearns and Shearson Lehman Hutton's representatives remain concerned about adverse financial consequences of adopting such a policy. Bear Stearns notes that the proposed language calls for "at least 50%" of AHFC's unrestricted annual net income, which would contribute to investors' perception of "extra risk." Shearson Lehman Hutton advises that the proposed amendment will adversely affect credit evaluations of investors and others. Paine Webber indicates that the discretionary nature of the proposed dividend is beneficial to AHFC, and that the delayed effective date is "an excellent suggestion."

cc: Members, House Finance
Bob Mintz, AHFC

MAR 01 '87 08:46.23 ID:BS: FINANCIAL INSTIT TEL NO:212-272-2295 #669 P.2/6

HB462

BEAR STEARNS

BEAR, STEARNS & CO. INC.

245 PARK AVENUE
NEW YORK, NEW YORK 10167
(212) 272-2000

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March 19, 1990

Mr. Robert Mintz
Chairman
Alaska Housing Finance Corporation
520 East 34th Avenue
Suite 300
Anchorage, AK 99503

Dear Bob,

You have asked me for my comments concerning the revised Dividend Statute for the Alaska Housing Finance Corporation. I have attached to this letter my letter to you dated March 12, 1990 and call your attention to my concerns which have not changed. Any perception to the investor that the Legislature can penetrate the Corporation for funds will be detrimental to its fiscal health whether it be couched in mild or harsh terms. In today's environment sound business practices, which include the preservation of capital, are necessary. I do not believe the proposed Dividend Statute meets this criteria.

Sincerely,

Alfred B. Thacher, Jr.

Alfred B. Thacher, Jr.

BEAR STEARNS

BEAR, STEARNS & CO. INC.

245 PARK AVENUE
NEW YORK, NEW YORK 10167
(212) 272-2000

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March 12, 1990

Mr. Robert Mintz
Chairman
Alaska Housing Finance Corporation
520 East 34th Avenue
Suite 300
Anchorage, AK 99503

Dear Bob,

On Friday, March 9, I had a phone call with Shearson Lehman Hutton Inc. in order to update myself on the state of affairs at Alaska Housing. The reason for this letter is because I am concerned about one of the topics we discussed: namely, the Alaska Legislature's continued interest in the Corporation's cash flows and their desire to appropriate some or all of them.

I do believe that an investor is due, if at all possible, a return on his investment, and I do believe that changing circumstances may alter the desires and expectations of an investor. In good times, he may be satisfied with letting his investment grow reinvesting his dividends. While in bad times, there may be a need for liquidity or other uses for the monies his investment is earning. I am not against such alterations of cash flow if they are made in a reasonable manner under sound business practices.

As I understand it, the Legislature would like to implement a dividend policy that would require the Corporation to pay to the State's General Fund at least 50% of its unrestricted yearly net income. It would be an understatement to say that such a policy makes me feel uncomfortable. In this day when the financial markets have been so unsettled and volatile and where the flight to good credit has been so marked, perception has become very much a part of reality. The reasoning of investors is very simple; if the legislature can take 50% of the Corporation's net income or more at whim, even with stand alone transactions, they would regard this as a depletion of net worth and thereby a reduction of its credit worthiness. This would make it more difficult for the Corporation to finance itself due to the probable loss of investor confidence. It would most definitely make the cost of money to the Corporation more expensive. This would be due to the need of increased spread for securities over treasuries to compensate investors for the perceived extra risk.

I realize that there has been a great deal of debate concerning the future role of the Corporation in Alaska. I must urge that whatever is done, should be done in an orderly fashion and in a manner that would never give the impression that the Corporation was being raided or could be raided for its surpluses. Some might argue that reputation and integrity have not been as important a factor in the past few years as long as the analysis on a transaction has been considered reasonable: as more weight was given the objective rather than the subjective. Today, investors are listening and considering everything in their search for credit worthiness.

Therefore, if the Corporation is to stay in business in today's market place, I must emphasize a most conservative approach to its cash flows and an implementation of change which is open and leaves no room for misunderstanding.

Sincerely,

Alfred B. Thacher, Jr.

John C. Moore
Senior Vice President

208-344-5880

SHEARSON
LEHMAN
HUTTON

March 16, 1990

Mr. Robert Mintz
Chairman
Alaska Housing Finance Corporation
520 East 34th Avenue
Anchorage, AK 99503

Re: Proposed Dividend Policy

Dear Mr. Mintz:

We reviewed the revised language being considered for the proposed amendment to CSHB 462 (C&RA) regarding the institution of an annual dividend payment to the state general fund by the Alaska Housing Finance Corporation (the "Corporation").

Even though this new language permits the Corporation's Board of Directors to rescind or reduce such a dividend payment if required to maintain the financial soundness of the Corporation, we still believe, as financial advisor to the Corporation, that the proposed amendment will affect the perceptions and credit evaluations of investors, credit enhancement providers and rating analysts involved in the Corporation's financing activities.

As we discussed in our letter to you dated March 8, 1990, any action taken by the Legislature to reduce the Corporation's control over its financial resources will be viewed negatively. Ongoing maintenance of the Corporation's credit worthiness is largely dependent on its ability to manage and deploy its resources in a prudent and conscientious manner. None of us are sure what the future will hold and it is entirely possible that the Corporation may eventually need those funds if actual events deviate from the assumptions originally made in structuring the Corporation's outstanding debt issues.

Also, because of the long term nature of the Corporation's debt, much of which is scheduled to mature beyond the year 2000, it is difficult for investors to assess how an ongoing and open-ended dividend policy might affect their investment in the future. Therefore, they tend to react conservatively and may demand higher returns to compensate themselves for the uncertainty even if the proposed dividend payments are deferred until 1994 or beyond.

We appreciate your willingness to hear our views on this matter and hope that they convey our concern appropriately.

Very truly yours,

John C. Moore

John C. Moore

JCM:jf 0692m

PaineWebber Incorporated
100 California Street, 12th Floor
San Francisco, CA 94111
415 954-6700
415 362-9000

March 16, 1990

PaineWebber

Mr. Robert Mintz
Chairman
Alaska Housing Finance Corporation
520 East 34th Avenue
Anchorage, Alaska 99503

RE: Revised AHFC Dividend Statute (attached)

Dear Mr. Mintz:

As you have requested, our observations on the current proposal to amend AS18.56, as well as the discussion regarding moving the effective thereof to 1994, are summarized below.

Our understanding is that the revision would allow the Board of Directors to review the financial performance of AHFC within six months after the close of the fiscal year before determining its ability to pay a dividend to the state general fund for that year. Conceptually the discretionary power conferred on the Board in this manner is beneficial to AHFC. The implementation may prove to be cumbersome in that "financial soundness" is a subjective standard in the absence of formal guidelines or definition. The Board will have to develop guidelines within which to measure financial soundness. The guidelines may take the form of minimum ratio targets such as total fund balances to total debt outstanding and unrestricted fund balances to total debt outstanding. We expect that annual presentations to the rating agencies would be necessitated allowing Moody's and S&P to review the Board's proposed dividend payment before the fact.

Postponement of the effective date is an excellent suggestion for the following reasons. Delaying dividend payouts until 1994 will give AHFC the opportunity to get through the worst of the impact of the downturn in the State's real estate market on its financial position. With all of its resources intact AHFC may continue to play an integral role in the recovery. In addition, it gives AHFC an adequate time frame within which to develop procedures for determining the circumstances under which the full 50% dividend payout would be acceptable to the rating agencies and credit enhancement providers. Third, any negative impact on AHFC's ability to access the capital markets may be greatly diminished by giving capital market participants advance notice and allowing them to become comfortable that the dividend payout does not adversely affect the soundness of the debt obligations of AHFC.

Please call us (415-954-5997) if you have any questions.

Sincerely,

Marie A. DeRosa

Marie A.DeRosa
Vice President

* Sec. AS 37.07 is amended by adding a new section to read:

Sec. 37.07.085. ALASKA HOUSING FINANANCE CORPORATION BUDGET. (a) Notwithstanding the provisions of AS 37.07.080, the Alaska Housing Finance Corporation may, by resolution adopted by the board of directors, increase an item appropriated from corporation receipts if:

(1) the board of directors determines that exigent circumstances require an increase in appropriations; and

(2) additional corporation receipts not specifically appropriated by the full legislature are available.

(b) Before the resolution required by (a) of this section takes effect, the board of directors shall submit a revised program to the governor and the legislative budget and audit committee.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K – STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

TELECOPIER TRANSMITTAL LETTER

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: Bob Minte

LOCATION: Anch - Gov Coll. PHONE: ______

TELECOPIER NUMBER: 561-7860

REMARKS: As we discussed

TOTAL NUMBER OF PAGES 02 INCLUDING COVER LETTER.

DATE: 3-19-90 TIME: 9:45

FROM: J. L. Baldwin

IN RE SUBJECT/FILE NO. AHFC - LEGISLATION

CHARGE TO: ☐ 100 ☑ 110 ☐ 523
☐ 543 ☐ 546 ☐ 674
☐ 740 ☐ OTHER ______

IF YOU DO NOT RECEIVE ALL THE PAGES OR IF YOU HAVE ANY PROBLEMS, PLEASE CONTACT: J.L.B

AT (907) 465-3600 - ATTORNEY GENERAL'S OFFICE - JUNEAU

NOTE: Please fill in ALL of the blanks.

To: Bob Sullivan

HOUSE BILLS

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Hudson, Koponen,
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cki

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ATE BILLS

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HCS CSSB 427(Fin)amH

HOUSE CS FOR CS FOR SENATE BILL NO. 427 (Finance) amended House
"An Act relating to program and administration requirements of certain state corporations; expanding the number of directors of the Alaska Housing Finance Corporation; exempting the Alaska Housing Finance Corporation from the State Procurement Code; amending the corporation's special mortgage loan purchase program and progressively reducing the maximum level of loan amounts eligible for a reduction under a mortgage loan subsidy; amending the corporation's mortgage loan subsidy program for persons of lower and moderate income; and relating to procurement practices of certain state corporations; and providing for an effective date."

The question being: "Shall HCS CSSB 427(Fin)amH pass the House?" The roll was taken with the following result:

HCS CSSB 427(FIN)AMH

Yeas:	33	Boucher, Boyer, Brown, Collins, Cotten, Davis, C., Davis, M., Donley, Ellis, Finkelstein, Foster, Furnace, Goll, Gruenberg, Grussendorf, Hanley, Hudson, Koponen, Kubina, Larson, Leman, MacLean, Menard, Miller, Navarre, Pettyjohn, Phillips, Rieger, Sharp, Swackhammer, Ulmer, Wallis, Zawacki
Nays:	1	Barnes
Excused:	2	Martin, Taylor
Absent:	4	Davidson, Hoffman, Jacko, Shultz

And so, HCS CSSB 427(Fin)amH passed the House.

Representative Navarre moved and asked unanimous consent that the roll call on the passage of the bill be considered the roll call on the effective date clause. There being no objection, it was so ordered.

HCS CSSB 427(Fin)amH was referred to the Chief Clerk for engrossment.

<u>A M E N D M E N T</u>

<u>HB 462 (CR&A)</u>

<u>HOUSE FINANCE COMMITTEE SUBSTITUTE</u>

Page 7, line 8:

Insert a new bill section to read:

* Sec. 9. AS 36.30.015(e) is amended to read:

(e) The boards of directors of the Alaska Railroad Corporation [AND]<u>,</u> the Alaska Housing Authority <u>and the Alaska Housing Finance Corporation</u> shall adopt procedures to govern the procurement of supplies, services, professional services, and construction [BY THE CORPORATION]. The procedure must be substantially equivalent to the procedures prescribed in this chapter and in regulations adopted under this chapter.

Renumber the following bill sections accordingly.

Rep. C.E. Swackhammer

6-2074Aa
Chenoweth

AMENDMENT

OFFERED IN THE SENATE BY SEN. FAIKS

TO: SB 427

Page 1, lines 6 - 7:

Delete "the Alaska Housing Finance Corporation and its housing programs"

Insert "program and administration requirements of certain state corporations"

Page 1, lines 7 - 8:

Delete "corporation"

Insert "Alaska Housing Finance Corporation"

Page 1, line 14, after "income;":

Insert "relating to procurement practices of the Alaska Railroad Corporation;"

Page 6, following line 26:

Insert a new bill section to read:

"* Sec. 8. AS 36.30.015(e) is amended to read:

(e) The <u>board</u> [BOARDS] of directors of [THE ALASKA RAILROAD CORPORATION AND] the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction [BY THE CORPORATION]. The procedures must be substantially equivalent to the procedures prescribed in this

2/22/90

chapter and in regulations adopted under this chapter."

Renumber the following bill sections accordingly.

Page 7, following line 21:

Insert a new bill section to read:

#2

"* Sec. 11. AS 42.40.100 is amended to read:

Sec. 42.40.100. MANAGEMENT BY THE BOARD. The board is responsible for the management of the corporation but shall delegate certain powers and duties to the chief executive officer in accordance with AS 42.40.120. In managing the corporation the board shall

(1) be responsible for the management of the financial and legal obligations of the Alaska Railroad;

(2) operate the Alaska Railroad as a common carrier subject to the jurisdiction of the United States Interstate Commerce Commission consistent with 45 U.S.C. 1207;

(3) generally manage the corporation on a self-sustaining basis;

(4) apply to the legislature for an appropriation with the concurrence of the governor to be used to provide a particular service that is not otherwise self-sustaining if a subsidy is required to maintain that service;

(5) provide for safe, efficient, and economical transportation to meet the overall needs of the state;

(6) raise needed capital by issuing bonds of the corporation upon approval by the legislature while ensuring that borrowing by

the corporation does not directly or indirectly endanger the state's own borrowing capacity;

(7) review all state and other land disposal proposals to aid in planning for future development or expansion of transportation services;

(8) adopt and publish procedures to govern the procurement of supplies, services, professional services, and construction by the corporation; the procedures adopted must [ENSURE THAT THE PROCUREMENT PROCEDURES OF THE CORPORATION] meet accepted railroad industry standards;

(9) ensure that the accounting procedures of the corporation meet generally accepted accounting principles consistent with industry standards for comparable railroads."

Renumber the following bill sections accordingly.

M E M O R A N D U M

TO: Rep. C.E. Swackhammer

FROM: Carl Nickel, Finance Aide

DATE: February 28, 1990

TOPIC: House Finance Committee Substitute HB 462

This amendment should work to direct AHFC to develop procurement procedures "substantially equivalent" to the regular procurment code. It simply adds AHFC to ARRC and AHSA in the procurement code section.

The Banking and Economic Development substitute changes the title of the bill to enable fixing the Alaska Railroad Corporation. It removes the ARRC from AS 36.30.015(e) which is the "substantially equivalent" section and directs the management of the ARRC Board to "adopt and publish procedures to govern the procurement of supplies, services, professional services and construction by the corporation: the procedures adopted must meet accepted railroad industry standards."

Our amendment is specifically directed at AHFC and I think cleaner.

STATE OF ALASKA
1990 LEGISLATIVE SESSION

No. 1
BILL VERSION: CSHB 462(C&RA)
PUBLISH DATE: HOUSE 2/20/90

FISCAL NOTE

REQUEST:

Revision Date:
Title: ...relating to AHFC and its housing programs...
Sponsor: Rules
Requestor: C & RA

Agency Affected:
BRU: Alaska Housing Finance Corporation
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Judith DeSpain, Chief Administrative Officer Phone: 561-1900
Division: Alaska Housing Finance Corporation Date: 2/15/90

Approved by Commissioner: Hugh Malone Roger Vifica Date: 2/16/90
Agency: Revenue

Distribution (by preparer):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

<u>A M E N D M E N T</u>

<u>HOUSE FINANCE COMMITTEE SUBSTITUTE</u>

<u>HB 462 (CR&A)</u>

Page 1, line 26:

* Sec. 1. AS 18.56.030(a)(3) is amended to read:

(3) <u>four</u> [TWO] public members appointed by the governor <u>of which at least one shall be a member of the finance community</u>.

Rep. C.E. Swackhammer

SECURITY PACIFIC BANK

Security Pacific Bank
Washington, NA
Corporate Banking: T23-3
Security Pacific Tower, Box 3966
Seattle, Washington 98124
(206) 621-4216

Lynn M. Manley
First Vice President

April 17, 1990

House Finance Committee
House of Representatives
Alaska State Legislature
Juneau, Alaska 99801

Re: Amendment to CSSB 427 (Rules)

Gentlemen and Ladies:

Tom Behan, Executive Director of Alaska Housing Finance Corporation, has asked me to comment on the effect, if any, the proposed amendment offered by Representative Rieger would have on the financial health of AHFC.

By way of background, this bank, both formerly as Rainier Bank and now as part of Security Pacific Corporation, has had a relationship with AHFC since 1982. We have acted as financial advisor to AHFC in the private placement of three corporate bonds amounting to $65 million in the aggregate, and we have made available to AHFC credit in various forms in amounts in excess of $26 million. AHFC is currently obligated to Security Pacific Bank Washington (SPBW) on a contingent basis for $15.8 million, representing the balance on a standby letter of credit supporting the first of the previously-mentioned corporate bonds.

Alaska Housing's financial structure is highly complex. To generalize somewhat, while most of its bond issues are structured as "stand alone" financings (with income from pledged assets sufficient to repay the debt), all issues carry the full faith and credit of the Corporation. If there is an occurrence in which the cash flow from assets committed to a bond issue is insufficient to repay the bond, lenders can rely on the consolidated net income of the Corporation to provide for repayment of interest and principal. To the extent that income is perceived as being sufficient (with ample margin) to repay all current and contemplated obligations, the risk of loss is relatively low, and most lenders would be inclined to extend larger amounts of credit at a lower price. If the Corporation's income is reduced for any reason, the amount of available credit would very likely be restricted and/or the price increased. In my opinion, one probable result of mandating a decrease in net income would be tighter structuring of each individual bond issue--that is, requiring commitment of more cash and/or collateral as security for a specific bond issue.

There are many other possible ramifications of a planned reduction of AHFC's net income. Unfortunately, it is difficult to assess on short notice what would be the actual effect on the capital markets of the proposed legislative amendment. I forward these brief comments to you in the interest of meeting your deadline and supplying you with at least one opinion from a lender actively engaged in supplying credit to AHFC.

I am pleased to have the opportunity of offering this testimony to the House Finance Committee on behalf of Alaska Housing Finance Corporation. Should anyone desire elaboration on any point included in this letter, please feel free to contact me.

Sincerely,

LH

Lynn M. Manley

Lynn M. Manley
First Vice President

LMM/lh

cc: Mr. Tom Behan

AMENDMENT

*Sec. 18.56.089 is amended to read:

ANNUAL ACCOUNTING. The [EXECUTIVE BUDGET ACT. THE OPERATING BUDGET OF THE CORPORATION IS SUBJECT TO THE EXECUTIVE BUDGET ACT (AS 37.07). TO FURTHER ENSURE EFFECTIVE BUDGETARY DECISION MAKING BY THE LEGISLATURE, THE] corporation shall present a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving funds, to the legislature by January 10 of each year. The accounting shall be audited by an independent outside auditor and shall include a full description of all mortgage loan interest and princippal repayments and program receipts, including mortgage loan commitment fees, received by or accrued to the corporation during the preceding fiscal year, [and] all income earned on the assets of the corporation during that period, including earnings on assets of the state assisted mortgage funds, and all changes in personal services activities within the corporation.

Original sponsor(s): Rules/Housing Finance Task Force

IN THE HOUSE BY THE C&RA COMMITTEE

CS FOR HOUSE BILL NO. 462 (C&RA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the Alaska Housing Finance Corporation and its housing programs; expanding the number of directors of the corporation; exempting the corporation from the Executive Budget Act and the State Procurement Code; amending the special mortgage loan purchase program and progressively reducing the maximum level of loan amounts eligible for a reduction under a mortgage loan subsidy; amending the mortgage loan subsidy program for persons of lower and moderate income; and providing for an effective date."

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

* Section 1. AS 18.56.030(a) is amended to read:

(a) The corporation shall be governed by a board of directors consisting of

(1) the commissioner of revenue and the commissioner of commerce and economic development;

(2) one other member who is the head of a [THE] principal department of the executive branch of state government appointed by the governor; and

(3) four [TWO] public members appointed by the governor.

* Sec. 2. AS 18.56.089 is amended to read:

Sec. 18.56.089. ANNUAL ACCOUNTING. The [EXECUTIVE BUDGET ACT. THE OPERATING BUDGET OF THE CORPORATION IS SUBJECT TO THE EXECUTIVE

BUDGET ACT (AS 37.07). TO FURTHER ENSURE EFFECTIVE BUDGETARY DECISION MAKING BY THE LEGISLATURE, THE] corporation shall present a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving fund, to the legislature by January 10 of each year. The accounting shall be audited by an independent outside auditor and shall include a full description of all mortgage loan interest and principal repayments and program receipts, including mortgage loan commitment fees, received by or accrued to the corporation during the preceding fiscal year, and all income earned on assets of the corporation during that period, including earnings on assets of the state assisted mortgage fund.

* Sec. 3. AS 18.56.091 is amended by adding a new subsection to read:

(b) Notwithstanding (a) of this section, the loan amount eligible for assistance under the subsidy authorized by (a) of this section is the amount determined under AS 18.56.098(f).

* Sec. 4. AS 18.56.098(f) is amended to read:

(f) In this section and in AS 18.56.099

(1) "graduated payment mortgage loan" means a mortgage loan the terms of which provide for monthly principal and interest payments that

(A) during the first year of the mortgage loan are lower than the monthly principal and interest payments that would be required under the terms of a level payment mortgage loan made at the same interest rate; and

(B) during subsequent years of the mortgage loan are graduated to provide for the same return over the term of the loan that would have been provided by a level payment mortgage loan made at the same interest rate;

(2) "loan amount eligible for assistance" means the amount

of a mortgage loan that does not exceed the amount of the loan established by law; if an amount has not been established by law, the amount is zero;

(3) [REPEALED] "mortgage loan" includes a beneficial interest or participation in a mortgage loan;

(4) "residence" means

(A) an owner-occupied, single-family residence, including a mobile home; [,] or

(B) an owner-occupied duplex, triplex, or fourplex.

* Sec. 5. AS 18.56.098(f) is repealed and reenacted to read:

(f) In this section and in AS 18.56.091 and 18.56.099

(1) "graduated payment mortgage loan" means a mortgage loan the terms of which provide for monthly principal and interest payments that

(A) during the first year of the mortgage loan are lower than the monthly principal and interest payments that would be required under the terms of a level payment mortgage loan made at the same interest rate; and

(B) during subsequent years of the mortgage loan are graduated to provide for the same return over the term of the loan that would have been provided by a level payment mortgage loan made at the same interest rate;

(2) "loan amount eligible for assistance" means

(A) the first $50,000 of a mortgage loan for persons of lower or moderate income whose purchase of a home is assisted under AS 18.56.091; or

(B) except as to persons whose purchase of a home is assisted under AS 18.56.091, the amount of a mortgage loan that does not exceed the amount of the loan established by law; if an amount has not been established by law, the amount is zero;

(3) "mortgage loan" includes a beneficial interest or participation in a mortgage loan;

(4) "residence" means

(A) an owner-occupied, single-family residence, including a mobile home; or

(B) an owner-occupied duplex, triplex, or fourplex.

* Sec. 6. AS 18.56.098(g) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under the applicable provisions of 26 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds the loan amount eligible for assistance [$90,000] is equal to the cost of funds to the

corporation attributable to that part of the loan.

(4) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) For loans made under this section, the corporation shall give effect to interest rate changes applicable to the loans based on time of loan application, time of issuance of the

corporation's bonds issued to purchase loans, or other factors as the corporation determines.

(8) [(7)] In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under applicable provisions of 26 U.S.C. (Internal Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980)] issued to finance the purchase of first mortgage loans.

* Sec. 7. AS 18.56.098(h) is amended to read:

(h) The corporation shall establish the interest rate on a second mortgage loan purchased under (a) of this section in the manner established for computing the interest rates on a first mortgage loan under (g) of this section except that, in the case of a second mortgage loan, if the first mortgage loan made to the same borrower is held by the corporation and was purchased under the special mortgage loan purchase program, the outstanding principal balance of the existing first mortgage loan is subtracted from the loan amount eligible for assistance [$90,000] to determine the amount of the loan that is eligible for an interest rate on a second mortgage loan determined by reference to (g) of this section.

* Sec. 8. AS 18.56.098(i) is amended to read:

(i) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under applicable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREATER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate for other loans to veterans under (g)(2) of this section [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required by applicable provisions of 26 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

* Sec. 9. AS 36.30.990(1) is amended to read:

(1) "agency"

(A) means a department, institution, board, commission, division, authority, public corporation, the Alaska Pioneers' Home, or other administrative unit of the executive branch of state government;

(B) does not include

(i) [, EXCEPT FOR] the University of Alaska;

(ii) [,] the Alaska State Housing Authority;

(iii) the [AND] Alaska Railroad Corporation;

(iv) the Alaska Housing Finance Corporation;

(v) [IT DOES NOT INCLUDE] a regional Native housing authority created under AS 18.55.996, or a regional electrical authority created under AS 18.57.020;

* Sec. 10. AS 37.07.120(1) is amended to read:

(1) "agency"

(A) means a department, officer, institution, board, commission, bureau, division, or other administrative unit forming the state government, and includes the Alaska Pioneers' Home and the University of Alaska;

(B) [, BUT] does not include

(i) the legislature;

(ii) [OR] the judiciary; or

(iii) the Alaska Housing Finance Corporation;

* Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second mortgage loans purchased by the Alaska Housing Finance Corporation from the special mortgage loan purchase program and from qualified veterans' mortgage bonds

(1) after June 30, 1990, and before July 1, 1991, the loan amount eligible for assistance under AS 18.56.098 is $70,000;

(2) after June 30, 1991, and before July 1, 1992, the loan amount eligible for assistance under AS 18.56.098 is $50,000;

(3) after June 30, 1992, and before July 1, 1993, the loan amount eligible for assistance under AS 18.56.098 is $30,000.

* Sec. 12. Of the two additional public members appointed by the governor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall serve a term of two years and one shall serve a term of one year. When making the appointments, the governor shall specify the length of the term of each person appointed.

* Sec. 13. Sections 3 and 5 of this Act take effect July 1, 1992.

* Sec. 14. Except for secs. 3 and 5 of this Act, this Act takes effect July 1, 1990.

#1

A M E N D M E N T

HB 462 (CR&A)

HOUSE FINANCE COMMITTEE SUBSTITUTE

Page 7, line 8:

Insert a new bill section to read:

* Sec. 9. AS 36.30.015(e) is amended to read:

(e) The boards of directors of the Alaska Railroad Corporation [AND], the Alaska Housing Authority and the Alaska Housing Finance Corporation shall adopt procedures to govern the procurement of supplies, services, professional services, and construction [BY THE CORPORATION]. The procedure must be substantially equivalent to the procedures prescribed in this chapter and in regulations adopted under this chapter.

Renumber the following bill sections accordingly.

Rep. C.E. Swackhammer

#2
ADOPTED

A M E N D M E N T

HOUSE FINANCE COMMITTEE SUBSTITUTE

HB 462 (CR&A)

Page 1, line 26:

* Sec. 1. AS 18.56.030(a)(3) is amended to read:

(3) <u>four</u> [TWO] public members appointed by the governor <u>of which at least one shall be a member of the finance community</u>, and a [illegible]

Rep. C.E. Swackhammer

6-2004Ea
Bannister/
Chenoweth

#3

AMENDMENT

OFFERED IN THE HOUSE BY REP. BROWN

TO: CSHB 462(C&RA)

Page 1, line 9:

Delete "the Executive Budget Act and"

Page 1, line 27, through page 2, line 11:

Delete all material.

Renumber the following bill sections accordingly.

Page 7, line 22, through page 8, line 2:

Delete all material.

Renumber the following bill sections accordingly.

Page 8, line 19:

Delete "3 and 5"

Insert "2 and 4"

Page 8, line 20:

Delete "3 and 5"

Insert "2 and 4"

2/28/90

#5

Amendment By Rieger

To. CSHB 462 (C:RA)

Page 2, line 12, insert a new section to read:

"* Sec. 3. AS 18.56 is amended by adding a new section to read:

Sec 18.56. ~~091~~ 051 Dividend Policy. The corporation shall pay an annual dividend to the state general fund equal to at least fifty percent of the annual net earnings, if any, of the corporation as determined under AS 18.56.089. The dividend shall be paid within six months of the close of the fiscal year, unless the board of directors establishes by resolution that the cash flow of the corporation will not permit the payment of the dividend without causing significant harm to the financial soundness of the corporation."

(renumber following sections accordingly)

6-2004Hd
Chenoweth

A M E N D M E N T

#7 Adopted

OFFERED IN THE HOUSE BY REP. BARNES

TO: CSHB 462(C&RA)

Page 8, following line 13:

Insert a new bill section to read:

"* Sec. 12. CONTRACTS TO BE HONORED. Notwithstanding the amendments made to AS 18.56.098 by secs. 4 and 6 - 8 of this Act, the Alaska Housing Finance Corporation shall purchase a loan of a person whose loan purchase qualifies under the special mortgage loan purchase program of AS 18.56.098 as it read on the day before the effective date of secs. 4 and 6 - 8 of this Act if the person's intention to purchase the home is evidenced by a contract for sale, earnest money agreement, or document exercising an option to purchase if the contract, agreement, or document is executed before the effective date of those sections." Reinsert new language

Renumber following bill sections accordingly.

3/1/90

6-2004Hb
Bradley

AMENDMENT #8 adopted

OFFERED IN THE HOUSE BY REP. PHILLIPS

TO: CSHB 462(C&RA)

Page 1, line 15, after "income;":

Insert "permitting the corporation to appoint a general counsel;"

Page 1, after line 26:

Insert a new bill section to read:

"* Sec. 2. AS 18.56 is amended by adding a new section to read:

Sec. 18.56.056. GENERAL COUNSEL. The corporation may employ a general counsel. If the corporation employs a general counsel, the general counsel shall advise the corporation in legal matters and represent it in litigation."

Renumber the following bill sections accordingly.

Page 8, after line 18:

Insert a new bill section to read:

"* Sec. 14. AS 18.56.055 is repealed."

Renumber the following bill sections accordingly.

Page 8, line 19:

Delete "3 and 5"

2/28/90

Insert "4 and 6"

Page 8, line 20:

Delete "3 and 5"

Insert "4 and 6"

A M E N D M E N T #7

OFFERED IN THE HOUSE BY REP. RIEGER

TO: CSHB 462 (C&RA)

Page 2, lines 12 - 15:

Delete all material and insert:

"* Sec. 3. AS 18.56.091 is amended to read:

Sec. 18.56.091. HOME OWNERSHIP ASSISTANCE PROGRAM. The corporation shall implement a home ownership assistance program to assist persons of lower and moderate income to purchase homes financed under the special mortgage loan purchase program by providing a subsidy to the persons as determined under AS 18.56.098(f) [IN AN AMOUNT NOT GREATER THAN THE DIFFERENCE BETWEEN

(1) THE AMOUNT ANNUALLY REQUIRED TO PAY INTEREST AND PRINCIPAL ON THAT PERSON'S LOAN AND REAL PROPERTY TAXES AND INSURANCE FOR THE HOME PURCHASE WITH THE LOAN; AND

(2) 25 PERCENT OF THAT PERSON'S ANNUAL GROSS INCOME]."

Page 8, following line 13:

Insert a new bill section to read:

"* Sec. 12. A loan made under AS 18.56.091 before July 1, 1992, is assumable with a down payment of not less than five percent of the purchase price."

Renumber the following bill sections accordingly.

Page 8, line 19:

Delete "Sections 3 and 5"

Insert "Sections 3, 5, and 12"

Page 8, line 20:

Delete "Except for secs. 3 and 5,"

Insert "Except for secs. 3, 5, and 12,"

MEMORANDUM

State of Alaska

Department of Law

TO: Mary Halloran
Director
Division of Policy Development
Office of Management and Budget

DATE: March 5, 1990

FILE NO: *

TEL NO: 465-3600

SUBJECT: House Finance Committee Amendments to CSHB 462 (C&RA)

FROM: James L. Baldwin
Assistant Attorney General

As requested, set out below are some brief comments concerning three of the amendments adopted on March 2 by the House Finance Committee to CSHB 462 (C&RA).

1. Amendment No. 5:

A. This amendment uses the term " annual net earnings." The term is not defined. This leaves substantial doubt as to what might be intended. The reference to AS 18.56.089 does not clarify the ambiguity. That section requires an annual report to the legislature. The report must include a statement of income earned on assets of AHFC. Is it intended that earnings and income mean the same thing?

B. The requirement to pay a dividend may conflict with bond covenants applicable to one of the many issuances of AHFC. This amendment should be reviewed by bond counsel to determine if such a conflict would result.

C. The amendment doesn't appear to operate within the time periods specified. The report required by AS 18.56.089 is to include income earned "during the preceding fiscal year." This report must be submitted by January 10 of each year. Under the amendment, the dividend must be computed on an annual basis and must be paid within six months of the close of the fiscal year. The timing of the report and date by which the dividend is to be paid must be coordinated.

2. Amendment No. 7:

A. This amendment gives purchasers grandfather rights to receive loans under existing law for a period of six months after the amendments in the bill take effect. It would be preferable if the amendment referred to commitments made before the effective date of the act.

02-002

B. The amendment refers to a person's intention to purchase a home. This may open AHFC to the argument, the legislature did not intend the documents designated as evidence of intent set out in the amendment to be exhaustive.

C. It must be presumed that the amendment would apply only to owner-occupied residential financings because it refers to the purchase of a "home." AHFC has limited authority to finance rental housing.

3. Amendment No. 8:

A. This amendment allows AHFC to hire a general counsel. The amendment allows AHFC to designate the attorney general as general counsel. Existing law designates the A.G. as the counsel for AHFC.

B. We would very much like to hear the reasons why it is felt that AHFC should have independent counsel. Generally, the centralized system for the delivery of legal services to state agencies in effect in this state is the model to which several other states aspire. Centralization assures consistency and economy.

4. Amendment No. 9:

A. This amendment effectively repeals the home ownership assistance program under AS 18.56.091. Loans under this program would be no different than those purchased under the special mortgage loan purchase program.

B. It is presumed that the five percent down payment provision is intended to create an incentive to assume section 91 mortgages after the subsidy terminates.

We hope these comments will assist you and the committee in further deliberations on this bill.

JLB:jr

cc: Art Peterson
Jeff Bush
Tom Behan

Original sponsor(s): Rules/Housing Finance Task Force

IN THE SENATE BY THE RULES COMMITTEE

CS FOR SENATE BILL NO. 427 (Rules)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to program and administration requirements of certain state corporations; expanding the number of directors of the Alaska Housing Finance Corporation; exempting the Alaska Housing Finance Corporation from the State Procurement Code and allowing the corporation to expend additional corporation receipts immediately after submission of a revised program to the Legislative Budget and Audit Committee; amending the corporation's special mortgage loan purchase program and progressively reducing the maximum level of loan amounts eligible for a reduction under a mortgage loan subsidy; amending the corporation's mortgage loan subsidy program for persons of lower and moderate income; and relating to procurement practices of certain state corporations; and providing for an effective date."

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

* Section 1. AS 18.56.030(a) is amended to read:

(a) The corporation shall be governed by a board of directors consisting of

(1) the commissioner of revenue and the commissioner of commerce and economic development;

(2) one other member who is the head of <u>a</u> [THE] principal department of the executive branch of state government appointed by

the governor; and

(3) <u>four</u> [TWO] public members appointed by the governor<u>, one of whom shall be a representative of the financial community and one of whom shall be a person licensed as a real estate broker under AS 08.88.171(a)</u>.

* Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

(b) Notwithstanding (a) of this section, the loan amount eligible for assistance under the subsidy authorized by (a) of this section is the amount determined under AS 18.56.098(f).

* Sec. 3. AS 18.56.098(f) is amended to read:

(f) In this section and in AS 18.56.099

(1) "graduated payment mortgage loan" means a mortgage loan the terms of which provide for monthly principal and interest payments that

(A) during the first year of the mortgage loan are lower than the monthly principal and interest payments that would be required under the terms of a level payment mortgage loan made at the same interest rate; and

(B) during subsequent years of the mortgage loan are graduated to provide for the same return over the term of the loan that would have been provided by a level payment mortgage loan made at the same interest rate;

(2) <u>"loan amount eligible for assistance" means the amount of a mortgage loan that does not exceed the amount of the loan established by law; if an amount has not been established by law, the amount is zero;</u>

<u>(3)</u> "mortgage loan" includes a beneficial interest or participation in a mortgage loan; [(3) REPEALED]

(4) "residence" means

(A) an owner-occupied, single-family residence, including a mobile home; [,] or

(B) an owner-occupied duplex, triplex, or fourplex.

* Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

(f) In this section and in AS 18.56.091 and 18.56.099

(1) "graduated payment mortgage loan" means a mortgage loan the terms of which provide for monthly principal and interest payments that

(A) during the first year of the mortgage loan are lower than the monthly principal and interest payments that would be required under the terms of a level payment mortgage loan made at the same interest rate; and

(B) during subsequent years of the mortgage loan are graduated to provide for the same return over the term of the loan that would have been provided by a level payment mortgage loan made at the same interest rate;

(2) "loan amount eligible for assistance" means

(A) the first $50,000 of a mortgage loan for persons of lower or moderate income whose purchase of a home is assisted under AS 18.56.091; or

(B) except as to persons whose purchase of a home is assisted under AS 18.56.091, the amount of a mortgage loan that does not exceed the amount of the loan established by law; if an amount has not been established by law, the amount is zero;

(3) "mortgage loan" includes a beneficial interest or participation in a mortgage loan;

(4) "residence" means

(A) an owner-occupied, single-family residence, including a mobile home; or

(B) an owner-occupied duplex, triplex, or fourplex.

* Sec. 5. AS 18.56.098(g) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under the applicable provisions of 26 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds the loan amount eligible for assistance [$90,000] is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) For loans made under this section, the corporation shall give effect to interest rate changes applicable to the loans based on time of loan application, time of issuance of the corporation's bonds issued to purchase loans, or other factors as the corporation determines.

(8) [(7)] In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under applicable provisions of 26 U.S.C. (Internal Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980)] issued to finance the purchase of first mortgage loans.

* Sec. 6. AS 18.56.098(h) is amended to read:

(h) The corporation shall establish the interest rate on a second mortgage loan purchased under (a) of this section in the manner established for computing the interest rates on a first mortgage loan under (g) of this section except that, in the case of a second mortgage loan, if the first mortgage loan made to the same borrower is held by the corporation and was purchased under the special mortgage loan purchase program, the outstanding principal balance of the existing first mortgage loan is subtracted from the loan amount eligible for assistance [$90,000] to determine the amount of the loan that is eligible for an interest rate on a second mortgage loan determined by reference to (g) of this section.

* Sec. 7. AS 18.56.098(i) is amended to read:

(i) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under applicable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREATER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate for other loans to veterans under (g)(2) of this section [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required by applicable provisions of 26

U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

* Sec. 8. AS 36.30.015(e) is amended to read:

(e) The boards of directors of the Alaska Railroad Corporation, the Alaska Housing Finance Corporation, and the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction for [BY] the respective public corporations [CORPORATION]. The procedures must

(1) reflect competitive bidding principles and provide vendors reasonable and equitable opportunities to participate in the procurement process; and

(2) include procurement methods to meet emergency and extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCEDURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS CHAPTER].

* Sec. 9. AS 36.30.990(1) is amended to read:

(1) "agency"

(A) means a department, institution, board, commission, division, authority, public corporation, the Alaska Pioneers' Home, or other administrative unit of the executive branch of state government;

(B) does not include

(i) [, EXCEPT FOR] the University of Alaska;

(ii) [,] the Alaska State Housing Authority;

(iii) the [AND] Alaska Railroad Corporation;

(iv) the Alaska Housing Finance Corporation;

(v) [IT DOES NOT INCLUDE] a regional Native housing authority created under AS 18.55.996, or a regional electrical authority created under AS 18.57.020;

* Se . 10. AS 37.07 is amended by adding a new section to read:

Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a) Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing Finance Corporation may, by resolution adopted by the board of directors, increase an item appropriated from corporation receipts if

(1) the board of directors determines that circumstances require an increase in expenditures in excess of an existing appropriation made under the authority conferred by this chapter; and

(2) additional corporation receipts are available.

(b) Before the resolution required by (a) of this section takes effect, the board of directors shall submit a revised program to the governor for approval as provided in AS 37.07.080(d). A copy of the revised program shall be submitted to the legislative budget and audit committee.

(c) The increase authorized by (a) of this section may not extend beyond the end of the fiscal year in which the resolution is adopted.

* Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second mortgage loans purchased by the Alaska Housing Finance Corporation from the special mortgage loan purchase program and from qualified veterans' mortgage bonds

(1) after June 30, 1990, and before July 1, 1991, the loan amount eligible for assistance under AS 18.56.098 is $70,000;

(2) after June 30, 1991, and before July 1, 1992, the loan amount eligible for assistance under AS 18.56.098 is $50,000;

(3) after June 30, 1992, and before July 1, 1993, the loan amount eligible for assistance under AS 18.56.098 is $30,000.

* Sec. 12. Of the two additional public members appointed by the governor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall

serve a term of two years and one shall serve a term of one year. When making the appointments, the governor shall specify the length of the term of each person appointed.

* Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

* Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect July 1, 1990.

A BILL

For an Act entitled: "An Act amending the interest rates on mortgage loans purchased by the Alaska Housing Finance Corporation; and providing for effective dates."

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

*Section 1. AS 18.56.098 is amended to add subsection (l):

(l) AS 18.56.098 (g) and (h) and (i) apply to interest rates on loans purchased with the proceeds of bonds sold prior to January 1, 1992, only. AS 18.56.098 (g), (h), and (i) shall expire and become null and void after all the proceeds of bonds sold prior to January 1, 1992, have been used to purchase loans.

*Section 2. AS 18.56.098 is amended to add subsection (m):

(m) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first <u>$70,000</u> [$90,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the first <u>$70,000</u> [$90,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds <u>$70,000</u> [$90,000] is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the first <u>$70,000</u> [$90,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the first <u>$70,000</u> [$90,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

?

NEW LANGUAGE

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) In this subsection

SAME AS OLD 6

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

SAME AS OLD 6

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

*Section 3. AS 18.56.098 is amended to add subsection (n):

?

(n) The interest rate on the first <u>$70,000</u> [$90,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) as amended, is the greater of (1) four percent less than the cost of funds or (2) the rate for other loans to veterans under <u>(g)(3) of this section</u> [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required under 26 U.S.C. 103A.

*Section 4. Sections 2 and 3 of this Act shall take effect January 1, 1991, and apply to interest rates on loans purchased with the proceeds of bonds sold after January 1, 1991, and before December 31, 1991. Sections 1 and 2 of this act shall expire and become null and void after the proceeds of bonds sold between January 1, 1991 and December 31, 1991 have been used to purchase loans.

*Section 5. AS 18.56.098 is amended to add subsection (o):

(o) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first <u>$50,000</u> [$70,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the first <u>$50,000</u> [$70,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall

be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds <u>$50,000</u> [$70,000] is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the first <u>$50,000</u> [$70,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the first <u>$50,000</u> [$70,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

New 7, why?

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

OLD 6

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

*Section 6. AS 18.56.098 is amended to add subsection (p):

(p) The interest rate on the first <u>$50,000</u> [$70,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) as amended, is the greater of (1) four percent less than the cost of funds or (2) the rate for other loans to veterans under <u>(g)(3) of this section</u> [AS 18.56.098(g)(3)].. A higher or lower interest rate shall be established on the entire loan amount if required under 26 U.S.C. 103A.

*Section 7.

Sections 5 and 6 of this Act shall take effect January 1, 1992, and apply to interest rates on loans purchased with the proceeds of bonds sold after January 1, 1992, and before December 31, 1992. Sections 4 and 5 of this act shall expire and become null and void after all the proceeds of bonds sold between January 1, 1992, and December 31, 1992, have been used to purchase loans.

*Section 8. AS 18.56.098 is amended to add subsection (q):

(q) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first <u>$30,000</u> [$50,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the first <u>$30,000</u> [$50,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds <u>$30,000</u> [$50,000] is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the first <u>$30,000</u> [$50,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the first <u>$30,000</u> [$50,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applic-

able to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

*Section 9. AS 18.56.098 is amended to add subsection (r):

(r) The interest rate on the first <u>$30,000</u> [$50,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) as amended, is the greater of (1) four percent less than the cost of funds or (2) the rate for other loans to veterans under <u>(g)(3) of this section</u> [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required under 26 U.S.C. 103A.

*Section 10.

Sections 8 and 9 of this Act shall take effect January 1, 1993, and apply to interest rates on loans purchased with the proceeds of bonds sold after January 1, 1993, and before December 31, 1993. Sections 7 and 8 of this act shall expire and become null and void after all the proceeds of bonds sold between January 1, 1993 and December 31, 1993 have been used to purchase loans.

*Section 11. AS 18.56.098 is amended to add subsection (s):

(s) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

~~(1) The interest rate on the first $30,000 [$50,000]~~ ~~of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue except that~~

~~(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and~~

~~(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.~~

~~(2) An interest rate determined under this subsection on the first $30,000 [$50,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.~~

~~(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds $30,000 [$50,000] is equal to the cost of funds to the corporation attributable to that part of the loan.~~

~~(4) The interest rate on the first $30,000 [$50,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.~~

~~(5) The interest rate on the first $30,000 [$50,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applica-~~

~~ble issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds~~.

(1) The interest rate for all mortgage loans purchased by the corporation shall be equal to the cost of funds to the corporation attributable to the loan.

(2) [6] The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(3) [7] In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

*Section 12.

Section 11 of this Act shall take effect January 1, 1994 and apply to interest rates on loans purchased with the proceeds of bonds sold after January 1, 1994.

DRAFT

, 1990

M E M O R A N D U M

TO: Honorable Steve Cowper
Governor

FROM: Douglas B. Baily
Attorney General

RE: Attached draft
Our file: 773-90-0027

Attached is a bill to amend the method by which interest rates on mortgage loans purchased by the Alaska Housing Finance Corporation (AHFC) are established. This bill proposes to gradually reduce the amount of the loan which receives an interest rate below AHFC's cost of funds. Currently, this amount is established at $90,000. The bill will reduce this amount to $70,000 on January 1, 1991, $50,000 on January 1, 1992, and $30,000 on January 1, 1993. Effective January 1, 1994, the entire loan amount will have an interest rate equal to the applicable cost of funds.

The attached version is the result of a cooperative effort between this office, the AHFC board members and staff, and the private law firm serving as bond counsel to the Corporation.

A draft transmittal letter to the legislature explaining the bill in more detail is also attached.

DBB:tg

cc w/enc.: Alison Elgee, Director
Division of Budget Review
Mary Halloran, Director
Division of Policy
John Lucas, Director
Division of Audit & Management
Office of Management & Budget
Office of the Governor

<u>D R A F T</u>

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the establishment of interest rates on loans purchased by the Alaska Housing Finance Corporation. This bill provides for a gradual reduction and eventual elimination of the amount of the loan which receives an interest rate below AHFC's cost of funds. Currently, this amount is established at $90,000. The bill will reduce this amount to $70,000 on January 1, 1991, $50,000 on January 1, 1992, and $30,000 on January 1, 1993. Effective January 1, 1994, the entire loan amount will have an interest rate equal to the applicable cost of funds.

The changes are directed primarily at the AHFC's taxable mortgage program, AS 18.56.098(g)(1) and (2). Where the rates on other programs were dependent upon rates applicable under the taxable program, corresponding changes have been made. These other programs include the tax-exempt financed Veterans Mortgage Program, AS 18.56.098(i), and the tax-exempt financed First Time Homebuyers Program, AS 18.56.098(g)(5).

Additionally, section 20 of the bill repeals the preferential rate provisions applicable to certain veterans of the armed forces, the national guard, and the public health service as of January 1, 1984. The eligibility of such individuals for the preferential rates is currently detailed in AS 18.56.101 with the one percent reduction in the assisted portion of the mortgage loan provided for in AS 18.56.098(g)(2). The impact of the elimination of the preferential rate is minimized by its application to the assisted portion of the mortgage loan which, under other provisions of the proposed bill, is gradually reduce over the next several years.

I urge your prompt action on this bill.

Sincerely,

Steve Cowper
Governor

Referred: ____________ EEN/jf

FILE NO. 3598/0001

IN THE ______ BY ________

______ BILL NO. ____

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to Alaska Housing Finance Corporation; and providing for an effective date."

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

* Section 1. AS 18.56.030 is amended to read:

Sec. AS 18.56.030. CORPORATION GOVERNING BODY. (a) The corporation shall be governed by a board of directors consisting of

(1) the commissioner of revenue and the commissioner of commerce and economic development;

(2) one other member who is the head of the principal department of the executive branch of state government appointed by the governor; and

(3) four [TWO] public members appointed by the governor.

(b) If a member described in (a) (1) or (2) of this section is unable to attend a meeting of the board, the member may by an instrument in writing filed with the board, designate a deputy or assistant to act in the member's place at the meeting. For all purposes of this chapter, the designee is a member of the board at the meeting.

(c) The board member[s] described in (a) (2) [and (a) (3)] of this section serves a two-year term. Two of the board members described in a (3) of this section serve three-year terms and two serve four-year terms as fixed by the governor.

(d) If a vacancy occurs on the board, the governor shall make an appointment, effective immediately, for the unexpired portion of the term.

(e) The members of the board described in (a) (3) of this section receive[d] [$100] compensation commensurate with service on boards of private corporations of similar asset size, as determined by the governor, for each day spent on official business of the corporation and may be reimbursed by the corporation for actual and necessary expenses at the same rate paid to members of state boards under AS 39.20.180 (§ 1 ch 107 SLA 1971; am § 5 ch 151 SLA 1975; am § 79 ch 218 SLA 1976; am § 1 ch 167 SLA 1978; am § 13 ch 106 SLA 1980; am § 32 ch 37 SLA 1986)

* Sec. 2. AS 18.56.055 is amended to read:

Sec. AS 18.56.055. LEGAL ADVISOR. The corporation may employ staff legal counsel and retain outside legal counsel to perform all necessary legal services, including representation in litigation. [THE ATTORNEY GENERAL IS THE LEGAL COUNSEL FOR THE CORPORATION. THE ATTORNEY GENERAL SHALL ADVISE THE CORPORATION IN LEGAL MATTERS AND REPRESENT IT IN SUITS.]

* Sec. 3. AS 18.56.089 is amended to read:

Sec. AS 18.56.089. EXECUTIVE BUDGET ACT. From and after July 1, 1990, the [THE] operating budget of the corporation is no longer subject to the Executive Budget Act (AS 37.07). To further ensure effective budgetary decision making by the legislature, the corporation shall present a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving fund, to the legislature by January 10 of each year. The accounting shall be audited by an independent outside auditor and shall include a full description of all mortgage loan interest and principal repayments and program receipts, including mortgage loan commitment fees, received by or accrued to the corporation during the preceding fiscal year, and all income earned on assets of the corporation during that period, including earnings on assets of the state assisted mortgage fund. (§ 20 ch 106 SLA 1980; am § 3 ch 102 SLA 1983)

* Sec. 4. AS 18.56. is amended by adding a new section to read:

Sec. AS 18.56.102. HOUSING ASSISTANCE FUND. If and to the extent the corporation determines that (i) its net income for the previous fiscal year has increased, (ii) the corporation is in compliance with all covenants and agreements with respect to its borrowings and after the transfer will remain in compliance and (iii) a transfer will not impair the operation of any of its existing programs, the corporation shall transfer from the general account of its revolving fund an amount equal to one-half of the net income to a separate fund to be called the housing assistance fund.

Earnings on the housing assistance fund may be spent or pledged for low income or other special housing purposes. The principal of the fund shall not be spent except (i) to replenish any deficiency in funds pledged or covenanted to be maintained in connection with borrowings of the corporation and (ii) as necessary to pay general obligation debt of the corporation.

* Sec. 5. AS 18.56.098 (a) is amended to read:

(a) The corporation shall establish a special mortgage loan purchase program. Under the special mortgage loan purchase program, the corporation may purchase first or second mortgage loans. A first or second mortgage loan purchased under this subsection must be made for the purchase, improvement, or rehabilitation of a residence or must be a refinancing loan. First or second mortgage loans purchased under this subsection may include graduated payment mortgage loans and adjustable rate mortgage loans. A low and moderate income program is established to begin on July 1, 1991. The corporation shall establish by regulation under AS 18.56.088 criteria for purchase of mortgage loans under the program based on median family income.

*Sec. 6 AS 18.56.098 (g) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $90,000 until July 1, 1990, the first $70,000 between July 1, 1990 and June 30, 1991, the first $50,000 between July 1, 1991 and June 30, 1992 and on the first $30,000 between July 1, 1992 and June 30, 1993 (herein called the "state assisted amount") of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less that 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less that 10 percent. The state assisted amount

<u>shall remain at $50,000 as to the low and moderate income program referred to in (a) of this section.</u>

(2) An interest rate determined under this subsection on the <u>state assisted amount</u> [FIRST $90,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under <u>the applicable provisions of the Internal Revenue Code</u> [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds <u>the state assisted amount</u> [$90,000] is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the <u>the state assisted amount</u> [FIRST $90,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the <u>state assisted amount</u> [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. <u>In the event the corporation is no longer committing to the purchase of mortgage loans from the proceeds of taxable bonds, the interest rate determined under this subsection shall be equal to the cost of funds of the bonds from which the mortgage loans are expected to be purchased.</u> A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this

may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less that the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103a (MORTGAGE SUBSIDY BOND TAX ACT OF 1980)] and which were issued to finance the purchase of first mortgage loans.

(8) The corporation shall give effect to interest rate changes under this section for loans based on time of application, the time of issue of bonds issued to purchase loans, or other factors as the corporation determines.

* Sec. 7. AS 18.56.098 (h) is amended to read:

The corporation shall establish the interest rate on a second mortgage loan purchased under (a) of this section in the manner established for computing the interest rate[s] on a first mortgage loan under (g) of this section except that, in the case of a second mortgage loan, if the first mortgage loan made to the same borrower is held by the corporation and was purchased under the special mortgage loan purchase program, the outstanding principal balance of the existing first mortgage loan is subtracted from the state assisted amount [$90,000] to determine the amount of the loan that is eligible for an interest rate on a second mortgage loan determined by reference to (g) of this section.

* Sec. 8. AS 18.56.098 (i) is amended to read:

The interest rate on the state assisted amount [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under the applicable provisions of the Internal Revenue Code shall be [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREATER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate for other loans to veterans under AS 18.56.098 (g) (2) [(3)]. A higher or lower interest rate shall be established on the entire loan amount if required under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A].

* Sec. 9. AS 36.30.990 (1) is amended to read:

(1) "agency" means a department, institution, board, commission, division, authority, public corporation, the Alaska Pioneers' Home, or other administrative unit of the executive branch of state government, except for the University of Alaska, Alaska Housing Finance Corporation, the Alaska State Building Authority and the Alaska Railroad Corporation; it does not include a regional Native housing authority created under AS 18.55.996, or a regional electrical authority created under AS 18.57.020;

* Sec. 10. This act takes effect immediately under AS 01.10.070 (c).

DEPARTMENT OF LAW

DRAFT # 6

DATE: 1/23/90

BOOKPROOFED: #5

APPROVED: ______

IN THE ______

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

______ BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act amending the interest rates on mortgage loans purchased by the Alaska Housing Finance Corporation; and providing for effective dates."

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

* Section 1. AS 18.56.098(g)(1) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $70,000 [90,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

* Sec. 2. AS 18.56.098(g)(2) is amended to read:

(2) An interest rate determined under this subsection on the first $70,000 [90,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

* Sec. 3. AS 18.56.098(g)(1) is amended to read:

DEPARTMENT OF LAW

DRAFT #________

DATE:________

BOOKPROOFED:________

APPROVED:________

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $50,000 [70,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

* Sec. 4. AS 18.56.098(g)(2) is amended to read:

(2) An interest rate determined under this subsection on the first $50,000 [70,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

* Sec. 5. AS 18.56.098(g)(1) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $30,000 [50,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

* Sec 6. AS 18.56.098(g)(2) is amended to read:

(2) An interest rate determined under this subsection on the first <u>$30,000</u> [50,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

* Sec. 7. AS 18.56.098(g)(1) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on [THE FIRST $30,000 OF] a mortgage loan purchased <u>under (a) of this section</u> with the proceeds of an issue of [TAXABLE] bonds of the corporation is [THREE PERCENT LESS THAN] the cost of funds of that issue[, EXCEPT THAT

(A) IF THE COST OF FUNDS OF THAT ISSUE IS LESS THAN 10 PERCENT, THE INTEREST RATE IS EQUAL TO THE COST OF FUNDS; AND

(B) IF THE COST OF FUNDS OF THAT ISSUE IS MORE THAN 10 PERCENT, THE INTEREST RATE MAY NOT BE MORE THAN 10 PERCENT].

* Sec. 8. AS 18.56.098(g)(3) is amended to read:

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds <u>the amount set out in AS 18.56.098(g)(1)</u> [$90,000] is equal to the cost of funds to the corporation attributable to that part of the loan.

* Sec. 9. AS 18.56.098(g)(4) is amended to read:

(4) The interest rate on the <u>amount set out in AS 18.56.098(g)(1)</u> [FIRST $90,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds

is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

* Sec. 10. AS 18.56.098(g)(5) is amended to read:

(5) The interest rate on the amount set out in AS 18.56.098(g)(1) [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. In the event the Corporation is no longer committing to the purchase of mortgage loans from the proceeds of taxable bonds, the interest rate determined under this subsection shall be equal to the cost of funds of the bonds from which the mortgage loans are expected to be purchased. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

* Sec. 11. AS 18.56.098(h) is amended to read:

(h) The corporation shall establish the interest rate on a second mortgage loan purchased under (a) of this section in the manner established for computing the interest rates on a first mortgage loan under (g) of this section except that, in the case of a second mortgage loan, if the first mortgage loan made to the same borrower is held by the corporation and was purchased under the special mortgage loan purchase program, the outstanding principal balance of the existing first mortgage loan is subtracted from the amount set out in AS 18.56.098(g)(1) [$90,000] to determine the amount of the loan that is eligible for an interest rate on a second mortgage loan determined by reference to (g) of this section.

* Sec. 12. AS 18.56.098(i) is amended to read:

(i) The interest rate on the first $70,000 [90,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under the applicable provisions of the Internal Revenue Code shall be [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREATER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate for other loans to veterans under AS 18.56.098(g)(2[3]). In the event the Corporation is no longer committing to the purchase of mortgage loans from the proceeds of taxable bonds, the interest rate determined under this subsection shall be equal to the cost of funds of the bonds from which the mortgage loans are expected to be purchased. A higher or lower interest rate shall be established on the entire loan amount if required under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A].

* Sec. 13. AS 18.56.098(i) is amended to read:

(i) The interest rate on the first $50,000 [70,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980), AS AMENDED], is the greater of (1) four percent less than the cost of funds or (2) the rate for other loans to veterans under AS 18.56.098(g)(2[3]). In the event the Corporation is no longer committing to the purchase of mortgage loans from the proceeds of taxable bonds, the interest rate determined under this subsection shall be equal to the cost of

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DATE:

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APPROVED:

funds of the bonds from which the mortgage loans are expected to be purchased. A higher or lower interest rate shall be established on the entire loan amount if required under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A].

* Sec. 14. AS 18.56.098(i) is amended to read:

(i) The interest rate on the first $30,000 [50,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED], is the greater of (1) four percent less than the cost of funds or (2) the rate for other loans to veterans under AS 18.45.098(g)(2[3]). In the event the Corporation is no longer committing to the purchase of mortgage loans from the proceeds of taxable bonds, the interest rate determined under this subsection shall be equal to the cost of funds of the bonds from which the mortgage loans are expected to be purchased. A higher or lower interest rate shall be established on the entire loan amount if required under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A].

* Sec. 15. AS 18.56.098 is amended by adding a new subsection to read:

AS 18.56.098(1). The corporation shall give effect to mortgage loan interest rate changes resulting from amendments to this section and AS 18.56.101 based upon the date the mortgage loan was submitted to the corporation for consideration of approval for purchase.

* Sec. 16. AS 18.56.098(g)(2), 18.56.098(i), and 18.56.101 are repealed.

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* Sec. 17. Sections 1, 2, and 12 of this Act take effect January 1, 1991.

* Sec. 18. Sections 3, 4, and 13 of this Act take effect January 1, 1992.

* Sec. 19. Sections 5, 6, and 14 of this Act take effect January 1, 1993.

* Sec. 20. Sections 7 and 16 of this Act take effect January 1, 1994.

* Sec. 21. Sections 8, 9, 10, 11, and 15 of this Act take effect immediately under AS 01.10.070(c).

* Sec. 6 AS 18.56.098 (g) is amended to read:

(g) The corporation shall establish the interest rate on the first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $90,000 until July 1, 1990, the first $70,000 until June 30, 1991, the first $50,000 until June 30, 1992, the first $30,000 until June 30, 1993 and none thereafter of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

* Sec 5. AS 18.56.098 (a) is amended to read:

(a) The corporation shall establish a special mortgage loan purchase program. Under the special mortgage loan purchase program, the corporation may purchase first or second mortgage loans. A first or second mortgage loan purchased under this subsection must be made for the purchase, improvement, or rehabilitation of a residence or must be a refinancing loan. First or second mortgage loans purchased under this subsection may include graduated payment mortgage loans and adjustable rate mortgage loans. <u>A low and moderate income program is established to begin on July 1, 1991. The corporation shall establish by regulation under AS 18.56.088 criteria for purchase of mortgage loans under the program based on median family income and shall be applicable to the first $50,000 of the mortgage loan.</u>

* Sec 5. AS 18.56.098 (a) is amended to read:

(a) The corporation shall establish a special mortgage loan purchase program. Under the special mortgage loan purchase program, the corporation may purchase first or second mortgage loans. A first or second mortgage loan purchased under this subsection must be made for the purchase, improvement, or rehabilitation of a residence or must be a refinancing loan. First or second mortgage loans purchased under this subsection may include graduated payment mortgage loans and adjustable rate mortgage loans. A low and moderate income program is established to begin on July 1, 1991. The corporation shall establish by regulation under AS 18.56.088 criteria for purchase of mortgage loans under the program based on median family income.

1/22/90

Draft Proposed AHFC Legislation
(being put in bill form)

Section 18.56.030. Corporation governing body. (a) The corporation shall be governed by a board of directors consisting of

(1) the commissioner of revenue and the commissioner of commerce and economic development;

(2) one other member who is the head of the principal department of the executive branch of state government appointed by the governor; and

(3) [two] <u>four</u> public members appointed by the governor.

(b) If a member described in (a) (1) or (2) of this section is unable to attend a meeting of the board, the member may by an instrument in writing filed with the board, designate a deputy or assistant to act in the member's place at the meeting. For all purposes of this chapter, the designee is a member of the board at the meeting.

(c) The board member[s] described in (a) (2) [and (a) (3)] of this section serve<u>s</u> a two-year term. <u>Two of the board members described in A(3) of this section serve three-year terms and two serve four-year terms as fixed by the governor.</u>

(d) If a vacancy occurs on the board, the governor shall make an appointment, effective immediately, for the unexpired portion of the term.

(e) The members of the board described in (a) (3) of this section receive[d] [$100] compensation <u>commensurate with service on boards of private corporations of similar asset size, as determined by the governor,</u> for each day spent on official business of the corporation and may be reimbursed by the corporation for actual and necessary expenses at the same rate paid to members of state boards under AS 39.20.180 (§ 1 ch 107 SLA 1971; am § 5 ch 151 SLA 1975; am § 79 ch 218 SLA 1976; am § 1 ch 167 SLA 1978; am § 13 ch 106 SLA 1980; am § 32 ch 37 SLA 1986)

Section 18.56.055 Legal Advisor. [The attorney general is the legal counsel for the corporation. The attorney general shall advise the corporation in legal matters and represent it in suits.] The corporation may employ staff legal counsel and retain outside legal counsel to perform all necessary legal services, including representation in litigation.

Section 18.56.089. Executive Budget Act. From and after July 1, 1990, the [The] operating budget of the corporation is no longer subject to the Executive Budget Act (AS 37.07).] To further ensure effective budgetary decision making by the legislature, the corporation shall present a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving fund, to the legislature by January 10 of each year. The accounting shall be audited by an independent outside auditor and shall include a full description of all mortgage loan interest and principal repayments and program receipts, including mortgage loan commitment fees, received by or accrued to the corporation during the preceding fiscal year, and all income earned on assets of the corporation during that period, including earnings on assets of the state assisted mortgage fund. (§ 20 ch 106 SLA 1980; am § 3 ch 102 SLA 1983)

Separate New Housing Assistance Fund Section

The corporation shall annually calculate whether or not its net income for the previous fiscal year has increased. If and to the extent the corporation determines that (i) its net income for the previous fiscal year has increased, (ii) the corporation is in compliance with all covenants and agreements with respect to its borrowings and (iii) a transfer will not impair the operation of any of its existing programs, the corporation shall set aside one-half of the net income in a separate fund to be called the housing assistance fund.

Earnings on the fund may be spent or pledged for low income or other special housing purposes. The principal of the fund shall not be spent except (i) to replenish any deficiency in funds pledged or covenanted to be maintained in connection with borrowings of the corporation and (ii) as necessary to pay general obligation debt of the corporation.

Section 36.30.990. Definitions. In this chapter*, unless the context in which a term is used clearly requires a different meaning or a different definition is prescribed for a particular provision,

(1) "agency" means a department, institution, board, commission, division, authority, public corporation, the Alaska Pioneers' Home, or other administrative unit of the executive branch of state government, except for the University of Alaska, <u>Alaska Housing Finance Corporation</u>, the Alaska State Building Authority and the Alaska Railroad Corporation; it does not include a regional Native housing authority created under AS 18.55.996, or a regional electrical authority created under AS 18.57.020;

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*Chapter refers to the State Procurement Code

Subsidy Reduction and New Program

Legislation will be prepared to reduce the amount of mortgage loan subsidized from $90,000 to $70,000 in 1991, $50,000 in 1992, $30,000 in 1993 and to zero in 1994. When the subsidy level for the program goes to $50,000, a new permanent program will start at that level for lower and moderate income housing. The lower and moderate income housing program at this level will be based on the existing federal program limitation of median income.

Alaska State Legislature

House of Representatives

Representative Fran Ulmer

September 13, 1989

Rep. C. E. Swackhammer
312 Tyee Street
Soldotna, Alaska 99669

Dear Representative Swackhammer:

I would like to request that the Housing Policy Task Force review HB 218, relating to AHFC loans for senior congregate housing, at its next meeting on September 21. I introduced this bill last session as an encouragement to the private sector to provide congregate housing for senior citizens in Alaska. It received strong support from senior advocacy groups in the state as well as from the Older Alaskans Commission. I believe that this bill may provide part of the solution to the problem of alternative housing for seniors who wish to remain independent as long as possible.

As a result of legislative action taken last session and further consideration of this bill, I have decided to introduce a sponsor substitute for HB 218. The substitute will broaden the definition of borrower to include non-profit groups and governmental entities; in addition, congregate housing projects will not be limited to senior citizen occupancy only. It has become apparent that there are other population groups in the state who would benefit from construction of congregate housing and that they should be included in this bill. The passage of HB 160, the Neighborhood Revitalization Act, opens the door to public-private partnerships for the very purpose that HB 218 originally addressed. For that reason, the definition of borrower should be expanded to include a variety of public purpose groups who may wish to provide congregate housing.

I offer this bill for consideration by the Housing Policy Task Force because I believe there are substantial rewards for Alaska, both financially and socially, in pursuing a policy which seeks to maximize the independence of Alaskans. Women and children at risk, the developmentally disabled, as well as senior citizens, should be

District 4B — Juneau
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assisted to retain their financial and social independence to the greatest extent possible. That independence will free the state from the costly services currently required by citizens unable to live on their own.

Thank you for your consideration of this request. I look forward to the comments of the Task Force on HB 218.

Sincerely,

Fran Ulmer

enclosure
FU/dl

IN THE HOUSE BY ULMER AND HUDSON

HOUSE BILL NO. 218

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act extending the authority of the Alaska Housing Finance Corporation to assist in the development of senior citizens' housing; and providing for an effective date."

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

* Section 1. AS 18.56.100(b) is amended to read:

(b) Consistent with AS 18.56.090, the corporation may make temporary and permanent loans from the housing development fund, at an interest rate or rates determined by the corporation, and with the security for repayment that is necessary and practicable, to purchase, make, or participate in the making of mortgage loans

(1) to borrowers for loans to develop, build, repair, remodel, or rehabilitate residential housing for senior citizens and their spouses that is used and occupied as congregate housing; or

(2) that are not federally insured or guaranteed for residential housing, if the corporation determines that the loans are not otherwise available, wholly or in part, from private lenders upon reasonably equivalent terms and conditions.

* Sec. 2. AS 18.56.100 is amended by adding new subsections to read:

(l) The corporation shall use money in the housing development fund to reduce the interest payable by borrowers who develop housing for senior citizens and their spouses under (b)(1) of this section. The corporation may reduce the interest rate on a loan entered into under (b)(1) of this section and this subsection to one percent less

The primary sponsors of congregate housing have traditionally been nonprofit organizations, especially churches which have targeted the low-to-moderate-income elderly. With the growth in the size and wealth of the nation's elderly population, private developers have entered the market in the 1980's. However, market conditions appear to work against project feasibility in Alaska without some form of public support and without available financing. The relatively small pool of potential senior residents, higher labor and material costs, the absence of affordable financing, and the lack of economies of scale in smaller-sized housing projects make it difficult to create congregate housing which will fall within the financial constraints of even middle income seniors.

It is appropriate for the state to participate in these types of housing projects through a reduced interest rate from the Alaska Housing Finance Corporation. At this time, AHFC is uncertain whether it has the statutory authority in its market stabilization program [AS 18.56.210(a)(5); 2 ch 147 SLA 1988] to provide developer financing for these projects. HB 218 clearly establishes that authority. It is possible that some of the vacated condominium projects in the state would be appropriate for conversion into senior congregate housing by a private developer. This bill provides an incentive for the private developer to take primary responsibility for the creation of this type of housing.

Alaska State Legislature

Representative Fran Ulmer

P.O. Box V
Juneau, Alaska 99811
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HOUSE OF REPRESENTATIVES

MEMORANDUM
May 1, 1989

TO: Rep. Red Boucher, Chair
House State Affairs Committee

FROM: Rep. Fran Ulmer

RE: HB 218, relating to senior citizens' housing

HB 218 extends the authority of the Alaska Housing Finance Corporation to make mortgage loans to borrowers for the construction, repair, remodel or rehabilitation of residential housing for use as congregate housing for senior citizens. The purpose of this legislation is to address a growing problem within Alaska: the need for housing which combines both privacy and independence with the provision of some services for the elderly. This is a problem for all seniors, regardless of income; the solution must be available to all seniors.

Senior congregate housing is apartment-style living with various services, including one to three meals per day, weekly housekeeping and laundry, transportation, and social/recreational activities. It is intermediate between the fully independent lifestyle of a single family home or apartment and the dependent or skilled-care attention provided in a nursing home. Congregate housing allows ambulatory persons to live independently of their families. Seniors typically emphasize their desire for the degree of privacy which congregate housing provides, as opposed to other types of housing for seniors.

Residents are typically 75 to 85 years old, between the "young retirees" (65 - 74 years old) and the "frail elderly" (85+ years old). Based on detailed 1985 Department of Labor population figures, this age group represents about 24 percent of Alaska seniors statewide. The potential market today in various census areas may be as follows:

Census Area	Est. Seniors 75-85 yrs old
Anchorage	1,630 seniors
Fairbanks	530
Kenai Peninsula	400
Matanuska-Susitna	360
Juneau	300
Ketchikan	190

INDIVIDUAL TIMESPAN:
PRIMARY MORTGAGE INSURANCE CLAIM FILING UNTIL PRIMARY MORTGAGE INSURANCE PAYMENT

AHFC requires primary mortgage insurers to pay claims within 60 days after claims are received. Table 4 shows the average elapsed time from the primary mortgage insurance claim filing date until the date the claim was paid. As shown, the average insurance claim was not paid within the 60 day timeframe.

Timeliness for this portion of the foreclosure process is mainly the responsibility of the primary mortgage insurer. It is included in our analysis because the servicer can influence payment timeliness by preparing adequately documented claims and following up in cases where payment is not timely.

TABLE 4

SUMMARY OF AVERAGE TIMESPANS
BETWEEN PRIMARY INSURANCE CLAIM
AND RECEIPT OF INSURANCE PAYMENT

Period	# Loans Analyzed	Average Number of Days Before Insurance Claim Payment
FY 1986	3	81
FY 1987	17	115
FY 1988	995	80
FY 1989	627	72
TOTAL LOANS	1,642	AVERAGE 78 DAYS

There are few loans in this timespan for 1986 and 1987 because the mortgage insurance filing date is a relatively new date field in the mortgage loan system.

FY 1989 loans include those for which both dates were available and for which the insurance claim was paid in FY 1989 by November 9, 1988. The foreclosure process may have begun in prior years.

Table 4 summarizes the data in Appendix D, which shows average timespans ranging from 48 days to 609 days, and noncompliance for most loans.

COMBINED TIMESPANS:
LOAN DELINQUENCY
UNTIL LOAN FORECLOSURE

AHFC has not defined a maximum standard timeframe from loan delinquency until loan foreclosure in written policy. Allowable maximum time can be inferred to be approximately 260 days. This consists of 110 days between the delinquency date and the date AHFC gives permission to foreclose, and 150 days between the permission to foreclose date and foreclosure.

Table 5 shows that the period to foreclose loans has increased steadily between FY 1986 and FY 1989. The FY 1989 foreclosed loan took more than 100 days longer than the inferred 260 maximum. Although there is no absolute standard for evaluating servicer timeliness between delinquency and foreclosure, the derived 260 benchmark is useful for comparative purposes.

TABLE 5

SUMMARY OF AVERAGE TIMESPANS
BETWEEN LOAN DELINQUENCY AND LOAN FORECLOSURE

Period	# Loans Analyzed	Average Number of Days Before Foreclosure
FY 1986	554	283
FY 1987	1,817	312
FY 1988	2,813	348
FY 1989	1,167	377
TOTAL LOANS	6,351	AVERAGE 337 DAYS

For this timespan, 1989 loans include those for which both dates were available and for which foreclosure was completed in FY 1989 by November 9, 1988.

Average processing time from loan delinquency until loan foreclosure for FY 1986-1989 is shown by servicer in Appendix E. This table, as have others, shows that average processing time has increased steadily for some servicers and that most servicers did not complete their foreclosures within 260 days of delinquency.

COMBINED TIMESPANS:
LOAN FORECLOSURE
UNTIL PRIMARY INSURANCE PAYMENT

Combined timespans that cover servicer responsibility to file primary mortgage insurance claims (60 days) and the insurer's responsibility to pay claims (60 days) are shown in Appendix F, and summarized in Table 6, below. This shows improvement in

FY 1989, and overall performance that has not deviated significantly from AHFC's 120 standard for this timespan.

TABLE 6

SUMMARY OF AVERAGE TIMESPANS
BETWEEN LOAN FORECLOSURE AND PRIMARY INSURANCE PAYMENT

Period	# Loans Analyzed	Average Number of Days Before Payment Receipt
FY 1986	249	142
FY 1987	1,103	148
FY 1988	2,828	162
FY 1989	789	125
TOTAL LOANS	4,969	AVERAGE 152 DAYS

This includes foreclosed loans for which both dates were available and for which primary mortgage insurance payment was received in FY 1989 by November 9, 1988.

COMBINED TIMESPANS:
LOAN DELINQUENCY
UNTIL PRIMARY INSURANCE PAYMENT

Finally we present a view of the entire period from loan delinquency to primary mortgage insurance claim recovery.

Table 7 shows a steady and substantial increase in the length of time it takes to move an uncollectible loan through the foreclosure process and ultimately to collect primary mortgage insurance payments.

TABLE 7

SUMMARY OF AVERAGE TIMESPANS
BETWEEN LOAN DELINQUENCY AND PRIMARY INSURANCE PAYMENT

Period	# Loans Analyzed	Average Number of Days Before Payment Receipt
FY 1986	225	333
FY 1987	1,061	385
FY 1988	2,837	460
FY 1989	789	482
TOTAL LOANS	4,912	AVERAGE 441 DAYS

FY 1989 loans include foreclosed loans for which both dates were available and for which primary mortgage insurance payment was received in FY 1989 by November 9, 1988.

AHFC has not formally defined its maximum requirements for this overall timeframe. Allowable maximum time can be inferred as 380 days (approximately 13 months). This consists of 110 days between delinquency and permission to foreclose, 150 days between the permission date and foreclosure, and 120 days from foreclosure to receipt of primary mortgage insurance claim payment.

Appendix G illustrates the average processing time for this combined timespan by servicer. This table shows that processing time increased steadily for some servicers more than others.

CONCLUSIONS AND RECOMMENDATIONS

The downturn of Alaska's economy and subsequent increase in foreclosures played a major role in increasing servicer processing times for foreclosures. Regardless of the causes, AHFC must increase its own efficiencies and servicer monitoring efforts to help offset the effect of external events.

Considering the large number of loans in its portfolio, AHFC needs the efficiency of additional automated reports that bring attention to loans which are delinquent or remain in key phases of foreclosure for lengthy periods. For example, aging reports are needed to disclose elapsed days for:

- loans more than 95 days delinquent (or 75 days if time requirements change) for which no form #SER-71 has been received; and

- loans where more than 150 days have passed since AHFC gave permission to foreclose but foreclosure has not yet occurred.

Automated date arithmetic performed on each loan can highlight loans most needing AHFC and servicer attention. Aging reports should go beyond simply categorizing loans in the usual ranges of delinquency (30, 60, 90, and more than 120 days). Actual time lags should be computed and displayed.

AHFC already captures data on magnetic media which can be used to produce monthly aging reports with summary and detail information.

Our analysis shows that some loans are not foreclosed for a long time after permission is given to foreclose. Quick foreclosures are not always the best course of action, however. An aging report designed specifically to monitor loans after permission to foreclose is given will help AHFC by highlighting cases where foreclosure time appears unreasonably long. This information will facilitate timely follow-up by AHFC staff and also provide overview information for management.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY
AND PERMISSION TO FORECLOSE

SERVICER *	FY 86		FY 87		FY 88		FY 89		SUMMARY	
	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS
ALASKA FEDERAL SAVINGS AND LOAN	148	7	108	22	127	26			122	55
FIRST NATIONAL BANK OF ANCHORAGE	126	125	134	376	137	341	216	2	134	844
FRONTIER ALASKA STATE CREDIT UNION	105	5	128	14	160	10			135	29
SPOKANE MORTGAGE COMPANY	128	14	169	3					135	17
MT. MCKINLEY MUTUAL SAVINGS			128	8	141	17	188	1	139	26
WESTERN MORTGAGE LOAN CORPORATION	138	2	172	19	119	24			142	45
ALASKA USA FEDERAL CREDIT UNION	201	20	130	71	141	112	72	1	143	204
G.M.A.C. MORTGAGE CORPORATION	120	21	112	26	188	33			145	80
NATIONAL BANK OF ALASKA	142	85	146	293	148	362	13	1	146	741
DENALI FEDERAL CREDIT UNION	128	6	115	15	203	11			148	32
ALLIANCE BANK	125	277	135	611	168	670	618	1	148	1559
COMMONWEALTH WESTERN MORTGATE CORPORATION	134	19	141	40	177	38			154	97
GOLDOME REALTY CREDIT CORPORATION	195	63	179	64	142	208			159	335
SEAFIRST MORTGAGE COMPANY	143	12	173	32	169	30			167	74
B.M. BEHRENDS BANK	205	2	199	31	122	24			167	57
RAINIER BANK ALASKA	167	83	175	219	162	67	305	3	172	372
FIREMAN'S FUND MORTGAGE COMPANY	165	64	177	321	197	346	247	1	186	732
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	176	41	158	26	262	19	249	1	190	87
HOME SAVINGS & LOAN	164	37	190	56	199	117			190	210
FIRST FEDERAL BANK OF ALASKA	193	7	154	6	202	19			191	32
ALASKA STATEBANK	143	30	211	24	274	17			197	71
FIRST NATIONAL BANK OF FAIRBANKS	240	33	233	84	259	87	540	1	247	205
KEY PACIFIC MORTGAGE COMPANY	202	18	221	58	279	70	280	1	247	147
TOTAL LOANS		971		2,419		2,648		13		6,051
AVERAGE DAYS - ALL SERVICERS	150		155		170		273		161	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX A

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS BETWEEN PERMISSION TO FORECLOSE AND LOAN FORECLOSURE

SERVICER *	FY 86		FY 87		FY 88		FY 89		SUMMARY	
	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS
SPOKANE MORTGAGE COMPANY	106	13	142	10					122	23
MT. MCKINLEY MUTUAL SAVINGS	114	1	109	10	150	17	146	4	136	32
ALASKA FEDERAL SAVINGS AND LOAN	163	7	140	20	130	33	170	6	140	66
FIRST NATIONAL BANK OF ANCHORAGE	119	103	135	345	154	381	171	138	146	967
RAINIER BANK ALASKA	124	45	170	193	138	158	163	26	153	422
ALASKA STATEBANK	127	58	156	27	218	30	138	5	157	120
NATIONAL BANK OF ALASKA	127	70	144	245	161	373	185	158	158	846
FIRST FEDERAL BANK OF ALASKA	153	10	141	12	164	15	198	9	162	46
HOME SAVINGS & LOAN	115	29	173	67	176	94	170	53	167	243
GOLDOME REALTY CREDIT CORPORATION	104	37	174	80	165	157	208	90	171	364
ALLIANCE BANK	129	197	162	540	193	833	226	244	181	1814
WESTERN MORTGAGE LOAN CORPORATION			183	11	209	32	171	16	194	59
ALASKA USA FEDERAL CREDIT UNION	98	10	179	47	199	92	214	68	195	217
FIRST NATIONAL BANK OF FAIRBANKS	146	25	167	56	212	97	242	53	201	231
SEAFIRST MORTGAGE COMPANY	204	7	259	27	176	44	150	8	202	86
KEY PACIFIC MORTGAGE COMPANY	137	5	189	39	199	73	230	44	203	161
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	182	16	207	53	201	29	249	13	207	111
DENALI FEDERAL CREDIT UNION	131	4	178	8	235	14	230	7	208	33
G.M.A.C. MORTGAGE CORPORATION	168	12	219	26	228	33	188	23	208	94
B.M. BEHRENDS BANK	164	3	174	9	218	50	337	5	219	67
FIREMAN'S FUND MORTGAGE COMPANY	191	25	200	187	229	401	229	169	221	782
FRONTIER ALASKA STATE CREDIT UNION	188	3	176	10	234	17	347	3	223	33
COMMONWEALTH WESTERN MORTGATE CORPORATION	235	19	231	30	244	46	226	24	236	119
TOTAL LOANS		699		2052		3019		1166		6,936
AVERAGE DAYS - ALL SERVICERS	134		165		186		207		178	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX B

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN LOAN FORECLOSURE AND
PRIMARY MORTGAGE INSURANCE CLAIM FILING

SERVICER *	FY 86		FY 87		FY 88		FY 89		SUMMARY	
	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS
FRONTIER ALASKA STATE CREDIT UNION					9	5	9	1	9	6
GOLDOME REALTY CREDIT CORPORATION			15	6	8	96	14	64	11	166
MT. MCKINLEY MUTUAL SAVINGS					12	7			12	7
ALASKA USA FEDERAL CREDIT UNION					12	50	16	37	14	87
SPOKANE MORTGAGE COMPANY			16	1					16	1
DENALI FEDERAL CREDIT UNION					14	7	18	8	16	15
RAINIER BANK ALASKA	19	1	11	11	21	70	21	12	20	94
ALASKA STATEBANK					20	11			20	11
FIRST NATIONAL BANK OF ANCHORAGE			18	8	21	199	20	93	21	300
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA			64	1	26	11	16	3	27	15
G.M.A.C. MORTGAGE CORPORATION					25	14	44	4	29	18
HOME SAVINGS & LOAN			27	3	31	32	22	3	30	38
FIRST FEDERAL BANK OF ALASKA					24	4	40	3	31	7
ALASKA FEDERAL SAVINGS AND LOAN					35	21	6	3	31	24
WESTERN MORTGAGE LOAN CORPORATION			14	2	8	10	100	4	32	16
FIREMAN'S FUND MORTGAGE COMPANY	42	1	74	14	34	232	25	42	35	289
NATIONAL BANK OF ALASKA			29	4	33	147	52	98	40	249
B.M. BEHRENDS BANK					39	19	54	9	44	28
ALLIANCE BANK	8	1	42	15	47	451	37	174	44	641
FIRST NATIONAL BANK OF FAIRBANKS	50	3	62	7	55	39	56	47	56	96
KEY PACIFIC MORTGAGE COMPANY			89	3	84	43	61	19	78	65
SEAFIRST MORTGAGE COMPANY	28	1	153	1	89	13	54	6	79	21
COMMONWEALTH WESTERN MORTGATE CORPORATION			16	1	99	25	39	9	81	35
TOTAL LOANS		7		77		1506		639		2,229
AVERAGE DAYS - ALL SERVICERS	35		42		36		35		36	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX C

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN PRIMARY MORTGAGE INSURANCE CLAIM
AND RECEIPT OF INSURANCE PAYMENT

SERVICER *	FY 86		FY 87		FY 88		FY 89		SUMMARY	
	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS
B.M. BEHRENDS BANK					52	16	39	8	48	24
FIRST FEDERAL BANK OF ALASKA					46	3	59	2	51	5
DENALI FEDERAL CREDIT UNION					44	6	64	4	52	10
MT. MCKINLEY MUTUAL SAVINGS					66	5	42	1	62	6
NATIONAL BANK OF ALASKA			94	1	71	89	66	60	69	150
ALLIANCE BANK			126	3	70	252	69	215	70	470
FIRST NATIONAL BANK OF ANCHORAGE			60	1	73	136	67	94	71	231
ALASKA USA FEDERAL CREDIT UNION					71	35	74	34	72	69
FRONTIER ALASKA STATE CREDIT UNION					74	3	70	1	73	4
GOLDOME REALTY CREDIT CORPORATION					90	66	62	56	77	122
FIREMAN'S FUND MORTGAGE COMPANY	126	1	101	2	84	162	88	74	86	239
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA					91	9	72	3	86	12
HOME SAVINGS & LOAN			35	1	89	28	106	4	89	33
ALASKA FEDERAL SAVINGS AND LOAN					72	11	110	10	90	21
RAINIER BANK ALASKA	56	1	127	3	93	71	62	10	90	85
COMMONWEALTH WESTERN MORTGATE CORPORATION					87	15	116	4	93	19
ALASKA STATEBANK					109	6	62	2	97	8
WESTERN MORTGAGE LOAN CORPORATION					110	4	79	2	100	6
FIRST NATIONAL BANK OF FAIRBANKS	62	1	154	5	113	32	69	20	100	58
SEAFIRST MORTGAGE COMPANY					162	7	50	8	102	15
KEY PACIFIC MORTGAGE COMPANY			29	1	114	34	76	11	103	46
G.M.A.C. MORTGAGE CORPORATION					127	5	91	3	114	8
SPOKANE MORTGAGE COMPANY							609	1	609	1
TOTAL LOANS		3		17		995		627		1,642
AVERAGE DAYS - ALL SERVICERS	81		115		80		72		78	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX D

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY
AND LOAN FORECLOSURE

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
ALASKA FEDERAL SAVINGS AND LOAN	327	6	239	17	250	32	286	6	258	61
SPOKANE MORTGAGE COMPANY	257	10	261	7					259	17
MT. MCKINLEY MUTUAL SAVINGS			216	8	291	15	294	4	269	27
FIRST NATIONAL BANK OF ANCHORAGE	223	67	264	304	288	360	316	138	279	869
NATIONAL BANK OF ALASKA	252	49	281	210	312	347	330	158	303	764
RAINIER BANK ALASKA	294	39	335	173	312	144	327	26	322	382
ALLIANCE BANK	264	165	289	467	348	772	375	244	327	1648
GOLDOME REALTY CREDIT CORPORATION	321	30	355	75	308	146	351	90	331	341
WESTERN MORTGAGE LOAN CORPORATION			328	6	372	24	283	16	335	46
ALASKA USA FEDERAL CREDIT UNION	300	10	336	39	327	90	352	68	336	207
ALASKA STATEBANK	268	41	311	22	452	26	447	5	338	94
SEAFIRST MORTGAGE COMPANY	361	7	369	27	348	37	299	8	351	79
G.M.A.C. MORTGAGE CORPORATION	272	9	337	19	375	32	371	23	354	83
HOME SAVINGS & LOAN	284	22	348	58	375	89	359	53	355	222
DENALI FEDERAL CREDIT UNION	241	4	294	7	371	14	451	7	355	32
FRONTIER ALASKA STATE CREDIT UNION	288	2	276	9	403	15	485	3	364	29
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	367	16	353	50	367	22	457	13	372	101
FIRST FEDERAL BANK OF ALASKA	358	8	404	3	364	14	397	9	375	34
B.M. BEHRENDS BANK	282	3	363	6	377	49	434	5	376	63
COMMONWEALTH WESTERN MORTGATE CORPORATION	368	16	351	28	395	45	409	24	383	113
FIREMAN'S FUND MORTGAGE COMPANY	356	24	375	193	406	387	425	170	401	774
FIRST NATIONAL BANK OF FAIRBANKS	379	22	381	50	460	88	509	53	445	213
KEY PACIFIC MORTGAGE COMPANY	314	4	378	39	435	65	540	44	44[illegible]	152
TOTAL LOANS		54		1817		2813		1167		6,351
AVERAGE DAYS - ALL SERVICERS	283		312		348		377		337	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX E

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN LOAN FORECLOSURE
AND PRIMARY MORTGAGE INSURANCE PAYMENT

SERVICER *	FY 86		FY 87		FY 88		FY [illegible]		SUMMARY	
	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# [illegible] LOA[illegible]	AVERAGE DAYS	# OF LOANS
DENALI FEDERAL CREDIT UNION	65	2	58	7	80	11	80	4	72	24
MT. MCKINLEY MUTUAL SAVINGS			79	7	83	11	65	2	80	20
B.M. BEHRENDS BANK	228	1	127	7	105	30	154	10	121	48
FRONTIER ALASKA STATE CREDIT UNION	106	1	152	4	127	8	82	2	126	15
RAINIER BANK ALASKA	103	14	111	102	143	234	128	18	132	368
ALASKA FEDERAL SAVINGS AND LOAN	185	2	173	16	98	26	147	11	133	55
FIRST NATIONAL BANK OF ANCHORAGE	146	39	144	193	142	415	110	104	138	751
ALASKA USA FEDERAL CREDIT UNION	117	6	135	17	163	88	91	41	139	152
NATIONAL BANK OF ALASKA	154	25	135	146	145	319	127	74	140	564
WESTERN MORTGAGE LOAN CORPORATION			173	1	162	20	98	6	148	27
ALLIANCE BANK	124	72	140	313	162	736	131	231	150	1352
GOLDOME REALTY CREDIT CORPORATION	160	15	165	40	166	149	98	62	150	266
FIREMAN'S FUND MORTGAGE COMPANY	227	5	144	62	166	349	128	120	156	536
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	178	7	150	37	164	44	86	4	156	92
SEAFIRST MORTGAGE COMPANY			184	14	187	43	117	17	17[illegible]	74
HOME SAVINGS & LOAN	126	8	204	26	186	75	124	24	175	133
FIRST FEDERAL BANK OF ALASKA	170	5	204	7	177	11	107	2	178	25
KEY PACIFIC MORTGAGE COMPANY	131	3	135	8	213	71	190	18	200	100
ALASKA STATEBANK	147	25	219	26	237	32	148	3	202	86
COMMONWEALTH WESTERN MORTGATE CORPORATION	155	8	218	19	224	42	162	6	210	75
FIRST NATIONAL BANK OF FAIRBANKS	193	5	217	26	233	83	166	25	217	139
G.M.A.C. MORTGAGE CORPORATION	266	2	233	11	232	28	163	4	228	45
SPOKANE MORTGAGE COMPANY	114	4	212	14	375	3	625	1	235	22
TOTAL LOANS		249		1103		2828		789		4,969
AVERAGE DAYS - ALL SERVICERS	142		148		162		125		152	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX F

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY
AND PRIMARY MORTGAGE INSURANCE PAYMENT

SERVICER *	FY 86		FY 87		FY 88		FY 89		SUMMARY	
	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS
MT. MCKINLEY MUTUAL SAVINGS			215	6	300	11	332	2	277	19
ALASKA FEDERAL SAVINGS AND LOAN	455	2	430	15	308	26	399	11	366	54
FIRST NATIONAL BANK OF ANCHORAGE	259	33	353	185	392	417	429	104	382	739
DENALI FEDERAL CREDIT UNION	264	2	309	7	397	11	555	4	387	24
NATIONAL BANK OF ALASKA	246	23	356	143	407	319	447	74	393	559
RAINIER BANK ALASKA	371	14	362	100	446	235	456	18	421	367
ALLIANCE BANK	333	67	348	299	447	743	486	231	426	1340
FIRST FEDERAL BANK OF ALASKA	500	5	349	6	446	11	486	2	436	24
FRONTIER ALASKA STATE CREDIT UNION	324	1	442	4	462	9	400	2	441	16
ALASKA USA FEDERAL CREDIT UNION	406	6	381	17	463	88	432	41	443	152
GOLDOME REALTY CREDIT CORPORATION	257	13	493	36	465	150	405	62	444	261
WESTERN MORTGAGE LOAN CORPORATION			516	1	437	19	489	6	452	26
SPOKANE MORTGAGE COMPANY	247	2	433	13	626	3	588	1	452	19
B.M. BEHRENDS BANK	570	1	291	7	488	30	475	10	458	48
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	346	7	501	37	448	43	553	4	466	91
ALASKA STATEBANK	341	19	417	25	560	32	758	3	470	79
SEAFIRST MORTGAGE COMPANY			486	14	502	42	451	17	487	73
HOME SAVINGS & LOAN	405	8	412	23	528	75	477	24	490	130
G.M.A.C. MORTGAGE CORPORATION	690	2	402	8	540	28	552	4	522	42
FIREMAN'S FUND MORTGAGE COMPANY	468	5	491	62	536	350	547	120	533	537
COMMONWEALTH WESTERN MORTGATE CORPORATION	465	7	524	19	549	42	605	6	539	74
FIRST NATIONAL BANK OF FAIRBANKS	468	5	509	26	591	82	625	25	577	138
KEY PACIFIC MORTGAGE COMPANY	238	3	479	8	589	71	644	18	580	100
TOTAL LOANS		225		1061		2837		789		4,912
AVERAGE DAYS - ALL SERVICERS	333		385		460		482		441	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX G

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

OFFICE OF
MANAGEMENT & BUDGET

MAY 3 1989

AUDIT AND MANAGEMENT
SERVICES

April 28, 1989

Mr. John Lucas
State of Alaska
Office of the Governor
Office of Management & Budget
Division of Audit & Management Services
P. O. Box AM
Juneau, AK 99811

Dear Mr. Lucas:

First let me apologize on behalf of the Corporation for not responding earlier with respect to the audit in question outlined in your April 26, 1989 letter. Somewhere in the process of the management change of our Corporation, the responsibility for responding to the above mentioned audit was overlooked. Both Tom And myself, as well as pertinent staff members, have found the contents to be extremely accurate as well as extremely helpful. Currently we are in the middle of negotiations with one of our pool insurers that addresses the very issues brought out in the audit of February, 1989.

It is my understanding that in the past AHFC had recognized the need to monitor seller/servicers. In late 1987, as part of a continuing monitoring effort, an audit department was established. It was established to coordinate and direct the seller/servicer monitoring function. At the beginning it was intended to staff the department with two auditors. Their primary function was to plan, execute and follow-up on off-site audits. Evaluations of the seller/servicers' performance would result from audit findings as well as management reports. One position was filled and the department began to function as planned. Several audits were performed and management reports were developed.

The audit and monitoring functions began to deteriorate as other organizational priorities arose and decisions had to be made concerning the deployment of limited personnel resources. The department also spent considerable time auditing seller/servicers concerning whether they had primary mortgage insurance in force on all required loans. The nature of this was critical to the Corporation, in that, if primary was lost AHFC may have significant loss exposure in the event the servicer did not have the ability or desire to repurchase the loan.

LP2

Introduced: 3/13/89 6-1011A
Referred: State Affairs and
Finance

IN THE HOUSE BY ULMER AND HUDSON

HOUSE BILL NO. 218

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act extending the authority of the Alaska Housing Finance Corporation to assist in the development of senior citizens' housing; and providing for an effective date."

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

* Section 1. AS 18.56.100(b) is amended to read:

(b) Consistent with AS 18.56.090, the corporation may make temporary and permanent loans from the housing development fund, at an interest rate or rates determined by the corporation, and with the security for repayment that is necessary and practicable, to purchase, make, or participate in the making of mortgage loans

(1) to borrowers for loans to develop, build, repair, remodel, or rehabilitate residential housing for senior citizens and their spouses that is used and occupied as congregate housing; or

(2) that are not federally insured or guaranteed for residential housing, if the corporation determines that the loans are not otherwise available, wholly or in part, from private lenders upon reasonably equivalent terms and conditions.

* Sec. 2. AS 18.56.100 is amended by adding new subsections to read:

(l) The corporation shall use money in the housing development fund to reduce the interest payable by borrowers who develop housing for senior citizens and their spouses under (b)(1) of this section. The corporation may reduce the interest rate on a loan entered into under (b)(1) of this section and this subsection to one percent less

than the interest rate payable on the corporation's bonds issued under AS 18.56.110 - 18.56.170 for development of the project. If a project developed by a borrower with a reduced interest subsidy made under this subsection ceases to be used for senior citizen congregate housing, the corporation shall adjust the interest rate payable on the unpaid balance of the loan to the prevailing rate of interest charged by the corporation on loans made for other residential purposes; but may not reduce the interest rate payable below the subsidized rate

(m) The corporation shall adopt regulations to implement (b)(1) and (l) of this section that

(1) determine borrower eligibility;

(2) define procedures for the application, review, and approval of authorized loans;

(3) establish loan guidelines, loan terms, and acceptable security for loans; and

(4) identify characteristics of housing projects eligible for loans.

(n) In (b)(1), (l), and (m) of this section

(1) "congregate housing" means a multi-family group-living building that contains individual residence areas and common facilities for congregate living;

(2) "senior citizen" means a resident of the state who is 65 years of age or older.

* Sec. 3. This Act takes effect July 1, 1989.

March 15, 1989

C. E. "Swack" Swackhammer
Box V
Juneau, Ak 99811

ref. Letter dated 2/28/89 - Sr congregate housing

Dear Swack,

I'm somewhere between Seattle + Wash., D.C., hence - no type writer, etc. for traditional response. Will be attending American Assoc of Aging convention. Hope to pick up materials on housing there.

March 30-31 I'll be in Juneau because I'm on AHMC Housing Policy Development Commission as senior housing advocate. My sub-committee has come up with some very specific recommendation for submitting to the Governor next year. I'll be happy to share with you or your staff. I'll be staying at the Westmark and our meetings should last til about 4 pm or I could probably "sneak out" if I had to do so. But you might be interested in sending a staff person to some sessions of our meetings.

I'm not surprised that Kenai suspects as Mary Conrad found out, to build on the medical model is extremely costly. (p13 - p.14⅔ your attachment) We had an engineer (the committee I'm on) give us a cost comparison of:

\$300 sq. ft = medical model const.
\$90 " " = conventional const cost

What we're looking (committee) at are some regulations that need to be changed in order to make the construction of congregate housing affordable and profitable for developers + non-profits. A specific example is the "Bed + Board Regs" which apply to everyone except seniors and are what is needed by seniors. Also take a look at Residential Level I + II reg's. They're based on a ~~[illegible]~~ medical model.

There's a fine line between medical and social models:

social ← | → medical
"Isn't it time to take your medicine?" ← | → "Take this medicine".

The same problem is found in all of Alaska's programs dealing with seniors and that's what's making costs of Day Care programs, housing, Pioneer homes so expensive. Everything is based on a medical model.

Homer Senior Citizens has applied for a direct grant from the Admin. on Ageing in D.C. for a grant ~~$~~ "for a "field initiated research and demonstration model" to prove that even in a rural community, an adult day care can be cost effect. Keep your fingers crossed for us.

But back to the whole concept of social versus medical — research shows that only 6% of the population ever needs a medical model type of care. Medical models say — "Let's build a building that has services and lots of specialized personnel, then fill it with people." Social models say — "Here are the people. Let's ~~bring~~ take the people to where the only once a week service is that they may need if the service is not mobile, otherwise, let's take the services to the people."

~~evens~~ Maybe part of the reason Alaskans are unwilling to pay high prices is because Alaska builds such "Taj Ma Hals" (I'd look that up if planes had dictionaries) that cost so much to operate! I've never had trouble placing a low income senior in Homer who ~~has~~ realized ~~they~~ he can no longer live ~~up~~ in the Olson Mt cabin ~~they~~ he built. There's plenty of low-income space + even the voucher system. The problem lies elsewhere.

I'll be on the east coast until the 28th - fly to Juneau the 29th. If you're interested in continuing what could turn into a book in Juneau, leave word at Homer Senior Center 1-235-7655 before the 29th or at the West Mark 29-31 in Juneau.

Pioneer homes have become nursing homes charging congregate living or low prices. Why? because of cases like the senior I sent to Palmer last week who needed someone to remind her to take her medicine, be aware if she walked out at night because she hadn't, etc. What Alaska needs is the "assisted" living congregate housing — not the medical models.

Velma Ellyson
P.O. Box 1964
Homer, Ak 99603

Introduced: 3/23/89 6-1070A
Referred: Labor and Commerce

IN THE SENATE

BY THE SPECIAL COMMITTEE ON
BANKING AND ECONOMIC DEVELOPMENT

SENATE CONCURRENT RESOLUTION NO. 27

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

Urging the Alaska Housing Market Council to develop a statewide housing policy for the decade of the 1990's.

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

WHEREAS, since the first initiatives of Alaska's territorial legislature in 1945 to improve housing, state housing policy has developed randomly, in response to real and perceived needs and to the demands made by groups within the state; and

WHEREAS, while principal responsibility for development and implementation of a comprehensive housing policy was first assigned to the Alaska State Housing Authority, subsequent legislation has since extended elements of that policy to the Alaska Housing Finance Corporation and regional housing authorities (ch. 107, SLA 1971), the housing assistance division of the Department of Community and Regional Affairs (ch. 106, SLA 1980), the Alaska Industrial Development and Export Authority (ch. 113, SLA 1982), and, most recently, the Alaska Housing Market Council; and

WHEREAS the Alaska Housing Market Council, created by Administrative Order No. 94, is composed of members of the Alaska State Building Authority, Alaska Housing Finance Corporation, rural development division of the Department of Community and Regional Affairs, the Alaska Industrial Development and Export Authority, the Alaska Permanent Fund Corporation, and other public members for the purpose of coordinating interagency housing policy; and

WHEREAS development and implementation of housing policy must take into account the roles and responsibilities of various federal agencies and consider significant groups who contribute to the development of a housing market, including particularly building contractors and lending institutions; and

WHEREAS recent changes in the state economy and federal budgets have affected the need and demand for housing, leaving surplus housing available in some urban areas but unfulfilled demand in rural parts of the state; and

WHEREAS a review of current state housing programs in light of housing demand and supply and the changing state economy, and development of the draft of a coordinated statewide housing policy would be timely;

BE IT RESOLVED by the Alaska State Legislature that the Governor is respectfully requested to direct the Alaska Housing Market Council to develop the draft of a coordinated statewide housing policy for the State of Alaska as a guideline for the state's housing activities during the 1990's; and be it

FURTHER RESOLVED that the draft of a statewide housing policy should recommend objectives of a statewide housing policy, consider the changing role of each of these state agencies and of the federal government in the planning, development, and financing of essential housing units and services, and recommend whether any one state agency should be assigned principal responsibility for housing policy implementation; and be it

FURTHER RESOLVED that the draft of a statewide housing policy should give attention to changes and modifications of the principal components of the state's current housing programs, including mortgage assistance, the housing needs of low-income families, senior citizens, and residents of rural areas, and the demand for and supply of multi-family housing and rental housing; and be it

FURTHER RESOLVED that the Governor shall submit the draft of the statewide housing policy, together with recommended legislation to make changes recommended and appropriations necessary to implement the draft policy to the Second Session of the Sixteenth Alaska Legislature not later than January 31, 1990.

Introduced: 4/27/89 6-1050A
Referred: Special Committee on
Banking and Economic Development

IN THE SENATE BY RODEY, HALFORD, FAIKS, FISCHER AND KELLY

SENATE JOINT RESOLUTION NO. 47

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

Urging the Federal Deposit Insurance Corporation to reconsider its liquidation policies for the real property that it controls in the state.

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

WHEREAS the state continues to experience a severe economic crisis and the real estate market continues to be severely depressed; and

WHEREAS the crisis has caused the failure or instability of many financial institutions in the state, and the Federal Deposit Insurance Corporation has found it necessary to close or restructure several of these financial institutions; and

WHEREAS as a result of closing and restructuring these financial institutions, the Federal Deposit Insurance Corporation presently controls many pieces of real estate in the state that are in danger of foreclosure or that have already been foreclosed; and

WHEREAS due to the amount of real property that the Federal Deposit Insurance Corporation controls in the state, the FDIC plays a significant role in the establishment of real property values in the state; and

WHEREAS because of the important role played by the FDIC in the real property market of the state, the wholesale disposal of the real estate controlled by the FDIC in the state would severely lower property values; and

WHEREAS the FDIC has a policy of expeditious liquidation of real properties that are securing overdue obligations owed to the financial institutions of which it has taken control; and

WHEREAS the marketing of large numbers of these properties at one time would further the economic slowdown in the state, while a more cautious marketing of these properties would help the market to recover and the FDIC to recover more money from their sales;

BE IT RESOLVED that the Alaska State Legislature encourages the Federal Deposit Insurance Corporation to reconsider its present real property liquidation policies and to consider staggering the sale of the properties that it controls in the state in a manner that will help to prevent the real property market in the state from suffering a further decline in property values.

COPIES of this resolution shall be sent to the Honorable Dan Quayle, Vice-President of the United States and President of the U.S. Senate; the Honorable Jim Wright, Speaker of the U.S. House of Representatives; to the Honorable L. William Seidman, Chair of the Board of Directors of the Federal Deposit Insurance Corporation; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

IN THE SENATE

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

SENATE BILL NO. 162

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act reviving the simplified refinancing mortgage loan purchase program of the Alaska Housing Finance Corporation; and providing for an effective date."

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

* Section 1. Section 9, ch. 41, SLA 1987 is repealed.

* Sec. 2. AS 18.56.102, repealed on December 10, 1988 by authority of sec. 9, ch. 41, SLA 1987, is revived. As of the effective date of this Act, AS 18.56.102 will read as follows:

Sec. 18.56.102. SIMPLIFIED REFINANCING MORTGAGE LOAN PURCHASE PROGRAM. (a) The corporation shall establish a simplified refinancing mortgage loan purchase program. Under the simplified refinancing mortgage loan purchase program, the corporation may purchase refinancing mortgage loans to provide relief to borrowers under circumstances described by regulations adopted by the corporation.

(b) AS 18.56.098(c), (e), and (k) apply to refinancing mortgage loans purchased under (a) of this section.

(c) Subject to (d) of this section, the interest rate on a refinancing mortgage loan purchased under (a) of this section is three percent less than the cost to the corporation of the money used to purchase the refinancing mortgage loan, except that if the cost of money

(1) is 10 percent or less, the interest rate is equal to the cost of money; and

(2) is more than 10 percent, the interest rate may not be

less than 10 percent.

(d) If the refinancing mortgage loan is an adjustable rate mortgage loan, the corporation shall establish the initial interest rate as provided in (c) of this section and shall recalculate the interest rate from time to time in accordance with (c) of this section. However, notwithstanding (c)(1) of this section, the corporation may establish a minimum interest rate applicable to an adjustable rate refinancing mortgage loan; the interest rate on the adjustable rate refinancing mortgage loan may not be less than the minimum interest rate so established, regardless of the cost of money to the corporation. The corporation may adopt regulations to implement this section, including regulations to define "cost of money" for purposes of this section. The regulations may provide for recalculation of the cost of money under this subsection at the times and frequencies the corporation considers appropriate. The time and frequency for a recalculation under this subsection is not required to match the time or frequency of a change in the cost of money to the corporation.

(e) Equity extraction may not be allowed under this program.

(f) In this section, "refinancing mortgage loan" means a loan refinancing another mortgage loan owned by the corporation.

* Sec. 3. Regulations adopted to implement AS 18.56.102, revived by sec. 2 of this Act, are also revived and need not be readopted to remain in effect.

* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

Amended: 4/22/89 6-1099E
Offered: 4/20/89
Referred: Rules

Original sponsors: Uehling and Sturgulewski

IN THE SENATE BY THE FINANCE COMMITTEE

CS FOR SENATE CONCURRENT RESOLUTION NO. 28 (Finance) am

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

Establishing a Housing Finance Task Force to review and recommend changes to publicly-assisted residential finance programs.

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

WHEREAS the State of Alaska has created a substantial public financing system designed to assist Alaska homebuyers and has provided more than $1,000,000,000 of capital as well as bonding authority to initiate and sustain these loan programs; and

WHEREAS the management of these loan programs has been assigned to several agencies, including executive departments and public corporations; and

WHEREAS the Alaska residential housing market has evolved tremendously since most of these loan programs were established; and

WHEREAS, due to recent economic hardship, these agencies have taken possession of hundreds of residential properties throughout the state; and

WHEREAS scrutiny of the state's initial capital investment, outstanding bonded indebtedness incurred by these agencies, authorities, and public corporations, and the reinvestment of income earned from residential loans requires the expertise of the agencies, authorities, and public corporations currently involved;

BE IT RESOLVED by the Alaska State Legislature that a Housing Finance Task Force is established to review and analyze the publicly-assisted residential finance programs, including but not limited to housing loan programs managed by the Alaska Housing Finance Corporation and the

Department of Community and Regional Affairs; and be it

FURTHER RESOLVED that the task force shall report to the legislature by the 15th day of the Second Session of the Sixteenth Alaska State Legislature summarizing the financial condition of all state-assisted residential loan programs, guidelines governing each of the loan programs, and the status and condition of any bonds sold to capitalize these loans; and be it

FURTHER RESOLVED that the task force shall review the current subsidies of the loan programs and make recommendations as to the gradual phasing down or elimination of these subsidies, returning to the state its initial investment in the loan programs, the options available to the legislature regarding efficiency changes in the management structure of those programs, and the possibility of privatizing the state's involvement in the residential loan market; and be it

FURTHER RESOLVED that the task force shall review the proposal which would require the Alaska Housing Finance Corporation to purchase mortgage loans from the housing assistance loan fund, the effects of this policy on each of the loan programs, whether the purchases should be at par value or at market value and, if at market value, an appropriate method for determining that value, and the long-term anticipated demand for residential loans through the housing assistance loan fund; and be it

FURTHER RESOLVED that the task force shall consist of 10 members, including three members of the Senate to be appointed by the president of the Senate; three members of the House of Representatives to be appointed by the speaker of the House; the director of the rural development division of the Department of Community and Regional Affairs; the executive director of the Alaska Housing Finance Corporation; the executive director of the Alaska State Housing Authority; and the executive director of the Alaska Housing Market Council; and be it

FURTHER RESOLVED that the Housing Finance Task Force terminates when the task force submits its report.

Introduced: 3/23/89
Referred: Labor and Commerce

6-1070A

IN THE SENATE

BY THE SPECIAL COMMITTEE ON
BANKING AND ECONOMIC DEVELOPMENT

SENATE CONCURRENT RESOLUTION NO. 27

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

Urging the Alaska Housing Market Council to develop a statewide housing policy for the decade of the 1990's.

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

WHEREAS, since the first initiatives of Alaska's territorial legislature in 1945 to improve housing, state housing policy has developed randomly, in response to real and perceived needs and to the demands made by groups within the state; and

WHEREAS, while principal responsibility for development and implementation of a comprehensive housing policy was first assigned to the Alaska State Housing Authority, subsequent legislation has since extended elements of that policy to the Alaska Housing Finance Corporation and regional housing authorities (ch. 107, SLA 1971), the housing assistance division of the Department of Community and Regional Affairs (ch. 106, SLA 1980), the Alaska Industrial Development and Export Authority (ch. 113, SLA 1982), and, most recently, the Alaska Housing Market Council; and

WHEREAS the Alaska Housing Market Council, created by Administrative Order No. 94, is composed of members of the Alaska State Building Authority, Alaska Housing Finance Corporation, rural development division of the Department of Community and Regional Affairs, the Alaska Industrial Development and Export Authority, the Alaska Permanent Fund Corporation, and other public members for the purpose of coordinating interagency housing policy; and

WHEREAS development and implementation of housing policy must take into account the roles and responsibilities of various federal agencies and consider significant groups who contribute to the development of a housing market, including particularly building contractors and lending institutions; and

WHEREAS recent changes in the state economy and federal budgets have affected the need and demand for housing, leaving surplus housing available in some urban areas but unfulfilled demand in rural parts of the state; and

WHEREAS a review of current state housing programs in light of housing demand and supply and the changing state economy, and development of the draft of a coordinated statewide housing policy would be timely;

BE IT RESOLVED by the Alaska State Legislature that the Governor is respectfully requested to direct the Alaska Housing Market Council to develop the draft of a coordinated statewide housing policy for the State of Alaska as a guideline for the state's housing activities during the 1990's; and be it

FURTHER RESOLVED that the draft of a statewide housing policy should recommend objectives of a statewide housing policy, consider the changing role of each of these state agencies and of the federal government in the planning, development, and financing of essential housing units and services, and recommend whether any one state agency should be assigned principal responsibility for housing policy implementation; and be it

FURTHER RESOLVED that the draft of a statewide housing policy should give attention to changes and modifications of the principal components of the state's current housing programs, including mortgage assistance, the housing needs of low-income families, senior citizens, and residents of rural areas, and the demand for and supply of multi-family housing and rental housing; and be it

FURTHER RESOLVED that the Governor shall submit the draft of the statewide housing policy, together with recommended legislation to make changes recommended and appropriations necessary to implement the draft policy to the Second Session of the Sixteenth Alaska Legislature not later than January 31, 1990.

Introduced: 3/13/89
Referred: State Affairs and Finance

6-1011A

IN THE HOUSE BY ULMER AND HUDSON

HOUSE BILL NO. 218

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act extending the authority of the Alaska Housing Finance Corporation to assist in the development of senior citizens' housing; and providing for an effective date."

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

* Section 1. AS 18.56.100(b) is amended to read:

(b) Consistent with AS 18.56.090, the corporation may make temporary and permanent loans from the housing development fund, at an interest rate or rates determined by the corporation, and with the security for repayment that is necessary and practicable, to purchase, make, or participate in the making of mortgage loans

(1) to borrowers for loans to develop, build, repair, remodel, or rehabilitate residential housing for senior citizens and their spouses that is used and occupied as congregate housing; or

(2) that are not federally insured or guaranteed for residential housing, if the corporation determines that the loans are not otherwise available, wholly or in part, from private lenders upon reasonably equivalent terms and conditions.

* Sec. 2. AS 18.56.100 is amended by adding new subsections to read:

(l) The corporation shall use money in the housing development fund to reduce the interest payable by borrowers who develop housing for senior citizens and their spouses under (b)(1) of this section. The corporation may reduce the interest rate on a loan entered into under (b)(1) of this section and this subsection to one percent less

than the interest rate payable on the corporation's bonds issued under AS 18.56.110 - 18.56.170 for development of the project. If a project developed by a borrower with a reduced interest subsidy made under this subsection ceases to be used for senior citizen congregate housing, the corporation shall adjust the interest rate payable on the unpaid balance of the loan to the prevailing rate of interest charged by the corporation on loans made for other residential purposes; but may not reduce the interest rate payable below the subsidized rate.

(m) The corporation shall adopt regulations to implement (b)(1) and (l) of this section that

(1) determine borrower eligibility;

(2) define procedures for the application, review, and approval of authorized loans;

(3) establish loan guidelines, loan terms, and acceptable security for loans; and

(4) identify characteristics of housing projects eligible for loans.

(n) In (b)(1), (l), and (m) of this section

(1) "congregate housing" means a multi-family group-living building that contains individual residence areas and common facilities for congregate living;

(2) "senior citizen" means a resident of the state who is 65 years of age or older.

* Sec. 3. This Act takes effect July 1, 1989.

Introduced: 3/1/89 6-0925A
Referred: Senate Special Committee on
Banking and Economic Development
and Finance

BY HALFORD, UEHLING, FAIKS, COGHILL, ELIASON, BINKLEY, ADAMS AND PEARCE

IN THE SENATE

SENATE BILL NO. 200

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act amending the interest rate on mortgage loans purchased by the Alaska Housing Finance Corporation under its special mortgage loan purchase program; and providing for an effective date."

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

* Section 1. AS 18.56.098(g) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $90,000 of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is one [THREE] percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the first $90,000 of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan

purchased under (a) of this section that exceeds $90,000 is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the first $90,000 of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the first $90,000 of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an

additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

* Sec. 2. AS 18.56.098(i) is amended to read:

(i) The interest rate on the first $90,000 of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) as amended, is the greater of (1) two [FOUR] percent less than the cost of funds or (2) the rate for other loans to veterans under (g)(3) of this section [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required under 26 U.S.C. 103A.

* Sec. 3. This Act takes effect July 1, 1989.

IN THE SENATE BY THE FINANCE COMMITTEE

SENATE BILL NO. 245

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act requiring the Alaska Housing Finance Corporation to purchase certain home mortgage loans; and providing for an effective date."

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

* Section 1. Notwithstanding any other provision of law, before January 1, 1990, the Alaska Housing Finance Corporation shall purchase at par value home mortgage loans from the housing assistance loan fund (AS 44.47.380) in an amount of at least $80,000,000.

* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

IN THE HOUSE BY SWACKHAMMER

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to residential housing assistance provided by the Alaska Housing Finance Corporation."

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

* Section 1. AS 18.56.088(c) is amended to read:

(c) The board may adopt regulations to carry out the purposes of this chapter, and shall adopt regulations necessary for the following purposes:

(1) determination of borrower eligibility including, but not limited to, income limitations and the determination of remote, underdeveloped or blighted areas of the state;

(2) loan guidelines and terms including but not limited to maximum loan amounts and required loan-to-value ratios, but excluding mortgage loan interest rates;

(3) characteristics of housing eligible for loans or purchase of loans, including compliance with the requirements of AS 18.-56.300; [AND]

(4) the qualifications of loan originators and servicers and the method of allocating amounts available for the purchase of loans; and [.]

(5) establishment of a procedure, including a fee schedule, for the commitment for one year or less of money for the purchase of an individual mortgage loan at a specific interest rate.

* Sec. 2. AS 18.56 is amended by adding a new section to read:

Sec. 18.56.300. CONSTRUCTION STANDARDS FOR HOUSING ELIGIBLE FOR

LOANS OR PURCHASE OF LOANS. (a) The corporation may not make or purchase a housing loan for residential housing constructed after the effective date of this section unless the borrower complies with the provisions of this section.

(b) The corporation may not make or approve purchase of a loan for the construction of a new unit of residential housing or for the purchase of an existing unit of residential housing constructed after the effective date of this section unless

(1) the unit is in compliance with the construction codes of the municipality, if the unit is located within a municipality that has adopted and enforces construction codes and each of those codes meets or exceeds the comparable standards for similar housing established by the state building code; or

(2) the unit is in compliance with the comparable standards for similar housing established by the state building code

(A) if the unit is located

(i) within a municipality whose construction codes do not meet the standards for similar housing established by the state building code;

(ii) within a municipality that does not enforce construction codes; or

(iii) outside a municipality; or

(B) as to each specific code within the construction codes of the municipality that has adopted and enforces construction codes if the specific code does not meet or exceed the comparable standard for similar housing established by the state building code.

(c) As a condition of approval of a loan under this section, the corporation shall require inspection of the unit of residential housing that is the subject of the loan. The inspection must be performed by a municipal building inspector or by a person who is approved or certified to perform residential inspections by the International Conference of Building Officials. The person who makes the inspection shall determine whether the construction conforms to relevant provisions of the construction codes of the municipality or of the state building code, as applicable, at each of the following stages of construction:

(1) plan approval;

(2) completion of footings and foundations;

(3) completion of electrical installation, plumbing, and framing;

(4) completion of installation of insulation;

(5) final approval.

(d) An action for damages may not be maintained against a person performing an inspection under (c) of this section if the claim is based on the person's inspection or failure to inspect for a violation of the construction codes of the municipality or the state building code, as applicable, as a condition of approval of a housing loan under this chapter.

(e) In this section,

(1) "construction codes" means, with reference to a municipality, the building, mechanical, plumbing, and electrical codes, or any of them that have been adopted and are enforced by the municipality;

(2) "state building code" means

(A) for building and mechanical standards, the minimum building and mechanical code provisions adopted by regulation by the Department of Public Safety under AS 18.70.080;

(B) for plumbing standards, the minimum plumbing code adopted by the Department of Labor under AS 18.60.705; and

(C) for electrical standards, the minimum electrical standards prescribed by AS 18.60.580.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

SECTIONAL ANALYSIS

Chenoweth draft, dated 10/26/89

"An Act relating to residential housing assistance provided by the Alaska Housing Finance Corporation."

SECTION ONE: Incoporates language that refers to new section (AS 18.56.300) that will be added to existing statutes.

SECTION TWO: New section added to AS 18.56.

(a) AHFC may not make or purchase a housing loan unless the borrower complies with the provisions of the new language (as defined under AS 18.56.300).

(b) Outlines the new conditions under which AHFC may make or approve purchase of a loan for the construction of a new unit of residential housing. These conditions include:

(1) Compliance with the construction codes of a municipality, if the building is within a municipality that has adopted and enforces a construction code that meets or exceeds the standards established by the state building code; or

(2) Compliance with the standards established by the state building code if the residential unit is located within a municipality whose construction code does not meet the standards of the state building code, within a municipality that does not enforce a building code, outside a municipality or if a municipal code does not meet the standards as described in state building codes, then the specific state code will take precedence over the code adopted by a municipality.

(c) Requires that the inspection be performed by a municipal building inspector or by a person who is approved or certified by the International Conference of Building Officials. The person who is conducting the inspections will make a determination whether the construction conforms to municipal construction or state building codes at each of these stages of construction:

(1) Plan approval;
(2) Completion of footings and foundations;
(3) Completion of electrical, plumbing and framing;
(4) Completion of installation of insulation; and
(5) Final approval.

(d) A hold harmless clause that protects the person conducting the inspection from claims for damages if the claim is based on the person's inspection or failure to inspect for a violation of the municipal code or the U.B.C. as a condition of approval of a housing loan.

(e) Definitions:

(1) Construction code refers to a municipality, the building, mechanical, plumbing and electrical codes or any of them that have been adopted and enforced by the municipality.

(2) State building code refers to the minimum building and mechanical code adopted by regulation by the Department of Public Safety under A.S. 18.70.080; minimum plumbing code adopted by the Department of Labor under A.S. 18.60.705; and the minimum electrical standards prescribed by A.S. 18.60.580.

Referred: Senate Special Committee on
Banking and Economic Development
and Finance

BY HALFORD, UEHLING, FAIKS, COGHILL, ELIASON, BINKLEY, ADAMS AND PEARCE

IN THE SENATE

SENATE BILL NO. 200

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act amending the interest rate on mortgage loans purchased by the Alaska Housing Finance Corporation under its special mortgage loan purchase program; and providing for an effective date."

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

* Section 1. AS 18.56.098(g) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $90,000 of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is one [THREE] percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the first $90,000 of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan

purchased under (a) of this section that exceeds $90,000 is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the first $90,000 of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the first $90,000 of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an

additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

* Sec. 2. AS 18.56.098(i) is amended to read:

(i) The interest rate on the first $90,000 of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) as amended, is the greater of (1) two [FOUR] percent less than the cost of funds or (2) the rate for other loans to veterans under (g)(3) of this section [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required under 26 U.S.C. 103A.

* Sec. 3. This Act takes effect July 1, 1989.

Referred: Senate Special Committee on Banking and Economic Development and Finance

IN THE SENATE

BY HALFORD, UEHLING, FAIKS, COGHILL, ELIASON, BINKLEY, ADAMS AND PEARCE

SENATE BILL NO. 200

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act amending the interest rate on mortgage loans purchased by the Alaska Housing Finance Corporation under its special mortgage loan purchase program; and providing for an effective date."

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

* Section 1. AS 18.56.098(g) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $90,000 of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is <u>one</u> [THREE] percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the first $90,000 of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan

purchased under (a) of this section that exceeds $90,000 is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the first $90,000 of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the first $90,000 of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an

additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

* Sec. 2. AS 18.56.098(i) is amended to read:

(i) The interest rate on the first $90,000 of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) as amended, is the greater of (1) two [FOUR] percent less than the cost of funds or (2) the rate for other loans to veterans under (g)(3) of this section [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required under 26 U.S.C. 103A.

* Sec. 3. This Act takes effect July 1, 1989.

IN THE SENATE BY HALFORD

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

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

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

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

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

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