

**HB**

**192**

# SENATE COMMITTEE REPORT

DATE: 4/15/96

FURTHER: Finance

DATE TURNED INTO OFFICE: \_\_\_\_\_

The C&RA Committee considered CS FOR HOUSE BILL NO. 192(FIN) and  
 Relating to Alaska Housing Finance Corporation loans.

and recommends:

- be replaced with Senate CS for CS HB 192 (CRA)
- adopt previous \_\_\_\_\_ CS (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical change

new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Paul E. Hill</i>	✓	<i>Tom Kelly</i>	✓		
<i>[Signature]</i>	✓				
<i>[Signature]</i>					
<i>[Signature]</i>					
CHAIR: <i>[Signature]</i>	✓				

**NEW FISCAL NOTE(S):**

Department                      Date    Zero    Fiscal


**PREVIOUS FISCAL NOTE(S):\***

Department                      Date    Zero    Fiscal

<i>Revenue- AHFC</i>	<i>3/15/96</i>	✓	

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

**SENATE COMMITTEE REFERENCE**  
**First Committee of Referral**

DATE 3/22/96

FURTHER: C&RA  
 Finance

DATE TURNED INTO OFFICE: 7/15/96

The State Affairs Committee considered CS FOR HOUSE BILL NO. 192(FIN) am  
 Relating to Alaska Housing Finance Corporation loans.

and recommends:

- be replaced with S CS HB 192 (STA)
- adopt previous CS ( )
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:
- same title
  - new title
- House Bill:
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Karen D. Lewan</i>	✓	<i>Arthur J. Jolley</i>	✓		
		<i>1000 E. C. Hill</i>	✓		
CHAIR: <i>Bob Ambler</i>	✓	CHAIR:			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTE(S) \***

Department	Date	Zero	Fiscal
<i>Revenue - AHFC</i>	<i>3/15/96</i>	0	



SENATE CS FOR CS FOR HOUSE BILL NO. 192(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES FOSTER, Ivan, MacLean, Long, Mackie, Kubina

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to housing assistance provided by the Alaska Housing Finance  
2 Corporation and to its rural housing programs, to the corporation's supplemental  
3 housing development grants to regional housing authorities, and to housing  
4 programs of regional housing authorities; permitting regional housing authorities  
5 to make, originate, and service loans for the purchase and development of  
6 residential housing; and amending the definitions of 'rural' and 'small  
7 community' as applied in various housing programs."

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

9 \* Section 1. AS 18.55 is amended by adding a new section to read:

10 ARTICLE 3A. GENERAL PROVISIONS.

11 Sec. 18.55.965. LIMITATION ON EXERCISE OF POWER. The Alaska  
12 Housing Finance Corporation may not make, participate in the making of, purchase,  
13 or participate in the purchase of a grant, loan, or investment, or exercise any other

1 power with respect to housing under AS 18.55.010 - 18.55.960, in violation of  
2 AS 18.56.096(a)(5) or AS 18.80.240, or if the effect or result of the exercise of the  
3 power would constitute a violation of AS 18.56.096(a)(5) or AS 18.80.240.

4 \* Sec. 2. AS 18.55.997 is amended to read:

5 Sec. 18.55.997. RESIDENTIAL LOANS. (a) A [IN ADDITION TO THE  
6 POWERS AUTHORIZED TO A REGIONAL HOUSING AUTHORITY UNDER  
7 AS 18.55.996, A] regional housing authority, in addition to the powers authorized  
8 to it under AS 18.55.996.

9 (1) may, in accordance with procedures and policies adopted and  
10 approved by the Alaska Housing Finance Corporation,

11 (A) in a small community, make, originate, and service loans  
12 for the purchase or development of residential housing; and

13 (B) in an area of the state not in a small community, make,  
14 originate, and service loans for the purchase or development of residential  
15 housing; however, a loan made or originated and serviced under this  
16 subparagraph may be made only from the proceeds of a loan made by the  
17 Alaska Housing Finance Corporation to the regional housing authority  
18 under regulations adopted by the corporation to meet the housing needs  
19 of borrowers who cannot obtain financing through the corporation's  
20 programs that are available to address the housing needs of borrowers;

21 (2) shall secure loans made under (1) of this subsection [IN RURAL  
22 AREAS OF THE STATE, OTHER THAN IN AN AREA WHERE THE  
23 CORPORATION HAS A LOAN OFFICE. A LOAN SHALL BE SECURED] by  
24 collateral in an amount acceptable to the corporation; the [. THE] rate of interest on  
25 a loan authorized by this subsection [SECTION] may not exceed the interest rate  
26 established by the Alaska Housing Finance Corporation for the corporation's  
27 corresponding loan program [ON A LOAN ORIGINATED OR PURCHASED  
28 UNDER AS 18.56.400 - 18.56.600].

29 (b) In this section,

30 (1) "development" means the construction of a new residence or the  
31 repair, remodeling, rehabilitation, or expansion of an existing home;

1 (2) ["RURAL" HAS THE MEANING GIVEN THE TERM] "small  
2 community" has the meaning given in AS 18.56.600.

3 \* Sec. 3. AS 18.55.998(a) is amended to read:

4 (a) There is created in the Alaska Housing Finance Corporation a supplemental  
5 housing development grant fund. Using corporate earnings or other available funds, the  
6 corporation shall make grants to regional housing authorities established under  
7 AS 18.55.996 for

8 (1) the cost of [ON-SITE] sewer and water facilities, whether on-site  
9 or off-site;

10 (2) road construction to project sites;

11 (3) [,] energy efficient design features in homes; [,] and

12 (4) extension of electrical distribution facilities to individual residences.

13 \* Sec. 4. AS 18.55.998(c) is amended to read:

14 (c) A grant made by the corporation to a regional housing authority under  
15 this section

16 (1) [GRANT MONEY] may be used by the regional housing  
17 authority only for the purpose and the permissible use for which the grant was  
18 made;

19 (2) may not [PURPOSES SPECIFIED IN (a) OF THIS SECTION,  
20 NO PART OF THE GRANT MONEY MAY] be used for administrative or other costs  
21 of a regional housing authority, whether the costs are directly associated with the  
22 construction or general costs of the authority.

23 \* Sec. 5. AS 18.55.998(d) is amended to read:

24 (d) The Alaska Housing Finance Corporation shall

25 (1) adopt regulations to carry out the purposes of this section; the [  
26 THE] provisions of AS 18.56.088(a) and (b) apply to regulations adopted under this  
27 section; and

28 (2) establish a priority system for the allocation of money for grants  
29 to pay for off-site sewer and water facility improvements authorized by  
30 AS 18.55.998(a)(1).

1 \* Sec. 6. AS 18.55.998 is amended by adding a new subsection to read:

2 (f) The Alaska Housing Finance Corporation may not make a grant or  
3 participate in the making of a grant for residential housing from the supplemental  
4 housing development grant fund if the grant money would support residential housing  
5 used or occupied, or offered for use or occupancy, in violation of AS 18.56.096(a)(5)  
6 or AS 18.80.240.

7 \* Sec. 7. AS 18.56.096 is amended by adding a new subsection to read:

8 (d) The prohibitions of (c) of this section do not apply to a loan made under  
9 AS 18.56.420(a)(2)(C) to renovate or improve small community housing if the amount  
10 of the loan does not exceed \$20,000.

11 \* Sec. 8. AS 18.56.300(d) is amended to read:

12 (d) This section does not apply

13 (1) to a nonconforming housing loan made or purchased by the  
14 corporation; or

15 (2) to a loan made under AS 18.56.420(a)(2)(B) or (C) to renovate  
16 or improve small community housing if the amount of the loan does not exceed  
17 \$20,000.

18 \* Sec. 9. AS 18.56.420(a) is amended to read:

19 (a) There is created in the corporation, as a revolving loan fund, the housing  
20 assistance loan fund consisting of money appropriated to it by the legislature and  
21 deposited in it by the corporation, and repayments of principal and interest on loans  
22 made or purchased from the assets of the fund. The corporation shall

23 (1) adopt regulations to administer the housing assistance loan fund  
24 under AS 18.56.400 - 18.56.600; and

25 (2) subject to appropriation, provide money for a rural assistance loan  
26 program to originate, purchase, [OR] participate in the purchase of, or refinance

27 (A) small community housing mortgage loans;

28 (B) loans made

29 (i) for building materials for small community housing;

30 or

31 (ii) to pay for the labor of third-party contractors for

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the installation of building materials in small community housing units;

(C) loans made for renovations or improvements to small community housing;

(D) loans made for the construction of owner-occupied small community housing other than loans to builders or contractors or loans that compensate an owner for the owner's labor or services in constructing the owner's own housing.

\* Sec. 10. AS 18.56.440 is amended to read:

Sec. 18.56.440. LIMITATIONS ON USE OF HOUSING ASSISTANCE LOAN FUND. The corporation may not use the money in the housing assistance loan fund to

(1) originate a direct loan or purchase or participate in the purchase of a small community housing mortgage loan that exceeds the limitations on mortgage loans purchased by the Federal National Mortgage Association as to principal amount or loan-to-value ratio;

(2) originate a direct loan or purchase or participate in the purchase of a loan made for building materials for small community housing

(A) that exceeds \$45,000 or exceeds

(i) 80 percent of the appraised value of the work completed on the small community housing for which the loan is made if the small community housing is pledged as collateral for the loan; or

(ii) 90 percent of the value of other property that is pledged as security for the loan and that is satisfactory to the corporation as collateral;

(B) unless the terms of the loan agreement require inspections and certifications, as required by regulations of the corporation, at the expense of the borrower; and

(C) unless the period of time allowed for repayment of the loan is equal to or less than 15 years;

(3) originate direct loans or purchase or participate in the purchase of

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1 a small community housing mortgage loan that is secured by real property the  
2 marketable title to which is shown under AS 18.56.480(b)(2) if the total amount of  
3 outstanding small community housing mortgage loans held by the corporation exceeds  
4 10 times the amount of money in the restricted title loss reserve account established  
5 by AS 18.56.490;

6 (4) originate a direct loan for small community housing or purchase or  
7 participate in the purchase of a small community housing mortgage loan, other than  
8 a loan for the repair, remodeling, rehabilitation, or expansion of an existing  
9 owner-occupied residence, if the borrower has an outstanding housing loan made under  
10 a state loan program, other than a loan for [NONOWNER-OCCUPIED] housing under  
11 AS 18.56.580 or for nonowner occupied housing under former AS 44.47.520, that  
12 bears interest at a rate that was less than the prevailing market interest rate for similar  
13 housing loans at the time the loan was made;

14 (5) originate a direct mortgage loan or purchase or participate in the  
15 purchase of a mortgage loan for rental housing unless the borrower agrees not to  
16 discriminate against tenants or prospective tenants because of sex, marital status,  
17 changes in marital status, pregnancy, parenthood, race, religion, color, national origin,  
18 or status as a student;

19 (6) originate, purchase, or participate in a loan to a person who has a  
20 past due child support obligation established by court order or by the child support  
21 enforcement division under AS 25.27.160 - 25.27.220 at the time of application.

22 \* Sec. 11. AS 18.56.460 is amended by adding a new subsection to read:

23 (c) For a loan originated or purchased in whole or in part from the housing  
24 assistance loan fund under AS 18.56.420, the corporation may make an unsecured loan.  
25 The authority of the corporation to make an unsecured loan under this subsection is  
26 limited to a loan made

27 (1) under AS 18.56.420(a)(2)(B) or (C) to renovate or improve small  
28 community housing that does not exceed \$20,000; and

29 (2) for real property if the housing unit for which the unsecured loan  
30 is sought

31 (A) is occupied by the borrower under an occupancy certificate

1 or similar instrument granting the borrower an exclusive right of possession of  
2 a specific dwelling unit in a cooperative housing development, mutual aid  
3 housing program, or similar program; or

4 (B) is located on land the title to which is held by the borrower  
5 under a restricted deed issued by the Secretary of the Interior or the secretary's  
6 designee, either as a Native restricted deed or as a restricted deed for property  
7 in a trustee townsite.

8 \* Sec. 12. AS 18.56.580(a) is amended to read:

9 (a) In addition to the powers authorized by AS 18.56.400, the corporation may  
10 adopt regulations under AS 18.56.088 allowing the use of money in the housing  
11 assistance loan fund to make loans for the purchase or development of rental  
12 [NONOWNER OCCUPIED] housing in small communities.

13 \* Sec. 13. AS 18.56.580(c) is amended to read:

14 (c) The principal amount of loans made for rental [NONOWNER  
15 OCCUPIED] housing under this section may not exceed 20 percent of the total  
16 principal amount of loans made for small community housing under AS 18.56.400 -  
17 18.56.600.

18 \* Sec. 14. AS 18.56.580(d) is amended to read:

19 (d) In this section,

20 (1) "development" means the construction of a new residence or the  
21 repair, remodeling, rehabilitation, or expansion of an existing residence;

22 (2) "rental [NONOWNER OCCUPIED] housing" means a  
23 single-family residence that is not occupied by the owner or a multi-family residence  
24 having up to 16 [EIGHT] dwelling units, one of which may be [AND THAT IS NOT]  
25 occupied by the owner; the corporation may modify this definition if it determines that  
26 there is a special need for rental [NONOWNER OCCUPIED] housing in small  
27 communities and that a change in the definition is necessary to enable the corporation  
28 to meet that need.

29 \* Sec. 15. AS 18.56.600 is amended to read:

30 Sec. 18.56.600. DEFINITIONS. In AS 18.56.400 - 18.56.600,

31 (1) "housing"

1                   (A) means owner-occupied housing having four or fewer  
2 dwelling units [, SINGLE-FAMILY HOUSING AND OWNER-OCCUPIED  
3 DUPLEXES] in which not more than 25 percent of the gross floor area is or  
4 will be devoted to commercial use;

5                   (B) does not include a multi-family residence that constitutes  
6 housing for which a loan is made under the rental housing loan program  
7 of AS 18.56.580 when one of the dwelling units in the multi-family  
8 residence is occupied by the residence owner;

9                   (2) "small community" means a community with a population of 6,500  
10 [5,500] or less that is not connected by road or rail to Anchorage or Fairbanks, or with  
11 a population of 1,600 [1,400] or less that is connected by road or rail to Anchorage or  
12 Fairbanks; in this paragraph, "connected by road" does not include a connection by the  
13 Alaska marine highway system.

14 \* Sec. 16. AS 18.56.799(2) is amended to read:

15                   (2) "senior housing"

16                   (A) means construction or improvement undertaken primarily  
17 to provide dwelling accommodations

18                   (i) for persons 55 years of age or older in residential  
19 cooperatives organized under AS 10.15 or AS 34.08; and

20                   (ii) for persons 60 years of age or older, in  
21 [INCLUDING] conventional housing, housing for frail elderly, group  
22 homes, congregate housing, residential horizontal property regimes  
23 organized under AS 34.07, [RESIDENTIAL COOPERATIVES  
24 ORGANIZED UNDER AS 10.15 OR AS 34.08,] residential  
25 condominiums organized under AS 34.08, and other housing that meets  
26 special needs of the elderly;

27                   (B) includes acquisition, construction, or rehabilitation of land,  
28 buildings, improvements, and other nonhousing facilities that are incidental or  
29 appurtenant to the housing described in (A) of this paragraph.

30 \* Sec. 17. AS 18.56.800 is amended to read:

31                   Sec. 18.56.800. DECLARATION OF PURPOSE. There exists in the state a

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serious shortage of decent, safe, and sanitary residential housing available at low or moderate prices or rentals to persons of the age set by law to qualify for senior housing [60 YEARS OF AGE OR OLDER]. There also exists in the state organizations whose purposes are to provide the kinds of housing needed to alleviate this shortage. Development work to provide such housing involves substantial expense that is often beyond the resources of the organizations.

A M E N D M E N T

OFFERED IN THE SENATE

TO: SCS CSHB 192(STA)

1 Page 8, lines 16 - 22:

2 Delete all material and insert:

3 "(A) means construction or improvement undertaken primarily  
4 to provide dwelling accommodations

5 (i) for persons 55 years of age or older in residential  
6 cooperatives organized under AS 10.15 or AS 34.08; and

7 (ii) for persons 60 years of age or older in [,  
8 INCLUDING] conventional housing, housing for frail elderly, group  
9 homes, congregate housing, residential horizontal property regimes  
10 organized under AS 34.07, [RESIDENTIAL COOPERATIVES  
11 ORGANIZED UNDER AS 10.15 OR AS 34.08,] residential  
12 condominiums organized under AS 34.08, and other housing that meets  
13 special needs of the elderly;"

14 Page 8, line 29:

15 Delete "55" [60] years of age or older."

16 Insert "of the age set by law to qualify for senior housing [60 YEARS OF AGE OR  
17 OLDER]."

## SENATE CS FOR CS FOR HOUSE BILL NO. 192(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES FOSTER, Ivan, MacLean, Long, Mackie, Kubina

## A BILL

## FOR AN ACT ENTITLED

1 "An Act relating to housing assistance provided by the Alaska Housing Finance  
 2 Corporation and to its rural housing programs, to the corporation's supplemental  
 3 housing development grants to regional housing authorities, and to housing  
 4 programs of regional housing authorities; permitting regional housing authorities  
 5 to make, originate, and service loans for the purchase and development of  
 6 residential housing; and amending the definitions of 'rural' and 'small  
 7 community' as applied in various housing programs."

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

9 \* Section 1. AS 18.55 is amended by adding a new section to read:

10 ARTICLE 3A. GENERAL PROVISIONS.

11 Sec. 18.55.965. LIMITATION ON EXERCISE OF POWER. The Alaska  
 12 Housing Finance Corporation may not make, participate in the making of, purchase,  
 13 or participate in the purchase of a grant, loan, or investment, or exercise any other

1 power with respect to housing under AS 18.55.010 - 18.55.960, in violation of  
2 AS 18.56.096(a)(5) or AS 18.80.240, or if the effect or result of the exercise of the  
3 power would constitute a violation of AS 18.56.096(a)(5) or AS 18.80.240.

4 \* Sec. 2. AS 18.55.997 is amended to read:

5 Sec. 18.55.997. RESIDENTIAL LOANS. (a) A [IN ADDITION TO THE  
6 POWERS AUTHORIZED TO A REGIONAL HOUSING AUTHORITY UNDER  
7 AS 18.55.996, A] regional housing authority, in addition to the powers authorized  
8 to it under AS 18.55.996.

9 (1) may, in accordance with procedures and policies adopted and  
10 approved by the Alaska Housing Finance Corporation,

11 (A) in a small community, make, originate, and service loans  
12 for the purchase or development of residential housing; and

13 (B) in an area of the state not in a small community, make,  
14 originate, and service loans for the purchase or development of residential  
15 housing; however, a loan made or originated and serviced under this  
16 subparagraph may be made only from the proceeds of a loan made by the  
17 Alaska Housing Finance Corporation to the regional housing authority  
18 under regulations adopted by the corporation to meet the housing needs  
19 of borrowers who cannot obtain financing through the corporation's  
20 programs that are available to address the housing needs of borrowers;

21 (2) shall secure loans made under (1) of this subsection [IN RURAL  
22 AREAS OF THE STATE, OTHER THAN IN AN AREA WHERE THE  
23 CORPORATION HAS A LOAN OFFICE. A LOAN SHALL BE SECURED] by  
24 collateral in an amount acceptable to the corporation; the [ . THE] rate of interest on  
25 a loan authorized by this subsection [SECTION] may not exceed the interest rate  
26 established by the Alaska Housing Finance Corporation for the corporation's  
27 corresponding loan program [ON A LOAN ORIGINATED OR PURCHASED  
28 UNDER AS 18.56.400 - 18.56.600].

29 (b) In this section,

30 (1) "development" means the construction of a new residence or the  
31 repair, remodeling, rehabilitation, or expansion of an existing home;

1 (2) ["RURAL" HAS THE MEANING GIVEN THE TERM] "small  
2 community" has the meaning given in AS 18.56.600.

3 \* Sec. 3. AS 18.55.998(a) is amended to read:

4 (a) There is created in the Alaska Housing Finance Corporation a supplemental  
5 housing development grant fund. Using corporate earnings or other available funds, the  
6 corporation shall make grants to regional housing authorities established under  
7 AS 18.55.996 for

8 (1) the cost of [ON-SITE] sewer and water facilities, whether on-site  
9 or off-site;

10 (2) road construction to project sites;

11 (3) [,] energy efficient design features in homes; [,] and

12 (4) extension of electrical distribution facilities to individual residences.

13 \* Sec. 4. AS 18.55.998(c) is amended to read:

14 (c) A grant made by the corporation to a regional housing authority under  
15 this section

16 (1) [GRANT MONEY] may be used by the regional housing  
17 authority only for the purpose and the permissible use for which the grant was  
18 made;

19 (2) may not [PURPOSES SPECIFIED IN (a) OF THIS SECTION.  
20 NO PART OF THE GRANT MONEY MAY] be used for administrative or other costs  
21 of a regional housing authority, whether the costs are directly associated with the  
22 construction or general costs of the authority.

23 \* Sec. 5. AS 18.55.998(d) is amended to read:

24 (d) The Alaska Housing Finance Corporation shall

25 (1) adopt regulations to carry out the purposes of this section; the [.  
26 THE] provisions of AS 18.56.088(a) and (b) apply to regulations adopted under this  
27 section; and

28 (2) establish a priority system for the allocation of money for grants  
29 to pay for off-site sewer and water facility improvements authorized by  
30 AS 18.55.998(a)(1).

1 \* Sec. 6. AS 18.55.998 is amended by adding a new subsection to read: --

2 (f) The Alaska Housing Finance Corporation may not make a grant or  
3 participate in the making of a grant for residential housing from the supplemental  
4 housing development grant fund if the grant money would support residential housing  
5 used or occupied, or offered for use or occupancy, in violation of AS 18.56.096(a)(5)  
6 or AS 18.80.240.

7 \* Sec. 7. AS 18.56.096 is amended by adding a new subsection to read:

8 (d) The prohibitions of (c) of this section do not apply to a loan made under  
9 AS 18.56.420(a)(2)(C) to renovate or improve small community housing if the amount  
10 of the loan does not exceed \$20,000.

11 \* Sec. 8. AS 18.56.300(d) is amended to read:

12 (d) This section does not apply

13 (1) to a nonconforming housing loan made or purchased by the  
14 corporation; or

15 (2) to a loan made under AS 18.56.420(a)(2)(B) or (C) to renovate  
16 or improve small community housing if the amount of the loan does not exceed  
17 \$20,000.

18 \* Sec. 9. AS 18.56.420(a) is amended to read:

19 (a) There is created in the corporation, as a revolving loan fund, the housing  
20 assistance loan fund consisting of money appropriated to it by the legislature and  
21 deposited in it by the corporation, and repayments of principal and interest on loans  
22 made or purchased from the assets of the fund. The corporation shall

23 (1) adopt regulations to administer the housing assistance loan fund  
24 under AS 18.56.400 - 18.56.600; and

25 (2) subject to appropriation, provide money for a rural assistance loan  
26 program to originate, purchase, [OR] participate in the purchase of, or refinance

27 (A) small community housing mortgage loans;

28 (B) loans made

29 (i) for building materials for small community housing;

30 or

31 (ii) to pay for the labor of third-party contractors for

1                   the installation of building materials in small community housing  
2                   units:

3                   (C) loans made for renovations or improvements to small  
4                   community housing;

5                   (D) loans made for the construction of owner-occupied small  
6                   community housing other than loans to builders or contractors or loans that  
7                   compensate an owner for the owner's labor or services in constructing the  
8                   owner's own housing.

9       \* Sec. 10. AS 18.56.440 is amended to read:

10               Sec. 18.56.440. LIMITATIONS ON USE OF HOUSING ASSISTANCE  
11       LOAN FUND. The corporation may not use the money in the housing assistance loan  
12       fund to

13               (1) originate a direct loan or purchase or participate in the purchase of  
14       a small community housing mortgage loan that exceeds the limitations on mortgage  
15       loans purchased by the Federal National Mortgage Association as to principal amount  
16       or loan-to-value ratio;

17               (2) originate a direct loan or purchase or participate in the purchase of  
18       a loan made for building materials for small community housing

19                       (A) that exceeds \$45,000 or exceeds

20                               (i) 80 percent of the appraised value of the work  
21       completed on the small community housing for which the loan is made,  
22       if the small community housing is pledged as collateral for the loan; or

23                               (ii) 90 percent of the value of other property that is  
24       pledged as security for the loan and that is satisfactory to the  
25       corporation as collateral;

26                       (B) unless the terms of the loan agreement require inspections  
27       and certifications, as required by regulations of the corporation, at the expense  
28       of the borrower; and

29                       (C) unless the period of time allowed for repayment of the loan  
30       is equal to or less than 15 years;

31               (3) originate direct loans or purchase or participate in the purchase of

1 a small community housing mortgage loan that is secured by real property the  
2 marketable title to which is shown under AS 18.56.480(b)(2) if the total amount of  
3 outstanding small community housing mortgage loans held by the corporation exceeds  
4 10 times the amount of money in the restricted title loss reserve account established  
5 by AS 18.56.490;

6 (4) originate a direct loan for small community housing or purchase or  
7 participate in the purchase of a small community housing mortgage loan, other than  
8 a loan for the repair, remodeling, rehabilitation, or expansion of an existing  
9 owner-occupied residence, if the borrower has an outstanding housing loan made under  
10 a state loan program, other than a loan for [NONOWNER-OCCUPIED] housing under  
11 AS 18.56.580 or for nonowner occupied housing under former AS 44.47.520, that  
12 bears interest at a rate that was less than the prevailing market interest rate for similar  
13 housing loans at the time the loan was made;

14 (5) originate a direct mortgage loan or purchase or participate in the  
15 purchase of a mortgage loan for rental housing unless the borrower agrees not to  
16 discriminate against tenants or prospective tenants because of sex, marital status,  
17 changes in marital status, pregnancy, parenthood, race, religion, color, national origin,  
18 or status as a student;

19 (6) originate, purchase, or participate in a loan to a person who has a  
20 past due child support obligation established by court order or by the child support  
21 enforcement division under AS 25.27.160 - 25.27.220 at the time of application.

22 \* Sec. 11. AS 18.56.460 is amended by adding a new subsection to read:

23 (c) For a loan originated or purchased in whole or in part from the housing  
24 assistance loan fund under AS 18.56.420, the corporation may make an unsecured loan.  
25 The authority of the corporation to make an unsecured loan under this subsection is  
26 limited to a loan made

27 (1) under AS 18.56.420(a)(2)(B) or (C) to renovate or improve small  
28 community housing that does not exceed \$20,000; and

29 (2) for real property if the housing unit for which the unsecured loan  
30 is sought

31 (A) is occupied by the borrower under an occupancy certificate

1 or similar instrument granting the borrower an exclusive right of possession of  
2 a specific dwelling unit in a cooperative housing development, mutual aid  
3 housing program, or similar program; or

4 (B) is located on land the title to which is held by the borrower  
5 under a restricted deed issued by the Secretary of the Interior or the secretary's  
6 designee, either as a Native restricted deed or as a restricted deed for property  
7 in a trustee townsite.

8 \* Sec. 12. AS 18.56.580(a) is amended to read:

9 (a) In addition to the powers authorized by AS 18.56.400, the corporation may  
10 adopt regulations under AS 18.56.088 allowing the use of money in the housing  
11 assistance loan fund to make loans for the purchase or development of rental  
12 [NONOWNER OCCUPIED] housing in small communities.

13 \* Sec. 13. AS 18.56.580(c) is amended to read:

14 (c) The principal amount of loans made for rental [NONOWNER  
15 OCCUPIED] housing under this section may not exceed 20 percent of the total  
16 principal amount of loans made for small community housing under AS 18.56.400 -  
17 18.56.600.

18 \* Sec. 14. AS 18.56.580(d) is amended to read:

19 (d) In this section,

20 (1) "development" means the construction of a new residence or the  
21 repair, remodeling, rehabilitation, or expansion of an existing residence;

22 (2) "rental [NONOWNER OCCUPIED] housing" means a  
23 single-family residence that is not occupied by the owner or a multi-family residence  
24 having up to 16 [EIGHT] dwelling units, one of which may be [AND THAT IS NOT]  
25 occupied by the owner; the corporation may modify this definition if it determines that  
26 there is a special need for rental [NONOWNER OCCUPIED] housing in small  
27 communities and that a change in the definition is necessary to enable the corporation  
28 to meet that need.

29 \* Sec. 15. AS 18.56.600 is amended to read:

30 Sec. 18.56.600. DEFINITIONS. In AS 18.56.400 - 18.56.600,

31 (1) "housing"

1 (A) means owner-occupied housing having four or fewer  
2 dwelling units [, SINGLE-FAMILY HOUSING AND OWNER-OCCUPIED  
3 DUPLEXES] in which not more than 25 percent of the gross floor area is or  
4 will be devoted to commercial use;

5 (B) does not include a multi-family residence that constitutes  
6 housing for which a loan is made under the rental housing loan program  
7 of AS 18.56.580 when one of the dwelling units in the multi-family  
8 residence is occupied by the residence owner;

9 (2) "small community" means a community with a population of 6,500  
10 [5,500] or less that is not connected by road or rail to Anchorage or Fairbanks, or with  
11 a population of 1,600 [1,400] or less that is connected by road or rail to Anchorage or  
12 Fairbanks; in this paragraph, "connected by road" does not include a connection by the  
13 Alaska marine highway system.

14 \* Sec. 16. AS 18.56.799(2) is amended to read:

15 (2) "senior housing"

16 (A) means construction or improvement undertaken primarily  
17 to provide dwelling accommodations for persons 55 [60] years of age or older,  
18 including conventional housing, housing for frail elderly, group homes,  
19 congregate housing, residential horizontal property regimes organized under  
20 AS 34.07, residential cooperatives organized under AS 10.15 or AS 34.08,  
21 residential condominiums organized under AS 34.08, and other housing that  
22 meets special needs of the elderly;

23 (B) includes acquisition, construction, or rehabilitation of land,  
24 buildings, improvements, and other nonhousing facilities that are incidental or  
25 appurtenant to the housing described in (A) of this paragraph.

26 \* Sec. 17. AS 18.56.800 is amended to read:

27 Sec. 18.56.800. DECLARATION OF PURPOSE. There exists in the state a  
28 serious shortage of decent, safe, and sanitary residential housing available at low or  
29 moderate prices or rentals to persons 55 [60] years of age or older. There also exists  
30 in the state organizations whose purposes are to provide the kinds of housing needed  
31 to alleviate this shortage. Development work to provide such housing involves

1

substantial expense that is often beyond the resources of the organizations. --

FISCAL NOTE

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: AHFC Housing Loans BRU: AHFC  
 Component: AHFC Operations, AHFC Rural Housing  
 Sponsor: Rep. Foster  
 Requestor: (H) FIN COMPONENT SERIAL NO. 110.1937

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</b>						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1022 State Corporation Receipts	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY96) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

AHFC Operations: No affect on operating costs - language change only.

Prepared by: John Bitney Phone: 561-1900  
 Division: Alaska Housing Finance Corporation Date: March 15, 1996  
 Approved by Commissioner: Wilson L. Carlson *Ken A. Kenney* Date: March 15, 1996  
 Agency: Department of Revenue



ALASKA STATE LEGISLATURE  
REPRESENTATIVE RICHARD FOSTER

Session: STATE CAPITOL ROOM 410, JUNEAU, ALASKA 99811 • 907 465 3789 • FAX 907 465 3242  
Interim: PO BOX 1670, NOME, ALASKA 99752 • 907 441 5038 • FAX 907 443 2162

MEMORANDUM

April 15, 1996

TO: Senator John Torgerson  
Chair, Community & Regional Affairs Committee

FROM: Representative Richard Foster

RE: Scheduling request for Senate CS for CS for HB 192 (STA)

I would like to request the scheduling of Senate CS for CS for HB 192 (STA) in the Senate Community & Regional Affairs Committee at your earliest convenience.

HB 192 will bring loan standards for rural Alaska borrowers into compliance with standards used in urban areas. The primary change is to enable regional housing authorities to process loan and refinance applications within their jurisdictions. This will allow local housing authority officials to make, service, or originate loans with the borrower present instead of having to go through a loan examiner in Anchorage.

Amendments adopted in Senate State Affairs include reducing the age of qualification for senior citizens from 60 to 55 for senior housing programs. Additionally, language was added to ensure that regional housing authorities are restricted to making loans only in their areas of jurisdictions and that any AHFC loan programs must adhere to non-discrimination statutes.

HB 192 does not change AHFC's status as a loan underwriter and is fully supported by AHFC and the Association of Housing Authorities. It passed the House 37-1. A zero fiscal note was issued by the Department of Revenue.

For further information please contact Bryce Edgmon at 465-3809.



520 East 34th Avenue  
Anchorage, AK 99503-4199  
(907) 561-1900

P.O. Box 101020  
Anchorage, AK 99510-1020

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April 18, 1996

The Honorable Richard Foster  
Alaska House of Representatives  
State Capitol Building, Rm. 410  
Juneau, Alaska 99801

Dear Representative Foster:

The following is an update to John Bitney's March 12, 1996 sectional analysis and discussion for CS for House Bill No. 192 (Work Draft 9-LS0463\D) an Act relating to housing assistance provided by the Alaska Housing Finance Corporation and to its rural housing programs, et. al.

**Section 1**

This section prohibits the corporation from discrimination based on sex, marital status, changes in marital status, pregnancy, parenthood, race religion, color, national origin, or status as a student as it relates to a grant, loan, investment or any other power with respect to housing under AS 18.55.010-18.55.960.

**Section 2**

This section will allow regional housing authorities to originate and service loans in small communities of the state for the purpose of the purchase or development of residential housing.

Also, in areas not meeting the definition of a small community, a regional housing authority may borrow funds from the corporation and make those funds available to borrowers who cannot obtain financing through traditional mortgage sources. These borrowers would generally be persons of low-income whose financing needs are not currently met through existing loan programs.

**Section 3**

Under the allowable uses of the supplemental housing development grant fund, infrastructure development for water and sewer could include both on-site and off-site facilities. For example, if a regional housing authority is constructing a water or sewer line to the site of a project, the cost of providing hook-ups for other homes located along the line could be included as part of the project cost paid by these grant funds.

CS for HB192() Sectional  
April 18, 1996  
page 2

**Section 4**

This language simply attempts to clarify the existing statute. It does not make any substantive change.

**Section 5**

The Alaska Housing Finance Corporation is required to establish a priority system for the allocation of supplemental housing development grant funds used to pay for off-site water and sewer facilities established by section 3.

**Section 6**

Similar to section 1, this section prohibits discrimination by the corporation or a grantee of the corporation.

**Section 7**

This section exempts projects constructed under the Building Material Loan Program from energy standards provided under AS 18.56.096(c).

While the Alaska Housing Finance Corporation will support and encourage all projects to adhere to energy standards, the costs of the inspections for these standards can represent an extraordinary percentage of the small loans envisioned for this program. These small loans are intended and designed to help people in rural Alaska finish or improve their homes, use local logs to build a home, or install wells or septic systems.

**Section 8**

This section exempts projects constructed under the Building Material Loan Program from construction standards provided under AS 18.56.300.

Again, AHFC will support and encourage all projects to adhere to solid building standards. However, the inspections that would be required to insure these standards are met would represent an extraordinary percentage of the small loans envisioned for this program.

**Section 9**

Section 9 amends the statute regarding the rural assistance loan program to allow for the refinancing (page 4, line 26) of rural mortgages in the same manner as AHFC's mortgage programs allow for refinancing of urban loans. Current statute simply does not provide for refinancing as an option under rural loans. Rural residents of Alaska have not had the opportunity to benefit from the lower interest rates by refinancing their loans, as have most other individuals in Alaska and elsewhere in the United States. Under the Housing Assistance Loan Fund a borrower would be required to do substantial improvements to their home to receive a new loan at a lower interest rate. This provision would allow for a refinance in which the borrower would not have to increase his loan amount to benefit from current low interest rates provided the borrower's refinance loan meets established eligibility criteria.

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April 18, 1996  
page 3

Additionally, section 9 allows a rural assistance loan to be used to pay for the cost of third-party labor for a building materials loan (page 4, lines 31). In other words, the loan could be taken out to not only cover the cost of the material for the improvements, but could also be used to cover the labor costs for the improvements. To restrict loan proceeds to materials only may serve to promote unqualified borrower's installation of materials, equipment, utilities, or appliances rather than installation by qualified professionals.

#### **Section 10**

The change made by section 10 is located on page 6, line 11. This would allow AHFC to make loans for rural non-owner occupied housing, to the extent feasible, to someone who already has an AHFC loan for an existing owner-occupied residence.

The language in section 10 would not change any current practice since AHFC already interprets this statute to allow a qualified borrower to have more than one non-owner occupied loan. Section 10 would clarify the statute to more clearly make this type of loan allowable.

#### **Section 11**

This expands the existing Building Materials Loan Program to allow for small (\$20,000 or less) unsecured loans for borrowers who have either restrictive deed lands or have no title to their HUD Mutual Help home. These borrowers have financing needs for repairs and/or improvements to their homes, but are unable to pledge their home as collateral or have native restricted deed land that is cost prohibitive in obtaining required BIA approval for encumbering the property.

#### **Section 12**

This is a conforming change to coordinate this statute with the change being made in the first part of section 14.

#### **Section 13**

This is a conforming change to coordinate this statute with the change being made in the first part of section 14.

#### **Section 14**

Beginning on page 7, line 22, the definition of non-owner occupied housing would be clarified as rental housing. On line 24, the definition of a multi-family rental house is changed from an eight to a 16 dwelling unit. Please note that the existing statute allows AHFC to modify this definition if AHFC determines there is spacial needs and qualified tenants that shows going beyond an eight unit project is warranted. Borrowers can save costs on projects with up to 16 units by avoiding having to do a special determinations as required by the current statute.

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April 18, 1996  
page 4

**Section 15**

The current definition in statute limits the term "housing" to either single-family and owner-occupied duplexes. Section 15 would bring this term into compliance with industry standards that view the term "housing" as owner-occupied housing with up to four units. This is the standard that is used by the VA, FHA, Fannie Mae, Freddie Mac, and AHFC conventional urban loans.

This section would also increase the population base for communities eligible to participate in the rural loan program from 5,500 to 6,500 for communities not connected to Anchorage or Fairbanks by road or rail OR from 1,400 to 1,600 for communities on the road system. Currently the population of Bethel is approaching 5,200 with a continuing pattern of growth. Haines' population exceeded 1,400 a year ago, and then dropped down to less than 1,400 this year. By increasing the population to 1,600, communities like Haines have an opportunity for growth and are still eligible to participate in our rural loan program. Alternative financing is generally not available from national secondary market sources.

**Section 16**

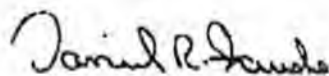
Amends the definitions of "senior" to persons 55 years of age or older. Under existing law, a senior must be at least 60 years old to participate in the corporation's grant or loan programs.

**Section 17**

Similar to section 16, amends the definition of senior to persons 55 years or older.

Again, thank you for your sponsorship of this legislation. I look forward to working with you and your staff toward the passage of this bill. Staff from the Alaska Housing Finance Corporation's mortgage office will be on hand to answer questions you or other legislators may have.

Sincerely,



Daniel R. Fauske  
Executive Director/CEO

TO: Brice Edgmon, Rep. Foster's office  
FROM: JB

### HB 192 Draft Sponsor Statement

The purpose of HB 192 is to help meet home financing needs in rural Alaska. These changes are needed because, by and large, national conventional lending programs have criteria and requirements that make them of little use in rural Alaska.

The original version of HB 192 was an attempt to increase the state money that is provided from the Alaska Housing Finance Corporation to the regional housing authorities from 20 to 30%. It was felt that this increase was needed to cover the high cost of infrastructure development on rural housing projects since often times the federal HUD funds provided for projects does not cover infrastructure costs. Having said this....this was one provision that has been deleted from the new draft committee substitute before the committee.

Rather, the draft committee substitute now attempts to make changes to AHFC mortgage programs to make them more useful and effective for many Alaskans not presently being served.

The Housing Policy Committee of the AHFC Board of Directors has examined program impediments, and has made recommendations to better accommodate conditions in rural Alaska. These financing tools are an appropriate and key resource to improve housing in rural Alaska in a cost effective way.

Please note that the draft committee substitute before you attempts to do this through expanded loan programs -- not grants. In other words, this is not an attempt at "just another rural giveaway program" -- AHFC will expect any money loaned out under these programs to be paid back with interest. In doing so, however, we will clearly be expanding the opportunity for rural Alaskans to improve their housing conditions through approaches that currently are often too restrictive.

## House Bill No. 192

### Impact of Refinance provisions found in Section 7 of CS for House Bill No. 192:

1. AHFC's rural loan portfolio has 1,140 loans with interest rates over 8% totaling approximately \$115,973,000. The current rate for the rural program is 7 5/8%, subject to change monthly. Of these loans, 532 totaling approximately \$57,160,000, have a rate higher than 9%. The borrowers with interest rates higher than 9% could benefit from refinancing their loans, yet are unable to do so due to program restrictions.

2. Currently AHFC receives many calls from individuals in rural areas who have non-traditional mortgage debt, such as owner-financing. Some of them have interest rates ranging from 10-14%. Due to current statutory limitations, these individuals are unable to take advantage of the current interest rates through a rural refinance program.

The fiscal impact of allowing refinancing would be minimal as no additional staff or support systems would be necessary to manage increased lending activity. These loans are funded from AHFC's revolving Housing Assistance Loan Fund. There are many borrowers in rural areas who could benefit from the lower rates by reducing overall housing expense. Some of these borrowers are struggling due to decreases in pay or have seen a reduction of overtime or benefits.

**BERING STRAITS REGIONAL HOUSING AUTHORITY**

PO. Box 995  
Nome, Alaska 99762  
443-5256 or 5257  
FAX No. (907) 443-2160

April 11, 1996

Senator Bert Sharp, Chairman  
Senate State Affairs Committee  
Alaska State Capitol  
Juneau, AK 99801-1182

**Re: Testimony in Support of CS for HB 192 Before the Senate State Affairs  
Committee**

Dear Chairman Sharp,

My name is Bruce Kovarik, and I am the Executive Director of the Bering Straits Regional Housing Authority which serves 16 communities from our regional center here in Nome. I am offering testimony in support of HB 192 on behalf of our Housing Authority as well as the Association of Alaska Housing Authorities which represents Alaska's 14 Regional Housing Authorities and the Alaska Housing Finance Corporation.

First, I would like to thank Representative Richard Foster for his support and sponsorship of this Legislation and you, Mr. Chairman, for scheduling this hearing today before the Senate State Affairs Committee

**HB 192** has significant importance for Alaska's Regional Housing Authorities in our mission to provide decent, safe, sanitary, and affordable housing to families throughout Alaska and in the development of our rural communities.

**Section 1** expands the ability of the RHAs to originate and service AHFC loans for the purchase and development of residential housing. Despite progress in developing new housing in our rural and urban communities, its clear that we need to utilize every possible resource to meet Alaska's varied housing needs. Existing and future loan programs from AHFC will play an important role, and this provision of HB 192 will be a valuable tool in meeting that need.

Several of the housing programs now available from AHFC and others (e.g., Farmers Home Administration and the Veterans Administration) are severely under-utilized in rural Alaska. Part of the reason is certainly village economics, but another part is the

Testimony in Support of HB 192

April 11, 1996

Page 2

lack of rural access to information and the basic mechanics of loan programs. There are low and moderate income families in our region and throughout the State which can benefit from one or more of these programs and achieve their goals of homeownership. In most cases, a successful home loan will require much more effort than with more affluent families or in communities with better access to lending institutions. The Regional Housing Authorities are a logical choice for making the extra effort

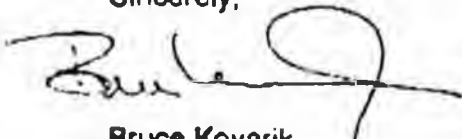
There is also virtually no tradition for conventional mortgage lending and housing development in rural Alaska. But there appears to be no alternative except to develop this tradition in some form to meet the enormous need for housing in Alaska. Expanding access to AHFC loans as this bill does, coordination with lending institutions, and the recent willingness of the secondary mortgage market (FHA, FNMA, FHLMC etc ) to participate in rural housing programs appear as the few bright spots on the horizon. The Regional Housing Authorities and AHFC have begun to demonstrate the effectiveness of these programs and we need to continue to take these first, small steps toward a tradition of mortgage lending

Section 2 expands the eligible activities of the Supplemental Housing Grant Program to include off-site sewer & water work which further recognizes the significant community infrastructure development which is a part of all of our housing projects. While the amount of effort necessary for infrastructure development (roads, power, water & sewer) varies from project to project, it is clear that the ability to use SHG funds will improve our ability to better coordinate with other federal, state and local resources. There is no change in the financial contribution of the program.

Sections 6-13 make meaningful improvements in AHFC programs which offer more practical relevance to rural loan programs and offer greater flexibility for housing development.

Thank you again for this opportunity to offer testimony today. On behalf of the Association of Alaska Housing Authorities and the Bering Straits Regional Housing Authority, I ask for your support for this legislation and urge you to pass HB192 from your committee today.

Sincerely,



Bruce Kovarik  
Executive Director