

**HB**

**304**



## House Bill 304 Commercial Fishing Loan Program

### SPONSOR STATEMENT

This bill is a product of my philosophical belief that government should not compete with the private sector. I want to make sure that any loan program the State administers is the source of last resort.

This bill would require someone applying for a loan through the Commercial Fishing Revolving Loan Fund (CFRLF) for repair, restoration, or upgrading of vessels and gear, for the purchase of entry permits and gear, and for construction and purchase of vessels to be ineligible for financing from other recognized commercial lending institutions. While the division currently utilizes this practice I want it codify it to make it a permanent statutory requirement.

HB 304 reduces the amount of loans for refinancing a debt to \$200,000 per person, down from \$300,000. It increases the loan limit for past due federal tax obligations to \$35,000. And it limits all loans, including purchase of entry permits and gear, vessel purchases, repair of existing vessels, and federal tax debt for one person to \$335,000. The bill reduces security of a loan from 90% to 80% of the appraised value of the collateral. It adjusts the interest rate to the prime rate plus two percentage points. The interest rate currently is a maximum of 10.5%

This bill has been a work in progress. I have been working with the department diligently for the last year to clarify and tighten requirements in the Commercial Fishing Revolving Loan Program.

# ALASKA STATE HOUSE OF REPRESENTATIVES



**Contact:**

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**Session**

**(907)-465-3719  
FAX# (907)-465-3258  
State Capitol  
Room 204**

## REPRESENTATIVE JOHN COGHILL

### HB 304 Commercial Fishing Loan Program

#### SECTIONAL

**Section 1.** Provides another qualification, that being the person is not eligible for financing from other recognized commercial lending institutions, for an individual for the repair, restoration, or upgrading of existing vessels and gear, for the purchase of entry permits and gear, and for the construction and purchase of vessels if the individual has been a state resident for a continuous two years immediately preceding the date of the application.

It also eliminates one category of applicants for a loan to pay federal tax obligations. With the change the applicant must show lack training or lack of employment opportunities in the area other than commercial fishing or is economically dependent on commercial fishing as a livelihood and commercial fishing has been a traditional way of life.

It reduces the refinance obligation limit from \$300,000 to \$200,000.

**Section 2.** The bill changes the prime rate from a fixed 10.5 % interest rate to a sliding "prime rate plus two percentage points". Prime rate in AS 44.88.599 is defined as "the lowest United States money center prime rate of interest that is published in the Wall Street Journal.

It reduces the percent of appraised value of the collateral that can be loaned to secure a loan from 90% to 80% of the appraised value of the collateral.

**Section 3.** This section increases the amount of the total balance of federal tax loans from \$30,000 to \$35,000.

Excluding the purchase of fishing quotas by community quota entities, the total outstanding loans for a borrower may not exceed \$335,000.

**Section 4.** AS 16.10.315 is repealed. This provision required to department to allocate at least 10 percent of the money appropriated annually for loans of \$35,000 or less made for repair, restoration, or upgrading of existing vessels and gear, for purchase of entry permits and gear, and for construction and purchase of vessels.

**Section 5.** Effective date of July 1, 2006.

**Sectional**

# 1  
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4-5-06

AMENDMENT

OFFERED IN THE HOUSE

BY REP. GATTO

TO: CSHB 304

UNAN.

1 Page 2, line 8:

2 Delete:

3 "other recognized commercial lending institutions,"

4

5 Insert:

6 a state financial institution as defined in AS 06.01.050(3), a federally-chartered

7 financial institution, or the Commercial Fishing and Agricultural Bank,

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12 Mark Davis, Director of the Division of Banking and Securities suggested this language.

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<b>STATE OF ALASKA</b>		P & P No.	Page
<b>DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT</b>		<b>LB3</b>	1 of 3
<b>POLICY AND PROCEDURES</b>		Effective Date February 5, 2004	
SUBJECT  Processing Commercial Fishing Loans and prequalifications Under SECTION C of AS 16.10.310(a)(1)	Supersedes P & P No. LB3		Dated Nov. 1, 2002
	Approved By <i>Greg Winegar</i> Greg Winegar, Director		
DIVISION  Investments	SECTION  Lending		

**POLICY**

Commercial fishing loans and prequalifications for the purchase of quota shares may be considered approved under certain conditions.

**CONSIDERATIONS**

1. statutory and regulatory requirements (AS 16.10.300-.370 and 3 AAC 80.010-.900);
2. past fishing experience;
3. financial capacity for repayment of the loan;
4. collateral offered to secure the loan;
5. credit history;
6. strengths added by addition of a guarantor (When applicable);
7. application of various financial ratios (See Appendix A);
8. access to vessel and gear; and
9. availability of down payment.

**GUIDELINES**

1. Past due child support includes payment plans for arrears even though current with those payments.
2. Two-year residency: use a 365-day year. See LB7.
3. Active participation: use a completed calendar year.
4. **Alternative sources of financing.** To meet the requirements of AS 16.10.310(a)(1)(C)(iv), a denial letter from a recognized commercial lending institution that makes loans for the purchase of quota shares, such as the Commercial Fishing and Agriculture Bank (CFAB), the National Marine Fisheries Service (NMFS), Farm Credit Services or commercial banks must be obtained in order to consider the loan request. The denial letter must address the reason(s) for denial.
5. **Minors:** Applicants who are under 18 years of age may apply for loans if :
  - a. meet all eligibility requirements;
  - b. a guarantor is provided;
  - c. the guarantor pledges separate collateral to fully secure the loan;
  - d. the asset being purchased is placed in the name of the applicant; and
  - e. the applicant and guarantor sign the appropriate loan documents.
6. Must be U.S. citizen.
7. Deferred interest account balances (280) do not reduce loan limit eligibility on new loans, but will be considered when evaluating the credit history and repayment ability of the applicant.



**Alaska Division of Investments**  
Department of Commerce, Community, and  
Economic Development  
P.O. Box 34159 Juneau, AK 99803  
Office of the Director ~ Fax: (907) 465-2690

**FAX COVER SHEET**

DELIVER TO: **TIM BENIUTENDI**

DATE: **4/4/06**

ATTENTION:

FAX NUMBER: **465-3810**

FROM: **GREG WINEGAR**

NUMBER OF PAGES (INCLUDING THIS COVER SHEET): **1**

Comments: **TIM,**

**ATTACHED IS OUR POLICY DEFINING  
ALTERNATIVE SOURCES OF FINANCING FOR  
SECTION C LOANS. WE COULD ADD SIMILAR  
LANGUAGE FOR SECTION B IF CSAB 304(FSH)  
PASSES.  
THANKS,  
GREG**

Telephone: (907) 465-2510 Text Telephone (907) 465-5437  
Telephone Toll Free Within Alaska: 1 (800) 478-LOAN (5626)  
Email: [investments@commerce.state.ak.us](mailto:investments@commerce.state.ak.us) Website: <http://www.commerce.state.ak.us/investments/>

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# 2

AMENDMENT

OFFERED IN THE HOUSE RES.

BY REPRESENTATIVE SEATON

TO: CS HB 304(FSH)

4-5-06

Page 5, line 24

Delete "\$335,000"

Insert "\$400,000"

UNAN

CONCEPTUAL AMENDMENT 4

Seaton

OFFERED IN THE HOUSE  
RESOURCES COMMITTEE  
TO CSHB 304 (FSH)

S to 1

Page 4, line 31-Page 5, line 2

Delete all revised language

(2) may not bear interest exceeding [*the prime rate plus two percentage points; for purposes of this paragraph. "prime rate" has the meaning given in AS 44.88.599;*]

Insert existing statutory language to read:

(2) may not bear interest exceeding 10 ½ percent;

New Text Underlined    [~~DELETED TEXT BRACKETED~~]

# ALASKA STATE LEGISLATURE HOUSE RESOURCES COMMITTEE

Representative Jay Ramras  
Co-Chairman

(907) 465-3004

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716 W. 4th Avenue  
Anchorage, AK 99501

State Capitol, Juneau, Alaska 99801-1182

## FAX

Please deliver the following pages to: Legis. Legal

Fm:  Jim Round, Staff, Resources Committee

Fax #: 2029

Total number of pages including cover: 2

Date: 4/10/06 3:55 PM

Re: CSHB 304 (FSH) 24-LS0523\L

Please amend as per instructions on page 2 and return as a final CSHB 304(RES).

Thanks

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Thank you

Please amend CSHB 304(FSH) 24-LS0523\ as referenced below and return in final as CSHB 304 (RES)

Page 2, line 8

Delete:

Other recognized commercial lending institutions,

Insert:

A state financial institution as defined in AS 06.01.050(3), a federally-chartered financial institution, or Commercial Fishing and Agricultural Bank,

Page 4, Line 31- Page 5, line 2

Delete all revised language

(2) may not bear interest exceeding [*the prime rate plus two percentage points; for purposes of this paragraph. "prime rate" has the meaning given in AS 44.88.199;*]

Insert existing statutory language to read:

(2) may not bear interest exceeding 10 ½ percent;

Page 5, Line 24

Delete

\$335,000

Insert

\$400,000

# FISCAL NOTE

**STATE OF ALASKA  
2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: CSHB 304(FSH)  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
 Title Commercial Fishing Loan Program RDU Investments (122)  
 Component Investments  
 Sponsor Coghill  
 Requester House Fisheries Component No. 383

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2008	FY 2010	FY 2011	FY 2012
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>						
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<b>CHANGE IN REVENUES (1036)</b>	<b>0.0</b>	<b>(33.0)</b>	<b>(64.8)</b>	<b>(95.4)</b>	<b>(124.6)</b>	<b>(152.4)</b>
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<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 (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This bill would make several changes to the Commercial Fishing Revolving Loan Fund (CFRLF). Two of the changes would result in fewer loans being made that would reduce the amount of interest earned by the fund. Section 1 of the bill would reduce the amount of vessel and gear refinancing allowed from \$300,000 to \$200,000. The department estimates that this would result in one fewer loan each year totaling \$200,000. A 9% interest rate and a 9.6% delinquency rate were used in the calculation of lost interest earnings.

Section 3 of the bill would reduce the total amount that a borrower could have in outstanding loans at any given time from \$630,000 to \$335,000. The department estimates that this would result in three fewer loans per year totaling \$204,639. A 9% interest rate and a 9.6% delinquency rate was also used in this calculation of lost interest earnings.

Prepared by: Greg Winegar, Director Phone (907) 465-2510  
 Division Investments Date/Time 3/21/06 4:39 PM  
 Approved by: William C. Noll, Commissioner Date 3/21/2006  
 Agency Department of Commerce, Community, and Economic Development

AMENDMENT

OFFERED IN THE HOUSE

BY WILSON

TO: CSHB 304(FSH)

1 Page 2, line 10:

2 After "commercial fishing;"

3 Insert: or

4

5 Page 2, line 13:

6 Delete: "or"

7 Insert: and

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