

HB

304



Representative John Coghill
Alaska State Legislature
State Capitol, Room 204
Juneau, AK 99801

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 codified 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 from \$30,000 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 \$400,000. That limit now totals \$930,000. The bill reduces security of a loan from 90% to 80% of the appraised value of the collateral. HB 304 changes the interest rate to prime rate plus two percentage points and keeps the cap at 10 ½%.

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



Session

Contact:

Interim Address:

**3340 Badger Road
North Pole, AK 99705
(907)-488-5725
Fax# (907)-488-4271**

(907)-465-3719

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**State Capitol
Room 204**

REPRESENTATIVE JOHN COGHILL

HB 304 Commercial Fishing Loan Program

SECTIONAL

Section 1. Provides another qualification for a loan, being the person is not eligible for financing from other recognized commercial lending institutions before qualifying for a loan from the Commercial Fishing Revolving Loan Program. This section adds a requirement that the applicant is not eligible for financing from another source that is a state financial institution, federally chartered financial institution, or the Commercial Fishing and Agricultural Bank.

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 to a sliding "prime rate plus two percentage points" with a cap of 10 ½%. 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. The division currently uses the prime plus procedure.

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 \$400,000.

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.

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSHB 304(FIN)
 (H) Publish Date: 4/21/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Commercial Fishing Loan Program RDU Investments (122)
 Component Investments
 Sponsor Coghill
 Requester Finance 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 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1036)	0.0	(21.8)	(42.9)	(63.2)	(82.5)	(100.9)
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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 (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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.

Section 3 of the bill would reduce the total amount that a borrower could have in outstanding loans at any given point in time from \$630,000 to \$400,000. The department estimates that this would result in one less loan per year totaling \$68,213. A 9% interest rate and a 9.6% delinquency rate was also used in this calculation.

Prepared by: Greg Winegar, Director Phone (907) 465-2510
 Division Investments Date/Time 4/19/06 10:13 AM
 Approved by: William C. I ll, Commissioner Date 4/19/2006
 Agency Commerce, Community, and Economic Development



Senior Bank Administration
MAC K3212-951
P.O. Box 196127
Anchorage, AK 99519

Wells Fargo Bank, N.A.

April 21, 2006

Rep. John Coghill
Alaska House of Representatives
State Capital Room 204
Juneau, Alaska 99801-1182

Re: CS HB 304 (FIN)

Dear Representative Coghill:

Wells Fargo Bank, Alaska Region, is interested in CS HB 304 (FIN) which addresses the Alaska Commercial Fishing Revolving Loan Fund (CFRLF). Specifically, we support the removal of an interest rate cap on loans made by this fund as proposed in the current version supported by the Finance Committee.

Wells Fargo Bank is actively involved in lending to commercial fishermen throughout the state. Many of our key store locations are situated in areas that have significant commercial fishing activities. As a market rate lender in this industry we view a rate cap as arbitrary and see it as an unfair advantage in a situation that should allow fair competition.

We ask that the Legislature adopt CS HB 304 (FIN) as it was passed out of the Finance Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "James L. Brenner", written over a horizontal line.

James L. Brenner
Senior Vice President
Senior Regional Credit Officer

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Commercial Fishing Revolving Loan Fund
Historical Summary
(Dollars in Thousands)

AS 16.10.300 -.370; enacted in 1972

3 AAC 80.010 -.900

<i>Eligibility</i>	
<i>Purpose</i>	<i>All Sections: Must be an Alaska resident for a continuous period of the past 2 years immediately preceding the date of application, and;</i>
SECTION A: \$300,000 Maximum	
Purchase limited entry permits; upgrade existing vessels and gear to improve the quality of Alaska seafood.	Possesses a crewmember or commercial fishing license or a permit for the year immediately preceding date of application, and any other two of the past five years, and, has been actively participating in the fishery during those periods.
SECTION B: \$100,000 Maximum	
Purchase limited entry permits, vessels or gear; repair, restore or upgrade existing vessels or gear; upgrade existing vessels and gear to improve the quality of Alaska seafood.	Because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing, or, Is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska.
SECTION C: \$300,000 Maximum	
Purchase quota shares for the halibut or sablefish fisheries.	For any two of the past five years, possessed a crewmember or commercial fishing license or a permit and actively participated in a fishery for which the license or permit was issued; Qualifies as a transferee for quota shares, and; Is not eligible for financing from other commercial lenders.
SECTION D: \$30,000 Maximum	
Provide loans to satisfy past due federal tax obligations.	Has had a crewmember or commercial fishing license or a permit for the year immediately preceding the date of application and any other two of the past five years, and has actively participated in the fishery during those periods; Because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing, or, Is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska.
SECTION E: \$2,000,000 Maximum	
Provide loans to qualified Community Quota Entry (CQE) communities for the purchase of Quota Shares.	CQE is certified by NMFS and is eligible to hold Quota shares. CQE is in good standing with the state and federal government. CQE is not eligible for financing from other recognized commercial lending institutions.
SECTION 11: \$300,000 Maximum	
Refinance debts incurred by a borrower to purchase a commercial fishing vessel or gear.	Qualifies for a loan under section A, B, or C.

Terms: Interest rate: Fixed rate at Prime plus 2%, not to exceed 10.5%. (Product quality improvement is Prime rate minus 2%).
 Maximum loan term: 15 years

Statistics as of June 30, 2005

Total appropriations to RLF:	60,201.0	Last appropriation RLF: FY85	3,710.0
Total appropriations from RLF:	<u>(87,313.5)</u>		
Net of appropriations:	<u>(27,112.5)</u>		
Total number of loans committed:	6,152	Number of accounts outstanding:	2,580
Total dollars committed:	382,104.9	Principal amount outstanding:	86,190.0

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Commercial Fishing Revolving Loan Fund

Statistical Summary

(Dollars in Thousands)

AS 16.10.300 -.370; enacted in 1972

3 AAC 80.010 -.900

Statistics as of June 30, 2005

Total appropriations to RLF:	60,201.0	Last appropriation RLF: FY85	3,710.0
Total appropriations from RLF:	<u>-89,168.4</u>		
Net of appropriations:	<u><u>-28,967.4</u></u>		
Total number of loans committed:	6,159	Number of accounts outstanding:	2,580
Total dollars committed:	382,558.7	Principal amount outstanding:	86,190.0

1.7% foreclosure

4.7% delinquency



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
NATIONAL MARINE FISHERIES SERVICE

Financial Services Branch
7600 Sand Point Way N.E.
BIN C15700, Building 1
Seattle, WA 98115

We are accepting applications for the Halibut and Sablefish Fisheries Quota Shares Loan Program (HSQS Loan Program) for fiscal year 2006. We encourage you to submit your loan application. If approved, you will have upwards of four years to utilize your NMFS loan.

Our loans have competitive rates and can extend up to 25 years. Payments are due on a quarterly basis and prepayments are allowed without penalty. Primary collateral is the Quota Shares, and a Preferred Ship Mortgage may be required if you own a U.S. Coast Guard documented vessel (see attached letter from Michael Grable for explanation). Guarantees may also be required.

Please complete the following forms enclosed with this letter (If this is a joint application, each applicant must fill out and sign the enclosed forms.)

- 1) Our application, NOAA Form 88-1
- 2) Tax Information Authorization Form
- 3) Certification Regarding Lobbying Form (extra form for co-applicant)
- 4) Applicant for Funding Assistance Form (extra form for co-applicant)

In addition, please provide the following:

- Proof of U.S. citizenship. (Photocopy of a birth certificate or U.S. passport.) If this is a joint application, both parties must provide proof of citizenship.
- Copy of Transfer Eligibility Certificate (TEC) issued by the RAM Division. If you need to obtain a TEC, contact the RAM Division at 1-800-304-4846. Be advised that the RAM Division will not issue a hired skipper card or allow quota share to be leased by a fisherman that is approved for a loan through our program. The RAM Division can be reached at 1-800-304-4846.
- Copies of complete personal and/or business tax returns for 2003, 2004 and 2005.
- Personal Balance Sheet. (see attached example)



- Copies of recent bank statements showing cash on hand. Please include IRAs or other investment accounts as well.
- Copy of tax assessment or appraisal showing your home's value. Please provide the same for any additional properties you may own.
- List of typical monthly living expenses. Examples - mortgage/rent, utilities, food, auto payments, auto insurance, health insurance, credit cards, other consumer loans, student loans, child support and misc. expenses.
- A brief outline of your fishing experience and any other information you feel is relevant in our review of your experience and skills as a fisherman.
- What type of IFQ do you intend to purchase?
- Indicate how you intend to fish the Quota Shares, (i.e. - on your own vessel or someone else's vessel).
 - If on your own vessel, provide your estimate of costs for fuel, bait, food and crew wages to fish the NMFS financed Quota Shares.
 - If on someone else's vessel, provide the percentage of gross revenues you expect to receive from your Quota Shares.
- Name of fish processor you plan to deliver to. If available, please provide contact name and phone number.
- Copy of U.S. Coast Guard Certificate of Ownership for each vessel you own.
- Your acknowledgement that you will be aboard any and all vessels on which Quota Shares financed under this program is fished at the time such Quota Shares are fished.
- Employer references for applicant and spouse. (unless 100% of your income is self-employment income)
- Three personal references. Provide names and phone-numbers.

Please provide your return address on all correspondence to this office. Also provide us phone-numbers and/or e-mail addresses that we may contact you at from the months of February - September.

For further information you may contact us at (206) 526-6122. Our fax-number is (206) 526-6306. You may also e-mail us at NW.Finance@noaa.gov

The Fisheries Finance Program (FFP) is a direct government loan program authorized under Title XI of the Merchant Marine Act of 1936, as amended, that receives an annual loan authority from Congress to provide long-term loans to the aquaculture, mariculture, and commercial fisheries industries.

Eligible Projects

	Finance and Refinance	Refinance Only
Aquaculture & Mariculture Facilities		
New construction	XX	
Purchase Existing	XX	
Reconstruction	XX	
Fisheries Shoreside Facilities		
New construction	XX	
Purchase Existing	XX	
Reconstruction	XX	
Fishing Vessels		
New construction		XX
Purchase Existing	XX	
Reconstruction		
No increased fishing capacity	XX	
Reconstruction		
Increased fishing capacity		XX

Availability

Congress normally authorizes funds for use during the first quarter of the calendar year.

Is there a maximum or minimum loan amount?
No. The loan amount cannot exceed 80% of the eligible project cost. The only constraint is the amount of loan authority Congress authorizes for the

FFP on an annual basis, and the annual loan priorities.

What are the benefits of the FFP?

Long-term, fixed rate loans with interest rates 2% over the U.S. Treasury's cost of funds. Call the Regional Financial Services Office in your area for current rates.

Loan maturities up to 25 years, but not exceeding the economic useful life of your project. With a fixed-rate, long-term loan you know what your payments will be for the life of the loan.

FFP loans may be prepaid at anytime without penalty.

If you financed the purchase, construction, reconstruction or reconditioning of your project with a short-term lender, you may want to refinance that short-term loan with a long-term loan over a longer period of time.

If you paid for the purchase, construction, reconstruction or reconditioning of your project out of your own funds, a FFP loan can be used to reimburse a portion of what you paid.

Most financing available to the fishing industry restricts the term to meet the needs of the financial institution not the fisher's borrower. Additionally, most available financing is variable rate rather than fixed rate.

FFP financing considers the useful life of the fishery asset in determining the term and establishes a fixed rate for the term of the loan.

A fixed rate can save money and will stabilize

cash flows. The increased term allows you to repay the loan over the earnings life of the fishery asset.

What are the eligibility requirements?

- ✓ Must be a U.S. citizen.
- ✓ Good earnings record, net worth, and liquidity behind project.
- ✓ Fully secured with borrower's assets.
- ✓ Principals' personal guarantees. Non-recourse credit is not available.
- ✓ Good credit record.
- ✓ Strong primary collateral.

You should have at least a 3-year history of owning or operating the fisheries project which will be the subject of your proposed application or a 3-year history owning or operating a comparable project.

What is not eligible?

- ✓ No venture capital.
- ✓ No start-up projects or new business ventures.

How do I apply for a FFP loan?

Contact the Regional Financial Services Office in your area. A loan officer will be glad to discuss or review your project with you to determine its eligibility under the program.

Northeast Region

NOAA Fisheries, Financial Services
11-15 Parker Street, Suite 204
Gloucester, MA 01930-1189
Phone: 978-281-9203 Fax: 978-281-9375

Southeast Region

NOAA Fisheries, Financial Services
9721 Executive Center Dr. N.
St. Petersburg, FL 33702-2419
Phone: 727-570-5377 Fax: 727-570-5380

Northwest Region

NOAA Fisheries, Financial Services
7600 Sand Point Way, N.E. (BIN C15700)
Bldg. 1, Seattle, WA 98115-6349
Phone: 206-526-6122 Fax: 206-526-6306
Email: nw.finance@noaa.gov





NOAA FISHERIES

NATIONAL MARINE FISHERIES SERVICE

WE ARE NOW REVIEWING
APPLICATIONS FOR OUR MALIBU AND
SABOTECH QUOTA SHARE LOAN
PROGRAM FUNDING FOR 2008

BENEFITS OF LOAN PROGRAM

- What are the eligibility requirements?
- Must be a U.S. Citizen
 - Currently own less than 50,000 IFQ lbs.
 - Have a Transfer Eligibility Certificate from RAM or can qualify for one.
 - Up to 80% Financing for IFQ Purchase or Refinance
 - Competitive Fixed Rates up to 25 years: Example As of 10/10/05
16 yr @ 8.615% - 25 yr @ 8.71%
 - No Prepayment penalties

How do I learn more about the program or get an application?

Contact Us @ 208-528-5122 Or
Email mv.finance@noaa.gov

Also ask about our Vessel
Loan Program!



✓ Great Rates

✓ Great Services

Ask about our rebate program.

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FAX (206) 724-0823
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Seattle, WA 98147
E-mail: casman@volvo.com

COASTAL MARINE

Species	Fishing	Aasking Price*	Offer*	Score Value*
Salmon	SE DRIFT	38	36	34.2*
S	PWS DRIFT	55	53*	48.4
S	COOK INLET DRIFT	16	30	39.6
S	AREA N DRIFT	100	80*	55.5
S	BRISTOL BAY DRIFT	80*	78	72.8*
S	SE SEINE	63	55	51.4*
S	PWS SEINE	25	24	23.4*
S	COOK INLET SEINE	N/A	12	11.9
S	KODIAK SEINE	21	21	16.7*
S	CHGNK SEINE	185	175	160.8
S	AREA M SEINE	40	40	28.8*
S	VANUAT SET NET	N/A	N/A	13.1
S	PWS SET NET	N/A	N/A	61.5
S	COOK INLET SET	11	10	12.7*
S	KODIAK SET NET	N/A	40	37.8
S	AREA M SET NET	N/A	N/A	49.3
S	BRISTOL SET NET	20	18	16.4*
S	CLSKRONH GILLNET	5	N/A	5.8
S	LOWER YUKON	N/A	7	8.5
S	POWER TROLL	32*	30	28.8*
S	HAND TROLL	10*	10*	7.3
Halibut	SAN FRANCISCO	30	N/A	N/A
H	SE GILLNET	10	N/A	10*
H	PWS GILLNET	N/A	N/A	69.4
H	KODIAK GILLNET	10*	N/A	6.3*
H	NORTON SOUND	45	4	1.9
H	SITKA SEINE	310*	N/A	292.5*
H	PWS SEINE	N/A	12	11.8*
H	COOK INLET SEINE	10	N/A	11
H	KODIAK SEINE	20	N/A	17.4*
H	SE POUND SOUTH	10*	9*	13.0
H	SE POUND NORTH	39.5	N/A	48.3
H	PWS POUND	4	4*	2.8
Shellfish	SE DUNGY 75 POT	14.9	13.5	14.3
S	SE DUNGY 150 POT	30	28	28.8
S	SE DUNGY 225 POT	45	N/A	45.3
S	SE DUNGY 300 POT	62.5	60	58.9
S	SE TANNER	45	N/A	67.5
S	SE RED KING/TANNER	150	100	146.4
S	SE BROWN KING/TANNER	180	N/A	N/A
S	SE RED/BRN KING/TANNER	225	N/A	221.6
S	SE BROWN KING	135	N/A	N/A
S	SE POT SHRIMP	20	N/A	10.4*
S	KODIAK TANNER	40*	30	36.5*
S	PUGET SOUND DUNGY	34	33	N/A
Longline	CHATAM	N/A	190	166.4*
Longline	CLARENCE	270	N/A	212.5
Longline	PWS 4-35'	31*	N/A	25.2
Dive	URCHIN	7	N/A	6.8
Dive	CUCUMBER	8.5*	N/A	8.8
Dive	GEOBUCK	70	50	4.4

Prices APRIL vary in accordance with market conditions. * In thousands
 * denotes an increase from last month, N/A denotes No Activity
 - denotes a decrease from last month.



sainers, trollers, and gill, drift, and set nets—harvest salmon in both coastal and river fisheries. In every fishery there are different issues, challenges, and opportunities.

The state controls the number of boats under a limited entry permit system and regulates harvests through restrictions on boat size, gear type, and timing of openings. Alaska's biological salmon management has been very successful; the Marine Stewardship Council (an international non-profit group promoting well-managed fisheries) has recognized Alaska's management as "sustainable." The salmon industry is still one of Alaska's top employers, with thousands of jobs in fishing and processing and many more in other businesses that depend indirectly on salmon fishing.

What's the Problem?

The prices fishermen are paid for their catches have plummeted. From the peak in the 1980s to the bottom in 2002, total annual earnings in the salmon fisheries plummeted by two thirds. And as salmon prices and fishermen's earnings fell, so did the value of limited entry permits. Overall permit values declined about two thirds, with losses varying among fisheries. And if we adjust those figures for inflation—to show the change in purchasing power over time—the fall in both earnings and permit values is even steeper, near 75 percent.

Unable to cover their costs, thousands of salmon permit holders—both residents and non-residents—quit fishing. But Alaskans have been hardest hit. The number of resident permit holders actively fishing dropped 40 percent between

1988 and 2002, compared with 27 percent among non-residents. The decline among Alaskans was bigger because the small-scale operators who are most affected by lower prices—setnetters and hand-trollers—are predominantly Alaskans.

The causes of the decline are complex and vary by fishery. The biggest has been competition from farmed salmon, but smaller sockeye harvests, changes in the food industry, and an economic slowdown in Japan (historically Alaska's most important market) have also contributed. Since hitting lows in 2002, total earnings are up—but not in all fisheries.

Why Restructure?

Restructuring can have many goals—but keep in mind that it is not an attempt to improve conservation. Alaska's



IFQ Loans

When you need to build your fishing business, come to First Bank.

Our IFQ lenders understand the fishing business and can offer competitive rates and terms to help your business grow. Please call one of our fishing loan professionals to find out how First Bank can help you.

Juneau	586-8000	Patuxent	772-4277
Sitka	747-5836	Ketchikan	228-4474

ALASKA DIVISION OF INVESTMENTS
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
MEMORANDUM

TO: Greg Winegar
Lending Branch Manager

FROM: Lujain Fedotov
Anchorage Lending Section Supervisor

DATE: February 21, 2006

SUBJECT: Interest rate survey

Per your request I conducted a survey of several lenders who make commercial fishing loans. The following information was received on February 21, 2006 via telephone conversations:

FARM CREDIT, Erik Olson, Sr Credit Officer, Seattle, Washington, 206-691-2000

TYPES OF LOANS: Farm Credit is a private cooperative with \$5 billion in assets, \$90 million in net revenues, returning .7% to shareholders in 2005. Farm Credit finances quota shares, vessel upgrades, vessel refinances, vessel upgrades or other valid purposes for fishermen, processors, or commercial fishing-related businesses for individuals who live in Oregon, Washington, and Alaska, Idaho, and Montana. Farm Credit specializes in all types of loans, including investment properties, residential properties, etc for commercial fishers and families.

IFQs: 5-15 year term, 1% fee + \$300 - \$500 verification/filing fees charged at closing, rates variable or fixed, with a maximum 50% of value of IFQs as collateral value.

VESSELS: 10 years on existing, 15 years on new vessels, 1% fee + \$300 - \$500 verification/filing fees charged at closing, rates variable or fixed. Maximum collateral LTV is 80% on a new vessel and 50% on existing vessels.

RATES: Current interest rate for an average borrower P + 2%, currently 9.25%, and can be the rate to LIBOR as well. Rates are fixed or variable and vary, dependent upon borrower strength, use of a pricing card, which includes liquidity, debt/asset ratio, production/liability ratio, LTV, and earning/debt coverage ratio. Funds are purchased from AgAmerica or from Western Farm Credit Bank in California.

OTHER INFO: According to Mr Olson, vessel upgrades, IFQ purchases, vessel purchases, and family transfers (where the younger generation is buying all or part of a parent's fishing business) are currently the most active loan requests. They can make construction loans and have technical help available to borrowers.

WEB SITE: www.farm-credit.com

WELLS FARGO BANK, Jon Stavig, Cordova - 424-3258e-mail: jon.k.stavig@wellsfargo.com

TYPES OF LOANS: IFQs, vessel purchases, vessel refinances, upgrades. Most active types of loans this season are vessel purchases, repowering, and working capital.

IFQs: 5-7 year term, 50% LTV, 1% loan fee, variable rates, typically P + 2%, currently 8.25%, variable.

IFQ/VESSEL COMBO: 7-10 year term, 50% LTV, 1% loan fee, variable rates, typically P + 2% currently 8.25%, variable.

VESSELS: 7-10 year max term for existing vessels, 10-year term for new vessels. Vessel financing is 75% LTV, 1% loan fee, Prime + 2% currently 9.25%, variable.

OTHER: Jon states that the general attitude in the local PWS fishery economy is that the drift fleet will be fine this year, but the salmon seine fishery will likely face challenges with the hatcheries in cost recovery mode. Those who participate in the bottom fisheries will continue to be strong.

RATES: Most loans are variable rate of P + 2% currently 8.25%.

WEB SITE: Wells Fargo has a web site at www.wellsfargo.com,

FIRST NATIONAL BANK ALASKA, Mike Dye, Branch Manager, Homer, Alaska - 235-5801e-mail: mdye@fnbalaska.com

TYPES OF LOANS: IFQs and vessels on a case-by-case basis to strong borrowers or to those who have long term relationships with FNBA and/or other collateral to pledge as security.

TERMS: Vary, will base loan on 50% Loan-to-Value of IFQs or vessel, 1% bank fee + closing costs, term usually 5-7 years.

RATES: Most loans are variable rates. Variable rate is commonly P + 2%, currently 8.25%.

FNB has had little change in rates and terms in the past year except the increasing prime interest rate.

WEB SITE: www.fnbalaska.com has no information concerning commercial fishing loans.

CFAB, Bob Clark, VP, Anchorage, Alaska - 276-2007 e-mail: robert@cfabalaska.com

TYPES OF LOANS: Permits, quota shares, vessels, tourism, processing plants in Alaska, tenders

PERMITS: 1% loan fee, variable rates, currently 7.5%, no set Loan-to-Value

IFQs: 1% loan fee, variable rates, currently 7.25 %, with 50% Loan-to-Value. (This is the only rate that has changed since 2005)

**VESSEL/PERMIT:
OR IFQ COMBO** 1% loan fee, variable rates, currently 8.0%

VESSEL ONLY: 1% loan fee, variable rates, currently 8.0%

FEES/TERMS: CFAB requires that borrowers purchase 2% (cap of \$2500) of Class B preferred stock. Term is usually 10-12 years. Smaller loan amounts have shorter terms. Interest rate base for CFAB is 6.0%, same as 2005.

Interest rate can change at any time. Payments are fixed for year periods. Interest rates are set based on base rate plus a percentage with collateral being the determining factor.

**PATRONAGE
REBATE:** Borrowers receive up to 1% check back from CFAB annually. The CFAB Board decides annually what percentage borrowers will receive.

SOURCE OF FUNDS: Spokane Bank of Cooperatives (blended bond rate)

OTHER INFO: Most active loan types are salmon permits & boats with most activity in PWS and SE fisheries. IFQ market is tight. A few tourism loans are being done.

WEB SITE: www.cfabalaska.com is informative and has applications on-line

NORTHRIM BANK, Herman White, Anchorage - 261-3558

TYPES OF LOANS: Northrim Bank is not making direct commercial fishing loans, refers commercial fishing business to CFAB.

Note: Originally called Northrim Bank to talk to Stephen Street, formerly of ABDC, about loans and interest rates. Stephen Street resigned Northrim a week ago.

NMFS Financial, Paige Parasiche, Loan Officer, 7800 Sand Point Way NE, Bin C15700,
Bldg. 1, Seattle, WA 98115 - 206-526-6122

TYPES OF LOANS: Quota Share purchases and refinances, vessels, Aquaculture, and Shore-based processors. \$5,000,000 has been designated as IFQ financing and \$58,000,000 has been designated for vessels/processors.

VESSELS: Most vessels are \$2,000,000 or over in purchase price.

IFQs: Purchases are 80% Loan-to-Value, must pay 20% down in cash. Refinances are 80% Loan-to-Value. Not able to do the new crab quota shares yet, but talking about it.

TERMS: Term is up to 25 years. Little change in interest rates from 2005. Rates are fixed - based on T-Bill rate (at www.treas.gov) + 2% (interest rate currently 6.57% for 10 years and 6.72% for 20 years - up about .25% from 2005). Prequalifications are issued with no set time limit to find quota shares to purchase. Most IFQ borrowers are Alaska, Washington, or Oregon residents.

OTHER: Funding is seasonal with NMFS Financial. They receive funding in March each year--\$5,000,000 for quota and this year and last year for quota shares+ \$59,000,000 for vessels. Commitments are issued when funding is available.

There is no prepayment penalty, but there is a default rate on a case-by-case basis. Borrowers lose their "initial issuer" status if financed by NMFS Financial. If a borrower owns more than 50,000 pounds of quota shares, he is ineligible for financing. Borrowers cannot own a vessel larger than 60'.

NMFS Financial records a vessel mortgage on all quota share loans. Equity in the vessel is not an issue for the mortgage.

There are few changes in the program over the past year.

WEB SITE: None

Senate Resources

May 1, 2006

HB 304 Sponsor Packet

Cover Sheet _____	1 page
Sponsor Statement _____	1 page
Sectional Analysis _____	2 pages
HB0304e (House Finance CS Floor Amended version \X.A) ____	5 pages
Fiscal Note DCCED: 4/19/06 _____	1 page
Bill History: _____	2 pages
Total Pages: _____	12 pages



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 codified 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 from \$30,000 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 \$400,000. That limit now totals \$930,000. The bill reduces security of a loan from 90% to 80% of the appraised value of the collateral. HB 304 changes the interest rate to prime rate plus two percentage points and keeps the cap at 10 ½%.

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



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Room 204

REPRESENTATIVE JOHN COGHILL

HB 304 Commercial Fishing Loan Program

SECTIONAL

Section 1. Provides another qualification for a loan, being the person is not eligible for financing from other recognized commercial lending institutions before qualifying for a loan from the Commercial Fishing Revolving Loan Program. This section adds a requirement that the applicant is not eligible for financing from another source that is a state financial institution, federally chartered financial institution, or the Commercial Fishing and Agricultural Bank.

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 to a sliding "prime rate plus two percentage points" with a cap of 10 ½%. 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. The division currently uses the prime plus procedure.

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 \$400,000.

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.

Rep. John Coghill

From: Wittman, Michael [Michael.Wittman@farm-credit.com]
Sent: Friday, April 21, 2006 12:50 PM
To: Rep. John Coghill
Subject: CS HB304 (FIN)

Dear Representative Coghill:

Northwest Farm Credit Services (NWFCFS) is interested in CS HB 304 (FSH), which addresses the Alaska Commercial Fishing Revolving Loan Fund (CFRLF). It is our understanding that the Committee Sponsor Substitute Bill that was introduced in the House Fisheries Committee was the collaborative efforts of the Sponsor—Representative Coghill, the CFRLF and Alan Austerman, Fisheries Policy Advisor, Office of the Governor, State of Alaska.

NWFCFS has over \$12 million in outstanding loans to 57 Alaskan residents, and we actively seek out new business with qualified commercial fishermen in the State. However, we readily acknowledge that there are loan applicants who are not eligible and/or creditworthy by our statutory, regulatory, or internal standards; and it seems appropriate that the State of Alaska attempt to serve those individuals with public funds. The proposed CS HB 304 (FSH) as originally introduced appeared to help clarify that purpose and intent.

We view the CS HB 304 (FIN), as rational and constructive adjustments and clarifications to a public program which in recent years has overlapped into areas and activities well-served by private lenders.

We are concerned by the potential effects of the amendments introduced by the House Resources Committee.

We especially are concerned with the seeming uncertainty as to the interest rate(s) to be charged by the CFRLF. We suggest that public funds in this instance should most appropriately be viewed as a vehicle providing access to credit by eligible residents rather than as a means of offering a potential bargain to a chosen few. Whether or not the State of Alaska is actively borrowing at any particular point in time, there is a cost which can be imputed to any use of public funds; a cost which will generally reflect the broader funds market indices. We urge that CFRLF loan pricing policies be mandated to reflect those imputed costs.

We ask that the Legislature adopt CS HB 304 (FSH) as it was passed out of the Finance Committee.

Thank-you for your consideration.

Sincerely,

Michael G. Wittman
Vice President
Northwest Farm Credit Services

5/1/2006

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