

LEG. FINANCE - BILLS 1979 - 1980 1232

CSSSB lam cont., thru SB 1, 1232

HCS SB 1

Malone Amendment

Page 46, line 28 - delete "nonconforming housing loans"
and replace with "housing assistance".

NOTE: make conforming changes to all subsequent sections
of the bill.

HCS SB 1
Malone Amendment

80-67
2
[b-6]

Page 54, line 25 : delete (1).
(2)

Page 55, line 2: delete "equally"

Page 55, line 3 - after "AS 44.47.560" add a new sentence:
the director may reallocate among the regions as
necessary.

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91 c n G y - m
6. - C+RA - Wagnan
re.

HCS SB 1

Malone Amendment

Page 50 and 51, Interest Rates - retain original language
but adopt new veteran definition (18.56.101)

16/18

HCS SB 1

Malone Amendment

Page 52, line 22 : strike all language after "state".

Page 52, line 24: delete all language through line 29.

Page 53, line 1: delete all language through line 10.

HCS SB 1

Malone Amendment

Page 53, line 1 - after the word "insurance" insert:

on reasonable terms comparable to (d) of this section

HCS SB 1

Malone Amendment

Page 55, Section 59 - after first sentence insert:

The director shall include in the study modifications
or improvements for the ~~adoption~~ ^{adaptation} of mobile homes to arctic,
subarctic and rural areas.

Handwritten signature

HCS SB 1

Malone Recommendation

Fiscal notes are required for all new sections in law.
The Division of (Nonconforming Housing Loans) Housing
Assistance is estimated at \$10,000,000 g.f.

*W
HM - 9
9 - 1
Malone*

McKinnon

γ. ~ § -

Page 22 lines 24-26

(2) The widow or widower of [a person who was dependent on] a member of the armed forces or an eligible veteran [at the time of the member's or veteran's death] if

Page 23 line 9

delete sub-section (b)

Handwritten signature

Page 1, Line 10

* Section 1. AS 16.10.510(5) is amended to read:

(5) establish amortization plans for repayment of loans, not to exceed 30 [25] years;

* Section 2. AS 16.10.520(a) is amended to read:

(a) a single fisheries enhancement loan may not exceed [~~\$3,000,000~~] \$6,000,000 for a hatchery ^{or other enhancement and} ~~constructed,~~ ^{rehabilitation activity} under a permit granted to a qualified regional association which has formed a nonprofit corporation, ~~or to a local nonprofit corporation,~~ or to a local nonprofit corporation approved by a qualified regional association. A loan for any other nonprofit hatchery corporation project may not exceed [~~\$ 300,000~~] \$1,000,000.

* Section 3. AS 16.10.520(b) is amended to read:

(b) Loans for the total project costs may be made if the commissioner determines that the applicant has sufficient financial resources to insure the establishment of an equity position in the project equal to 10 percent of the loan within 10 [SIX] years or less, either through a royalty assessment levied under AS 16.10.530 or AS 16.10.540 or other means approved by the commissioner. For purposes of this subsection, "total project costs" includes planning and construction costs for the facility and the cost of operations for not more than the first 10 [SIX] years. The costs for operations shall be loaned on an annual basis.

Gardner

- * Section 4. AS 16.10.520 is amended by adding a new subsection to read:

(f) The commissioner may not require the repayment of principal on a fisheries enhancement loan for the initial period of the loan. The initial period determined by the commissioner may not be less than six years or more than 10 years. Interest on the principal may not accrue during the initial period.

- * Section 5. Section 4 of this Act also applies to loans made under AS 16.10.510 before July 1, 1980.

Introduced: 2/18/80
Referred: Finance

1 IN THE HOUSE

BY MALONE

2 HOUSE BILL NO. 777

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to fisheries enhancement."

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

8 * Section 1. AS 16.10.500 is amended to read:

9 Sec. 16.10.500. DECLARATION OF POLICY. It is the policy of the
10 state, under AS 16.10.500 - 16.10.550, to promote the enhancement of the
11 state's fisheries by means of grants for organizational and planning
12 purposes to regional associations described in AS 16.10.510 which have
13 qualified under AS 16.10.380, and by means of long-term, low interest
14 loans for hatchery planning, construction, and operation and for plan-
15 ning and implementation of enhancement and rehabilitation activities
16 including, but not limited to, lake fertilization and habitat improve-
17 ment.

18 * Sec. 2. AS 16.10.510 is amended by adding a new paragraph to read:

19 (10) make loans to qualified regional associations which have
20 formed a nonprofit corporation or to local nonprofit corporations ap-
21 proved by qualified regional associations for planning and implementa-
22 tion of fisheries enhancement and rehabilitation activities including,
23 but not limited to, lake fertilization and habitat improvement.
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ADD

Gardner

* Section __. AS 16.10.510(8) is repealed.

AKPIRG 4-3 to include

Insert the following new material after the new Section 60.

Section 61. AS 44.25 is amended by adding a new section to Article 1 to read:

SEC. 44.25.026. REPORT ON INSIDER LOANS. (a) Any financial institution offering or participating in loans which are directly or indirectly financed by the state of Alaska, including loans purchased by the State of Alaska in the secondary money market, shall provide a report detailing all loans over \$10,000 made by the institution during the previous year to or co-signed or guaranteed by:

(1) an officer, employee or director of the institution or a member of the immediate family of an officer, employee or director of the institution, or

(2) a corporation, partnership or other organization more than ten percent of which is owned in the aggregate by persons referred to in (1) of this subsection, or

(3) any organization or individual defined as an insider for purposes of reporting by the F.D.I.C., the Comptroller of the Currency, or the Federal Home Loan Bank Board.

(b) The institution shall report under this section loans acquired by the institution which, if initially made by the institution, would be required to be reported under (a) of this section.

(c) Reports under (a) and (b) of this section will include the following information:

(1) the name of the insider

(2) the insider's position or relationship that causes such person to be considered an insider,

(3) the date on which the transaction was approved by the institution's board of directors

(4) the amount of each loan made to an insider

(5) the terms of each loan, including the interest rate, and the security used to obtain the loan.

(6) the purposes for which the loan was obtained

(7) whether the insider loan is in default of its interest or principal payments

(8) the current balance of each loan.

AKPIRG

page 55, after line 20

Insert the following new material

Section. 60. AS 44.25 is amended by adding a new section to Article 1 to read:

SEC. 44.25.025. ANNUAL REVIEW OF LENDING PRACTICES.

The Commissioner (Department of Revenue) shall adopt regulations which provide for an annual review of lending practices of any financial institution offering or participating in loans which are directly or indirectly financed by the state of Alaska, including loans purchased by the State of Alaska in the secondary money market. Such review will provide for local communities to examine the lending record of institutions managing public funds, and to express to the Commissioner a statement of the local community credit needs. The Commissioner shall consider this input from local communities in determining the eligibility of each institution for receiving public funds.

Malone amendment:

Page 54, line 23: Delete "In determining the"

Page 54, lines 24 through 28: Delete

Page 55, Line 2: Delete "equally"

after "section" add "taking into account ((add
language approved on page 23, lines 18-22, except
change "area" to "region"))).

McKinnon Amendment:

Page 52: Line 20 -- Delete "The fire"

Lines 22 through 29: Delete

Page 53: Lines 1 through 10: Delete

Doogan Amendment:

Page 53 - Lines 27 through 29: Delete

Page 43 - lines 1 and 2: Delete

Schaeffer amendment:

Page 50, line 17: Delete "village", insert "native"

Page 50, line 19: After "1626)" add: "as amended by Public

Law 94-204-895.401.11.45

Schaeffer amendment:

Page 19, line 8: Delete "village", insert "native"

Page 19, line 10: After "1626)" add: "as amended by Public

Law 94-204-895.401.11.45

P 23. C18-22

taking into account

Page 1, Line 10

*Wills,**The last set of amendments - original*

* Section 1. AS 16.10.510(5) is amended to read:

(5) establish amortization plans for repayment of loans, not to exceed 30 [~~25~~] years;

* Section 2. AS 16.10.520(a) is amended to read:

(a) a single fisheries enhancement loan may not exceed [~~\$3,000,000~~] \$6,000,000 for a hatchery constructed under a permit granted to a qualified regional association which has formed a nonprofit corporation, or to a local nonprofit corporation, or to a local nonprofit corporation approved by a qualified regional association. A loan for any other nonprofit hatchery corporation project may not exceed [~~\$ 300,000~~] \$1,000,000.

* Section 3. AS 16.10.520(b) is amended to read:

(b) Loans for the total project costs may be made if the commissioner determines that the applicant has sufficient financial resources to insure the establishment of an equity position in the project equal to 10 percent of the loan within 10 [~~SIX~~] years or less, either through a royalty assessment levied under AS 16.10.530 or AS 16.10.540 or other means approved by the commissioner. For purposes of this subsection, "total project costs" includes planning and construction costs for the facility and the cost of operations for not more than the first 10 [~~SIX~~] years. The costs for operations shall be loaned on an annual basis.

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* Section 4. AS 16.10.520 is amended by adding a new subsection to read:

(f) The commissioner may not require the repayment of principal on a fisheries enhancement loan for the initial period of the loan. The initial period determined by the commissioner may not be less than six years or more than 10 years. Interest on the principal may not accrue during the initial period.

* Section 5. Section 4 of this Act also applies to loans made under AS 16.10.510 before July 1, 1980.

Page 55, Line 24

Gardner

* Section __. AS 16.10.510(8) is repealed.

HCS SB 1
Malone Amendment

P. 55, line 11. Replace definition of non-conforming housing as follows:

"housing which does not conform to the minimum housing standards adopted by the Alaska Housing Finance Corporation under AS 18.56.098(b) but which an engineer certifies to be within the standard deviation adopted by the Alaska Housing Finance Corporation under AS 18.56.098(b)."

Page 22 lines 24-26

(2) The widow or widower of [a person who was dependent
.on] a member of the armed forces or an eligible veteran [at
the time of the member's or veteran's death] if

Page 23 line 9

delete sub-section (b)

Handwritten signature

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Gardner

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(f) The commissioner may not require the repayment of principal on a fisheries enhancement loan for the initial period of the loan. The initial period determined by the commissioner may not be less than six years or more than 10 years. Interest on the principal may not accrue during the initial period.

- * Section 5. Section 4 of this Act also applies to loans made under AS 16.10.510 before July 1, 1980.

Gardner

* Section __. AS 16.10.510(8) is repealed.

INSIDER LOANS

Each financial institution managing, participating, or offering loans which are directly or indirectly financed by the state of Alaska shall provide a report detailing all loans over \$10,000 made by the institution during the previous year to or consigned or guaranteed by:

- (1) an officer, employee or director of the institution; a member of the immediate family of an officer, employee or director of the institution, or
- (2) a corporation, partnership or other organization more than ten percent of which is owned in the aggregate by persons referred to in (1) of this subsection, or
- (3) any organization or individual defined as an insider for purposes of reporting by the F.D.I.C., the Comptroller of the Currency, or the Federal Home Loan Bank Board.

(b) The institution shall report under this section loans acquired by the institution which, if initially made by the institution, would be required to be reported under (a) of this section.

(c) Reports under (a) and (b) of this section will include the following information:

- (1) the name of the insider
- (2) the insider's position or relationship that causes such person to be considered an insider,
- (3) the date on which the transaction was approved by the institution's board of directors
- (4) the amount of each loan made to an insider
- (5) the terms of each loan, including the interest rate, and the security used to obtain the loan
- (6) the purposes for which the loan was obtained
- (7) whether the insider loan is in default of its interest or principal payments
- (8) the current balance of each loan.

Presented by: The Manager
Introduced: 5/15/80
Drafted by: D.M. & G.L.S.

RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 660

A RESOLUTION CONCERNING AFFORDABLE HOME MORTGAGE
LOANS FOR MODERATE INCOME HOUSEHOLDS.

WHEREAS, the Department of Agriculture Farmers Home Administration (FmHA) provides a home loan program for low and moderate income persons, and

WHEREAS, the income level established by FmHA to define low income and moderate income households has not been adjusted for inflation in over four years while the mortgage interest rate has been adjusted from 8½% to 13% in the last year, and

WHEREAS, the Juneau office of the FmHA has made no home loans to moderate income households at the 13% mortgage rate because, by FmHA calculation, a household fitting the FmHA definition of moderate income can rarely afford the payments FmHA requires, and

WHEREAS, because of this dilemma there exists a gap between the income level at which private lenders will make home loans and the income level at which federal, state, and local government home loans are made, and

WHEREAS, many moderate income households fall into this gap and are unable to obtain home loans;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

1. That the City and Borough of Juneau requests the Alaska congressional delegation to initiate action to raise the level of income used to define low and moderate income households under the FmHA home loan program to take into account the effects of inflation, and provide for interest subsidies for moderate income households and immediately lower the interest rate under the program which would make such home loans affordable.

2. That the City and Borough of Juneau requests the Alaska State Legislature and Governor to develop home mortgage loan assistance programs which provide affordable home mortgage loans to moderate income households with move in cost assistance similar to the FmHA program.

3. That copies of this resolution be sent to the Honorable Ted Stevens, U. S. Senator; the Honorable Mike Gravel, U. S. Senator; the Honorable Don Young, U. S. Representative; the Honorable Jay S. Hammond, Governor of the State of Alaska; and, all members of the Alaska State Legislature.

Adopted this 15th day of May , 1980.



Mayor

Attest:



Clerk

Estimated Fiscal Impact of HFC Substitute For SB 1

1. Housing:	\$100,000,000
A. Special Mortgage Purchase	(21,000,000)
B. Mortgage Insurance Fund	7,680,000
C. Rural Program	6,500,000
D. Rural Fire/Hazard Insurance	325,000
E. Rural Title Insurance	130,000
F. Mobile Home Program	<u>8,250,000</u>
TOTAL	\$143,885,000
2. Non-Conforming Housing:	
A. Operating	\$ 400,000
B. Loans	<u>10,000,000</u>
TOTAL	\$ 10,400,000
3. Business:	
A. AIDA	(56,000,000)
B. Small Business	\$ 37,000,000
C. Tourism	6,500,000
D. Commercial Fish	24,000,000
E. Fish Enhancement	<u>2,500,000</u>
TOTAL	\$126,000,000
4. Fish Mortgage and Note:	
A. Operating	\$ 400,000
B. Loans	<u>10,000,000</u>
TOTAL	\$ 10,400,000
<u>TOTAL</u>	<u><u>\$290,000,000</u></u>

Illiquid Assets for Housing \$215,000,000

Illiquid Assets for AIDA \$445,000,000

Rogers Proposed amendment

Sec. 18.56.105. ALLOCATION OF LENDING ACTIVITIES. In participating in the making or purchasing of loans under AS 18.56.090(1)-(3) or under AS 18.56.100, the corporation shall allocate the money available to it ^{among ~~the~~ loans made} ~~among the~~ ^{by the private financial institutions in the state} on a first-come, first-served basis. If the corporation finds that funds available are not sufficient to meet current and anticipated demand, the corporation shall allocate the money available to it among the private financial institutions in the state based on the ~~amount~~ ~~of housing loans~~ past demand and future potential demand for housing loans made by each private financial institution.



Alaska State Legislature

House of Representatives

Committee on Finance

Fouch V
State Capitol
Juneau, Alaska 99801

May 15, 1980

MEMO TO: Representative Terry Gardiner
Speaker of the House

Senator Clem Tillion
President of the Senate

FROM: Representative Russ Meekins
Chairman, House Finance Committee

SUBJECT: Proposed Loan Package

At your request I have prepared the following explanation of my proposed loan package.

The proposed loan package now before the House Finance Committee does the following:

Housing: Provides for \$500 million in housing loans at 10.5 percent (9.5 percent for veterans) through the Alaska Housing Finance Corporation. The cost to the state of these loans is \$125 million cash and \$215 million in illiquid assets having an annual cash flow of approximately \$21 million. The bill also provides for the continuation of AHFC's rural housing and mobile home programs.

In addition, the bill restructures the AHFC board (to three commissioners and two public members) and subjects the corporation to several legislative oversight procedures including the Executive Budget Act.

Business: Moves the small business, tourism and commercial fishing loan programs to the Alaska Industrial Development Authority beginning in FY 1982. The start up cost during the FY 1981 transition period is approximately \$300 thousand. It is assumed that during the transition period these loan programs will continue to operate through the Department of Commerce at an approximate cost of \$100 million.

In addition, the bill restructures the AIDA board (to three commissioners and two public members) and subjects the authority to several legislative oversight procedures including the Executive Budget Act.

Bonding Authorities: Increases legislative oversight over the Alaska State Housing Authority, regional housing authorities and the Alaska Municipal Bond Bank Authority to

Attachment (CS 581)

the same extent as ANFC and AIDA. The bill also repeals the Alaska State Development Corporation, the Alaska Toll Bridge Authority and the Small Business Development Corporation and transfers their assets and liabilities to AIDA.

Non-Conforming Loans: Establishes a non-conforming housing loan fund in the Department of Community and Regional Affairs to make loans in areas where there are title and fire/hazard insurance problems and areas where unconventional construction techniques are used. The approximate cost of this program is \$10 million.

Fishing Loans: Amends the commercial fishing statutes to allow loans for permits, boats or gear for those with experience in the fishery but without conventional credit credentials. The approximate cost of this program is \$10 million.

IN THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act making supplemental appropriations to Alaska housing Finance Corporation, the Department of Community and Regional Affairs, and the Division of Business Loans; and providing for an effective date."

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

* Section 1. The sum of \$123,710,000 is appropriated from the general fund to the Alaska Housing Finance Corporation to be allocated as follows:

Special Mortgage Purchase program	\$100,000,000
Mortgage Insurance Fund	7,680,000
Rural Housing Mortgage Loan program	6,500,000
Mobile Home Loan program	8,250,000
Rural Housing Mortgage Insurance Account	325,000
Mobile Home Mortgage Insurance Account	825,000
Rural Housing Title Insurance Account	130,000

* Sec. 2. All right, title and interest in loans of the type described in Section 3 of this Act, in an amount not to exceed \$215,000,000 in unpaid principal as of July 1, 1980, and all right, title and interest in all mortgages, notes and other instruments of security made in connection with those loans, purchased or acquired by the Department of Revenue from private lending institutions in Alaska or from the Department of Commerce and Economic Development and held in the general fund on July 1, 1980, are transferred and appropriated to the Alaska Housing Finance Corporation.

* Sec. 3. Section 2 of this Act applies to (1) owner-occupied single family and duplex conventional residential loans acquired or made under AS 37.10.070 and (2) owner-occupied single family and duplex residential veterans loans acquired or made under AS 26.15 as of July 1, 1980.

1 * Sec. 4. The commissioner of revenue shall execute all necessary
2 instruments to transfer all right, title and interest in these loans,
3 mortgages, notes, and other instruments of security to the Alaska Housing
4 Finance Corporation.

5 * Sec. 5. All right, title and interest in the then unpaid principal
6 balance of the loans transferred to the corporation pursuant to this Act
7 which have not been pledged to the payment of bonds of the corporation
8 by July 1, 1983 shall be transferred by the corporation to the Department
9 of Revenue for credit to the general fund.

10 * Sec. 6. The sum of \$10,400,000 is appropriated from the general
11 fund to the Department of Community and Regional Affairs to be allocated
12 as follows:

13 Non-conforming Housing Loans	\$10,000,000
14 Loan Administration	400,000

15 * Sec. 7. The sum of \$80,400,000 is appropriated from the general
16 fund to the Division of Business Loans to be allocated as follows:

17 Small Business Loans	\$37,000,000
18 Tourism Loans	6,500,000
19 Commercial Fish Loans	24,000,000
20 Fisheries Enhancement Loans	2,500,000
21 Fish Mortgages and Notes	10,000,000
22 Loan Administration	400,000

23 * Sec. 8. All right, title and interest in loans of the type
24 described in Sec. 9 of this Act, in an amount not to exceed \$445,000,000
25 in unpaid principal as of July 1, 1980, and all right, title and
26 interest in all mortgages, notes and other instruments of security made
27 in connection with those loans, purchased or acquired by the Department
28 of Revenue from private lending institutions in Alaska or from the
29 Department of Commerce and Economic Development and held in the general
30 fund on July 1, 1980, are transferred and appropriated to the Alaska
31 Industrial Development Authority.

1 * Sec. 9. Section 8 of this Act applies to (1) owner-occupied
2 single family and duplex residential veterans loans acquired or made
3 under AS 26.15; (2) commercial fishing loans acquired or made under
4 AS 16.10.300; (3) small business loans acquired or made under AS 45.95.010;
5 (4) tourism loans acquired or made under AS 45.90.010; and (5) other
6 business loans acquired or made under AS 37.10.070; as of July 1, 1980.

7 * Sec. 10. The commissioner of revenue shall execute all necessary
8 instruments to transfer all right, title and interest in these loans,
9 mortgages, notes, and other instruments of security to the Alaska
10 Industrial Development Authority.

11 * Sec. 11. All right, title and interest in the then unpaid principal
12 balance of the loans transferred to the authority pursuant to this Act
13 which have not been pledged to the payment of bonds of the authority
14 by July 1, 1983 shall be transferred by the authority to the Department
15 of Revenue for credit to the general fund.

16 * Sec. 12. Sections 1, 6 and 7 of this Act take effect immediately
17 in accordance with AS 01.10.070(c) and Sections 3 through 6 and 8
18 through 11 of this Act take effect July 1, 1980.
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RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

3/20/90
Date

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

March 31, 1980

SUBJECT: Alaska Commercial Loan Corporation
CSSSSB 1 (Finance)

TO: Senator John C. Sackett
Chairman, Senate Finance Committee

FROM: Kenneth E. Vassar
Legislative Counsel *ED*

Enclosed is the committee substitute you requested for sponsor substitute for Senate Bill 1. The rough draft you provided with your request was long, complicated and, at certain points, ambiguous and confusing. We have attempted to remove as much of the ambiguity and confusion as possible; however, that was not entirely possible since much of the draft contained material which we did not draft and the intent of which we had no way of knowing. The remainder of this memo will discuss those points of ambiguity or confusion, some of the changes we have made to remove ambiguous or confusing provisions, and some legal questions presented by the bill. Discussions relating to particular parts of the bill will be preceded by page and line numbers in parentheses to denote the location of those parts of the bill.

(Page 1, lines 6 - 9) We have changed the title of the bill to comply with the requirement in Article II, sec. 13 of the State Constitution that the subject of each bill be expressed in its title.

(Page 3, line 9) Your draft repealed and reenacted AS 44.-61. The repeal and reenactment of a chapter is not an accepted drafting style. Instead, we have included the new language in AS 45 by created a new chapter 96 and have provided for the repeal of AS 44.61 at page 40, line 14. In either event, the repeal of AS 44.61 and the Alaska Industrial Development Authority created questions as to the disposition

Senator John C. Sackett
Page 2
March 31, 1980

of bonds issued by and assets held by the Alaska Industrial Development Authority. We have, therefore, included a temporary section in the bill requiring the transfer of the rights and responsibilities relating to such bonds and assets to the newly created Alaska Commercial Loan Corporation. Since the Alaska Industrial Development Authority must stay in existence long enough to transfer its assets and liabilities to the Alaska Commercial Loan Corporation, the repeal of AS 44.61 was placed in a separate section of the bill and given an effective date 60 days after the effective date of the remainder of the bill.

(Page 10, lines 3 - 10) Sec. 45.96.085(b) prohibits the corporation from issuing bonds if the amount in the capital reserve fund is less than the capital reserve fund requirement unless the corporation deposits in the capital reserve fund "from the proceeds of the bonds to be issued" or from other sources an amount which will return the amount in the capital reserve fund to the capital reserve fund requirement. Is it possible to deposit the proceeds from the issuance of bonds if the bonds are "to be issued"?

(Page 10, lines 22 - 24) Sec. 45.96.085(e) provides a definition of "capital reserve fund requirement" which includes the phrase "as of the date of computation". It is not clear what the date of computation is or what is being computed.

(Page 18, lines 18 - 25) Sec. 45.96.160(b) states the interest rate for loans made from or purchased with money in the direct loan account. It provides that the interest rate will equal one of two amounts. I guess the corporation is intended to have complete discretion in determining which amount to choose.

(Page 28, lines 4 - 6) This amendment to the veterans' loan act, in the rough draft, would have prohibited loans to applicants who had been granted a loan within five years of the date of application "with the exception of a loan made under AS 26.15.040(a)(1)." I could not tell whether this was meant to allow loans to these applicants if the loan was to be made under AS 26.15.040(a)(1) or whether a loan under AS 26.15.040(b)(1) could not be used to disqualify an applicant under this subsection. The language in the enclosed bill reflects the latter interpretation.

Senator John C. Sackett
Page 3
March 31, 1980

(Page 30, line 26) The rough draft created an energy loan fund but gave no indication of where it should be included in the Alaska Statutes. I have added it as a new section to AS 45.88, which presently consists of the alternative technology and power resource revolving loan fund.

Finally, section 10 of the rough draft does not appear in this bill. That section amended a non-existent statute. My understanding was that this amendment should apply to loans from the commercial loan corporation and from the Alaska Housing Finance Corporation unless the bill already provided for interest reductions for those loans. Since the bill creates an interest reduction account for both corporations, I left this language out of this draft of the bill.

KEV:ljb

Enclosure

Original sponsor: Hohman

Offered: 3/31/80
Referred: Rules

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 1 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state loan programs, establishing
7 the Alaska Commercial Loan Corporation, and authorizing
8 the purchase of housing mortgage loans by the Alaska
9 Housing Finance Corporation."

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

11 * Section 1. PURPOSE. The purpose of this Act is to provide the lowest
12 possible interest costs to Alaska borrowers consistent with sound financial
13 practices and to make loans available to all sectors of the Alaska economy
14 including loans for long-term financing. A strong loan source, by being
15 available to secure interest rates and terms better than those available to
16 make loans limited in size for a specific purpose, will make a significant
17 contribution to lowering costs of living for Alaska residents and costs of
18 operations in the private and public sector.

19 * Sec. 2. LEGISLATIVE FINDING AND POLICY. (a) The legislature finds that

20 (1) there exist areas of the state in which seasonal and non-
21 seasonal unemployment exist;

22 (2) this unemployment is a serious menace to the health, safety
23 and general welfare, not only of the people in those areas, but also of the
24 people of the entire state;

25 (3) the state lacks the basic manufacturing, industrial, and other
26 business enterprises necessary to permit adequate development of its natural
27 resources and the balanced growth of its economy;

28 (4) the establishment of industrial, manufacturing, and other
29 business enterprises in Alaska, including facilities for air and water trans-

1 portation, mass commuting facilities, parking facilities, pollution control
2 and waste disposal facilities, facilities for the local furnishing of
3 electric energy or gas, facilities for the furnishing of water, if available
4 on demand to members of the general public, industrial parks and commercial
5 agriculture, facilities for tourism, mining, and onshore and offshore fish
6 harvesting and processing, and other trade or service facilities is essential
7 to the development of the natural resources and the long-term economic growth
8 of the state, and will alleviate unemployment in the state;

9 (5) the achievement of the goal of full employment, and of the
10 establishment and continuing operation and development of industrial, manu-
11 facturing, and other business enterprises in the state, including facilities
12 for air and water transportation, mass commuting facilities, parking facili-
13 ties, pollution control and waste disposal facilities, facilities for the
14 local furnishing of electric energy or gas, facilities for the furnishing of
15 water, if available on demand to members of the general public, industrial
16 parks and commercial agriculture, facilities for tourism, mining, and onshore
17 and offshore fish harvesting and processing, and other trade or service
18 facilities will be accelerated and facilitated by the creation of an instru-
19 mentality of the state with powers to incur debt and to make and insure loans
20 to finance, and to assist private lenders to make loans to finance, indus-
21 trial, manufacturing, and other business enterprise projects, including
22 facilities for air and water transportation, mass commuting facilities,
23 parking facilities, pollution control and waste disposal facilities,
24 facilities for the local furnishing of electric energy or gas, facilities for
25 the furnishing of water, if available on demand to members of the general
26 public, industrial parks and commercial agriculture, facilities for tourism,
27 mining, and onshore and offshore fish harvesting and processing, and other
28 trade or service facilities for private operation; this instrumentality of
29 the state will thus be able to provide financial assistance for the estab-

1 lishment, operation and development of these projects.

2 (b) It is the policy and a public purpose of the state, in the in-
3 terests of promoting the health, security and general welfare of all the
4 people of the state, to increase job opportunities and to encourage the
5 economic growth of the state, including the development of its natural re-
6 sources, through the establishment of manufacturing, industrial, and other
7 business enterprises by creating the Alaska Commercial Loan Corporation with
8 the powers, duties and functions as provided in AS 45.96.

9 * Sec. 3. AS 45 is amended by adding a new chapter to read:

10 CHAPTER 96. ALASKA COMMERCIAL LOAN CORPORATION.

11 ARTICLE 1. CREATION AND ORGANIZATION.

12 Sec. 45.96.010. CREATION OF THE CORPORATION. (a) There is
13 created the Alaska Commercial Loan Corporation. The corporation is a
14 public corporation of the state constituting a political subdivision
15 within the Department of Commerce and Economic Development, but with
16 separate and independent legal existence.

17 (b) The corporation is a state agency for the purposes of the
18 Executive Budget Act (AS 37.07).

19 Sec. 45.96.020. MEMBERSHIP OF THE CORPORATION. The membership of
20 the corporation consists of the commissioner of commerce and economic
21 development, the commissioner of revenue, and the commissioner of
22 natural resources. If a member of the corporation is unable for any
23 reason to attend a meeting of the corporation, he may by an instrument
24 in writing filed with the corporation, designate his deputy or assistant
25 commissioner to act in his place at the meeting. For the purposes of
26 this chapter, the designee is a member of the corporation at the
27 meeting.

28 Sec. 45.96.030. CHAIRMAN AND VICE-CHAIRMAN. The commissioner of
29 commerce and economic development is the chairman of the corporation,

1 presides over all meetings, and has the duties which the corporation may
2 direct. A vice-chairman may be elected by the corporation from among
3 its other members for one or more terms of one year each. The vice-
4 chairman presides over meetings in the absence of the commissioner of
5 commerce and economic development and has other duties which the
6 corporation may direct.

7 Sec. 45.96.040. MEETINGS, COMPENSATION, OFFICERS AND EMPLOYEES.

8 (a) A majority of the members of the corporation constitutes a quorum
9 for the transaction of business or the exercise of a power or function
10 at a meeting of the corporation. In case of a tie vote on a motion or
11 resolution pending before the corporation the motion or resolution shall
12 be presented to the governor and if approved by him is considered
13 adopted by the corporation.

14 (b) The members of the corporation serve without salary but each
15 member is entitled to reimbursement from corporation funds for actual
16 and necessary expenses incurred in the performance of his official
17 duties as a member of the corporation.

18 (c) The corporation may appoint persons as officers it considers
19 advisable, including an executive director, and may employ professional
20 advisors, counsel, technical experts, agents, and other employees it
21 considers advisable. The executive director and employees of the cor-
22 poration are in the exempt service under AS 39.25.

23 ARTICLE 2. PURPOSE AND POWERS.

24 Sec. 45.96.050. PURPOSE OF THE CORPORATION. The purpose of the
25 corporation is to promote, develop and advance the general prosperity
26 and economic welfare of the people of the state, to relieve problems of
27 unemployment, and to create additional employment by providing various
28 means of financing or means of facilitating the financing of industrial,
29 manufacturing, and other business enterprises in the state.

1 Sec. 45.96.060. POWERS OF THE CORPORATION. In furtherance of its
2 corporate purposes, the corporation has the following powers in addition
3 to its other powers:

4 (1) to sue and be sued;

5 (2) to have a seal and alter it at pleasure;

6 (3) to make and alter bylaws for its organization and
7 internal management;

8 (4) to adopt regulations governing the exercise of its cor-
9 porate powers;

10 (5) to acquire an interest in a project, whether by purchase,
11 gift or lease, as necessary or appropriate to provide financing or to
12 facilitate financing for the project under this chapter;

13 (6) to lease to others a project acquired by it upon the
14 terms and conditions the corporation may consider advisable, including,
15 without limitation, provisions for options to purchase or renew;

16 (7) to issue bonds to pay the cost of a project and to secure
17 payment of the bonds as provided in this chapter;

18 (8) to sell, exchange, donate, convey or encumber by mortgage
19 or other security interest, real or personal property, including a
20 project, when, in the judgment of the corporation, the action furthers
21 its corporate purposes;

22 (9) to make, purchase or insure loans to finance the costs of
23 projects as provided in this chapter;

24 (10) to enter into loan agreements relating to projects upon
25 the terms and conditions the corporation considers advisable;

26 (11) to acquire, manage, and operate a project if it is neces-
27 sary or desirable to safeguard the corporation from losses;

28 (12) to assist private lenders to make loans to finance the
29 costs of projects through loan commitments, short-term financing, or

1 otherwise;

2 (13) to accept gifts, grants, or loans from a federal agency,
3 from an agency or instrumentality of the state, from a municipality or
4 an agency or instrumentality of a municipality, or from any other
5 source;

6 (14) to enter into contracts or agreements with a federal
7 agency, with an agency or instrumentality of the state, with a munici-
8 pality or an agency or instrumentality of a municipality, or with a
9 private organization or other entity regarding the exercise of a power
10 under this chapter;

11 (15) to deposit or invest its assets, subject to agreements
12 with bondholders;

13 (16) to do all things necessary or convenient to carry out its
14 corporate purposes and exercise the powers granted in this chapter.

15 ARTICLE 3. FINANCIAL PROVISIONS.

16 Sec. 45.96.070. BONDS OF THE CORPORATION. (a) The corporation
17 may borrow money and may issue bonds, including but not limited to bonds
18 on which the principal and interest are payable,

19 (1) exclusively from the income and receipts or other money
20 derived from the project financed with the proceeds of the bonds;

21 (2) exclusively from the income and receipts or other money
22 derived from designated projects whether or not they are financed in
23 whole or in part with the proceeds of the bonds; or

24 (3) from its income and receipts or other assets generally,
25 or a designated part or parts of them.

26 (b) Bonds shall be authorized by resolution of the corporation,
27 and be dated and shall mature as the resolution may provide, except that
28 no bond may mature more than 40 years from the date of its issue. Bonds
29 shall bear interest at the rate or rates, be in the denominations, be in

1 the form, either coupon or registered, carry the registration privi-
2 leges, be executed in the manner, be payable in the medium of payment,
3 at the place or places, and be subject to the terms of redemption which
4 the resolution or a subsequent resolution may provide.

5 (c) Bonds of the corporation, regardless of form or character, are
6 negotiable instruments for the purposes of the Uniform Commercial Code
7 (AS 45.05.002 - 45.05.794).

8 (d) Bonds of the corporation may be sold at public or private sale
9 in the manner, for the price or prices, and at the time or times which
10 the corporation may determine.

11 (e) Before the issuance of its bonds, the corporation shall
12 provide by lease or other agreement regarding the project or projects
13 being financed by the issue of the bonds, for rentals or other con-
14 siderations at least sufficient, in the judgment of the corporation, to
15 pay the principal of and interest on the bonds as they become due and to
16 create and maintain the reserves for the bonds as the corporation con-
17 siders necessary or desirable and to meet all obligations in connection
18 with the lease or other agreement and all costs necessary to service the
19 bonds, unless the lease or agreement provides that the obligations are
20 to be met or costs are to be paid by a party other than the corporation.

21 (f) The superior court has jurisdiction of actions or proceedings
22 relating to the corporation, including actions or proceedings brought to
23 foreclose or otherwise enforce a mortgage, pledge, assignment or
24 security interest or brought by or for the benefit or security of a
25 holder of its bonds or by a trustee for or other representative of the
26 holders of the bonds of the corporation.

27 Sec. 45.96.080. TRUST INDENTURES AND TRUST AGREEMENTS. In the
28 discretion of the corporation, an issue of bonds may be secured by a
29 trust indenture or trust agreement between the corporation and a cor-

1 corporate trustee (which may be a trust company, bank, or national banking
2 association, with corporate trust powers, located inside or outside the
3 state) or by a secured loan agreement or other instrument or under a
4 resolution giving powers to a corporate trustee (referred to in this
5 section as a "trust agreement") by means of which the corporation may

6 (1) make and enter into the covenants and agreements with the
7 corporate trustee or the holders of the bonds which the corporation may
8 determine to be necessary or desirable, including, without limitation,
9 covenants and agreements as to

10 (A) the application, investment, deposit, use and dis-
11 position of the proceeds of bonds of the corporation or of money or
12 other property of the corporation or in which the corporation has
13 an interest;

14 (B) the fixing and collection of rents or other con-
15 sideration for, and the other terms to be incorporated in a lease
16 or contract of sale of a project;

17 (C) the assignment by the corporation of its rights in
18 the lease or contract of sale of a project or in a mortgage or
19 other security interest created with respect to a project to a
20 trustee for the benefit of bondholders;

21 (D) the terms and conditions upon which additional bonds
22 of the corporation may be issued;

23 (E) the vesting in a trustee of rights, powers, duties,
24 funds or property in trust for the benefit of bondholders, includ-
25 ing, without limitation, the right to enforce payment, performance
26 and all other rights of the corporation or of the bondholders,
27 under a lease, contract of sale, mortgage, security agreement, or
28 trust agreement with respect to a project by mandamus or other
29 proceeding or by taking possession of, by agent or otherwise, and

1 operating a project and collecting rents or other consideration and
2 applying the same in accordance with the trust agreement;

3 (2) pledge, mortgage or assign money, leases, agreements,
4 property or other assets of the corporation either presently in hand or
5 to be received in the future, or both; and

6 (3) provide for other matters which affect the security or
7 protection of the bonds.

8 Sec. 45.96.085. CAPITAL RESERVE FUNDS. (a) For the purpose of
9 securing one or more issues of its bonds, the corporation may establish
10 one or more special funds, called "capital reserve funds," and shall pay
11 into those capital reserve funds the proceeds of the sale of its bonds
12 and other money which may be made available to the corporation from
13 other sources for the purposes of those funds. A capital reserve fund
14 may be established only if the corporation determines that its estab-
15 lishment would enhance the marketability of the bonds. Money held in a
16 capital reserve fund, except as provided in this section, may be used as
17 required, only for (1) the payment of the principal of, and interest on,
18 bonds or of the sinking fund payments with respect to those bonds; (2)
19 the purchase or redemption of the bonds; or (3) the payment of a
20 redemption premium required to be paid when the bonds are redeemed
21 before maturity. However, money in a fund may not be withdrawn if the
22 amount of the withdrawal would reduce the amount in the fund to less
23 than the capital reserve requirement, except for the purpose of making,
24 with respect to the bonds, payment, when due, of principal, interest,
25 redemption premiums, and sinking fund payments when other money of the
26 corporation is not available for making the payments. Income or
27 interest earned by, or increment to, a capital reserve fund, from the
28 investment of all or part of the capital reserve fund, may be trans-
29 ferred by the corporation to other funds or accounts of the corporation

1 if the transfer does not reduce the amount of the capital reserve fund
2 below the capital reserve fund requirement.

3 (b) If the corporation decides to issue bonds secured by a capital
4 reserve fund, the bonds may not be issued if the amount in the capital
5 reserve fund is less than the capital reserve fund requirement, unless
6 the corporation, at the time of issuance of the bonds, deposits in the
7 capital reserve fund from the proceeds of the bonds to be issued or from
8 other sources, an amount which, together with the amount then in the
9 fund, will not be less than the capital reserve fund requirement.

10 (c) In computing the amount of a capital reserve fund for the
11 purpose of this section, securities in which all or a portion of the
12 fund is invested shall be valued by a reasonable method established by
13 the corporation by resolution. Valuation on a particular date shall
14 include the amount of interest earned or accrued to that date.

15 (d) The chairman of the corporation shall annually, no later than
16 January 2, certify in writing to the governor and the legislature the
17 amount, if any, required to restore each capital reserve fund to the
18 capital reserve fund requirement. The legislature may appropriate the
19 amount, and the corporation shall deposit the amount appropriated during
20 the then current fiscal year in the proper capital reserve fund. Noth-
21 ing in this section creates a debt or liability of the state.

22 (e) In this section, "capital reserve fund requirement" means the
23 amount required to be on deposit in a capital reserve fund as of the
24 date of computation as determined by resolution of the corporation.

25 Sec. 45.96.090. VALIDITY OF PLEDGE. It is the intention of the
26 legislature that a pledge made in respect of bonds shall be valid and
27 binding from the time the pledge is made; that the money or property so
28 pledged and thereafter received by the corporation shall immediately be
29 subject to the lien of the pledge without physical delivery or further

1 act; and that the lien of the pledge shall be valid and binding as
2 against all parties having claims of any kind in tort, contract or
3 otherwise against the corporation irrespective of whether the parties
4 have notice of the lien. The resolution, trust agreement or other
5 instrument by which a pledge is created is not required to be recorded
6 or filed under the provisions of the Uniform Commercial Code (AS 45.05.-
7 002 - 45.05.794) to be valid, binding or effective against the parties.

8 Sec. 45.96.100. NONLIABILITY ON BONDS. (a) A member of the
9 corporation or a person executing the bonds is not liable personally on
10 the bonds or subject to personal liability or accountability by reason
11 of the issuance of the bonds.

12 (b) The bonds issued by the corporation do not constitute an
13 indebtedness or liability of the state or of a political subdivision of
14 the state (except the corporation) but are payable solely from the
15 income and receipts or other assets of the corporation. The corporation
16 may not pledge the faith or credit of the state or of a political sub-
17 division of the state (except the corporation) to the payment of a bond,
18 and the issuance of a bond by the corporation does not directly or
19 indirectly or contingently obligate the state or a political subdivision
20 of the state to apply money from, or levy or pledge taxes to the payment
21 of the bond.

22 Sec. 45.96.110. PLEDGE OF THE STATE. The state pledges to and
23 agrees with the holders of bonds issued under this chapter and with the
24 federal agency which loans or contributes funds in respect to a project,
25 that the state will not limit or alter the rights and powers vested in
26 the corporation to fulfill the terms of a contract made by the corpora-
27 tion with the holders or federal agency, or in any way impair the rights
28 and remedies of the bondholders until the bonds, together with the
29 interest on them with interest on unpaid installments of interest, and

1 all costs and expenses in connection with an action or proceeding by or
2 on behalf of the bondholders, are fully met and discharged. The
3 corporation is authorized to include this pledge and agreement of the
4 state, as it relates to holders of bonds of the corporation, in a
5 contract with the bondholders, and as it relates to a federal agency, in
6 a contract with the federal agency.

7 Sec. 45.96.120. EXEMPTION FROM TAXATION. (a) The real and per-
8 sonal property of the corporation and its assets, income and receipts
9 are declared to be the property of a political subdivision of the state
10 and, together with projects financed under this chapter and leasehold
11 interests created in project occupants or other persons under this
12 chapter, devoted to an essential public and governmental function and
13 purpose, and the property, assets, income, receipts, project and lease-
14 hold interests are exempt from all taxes and special assessments of the
15 state or of a political subdivision of the state, including, all
16 boroughs and cities. The bonds of the corporation are declared to be
17 issued by a political subdivision of the state and for an essential
18 public and governmental purpose and to be a public instrumentality and
19 the bonds, and the interest on them, the income from them and the
20 transfer of the bonds, and all assets, income and receipts pledged to
21 pay or secure the payment of the bonds, or interest on them, shall at
22 all times be exempt from taxation by or under the authority of the
23 state, except for inheritance and estate taxes and taxes on transfers by
24 or in contemplation of death. Nothing in this section affects or limits
25 an exemption from license fees, property taxes, or excise, income or
26 other taxes, provided under any other law, nor does it create a tax
27 exemption with respect to the interest of any business enterprise or
28 other person, other than the corporation, in any property, assets,
29 income, receipts, project or lease whether or not financed under this

1 chapter.

2 (b) The corporation may enter into agreements with a project
3 occupant or proposed project occupant providing for payments, computed
4 on a formula or otherwise, in place of taxes. The agreement may provide
5 that the payments be made to the city or borough in which a project is
6 or is to be located.

7 (c) For the purposes of the computation of the required local
8 effort of a city or borough school district under the public school
9 foundation program (AS 14.17), property exempted from taxation by this
10 chapter is considered taxable real and personal property.

11 Sec. 45.96.130. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The
12 bonds of the corporation are securities in which public officers and
13 bodies of the state, municipalities, and insurance companies and
14 associations and other persons carrying on an insurance business, banks,
15 bankers, trust companies, savings banks, savings associations, including
16 savings and loan associations and building and loan associations,
17 investment companies and other persons carrying on a banking business,
18 administrators, guardians, executors, trustees and other fiduciaries,
19 and other persons who are authorized to invest in bonds or other
20 obligations of the state, may properly and legally invest funds in-
21 cluding capital in their control or belonging to them. Notwithstanding
22 any other provisions of law, the bonds of the corporation are also
23 securities which may be deposited with and may be received by public
24 officers and bodies of the state and municipalities for any purpose for
25 which the deposit of bonds or other obligations of the state is
26 authorized.

27 Sec. 45.96.140. ENTERPRISE DEVELOPMENT FUND. (a) There is estab-
28 lished in the corporation the enterprise development fund. The enter-
29 prise development fund shall be completely segregated and set apart from

1 all other funds of the corporation, and is a trust fund for the uses and
2 purposes of this section. Money may be paid into and out of the enter-
3 prise development fund only as provided in this chapter. The enterprise
4 development fund may be composed of money or assets appropriated or
5 transferred to the corporation, interest on investments and loans of the
6 enterprise development fund, and other money deposited in it by the
7 corporation.

8 (b) The corporation shall establish within the enterprise develop-
9 ment fund a loan insurance account, a direct loan account, a loan inter-
10 est reduction account and other accounts it considers appropriate.
11 Assets in the enterprise development fund shall be held and invested by
12 the corporation in investments authorized under AS 37.10.070(a)(1) - (6)
13 or as may be authorized in agreements with bondholders.

14 Sec. 45.96.150. LOAN INSURANCE ACCOUNT. (a) The purpose of the
15 loan insurance account is to provide insurance of mortgage loans and
16 other loans made by or purchased by the corporation or approved for
17 insurance by the corporation, for projects. The corporation may enter
18 into agreements as to the use of money in the loan insurance account and
19 may pledge, assign, or grant interests in the loan insurance account as
20 provided in this section. The corporation may adopt regulations and
21 enter into agreements with respect to the exercise of a power or
22 approval relating to the loan insurance account under this section,
23 including, without limitation, agreements as to the use of money in the
24 loan insurance account, agreements with respect to the terms and
25 conditions upon which payments from the loan insurance account shall be
26 made with respect to a loan insured under this section, agreements as to
27 separate subaccounts in the account for different categories of loans or
28 with respect to loans made by the corporation or another person, and
29 agreements regarding the payment of and security for bonds issued by the

1 corporation. An agreement, the rights of the corporation under an
2 agreement, or payments received or to be received under the agreement
3 may be pledged or assigned by the corporation for the benefit of the
4 holders of bonds issued by the corporation.

5 (b) The corporation may, upon application of a proposed borrower,
6 insure and make advance commitments to insure loan repayments required
7 under the terms of a loan made by it or by another lender with respect
8 to a project, upon the terms and conditions the corporation prescribes.
9 To be eligible for insurance under this chapter, a loan for a project

10 (1) shall be held by the corporation or by a lender approved
11 by the corporation as responsible and able to service the loan;

12 (2) may not exceed \$10,000,000, or 90 percent of the cost of
13 the project, or 90 percent of the appraised value of the project,
14 whichever is less;

15 (3) may not have a term longer than three-quarters of the
16 corporation's estimate of the life of the project or 25 years from the
17 date of issuance of the insurance, whichever is earlier;

18 (4) shall contain complete amortization provisions satisfac-
19 tory to the corporation requiring periodic payments by the borrower; and

20 (5) shall be in the form and contain the terms with respect
21 to insurance, repairs, alterations, payment of taxes and assessments,
22 default reserves, delinquency charges, default remedies, acceleration of
23 maturity, additional and secondary liens, and other matters that the
24 corporation prescribes.

25 (c) In addition to other fees and charges which the corporation
26 may charge on loans, the corporation may collect or cause to be
27 collected on all loans insured under this section, either a loan
28 insurance commitment fee or a loan insurance premium or both. The loan
29 insurance fee and loan insurance premium are not required to be uniform

1 among the various loans insured. The loan insurance commitment fees and
2 loan insurance premiums, when received, shall be deposited in the
3 insurance account by the loan servicer, trustee, or agent designated by
4 the corporation to receive them.

5 (d) If, at any time after receipt by the corporation of a payment
6 from the loan insurance account with respect to a loan, of a portion of
7 the principal and interest of a loan, or of other amounts payable on a
8 loan, the corporation recovers an amount on the loan or portion of it
9 from a source other than the loan insurance account, the corporation
10 shall apply the amount recovered in the following order: first, to
11 repay the general fund of the state for appropriations made under (g) of
12 this section, and second, to repay the loan insurance account.

13 (e) Loans may be insured only when the amount either in the loan
14 insurance account insuring the loans or a subaccount in the loan insur-
15 ance account insuring the loans, as a percentage of the sum of all loans
16 to be insured and all unpaid principal on loans insured by the loan
17 insurance account or the subaccount, equals or exceeds the fund require-
18 ment. The fund requirement is calculated as a percentage which the
19 corporation determines is actuarially sound for the operation of the
20 loan insurance account or a subaccount in the loan insurance account.

21 (f) In determining the actuarial soundness of the loan insurance
22 account or of a subaccount in the loan insurance account, the corpora-
23 tion shall consider means of providing sufficient revenue for the
24 operation of the account or subaccount, without regard to amounts which
25 may have been or may be appropriated under (g) of this section. the
26 corporation shall also consider estimates of future defaults and losses
27 of loans insured under this section based on actual default and loss
28 experience on those loans or on similar loans in the state or elsewhere,
29 estimates of recoveries on defaulted or foreclosed loans based on actual

1 recovery experience on those loans or on similar loans in the state or
2 elsewhere, the terms and conditions of the loans insured under this
3 section, estimates of earnings and income of amounts on deposit in the
4 loan insurance account, and other appropriate factors.

5 (g) On December 1 of each year the corporation shall determine the
6 amount on deposit in the loan insurance account and in each subaccount
7 in the loan insurance account. If the amount in the loan insurance
8 account or the amount in a subaccount in the loan insurance account is
9 less than the fund requirement for the loan insurance account or for the
10 subaccount in the loan insurance account, the corporation shall transfer
11 the amount necessary to restore the subaccount or the loan insurance
12 account to the fund requirement from available money which is not encum-
13 bered or restricted for other uses under the terms of contract, with
14 bondholders or others. If sufficient money is not available for trans-
15 fer, the chairman of the corporation shall, no later than January 2 of
16 the following year, certify in writing to the governor and to the legis-
17 lature the amount, if any, required to restore the loan insurance
18 account or a subaccount in the loan insurance account to the fund
19 requirement. The legislature may appropriate the amount and the
20 corporation shall deposit the amount appropriated by the legislature
21 during the then current state fiscal year in the loan insurance account
22 or proper subaccount. Nothing in this subsection creates a debt or
23 liability of the state.

24 (h) A contract of insurance executed by the corporation under this
25 section is conclusive evidence of eligibility for the insurance. The
26 validity of a contract of insurance executed by the corporation or of an
27 advance commitment to insure is incontestable from the date of the
28 execution of the contract or commitment, except for fraud or misrepre-
29 sentation on the part of the insured or, as to commitments to insure,

1 noncompliance with the terms of the advance commitment or corporation
2 regulations in force at the time of issuance of the advance commitment.

3 (i) In this section,

4 (1) "loan insurance commitment fee" means a fee stated as a
5 percentage of the principal amount of a loan to be insured under this
6 section determined by the corporation to be actuarially sound for the
7 operation of the loan insurance account;

8 (2) "loan insurance premium" means an annual insurance
9 premium stated as a percentage of the portion of the unpaid principal
10 amount of a loan insured under this section determined by the corpora-
11 tion to be actuarially sound for the operation of the loan insurance
12 account or a subaccount in the loan insurance account.

13 Sec. 45.96.160. DIRECT LOAN ACCOUNT. (a) The purpose of the
14 direct loan account is to provide money for making loans, or purchasing
15 loans made by others, to a business enterprise to pay the cost of a
16 project which cannot be financed with the proceeds of bonds of the
17 corporation the interest on which is exempt from federal income tax.

18 (b) The interest rate on loans made from or purchased by the
19 direct loan account shall equal

20 (1) the yield on 10-year United States Treasury bonds rounded
21 to the nearest one-eighth of one percent, as reported as of the last day
22 of the month immediately preceding the date of commitment to make or
23 purchase the loan; or

24 (2) the interest rate which the corporation estimates would
25 be payable on bonds issued to make the loans.

26 (c) A loan for a project made from or purchased by the direct loan
27 account

28 (1) may not exceed \$500,000, or 90 percent of the cost of the
29 project, or 90 percent of the appraised value of the project, whichever

1 is less;

2 (2) may not be for a term longer than three-quarters of the
3 corporation's estimate of the life of the project or 25 years from the
4 date of the loan, whichever is earlier;

5 (3) shall contain complete amortization provisions satisfac-
6 tory to the corporation requiring periodic payments by the borrower;

7 (4) shall be in the form and contain the terms and provisions
8 with respect to insurance, repairs, alterations, payment of taxes and
9 assessments, default reserves, delinquency charges, default remedies,
10 acceleration of maturity, secondary liens and other matters the corpora-
11 tion prescribes; and

12 (5) shall be secured as to repayment by a mortgage or other
13 security instrument in the manner the corporation determines is feasible
14 to assure timely repayment under a loan agreement entered into with the
15 borrower.

16 (d) The corporation may adopt regulations for the administration
17 of the direct loan account which may include, without limitation, pro-
18 visions for fees and agreements relating to application, loan commit-
19 ment, servicing, and origination of loans directly or by other lenders.

20 (e) The corporation may enter into agreements as to the use of the
21 money in the direct loan account, including, without limitation, trust
22 or custody agreements with banks or trust companies. It may also
23 pledge, assign, or grant the agreement, interests under an agreement, or
24 interests in the direct loan account as may be necessary or appropriate
25 to provide for payment and security for bonds of the corporation.

26 Sec. 45.96.170. LOAN INTEREST REDUCTION ACCOUNT. (a) The purpose
27 of the loan interest reduction account is to provide for interest rate
28 reductions to borrowers on loans made from or purchased by the
29 direct loan account, loans made by others and insured under AS 45.96.-

1 150, and loans made by the corporation from the proceeds of bonds of the
2 corporation the interest on which is not exempt from federal income tax.

3 (b) The corporation shall establish and amend the interest rate
4 reduction as necessary to prevent the interest rate on a loan described
5 in (a) of this section to a state veteran from exceeding nine and one-
6 quarter percent a year and to prevent the interest rate on a loan de-
7 scribed in (a) of this section to a borrower who is not a state veteran
8 from exceeding nine and one-half percent a year. The interest rate
9 reduction account may be financed only from appropriations by the legis-
10 lature. In this subsection, "state veteran" means a veteran eligible
11 for a loan under AS 26.15.

12 (c) In determining the amount of the interest reduction on a loan
13 eligible for interest rate reduction under this section, the corporation
14 shall calculate the total amount of the interest reduction over the
15 scheduled term of the loan, together with the total amount of servicing
16 fees estimated to be payable over the scheduled term of the loan. To
17 the extent investments are available, the corporation shall invest an
18 amount held in the interest reduction account in investments earning
19 interest payable or yielding amounts at the times and in the amounts
20 which together with the principal of the investments and cash held will
21 be sufficient to pay the interest reduction and servicing fees as they
22 become due. The corporation shall set aside the investments and cash
23 held for the purpose of paying the interest reduction and servicing
24 fees. The statement of the corporation on the instrument evidencing the
25 loan that the amount of the interest reduction is payable from the
26 interest reduction account constitutes the obligation of the corporation
27 to pay that amount according to the terms of the statement from the
28 interest reduction account and is conclusive evidence that the
29 interest reduction is payable. Interest reductions may be paid only

1 from the interest reduction account. The corporation may enter into
2 agreements as to the use of money in the interest reduction account,
3 including, without limitation, trust or custody agreements with banks or
4 trust companies, and may pledge, assign, or grant the agreement,
5 interests under the agreement, and interests in the interest reduction
6 account to provide for timely payments of the amounts of the interest
7 reduction and servicing fees as may be necessary or appropriate to
8 provide for the payment of and security for bonds of the corporation.

9 ARTICLE 4. GENERAL PROVISIONS.

10 Sec. 45.96.180. FINDINGS OF THE CORPORATION. Before entering into
11 a lease or other agreement as provided in AS 45.96.070(e) regarding a
12 project for which the corporation agrees to issue bonds in an amount in
13 excess of \$3,000,000, or before approving insurance or a commitment to
14 insure a loan as provided in AS 45.96.150(b) with a principal amount in
15 excess of \$3,000,000, the governing body of the political subdivision of
16 the state, if any, in which the project is to be located shall file with
17 the corporation a certified copy of a resolution consenting to the
18 location (which consent need only refer to the general nature of the
19 project as set out in a request of the proposed project occupant), and
20 the corporation must find, on the basis of all information reasonably
21 available to it, that

22 (1) the project and its development under this chapter will
23 be economically advantageous to the state and the general public welfare
24 and will contribute to the economic growth of the state;

25 (2) the project occupant is financially responsible; and

26 (3) provision to meet increased demand upon public facilities
27 that might result from the project is reasonably assured.

28 Sec. 45.96.190. PURCHASE OF PROJECT AND LEASES. (a) This chapter
29 does not prevent the inclusion in a lease or other agreement relating to

1 a project of a provision granting the right to purchase the project, or
2 to renew or extend the lease or agreement, to a lessee of the corpora-
3 tion upon the terms and conditions which may be provided for in the
4 lease or agreement.

5 (b) A lease with respect to a project may provide for two or more
6 lessees with the legal relationship between themselves and the corpora-
7 tion which the corporation may approve, including, without limitation,
8 provisions that the obligations of the lessees under the lease are
9 several, joint, or joint and several and that the lessees lease the
10 project as tenants-in-common, or otherwise.

11 Sec. 45.96.200. CONFLICTS OF INTEREST. (a) A member of the
12 corporation may not vote on a resolution of the corporation relating to
13 a lease or contract to be entered into by the corporation under this
14 chapter if he is a party to the lease or contract or has a direct owner-
15 ship or equity interest in a firm, partnership, corporation or associa-
16 tion which may be a party to the contract or lease. If a member of the
17 corporation is prohibited from voting on a resolution of the corporation
18 under this subsection the first one of the following state officers who
19 is not then acting as a member of the corporation and who would not be
20 prohibited from voting on the resolution under this subsection shall
21 replace the member for all purposes relating to the adoption of the
22 resolution: the commissioner of administration, the attorney general,
23 the commissioner of health and social services, the commissioner of
24 labor, the commissioner of transportation and public facilities, the
25 commissioner of public safety.

26 (b) The state officer described in (a) of this section is a member
27 of the corporation only for the purpose of voting on the resolution as
28 provided in (a) of this section and is entitled to compensation as
29 provided in AS 45.96.040(b).

1 Sec. 45.96.210. OPERATION OF CERTAIN STATUTES EXCEPTED. The
2 corporation does not constitute (1) a political subdivision of the state
3 as the term is used in AS 37.10.085, (2) a municipal corporation or
4 political subdivision of the state as the terms are used in AS 29, or
5 (3) a state agency as the term is used in AS 37, except as provided in
6 AS 45.96.010(b). For all other purposes the corporation constitutes a
7 political subdivision and an instrumentality of the state as provided in
8 this chapter.

9 Sec. 45.96.215. CORPORATION ASSETS, INCOME AND RECEIPTS. The
10 assets, income or receipts of the corporation do not constitute money of
11 the state, and real property in which the corporation has an interest
12 may not be considered land owned by the state or land to which the state
13 may become entitled or land belonging to the state, or state land
14 referred to in art. VIII of the state constitution.

15 Sec. 45.96.220. ANNUAL AUDIT. The corporation shall have its
16 financial records audited annually by the legislative auditor or by a
17 certified public accountant approved by the legislative auditor. The
18 legislative auditor may prescribe the form and content of the financial
19 records of the corporation and shall have access to those records at any
20 time.

21 Sec. 45.96.230. ANNUAL REPORT. Before December 1 of each year,
22 the corporation shall submit to the governor and the legislature a
23 comprehensive report; in a form prescribed by the governor, describing
24 its operations, income and expenditures for the preceding 12-month
25 period.

26 Sec. 45.96.240. DEFINITIONS. In this chapter

27 (1) "corporation" means the Alaska Commercial Loan Corpora-
28 tion;

29 (2) "business enterprise" means a corporation, firm, partner-

1 ship or other association of persons organized in any manner, or a
2 single proprietorship;

3 (3) "federal agency" means the United States and an officer,
4 department, agency or instrumentality of the United States;

5 (4) "governing body of a political subdivision" means, when
6 used with respect to the location of a project, the council of a city if
7 the project is to be located in a city in the unorganized borough, or
8 the assembly if the project is to be located in an organized borough
9 or a unified municipality;

10 (5) "project" means a plant or facility used or intended for
11 use in connection with (A) making, processing, preparing or producing
12 goods, products or substances of any kind or nature; (B) developing or
13 utilizing a natural resource, or extracting, smelting, transporting,
14 converting, assembling or producing minerals, raw materials, chemicals,
15 compounds, alloys, fibers, commodities and materials, products or sub-
16 stances of any kind or nature; (C) air and water transportation, mass
17 commuting facilities and parking facilities; (D) the prevention, limita-
18 tion or control of air or water pollution, the disposal of sewage or
19 solid waste, the local furnishing of electric energy or gas, or the
20 furnishing of water, if available, on demand to members of the general
21 public, industrial parks or commercial agriculture; "project" also
22 includes and any other business or commercial plant or facility, includ-
23 ing but not limited to, a plant or facility used or intended for use as
24 a warehouse or in connection with commercial agriculture, onshore and
25 offshore fish harvesting and processing, mining, tourism, transporta-
26 tion, or research and development; "project" does not mean residential
27 housing but includes child care facilities and residential care facili-
28 ties;

29 (6) "plant" or "facility" means real property, whether above

1 or below mean high water, or an interest in it, and the buildings,
2 improvements and structures constructed or to be constructed on or in
3 it, and may include fixtures, machinery, and equipment on it, and tan-
4 gible personal property, whether or not the tangible personal property
5 is attached to or connected with real property, except work in process
6 or stock in trade, if the owner has agreed not to remove the tangible
7 personal property permanently from the state for the period the corpora-
8 tion establishes; "plant" or "facility" does not include work in process
9 or stock in trade;

10 (7) "project cost" or "cost of a project"

11 (A) means all or part of the aggregate costs determined
12 by the corporation to be necessary to finance the construction or
13 acquisition of a project, including without limitation the cost of
14 acquiring real or tangible personal property, and, in connection
15 with real property, the cost of constructing buildings and improve-
16 ments, the cost of constructing means of access to and from the
17 project, the cost of constructing extensions of utility svstems to
18 the site of the project;

19 (B) includes, without limitation, the cost of financing
20 the project, interest charges before, during or after construction
21 or acquisition of the project; costs related to the determination
22 of the feasibility, planning, design or engineering of the project
23 and, to the extent determined necessary by the corporation, admin-
24 istrative expenses; the cost of machinery or equipment to be used
25 in the operation of the project and expenses of installation,
26 replacement or rehabilitation; and all other costs, charges, fees
27 and expenses which may be determined by the corporation to be
28 necessary to finance the construction or acquisition;

29 (8) "project occupant" means a business enterprise or enter-

1 prises proposing to use or occupy a project;

2 (9) "real property" means land and rights and interests in
3 land, including, without limitation, interests less than full title such
4 as easements, uses, leases, and licenses;

5 (10) "lease" includes, when used as a noun, an interest in, or
6 when used as a verb, the transfer of an interest in, property less than
7 fee simple title, including, without limitation, when used as a noun,
8 agreements to use or occupy property.

9 * Sec. 4. AS 26.15.040 is amended to read:

10 Sec. 26.15.040. VETERANS' LOANS. (a) The commissioner of com-
11 merce and economic development may, under regulations and policies
12 adopted by him, make the following loans:

13 (1) Home improvement [PERSONAL] loans may be made in an
14 amount [FOR EDUCATIONAL, DOMESTIC, REMOTE AREA FAMILY HOUSING AND OTHER
15 PERSONAL PURPOSES,] not exceeding \$15,000 [\$10,000]. The loans shall be
16 secured by acceptable collateral [WHEN AVAILABLE BUT IF NOT AVAILABLE
17 THE COMMISSIONER MAY MAKE LOANS ON THE BASIS OF GOOD CHARACTER]. The
18 rate of interest may not exceed eight [NINE] and one-half percent a year
19 on the unpaid balance.

20 (2) Single-family [FARM AND SINGLE-FAMILY] home loans not
21 exceeding \$100,000 [\$75,000] and loans for owner-occupied duplexes not
22 exceeding \$150,000 [\$125,000] may be made to purchase, [REMODEL,
23 REPAIR,] build, or [FURNISH,] refinance [OR EQUIP] homes, or owner-
24 occupied duplexes [OR FARMS] in the state [, INCLUDING THE CLEARING AND
25 DRAINAGE FOR FARMS]. The loans may not exceed 90 percent of the
26 appraised value when made for the purchase or construction of a home or
27 owner-occupied duplex unless additional amounts are secured by accept-
28 able collateral as determined by the commissioner of commerce and
29 economic development in conformity with established minimum require-

1 ments. The rate of interest may not exceed eight [NINE] and one-half
2 percent a year on the unpaid balance.

3 [(3) BUSINESS LOANS NOT EXCEEDING \$125,000 MAY BE MADE TO
4 ACQUIRE, FINANCE OR REFINANCE OR EQUIP BUSINESSES, INCLUDING MINING AND
5 FISHING BUT NOT INCLUDING FARMING, IF THE LOAN APPLICANT HAS HAD THREE
6 OR MORE YEARS OF GENERAL BUSINESS EXPERIENCE. THE LOANS SHALL BE
7 SECURED BY ACCEPTABLE COLLATERAL AND MAY NOT EXCEED 75 PERCENT OF THE
8 APPRAISED VALUE OF THE COLLATERAL OFFERED AS SECURITY. THE RATE OF
9 INTEREST MAY NOT EXCEED NINE AND ONE-HALF PERCENT A YEAR ON THE UNPAID
10 BALANCE.]

11 (4) Multiple dwelling loans not exceeding \$150,000 [\$110,000]
12 may be made to purchase, [REMODEL, REPAIR,] build, or [FURNISH,] re-
13 finance [OR EQUIP] multiple dwellings. The loans shall be secured by
14 acceptable collateral and may not exceed 75 percent of the appraised
15 value of the collateral offered as security. The rate of interest may
16 not exceed eight [NINE] and one-half percent a year on the unpaid
17 balance.

18 (b) The commissioner of commerce and economic development may
19 enter into agreements with private banks, other lending institutions and
20 individuals for the purpose of guaranteeing loans made to qualified
21 applicants. The guarantees may not exceed 90 percent of the amount
22 loaned and the loans shall be secured in the same manner provided for
23 direct loans under this section. A loan made under this subsection and
24 guaranteed by the commissioner of commerce and economic development and
25 the state shall bear an interest rate not exceeding eight [NINE] and
26 one-half percent a year on the unpaid balance.

27 (c) A loan [NO LOANS] authorized by (a)(2) [, (3)] and (4) of this
28 section may not be made unless the commissioner of commerce and economic
29 development is satisfied that money at a comparable rate of interest is

1 not available to the applicant from private lending institutions on a
2 guaranteed basis as set out in (b) of this section. An applicant is
3 eligible for more than one type of loan, but the total may not exceed
4 \$150,000 [\$125,000] at any one time. A loan may not be made to an appli-
5 cant who was granted a loan under this section within five years of the
6 date of application unless the loan was made under(a)(1) of this section.

7 (d) Money loaned shall be delivered to the borrower in the form of
8 a warrant drawn on the treasury, vouchered in the manner prescribed for
9 state disbursing officers, and charged against the Alaska World War II
10 veterans' revolving fund. Each voucher shall be approved by the commis-
11 sioner of commerce and economic development or any bonded deputy autho-
12 rized to act as a certifying officer. Upon repayment of loans by in-
13 stallments, or otherwise, in accordance with the prescribed terms, or
14 upon liquidation by foreclosure or other process, or upon receipt of
15 interest or other revenue, the money so received shall be turned over to
16 the commissioner of revenue for deposit in the Alaska World War II
17 veterans' revolving fund.

18 (e) It is unlawful for a borrower to transfer a loan made under
19 this chapter to a person who is not qualified for a loan under this
20 chapter. Transfer by the borrower of a loan made under this chapter to
21 a person qualified for a loan under this chapter must be approved by the
22 department.

23 * Sec. 5. AS 26.15.130 is amended to read:

24 Sec. 26.15.130. ELIGIBILITY FOR VETERANS' LOANS. (a) The follow-
25 ing persons are qualified [QUALIFICATIONS] for loans under this chapter
26 [ARE]:

27 (1) A person [PERSONS] who served in the armed forces of the
28 United States for 90 days or more, or whose service was for less than 90
29 days because of injury or disability incurred in the line of duty, after

1 [BETWEEN] April 6, 1917, [AND NOVEMBER 11, 1918, AND BEGINNING
2 SEPTEMBER 16, 1940 TO SIX MONTHS AFTER TERMINATION OF HOSTILITIES
3 INVOLVING UNITED STATES FORCES IN INDO-CHINA, OR IN A COMBAT ZONE DURING
4 ANY PERIOD OF ARMED CONFLICT, WHO WERE SEPARATED FROM THE ARMED FORCES
5 WITH A DISCHARGE OTHER THAN DISHONORABLE,] whose discharge from the
6 armed forces was not dishonorable and

7 (A) who, at the time of induction into the service,
8 was a resident [WERE RESIDENTS] of the territory or state, who had
9 been a resident [RESIDENTS] for not less than one year immediately
10 before his [THEIR] induction, and who returned to the territory or
11 state within one year after discharge as a resident [RESIDENTS]
12 with the intention of remaining in the territory or state; or

13 (B) who, not being a bona fide resident [RESIDENTS] of
14 the territory or state before his [THEIR] entry into the service,
15 has [HAVE] been a resident [RESIDENTS] of the territory or state
16 for the last five or more consecutive years after discharge from
17 active duty;

18 (2) a person [PERSONS] who was [WERE] dependent on a member
19 of the armed forces or an eligible [A] veteran [OF WORLD WAR II] at the
20 time of the member's or veteran's death, if

21 (A) the member or veteran was a resident of the
22 territory or state for one year before induction into the service;
23 and

24 (B) the member or veteran [HE] served in the armed
25 forces for at least 90 days after April 6, 1917 [BETWEEN
26 SEPTEMBER 16, 1940, AND JULY 25, 1947, BUT NO BENEFITS FOR LOANS
27 ACCRUE TO DEPENDENTS OF AN ENLISTEE OR RE-ENLISTEE FOR TIME SERVED
28 AFTER NOVEMBER 1, 1945, REGARDLESS OF WHETHER THE ENLISTMENT OR
29 REENLISTMENT WAS BEFORE OR AFTER NOVEMBER 1, 1945]; and

1 (C) he died of combat related injuries [BEFORE THE
2 OFFICIAL DATE OF THE TERMINATION OF THAT WAR]; and

3 (D) his discharge was not dishonorable;

4 (3) a person [PERSONS] who has [HAVE] served in the Alaska
5 Army National Guard, [OR] the Alaska Air National Guard, or the Alaska
6 Naval Militia for not less than five [SIX] years and who has [HAVE] not
7 received a discharge other than honorable.

8 (b) For the purposes of this section, a dependent is an
9 [DEPENDENTS SHALL BE] unmarried person whose chief means of support was
10 [AND] the deceased member of the armed forces or the deceased veteran
11 [SHALL HAVE BEEN THEIR CHIEF MEANS OF SUPPORT AND THEY SHALL BE EITHER A
12 WIDOW, WIDOWER, MINOR SON, MINOR DAUGHTER, OR MOTHER, FATHER, SISTER OR
13 BROTHER INCAPABLE OF SELF-SUPPORT]. The dependent must be either (1) a
14 widow, widower, minor son, or minor daughter of the deceased member of
15 the armed forces or of the deceased veteran, or (2) the mother, father,
16 sister or brother of the deceased member of the armed forces or of the
17 deceased veteran who is incapable of self-support. A dependent
18 [DEPENDENTS] shall be a resident [RESIDENTS] of the [TERRITORY OR] state
19 at the time of making application and intend to reside in the [TERRITORY
20 OR] state permanently. The rights of a minor child who is eligible for
21 a loan under this chapter [CHILDREN] may be exercised only if the child
22 has [THEY HAVE] no surviving parent and has [HAVE] an appointed guardian
23 [WHO MAY APPLY ON THEIR BEHALF TO SECURE A LOAN FOR THEIR CARE, SUPPORT,
24 EDUCATION OR OTHER PURPOSES MENTIONED IN AS 26.15.040 OR TO RECEIVE THE
25 BONUS FOR THOSE PURPOSES].

26 * Sec. 6. AS 45.88 is amended by adding a new section to read:

27 CHAPTER 88. ENERGY AND TECHNOLOGY LOANS

28 [ALTERNATIVE TECHNOLOGY AND POWER RESOURCE REVOLVING LOAN FUND].

29 ARTICLE 2. ALASKA ENERGY LOAN FUND.

1 Sec. 45.88.050. ALASKA ENERGY LOAN FUND. There is created the
2 Alaska energy loan fund administered by the Department of Revenue. The
3 Department of Commerce and Economic Development shall recommend to the
4 Department of Revenue on each proposal for a loan from the Alaska energy
5 loan fund. Public, private and nonprofit utilities and the Alaska Power
6 Authority are eligible for loans from the Alaska energy loan fund for
7 the following purposes and under the following conditions:

8 (1) loans may be used for capital construction projects for
9 hydroelectric generating facilities capable of producing no greater than
10 five megawatts of electricity, for transmission lines to existing
11 distribution systems, and for the development of existing hydroelectric
12 generating facilities including transmission of power to a load center;
13 loans may also be used to construct, acquire, finance and operate power
14 production facilities limited to fossil fuel, wind power, tidal,
15 geothermal, or solar energy production and waste energy conservation
16 facilities;

17 (2) loans made to applicants for new or existing capital
18 construction projects described in (1) of this section may include
19 expenses incurred in securing necessary permits and licenses, design of
20 the project and construction of capital improvements;

21 (3) loans may be made for a capital improvement project to
22 expand or rehabilitate an existing hydroelectric generating facility
23 under (1) of this section if, after the rehabilitation and expansion,
24 the facility is capable of producing no greater than five megawatts of
25 electricity;

26 (4) the loan shall be repaid to the fund by the borrower from
27 revenue derived from the sale of electric power;

28 (5) the borrower shall demonstrate in its loan application
29 that the project is economically and technically feasible and, taking

1 into consideration the low interest rate on loans under this section, is
2 the most economical means of furnishing the proposed service;

3 (6) the rate of interest charged on loans made from the
4 Alaska energy loan fund shall be the equivalent of the current yield on
5 the 20 Bond Buyer Index for AA rated municipal obligations; interest may
6 be deferred for 10 years or until project completion whichever occurs
7 first.

8 * Sec. 7. FINDINGS RELATING TO ALASKA HOUSING FINANCE CORPORATION. (a)

9 The legislature finds that the Alaska Housing Finance Corporation program
10 (AS 18.56) of financing the purchase of residential mortgage loans is in
11 jeopardy because of legislation pending in the United States Congress which
12 would deny tax exemption to bonds issued by the corporation to provide funds
13 for purchasing the mortgage loans. In addition, extremely high interest
14 rates have adversely affected the ability of persons not eligible for the
15 corporation's programs to secure mortgage loans from conventional lending
16 sources to purchase residential housing. The continuance of the residential
17 mortgage purchase program of the corporation and of residential mortgage
18 lending activities of other mortgage lenders and the reduction of mortgage
19 interest rates are essential to help assure a supply of housing for home
20 purchasers in the state.

21 (b) The legislature further finds that establishment of a special
22 mortgage purchase program authorizing the creation, purchase, and sale of
23 mortgage participations, a mortgage interest reduction fund providing for
24 reduced interest rates on home mortgages, and a special housing mortgage
25 insurance program providing for insurance of home mortgages purchased by the
26 corporation will assist the Alaska Housing Finance Corporation and private
27 mortgage lenders to continue to finance the purchase of residential mortgage
28 loans and enable Alaskans to achieve home ownership at affordable mortgage
29 interest rates even if the ability of the corporation to issue tax exempt

1 obligations is ultimately withdrawn by the United States Congress and
2 mortgage interest rates continue at the present levels, which are now higher
3 than they have ever been in recent economic history.

4 * Sec. 8. AS 18.56.030(a) is amended to read:

5 (a) The corporation shall be governed by a board of directors.
6 The board of directors of the corporation consists of the commissioner
7 of the Department of Commerce and Economic Development, the commissioner
8 of the Department of Revenue, and the commissioner of the Department
9 of Administration [AND SIX MEMBERS APPOINTED BY THE GOVERNOR]. If a
10 member of the board is absent or otherwise unable to act, he may desig-
11 nate an employee in his department to act as a member of the board in
12 his place.

13 * Sec. 9. AS 18.56.030 is amended by adding a new subsection to read:

14 (e) The commissioner of the Department of Commerce and Economic
15 Development is the chairman of the board and the commissioner of the
16 Department of Revenue is the secretary. A majority of the members of
17 the board constitutes a quorum.

18 * Sec. 10. AS 18.56 is amended by adding new sections to read:

19 Sec. 18.56.097. MORTGAGE INTEREST REDUCTION FUND AND SPECIAL
20 MORTGAGE PURCHASE PROGRAM. (a) There is established in the corporation
21 the mortgage interest reduction fund. The mortgage interest reduction
22 fund shall be completely segregated from all other funds of the corpora-
23 tion, and is a trust fund for the uses and purposes of this section.
24 Money may be paid into and out of the mortgage interest reduction fund
25 only as provided in this section.

26 (b) The purpose of the mortgage interest reduction fund is to pro-
27 vide for interest rate reductions to mortgagors on mortgage loans made
28 under the special mortgage purchase program of the corporation. Under
29 the special mortgage purchase program, the corporation may purchase a

1 housing mortgage loan for a mobile home, a single-family residence, or
2 an owner-occupied duplex, which does not exceed the limitations on
3 mortgage loans purchased by the Federal National Mortgage Association as
4 to principal amount and loan-to-value ratio and which meets prudent
5 lending criteria. The corporation may purchase, sell, hold, or other-
6 wise deal in a housing mortgage loan purchased as part of its special
7 mortgage purchase program. In connection with the purchase or sale of a
8 beneficial interest or participation in housing mortgage loans, the
9 corporation may enter into a trust agreement providing for the custody,
10 control, and administration of the housing mortgage loans. The trust
11 agreement may provide that the corporation or a bank or trust company
12 shall act as trustor or trustee under the trust and that title to the
13 housing mortgage loans shall be considered to have passed as provided in
14 the trust agreement. To the extent provided in the trust agreement, the
15 effect of a sale of beneficial interests or participations in the
16 housing mortgage loans subject to the trust is the same as the sale of
17 the housing mortgage loans subject to the trust. The corporation may
18 adopt regulations prohibiting, limiting or setting conditions on the
19 right to assume a housing mortgage loan made as part of the special
20 mortgage purchase program.

21 (c) The corporation shall establish and amend as necessary the
22 interest rate reduction for housing mortgage loans purchased as part of
23 its special mortgage purchase program to prevent the interest rate to a
24 state veteran on a housing mortgage loan from exceeding nine and one-
25 quarter percent a year and to prevent the interest rate on a housing
26 mortgage loan to a borrower who is not a state veteran from exceeding
27 nine and one-half percent a year, or another amount or percentage the
28 legislature may establish. The mortgage interest reduction fund may be
29 financed only from appropriations by the legislature. In this subsec-

1 tion, "state veteran" means a veteran eligible for a loan under
2 AS 26.15.

3 (d) When the corporation determines the amount of the appropriate
4 interest reduction on a housing mortgage loan which it has committed to
5 purchase as part of its special mortgage purchase program, it shall
6 calculate the total amount of the interest reduction payable over the
7 scheduled term of the housing mortgage loan, together with the total
8 amount of servicing fees and administrative expenses estimated to be
9 payable over the term of the housing mortgage loan. To the extent
10 investments are available, the corporation shall invest an amount held
11 in the mortgage interest reduction fund in investments earning interest
12 or yielding amounts payable at the times and in the amounts which,
13 together with the principal of the investments and cash held, will be
14 sufficient to pay the interest reduction and expenses as they become
15 due. The corporation shall set aside the investments and cash held
16 for the purpose of paying the interest reduction and expenses. The
17 statement of the corporation on the mortgage note that the amount of the
18 interest reduction is payable from the mortgage interest reduction fund
19 constitutes the obligation of the corporation to pay that amount from
20 the fund according to the terms of the statement, and is conclusive
21 evidence that the amount of the interest reduction is so payable.
22 Interest reductions may be paid only from the mortgage interest
23 reduction fund. In this subsection, "expenses" means servicing fees and
24 administrative expenses.

25 (e) The mortgage interest reduction fund may be held and invested
26 by the corporation only in investments authorized under AS 37.10.070-
27 (a)(1) - (6), except as may be provided in an agreement entered into
28 under (f) of this section.

29 (f) The corporation may enter into agreements as to the use of

1 money in the mortgage interest reduction fund and as to housing mortgage
2 loans purchased as part of the special mortgage purchase program,
3 including, without limitation, trust or custody agreements with banks or
4 trust companies and may pledge, assign or grant the agreement, an
5 interest under the agreement, or an interest in the mortgage interest
6 reduction fund and in the housing mortgage loans to provide for timely
7 payments of the amounts of the interest reduction and expenses and as
8 may be necessary or appropriate to provide for the payment of and
9 security for bonds of the corporation.

10 (g) Instead of financing interest rate reductions through the
11 mortgage interest reduction fund, the corporation may provide for inter-
12 est rate reductions under this subsection. To provide interest rate
13 reductions, the corporation may purchase, with amounts available for its
14 special mortgage purchase program, housing mortgage loans made to state
15 veterans bearing interest at the rate of nine and one-half percent a
16 year and housing mortgage loans made to borrowers who are not state
17 veterans bearing interest at the rate of nine and one-half percent a
18 year, or at another rate as the legislature may fix. Bonds may be
19 issued by the corporation to provide further money for housing mortgage
20 loans, and housing mortgage loans purchased with the proceeds of the
21 bonds shall bear the same rate as housing mortgage loans purchased with
22 amounts available to the special mortgage purchase program. Housing
23 mortgage loans purchased with amounts available to the special mortgage
24 purchase program or housing mortgage loans or other property transferred
25 to or pledged for the benefit of the special mortgage purchase program
26 may be pledged by the corporation to pay principal, interest and
27 redemption premium, if any, on the bonds to the extent considered
28 necessary by the corporation. The discounted present value of the
29 housing mortgage loans pledged to the bonds in excess of the bond

1 proceeds available for the purchase of housing mortgage loans shall be
2 the amount of the interest reduction. By January 2 of each year, the
3 corporation shall calculate the amount of the interest reduction
4 estimated to be necessary for the next fiscal year based on the
5 anticipated level of housing mortgage loan purchases by the corporation
6 for that fiscal year and the estimated interest rate on bonds of the
7 corporation to be issued during that fiscal year and shall certify the
8 amount of the estimated interest reduction to the governor and to the
9 legislature.

10 (h) In this section and in AS 18.56.098, "mortgage loan" includes
11 a beneficial interest or participation in a housing mortgage loan
12 described in this section.

13 Sec. 18.56.098. INSURANCE. (a) There is established in the
14 corporation the housing insurance fund. The housing insurance fund
15 shall be completely segregated from all other funds of the corporation,
16 and is a trust fund for the uses and purposes of this section. Money
17 may be paid into and out of the housing insurance fund only as provided
18 in this section. The corporation may enter into agreements as to the
19 use of money in the housing insurance fund, agreements with respect to
20 the terms and conditions upon which payments from the housing insurance
21 fund must be made to the corporation with respect to housing mortgage
22 loans insured under this section, and agreements regarding the payment
23 of and security for bonds of the corporation. The corporation may
24 pledge, assign, or grant other interests in the housing insurance fund
25 as may be necessary or appropriate in connection with the insurance of
26 housing mortgage loans and to provide for the payment of and security
27 for bonds of the corporation.

28 (b) In addition to any other fees and charges which the corpora-
29 tion may charge on housing mortgage loans, the corporation may collect

1 or cause to be collected on all housing mortgage loans insured under
2 this section either a housing loan insurance commitment fee or a housing
3 loan insurance premium or both. The housing loan insurance commitment
4 fees and housing loan insurance premiums, when received, shall be de-
5 posited in the housing insurance fund by the corporation, or by the
6 housing mortgage loan servicer, trustee, or agent designated by the
7 corporation to receive them.

8 (c) A housing mortgage loan purchased by the corporation as part
9 of its special mortgage purchase program may be insured by the housing
10 insurance fund. The endorsement of the corporation on the mortgage that
11 it is insured under this section at the time of purchase or acquisition
12 of the housing mortgage loan is conclusive evidence that the housing
13 mortgage loan is insured under the provisions of this section.

14 (d) Housing mortgage loans may be insured only when the amount in
15 the housing insurance fund as a percentage of the sum of all mortgage
16 loans to be insured and all unpaid principal on mortgage loans insured
17 by the corporation equals or exceeds the fund requirement. The fund
18 requirement is calculated as a percentage of the unpaid principal
19 balance of the mortgage loans insured which the corporation determines
20 is actuarially sound for operation of the housing insurance fund.

21 (e) In determining actuarial soundness with respect to the opera-
22 tion of the housing insurance fund, the corporation shall consider means
23 of providing sufficient revenue for the operation of the fund, without
24 regard to amounts which may have been or may be appropriated under (f)
25 of this section. The corporation shall also consider estimates of
26 future defaults and losses on mortgage loans insured under this section
27 based on actual default and loss experience on those mortgage loans or
28 on similar mortgage loans in Alaska or elsewhere, estimates of recov-
29 eries on defaulted or foreclosed mortgage loans based on actual recovery

1 experience on those loans or on similar loans in the state or elsewhere,
2 the terms and conditions of the mortgage loans insured under this
3 section, estimates of earnings and income of amounts on deposit in the
4 housing insurance fund, and other appropriate factors.

5 (f) On December 1 of each year, the corporation shall determine
6 the amount on deposit in the housing insurance fund. If the amount in
7 the housing insurance fund is less than the fund requirement, the cor-
8 poration shall transfer the amount necessary to restore the housing
9 insurance fund from available money which is not encumbered or restrict-
10 ed for other use under the terms of contracts with bondholders or
11 others. If the amount in the housing insurance fund is less than the
12 fund requirement, the corporation shall, no later than January 2 of the
13 following year, certify in writing to the governor and to the legis-
14 lature the amount, if any, required to restore the housing insurance
15 fund to the fund requirement. The legislature may appropriate the
16 amount, and the corporation shall deposit in the housing insurance fund
17 all amounts appropriated during the then current state fiscal year.
18 Nothing in this subsection creates a debt or liability of the state.

19 (g) In this section:

20 (1) "housing loan insurance commitment fee" means a fee
21 stated as a percentage of the principal amount of a mortgage loan to be
22 insured under this section determined by the corporation to be actuar-
23 ially sound for the operation of the housing insurance fund,

24 (2) "housing loan insurance premium" means an annual insur-
25 ance premium stated as a percentage of the portion of the unpaid prin-
26 cipal amount of a mortgage insured under this section determined by the
27 corporation to be actuarially sound for the operation of the housing
28 insurance fund.

29 * Sec. 11. TRANSFER OF ASSETS AND LIABILITIES OF THE ALASKA INDUSTRIAL

1 DEVELOPMENT AUTHORITY. The Alaska Industrial Development Authority shall
2 immediately transfer its assets and liabilities to the Alaska Commercial Loan
3 Corporation. The Alaska Commercial Loan Corporation shall accept the
4 transfer of the assets and liabilities of the Alaska Industrial Development
5 Authority.

6 * Sec. 12. After July 1, 1981,

7 (1) no further loans may be made under AS 16.10.310 and 16.10.-
8 320(a) except for loans authorized under AS 16.10.333 pursuant to AS 16.10.-
9 310 and 320(a); and

10 (2) no further loans may be made under AS 44.33.245, AS 45.90.020,
11 AS 45.95.020, and AS 26.15.040(3).

12 * Sec. 13. AS 18.56.030(b) and (c); AS 26.15.010(c), 26.15.110, 26.15.-
13 120, 26.15.160; AS 44.56.170; AS 44.61; and AS 45.86.010 are repealed.

14 * Sec. 14. AS 44.61 is repealed.

15 * Sec. 15. Section 14 of this Act takes effect 60 days after the effec-
16 tive date of the remainder of this Act.

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MEMORANDUM

TO: Senator John C. Sackett
Chairman
Senate Finance Committee

FROM: Garrey Peska
Administrative Assistant

DATE: March 24, 1980

SUBJECT: Analysis of SB 1 - Administration Version

The Administration version of SB 1 takes a band aid approach to loans. It attempts to solve some of the problems we have with AHFC, the Veterans Revolving Loan Fund, and Small Business loans while making new money available, also, for large industrial development projects.

While the bill consolidates all business loans in a new separate corporation, it leaves residential loans split between the old Vets Loan Fund and AHFC. No attempt is made in the bill to consolidate or standardize collection procedures.

Funding is to come from bond sales and general fund appropriations.

The question of residency for loan eligibility is not addressed.

The bill contains many drafting errors and inconsistencies; for example, my analysis revealed:

- * The Veterans Revolving Loan Fund is to be started up again (a \$50 million appropriation to the Vets Fund has been suggested by the Administration). Vets are also, however, to be eligible for AHFC loans at 9-1/4%.
- * On page 41, line 7, this bill refers to the dissolution of the Vets Fund. That dissolution is contemplated by Sen. Hohman's version of SB 1, not this version. Subsection (c) on page 41 makes no sense.

- * On Page 32, the "Energy Loan Fund" is created but there is no statute reference and no indication of how loans from that program are to be funded.
- * The bill has a provision, taken from Senator Hohman's bill calling for interest to fluctuate with the market rate and to be reduced by 1/2% per year of residency.

The provision is on page 40 and a non-existent statute is referenced since AS 45.96.410 would only be created if Senator Hohman's bill were to pass.

Further, that interest provision is contrary to other sections of the Administration version which "peg" interest rates at 9-1/4% for Vets and 9-1/2% for others.

Major provisions of the bill follow:

- * Creates a separate corporation with bonding authority.

The corporation is a "political subdivision" of the Department of Commerce.

Senator Hohman's bill calls for the loan program to be a state agency.

The administration bill provides better control than we've had over AHFC in that it names three commissioners as the officers of the corporation and subjects their operating budget to the Executive Budget Act (Title 37).

- * The purpose of this corporation is to provide loans only for financing industrial, manufacturing, and other business enterprises.
- * Bond reserve accounts are funded by deposits from bond sales. The Commissioner of Revenue has the discretion to loan money to the corporation for reserve accounts.
- * The corporation may insure loans up to \$10,000,000. The funding for the necessary insurance reserve account will be from premiums charged for such insurance service.
- * The corporation may make direct loans up to \$500,000 for business purposes.

Qualified projects are:

- * Plants and/or equipment used in "making, processing, preparing or producing goods, products or substances of any kind or nature."

- * Facilities and/or equipment used in connection with developing or utilizing any natural resource or extracting, smelting, transporting, converting, assembling or producing commodities.
- * Facilities, etc. for transportation, mass commuting, parking, pollution control, sewer and water projects, electric projects.
- * Commercial agriculture, fishing (harvest and processing), mining, tourism, warehousing, transportation, research, and development enterprises.
- * Child care facilities and residential care facilities.

Terms: (Business Loans)

- * Loans may be up to 90% of collateral value (cost or appraisal, which ever is lower).

Terms may not exceed 25 years.

Interest rates are: 9-1/4% Veterans
9-1/2% Others

Subsidy is to be made from legislative appropriation.

Veterans Loans - Housing:

The old Vets program is re-structured to allow only housing loans to Vets. No business loans allowed.

Limits are increased to: ^{From} \$15,000 [~~\$10,000~~] Home Improvement
\$100,000 [~~\$75,000~~] Single Family
\$150,000 [~~\$125,000~~] Duplex & Multiple
(Maximum allowed is 90% of appraised value,
75% for multiple family dwellings)

Refinancing is specifically allowed.

Interest rate is to be 8-1/2%.

Creates the Energy Loan Fund:

To be administered by the Department of Revenue. The fund is to make loans for all types of power projects except large hydroelectric projects.

Loans are to be made to private and publicly-owned utility companies.

The bill doesn't say how or where the Department of Revenue is to get the money to make these loans.