

REG. FINANCE - BILLS 1979 - 1980 1286

SSB 152 1286



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Signature of Camera Operator

3/23/90
Date

SENATE FINANCE COMMITTEE
BILL CHECKLIST

- 1. Committee Copy-Current Bill ✓
- 2. History Cover Form ✓
- 3. Printed Copies:
 - Original Bill ✓
 - Committee Substitutes or Amendments ✓
- 4. SFC Committee Report Form ✓
- 5. Fiscal Information:
 - Note in File ✓
 - Note Requested Date
 - Other Financial Backup
 - (See Below)
- 6. Backup:
 - Handouts
 - Letter from Governor
 - Letter from Sponsor
 - Completed Committee Reports
 - Committee
 - Other

Note from Sen. Bradley
Notes by Garry Parker
MEMO - Bill Borrer - Summary of Bill

Senate Sec.
picked up
bill 5/7/79.
to go to
commerce ~~to~~
before Finance

Notes by Garrey Peska

3/13/79

CSSB 152

- * Creates a separate corporation with authority to sell revenue bonds.
- * Corporation would make loans directly to Vets for housing (single family & owner occupied duplexes).
- * Transfers all assets of the old Vets loan fund to the corporation.
- * Board of Directors consists of 6 -- Commissioner of Commerce and 5 veterans appointed by the Governor with no legislative approval.
- * Corporation will prescribe terms and rates of interest.
- * Provides a loan insurance fund similar to AHFC's (\$1 million state appropriation provides for \$50 million in loans in the case of AHFC)

March 14, 1979

M E M O R A N D U M

TO: John Sackett, Chairman
Senate Finance Committee

FROM: Garrey Peska
Administrative Assistant

CSSB 152 is a possibility for re-starting the Veteran's housing loan program.

On Thursday, the Department of Revenue and their Bond Counsel will say that separate authorities are a bad precedent.

Proliferations of various governmental or quasi-governmental agencies selling bonds could wipe out our bond market.

This bill should be included in our list of discussion topics for Thursday's joint meeting with House Finance.

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 12, 1979

SUBJECT: Veterans' Loan Corporation - CSSB 152

TO: Senator Brad Bradley, Chairman
Senate Commerce Committee

FROM: Billy G. Berrier *BGB*
Director
Division of Legal Services

You have asked for a summary of this bill. In broad outline, the bill creates an independent public corporation located within the Department of Commerce and Economic Development to make veterans' loans. The functions of the Division of Veterans' Affairs in making loans are vested in the corporation and the authorizing statute allowing the division to make veterans' loans is repealed. Veterans' loans are limited to single family homes and owner occupied duplexes with the other lending authorities the division now has not being carried forward. The revolving loan fund and the servicing of existing loans are transferred to the corporation. The corporation is structured so that it essentially parallels the structure of the Alaska Housing Finance Corporation, is given revenue bonding authority; and an insurance fund, which must be funded by appropriations, is created.

Section 1 of the bill contains the findings that veterans' loans are for a public purpose. Although probably not essential, this type of finding in a bill creating a public corporation has weight with the court if the question is raised.

Sec. 26.16.010 establishes the corporation within the Department of Commerce and Economic Development as a public corporation with legal existence independent of the state.

Sec. 26.16.020 is the section authorizing the corporation to make loans. This section carries the authority the division now has to make loans for single family and owner-occupied duplexes forward to the corporation. Other loans the division is now authorized to make are not authorized by this bill.

Therefore veterans' loans could be made only for single family homes and owner-occupied duplexes.

Sec. 26.16.030 defines eligibility for veterans' loans. The language of the present eligibility criteria is substantially modified to eliminate duplications and inconsistency but the criteria is not changed.

Secs. 26.16.050 through 140 set up the mechanism and functioning of the corporation. Except for the requirement that at least four members of the board be veterans and the change discussed in the next paragraph this is substantially identical to the structure and powers of Alaska Housing Finance Corporation.

Under AS 26.16.140(a) the corporation is given the authority to "make" loans rather than the authority of AHFC to "purchase or participate in the purchase of loans". The corporation is therefore the direct lender for veterans' loans.

Sec. 26.16.150 creates a loan insurance fund for the loans made by the corporation. This is in effect a guarantee fund which would obtain money from state appropriations. Although it is probably not feasible at this time, the corporation is authorized under (g) of this section to purchase the portfolio of veterans' loans held by the Department of Revenue. In the future this purchase may become feasible and useful so authorization for it should exist.

Secs. 26.16.160 through 260 are the normal revenue bonding boilerplate which is needed for issuance and sale of the bonds.

Sec. 26.16.270 requires an annual report to the governor and legislature accounting for the corporation's activities for the year.

Sec. 3 of the bill transfers the assets of the World War II revolving loan fund now held by the Division of Veterans' Affairs to the Corporation.

Sec. 4 transfers the responsibility for servicing loans owned by the general fund and serviced by the division to the corporation. The existing duties and rights to compensation are transferred to the corporation.

Senator Brad Bradley

Page 3

March 12, 1979

Sec. 5. repeals the existing veterans' act. It is my understanding that the bonus program is no longer in existence so that the loans program which is transferred by this bill to the corporation is the only substantial function of the division.

BGB:jdn

Original sponsor: Bradley

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 152

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Veterans' Loan Corpora-
7 tion and transferring the assets and functions of the
8 Department of Commerce and Economic Development relat-
9 ing to veterans loans to that corporation; and provid-
10 ing for an effective date."

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

12 Section 1. FINDINGS AND PURPOSE. (a) The program of making loans to
13 veterans in accordance with AS 26.15 has increased and improved the supply of
14 adequate housing in the state and has materially aided veterans in establish-
15 ing businesses, in self-improvement and in readjustment. The continuation of
16 the program is essential to the economic growth of the state. Participation
17 by the Alaska Veterans' Loan Corporation in the program of making and insur-
18 ing state veterans' loans as provided in this chapter will be of material aid
19 in insuring the continuance of the program of making loans to veterans.

20 (b) The legislature finds that enabling the Alaska Veterans' Loan
21 Corporation to finance the program of veterans' loans serves a public purpose
22 in benefiting the people of the state. The Alaska Veterans' Loan Corporation
23 is empowered to act on behalf of the state and its people in serving this
24 public purpose for the benefit of the general public.

25 * Sec. 2. AS 26 is amended by adding a new chapter to read:

26 CHAPTER 16. ALASKA VETERANS' LOAN CORPORATION.

27 Sec. 26.16.010. ALASKA VETERANS' LOAN CORPORATION. The Alaska
28 Veterans' Loan Corporation is a public corporation and government in-
29 strumentality within the Department of Commerce and Economic Develop-

1 ment, but has a legal existence independent of and separate from the
2 state. The corporation may not be terminated as long as it has bonds,
3 notes or other obligations outstanding. Upon termination of the cor-
4 poration, its rights and property pass to the state.

5 Sec. 26.16.020. VETERANS' LOANS. (a) The corporation may, under
6 regulations and policies adopted by it, make single-family home loans
7 not exceeding \$68,250 and loans for owner-occupied duplexes not exceed-
8 ing \$83,250. The loans may be made to purchase, remodel, repair, build,
9 furnish, refinance or equip single-family homes or owner-occupied du-
10 plexes in the state. The loans may not exceed 90 per cent of the
11 appraised value unless additional amounts are secured by acceptable
12 collateral as determined by the corporation in conformity with estab-
13 lished minimum requirements.

14 (b) The corporation may enter into agreements with private banks,
15 other lending institutions, and individuals for the purpose of guaran-
16 teeing loans made to qualified applicants. The guarantees may not
17 exceed 90 per cent of the amount loaned, and the loans shall be secured
18 in the same manner provided for direct loans under this section.

19 (c) No loans authorized by this section may be made unless the
20 corporation is satisfied that money at a comparable rate of interest is
21 not available to the applicant from private lending institutions on a
22 guaranteed basis as set out in (b) of this section. An applicant is
23 eligible for more than one type of loan, but the total may not exceed
24 \$125,000 at any one time.

25 Sec. 26.16.030. ELIGIBILITY FOR VETERANS' LOANS. The following
26 persons are qualified for loans under this chapter:

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

1 April 6, 1917 and November 11, 1918, and beginning September 16, 1940 to
2 July 1, 1977, or in a combat zone during any period of armed conflict,
3 who was separated from the armed forces with a discharge other than dis-
4 honorable, and

5 (A) who at the time of induction into the service was a
6 resident of the territory or state, who had been a resident for not
7 less than one year immediately before his induction, and who
8 returned to the territory or state after discharge as a resident
9 with the intention of remaining in the territory or state; or

10 (B) who, not being a bona fide resident of the territory
11 or state before his entry into the service, has been a resident of
12 the territory or state for five or more years;

13 (2) a person who was dependent on a member of the armed
14 forces or an eligible veteran at the time of the member's or veteran's
15 death if

16 (A) the member or veteran was a resident of the terri-
17 tory or state for one year before induction into the service;

18 (B) the member or veteran served in the armed forces for
19 at least 90 days between April 6, 1917 and November 11, 1918 or
20 between September 16, 1940 and July 1, 1977; and

21 (C) his discharge was not dishonorable;

22 (3) a person who has served in the Alaska Army National
23 Guard, the Alaska Air National Guard, or the Alaska Naval Militia for
24 not less than six years and who has not received a discharge other than
25 honorable.

26 (b) For purposes of this section, a dependent is an unmarried
27 person whose chief means of support was the deceased member of the armed
28 forces or the deceased veteran. The dependent must be either (1) a
29 widow, widower, minor son, minor daughter, or (2) mother, father, sister

1 or brother incapable of self-support. A dependent must be a resident of
2 the state at the time of making application and intend to reside in the
3 state permanently. The rights of a minor child who is eligible for a
4 loan under this chapter may be exercised only if the child has no surviv-
5 ing parent and has an appointed guardian.

6 Sec. 26.16.040. CORPORATION GOVERNING BODY. (a) The corporation
7 shall be governed by a board of directors. The board of directors of
8 the corporation consists of the commissioner of the Department of
9 Commerce and Economic Development and six members appointed by the
10 governor. At least five of the appointed members must be veterans who
11 meet the eligibility requirements of AS 26.16.030.

12 (b) Members appointed by the governor serve for three-year terms.
13 The terms of two members appointed by the governor expire on April 30
14 annually.

15 (c) If a vacancy occurs among the public members appointed by the
16 governor, the governor shall make an appointment, to become effective
17 immediately, for the unexpired portion of the term.

18 (d) Members of the board of directors serve without compensation
19 except that each member may be reimbursed by the corporation for actual
20 and necessary expenses at the same rate as set out in AS 39.20.180.

21 Sec. 26.16.050. MEETINGS OF BOARD. The board shall elect a chair-
22 man from among its membership at its first meeting in each year. A
23 majority of the members constitutes a quorum for organizing the board,
24 conducting its business, and exercising the powers of the corporation.
25 The board shall meet at the call of its chairman. The board shall meet
26 not less than once each three months.

27 Sec. 26.16.060. MINUTES OF MEETINGS. The board shall keep minutes
28 of each meeting and send a certified copy to the governor.

29 Sec. 26.16.070. ADMINISTRATION OF AFFAIRS. The board shall manage

1 the assets and business of the corporation and may prescribe, amend, and
2 repeal bylaws and regulations governing the manner in which the business
3 of the corporation is conducted and the manner in which its powers are
4 exercised. The board shall delegate supervision of the administration
5 of the corporation to the executive director, appointed in accordance
6 with AS 26.16.080, and may delegate to him other duties it considers
7 proper.

8 Sec. 26.16.080. EXECUTIVE DIRECTOR. The corporation shall employ
9 an executive director, who may not be a member of the board. The execu-
10 tive director shall be appointed by the board of directors and serves at
11 the pleasure of the board.

12 Sec. 26.16.090. LEGAL ADVISOR. The attorney general is the legal
13 counsel for the corporation. He shall advise the corporation in legal
14 matters and represent it in suits.

15 Sec. 26.16.100. EMPLOYMENT OF PERSONNEL. The board may appoint
16 other officers and engage professional and technical advisors as indepen-
17 dent contractors. The executive director may hire employees of the cor-
18 poration and, subject to the approval of the board, engage professional
19 and technical advisors under contract with the corporation. The board
20 shall prescribe the duties and compensation of corporation personnel.

21 Sec. 26.16.110. PERSONNEL EXEMPT FROM STATE PERSONNEL ACT. The
22 personnel of the corporation are exempt from AS 39.25.

23 Sec. 26.16.120. INTERDEPARTMENTAL COOPERATION. All departments,
24 agencies and public corporations of the state may provide information,
25 services, facilities and loans to the corporation upon its request. The
26 corporation may reimburse departments, agencies and public corporations
27 of the state for loans advanced or for expenses incurred on the corpora-
28 tion's behalf.

29 Sec. 26.16.130. ADMINISTRATIVE PROCEDURE. (a) Except for AS 44.-

1 62.310 and 44.62.312, regarding public meetings, and AS 44.62.320(a)
2 regarding legislative review of regulations, the Administrative Proce-
3 dure Act (AS 44.62) does not apply to this chapter. The corporation
4 shall make available to members of the public copies of the regu-
5 lations adopted under (b) - (e) of this section. Within 45 days after adoption,
6 the chairman of the board shall submit a regulation adopted under (b) -
7 (e) of this section to the chairman of the Administrative Regulation
8 Review Committee under AS 24.20.400 - 24.20.460. The provisions of
9 AS 44.62.320(a) apply to regulations adopted under (b) - (e) of this
10 section.

11 (b) The board may adopt regulations by motion or by resolution or
12 in any other manner permitted by its bylaws.

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

16 (1) determination of borrower eligibility;

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

20 (3) characteristics of housing eligible for loans or for
21 purchase of loans.

22 (d) Except as provided in (e) of this section, at least 15 days
23 before the adoption, amendment, or repeal of a regulation on a subject
24 specified in (c)(1) - (3) of this section, the board shall give public
25 notice of the proposed action by publishing the notice in at least three
26 newspapers of general circulation in the state and by mailing a copy of
27 the notice to every person who has filed a request for notice of pro-
28 posed regulations with the board or the corporation. The public notice
29 must include a statement of the time, place, and nature of the proceed-

1 ings for the adoption, amendment, or repeal of the regulation and must
2 include an informative summary of the proposed subject of the regula-
3 tion. On the date and at the time and place designated in the notice,
4 the board shall give each interested person or his authorized represen-
5 tative, or both, the opportunity to present statements, arguments, or
6 contentions in writing, and shall give members of the public an oppor-
7 tunity to present oral statements, arguments, or contentions for a total
8 period of at least one hour. The board shall consider all relevant
9 matter presented to it before adopting, amending, or repealing a regu-
10 lation. At a hearing under this subsection, the board may continue or
11 postpone the hearing to a time and place which it determines. A regula-
12 tion which is adopted, or its amendment or repeal, may vary in content
13 from the informative summary specified in this subsection if the subject
14 matter of the regulation, or its amendment or repeal, remains the same
15 and the original notice was written so as to assure that members of the
16 public are reasonably notified of the proposed subject of the board's
17 action in order for them to determine whether their interest could be
18 affected by the board's action on that subject.

19 (e) A regulation or order of repeal on a subject specified in (c)
20 of this section may be adopted as an emergency regulation or order of
21 repeal if the board makes a finding in its order of adoption or repeal,
22 including a statement of the facts which constitute the emergency, that
23 the adoption of the regulation or order of repeal is necessary for the
24 immediate preservation of the orderly operation of the corporation's
25 loan programs. The requirements of (d) of this section do not apply to
26 the initial adoption of an emergency regulation covering a subject
27 specified in (c)(1) - (3) of this section; however, upon adoption of an
28 emergency regulation, the board shall, within 10 days after adoption,
29 give notice of the adoption in accordance with (d) of this section. No

1 emergency regulation adopted under this subsection remains in effect
2 more than 120 days unless the board complies with (d) of this section
3 during the 120-day period.

4 (f) A regulation adopted under (b) - (e) of this section becomes
5 effective immediately upon its adoption by the board, unless otherwise
6 specifically provided by the order of adoption.

7 (g) The provisions of (b) - (e) of this section do not apply to
8 regulations governing interest rates on the corporation's loan programs.

9 Sec. 26.16.140. GENERAL POWERS. In addition to other powers
10 granted in this chapter, the corporation may

11 (1) make veterans' loans under AS 26.16.020;

12 (2) prescribe terms and rates of interest on loans made by
13 the corporation;

14 (3) collect and pay reasonable fees and charges in connection
15 with making, purchasing and servicing its loans, notes, bonds, commit-
16 ments and other evidences of indebtedness;

17 (4) acquire real property, or an interest in real property,
18 in its own name, by purchase, transfer or foreclosure, when the acquisi-
19 tion is necessary or appropriate to protect a loan in which the corpora-
20 tion has an interest; sell, transfer and convey any such property to a
21 buyer; and, if the sale, transfer or conveyance cannot be affected with
22 reasonable promptness or at a reasonable price, rent or lease the pro-
23 perty to a tenant pending the sale, transfer or conveyance;

24 (5) sell, at public or private sale, to any purchaser, in-
25 cluding the Federal National Mortgage Association, all or any part of a
26 mortgage or other instrument or document securing a loan permitted by
27 this chapter;

28 (6) purchase, in order to meet the requirements of the sale
29 of its mortgages to the Federal National Mortgage Association, stock of

1 the Federal National Mortgage Association;

2 (7) procure insurance against any loss in connection with its
3 operation;

4 (8) consent to the modification of the rate of interest, time
5 of payment of an installment of principal or interest, or any other
6 terms, of a loan, to which the corporation is a party;

7 (9) borrow money as provided in this chapter to carry out its
8 corporate purposes; and issue its obligations as evidence of such borrow-
9 ing;

10 (10) include in any borrowing the amounts necessary to pay
11 financing charges, interest on the obligations for a period not exceed-
12 ing one year after the date on which the corporation estimates funds
13 will otherwise be available to pay the interest, consultant, advisory
14 and legal fees and such other expenses as are necessary or incident to
15 this borrowing;

16 (11) make and execute agreements, contracts and other instru-
17 ments necessary or convenient in the exercise of the powers and func-
18 tions of the corporation under this chapter, including contracts with
19 any person, firm, corporation, governmental agency or other entity;

20 (12) receive, administer and comply with the conditions and
21 requirements respecting any appropriation or gift, grant or donation of
22 property or money;

23 (13) sue and be sued in its own name;

24 (14) adopt an official seal;

25 (15) adopt bylaws for the regulation of its affairs and the
26 conduct of its business and prescribe rules, regulations and policies in
27 connection with the performance of its functions and duties;

28 (16) employ fiscal consultants, engineers, attorneys, real
29 estate counselors, appraisers and such other consultants and employees

1 as may be required in the judgment of the corporation, and fix and pay
2 their compensation from funds available to the corporation;

3 (17) adopt and publish regulations respecting its lending
4 programs and other regulations to carry out its purposes;

5 (18) do all acts necessary, convenient or desirable to carry
6 out the powers expressly granted or necessarily implied in this chapter;

7 (19) invest or reinvest, subject to its contracts with note-
8 holders and bondholders, any money or funds held by the corporation in
9 any obligations or other securities or investments in which banks or
10 trust companies in the state may legally invest funds held in reserves
11 or sinking funds or any funds not required for immediate disbursement,
12 and in certificates of deposit or time deposits secured by obligations
13 of, or guaranteed by, the state or the United States of America.

14 Sec. 26.16.150. LOAN INSURANCE. (a) There is a special fund of
15 the state to be known as the "veterans' loan insurance fund" (called the
16 "loan insurance fund") which shall be completely segregated and set
17 apart from all other funds of the state, and which is a trust fund for
18 the uses and purposes of this section and into and from which money
19 shall be paid as provided in this section. The loan insurance fund
20 shall be held by the commissioner of revenue, subject to the power of
21 the commissioner of commerce and economic development to enter into and
22 perform agreements for the use of money in the loan insurance fund and
23 to pledge, assign or grant interests in the loan insurance fund as
24 provided in this section. The commissioner of commerce and economic
25 development may enter into agreements with the corporation for the
26 exercise of any power or approval relating to the loan insurance fund
27 under this section, including, without limitation, agreements as to the
28 use of money in the loan insurance fund, agreements regarding the terms
29 and conditions upon which payments from the loan insurance fund shall be

1 made to the corporation for loans insured under this section, and agree-
2 ments regarding the payment of and security for loan insurance bonds,
3 and in connection with these agreements the commissioner of commerce and
4 economic development may pledge, assign or grant other interests in the
5 loan insurance fund to the corporation as may be necessary or appropri-
6 ate in connection with the insurance of loans and to provide for the
7 payment of and security for loan insurance bonds. An agreement or any
8 of the rights of the corporation under the agreement and payments re-
9 ceived or to be received under the agreement may be pledged or assigned
10 by the corporation for the benefit of the holders of loan insurance
11 bonds.

12 (b) In addition to any other fees and charges which the corpora-
13 tion may charge on mortgage loans, it may collect or cause to be
14 collected on all mortgage loans made with the proceeds of the sale of
15 mortgage insurance bonds, either or both a special mortgage loan insur-
16 ance commitment fee or a mortgage loan insurance premium. The special
17 mortgage loan insurance commitment fees and special mortgage loan in-
18 surance premiums when received shall be deposited in the loan insurance
19 fund by the corporation, or by any mortgage loan servicer, trustee, or
20 agent designated by the corporation to receive them, and shall be held,
21 invested and, together with all investment income derived from them,
22 reinvested by the commissioner of revenue in investments authorized
23 under AS 37.10.070(a), subject to any agreement with the corporation
24 under (a) of this section.

25 (c) If, at any time after receipt by the corporation of a payment
26 from the loan insurance fund with respect to a loan or any portion of
27 the principal and interest and other amounts payable on a loan, the
28 corporation recovers an amount on the loan or portion of it from any
29 source other than the loan insurance fund, it shall apply the amount

1 recovered in the following order: first to repay the general fund of
2 the state to the extent of appropriations made pursuant to requests made
3 under (f) of this section, and second, to repay the loan insurance fund.

4 (d) A state veterans' mortgage loan may be insured if the loan-to-
5 value ratio at the time of the insurance does not exceed 90 per cent or,
6 if the loan-to-value ratio does exceed that percentage, if it is
7 federally insured or guaranteed or insured by a qualified mortgage
8 insurance company to the extent of the excess. The endorsement of the
9 corporation on the mortgage at the time of purchase or acquisition of
10 the mortgage loan is conclusive evidence that the mortgage loan is
11 insured under the provisions of this section. The insurance is payable
12 solely from the mortgage insurance fund.

13 (e) Mortgage loans may only be insured when the amount of mortgage
14 loans in the loan insurance fund as a percentage of the sum of all
15 mortgage loans to be insured and all unpaid principal on mortgage loans
16 insured by the corporation, equals or exceeds the fund requirement. As
17 used in this section, the "fund requirement" is calculated as follows as
18 to the following mortgage loans insured by the corporation:

19 (1) in the case of state veteran mortgage loans insured by a
20 qualified mortgage insurance company or, if not so insured or guaran-
21 teed, with a loan-to-value ratio at the time of the mortgage insurance
22 application less than 80 per cent, the greater of (A) two per cent of
23 the unpaid principal amount of those mortgage loans, or (B) a percentage
24 which the corporation with the approval of the commissioner of commerce
25 and economic development determines is actuarially sound for operation
26 of the loan insurance fund;

27 (2) in the case of state veterans' mortgage loans not insured
28 by a qualified mortgage insurance company and with a loan-to-value ratio
29 at the time of the mortgage insurance application between 80 and 90 per

1 cent, the greater of (A) six per cent of the unpaid principal amount of
2 those state veterans' loans, or (B) a percentage which the corporation
3 with the approval of the commissioner of commerce and economic develop-
4 ment determines is actuarially sound for the operation of the loan
5 insurance fund.

6 (f) On December 1 of each year the commissioner of commerce and
7 economic development shall determine the amount on deposit in the loan
8 insurance fund. If the amount in the fund is less than the fund re-
9 quirement, the commissioner shall request the corporation to transfer
10 from any available funds the amount necessary to restore the loan in-
11 surance fund to the fund requirement and the corporation shall promptly
12 comply with the request from any funds available subject to agreements
13 with holders of any of its obligations. If sufficient funds are not
14 provided as the result of such requests, the commissioner shall, no
15 later than January 2 of the following year, make and deliver to the
16 governor and to the chairmen of the house and senate finance committees
17 his certificate stating the sum required to restore the fund to the fund
18 requirement and the sum so certified may be appropriated and paid to the
19 fund during the then current state fiscal year. Nothing in this sub-
20 section creates a debt or liability of the state.

21 (g) The commissioner of revenue may sell to the corporation, and
22 the corporation may purchase, state veterans' loans purchased for and
23 held in the general fund on such terms and conditions as the commis-
24 sioner of revenue and the corporation consider appropriate. When the
25 commissioner of revenue sells a state veterans' loan to the corporation
26 he may cause to be deposited in the loan insurance fund from the pro-
27 ceeds of sale an amount not exceeding the lesser of (1) six per cent of
28 the proceeds of sale, or (2) the difference between the amount the
29 commissioner of revenue actually receives on the sale and the amount the

1 commissioner determines would have been received if the state veterans'
2 loans had been sold in the private mortgage market. The determination
3 shall be based on information reasonably available to the commissioner
4 of revenue at the time of sale and is conclusive in determining the
5 amount of the deposit.

6 (h) As used in this section, unless the context clearly indicates
7 a different meaning:

8 (1) "loan-to-value ratio" means the ratio between the prin-
9 cipal amount of a mortgage loan and the appraised value, as determined
10 by the corporation, of the residential housing financed by that mortgage
11 loan;

12 (2) "mortgage insurance bond" means a bond, note or other
13 obligation of the corporation, the proceeds of which are authorized to
14 be expended to purchase or make a mortgage loan insured under this
15 section;

16 (3) "qualified mortgage insurance company" means a mortgage
17 insurance company satisfactory to the corporation;

18 (4) "special mortgage loan insurance commitment fee" and
19 "special mortgage loan insurance premium" mean, respectively, a fee of
20 such per cent of the principal amount of a mortgage loan to be insured
21 under this section, and an annual insurance premium of such per cent of
22 the portion of the unpaid principal amount of a mortgage loan insured
23 under this section which is not federally insured or guaranteed or
24 insured by a private mortgage insurance company, which the corporation
25 with the approval of the commissioner of commerce and economic develop-
26 ment determines is actuarially sound for the operation of the mortgage
27 insurance fund;

28 (5) "state veterans' loan" means a mortgage loan for residen-
29 tial housing made in accordance with AS 26.16.020;

1 (5) the determination of what is "actuarially sound" with
2 respect to the operation of the loan insurance fund shall be based on a
3 consideration of the factors which will provide sufficient revenues for
4 the operation of the fund, without regard to amounts which may have been
5 or may, after the date of determination of actuarial soundness, be
6 appropriated under (f) of this section, including, without limitation,
7 estimates of future defaults and losses on loans insured under this
8 section based on actual default and loss experience on those loans or on
9 similar loans in Alaska or elsewhere, estimates of recoveries on de-
10 faulted or foreclosed loans based on that experience, the terms and
11 conditions of the loans insured under this section, estimates of
12 earnings and income of amounts on deposit in the loan insurance fund,
13 and any other appropriate factors.

14 Sec. 26.16.160. BONDS AND NOTES. (a) The corporation, by reso-
15 lution, may issue bonds and bond anticipation notes in order to provide
16 funds to carry out its purposes.

17 (b) The principal and interest on these bonds or notes is payable
18 from corporation funds. Bond anticipation notes may be payable from the
19 proceeds of the sale of bonds or from the proceeds of sale of other bond
20 anticipation notes or, in the event bond or bond anticipation note
21 proceeds are not available, the notes may be paid from other funds or
22 assets of the corporation. Bonds or notes may be additionally secured
23 by a pledge of a grant or contribution from the federal government, or a
24 corporation, association, institution or person, or a pledge of money,
25 income, or revenues of the corporation from any source.

26 (c) Bonds or bond anticipation notes may be issued in one or more
27 series and shall be dated, bear interest at the rate or rates per year
28 or within the maximum rate, be in the denomination, be in the form,
29 either coupon or registered, carry the conversion or registration pro-

1 visions, have the rank or priority, be executed in the manner and form,
2 be payable from the sources in the medium of payment and place or places
3 in or outside the state, be subject to authentication by a trustee or
4 fiscal agent, and be subject to the terms of redemption with or without
5 premium, as the resolution of the corporation may provide. Bond anti-
6 cipation notes shall mature at such time or times as may be determined
7 by the corporation. Bonds shall mature at such time, not exceeding 50
8 years from their date, as may be determined by the corporation. Before
9 the preparation of definitive bonds or bond anticipation notes, the
10 corporation may issue interim receipts or temporary bonds or bond anti-
11 cipation notes, with or without coupons, exchangeable for bonds or bond
12 anticipation notes when these definitive bonds or bond anticipation
13 notes have been executed and are available for delivery.

14 (d) Bonds or bond anticipation notes may be sold in the manner, on
15 the terms and at the price the corporation determines.

16 (e) If an officer whose signature or a facsimile of whose signa-
17 ture appears on any bonds or notes or coupons attached to them ceases to
18 be an officer before the delivery of the bond, note or coupon, his
19 signature or facsimile is valid the same as if he had remained in office
20 until delivery.

21 (f) In resolution of the corporation authorizing or relating to
22 the issuance of bonds or bond anticipation notes, the corporation has
23 power by provisions in the resolution which will constitute covenants of
24 the corporation and contracts with the holders of the bonds or bond
25 anticipation notes

26 (1) to pledge to any payment or purpose all or any part of
27 its revenues to which its right then exists or may thereafter come into
28 existence, and the money derived from the revenues, and the proceeds of
29 any bonds or notes;

1 (2) to covenant against pledging all or any part of its
2 revenues, or against permitting or suffering a lien on the revenues or
3 its property;

4 (3) to covenant as to the use and disposition of any and all
5 payments of principal or interest received by the corporation on loans
6 or other investments held by the corporation;

7 (4) to covenant as to establishment of reserves or sinking
8 funds and the making of provision for and the regulation and disposition
9 of the reserves or sinking funds;

10 (5) to covenant for or against limitations on a right to sell
11 or otherwise dispose of property of any kind;

12 (6) to covenant as to bonds and notes to be issued, and their
13 limitations, terms and conditions, and as to the custody, application
14 and disposition of the proceeds of the bonds and notes;

15 (7) to covenant as to the issuance of additional bonds or
16 notes, or as to limitations on the issuance of additional bonds or notes
17 and the incurring of other debts;

18 (8) to covenant as to the payment of the principal of or
19 interest on the bonds or notes, as to the sources and methods of the
20 payment, as to the rank or priority of the bonds or notes with respect
21 to a lien or security, or as to the acceleration of the maturity of the
22 bonds or notes;

23 (9) to provide for the replacement of lost, stolen, destroyed
24 or mutilated bonds or notes;

25 (10) to covenant against extending the time for the payment of
26 bonds or notes or interest on the bonds or notes;

27 (11) to covenant as to the redemption of bonds or notes and
28 privileges of their exchange for other bonds or notes of the corpora-
29 tion;

1 (12) to covenant to create or authorize the creation of
2 special funds of money to be held in pledge or otherwise for operating
3 expenses, payment or redemption of bonds or notes, reserves or other
4 purposes, and as to the use and disposition of the money held in the
5 funds;

6 (13) to establish the procedure, if any, by which the terms of
7 any contract or covenant with or for the benefit of the holders of bonds
8 or notes may be amended or abrogated, the amount of bonds or notes the
9 holders of which must consent to amendment or abrogation, and the manner
10 in which the consent may be given;

11 (14) to covenant as to the custody of any of its properties or
12 investments, their safekeeping and insurance, and the use and disposi-
13 tion of insurance money;

14 (15) to covenant as to the time or manner of enforcement or
15 restraint from enforcement of any rights of the corporation arising by
16 reason of or with respect to nonpayment of any principal or interest of
17 any mortgage loans or construction loans;

18 (16) to provide for the rights and liabilities, powers and
19 duties arising upon the breach of any covenant, condition or obligation,
20 and to prescribe the events of default and the terms and conditions upon
21 which any or all the bonds, notes or other obligations of the corpora-
22 tion become or may be declared due and payable before maturity and the
23 terms and conditions upon which any such declaration and its consequen-
24 ces may be waived;

25 (17) to vest in a trustee or trustees in or outside the state
26 such property, rights, powers and duties in trust as the corporation may
27 determine, which may include any or all of the rights, powers and duties
28 of any trustee appointed by the holders of any bonds or notes, and to
29 limit or abrogate the right of the holders of any bonds or notes of the

1 corporation to appoint a trustee under this chapter or limit the rights,
2 powers and duties of the trustee;

3 (18) to pay the cost or expenses incident to the enforcement
4 of the bonds or notes or of the provisions of the resolution or of any
5 covenant or agreement of the corporation with the holders of its bonds
6 or notes;

7 (19) to agree with any corporate trustee which may be a trust
8 company or bank having the powers of a trust company in or outside the
9 state as to the pledging or assigning of revenues or funds to which or
10 in which the corporation has any rights or interest the agreement may
11 further provide for such other rights and remedies exercisable by the
12 trustee as may be proper for the protection of the holders of any bonds
13 or notes of the corporation and not otherwise in violation of law and
14 may provide for the restriction of the rights of an individual holder of
15 bonds or notes of the corporation;

16 (20) to appoint and provide for the duties and obligations of
17 any paying agent or paying agents, or such other fiduciaries as the
18 resolution may provide in or outside the state;

19 (21) to limit the rights of the holders of any bonds or notes
20 to enforce any pledge or covenant securing bonds or notes;

21 (22) to make covenants other than and in addition to the
22 covenants expressly authorized in this section, of like or different
23 character, and to make the covenants to do or refrain from doing such
24 acts and things as may be necessary, or convenient and desirable, in
25 order to better secure bonds or notes or which, in the absolute discre-
26 tion of the corporation, will tend to make bonds or notes more market-
27 able, notwithstanding that the covenants, acts or things may not be
28 enumerated in this section.

29 Sec. 26.16.170. INDEPENDENT FINANCIAL ADVISOR. In negotiating the

1 private sale of bonds or bond anticipation notes to an underwriter, the
2 corporation shall retain a financial advisor who is independent from the
3 underwriter.

4 Sec. 26.16.180. VALIDITY OF ANY PLEDGE. The pledge of assets or
5 revenues of the corporation to the payment of the principal or interest
6 on any obligations of the corporation is valid and binding from the time
7 the pledge is made and any such assets or revenues are immediately
8 subject to the lien of the pledge without physical delivery or further
9 act. The lien of any pledge is valid and binding against all parties
10 having claims of any kind in tort, contract or otherwise against the
11 corporation, irrespective of whether those parties have notice of the
12 lien of the pledge. Nothing in this section prohibits the corporation
13 from selling assets subject to a pledge, except that a sale may be
14 restricted by the trust agreement or resolution providing for the
15 issuance of the obligations.

16 Sec. 26.16.190. CAPITAL RESERVE FUND. (a) For the purpose of
17 securing any one or more issues of its obligations, the corporation may
18 establish one or more special funds, called "capital reserve funds", and
19 shall pay into those capital reserve funds (1) any money appropriated
20 and made available by the state for the purpose of any of those funds,
21 (2) any proceeds of the sale of its obligations, to the extent provided
22 in the resolution or resolutions of the corporation authorizing their
23 issuance, and (3) any other money which may be made available to the
24 corporation for the purposes of those funds from any other source. All
25 money held in a capital reserve fund, except as provided in this section,
26 shall be used as required, solely for (1) the payment of the principal
27 of obligations or of the sinking fund payments with respect to those
28 obligations, (2) the purchase or redemption of obligations, (3) the
29 payment of interest on obligations, or (4) the payment of any redemption

1 premium required to be paid when those obligations are redeemed before
2 maturity; however, money in any fund may not be withdrawn from it at any
3 time in an amount which would reduce the amount of that fund to less
4 than the capital reserve requirement set out in (b) of this section,
5 except for the purpose of making, with respect to those obligations,
6 payment, when due, of principal, interest, redemption premiums and the
7 sinking fund payments for the payment of which other money of the cor-
8 poration is not available. Any income or interest earned by, or incre-
9 ment to, a capital reserve fund, due to the investment of the fund or
10 any other amounts in it, may be transferred by the corporation to other
11 funds or accounts of the corporation to the extent that the transfer
12 does not reduce the amount of the capital reserve fund below the capital
13 reserve fund requirement.

14 (b) If the corporation decides to issue obligations secured by a
15 capital reserve fund, the obligations may not be issued if the amount in
16 the capital reserve fund is less than such a per cent, not exceeding 10
17 per cent of the principal amount of all of those obligations secured by
18 that capital reserve fund then to be issued and then outstanding in
19 accordance with their terms, as may be established by resolution of the
20 corporation (called the "capital reserve fund requirement"), unless the
21 corporation, at the time of issuance of the obligations, deposits in the
22 capital reserve fund from the proceeds of the obligations to be issued
23 or from other sources, an amount which, together with the amount then in
24 the fund, will not be less than the capital reserve fund requirement.

25 (c) In computing the amount of a capital reserve fund for the
26 purpose of this section, securities in which all or a portion of the
27 funds are invested shall be valued at par or, if purchased at less than
28 par, at amortized costs as the term is defined by resolution of the
29 corporation authorizing the issue of the obligations, or by some other

1 reasonable method established by the corporation by resolution. Valua-
2 tion on a particular date shall include the amount of any interest
3 earned or accrued to that date.

4 (d) To assure the continued operation and solvency of the corpora-
5 tion for the carrying out of its corporate purposes, provision is made
6 in (a) of this section for the accumulation in capital reserve funds of
7 an amount equal to their capital reserve fund requirement.

8 (e) The chairman of the corporation shall annually, no later than
9 January 2, make and deliver to the governor and chairman of the house
10 and senate finance committees his certificate stating the sum, if any,
11 required to restore any capital reserve fund to the capital reserve fund
12 requirement. The legislature may appropriate such a sum, and all sums
13 appropriated during the then current fiscal year by the legislature for
14 the restoration shall be deposited by the corporation in the proper
15 capital reserve fund. Nothing in this section creates a debt or liabil-
16 ity of the state.

17 (f) Whenever the corporation has created and established a capital
18 reserve fund, the commissioner of revenue may lend surplus money in the
19 general fund to the corporation for deposit in a capital reserve fund in
20 an amount equal to the capital reserve fund requirement. The loans
21 shall be made on such terms and conditions as may be agreed upon the
22 commissioner of revenue and the corporation, including without limita-
23 tion terms and conditions providing that the loans need not be repaid
24 until the obligations of the corporation secured and to be secured by
25 the capital reserve fund are no longer outstanding.

26 Sec. 26.16.200. REMEDIES. A holder of obligations or coupons
27 attached to them issued under the provisions of this chapter, and a
28 trustee under a trust agreement or resolution authorizing the issuance
29 of the obligations, except as restricted by a trust agreement or resolu-

1 tion, either at law or in equity, may enforce all rights granted under
2 this chapter or under the trust agreement or resolution, or under any
3 other contract executed by the corporation under this chapter, and may
4 enforce and compel the performance of all duties required by this
5 chapter or by the trust agreement or resolution to be performed by the
6 corporation or by any officer of it.

7 Sec. 26.16.210. NEGOTIABLE INSTRUMENTS. All obligations and
8 interest coupons attached to them are negotiable instruments under the
9 laws of this state, subject only to any applicable provisions for regis-
10 tration.

11 Sec. 26.16.220. OBLIGATIONS ELIGIBLE FOR INVESTMENT. Obligations
12 issued under the provisions of this chapter are securities in which all
13 public officers and public bodies of the state and its political sub-
14 divisions, all insurance companies, trust companies, banking associa-
15 tions, investment companies, executors, administrators, trustees and
16 other fiduciaries may properly and legally invest funds, including
17 capital in their control or belonging to them. These obligations may be
18 deposited with any state or municipal officer of an agency or political
19 subdivision of the state for any purpose for which the deposit of bonds,
20 notes or obligations of the state is authorized by law.

21 Sec. 26.16.230. REFUNDING OBLIGATIONS. (a) The corporation may
22 provide for the issuance of refunding obligations for the purpose of
23 refunding any obligations then outstanding which have been issued under
24 the provisions of this chapter, including the payment of any redemption
25 premium on them and any interest accrued or to accrue to the date of
26 redemption of the obligations. The issuance of the obligations, the
27 maturities and other details of them, the rights of the holders of them,
28 and the rights, duties and obligations of the corporation in respect of
29 them are governed by the provisions of this chapter which relate to the

1 issuance of obligations, insofar as those provisions may be appropriate.

2 (b) Refunding obligations may be sold or exchanged for outstanding
3 obligations issued under this chapter and, if sold, the proceeds may be
4 applied, in addition to any other authorized purposes, to the purchase,
5 redemption or payment of the outstanding obligations. Pending the
6 application of the proceeds of any such refunding obligations, with any
7 other available funds, to the payment of the principal, accrued interest
8 and any redemption premium on the obligations being refunded, and, if so
9 provided or permitted in the resolution authorizing the issuance of the
10 refunding obligations or in the trust agreement securing them, to the
11 payment of any interest on the refunding obligations and any expenses in
12 connection with the refunding, the proceeds may be invested in direct
13 obligations of, or obligations the principal of and the interest on
14 which are unconditionally guaranteed by, the United States of America
15 which mature or which will be subject to redemption, at the option of
16 the holders of them, not later than the respective dates when the
17 proceeds, together with the interest accruing on them, will be required
18 for the purposes intended.

19 Sec. 26.16.240. CREDIT OF STATE NOT PLEDGED. (a) Obligations
20 issued under the provisions of this chapter do not constitute a debt,
21 liability or obligation of the state or of any political subdivision of
22 the state or a pledge of the faith and credit of the state or of any
23 such political subdivision but are payable solely from the revenues or
24 assets of the corporation. Each obligation issued under this chapter
25 shall contain on its face a statement that the corporation is not
26 obligated to pay it nor the interest on it except from the revenues or
27 assets pledged for it and that neither the faith and credit nor the
28 taxing power of the state or of any political subdivision of the state
29 is pledged to the payment of the principal of or the interest on the

1 obligation.

2 (b) Expenses incurred by the corporation in carrying out the
3 provisions of this chapter are payable from funds provided under this
4 chapter and no liability may be incurred by the corporation in excess of
5 these funds.

6 Sec. 26.16.250. OFFICERS NOT LIABLE. A member or other officer of
7 the corporation is not subject to personal liability or accountability
8 by reason of his execution of any obligations or the issuance of them.

9 Sec. 26.16.260. TAX EXEMPTION. (a) The exercise of the powers
10 granted by this chapter will be in all respects for the benefit of the
11 people of the state, for their well-being and prosperity and for the
12 improvement of their social and economic conditions, and the corporation
13 is not required to pay a tax or assessment on any property owned by the
14 corporation under the provisions of this chapter or upon the income from
15 it, except taxes on real property of which the corporation is fee owner.

16 (b) All obligations issued under this chapter are hereby declared
17 to be issued by a body corporate and public of the state and for an
18 essential public and governmental purpose, and the obligations, and the
19 interest and income on and from the obligations, and all fees, charges,
20 funds, revenues, income and other money pledged or available to pay or
21 secure the payment of the obligations, or interest on the obligations,
22 are exempt from taxation except for transfer, inheritance and estate
23 taxes.

24 Sec. 26.16.270. ANNUAL REPORT. The corporation shall prepare and
25 transmit annually a report accounting to the governor and the legisla-
26 ture for the efficient discharge of all responsibility assigned by law or
27 by directive to the corporation.

28 Sec. 26.16.280. DEFINITIONS. In this chapter, unless the context
29 clearly indicates a different meaning,

1 (1) "corporation" means the Alaska Veterans' Loan Corporation
2 established by this chapter;

3 (2) "board" means the board of directors of the corporation;

4 (3) "governmental agency" means any department, division,
5 public agency, political subdivision or other public instrumentality of
6 the state or federal government.

7 * Sec. 3. All assets of the World War II veterans' loan fund established
8 under AS 26.15.090 are transferred to the Alaska Veterans' Loan Corporation
9 to be used for the purposes of AS 26.16.

10 * Sec. 4. All loan servicing functions presently performed by the Depart-
11 ment of Commerce and Economic Development on loans made under the provisions
12 of AS 26.15 are transferred to the Alaska Veterans' Loan Corporation created
13 in AS 26.16. The Alaska Veterans' Loan Corporation shall assume the duties
14 which the Department of Commerce and Economic Development is obligated to
15 perform under agreements made in connection with veterans loans and is
16 entitled to service fees and other compensation which the department is
17 entitled to receive.

18 * Sec. 5. AS 26.15 is repealed.

19 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
20 070(c).

Introduced: 2/13/79
Referred: Commerce and
Finance

1 IN THE SENATE

BY BRADLEY

2 SENATE BILL NO. 152

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to eligibility for state veterans'
7 loans; and providing for an effective date."

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

9 * Section 1. AS 26.15.130(a)(1) is amended to read:

10 (1) persons who served in the armed forces of the United
11 States for 90 days or more, or whose service was for less than 90 days
12 because of injury or disability incurred in the line of duty, between
13 April 6, 1917, and November 11, 1918, and beginning September 16, 1940
14 to six months after termination of hostilities involving United States
15 forces in Indo-China, or in a combat zone during any period of armed
16 conflict, who were separated from the armed forces with a discharge
17 other than dishonorable [,] and who are physically present in the state
18 and intend to maintain their permanent home in the state, and who
19 demonstrate that intent by registering to vote, by designating a loca-
20 tion in the state as their home of record upon official civilian or
21 military personnel records

22 [(A) WHO, AT THE TIME OF INDUCTION INTO THE SERVICE,
23 WERE RESIDENTS OF THE TERRITORY, WHO HAD BEEN RESIDENTS FOR NOT
24 LESS THAN ONE YEAR IMMEDIATELY BEFORE THEIR INDUCTION, AND WHO
25 RETURNED TO THE TERRITORY OR STATE AFTER DISCHARGE AS RESIDENTS
26 WITH THE INTENTION OF REMAINING IN THE TERRITORY OR STATE; OR

27 (B) WHO, NOT BEING BONA FIDE RESIDENTS OF THE TERRITORY
28 BEFORE THEIR ENTRY INTO THE SERVICE, HAVE BEEN RESIDENTS OF THE
29 TERRITORY OR STATE FOR FIVE OR MORE YEARS];

1 * Sec. 2. AS 26.15.160(1)(B) is repealed and re-enacted to read:

2 (B) who are physically present in the state and intend
3 to maintain their permanent home in the state, and who demonstrate
4 their intent by registering to vote, designating a location in the
5 state as their home of record upon official civilian or military
6 personnel records; and

7 * Sec. 3. This Act is inapplicable to applications for loans received by
8 the Department of Commerce and Economic Development before July 1, 1979.

9 * Sec. 4. This Act takes effect July 1, 1979.



Official Business

Alaska State Legislature

Senate

Committee on Commerce

April 30, 1979

Pouch V
State Capitol
Juneau, Alaska 99811

Senator John Sackett
Chairman
Senate Finance Committee

Dear John:

File

Finance CSSB 152, "Alaska Veteran's Loan Corporation", must not wait until next session for passage, because all bonding experts agree that it will take a minimum of three months and probably four to six months after appointment of the corporation's board of directors to prepare for, and participate in, the revenue bond market. Even if CSSB 152 is the first bill on next session's calendar, we would be pushed for time to prepare for implementation of the Act.

This bill was prepared by Bill Berrier in coordination with several authorities on revenue bonding, and the leadership of several veterans' organizations and legislators that are veterans. It has been approved by the leadership of all veterans' organizations in the State.

By passing the bill this session, the board of directors can be appointed, and there will be ample time to prepare for participation in the revenue bond market to leverage more money for loans; it should make possible a lower interest rate; and it should be less of a drain on the general fund. Consequently, the corporation should be able to service more loans for more people who could not afford a home loan under the current programs available to veterans.

Every State has a one to two percent lower interest rate for veterans' loans than for other loans. Under the SCS for CS for HB 20 (Rules) that Senator Tillion introduced for me, there is no veterans preference as other states have.

All veterans' organizations in this State have approved CSSB 152 and are going to raise quite a ruckus if it does not pass this session. Many veterans as well as legislators are of the impression that the loan programs were held hostage until all "pork barrel" legislation was passed and "gobbled up" most of the money which could have boosted the slowly dying Alaskan economy. I prefer that this rumor or fact be

April 30, 1979

discounted or countered for the sake of the Republican Party and the current Republican coalition, although I cannot deny that what I hear is a fact.

The passage of CSSB 152 will only authorize appointment of the Corporation's board of directors so that the Commissioner of the Department of Commerce and Economic Development, the Director of Veterans Affairs, and five other members appointed by the Governor can make plans for implementing the Alaska Veterans Loan Corporation. Five of the seven members must be veterans.

The only cost prior to implementation should be the expense of travel and per diem of board members, which is estimated to be not more than \$45,000 as indicated in the fiscal note you already have.

If you will not attach CSSB 152 to a House priority bill, which you probably could work out with Russ Meekins and Oral Freeman, a veteran, then pass it out to the Rules Committee as quick as possible.

I shall carry CSSB 152 on the Senate floor. I know the bill cold and all of its background.

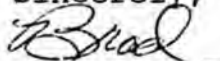
This bill means a lot to veterans, real estate salespersons, home builders, and the Alaskan economy. During the past three years, the veterans loan program has averaged financing over one-third of the single-family dwellings in Alaska. Also, I have received 332 letters and messages not to include many telephone calls from the categories of people already mentioned.

Many veterans, to include persons with six years Alaska National Guard to their credit, are located in our districts and they need our assistance; therefore, it is imperative that CSSB 152 be passed this session - - not next year.

There is no bill I give higher priority or do I want more for Alaska than CSSB 152 if this makes any difference. I waived its hearing in my committee after three work sessions, as was advised by the leadership, so that the Finance Committee could take immediate action on it. The bill has been in the Finance Committee exactly one and one-half months.

I would appreciate your sincere and expeditious attention to my request for passage of CSSB 152 this session.

Sincerely,


Brad Bradley
State Senator
Chairman

Senate Commerce Committee

cc: Sen. Clem Tillion, Senate President
Sen. Mike Colletta, Sen. Majority Leader
Sen. George Hohman, V. Chairman, Sen. Finance Committee



Official Business

Alaska State Legislature

Senate

Committee on Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

SUBJECT: Summary of CSSB *File* 152 (Finance), Alaska Veterans' Loan Corporation

TO: Whom It May Concern

FROM: Senator Brad Bradley *Brad*
Chairman
Senate Commerce Committee

In broad outline, the bill creates an independent public corporation located within the Department of Commerce and Economic Development to make veterans' loans. The functions of the Division of Veterans' Affairs in making loans are vested in the corporation and the authorizing statute allowing the division to make veterans' loans is repealed. The type of veteran loans are the same as in existing statutes except the amounts of some types of loans have been increased to be more consistent with the consumer price index. The revolving loan fund and the servicing of existing loans are transferred to the corporation. The corporation is structured so that it essentially parallels the structure of the Alaska Housing Finance Corporation, and the Oregon State Veterans' Loan Corporation; is given revenue bonding authority; and an insurance fund, which must be funded by appropriations, is created.

Section 1 of the bill contains the findings that veterans' loans are for a public purpose. Although probably not essential, this type of finding in a bill creating a public corporation has weight with the court if the question is raised.

Section 2, Chapter 16 (Section 26.16.010) establishes the corporation within the Department of Commerce and Economic Development as a public corporation with legal existence independent of the state.

Section 26.16.020 is the section authorizing the corporation to make loans. This section carries the authority the division now has to the several different type loans and forwards it to the corporation. The corporation has the authority to make personal loans not to exceed \$10,000 (no increase), farm and single family home loans not to exceed \$75,000, owner-occupied duplexes not to exceed \$125,000, business loans not to exceed \$300,000, and multiple dwelling loans not to exceed \$110,000.

Section 26.16.030 defines eligibility for veterans' loans. The language of the present eligibility criteria is substantially modified to eliminate duplications and inconsistency but the criteria is not changed.

Sections 26.16.050 through 140 set up the mechanism and functioning of the corporation. Except for the requirement that at least five members of the board be veterans and the change discussed in the next paragraph, this is substantially identical to the structure and powers of Alaska Housing Finance Corporation.

Under AS 26.16.140(a) the corporation is given the authority to "make" loans. The corporation is therefore the direct lender for veterans' loans.

Section 26.16.150 creates a loan insurance fund for the loans made by the corporation. This is in effect a guarantee fund which would obtain money from state appropriations. Although it is probably not feasible at this time, the corporation is authorized under (g) of this section to purchase the portfolio of veterans' loans held by the Department of Revenue. In the future this purchase may become feasible and useful so authorization for it should exist.

Sections 26.16.160 through 260 are the normal revenue bonding boilerplate which is needed for issuance and sale of the bonds.

Section 26.16.270 requires an annual report to the governor and legislature accounting for the corporation's activities for the year.

Section 3 of the bill transfers the assets of the World War II revolving loan fund now held by the Division of Veterans' Affairs to the Corporation.

Section 4 transfers the responsibility for servicing loans owned by the general fund and serviced by the division to the corporation. The existing duties and rights to compensation are transferred to the corporation.

Section 5 repeals the existing veterans' act. The loans program which is transferred by this bill to the corporation is the only substantial function of the division.

Section 6 authorizes the appointment of the board of directors of the corporation so that they can make preparation for implementation of this Act commencing immediately after their appointment; however, no loans will be made under this Act before July 1, 1980.

Section 7. Sections 3, 4, and 5 of this Act do not take effect until July 1, 1980.

Section 8. Sections 1, 2, and 6 of this Act take effect immediately in accordance with AS 01.10.070(c).

The following changes are to be included in the Senate Finance CS on pages 26 and 27 (last two pages of bill):

*Sec. 6. The board of directors of the corporation shall make preparation for implementation of this Act commencing immediately after their appointment. No loans may be made under this Act before July 1, 1980.

*Sec. 7. Secs 3,4, and 5 of this Act take effect July 1. 1980.

*Sec. 8. Secs 1,2, and 6 of this Act take effect immediately in accordance with AS 01.10.070(c).

Berrier
3-21-77
Del. to
Gary Paska

Original sponsor: Bradley

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 152

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Veterans' Loan Corpora-
7 tion and transferring the assets and functions of the
8 Department of Commerce and Economic Development relat-
9 ing to veterans loans to that corporation; and provid-
10 ing for an effective date."

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

12 Section 1. FINDINGS AND PURPOSE. (a) The program of making loans to
13 veterans in accordance with AS 26.15 has increased and improved the supply of
14 adequate housing in the state and has materially aided veterans in establish-
15 ing businesses, in self-improvement and in readjustment. A veterans' loan
16 program is essential to the economic growth of the state. Participation by
17 the Alaska Veterans' Loan Corporation in the program of making and insuring
18 state veterans' loans as provided in this chapter will be of material aid in
19 insuring the continuance of the program of making loans to veterans.

20 (b) The legislature finds that enabling the Alaska Veterans' Loan
21 Corporation to finance the program of veterans' loans serves a public purpose
22 in benefiting the people of the state. The Alaska Veterans' Loan Corporation
23 is empowered to act on behalf of the state and its people in serving this
24 public purpose for the benefit of the general public.

25 * Sec. 2. AS 26 is amended by adding a new chapter to read:

26 CHAPTER 16. ALASKA VETERANS' LOAN CORPORATION.

27 Sec. 26.16.010. ALASKA VETERANS' LOAN CORPORATION. The Alaska
28 Veterans' Loan Corporation is a public corporation and government in-
29 strumentality within the Department of Commerce and Economic Develop-

1 ment, but has a legal existence independent of and separate from the
2 state. The corporation may not be terminated as long as it has bonds,
3 notes or other obligations outstanding. Upon termination of the cor-
4 poration, its rights and property pass to the state.

5 Sec. 26.16.020. VETERANS' LOANS. (a) The corporation may, under
6 regulations and policies adopted by it, make or participate in the
7 making of the following loans:

8 (1) Personal loans may be made for educational, domestic,
9 remote area family housing and other personal purposes, not exceeding
10 \$10,000. The loans shall be secured by acceptable collateral when
11 available but if not available the corporation may make loans on the
12 basis of good character.

13 (2) Farm and single-family home loans not exceeding \$75,000
14 and loans for owner-occupied duplexes not exceeding \$125,000 may be made
15 to purchase, remodel, repair, build, furnish, refinance or equip homes,
16 owner-occupied duplexes or farms in the state, including the clearing
17 and drainage for farms. The loans may not exceed 90 per cent of the
18 appraised value when made for the purchase or construction of a home or
19 owner-occupied duplex unless additional amounts are secured by accept-
20 able collateral as determined by the commissioner of commerce and
21 economic development in conformity with established minimum require-
22 ments.

23 (3) Business loans not exceeding \$300,000 may be made to
24 acquire, finance or refinance or equip businesses, including mining and
25 fishing but not including farming, if the loan applicant has had three
26 or more years of general business experience. The loans shall be
27 secured by acceptable collateral and may not exceed 75 per cent of the
28 appraised value of the collateral offered as security.

29 (4) Multiple dwelling loans not exceeding \$110,000 may be

1 made to purchase, remodel, repair, build, furnish, refinance or equip
2 multiple dwellings. The loans shall be secured by acceptable collateral
3 and may not exceed 75 per cent of the appraised value of the collateral
4 offered as security.

5 Sec. 26.16.030. ELIGIBILITY FOR VETERANS' LOANS. The following
6 persons are qualified for loans under this chapter:

7 (1) a person who served in the armed forces of the United
8 States for 90 days or more, or whose service was for less than 90 days
9 because of injury or disability incurred in the line of duty, between
10 April 6, 1917 and November 11, 1918, and beginning September 16, 1940 to
11 July 1, 1977, or in a combat zone during any period of armed conflict,
12 who was separated from the armed forces with a discharge other than dis-
13 honorable, and

14 (A) who at the time of induction into the service was a
15 resident of the territory or state, who had been a resident for not
16 less than one year immediately before his induction, and who re-
17 turned to the territory or state after discharge as a resident with
18 the intention of remaining in the territory or state; or

19 (B) who, not being a bona fide resident of the territory
20 or state before his entry into the service, has been a resident of
21 the territory or state for five or more years;

22 (2) a person who was dependent on a member of the armed
23 forces or an eligible veteran at the time of the member's or veteran's
24 death if

25 (A) the member or veteran was a resident of the terri-
26 tory or state for one year before induction into the service;

27 (B) the member or veteran served in the armed forces for
28 at least 90 days between April 6, 1917 and November 11, 1918 or
29 between September 16, 1940 and July 1, 1977; and

1 (C) his discharge was not dishonorable;

2 (3) a person who has served in the Alaska Army National
3 Guard, the Alaska Air National Guard, or the Alaska Naval Militia for
4 not less than six years and who has not received a discharge other than
5 honorable.

6 (b) For purposes of this section, a dependent is an unmarried
7 person whose chief means of support was the deceased member of the armed
8 forces or the deceased veteran. The dependent must be either (1) a
9 widow, widower, minor son, minor daughter, or (2) mother, father, sister
10 or brother incapable of self-support. A dependent must be a resident of
11 the state at the time of making application and intend to reside in the
12 state permanently. The rights of a minor child who is eligible for a
13 loan under this chapter may be exercised only if the child has no sur-
14 viving parent and has an appointed guardian.

15 Sec. 26.16.040. CORPORATION GOVERNING HCDY. (a) The corporation
16 shall be governed by a board of directors. The board of directors of
17 the corporation consists of the commissioner of the Department of
18 Commerce and Economic Development and six members appointed by the
19 governor. At least five of the appointed members must be veterans who
20 meet the eligibility requirements of AS 26.16.030(1).

21 (b) Members appointed by the governor serve for three-year terms.
22 The terms of two members appointed by the governor expire on April 30
23 annually.

24 (c) If a vacancy occurs among the public members appointed by the
25 governor, the governor shall make an appointment, to become effective
26 immediately, for the unexpired portion of the term.

27 (d) Members of the board of directors serve without compensation
28 except that each member may be reimbursed by the corporation for actual
29 and necessary expenses at the same rate as set out in AS 39.20.190.

1 Sec. 26.16.050. MEETINGS OF BOARD. The board shall elect a chair-
2 man from among its membership at its first meeting in each year. A
3 majority of the members constitutes a quorum for organizing the board,
4 conducting its business, and exercising the powers of the corporation.
5 The board shall meet at the call of its chairman. The board shall meet
6 not less than once each three months.

7 Sec. 26.16.060. MINUTES OF MEETINGS. The board shall keep minutes
8 of each meeting and send a certified copy to the governor.

9 Sec. 26.16.070. ADMINISTRATION OF AFFAIRS. The board shall manage
10 the assets and business of the corporation and may prescribe, amend, and
11 repeal bylaws and regulations governing the manner in which the business
12 of the corporation is conducted and the manner in which its powers are
13 exercised. The board shall delegate supervision of the administration
14 of the corporation to the executive director, appointed in accordance
15 with AS 26.16.080, and may delegate to him other duties it considers
16 proper.

17 Sec. 26.16.080. EXECUTIVE DIRECTOR. The corporation shall employ
18 an executive director, who may not be a member of the board. The execu-
19 tive director shall be appointed by the board of directors and serves at
20 the pleasure of the board.

21 Sec. 26.16.090. LEGAL ADVISOR. The attorney general is the legal
22 counsel for the corporation. He shall advise the corporation in legal
23 matters and represent it in suits.

24 Sec. 26.16.100. EMPLOYMENT OF PERSONNEL. The board may appoint
25 other officers and engage professional and technical advisors as inde-
26 pendent contractors. The executive director may hire employees of the
27 corporation and, subject to the approval of the board, engage profes-
28 sional and technical advisors under contract with the corporation. The
29 board shall prescribe the duties and compensation of corporation per-

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sonnel.

Sec. 26.16.110. PERSONNEL EXEMPT FROM STATE PERSONNEL ACT. The personnel of the corporation are exempt from AS 39.25.

Sec. 26.16.120. INTERDEPARTMENTAL COOPERATION. All departments, agencies and public corporations of the state may provide information, services, facilities and loans to the corporation upon its request. The corporation may reimburse departments, agencies and public corporations of the state for loans advanced or for expenses incurred on the corporation's behalf.

Sec. 26.16.130. ADMINISTRATIVE PROCEDURE. (a) Except for AS 44.-62.310 and 44.62.312, regarding public meetings, and AS 44.62.320(a) regarding legislative review of regulations, the Administrative Procedure Act (AS 44.62) does not apply to this chapter. The corporation shall make available to members of the public copies of the regulations adopted under (b) - (c) of this section. Within 45 days after adoption, the chairman of the board shall submit a regulation adopted under (b) - (c) of this section to the chairman of the Administrative Regulation Review Committee under AS 24.20.400 - 24.20.469. The provisions of AS 44.62.320(a) apply to regulations adopted under (b) - (c) of this section.

(b) The board may adopt regulations by motion or by resolution or in any other manner permitted by its bylaws.

(c) The board may adopt regulations to carry out the purposes of this chapter, including but not limited to the following purposes:

- (1) determination of borrower eligibility;
- (2) loan guidelines and terms including, but not limited to, maximum loan amounts and required loan-to-value ratios, but excluding mortgage loan interest rates;
- (3) characteristics of housing eligible for loans or for

1 purchase of loans.

2 (d) Except as provided in (e) of this section, at least 15 days
3 before the adoption, amendment, or repeal of a regulation on a subject
4 specified in (c)(1) - (3) of this section, the board shall give public
5 notice of the proposed action by publishing the notice in at least three
6 newspapers of general circulation in the state and by mailing a copy of
7 the notice to every person who has filed a request for notice of pro-
8 posed regulations with the board or the corporation. The public notice
9 must include a statement of the time, place, and nature of the proceed-
10 ings for the adoption, amendment, or repeal of the regulation and must
11 include an informative summary of the proposed subject of the regula-
12 tion. On the date and at the time and place designated in the notice,
13 the board shall give each interested person or his authorized represen-
14 tative, or both, the opportunity to present statements, arguments, or
15 contentions in writing, and shall give members of the public an oppor-
16 tunity to present oral statements, arguments, or contentions for a total
17 period of at least one hour. The board shall consider all relevant
18 matter presented to it before adopting, amending, or repealing a regu-
19 lation. At a hearing under this subsection, the board may continue or
20 postpone the hearing to a time and place which it determines. A regula-
21 tion which is adopted, or its amendment or repeal, may vary in content
22 from the informative summary specified in this subsection if the subject
23 matter of the regulation, or its amendment or repeal, remains the same
24 and the original notice was written so as to assure that members of the
25 public are reasonably notified of the proposed subject of the board's
26 action in order for them to determine whether their interest could be
27 affected by the board's action on that subject.

28 (e) A regulation or order of repeal on a subject specified in (c)
29 of this section may be adopted as an emergency regulation or order of

1 repeal if the board makes a finding in its order of adoption or repeal,
2 including a statement of the facts which constitute the emergency, that
3 the adoption of the regulation or order of repeal is necessary for the
4 immediate preservation of the orderly operation of the corporation's
5 loan and bonding programs. The requirements of (d) of this section do
6 not apply to the initial adoption of an emergency regulation covering a
7 subject specified in (c)(1) - (3) of this section; however, upon adop-
8 tion of an emergency regulation, the board shall, within 10 days after
9 adoption, give notice of the adoption in accordance with (d) of this
10 section. No emergency regulation adopted under this subsection remains
11 in effect more than 120 days unless the board complies with (d) of this
12 section during the 120-day period.

13 (f) A regulation adopted under (b) - (e) of this section becomes
14 effective immediately upon its adoption by the board, unless otherwise
15 specifically provided by the order of adoption.

16 (g) The provisions of (b) - (e) of this section do not apply to
17 regulations governing interest rates on the corporation's loan programs.

18 Sec. 26.16.140. GENERAL POWERS. In addition to other powers
19 granted in this chapter, the corporation may

20 (1) make veterans' loans under AS 26.16.020;

21 (2) prescribe terms and rates of interest on loans made by
22 the corporation;

23 (3) collect and pay reasonable fees and charges in connection
24 with making, purchasing and servicing its loans, notes, bonds, commit-
25 ments and other evidences of indebtedness;

26 (4) acquire real property, or an interest in real property,
27 in its own name, by purchase, transfer or foreclosure, when the acquisi-
28 tion is necessary or appropriate to protect a loan in which the corpora-
29 tion has an interest; sell, transfer and convey any such property to a

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buyer; and, if the sale, transfer or conveyance cannot be affected with reasonable promptness or at a reasonable price, rent or lease the property to a tenant pending the sale, transfer or conveyance;

(5) sell, at public or private sale, to any purchaser, including the Federal National Mortgage Association, all or any part of a mortgage or other instrument or document securing a loan permitted by this chapter;

(6) purchase, in order to meet the requirements of the sale of its mortgages to the Federal National Mortgage Association, stock of the Federal National Mortgage Association;

(7) procure insurance against any loss in connection with its operation;

(8) consent to the modification of the rate of interest, time of payment of an installment of principal or interest, or any other terms, of a loan, to which the corporation is a party;

(9) borrow money as provided in this chapter to carry out its corporate purposes; and issue its obligations as evidence of such borrowing;

(10) include in any borrowing the amounts necessary to pay financing charges, interest on the obligations for a period not exceeding one year after the date on which the corporation estimates funds will otherwise be available to pay the interest, consultant, advisory and legal fees and such other expenses as are necessary or incident to this borrowing;

(11) make and execute agreements, contracts and other instruments necessary or convenient in the exercise of the powers and functions of the corporation under this chapter, including contracts with any person, firm, corporation, governmental agency or other entity;

(12) receive, administer and comply with the conditions and

1 requirements respecting any appropriation or gift, grant or donation of
2 property or money;

3 (13) sue and be sued in its own name;

4 (14) adopt an official seal;

5 (15) adopt bylaws for the regulation of its affairs and the
6 conduct of its business and prescribe rules, regulations and policies in
7 connection with the performance of its functions and duties;

8 (16) employ fiscal consultants, engineers, real estate coun-
9 selors, appraisers and such other consultants and employees as may be
10 required in the judgment of the corporation, and fix and pay their
11 compensation from funds available to the corporation;

12 (17) adopt and publish regulations respecting its lending
13 programs and other regulations to carry out its purposes;

14 (18) do all acts necessary, convenient or desirable to carry
15 out the powers expressly granted or necessarily implied in this chapter;

16 (19) invest or reinvest, subject to its contracts with note-
17 holders and bondholders, any money or funds held by the corporation in
18 any obligations or other securities or investments in which banks or
19 trust companies in the state may legally invest funds held in reserves
20 or sinking funds or any funds not required for immediate disbursement,
21 and in certificates of deposit or time deposits secured by obligations
22 of, or guaranteed by, the state or the United States of America.

23 Sec. 26.16.150. LOAN INSURANCE. (a) There is a special fund of
24 the state to be known as the "veterans' loan insurance fund" (called the
25 "loan insurance fund") which shall be completely segregated and set
26 apart from all other funds of the state, and which is a trust fund for
27 the uses and purposes of this section and into and from which money
28 shall be paid as provided in this section. The loan insurance fund
shall be held by the commissioner of revenue, subject to the power of

1 the commissioner of commerce and economic development to enter into and
2 perform agreements for the use of money in the loan insurance fund and
3 to pledge, assign or grant interests in the loan insurance fund as
4 provided in this section. The commissioner of commerce and economic
5 development may enter into agreements with the corporation for the
6 exercise of any power or approval relating to the loan insurance fund
7 under this section, including, without limitation, agreements as to the
8 use of money in the loan insurance fund, agreements regarding the terms
9 and conditions upon which payments from the loan insurance fund shall be
10 made to the corporation for loans insured under this section, and agree-
11 ments regarding the payment of and security for loan insurance bonds,
12 and in connection with these agreements the commissioner of commerce and
13 economic development may pledge, assign or grant other interests in the
14 loan insurance fund to the corporation as may be necessary or appropri-
15 ate in connection with the insurance of loans and to provide for the
16 payment of and security for loan insurance bonds. An agreement or any
17 of the rights of the corporation under the agreement and payments re-
18 ceived or to be received under the agreement may be pledged or assigned
19 by the corporation for the benefit of the holders of loan insurance
20 bonds.

21 (b) In addition to any other fees and charges which the corpora-
22 tion may charge on mortgage loans, it may collect or cause to be
23 collected on all mortgage loans made with the proceeds of the sale of
24 mortgage insurance bonds, either or both a special mortgage loan insur-
25 ance commitment fee or a mortgage loan insurance premium. The special
26 mortgage loan insurance commitment fees and special mortgage loan in-
27 surance premiums when received shall be deposited in the loan insurance
28 fund by the corporation, or by any mortgage loan servicer, trustee, or
29 agent designated by the corporation to receive them, and shall be held,

1 invested and, together with all investment income derived from them,
2 reinvested by the commissioner of revenue in investments authorized
3 under AS 37.10.070(a), subject to any agreement with the corporation
4 under (a) of this section.

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

13 (d) A state veterans' mortgage loan may be insured if the loan-to-
14 value ratio at the time of the insurance does not exceed 90 per cent or,
15 if the loan-to-value ratio does exceed that percentage, if it is
16 federally insured or guaranteed or insured by a qualified mortgage
17 insurance company to the extent of the excess. The endorsement of the
18 corporation on the mortgage at the time of purchase or acquisition of
19 the mortgage loan is conclusive evidence that the mortgage loan is
20 insured under the provisions of this section. The insurance is payable
21 solely from the mortgage insurance fund.

22 (e) Mortgage loans may only be insured when the amount of mortgage
23 loans in the loan insurance fund as a percentage of the sum of all
24 mortgage loans to be insured and all unpaid principal on mortgage loans
25 insured by the corporation, equals or exceeds the fund requirement. As
26 used in this section, the "fund requirement" is calculated as follows as
27 to the following mortgage loans insured by the corporation:

28 (1) in the case of state veteran mortgage loans insured by a
29 qualified mortgage insurance company or, if not so insured or guaran-

1 need, with a loan-to-value ratio at the time of the mortgage insurance
2 application less than 80 per cent, the greater of (A) two per cent of
3 the unpaid principal amount of those mortgage loans, or (B) a percentage
4 which the corporation with the approval of the commissioner of commerce
5 and economic development determines is actuarially sound for operation
6 of the loan insurance fund;

7 (2) in the case of state veterans' mortgage loans not insured
8 by a qualified mortgage insurance company and with a loan-to-value ratio
9 at the time of the mortgage insurance application between 80 and 90 per
10 cent, the greater of (A) six per cent of the unpaid principal amount of
11 those state veterans' loans, or (B) a percentage which the corporation
12 with the approval of the commissioner of commerce and economic develop-
13 ment determines is actuarially sound for the operation of the loan
14 insurance fund.

15 (f) On December 1 of each year the commissioner of commerce and
16 economic development shall determine the amount on deposit in the loan
17 insurance fund. If the amount in the fund is less than the fund re-
18 quirement, the commissioner shall request the corporation to transfer
19 from any available funds the amount necessary to restore the loan in-
20 surance fund to the fund requirement and the corporation shall promptly
21 comply with the request from any funds available subject to agreements
22 with holders of any of its obligations. If sufficient funds are not
23 provided as the result of such requests, the commissioner shall, no
24 later than January 2 of the following year, make and deliver to the
25 governor and to the chairmen of the house and senate finance committees
26 his certificate stating the sum required to restore the fund to the fund
27 requirement and the sum so certified may be appropriated and paid to the
28 fund during the then current state fiscal year. Nothing in this sub-
section creates a debt or liability of the state.

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(g) The commissioner of revenue may sell to the corporation, and the corporation may purchase, state veterans' loans purchased for and held in the general fund on such terms and conditions as the commissioner of revenue and the corporation consider appropriate. When the commissioner of revenue sells a state veterans' loan to the corporation he may cause to be deposited in the loan insurance fund from the proceeds of sale an amount not exceeding the lesser of (1) six per cent of the proceeds of sale, or (2) the difference between the amount the commissioner of revenue actually receives on the sale and the amount the commissioner determines would have been received if the state veterans' loans had been sold in the private mortgage market. The determination shall be based on information reasonably available to the commissioner of revenue at the time of sale and is conclusive in determining the amount of the deposit.

(h) As used in this section, unless the context clearly indicates a different meaning:

(1) "loan-to-value ratio" means the ratio between the principal amount of a mortgage loan and the appraised value, as determined by the corporation, of the residential housing financed by that mortgage loan;

(2) "mortgage insurance bond" means a bond, note or other obligation of the corporation, the proceeds of which are authorized to be expended to purchase or make a mortgage loan insured under this section;

(3) "qualified mortgage insurance company" means a mortgage insurance company satisfactory to the corporation;

(4) "special mortgage loan insurance commitment fee" and "special mortgage loan insurance premium" mean, respectively, a fee of such per cent of the principal amount of a mortgage loan to be insured

1 under this section, and an annual insurance premium of such per cent of
2 the portion of the unpaid principal amount of a mortgage loan insured
3 under this section which is not federally insured or guaranteed or
4 insured by a private mortgage insurance company, which the corporation
5 with the approval of the commissioner of commerce and economic develop-
6 ment determines is actuarially sound for the operation of the mortgage
7 insurance fund;

8 (5) "state veterans' loan" means a mortgage loan for residen-
9 tial housing made in accordance with AS 26.16.020;

10 (6) the determination of what is "actuarially sound" with
11 respect to the operation of the loan insurance fund shall be based on a
12 consideration of the factors which will provide sufficient revenues for
13 the operation of the fund, without regard to amounts which may have been
14 or may, after the date of determination of actuarial soundness, be
15 appropriated under (f) of this section, including, without limitation,
16 estimates of future defaults and losses on loans insured under this
17 section based on actual default and loss experience on those loans or on
18 similar loans in Alaska or elsewhere, estimates of recoveries on de-
19 faulted or foreclosed loans based on that experience, the terms and
20 conditions of the loans insured under this section, estimates of
21 earnings and income of amounts on deposit in the loan insurance fund,
22 and any other appropriate factors.

23 Sec. 26.16.160. BONDS AND NOTES. (a) The corporation, by reso-
24 lution, may issue bonds and bond anticipation notes in order to provide
25 funds to carry out its purposes.

26 (b) The principal and interest on these bonds or notes is payable
27 from corporation funds. Bond anticipation notes may be payable from the
28 proceeds of the sale of bonds or from the proceeds of sale of other bond
29 anticipation notes or, in the event bond or bond anticipation note

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proceeds are not available, the notes may be paid from other funds or
assets of the corporation. Bonds or notes may be additionally secured
by a pledge of a grant or contribution from the federal government, or a
corporation, association, institution or person, or a pledge of money,
income, or revenues of the corporation from any source.

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(c) Bonds or bond anticipation notes may be issued in one or more
series and shall be dated, bear interest at the rate or rates per year
or within the maximum rate, be in the denomination, be in the form,
either coupon or registered, carry the conversion or registration pro-
visions, have the rank or priority, be executed in the manner and form,
be payable from the sources in the medium of payment and place or places
in or outside the state, be subject to authentication by a trustee or
fiscal agent, and be subject to the terms of redemption with or without
premium, as the resolution of the corporation may provide. Bond anti-
cipation notes shall mature at such time or times as may be determined
by the corporation. Bonds shall mature at such time, not exceeding 50
years from their date, as may be determined by the corporation. Before
the preparation of definitive bonds or bond anticipation notes, the
corporation may issue interim receipts or temporary bonds or bond anti-
cipation notes, with or without coupons, exchangeable for bonds or bond
anticipation notes when these definitive bonds or bond anticipation
notes have been executed and are available for delivery.

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(d) Bonds or bond anticipation notes may be sold in the manner, on
the terms and at the price the corporation determines.

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(e) If an officer whose signature or a facsimile of whose signa-
ture appears on any bonds or notes or coupons attached to them ceases to
be an officer before the delivery of the bond, note or coupon, his
signature or facsimile is valid the same as if he had remained in office
until delivery.

1 (f) In resolution of the corporation authorizing or relating to
2 the issuance of bonds or bond anticipation notes, the corporation has
3 power by provisions in the resolution which will constitute covenants of
4 the corporation and contracts with the holders of the bonds or bond
5 anticipation notes

6 (1) to pledge to any payment or purpose all or any part of
7 its revenues to which its right then exists or may thereafter come into
8 existence, and the money derived from the revenues, and the proceeds of
9 any bonds or notes;

10 (2) to covenant against pledging all or any part of its
11 revenues, or against permitting or suffering a lien on the revenues or
12 its property;

13 (3) to covenant as to the use and disposition of any and all
14 payments of principal or interest received by the corporation on loans
15 or other investments held by the corporation;

16 (4) to covenant as to establishment of reserves or sinking
17 funds and the making of provision for and the regulation and disposition
18 of the reserves or sinking funds;

19 (5) to covenant for or against limitations on a right to sell
20 or otherwise dispose of property of any kind;

21 (6) to covenant as to bonds and notes to be issued, and their
22 limitations, terms and conditions, and as to the custody, application
23 and disposition of the proceeds of the bonds and notes;

24 (7) to covenant as to the issuance of additional bonds or
25 notes, or as to limitations on the issuance of additional bonds or notes
26 and the incurring of other debts;

27 (8) to covenant as to the payment of the principal of or
28 interest on the bonds or notes, as to the sources and methods of the
29 payment, as to the rank or priority of the bonds or notes with respect

1 to a lien or security, or as to the acceleration of the maturity of the
2 bonds or notes;

3 (9) to provide for the replacement of lost, stolen, destroyed
4 or mutilated bonds or notes;

5 (10) to covenant against extending the time for the payment of
6 bonds or notes or interest on the bonds or notes;

7 (11) to covenant as to the redemption of bonds or notes and
8 privileges of their exchange for other bonds or notes of the corpora-
9 tion;

10 (12) to covenant to create or authorize the creation of
11 special funds of money to be held in pledge or otherwise for operating
12 expenses, payment or redemption of bonds or notes, reserves or other
13 purposes, and as to the use and disposition of the money held in the
14 funds;

15 (13) to establish the procedure, if any, by which the terms of
16 any contract or covenant with or for the benefit of the holders of bonds
17 or notes may be amended or abrogated, the amount of bonds or notes the
18 holders of which must consent to amendment or abrogation, and the manner
19 in which the consent may be given;

20 (14) to covenant as to the custody of any of its properties or
21 investments, their safekeeping and insurance, and the use and disposi-
22 tion of insurance money;

23 (15) to covenant as to the time or manner of enforcement or
24 restraint from enforcement of any rights of the corporation arising by
25 reason of or with respect to nonpayment of any principal or interest of
26 any mortgage loans or construction loans;

27 (16) to provide for the rights and liabilities, powers and
28 duties arising upon the breach of any covenant, condition or obligation,
and to prescribe the events of default and the terms and conditions upon

1 which any or all the bonds, notes or other obligations of the corpora-
2 tion become or may be declared due and payable before maturity and the
3 terms and conditions upon which any such declaration and its consequen-
4 ces may be waived;

5 (17) to vest in a trustee or trustees in or outside the state
6 such property, rights, powers and duties in trust as the corporation may
7 determine, which may include any or all of the rights, powers and duties
8 of any trustee appointed by the holders of any bonds or notes, and to
9 limit or abrogate the right of the holders of any bonds or notes of the
10 corporation to appoint a trustee under this chapter or limit the rights,
11 powers and duties of the trustee;

12 (18) to pay the cost : expenses incident to the enforcement
13 of the bonds or notes or of the provisions of the resolution or of any
14 covenant or agreement of the corporation with the holders of its bonds
15 or notes;

16 (19) to agree with any corporate trustee which may be a trust
17 company or bank having the powers of a trust company in or outside the
18 state as to the pledging or assigning of revenues or funds to which or
19 in which the corporation has any rights or interest; the agreement may
20 further provide for such other rights and remedies exercisable by the
21 trustee as may be proper for the protection of the holders of any bonds
22 or notes of the corporation and not otherwise in violation of law and
23 may provide for the restriction of the rights of an individual holder of
24 bonds or notes of the corporation;

25 (20) to appoint and provide for the duties and obligations of
26 any paying agent or paying agents, or such other fiduciaries as the
27 resolution may provide in or outside the state;

28 (21) to limit the rights of the holders of any bonds or notes
29 to enforce any pledge or covenant securing bonds or notes;

1 (22) to make covenants other than and in addition to the
2 covenants expressly authorized in this section, of like or different
3 character, and to make the covenants to do or refrain from doing such
4 acts and things as may be necessary, or convenient and desirable, in
5 order to better secure bonds or notes or which, in the absolute discre-
6 tion of the corporation, will tend to make bonds or notes more market-
7 able, notwithstanding that the covenants, acts or things may not be
8 enumerated in this section.

9 Sec. 26.16.170. INDEPENDENT FINANCIAL ADVISOR. In negotiating the
10 private sale of bonds or bond anticipation notes to an underwriter, the
11 corporation shall retain a financial advisor who is independent from the
12 underwriter.

13 Sec. 26.16.180. VALIDITY OF ANY PLEDGE. The pledge of assets or
14 revenues of the corporation to the payment of the principal or interest
15 on any obligations of the corporation is valid and binding from the time
16 the pledge is made and any such assets or revenues are immediately
17 subject to the lien of the pledge without physical delivery or further
18 act. The lien of any pledge is valid and binding against all parties
19 having claims of any kind in tort, contract or otherwise against the
20 corporation, irrespective of whether those parties have notice of the
21 lien of the pledge. Nothing in this section prohibits the corporation
22 from selling assets subject to a pledge, except that a sale may be
23 restricted by the trust agreement or resolution providing for the issu-
24 ance of the obligations.

25 Sec. 26.16.190. CAPITAL RESERVE FUND. (a) For the purpose of
26 securing any one or more issues of its obligations, the corporation may
27 establish one or more special funds, called "capital reserve funds", and
28 shall pay into those capital reserve funds (1) any money appropriated
29 and made available by the state for the purpose of any of those funds,

1 (2) any proceeds of the sale of its obligations, to the extent provided
2 in the resolution or resolutions of the corporation authorizing their
3 issuance, and (3) any other money which may be made available to the
4 corporation for the purposes of those funds from any other source. All
5 money held in a capital reserve fund, except as provided in this sec-
6 tion, shall be used as required, solely for (1) the payment of the
7 principal of obligations or of the sinking fund payments with respect to
8 those obligations, (2) the purchase or redemption of obligations, (3)
9 the payment of interest on obligations, or (4) the payment of any re-
10 demption premium required to be paid when those obligations are redeemed
11 before maturity; however, money in any fund may not be withdrawn from it
12 at any time in an amount which would reduce the amount of that fund to
13 less than the capital reserve requirement set out in (b) of this sec-
14 tion, except for the purpose of making, with respect to those obliga-
15 tions, payment, when due, of principal, interest, redemption premiums
16 and the sinking fund payments for the payment of which other money of
17 the corporation is not available. Any income or interest earned by, or
18 increment to, a capital reserve fund, due to the investment of the fund
19 or any other amounts in it, may be transferred by the corporation to
20 other funds or accounts of the corporation to the extent that the trans-
21 fer does not reduce the amount of the capital reserve fund below the
22 capital reserve fund requirement.

23 (b) If the corporation decides to issue obligations secured by a
24 capital reserve fund, the obligations may not be issued if the amount in
25 the capital reserve fund is less than such a per cent, not exceeding 10
26 per cent of the principal amount of all of those obligations secured by
27 that capital reserve fund then to be issued and then outstanding in
28 accordance with their terms, as may be established by resolution of the
29 corporation (called the "capital reserve fund requirement"), unless the

1 corporation, at the time of issuance of the obligations, deposits in the
2 capital reserve fund from the proceeds of the obligations to be issued
3 or from other sources, an amount which, together with the amount then in
4 the fund, will not be less than the capital reserve fund requirement.

5 (c) In computing the amount of a capital reserve fund for the
6 purpose of this section, securities in which all or a portion of the
7 funds are invested shall be valued at par or, if purchased at less than
8 par, at amortized costs as the term is defined by resolution of the
9 corporation authorizing the issue of the obligations, or by some other
10 reasonable method established by the corporation by resolution. Valua-
11 tion on a particular date shall include the amount of any interest
12 earned or accrued to that date.

13 (d) To assure the continued operation and solvency of the corpora-
14 tion for the carrying out of its corporate purposes, provision is made
15 in (a) of this section for the accumulation in capital reserve funds of
16 an amount equal to their capital reserve fund requirement.

17 (e) The chairman of the corporation shall annually, no later than
18 January 2, make and deliver to the governor and chairman of the house
19 and senate finance committees his certificate stating the sum, if any,
20 required to restore any capital reserve fund to the capital reserve fund
21 requirement. The legislature may appropriate such a sum, and all sums
22 appropriated during the then current fiscal year by the legislature for
23 the restoration shall be deposited by the corporation in the proper
24 capital reserve fund. Nothing in this section creates a debt or liabil-
25 ity of the state.

26 (f) Whenever the corporation has created and established a capital
27 reserve fund, the commissioner of revenue may lend surplus money in the
28 general fund to the corporation for deposit in a capital reserve fund in
an amount equal to the capital reserve fund requirement. The loans

1 shall be made on such terms and conditions as may be agreed upon the
2 commissioner of revenue and the corporation, including without limita-
3 tion terms and conditions providing that the loans need not be repaid
4 until the obligations of the corporation secured and to be secured by
5 the capital reserve fund are no longer outstanding.

6 Sec. 26.16.200. REMEDIES. A holder of obligations or coupons
7 attached to them issued under the provisions of this chapter, and a
8 trustee under a trust agreement or resolution authorizing the issuance
9 of the obligations, except as restricted by a trust agreement or resolu-
10 tion, either at law or in equity, may enforce all rights granted under
11 this chapter or under the trust agreement or resolution, or under any
12 other contract executed by the corporation under this chapter, and may
13 enforce and compel the performance of all duties required by this chap-
14 ter or by the trust agreement or resolution to be performed by the
15 corporation or by any officer of it.

16 Sec. 26.16.210. NEGOTIABLE INSTRUMENTS. All obligations and
17 interest coupons attached to them are negotiable instruments under the
18 laws of this state, subject only to any applicable provisions for regis-
19 tration.

20 Sec. 26.16.220. OBLIGATIONS ELIGIBLE FOR INVESTMENT. Obligations
21 issued under the provisions of this chapter are securities in which all
22 public officers and public bodies of the state and its political sub-
23 divisions, all insurance companies, trust companies, banking associa-
24 tions, investment companies, executors, administrators, trustees and
25 other fiduciaries may properly and legally invest funds, including
26 capital in their control or belonging to them. These obligations may be
27 deposited with any state or municipal officer of an agency or political
28 subdivision of the state for any purpose for which the deposit of bonds,
29 notes or obligations of the state is authorized by law.

1 Sec. 26.16.230. REFUNDING OBLIGATIONS. (a) The corporation may
2 provide for the issuance of refunding obligations for the purpose of
3 refunding any obligations then outstanding which have been issued under
4 the provisions of this chapter, including the payment of any redemption
5 premium on them and any interest accrued or to accrue to the date of
6 redemption of the obligations. The issuance of the obligations, the
7 maturities and other details of them, the rights of the holders of them,
8 and the rights, duties and obligations of the corporation in respect of
9 them are governed by the provisions of this chapter which relate to the
10 issuance of obligations, insofar as those provisions may be appropriate.

11 (b) Refunding obligations may be sold or exchanged for outstanding
12 obligations issued under this chapter and, if sold, the proceeds may be
13 applied, in addition to any other authorized purposes, to the purchase,
14 redemption or payment of the outstanding obligations. Pending the
15 application of the proceeds of any such refunding obligations, with any
16 other available funds, to the payment of the principal, accrued interest
17 and any redemption premium on the obligations being refunded, and, if so
18 provided or permitted in the resolution authorizing the issuance of the
19 refunding obligations or in the trust agreement securing them, to the
20 payment of any interest on the refunding obligations and any expenses in
21 connection with the refunding, the proceeds may be invested in direct
22 obligations of, or obligations the principal of and the interest on
23 which are unconditionally guaranteed by, the United States of America
24 which mature or which will be subject to redemption, at the option of
25 the holders of them, not later than the respective dates when the pro-
26 ceeds, together with the interest accruing on them, will be required for
27 the purposes intended.

28 Sec. 26.16.240. CREDIT OF STATE NOT PLEDGED. (a) Obligations
29 issued under the provisions of this chapter do not constitute a debt,

1 liability or obligation of the state or of any political subdivision of
2 the state or a pledge of the faith and credit of the state or of any
3 such political subdivision but are payable solely from the revenues or
4 assets of the corporation. Each obligation issued under this chapter
5 shall contain on its face a statement that the corporation is not obli-
6 gated to pay it nor the interest on it except from the revenues or
7 assets pledged for it and that neither the faith and credit nor the
8 taxing power of the state or of any political subdivision of the state
9 is pledged to the payment of the principal of or the interest on the
10 obligation.

11 (b) Expenses incurred by the corporation in carrying out the
12 provisions of this chapter are payable from funds provided under this
13 chapter and no liability may be incurred by the corporation in excess of
14 these funds.

15 Sec. 26.16.250. OFFICERS NOT LIABLE. A member or other officer of
16 the corporation is not subject to personal liability or accountability
17 by reason of his execution of any obligations or the issuance of them.

18 Sec. 26.16.260. TAX EXEMPTION. (a) The exercise of the powers
19 granted by this chapter will be in all respects for the benefit of the
20 people of the state, for their well-being and prosperity and for the
21 improvement of their social and economic conditions, and the corporation
22 is not required to pay a tax or assessment on any property owned by the
23 corporation under the provisions of this chapter or upon the income from
24 it, except taxes on real property of which the corporation is fee owner.

25 (b) All obligations issued under this chapter are hereby declared
26 to be issued by a body corporate and public of the state and for an
27 essential public and governmental purpose, and the obligations, and the
28 interest and income on and from the obligations, and all fees, charges,
funds, revenues, income and other money pledged or available to pay or

1 secure the payment of the obligations, or interest on the obligations,
2 are exempt from taxation except for transfer, inheritance and estate
3 taxes.

4 Sec. 26.16.270. ANNUAL REPORT. The corporation shall prepare and
5 transmit annually a report accounting to the governor and the legisla-
6 ture for the efficient discharge of all responsibility assigned by law or
7 by directive to the corporation.

8 Sec. 26.16.280. DEFINITIONS. In this chapter, unless the context
9 clearly indicates a different meaning,

10 (1) "corporation" means the Alaska Veterans' Loan Corporation
11 established by this chapter;

12 (2) "board" means the board of directors of the corporation;

13 (3) "governmental agency" means any department, division,
14 public agency, political subdivision or other public instrumentality of
15 the state or federal government.

16 * Sec. 3. All assets of the World War II veterans' loan fund established
17 under AS 26.15.090 are transferred to the Alaska Veterans' Loan Corporation
18 to be used for the purposes of AS 26.16.

19 * Sec. 4. Loan servicing functions presently performed by the Department
20 of Commerce and Economic Development on loans made under the provisions of
21 AS 26.15 may, at the discretion of the commissioner of revenue, be trans-
22 ferred to the Alaska Veterans' Loan Corporation created in AS 26.16. The
23 Alaska Veterans' Loan Corporation may assume the duties which the Department
24 of Commerce and Economic Development is obligated to perform under agreements
25 made in connection with veterans loans and is entitled to service fees and
26 other compensation which the department is entitled to receive.

27 * Sec. 5. AS 26.15 is repealed.

28 * Sec. 6. Section 5 of this Act takes effect July 1, 1980.

29 * Sec. 7. Sections 1 - 4 of this Act take effect immediately in accor-

1 dance with AS 01.10.070(c).

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THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. CS for Senate Bill No. 152
 Title _____
 Requested by BRADLEY Date 4/26/79

II. FISCAL DETAIL
 Agency Affected Commerce & Economic Development
 Program Category Affected Development
 Budget Request Unit(s) Affected Veterans Loan Fund

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL		45,000				
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		45,000				

FUNDING (Thousands of Dollars)

GENERAL FUND		45,000				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The above figures are the Commissioner and six board members that will be traveling and per diem, in order to set the Corporation up if this bill passes.

After the Alaska Veterans Loan Corporation is implemented on July 1, 1980, there will no further need for funding except that provided by the Corporation itself.

IV. DATE April 26, 1979 PREPARED BY Joseph J. Friedman
 AGENCY Division of Veterans' Affairs
 PHONE 465-2555
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. CS for Senate Bill No. 152
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II. FISCAL DETAIL
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	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
GENERAL FUND		45,000				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
FULL TIME						
PART TIME						
TEMPORARY						

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The above figures are the Commissioner and six board members that will be traveling and per diem, in order to set the Corporation up if this bill passes.

After the Alaska Veterans Loan Corporation is implemented on July 1, 1980, there will no further need for funding except that provided by the Corporation itself.

IV. DATE April 26, 1979 PREPARED BY Joseph J. Bradley
 AGENCY Division of Veterans' Affairs
 PHONE 465-2555
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. CS for Senate Bill No. 152
 Title _____
 Requested by BRADLEY Date 4/26/79

II. FISCAL DETAIL
 Agency Affected Commerce & Economic Development
 Program Category Affected Development
 Budget Request Unit(s) Affected Veterans Loan Fund

EXPENDITURES (Thousands of Dollars)

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GENERAL FUND		45,000				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions Section III)

The above figures are the Commissioner and six board members that will be traveling and per diem, in order to set the Corporation up if this bill passes.

After the Alaska Veterans Loan Corporation is implemented on July 1, 1980, there will no further need for funding except that provided by the Corporation itself.

IV. DATE April 26, 1979 PREPARED BY Joseph J. Finley
 AGENCY Division of Veterans' Affairs
 PHONE 465-2555
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

*Sec. 6. The board of directors of the corporation shall make preparation for implementation of this Act commencing immediately after their appointment. No loans may be made under this Act before July 1, 1980

*Sec. 7. Secs 3, 4 and 5 of this Act take effect July 1, 1980.

*Sec. 8. Secs 1, 2 and 6 of this Act take effect immediately in accordance with AS 01.10.070(c).

Berrier
3-21-77
Del. to
Gary Osaka

Original sponsor: Bradley

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 152

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Veterans' Loan Corpora-
7 tion and transferring the assets and functions of the
8 Department of Commerce and Economic Development relat-
9 ing to veterans loans to that corporation; and provid-
10 ing for an effective date."

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

12 Section 1. FINDINGS AND PURPOSE. (a) The program of making loans to
13 veterans in accordance with AS 26.15 has increased and improved the supply of
14 adequate housing in the state and has materially aided veterans in establish-
15 ing businesses, in self-improvement and in readjustment. A veterans' loan
16 program is essential to the economic growth of the state. Participation by
17 the Alaska Veterans' Loan Corporation in the program of making and insuring
18 state veterans' loans as provided in this chapter will be of material aid in
19 insuring the continuance of the program of making loans to veterans.

20 (b) The legislature finds that enabling the Alaska Veterans' Loan
21 Corporation to finance the program of veterans' loans serves a public purpose
22 in benefiting the people of the state. The Alaska Veterans' Loan Corporation
23 is empowered to act on behalf of the state and its people in serving this
24 public purpose for the benefit of the general public.

25 * Sec. 2. AS 26 is amended by adding a new chapter to read:

26 CHAPTER 16. ALASKA VETERANS' LOAN CORPORATION.

27 Sec. 26.16.010. ALASKA VETERANS' LOAN CORPORATION. The Alaska
28 Veterans' Loan Corporation is a public corporation and government in-
29 strumentality within the Department of Commerce and Economic Develop-

1 ment, but has a legal existence independent of and separate from the
2 state. The corporation may not be terminated as long as it has bonds,
3 notes or other obligations outstanding. Upon termination of the cor-
4 poration, its rights and property pass to the state.

5 Sec. 25.16.020. VETERANS' LOANS. (a) The corporation may, under
6 regulations and policies adopted by it, make or participate in the
7 making of the following loans:

8 (1) Personal loans may be made for educational, domestic,
9 remote area family housing and other personal purposes, not exceeding
10 \$10,000. The loans shall be secured by acceptable collateral when
11 available but if not available the corporation may make loans on the
12 basis of good character.

13 (2) Farm and single-family home loans not exceeding \$75,000
14 and loans for owner-occupied duplexes not exceeding \$125,000 may be made
15 to purchase, remodel, repair, build, furnish, refinance or equip homes,
16 owner-occupied duplexes or farms in the state, including the clearing
17 and drainage for farms. The loans may not exceed 90 per cent of the
18 appraised value when made for the purchase or construction of a home or
19 owner-occupied duplex unless additional amounts are secured by accept-
20 able collateral as determined by the commissioner of commerce and
21 economic development in conformity with established minimum require-
22 ments.

23 (3) Business loans not exceeding \$300,000 may be made to
24 acquire, finance or refinance or equip businesses, including mining and
25 fishing but not including farming, if the loan applicant has had three
26 or more years of general business experience. The loans shall be
27 secured by acceptable collateral and may not exceed 75 per cent of the
28 appraised value of the collateral offered as security.

29 (4) Multiple dwelling loans not exceeding \$110,000 may be

1 made to purchase, remodel, repair, build, furnish, refinance or equip
2 multiple dwellings. The loans shall be secured by acceptable collateral
3 and may not exceed 75 per cent of the appraised value of the collateral
4 offered as security.

5 Sec. 26.16.030. ELIGIBILITY FOR VETERANS' LOANS. The following
6 persons are qualified for loans under this chapter:

7 (1) a person who served in the armed forces of the United
8 States for 90 days or more, or whose service was for less than 90 days
9 because of injury or disability incurred in the line of duty, between
10 April 6, 1917 and November 11, 1918, and beginning September 16, 1940 to
11 July 1, 1977, or in a combat zone during any period of armed conflict,
12 who was separated from the armed forces with a discharge other than dis-
13 honorable, and

14 (A) who at the time of induction into the service was a
15 resident of the territory or state, who had been a resident for not
16 less than one year immediately before his induction, and who re-
17 turned to the territory or state after discharge as a resident with
18 the intention of remaining in the territory or state; or

19 (B) who, not being a bona fide resident of the territory
20 or state before his entry into the service, has been a resident of
21 the territory or state for five or more years;

22 (2) a person who was dependent on a member of the armed
23 forces or an eligible veteran at the time of the member's or veteran's
24 death if

25 (A) the member or veteran was a resident of the terri-
26 tory or state for one year before induction into the service;

27 (B) the member or veteran served in the armed forces for
28 at least 90 days between April 6, 1917 and November 11, 1918 or
29 between September 16, 1940 and July 1, 1977; and

1
2 (C) his discharge was not dishonorable;

3 (3) a person who has served in the Alaska Army National
4 Guard, the Alaska Air National Guard, or the Alaska Naval Militia for
5 not less than six years and who has not received a discharge other than
6 honorable.

7 (b) For purposes of this section, a dependent is an unmarried
8 person whose chief means of support was the deceased member of the armed
9 forces or the deceased veteran. The dependent must be either (1) a
10 widow, widower, minor son, minor daughter, or (2) mother, father, sister
11 or brother incapable of self-support. A dependent must be a resident of
12 the state at the time of making application and intend to reside in the
13 state permanently. The rights of a minor child who is eligible for a
14 loan under this chapter may be exercised only if the child has no sur-
15 viving parent and has an appointed guardian.

16 Sec. 26.16.040. CORPORATION GOVERNING BODY. (a) The corporation
17 shall be governed by a board of directors. The board of directors of
18 the corporation consists of the commissioner of the Department of
19 Commerce and Economic Development and six members appointed by the
20 governor. At least five of the appointed members must be veterans who
21 meet the eligibility requirements of AS 26.16.030(1).

22 (b) Members appointed by the governor serve for three-year terms.
23 The terms of two members appointed by the governor expire on April 30
24 annually.

25 (c) If a vacancy occurs among the public members appointed by the
26 governor, the governor shall make an appointment, to become effective
27 immediately, for the unexpired portion of the term.

28 (d) Members of the board of directors serve without compensation
29 except that each member may be reimbursed by the corporation for actual
30 and necessary expenses at the same rate as set out in AS 39.20.180.

1 Sec. 26.16.050. MEETINGS OF BOARD. The board shall elect a chair-
2 man from among its membership at its first meeting in each year. A
3 majority of the members constitutes a quorum for organizing the board,
4 conducting its business, and exercising the powers of the corporation.
5 The board shall meet at the call of its chairman. The board shall meet
6 not less than once each three months.

7 Sec. 26.16.060. MINUTES OF MEETINGS. The board shall keep minutes
8 of each meeting and send a certified copy to the governor.

9 Sec. 26.16.070. ADMINISTRATION OF AFFAIRS. The board shall manage
10 the assets and business of the corporation and may prescribe, amend, and
11 repeal bylaws and regulations governing the manner in which the business
12 of the corporation is conducted and the manner in which its powers are
13 exercised. The board shall delegate supervision of the administration
14 of the corporation to the executive director, appointed in accordance
15 with AS 26.16.080, and may delegate to him other duties it considers
16 proper.

17 Sec. 26.16.080. EXECUTIVE DIRECTOR. The corporation shall employ
18 an executive director, who may not be a member of the board. The execu-
19 tive director shall be appointed by the board of directors and serves at
20 the pleasure of the board.

21 Sec. 26.16.090. LEGAL ADVISOR. The attorney general is the legal
22 counsel for the corporation. He shall advise the corporation in legal
23 matters and represent it in suits.

24 Sec. 26.16.100. EMPLOYMENT OF PERSONNEL. The board may appoint
25 other officers and engage professional and technical advisors as inde-
26 pendent contractors. The executive director may hire employees of the
27 corporation and, subject to the approval of the board, engage profes-
28 sional and technical advisors under contract with the corporation. The
29 board shall prescribe the duties and compensation of corporation per-

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sonnel.
Sec. 26.16.110. PERSONNEL EXEMPT FROM STATE PERSONNEL ACT. The personnel of the corporation are exempt from AS 39.25.

Sec. 26.16.120. INTERDEPARTMENTAL COOPERATION. All departments, agencies and public corporations of the state may provide information, services, facilities and loans to the corporation upon its request. The corporation may reimburse departments, agencies and public corporations of the state for loans advanced or for expenses incurred on the corporation's behalf.

Sec. 26.16.130. ADMINISTRATIVE PROCEDURE. (a) Except for AS 44.-62.310 and 44.62.312, regarding public meetings, and AS 44.62.320(a) regarding legislative review of regulations, the Administrative Procedure Act (AS 44.62) does not apply to this chapter. The corporation shall make available to members of the public copies of the regulations adopted under (b) - (c) of this section. Within 45 days after adoption, the chairman of the board shall submit a regulation adopted under (b) - (c) of this section to the chairman of the Administrative Regulation Review Committee under AS 24.20.400 - 24.20.460. The provisions of AS 44.62.320(a) apply to regulations adopted under (b) - (c) of this section.

(b) The board may adopt regulations by motion or by resolution or in any other manner permitted by its bylaws.

(c) The board may adopt regulations to carry out the purposes of this chapter, including but not limited to the following purposes:

- (1) determination of borrower eligibility;
- (2) loan guidelines and terms including, but not limited to, maximum loan amounts and required loan-to-value ratios, but excluding mortgage loan interest rates;
- (3) characteristics of housing eligible for loans or for

1 purchase of loans.

2 (d) Except as provided in (c) of this section, at least 15 days
3 before the adoption, amendment, or repeal of a regulation on a subject
4 specified in (c)(1) - (3) of this section, the board shall give public
5 notice of the proposed action by publishing the notice in at least three
6 newspapers of general circulation in the state and by mailing a copy of
7 the notice to every person who has filed a request for notice of pro-
8 posed regulations with the board or the corporation. The public notice
9 must include a statement of the time, place, and nature of the proceed-
10 ings for the adoption, amendment, or repeal of the regulation and must
11 include an informative summary of the proposed subject of the regula-
12 tion. On the date and at the time and place designated in the notice,
13 the board shall give each interested person or his authorized represen-
14 tative, or both, the opportunity to present statements, arguments, or
15 contentions in writing, and shall give members of the public an oppor-
16 tunity to present oral statements, arguments, or contentions for a total
17 period of at least one hour. The board shall consider all relevant
18 matter presented to it before adopting, amending, or repealing a regu-
19 lation. At a hearing under this subsection, the board may continue or
20 postpone the hearing to a time and place which it determines. A regula-
21 tion which is adopted, or its amendment or repeal, may vary in content
22 from the informative summary specified in this subsection if the subject
23 matter of the regulation, or its amendment or repeal, remains the same
24 and the original notice was written so as to assure that members of the
25 public are reasonably notified of the proposed subject of the board's
26 action in order for them to determine whether their interest could be
27 affected by the board's action on that subject.

28 (e) A regulation or order of repeal on a subject specified in (c)
29 of this section may be adopted as an emergency regulation or order of

1 repeal if the board makes a finding in its order of adoption or repeal,
2 including a statement of the facts which constitute the emergency, that
3 the adoption of the regulation or order of repeal is necessary for the
4 immediate preservation of the orderly operation of the corporation's
5 loan and bonding programs. The requirements of (d) of this section do
6 not apply to the initial adoption of an emergency regulation covering a
7 subject specified in (c)(1) - (3) of this section; however, upon adop-
8 tion of an emergency regulation, the board shall, within 10 days after
9 adoption, give notice of the adoption in accordance with (d) of this
10 section. No emergency regulation adopted under this subsection remains
11 in effect more than 120 days unless the board complies with (d) of this
12 section during the 120-day period.

13 (f) A regulation adopted under (b) - (c) of this section becomes
14 effective immediately upon its adoption by the board, unless otherwise
15 specifically provided by the order of adoption.

16 (g) The provisions of (b) - (c) of this section do not apply to
17 regulations governing interest rates on the corporation's loan programs.

18 Sec. 26.16.140. GENERAL POWERS. In addition to other powers
19 granted in this chapter, the corporation may

20 (1) make veterans' loans under AS 26.16.020;

21 (2) prescribe terms and rates of interest on loans made by
22 the corporation;

23 (3) collect and pay reasonable fees and charges in connection
24 with making, purchasing and servicing its loans, notes, bonds, commit-
25 ments and other evidences of indebtedness;

26 (4) acquire real property, or an interest in real property,
27 in its own name, by purchase, transfer or foreclosure, when the acquisi-
28 tion is necessary or appropriate to protect a loan in which the corpora-
29 tion has an interest; sell, transfer and convey any such property to a

1 buyer; and, if the sale, transfer or conveyance cannot be affected with
2 reasonable promptness or at a reasonable price, rent or lease the pro-
3 perty to a tenant pending the sale, transfer or conveyance;

4 (5) sell, at public or private sale, to any purchaser, in-
5 cluding the Federal National Mortgage Association, all or any part of a
6 mortgage or other instrument or document securing a loan permitted by
7 this chapter;

8 (6) purchase, in order to meet the requirements of the sale
9 of its mortgages to the Federal National Mortgage Association, stock of
10 the Federal National Mortgage Association;

11 (7) procure insurance against any loss in connection with its
12 operation;

13 (8) consent to the modification of the rate of interest, time
14 of payment of an installment of principal or interest, or any other
15 terms, of a loan, to which the corporation is a party;

16 (9) borrow money as provided in this chapter to carry out its
17 corporate purposes; and issue its obligations as evidence of such
18 borrowing;

19 (10) include in any borrowing the amounts necessary to pay
20 financing charges, interest on the obligations for a period not exceed-
21 ing one year after the date on which the corporation estimates funds
22 will otherwise be available to pay the interest, consultant, advisory
23 and legal fees and such other expenses as are necessary or incident to
24 this borrowing;

25 (11) make and execute agreements, contracts and other instru-
26 ments necessary or convenient in the exercise of the powers and func-
27 tions of the corporation under this chapter, including contracts with
28 any person, firm, corporation, governmental agency or other entity;

29 (12) receive, administer and comply with the conditions and

1 requirements respecting any appropriation or gift, grant or donation of
2 property or money;

3 (13) sue and be sued in its own name;

4 (14) adopt an official seal;

5 (15) adopt bylaws for the regulation of its affairs and the
6 conduct of its business and prescribe rules, regulations and policies in
7 connection with the performance of its functions and duties;

8 (16) employ fiscal consultants, engineers, real estate coun-
9 selors, appraisers and such other consultants and employees as may be
10 required in the judgment of the corporation, and fix and pay their
11 compensation from funds available to the corporation;

12 (17) adopt and publish regulations respecting its lending
13 programs and other regulations to carry out its purposes;

14 (18) do all acts necessary, convenient or desirable to carry
15 out the powers expressly granted or necessarily implied in this chapter;

16 (19) invest or reinvest, subject to its contracts with note-
17 holders and bondholders, any money or funds held by the corporation in
18 any obligations or other securities or investments in which banks or
19 trust companies in the state may legally invest funds held in reserves
20 or sinking funds or any funds not required for immediate disbursement,
21 and in certificates of deposit or time deposits secured by obligations
22 of, or guaranteed by, the state or the United States of America.

23 Sec. 26.16.150. LOAN INSURANCE. (a) There is a special fund of
24 the state to be known as the "veterans' loan insurance fund" (called the
25 "loan insurance fund") which shall be completely segregated and set
26 apart from all other funds of the state, and which is a trust fund for
27 the uses and purposes of this section and into and from which money
28 shall be paid as provided in this section. The loan insurance fund
29 shall be held by the commissioner of revenue, subject to the power of

1 the commissioner of commerce and economic development to enter into and
2 perform agreements for the use of money in the loan insurance fund and
3 to pledge, assign or grant interests in the loan insurance fund as
4 provided in this section. The commissioner of commerce and economic
5 development may enter into agreements with the corporation for the
6 exercise of any power or approval relating to the loan insurance fund
7 under this section, including, without limitation, agreements as to the
8 use of money in the loan insurance fund, agreements regarding the terms
9 and conditions upon which payments from the loan insurance fund shall be
10 made to the corporation for loans insured under this section, and agree-
11 ments regarding the payment of and security for loan insurance bonds,
12 and in connection with these agreements the commissioner of commerce and
13 economic development may pledge, assign or grant other interests in the
14 loan insurance fund to the corporation as may be necessary or appropri-
15 ate in connection with the insurance of loans and to provide for the
16 payment of and security for loan insurance bonds. An agreement or any
17 of the rights of the corporation under the agreement and payments re-
18 ceived or to be received under the agreement may be pledged or assigned
19 by the corporation for the benefit of the holders of loan insurance
20 bonds.

21 (b) In addition to any other fees and charges which the corpora-
22 tion may charge on mortgage loans, it may collect or cause to be
23 collected on all mortgage loans made with the proceeds of the sale of
24 mortgage insurance bonds, either or both a special mortgage loan insur-
25 ance commitment fee or a mortgage loan insurance premium. The special
26 mortgage loan insurance commitment fees and special mortgage loan in-
27 surance premiums when received shall be deposited in the loan insurance
28 fund by the corporation, or by any mortgage loan servicer, trustee, or
29 agent designated by the corporation to receive them, and shall be held,

1 invested and, together with all investment income derived from them,
2 reinvested by the commissioner of revenue in investments authorized
3 under AS 37.10.070(a), subject to any agreement with the corporation
4 under (a) of this section.

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

13 (d) A state veterans' mortgage loan may be insured if the loan-to-
14 value ratio at the time of the insurance does not exceed 90 per cent or,
15 if the loan-to-value ratio does exceed that percentage, if it is
16 federally insured or guaranteed or insured by a qualified mortgage
17 insurance company to the extent of the excess. The endorsement of the
18 corporation on the mortgage at the time of purchase or acquisition of
19 the mortgage loan is conclusive evidence that the mortgage loan is
20 insured under the provisions of this section. The insurance is payable
21 solely from the mortgage insurance fund.

22 (e) Mortgage loans may only be insured when the amount of mortgage
23 loans in the loan insurance fund as a percentage of the sum of all
24 mortgage loans to be insured and all unpaid principal on mortgage loans
25 insured by the corporation, equals or exceeds the fund requirement. As
26 used in this section, the "fund requirement" is calculated as follows as
27 to the following mortgage loans insured by the corporation:

28 (1) in the case of state veteran mortgage loans insured by a
29 qualified mortgage insurance company or, if not so insured or guaran-

1 need, with a loan-to-value ratio at the time of the mortgage insurance
2 application less than 60 per cent, the greater of (A) two per cent of
3 the unpaid principal amount of those mortgage loans, or (B) a percentage
4 which the corporation with the approval of the commissioner of commerce
5 and economic development determines is actuarially sound for operation
6 of the loan insurance fund;

7 (2) in the case of state veterans' mortgage loans not insured
8 by a qualified mortgage insurance company and with a loan-to-value ratio
9 at the time of the mortgage insurance application between 80 and 90 per
10 cent, the greater of (A) six per cent of the unpaid principal amount of
11 those state veterans' loans, or (B) a percentage which the corporation
12 with the approval of the commissioner of commerce and economic develop-
13 ment determines is actuarially sound for the operation of the loan
14 insurance fund.

15 (f) On December 1 of each year the commissioner of commerce and
16 economic development shall determine the amount on deposit in the loan
17 insurance fund. If the amount in the fund is less than the fund re-
18 quirement, the commissioner shall request the corporation to transfer
19 from any available funds the amount necessary to restore the loan in-
20 surance fund to the fund requirement and the corporation shall promptly
21 comply with the request from any funds available subject to agreements
22 with holders of any of its obligations. If sufficient funds are not
23 provided as the result of such requests, the commissioner shall, no
24 later than January 2 of the following year, make and deliver to the
25 governor and to the chairmen of the house and senate finance committees
26 his certificate stating the sum required to restore the fund to the fund
27 requirement and the sum so certified may be appropriated and paid to the
28 fund during the then current state fiscal year. Nothing in this sub-
29 section creates a debt or liability of the state.