

LEG. FINANCE - BILLS 1979 - 1980 1349

SB 384 thru SB 385

1349



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James O. Smith
Signature of Camera Operator

3/23/90
Date

COMMITTEE REPORT
SENATE

2/4/80

FURTHER: Finance

Date: April 15, 1980

Mr. President:

The Committee on COMMERCE has had SB 384
Alaska Housing Finance Corporation

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for SR 384 same title
 new title

and recommends _____

AND attaches a "Letter of Intent" New Fiscal Note

reports it back without ^{individual} ~~any~~ recommendations as follows

referred to the _____ Committee

MEMBERS SIGNING
DO PASS

1 Tim Kelly

1 Curtis Sturgalowski

Brad Bradley

MEMBERS HAVING
OTHER RECOMMENDATIONS:

2 Jerry Stinson No Rec

1 Brad Bradley
CHAIRMAN

Original sponsor: Rules/Governor

Offered: 4/16/80
Referred: Finance

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 384

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Housing Finance Cor-
7 poration; establishing a special mortgage purchase
8 program, a mortgage interest reduction fund, and a
9 housing insurance fund; and providing for an effective
10 date."

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

12 * Section 1. FINDINGS. (a) The legislature finds that the Alaska Housing
13 Finance Corporation program of financing the purchase of residential mortgage
14 loans is in jeopardy because of legislation pending in the United States
15 Congress which would deny tax exemption to bonds issued by the corporation to
16 provide money for purchasing the mortgage loans. In addition, extremely high
17 interest rates have adversely affected the ability of persons not eligible
18 for the corporation's programs to secure mortgage loans from conventional
19 lending sources to purchase residential housing. The continuance of the
20 residential mortgage purchase program of the corporation and of residential
21 mortgage lending activities of other mortgage lenders and the reduction of
22 mortgage interest rates are essential to help assure a supply of housing for
23 home purchasers in the state.

24 (b) The legislature further finds that establishment of a special
25 mortgage purchase program authorizing the creation, purchase, and sale of
26 mortgage participations, a mortgage interest reduction fund providing for
27 reduced interest rates on home mortgages, and a special housing mortgage
28 insurance program providing for insurance of home mortgages purchased by the
29 corporation will assist the Alaska Housing Finance Corporation and private

COMMITTEE COPY

1 mortgage lenders to continue to finance the purchase of residential mortgage
2 loans and enable Alaskans to achieve home ownership at affordable mortgage
3 interest rates even if the ability of the corporation to issue tax exempt
4 obligations is ultimately withdrawn by the United States Congress and
5 mortgage interest rates continue at the present levels, which are now higher
6 than they have ever been in recent economic history.

7 * Sec. 2. AS 18.56.030(a) is amended to read:

8 (a) The corporation shall be governed by a board of directors. The
9 board of directors of the corporation consists of the commissioner of
10 the Department of Commerce and Economic Development and the commissioner
11 of the Department of Revenue, serving as ex officio members, and three
12 public [SIX] members appointed by the governor. If an ex officio member
13 of the board is absent or otherwise unable to act, he may designate an
14 employee in his department to act as a member of the board in his place.

15 * Sec. 3. AS 18.56.030 is amended by adding a new subsection to read:

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

20 * Sec. 4. AS 18.56 is amended by adding new sections to read:

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

28 (b) The purpose of the mortgage interest reduction fund is to
29 provide for interest rate reductions to mortgagors on mortgage loans

1 made under the special mortgage purchase program of the corporation.
2 Under the special mortgage purchase program, the corporation may pur-
3 chase a housing mortgage loan, including a housing mortgage loan for a
4 mobile home, and any other housing mortgage loan for a single-family
5 dwelling or an owner-occupied duplex which does not exceed the limita-
6 tions on mortgage loans purchased by the Federal National Mortgage
7 Association as to principal amount and loan-to-value ratio and which
8 meets prudent lending criteria. Under the special mortgage purchase
9 program, the corporation may purchase housing mortgage loans issued for
10 the purpose of refinancing existing housing mortgage loans only to the
11 extent that the amount refinanced does not exceed the loan balance,
12 subject to the availability of money. The corporation may make weekly
13 forward commitments to purchase certain amounts of mortgage loans at a
14 yield rate determined by the corporation which will allow fair ser-
15 vicing fees and administrative expenses to the originator of the loan.
16 The mortgage loans which the corporation commits to purchase shall
17 meet prudent lending criteria as set out in regulations adopted by the
18 corporation. The corporation may purchase, sell, hold, or otherwise
19 deal in a mortgage loan purchased as part of its special mortgage pur-
20 chase program. In connection with the purchase or sale of a beneficial
21 interest or participation in mortgage loans, the corporation may
22 enter into a trust agreement providing for the custody, control, and
23 administration of the mortgage loans. The trust agreement may provide
24 that the corporation or an insured savings and loan association, credit
25 union, bank or trust company act as trustor or trustee under the trust
26 and that title to the mortgage loans be considered to have passed as
27 provided in the trust agreement. To the extent provided in the trust
28 agreement, the effect of sale of beneficial interests or participations
29 is the same as the sale of the mortgage loans subject to the trust. The

1 corporation may adopt regulations prohibiting, limiting, or setting
2 conditions on the right to assume a mortgage loan made as part of the
3 special mortgage purchase program.

4 (c) The corporation shall establish and amend, as necessary, an
5 interest rate reduction for mortgages purchased as part of its special
6 mortgage purchase program to prevent the interest rate to the borrower
7 from exceeding nine and one-half percent a year. The mortgage interest
8 reduction fund may be financed only from appropriations by the legisla-
9 ture.

10 (d) In determining the amount of the appropriate interest reduction
11 on a mortgage loan which it has committed to purchase as part of its
12 special mortgage purchase program, the corporation shall calculate the
13 total amount of the interest reduction payable over the scheduled term
14 of the mortgage loan, together with the total amount of servicing fees
15 and administrative expenses estimated to be payable over the term of the
16 mortgage loan. To the extent investments are available, the corporation
17 shall invest an amount held in the mortgage interest reduction fund in
18 investments earning interest or yielding amounts payable at the times
19 and in the amounts which, together with the principal of the investments
20 and cash held, will be sufficient to pay the interest reduction and
21 expenses as they become due. The corporation shall set aside the
22 investments and cash held irrevocably in trust or otherwise for the
23 purpose of paying the interest reduction and expenses. The statement of
24 the corporation on the mortgage note that the amount of the interest
25 reduction is payable from the mortgage interest reduction fund con-
26 stitutes the obligation of the corporation to pay that amount from the
27 mortgage interest reduction fund according to the terms of the state-
28 ment, and is conclusive evidence that the amount of the interest
29 reduction is so payable. Interest reductions may be paid only from the

1 mortgage interest reduction fund. In this subsection, "expenses" means
2 servicing fees and administrative expenses.

3 (e) The corporation may enter into agreements as to the use of
4 money in the mortgage interest reduction fund, including, without limita-
5 tion, trust or custody agreements with insured banks, insured savings
6 and loan associations, insured credit unions, or insured trust companies
7 and may pledge, assign, or grant an agreement, an interest under an
8 agreement, or an interest in the mortgage interest reduction fund to
9 provide for timely payments of the amounts of the interest reduction and
10 expenses and as may be necessary or appropriate to provide for the
11 payment of and security for bonds of the corporation.

12 (f) In this section and in AS 18.56.098, "mortgage loan" includes
13 a beneficial interest or participation in a mortgage loan.

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

28 (b) In addition to other fees and charges which the corporation
29 may charge on mortgage loans, the corporation may collect or cause to be

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

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

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

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

1 les on defaulted or foreclosed mortgage loans based on actual recovery
2 experience on those mortgage loans or on similar mortgage loans in
3 Alaska or elsewhere, the terms and conditions of the mortgage loans
4 insured under this section, estimates of earnings and income of amounts
5 on deposit in the housing insurance fund, and other appropriate factors.

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

20 (g) In this section:

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

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

1 * Sec. 5. AS 18.56.030(b) and (c) are repealed.

2 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
3 10.070(c).

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Introduced: 2/4/80
Referred: Commerce and
Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 384

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Housing Finance Cor-
7 poration; establishing a Special Mortgage Purchase
8 Program, a Mortgage Interest Reduction Fund, and a
9 Housing Insurance Fund; and providing for an effec-
10 tive date."

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

12 * Section 1. FINDINGS. (a) The legislature finds that the Alaska
13 Housing Finance Corporation program of financing the purchase of residential
14 mortgage loans is in jeopardy because of legislation pending in the United
15 States Congress which would deny tax exemption to bonds issued by the
16 corporation to provide funds for purchasing the mortgage loans. In addition,
17 extremely high interest rates have adversely affected the ability of persons
18 not eligible for the corporation's programs to secure mortgage loans from
19 conventional lending sources to purchase residential housing. The con-
20 tinuance of the residential mortgage purchase program of the corporation
21 and of residential mortgage lending activities of other mortgage lenders
22 and the reduction of mortgage interest rates are essential to help assure a
23 supply of housing for home purchasers in the state.

24 (b) The legislature further finds that establishment of a special
25 mortgage purchase program authorizing the creation, purchase, and sale of
26 mortgage participations, a mortgage interest reduction fund providing for
27 reduced interest rates on home mortgages, and a special housing mortgage
28 insurance program providing for insurance of home mortgages purchased by
29 the corporation will assist the Alaska Housing Finance Corporation and

COMMITTEE COPY

1 private mortgage lenders to continue to finance the purchase of residential
2 mortgage loans and enable Alaskans to achieve home ownership at affordable
3 mortgage interest rates even if the ability of the corporation to issue tax
4 exempt obligations is ultimately withdrawn by the United States Congress
5 and mortgage interest rates continue at the present levels, which are now
6 higher than they have ever been in recent economic history.

7 * Sec. 2. AS 18.56.030(a) is amended to read:

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

16 * Sec. 3. AS 18.56.030 is amended by adding a new subsection to read:

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

21 * Sec. 4. AS 18.56 is amended by adding new sections to read:

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

28 (b) The purpose of the fund is to provide for interest rate
29 reductions to mortgagors on mortgage loans made under the special

1 mortgage purchase program of the corporation. Under the special
2 mortgage purchase program, the corporation may purchase any housing
3 mortgage loan, including a housing mortgage loan for a mobile home,
4 and any other housing mortgage loan for a single-family residence or
5 an owner-occupied duplex which does not exceed the limitations on
6 mortgage loans purchased by the Federal National Mortgage Association
7 as to principal amount and loan-to-value ratio and which meets prudent
8 lending criteria. The corporation may purchase, sell, hold, or other-
9 wise deal in any mortgage loan purchased as part of its special mort-
10 gage purchase program. In this section and in AS 18.56.098, "mortgage
11 loan" includes a beneficial interest or participation in a mortgage
12 loan. In connection with the purchase or sale of a beneficial interest
13 or participation in mortgage loans, the corporation may enter into a
14 trust agreement providing for the custody, control, and administration
15 of the mortgage loans. The trust agreement may provide that the cor-
16 poration or any bank or trust company act as trustor or trustee under
17 the trust and that title to the mortgage loans be considered to have
18 passed as provided in the trust agreement. To the extent provided in
19 the trust agreement, the effect of sale of beneficial interests or
20 participations is the same as the sale of the mortgage loans subject
21 to the trust. The corporation may adopt regulations prohibiting,
22 limiting, or setting conditions on the right to assume a mortgage loan
23 made as part of the special mortgage purchase program.

24 (c) The corporation shall fix from time to time an interest rate
25 reduction for mortgages purchased as part of its special mortgage
26 purchase program in an amount such that the interest rate to a state
27 veteran does not exceed nine and one-quarter per cent a year and the
28 interest rate to any other borrower does not exceed nine and one-half
29 per cent a year, or another amount or percentage the legislature may

1 establish. The interest rate reduction fund may be funded only from
2 appropriations by the legislature. In this section, "state veteran"
3 means a veteran eligible for a loan under AS 26.15.

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

25 (f) The corporation may enter into agreements as to the use of
26 money in the fund, including, without limitation, trust or custody
27 agreements with banks or trust companies and may pledge, assign, or
28 grant an agreement, an interest under an agreement, or an interest in
29 the interest reduction fund to provide for timely payments of the

1 amounts of the interest reduction and expenses and as may be necessary
2 or appropriate to provide for the payment of and security for bonds of
3 the corporation.

4 Sec. 18.56.098. INSURANCE. (a) There is established in the
5 corporation the "housing insurance fund." The fund must be completely
6 segregated from all other funds of the corporation, and is a trust
7 fund for the uses and purposes of this section. Money may be paid
8 into and out of the housing insurance fund only as provided in this
9 section. The corporation may enter into agreements as to the use of
10 money in the housing insurance fund, agreements with respect to the
11 terms and conditions upon which payments from the housing insurance
12 fund must be made to the corporation with respect to mortgage loans
13 insured under this section, and agreements regarding the payment of
14 and security for bonds of the corporation. The corporation may pledge,
15 assign, or grant other interests in the housing insurance fund as may
16 be necessary or appropriate in connection with the insurance of mort-
17 gage loans and to provide for the payment of and security for bonds of
18 the corporation.

19 (b) In addition to any other fees and charges which the corpora-
20 tion may charge on mortgage loans, the corporation may collect or
21 cause to be collected on all mortgage loans insured under this section
22 either a housing loan insurance commitment fee or a housing loan
23 insurance premium or both. The housing loan insurance commitment fees
24 and housing loan insurance premiums when received must be deposited in
25 the housing insurance fund by the corporation, or by the mortgage loan
26 servicer, trustee, or agent designated by the corporation to receive
27 them.

28 (c) A mortgage loan purchased by the corporation as part of its
29 special mortgage purchase program, including a housing mortgage loan

1 for a mobile home, and any other housing mortgage loan for a single-
2 family residence or an owner-occupied duplex which does not exceed the
3 limitations on mortgage loans purchased by the Federal National Mort-
4 gage Association as to principal amount and loan-to-value ratio and
5 which meets prudent lending criteria, may be insured by the housing
6 insurance fund. The endorsement of the corporation on the mortgage
7 that it is insured under this section at the time of purchase or
8 acquisition of the mortgage loan is conclusive evidence that the
9 mortgage loan is insured under the provisions of this section.

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

17 (e) When the corporation determines what is "actuarially sound"
18 with respect to the operation of the housing insurance fund, it shall
19 consider means of providing sufficient revenues for the operation of
20 the fund, without regard to amounts which may have been or may, after
21 the date of determination of actuarial soundness, be appropriated
22 under (f) of this section and it shall consider factors which must
23 include, without limitation, estimates of future defaults and losses
24 on mortgage loans insured under this section based on actual default
25 and loss experience on those mortgage loans or on similar mortgage
26 loans in Alaska or elsewhere, estimates of recoveries on defaulted or
27 foreclosed mortgage loans based on that experience, the terms and
28 conditions of the mortgage loans insured under this section, estimates
29 of earnings and income of amounts on deposit in the housing insurance

1 fund, and other appropriate factors.

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

16 (g) In this section:

17 (1) "housing loan insurance commitment fee" means a fee of
18 such per cent of the principal amount of a mortgage loan to be insured
19 under this section as the corporation determines is actuarially sound
20 for the operation of the housing insurance fund;

21 (2) "housing loan insurance premium" means an annual insur-
22 ance premium of such per cent of the portion of the unpaid principal
23 amount of a mortgage insured under this section as the corporation
24 determines is actuarially sound for the operation of the housing
25 insurance fund.

26 * Sec. 5. AS 18.56.030(b) and (c) are repealed.

27 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
28 10.070(c).

=B 287

The Honorable Clem Tillion
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to establish a special mortgage purchase program, an interest reduction fund, and a special housing mortgage insurance fund, to be administered by the Alaska Housing Finance Corporation. A more detailed description of these programs is as follows:

1. Special Mortgage Purchase Program. The special mortgage purchase program permits AHFC to purchase certain residential mortgage loans. The limitations on loans to be purchased would be the same limitations prescribed by the Federal National Mortgage Association for loans purchased by that agency. At the present time those limitations would permit the purchase of a single-family home mortgage up to \$112,500 with a five per cent down payment and up to \$140,625 with a 10 per cent down payment. They would also permit the purchase of loans for owner-occupied duplexes up to \$150,000 with a 10 per cent down payment. The purchases by AHFC under this bill would be funded by an annual appropriation. The corporation could create a pool of such mortgages and sell participations in the pool. Sales of the mortgages or participations would make additional amounts

available for further mortgage loan purchases. In addition, the corporation would be authorized to issue bonds to provide further amounts for the special mortgage purchase program.

2. Interest Reduction Fund. The interest reduction fund would provide for reduced interest rates to borrowers. This would be accomplished through an appropriation to fund the interest reduction for borrowers on mortgage loans that are purchased by AHFC under its special mortgage purchase program. The corporation would fix the amount of the interest reduction for each mortgage, at a rate that would provide nine and one-quarter per cent mortgage loans to state veterans and nine and one-half per cent mortgage loans to other borrowers.

The interest reduction fund would be capitalized each year by direct legislative appropriation to cover the amount necessary to provide the interest reductions for all mortgage loans purchased during the fiscal year of the appropriation. When the corporation determines the amount of the reduction for any particular loan, the corporation would then invest the total amount of the interest reduction calculated over the term of the loan in investments, to the extent available, to provide the additional funding which, along with the amount appropriated by the legislature, would be sufficient to pay the amount of the interest reduction over the term of the loan. The interest reduction is made a contractual obligation of the fund, with the actual amount of the reduction stated as an increment of interest payable on the mortgage note.

3. Special Mortgage Insurance Fund. A new insurance fund is also established in this bill. This will provide additional guarantees to prospective purchasers of taxable bonds issued by the corporation so that if these bonds are issued, they could be marketed at competitive rates.

Finally, the bill would change the membership of the corporation's board of directors. Under the proposed amendment, the board would be composed only of the commissioners of the Departments of Commerce and Economic Development, Administration, and Revenue.

An appropriation bill to fund the programs established in this bill will be transmitted to you separately and at a later date.

Sincerely

S/JSH

Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. 304
 Title An Act to establish a Special Mortgage Purchase Program, a Mortgage Interest Reduction Fund and a Housing Mortgage Insurance Fund; and providing Date February 1, 1980
 for an effective date.
 Requested by: Governor

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected Revenue Collection & Management
 BRU, Program, or Subprogram(s) Affected Treasury Management
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		200,000.0				
700 GRANTS (Rate Subsidy)		67,354.0	67,354.0	67,354.0	67,354.0	67,354.0
TOTAL		267,354.0	67,354.0	67,354.0	67,354.0	67,354.0

FUNDING (Thousands of Dollars)

GENERAL FUND		267,354.0	67,354.0	67,354.0	67,354.0	67,354.0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

The initial \$200,000,000 appropriated would be used to make mortgages at the specified rates. In order to regain capital invested, GNMA type pool certificates would be issued. In effect, the market would require a \$67,354,000 discount so that investors could earn the market rate of interest. A subsidy in the amount of the discount would be necessary to replenish funds to the original \$200,000,000 level so that new loans could be made.

See attached Assumptions.

Anselm C. Staack

IV. DATE February 1, 1980 PREPARED BY Anselm C. Staack, Treasury Comptroller
 AGENCY Department of Revenue, Treasury Division
 PHONE 465-2351

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE

Bill/Resolutior No.:

Title: An Act to establish a Special Mortgage Purchase Program, a Mortgage Interest Reduction Fund and a Housing Mortgage Insurance Fund; and providing for an effective date.

Requested by: Governor

Assumptions:

Rate: 9-1/2% regular rate to borrower, 9-1/4% to Veterans.

Costs: 3/8% service fee, 1/8% other costs; net yield therefor
9% regular, 8-3/4% Veterans.

Term: 25 years.

Composition: 90% regular mortgages, 10% Veterans.

Market: 13-1/2% required to sell in GNMA type pool.

Effective Date: July 1, 1980.

Mortgage Level: \$200,000,000 per year.

Prepared by: Anselm C. Staack, Treasury Comptroller

Agency: Department of Revenue, Treasury Division

Phone: 465-2351

Date: February 1, 1980

ALASKA STATE LEGISLATURE

ELEVENTH Legislature SECOND Session

SENATE BILL NO. 384

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act relating to the Alaska Housing Finance Corporation; establishing a Special Mortgage Purchase Program, a Mortgage Interest Reduction Fund, and a Housing Insurance Fund; and providing for an effective date."

Introduced in the Senate 2/4/30, 19... 30

HISTORY IN THE SENATE

19 30	Read first time and referred to Committee on												
2 4	Commerce and Finance												
4 16	Reported back with recommendation that <i>amended 3rd passage w/ C.S. 1 more to 4th</i>												
	Read second time and												
	Read third time and												
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PASS	Effective Date												
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	Reported correctly engrossed												
	Signed by President												
	Sent to House												

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Read first time and referred to Committee on												
	Reported back with recommendation that												
	Read second time and												
	Read third time and												
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Excused	Excused												
	Reported correctly engrossed												
	Signed by Speaker												
	Returned to Senate												

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	Received from House
	To enrolling
	Reported correctly enrolled
	Sent to Governor
 by Governor
	Filed with Lt. Governor
	Chapter No.

Introduced: 2/4/80
Referred: Commerce and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 384

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Housing Finance Cor-
7 poration; establishing a Special Mortgage Purchase
8 Program, a Mortgage Interest Reduction Fund, and a
9 Housing Insurance Fund; and providing for an effec-
10 tive date."

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

12 * Section 1. FINDINGS. (a) The legislature finds that the Alaska
13 Housing Finance Corporation program of financing the purchase of residential
14 mortgage loans is in jeopardy because of legislation pending in the United
15 States Congress which would deny tax exemption to bonds issued by the
16 corporation to provide funds for purchasing the mortgage loans. In addition,
17 extremely high interest rates have adversely affected the ability of persons
18 not eligible for the corporation's programs to secure mortgage loans from
19 conventional lending sources to purchase residential housing. The con-
20 tinuance of the residential mortgage purchase program of the corporation
21 and of residential mortgage lending activities of other mortgage lenders
22 and the reduction of mortgage interest rates are essential to help assure a
23 supply of housing for home purchasers in the state.

24 (b) The legislature further finds that establishment of a special
25 mortgage purchase program authorizing the creation, purchase, and sale of
26 mortgage participations, a mortgage interest reduction fund providing for
27 reduced interest rates on home mortgages, and a special housing mortgage
28 insurance program providing for insurance of home mortgages purchased by
29 the corporation will assist the Alaska Housing Finance Corporation and

1 private mortgage lenders to continue to finance the purchase of residential
2 mortgage loans and enable Alaskans to achieve home ownership at affordable
3 mortgage interest rates even if the ability of the corporation to issue tax
4 exempt obligations is ultimately withdrawn by the United States Congress
5 and mortgage interest rates continue at the present levels, which are now
6 higher than they have ever been in recent economic history.

7 * Sec. 2. AS 18.56.030(a) is amended to read:

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

16 * Sec. 3. AS 18.56.030 is amended by adding a new subsection to read:

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

21 * Sec. 4. AS 18.56 is amended by adding new sections to read:

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

28 (b) The purpose of the fund is to provide for interest rate
29 reductions to mortgagors on mortgage loans made under the special

1 mortgage purchase program of the corporation. Under the special
2 mortgage purchase program, the corporation may purchase any housing
3 mortgage loan, including a housing mortgage loan for a mobile home,
4 and any other housing mortgage loan for a single-family residence or
5 an owner-occupied duplex which does not exceed the limitations on
6 mortgage loans purchased by the Federal National Mortgage Association
7 as to principal amount and loan-to-value ratio and which meets prudent
8 lending criteria. The corporation may purchase, sell, hold, or other-
9 wise deal in any mortgage loan purchased as part of its special mort-
10 gage purchase program. In this section and in AS 18.56.098, "mortgage
11 loan" includes a beneficial interest or participation in a mortgage
12 loan. In connection with the purchase or sale of a beneficial interest
13 or participation in mortgage loans, the corporation may enter into a
14 trust agreement providing for the custody, control, and administration
15 of the mortgage loans. The trust agreement may provide that the cor-
16 poration or any bank or trust company act as trustor or trustee under
17 the trust and that title to the mortgage loans be considered to have
18 passed as provided in the trust agreement. To the extent provided in
19 the trust agreement, the effect of sale of beneficial interests or
20 participations is the same as the sale of the mortgage loans subject
21 to the trust. The corporation may adopt regulations prohibiting,
22 limiting, or setting conditions on the right to assume a mortgage loan
23 made as part of the special mortgage purchase program.

24 (c) The corporation shall fix from time to time an interest rate
25 reduction for mortgages purchased as part of its special mortgage
26 purchase program in an amount such that the interest rate to a state
27 veteran does not exceed nine and one-quarter per cent a year and the
28 interest rate to any other borrower does not exceed nine and one-half
29 per cent a year, or another amount or percentage the legislature may

1 establish. The interest rate reduction fund may be funded only from
2 appropriations by the legislature. In this section, "state veteran"
3 means a veteran eligible for a loan under AS 26.15.

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

25 (f) The corporation may enter into agreements as to the use of
26 money in the fund, including, without limitation, trust or custody
27 agreements with banks or trust companies and may pledge, assign, or
28 grant an agreement, an interest under an agreement, or an interest in
29 the interest reduction fund to provide for timely payments of the

1 amounts of the interest reduction and expenses and as may be necessary
2 or appropriate to provide for the payment of and security for bonds of
3 the corporation.

4 Sec. 18.56.098. INSURANCE. (a) There is established in the
5 corporation the "housing insurance fund." The fund must be completely
6 segregated from all other funds of the corporation, and is a trust
7 fund for the uses and purposes of this section. Money may be paid
8 into and out of the housing insurance fund only as provided in this
9 section. The corporation may enter into agreements as to the use of
10 money in the housing insurance fund, agreements with respect to the
11 terms and conditions upon which payments from the housing insurance
12 fund must be made to the corporation with respect to mortgage loans
13 insured under this section, and agreements regarding the payment of
14 and security for bonds of the corporation. The corporation may pledge,
15 assign, or grant other interests in the housing insurance fund as may
16 be necessary or appropriate in connection with the insurance of mort-
17 gage loans and to provide for the payment of and security for bonds of
18 the corporation.

19 (b) In addition to any other fees and charges which the corpora-
20 tion may charge on mortgage loans, the corporation may collect or
21 cause to be collected on all mortgage loans insured under this section
22 either a housing loan insurance commitment fee or a housing loan
23 insurance premium or both. The housing loan insurance commitment fees
24 and housing loan insurance premiums when received must be deposited in
25 the housing insurance fund by the corporation, or by the mortgage loan
26 servicer, trustee, or agent designated by the corporation to receive
27 them.

28 (c) A mortgage loan purchased by the corporation as part of its
29 special mortgage purchase program, including a housing mortgage loan

1 for a mobile home, and any other housing mortgage loan for a single-
2 family residence or an owner-occupied duplex which does not exceed the
3 limitations on mortgage loans purchased by the Federal National Mort-
4 gage Association as to principal amount and loan-to-value ratio and
5 which meets prudent lending criteria, may be insured by the housing
6 insurance fund. The endorsement of the corporation on the mortgage
7 that it is insured under this section at the time of purchase or
8 acquisition of the mortgage loan is conclusive evidence that the
9 mortgage loan is insured under the provisions of this section.

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

17 (e) When the corporation determines what is "actuarially sound"
18 with respect to the operation of the housing insurance fund, it shall
19 consider means of providing sufficient revenues for the operation of
20 the fund, without regard to amounts which may have been or may, after
21 the date of determination of actuarial soundness, be appropriated
22 under (f) of this section and it shall consider factors which must
23 include, without limitation, estimates of future defaults and losses
24 on mortgage loans insured under this section based on actual default
25 and loss experience on those mortgage loans or on similar mortgage
26 loans in Alaska or elsewhere, estimates of recoveries on defaulted or
27 foreclosed mortgage loans based on that experience, the terms and
28 conditions of the mortgage loans insured under this section, estimates
29 of earnings and income of amounts on deposit in the housing insurance

1 fund, and other appropriate factors.

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

16 (g) In this section:

17 (1) "housing loan insurance commitment fee" means a fee of
18 such per cent of the principal amount of a mortgage loan to be insured
19 under this section as the corporation determines is actuarially sound
20 for the operation of the housing insurance fund;

21 (2) "housing loan insurance premium" means an annual insur-
22 ance premium of such per cent of the portion of the unpaid principal
23 amount of a mortgage insured under this section as the corporation
24 determines is actuarially sound for the operation of the housing
25 insurance fund.

26 * Sec. 5. AS 18.56.030(b) and (c) are repealed.

27 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
28 10.070(c).

FISCAL NOTE

I. REQUEST

Bill/Resolution No. 384

Title An Act to establish a Special Mortgage Purchase Program, a Mortgage Interest Reduction Fund and a Housing Mortgage Insurance Fund; and providing Date February 1, 1980 for an effective date.

Requested by: Governor

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection & Management

BRU, Program, or Subprogram(s) Affected Treasury Management

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		200,000.0				
700 GRANTS (Rate Subsidy)		67,354.0	67,354.0	67,354.0	67,354.0	67,354.0
TOTAL		267,354.0	67,354.0	67,354.0	67,354.0	67,354.0

FUNDING (Thousands of Dollars)

GENERAL FUND		267,354.0	67,354.0	67,354.0	67,354.0	67,354.0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

The initial \$200,000,000 appropriated would be used to make mortgages at the specified rates. In order to regain capital invested, GNMA type pool certificates would be issued. In effect, the market would require a \$67,354,000 discount so that investors could earn the market rate of interest. A subsidy in the amount of the discount would be necessary to replenish funds to the original \$200,000,000 level so that new loans could be made.

See attached Assumptions.

Anselm C. Staack

IV. DATE February 1, 1980 PREPARED BY Anselm C. Staack, Treasury Comptroller

AGENCY Department of Revenue, Treasury Division

PHONE 465-2351

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

FISCAL NOTE

Bill/Resolution No.:

Title: An Act to establish a Special Mortgage Purchase Program, a Mortgage Interest Reduction Fund and a Housing Mortgage Insurance Fund; and providing for an effective date.

Requested by: Governor

Assumptions:

Rate: 9-1/2% regular rate to borrower, 9-1/4% to Veterans.

Costs: 3/8% service fee, 1/8% other costs; net yield therefor
9% regular, 8-3/4% Veterans.

Term: 25 years.

Composition: 90% regular mortgages, 10% Veterans.

Market: 13-1/2% required to sell in GNMA type pool.

Effective Date: July 1, 1980.

Mortgage Level: \$200,000,000 per year.

Prepared by: Anselm C. Staack, Treasury Comptroller

Agency: Department of Revenue, Treasury Division

Phone: 465-2351

Date: February 1, 1980

Original sponsor: Rules/Governor

Offered: 4/16/80
Referred: Finance

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2

CS FOR SENATE BILL NO. 384

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

ELEVENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the Alaska Housing Finance Cor-

7

poration; establishing a special mortgage purchase

8

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date."

11

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

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* Section 1. FINDINGS. (a) The legislature finds that the Alaska Housing

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(b) The legislature further finds that establishment of a special

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reduced interest rates on home mortgages, and a special housing mortgage

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29

corporation will assist the Alaska Housing Finance Corporation and private

1 mortgage lenders to continue to finance the purchase of residential mortgage
2 loans and enable Alaskans to achieve home ownership at affordable mortgage
3 interest rates even if the ability of the corporation to issue tax exempt
4 obligations is ultimately withdrawn by the United States Congress and
5 mortgage interest rates continue at the present levels, which are now higher
6 than they have ever been in recent economic history.

7 * Sec. 2. AS 18.56.030(a) is amended to read:

8 (a) The corporation shall be governed by a board of directors. The
9 board of directors of the corporation consists of the commissioner of
10 the Department of Commerce and Economic Development and the commissioner
11 of the Department of Revenue, serving as ex officio members, and three
12 public [SIX] members appointed by the governor. If an ex officio member
13 of the board is absent or otherwise unable to act, he may designate an
14 employee in his department to act as a member of the board in his place.

15 * Sec. 3. AS 18.56.030 is amended by adding a new subsection to read:

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

20 * Sec. 4. AS 18.56 is amended by adding new sections to read:

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

28 (b) The purpose of the mortgage interest reduction fund is to
29 provide for interest rate reductions to mortgagors on mortgage loans

1 made under the special mortgage purchase program of the corporation.
2 Under the special mortgage purchase program, the corporation may pur-
3 chase a housing mortgage loan, including a housing mortgage loan for a
4 mobile home, and any other housing mortgage loan for a single-family
5 dwelling or an owner-occupied duplex which does not exceed the limita-
6 tions on mortgage loans purchased by the Federal National Mortgage
7 Association as to principal amount and loan-to-value ratio and which
8 meets prudent lending criteria. Under the special mortgage purchase
9 program, the corporation may purchase housing mortgage loans issued for
10 the purpose of refinancing existing housing mortgage loans only to the
11 extent that the amount refinanced does not exceed the loan balance,
12 subject to the availability of money. The corporation may make weekly
13 forward commitments to purchase certain amounts of mortgage loans at a
14 yield rate determined by the corporation which will allow fair ser-
15 vicing fees and administrative expenses to the originator of the loan.
16 The mortgage loans which the corporation commits to purchase shall
17 meet prudent lending criteria as set out in regulations adopted by the
18 corporation. The corporation may purchase, sell, hold, or otherwise
19 deal in a mortgage loan purchased as part of its special mortgage pur-
20 chase program. In connection with the purchase or sale of a beneficial
21 interest or participation in mortgage loans, the corporation may
22 enter into a trust agreement providing for the custody, control, and
23 administration of the mortgage loans. The trust agreement may provide
24 that the corporation or an insured savings and loan association, credit
25 union, bank or trust company act as trustor or trustee under the trust
26 and that title to the mortgage loans be considered to have passed as
27 provided in the trust agreement. To the extent provided in the trust
28 agreement, the effect of sale of beneficial interests or participations
29 is the same as the sale of the mortgage loans subject to the trust. The

1 corporation may adopt regulations prohibiting, limiting, or setting
2 conditions on the right to assume a mortgage loan made as part of the
3 special mortgage purchase program.

4 (c) The corporation shall establish and amend, as necessary, an
5 interest rate reduction for mortgages purchased as part of its special
6 mortgage purchase program to prevent the interest rate to the borrower
7 from exceeding nine and one-half percent a year. The mortgage interest
8 reduction fund may be financed only from appropriations by the legisla-
9 ture.

10 (d) In determining the amount of the appropriate interest reduction
11 on a mortgage loan which it has committed to purchase as part of its
12 special mortgage purchase program, the corporation shall calculate the
13 total amount of the interest reduction payable over the scheduled term
14 of the mortgage loan, together with the total amount of servicing fees
15 and administrative expenses estimated to be payable over the term of the
16 mortgage loan. To the extent investments are available, the corporation
17 shall invest an amount held in the mortgage interest reduction fund in
18 investments earning interest or yielding amounts payable at the times
19 and in the amounts which, together with the principal of the investments
20 and cash held, will be sufficient to pay the interest reduction and
21 expenses as they become due. The corporation shall set aside the
22 investments and cash held irrevocably in trust or otherwise for the
23 purpose of paying the interest reduction and expenses. The statement of
24 the corporation on the mortgage note that the amount of the interest
25 reduction is payable from the mortgage interest reduction fund con-
26 stitutes the obligation of the corporation to pay that amount from the
27 mortgage interest reduction fund according to the terms of the state-
28 ment, and is conclusive evidence that the amount of the interest
29 reduction is so payable. Interest reductions may be paid only from the

1 mortgage interest reduction fund. In this subsection, "expenses" means
2 servicing fees and administrative expenses.

3 (e) The corporation may enter into agreements as to the use of
4 money in the mortgage interest reduction fund, including, without limita-
5 tion, trust or custody agreements with insured banks, insured savings
6 and loan associations, insured credit unions, or insured trust companies
7 and may pledge, assign, or grant an agreement, an interest under an
8 agreement, or an interest in the mortgage interest reduction fund to
9 provide for timely payments of the amounts of the interest reduction and
10 expenses and as may be necessary or appropriate to provide for the
11 payment of and security for bonds of the corporation.

12 (f) In this section and in AS 18.56.098, "mortgage loan" includes
13 a beneficial interest or participation in a mortgage loan.

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

28 (b) In addition to other fees and charges which the corporation
29 may charge on mortgage loans, the corporation may collect or cause to be

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

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

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

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

1 ies on defaulted or foreclosed mortgage loans based on actual recovery
2 experience on those mortgage loans or on similar mortgage loans in
3 Alaska or elsewhere, the terms and conditions of the mortgage loans
4 insured under this section, estimates of earnings and income of amounts
5 on deposit in the housing insurance fund, and other appropriate factors.

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

20 (g) In this section:

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

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

1 * Sec. 5. AS 18.56.030(b) and (c) are repealed.

2 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-

3 10.070(c).

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The Honorable Clem Tillion
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to establish a special mortgage purchase program, an interest reduction fund, and a special housing mortgage insurance fund, to be administered by the Alaska Housing Finance Corporation. A more detailed description of these programs is as follows:

1. Special Mortgage Purchase Program. The special mortgage purchase program permits AHFC to purchase certain residential mortgage loans. The limitations on loans to be purchased would be the same limitations prescribed by the Federal National Mortgage Association for loans purchased by that agency. At the present time those limitations would permit the purchase of a single-family home mortgage up to \$112,500 with a five per cent down payment and up to \$140,625 with a 10 per cent down payment. They would also permit the purchase of loans for owner-occupied duplexes up to \$150,000 with a 10 per cent down payment. The purchases by AHFC under this bill would be funded by an annual appropriation. The corporation could create a pool of such mortgages and sell participations in the pool. Sales of the mortgages or participations would make additional amounts

available for further mortgage loan purchases. In addition, the corporation would be authorized to issue bonds to provide further amounts for the special mortgage purchase program.

2. Interest Reduction Fund. The interest reduction fund would provide for reduced interest rates to borrowers. This would be accomplished through an appropriation to fund the interest reduction for borrowers on mortgage loans that are purchased by AHFC under its special mortgage purchase program. The corporation would fix the amount of the interest reduction for each mortgage, at a rate that would provide nine and one-quarter per cent mortgage loans to state veterans and nine and one-half per cent mortgage loans to other borrowers.

The interest reduction fund would be capitalized each year by direct legislative appropriation to cover the amount necessary to provide the interest reductions for all mortgage loans purchased during the fiscal year of the appropriation. When the corporation determines the amount of the reduction for any particular loan, the corporation would then invest the total amount of the interest reduction calculated over the term of the loan in investments, to the extent available, to provide the additional funding which, along with the amount appropriated by the legislature, would be sufficient to pay the amount of the interest reduction over the term of the loan. The interest reduction is made a contractual obligation of the fund, with the actual amount of the reduction stated as an increment of interest payable on the mortgage note.

3. Special Mortgage Insurance Fund. A new insurance fund is also established in this bill. This will provide additional guarantees to prospective purchasers of taxable bonds issued by the corporation so that if these bonds are issued, they could be marketed at competitive rates.

Finally, the bill would change the membership of the corporation's board of directors. Under the proposed amendment, the board would be composed only of the commissioners of the Departments of Commerce and Economic Development, Administration, and Revenue.

An appropriation bill to fund the programs established in this bill will be transmitted to you separately and at a later date.

Sincerely

S/JSW

Jay S. Hammond
Governor

FISCAL NOTE

I. REQUEST

Bill/Resolution No. 354

Title An Act to establish a Special Mortgage Purchase Program, a Mortgage Interest Reduction Fund and a Housing Mortgage Insurance Fund; and providing Date February 1, 1980 for an effective date.

Requested by: Governor

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection & Management

BRU, Program, or Subprogram(s) Affected Treasury Management

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		200,000.0				
700 GRANTS (Rate Subsidy)		67,354.0	67,354.0	67,354.0	67,354.0	67,354.0
TOTAL			267,354.0	67,354.0	67,354.0	67,354.0

FUNDING (Thousands of Dollars)

GENERAL FUND		267,354.0	67,354.0	67,354.0	67,354.0	67,354.0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

The initial \$200,000,000 appropriated would be used to make mortgages at the specified rates. In order to regain capital invested, GNMA type pool certificates would be issued. In effect, the market would require a \$67,354,000 discount so that investors could earn the market rate of interest. A subsidy in the amount of the discount would be necessary to replenish funds to the original \$200,000,000 level so that new loans could be made.

See attached Assumptions.

Anselm C. Staack

IV. DATE February 1, 1980

PREPARED BY Anselm C. Staack, Treasury Comptroller

AGENCY Department of Revenue, Treasury Division

PHONE 465-2351

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

FISCAL NOTE

Bill/Resolution No.:

Title: An Act to establish a Special Mortgage Purchase Program, a Mortgage Interest Reduction Fund and a Housing Mortgage Insurance Fund; and providing for an effective date.

Requested by: Governor

Assumptions:

Rate: 9-1/2% regular rate to borrower, 9-1/4% to Veterans.

Costs: 3/8% service fee, 1/8% other costs; net yield therefor
9% regular, 8-3/4% Veterans.

Term: 25 years.

Composition: 90% regular mortgages, 10% Veterans.

Market: 13-1/2% required to sell in GNMA type pool.

Effective Date: July 1, 1980.

Mortgage Level: \$200,000,000 per year.

Prepared by: Anselm C. Staack, Treasury Comptroller

Agency: Department of Revenue, Treasury Division

Phone: 465-2351

Date: February 1, 1980



RECORDS CERTIFICATION



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

James O. Smith
Signature of Camera Operator

3/23/90
Date

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB - 385 TITLE: An Act making a special appropriation to the Alaska Power Authority for construction of a high voltage electrical transmission system connecting Fairbanks and Anchorage; and providing Date 2/4/80
for an effective date.

Requested by Colletta, Kertulla, Bennett, Bradley, Dankworth, Fahrenkamp, Hackney, Kelly, Sturgulewski, and Sumner.

II. FISCAL DETAIL

Agency Affected Alaska Power Authority - Department of Commerce & Economic Development

Program Category Affected Economic Development

BRU, Program, or Subprogram(s) Affected Alaska Power Authority

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		90	135	135		
200 TRAVEL		10	15	15		
300 CONTRACTUAL		15,000	20,000	19,443		
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		15,100	20,150	19,593		

FUNDING (Thousands of Dollars)

GENERAL FUND		15,100	20,150	19,593		
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME Capital Project Positions		2	3	3		
PART TIME						
TEMPORARY						

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

The Power Authority could only administer the funds appropriated by SB 385 if capital project positions were approved by the Governor's Office of Budget and Management. The capital costs of the Project were based on a 1980 estimate of \$45,000,000 inflated at 10% through the construction period.

IV. DATE February 11, 1980 PREPARED BY Terry J. McGuire
AGENCY Alaska Power Authority
PHONE 277-7641
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

Introduced: 2/4/80
Referred: Finance

Funding Information

General Fund	\$54,843,000
Other Funds	-0-
	<u>\$54,843,000</u>

COLLETTA, KERTTULA, BENNETT,
BRADLEY, DANKWORTH, FAHRENKAMP,
HACKNEY, KELLY, STURGULEWSKI,
AND SUMNER

1 IN THE SENATE

2 SENATE BILL NO. 385

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska
7 Power Authority for construction of a high voltage
8 electrical transmission system connecting Fairbanks and
9 Anchorage; and providing for an effective date."

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

11 * Section 1. The sum of \$54,843,000 is appropriated from the general fund
12 to the Alaska Power Authority for expenses of design and construction of a
13 high voltage electrical transmission system connecting Fairbanks and
14 Anchorage.

15 * Sec. 2. The appropriation made by this Act is for a capital project and
16 is subject to AS 37.25.020.

17 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
18 070(c).

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#7817 - Chenoweth

ALASKA STATE LEGISLATURE	
ELEVENTH Legislature	SECOND Session
SENATE BILL NO. 385	
By COLLETTA, KERTTULA, BENNETT, BRADLEY, DANKWORTH, FAHRENKAMP, HACKNEY, KELLY, STURGULEWSKI AND SUMNER	
"An Act making a special appropriation to the Alaska Power Authority for construction of a high voltage electrical transmission system connecting Fairbanks and Anchorage; and providing for an effective date."	
Introduced in the Senate	2/4/80

HISTORY IN THE SENATE	
19	80
2	4
Read first time and referred to Committee on Finance	
Reported back with recommendation that	
Read second time and	
Read third time and	
PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused
Reconsideration	
PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused
Reported correctly engrossed	
Signed by President	
Sent to House	
SECRETARY OF THE SENATE	

HISTORY IN THE HOUSE	
19	
Read first time and referred to Committee on	
Reported back with recommendation that	
Read second time and	
Read third time and	
PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused
Reconsideration	
PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused
Reported correctly engrossed	
Signed by Speaker	
Returned to Senate	
CHIEF CLERK OF THE HOUSE	

HISTORY IN THE SENATE	
19	
Received from House	
To enrolling	
Reported correctly enrolled	
Sent to Governor	
..... by Governor	
Filed with Lt. Governor	
Chapter No.	

Introduced: 2/4/80
Referred: Finance

Funding Information

General Fund \$54,843,000
Other Funds -0-
\$54,843,000

COLLETTA, KERTTULA, BENNETT,
BRADLEY, DANKWORTH, FAHRENKAMP,
HACKNEY, KELLY, STURGULEWSKI,
AND SUMNER

1 IN THE SENATE

2 SENATE BILL NO. 385

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska
7 Power Authority for construction of a high voltage
8 electrical transmission system connecting Fairbanks and
9 Anchorage; and providing for an effective date."

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

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16 is subject to AS 37.25.020.

17 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
18 070(c).

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Alaska State Legislature

MAR 28 1980



SENATOR MIKE COLLETTA

SENATE MAJORITY LEADER

Senate

MAR 28 1980

MEMORANDUM

MARCH 27, 1980

TO: SENATOR SACKETT, CHAIRMAN
SENATE FINANCE COMMITTEE

FROM: SENATOR MIKE COLLETTA *Mike Colletta*

RE: SB 385, "Special Appropriation/Electric Transmission System"

Attached please find information regarding SB 385, "An Act making a special appropriation to the Alaska Power Authority for construction of a high voltage electrical transmission system connecting Fairbanks and Anchorage", which is currently in the Senate Finance Committee for consideration.

Your attention to this matter is appreciated.

FEB 22 1980



Susitna Power Now, Inc.

P.O. Box 7-4436 Fairbanks Alaska 99701 (907) 452-5272
P.O. Box 981 Anchorage Alaska 99510 (907) 276-7744

SB
385
Intertie

February 14, 1980

The Honorable Mike Colletta
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Colletta:

Legislation providing for funding and construction of the proposed Anchorage/Fairbanks Transmission Line Intertie justifies a position of highest priority early this session. Support documentation is contained in appropriate pages taken from the Anchorage-Fairbanks Intertie Supplementary Study conducted by the International/R.W. Retherford Engineering firm and an economic study performed by Anchorage Municipal Light and Power personnel in cooperation with GVEA and the Fairbanks Municipal Utilities System, copies of which are enclosed.

The figures speak for themselves. However, in the event you are not into engineering studies, we will summarize the results for you.

The following plan is recommended:

1. Build approximately 158 miles of new transmission line and connect to existing facilities at Healy and Willow at an approximate 1983 dollar costs of \$54,827,000.

2. The new section is to be built to specifications designed to ultimately transmit energy to both Interior and South Central Alaska supplied from the Upper Susitna Hydroelectric Project.

3. Once completed, the Intertie will be capable of providing for economy energy transactions, a pooling of reserve capacities, and emergency power support between the State's population centers. Further it will be used to supply energy for the Susitna Project once construction is underway.

4. The benefits are substantial. Following is a brief description of the several major ones:

Co-Chairmen
Bob Penney
Lee Wareham

Treasurer
John Spencer

Secretary
Dave Hutchens

February 14, 1980

A savings in direct fuel costs in excess of \$5,000,000 annually.

A savings in capital investment for reserve generator units of \$847,000 annually.

A savings thru displacement by electricity generated from high efficiency natural gas fired units rather than expensive oil fired generation of 425,180 barrels of fuel oil each year.

These are the major ones; there are many more.

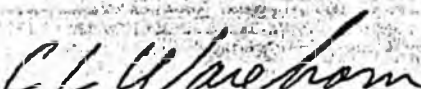
5. Financing: We propose the State appropriate \$54,827,000 from the general fund early this session and that said funds be administered by the Alaska Power Authority for the purpose of constructing the transmission line project in an expeditious manner. (SB No. 385 sufficiently addresses the funding issue.)


Further, that the utilities using said intertie be assessed appropriate wheeling and/or capacity charges sufficient to cover all operations and maintenance costs incurred by the APA following completion of the facility.

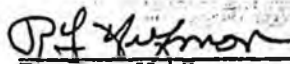
Principal and interest costs associated with the capital investment to be held in abeyance pending completion of the first phase of the Upper Susitna Hydro Project. At that time all capital costs for the line will be co-mingled with those of the prime project and amortized accordingly.


This project will benefit thousands of Alaskans and is therefore most worthy of your support.

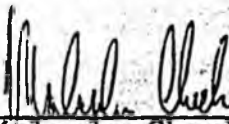
Thank you and best wishes.


Lee Wareham, Co-chairman
Susitna Power Now


Bob Penny, Co-chairman
Susitna Power Now


R. L. Huffman
Gen. Mgr.
GVEA


Tom Stahr
Gen. Mgr.
Anch. ML&P


Malcolm Cheek
Gen. Mgr.
MEA


Harold Gillam
Gen. Mgr.
Fbks MUS

Enclosures

1. Portions of Engineering Analysis
2. Economic Evaluation

INTRODUCTION

In December 1979 the Economic Feasibility Study for a possible Anchorage - Fairbanks Transmission Intertie (Intertie Study) was completed by IECO-RWRA for the Alaska Power Authority. This Intertie Study reviewed alternative intertie designs that considered the railbelt requirements for generation with and without the Susitna hydroelectric project.

The study concluded that a feasible intertie was possible without the Susitna project as well as with it. The optimized designs for the alternatives studied were for the total line length (323 miles) and included the following voltage and conductor configurations:

<u>Alternative Cases</u>	<u>Interconnection Description</u>	<u>Voltage kV²circ</u>	<u>Optimum ACSR kcmil-no.cond</u>	<u>Capability MW</u>
W/o Susitna:				
I A & B	Anchorage - Ester	230 s/c	954 - 1/c	130
I C	Anchorage - Ester	345 s/c	795 - 2/c	380
I D	Anchorage - Ester	230 s/c	954 - 1/c	130
W/ Susitna:				
II A	Anchorage - D. Canyon D. Canyon - Ester	345 s/c x2 230 s/c x2	954 - 2/c 1510 - 1/c	1200 370

After study of the report it was suggested by the Anchorage Municipal Light and Power (AMLP) and the Golden Valley Electric Association (GVEA) that it would be useful to analyze an arrangement that would use existing lines (including a pending extension of a Matanuska Electric Association (MEA) line from Willow to Sunshine) with new line constructed for the remaining portion -- such new line to be built according to the design criteria of Susitna (see II A in the above Table).

The Alaska Power Authority (APA) authorized a brief supplementary study to determine the approximate transfer capabilities and construction costs of such an arrangement. The following pages report the results of this study.

Genesis of This Report

The Intertie Study concluded that a 230 kV single-circuit transmission line with a line loading capability of 130 MW is economically feasible in 1984. This line design is smaller in capacity than would be required if the Susitna Project were constructed. A line design compatible with the Susitna Project was not found feasible by 1984 although the larger capacity circuit is deemed technically preferable for the Anchorage - Fairbanks connection. Further studies were recommended toward finding a way to support this larger capacity circuit.

The suggestion of GVEA and AMLP to study an interim arrangement that would maximize the use of existing lines (resulting in the least amount of new construction) was supported by the APA as a potentially practical way to accomplish the intertie at an earlier date and provide that new construction would be compatible with the larger capacity circuits suitable for the Susitna Project.

The purpose of the following pages is to examine the technical character of such an arrangement with a view toward maximizing the power transfer capability at minimum initial construction cost.

Technical Scope of This Report

The depth of technical review of the interim arrangement described above will include only steady-state analysis of several line configurations with an assigned limit of approximately 30 degrees of power angle between the buses at Pt. MacKenzie and Gold Hill. The stability of these configurations is not analyzed. No serious stability problems are anticipated with the power angle limit as stated.

Future Stability Analysis

If it is determined that an interim system configuration as described herein be implemented, it is important to make a complete stability analysis that would consider the characteristics of such intertie, the connected rotating machinery (generators, motors) and the control characteristics (governors, voltage regulators, relaying and switching, etc.) Such a study would provide the guidelines for selection or modification of control equipment, if necessary, and establish guidelines for operating the interconnected system.

Line Configurations Studied

Five general line configurations were studied to provide information regarding line transfer capabilities and related construction costs:

- I- Existing Lines to Willow and Healy
 New 345 kV s/c line with 2-954 kcm, Willow to Susitna Jct. - 72 miles
 New 230 kV s/c line with 1-1510 kcm, Susitna Jct. to Healy - 86.5 miles
 Operate lines as follows:
- | | |
|--------------------|------------------------------------|
| Pt. Mack - Teeland | 230 kV |
| Teeland - Willow | 115 kV |
| Willow - Healy | 230 kV (add 32 MVAR Shunt Reactor) |
| Healy - North Pole | 138 kV (add 28 MVAR Shunt Reactor) |
- Use two winding transformers and no series compensation
- II- Same as I above, except:
 Use autotransformers and series compensation (20%, Willow to Healy)
- II-1 Same as II above, except:
 Existing lines to Sunshine and Healy
 New 345 kV s/c line with 2-954 kcm, Sunshine to Susitna Jct.-43.5 miles
 Operate lines as follows:
- | | |
|--------------------|------------------------------------|
| Pt. Mack - Teeland | 230 kV |
| Teeland - Sunshine | 115 kV |
| Sunshine - Healy | 230 kV (add 32 MVAR Shunt Reactor) |
| Healy - North Pole | 138 kV (add 28 MVAR Shunt Reactor) |
- III- Same as II-1 above, except:
 Operate lines as follows:
- | | |
|----------------------|---|
| Pt. Mack - Teeland | 230 kV |
| Teeland - North Pole | 138 kV (add <u>no</u> new Shunt Reactors) |
- Use autotransformer at Teeland and no series compensation
- III-1 Same as III above, except:
 Use series compensation (20%, Sunshine to Healy)

Summary and Conclusion

Load Flow studies of 13 Cases with the five configurations previously described were made using the General Electric Company "CIFLO\$" program. The line and transformer data, and the worksheets for these cases are attached as Appendix-A.

The following Table-1, "Load Flow Summary Data" contains selected data from the load flow calculations and construction cost estimates for the various configurations. These estimates were developed from the cast data in the original Intertie Study. A sample calculation is shown in Appendix-B attached.

The load flow cases studied clearly show that an interim transmission intertie operated at 138 kV from an assumed supply point at Teeland substation to connect with the GVEA existing 138 kV system at Healy is a technically feasible connection capable of transferring up to 50-plus megawatts of power from Fairbanks to Anchorage and up to 35-plus megawatts from Anchorage to Fairbanks.

It is also shown that by constructing an additional 28.5 miles of new line to Willow an additional 5 megawatts could be transmitted. A more detailed review of the work sheets shows that the "weak" links of such an interim circuit arrangement are the existing 138 kV lines.

Such an interim arrangement is easily capable of transmitting at least 200,000,000 kWh of energy annually and providing reserve capacity as indicated. This could postpone other investments and provide an opportunity for exchange of the lowest cost energy alternatives available along the interconnected system.

If it is assumed that the energy exchanges possible are worth 3 cents per kWh (fuel cost differences now appearing in Anchorage and Fairbanks support this probability) a \$6,000,000 per year minimum saving in fuel

cost is possible. The added value of reserve sharing would increase the annual savings attributable to this intertie. Depending on financing costs, it would appear that the \$45,000,000 investment is attractive particularly when it is remembered that several million dollars of the cost is for future capacity related to the Susitna Project.

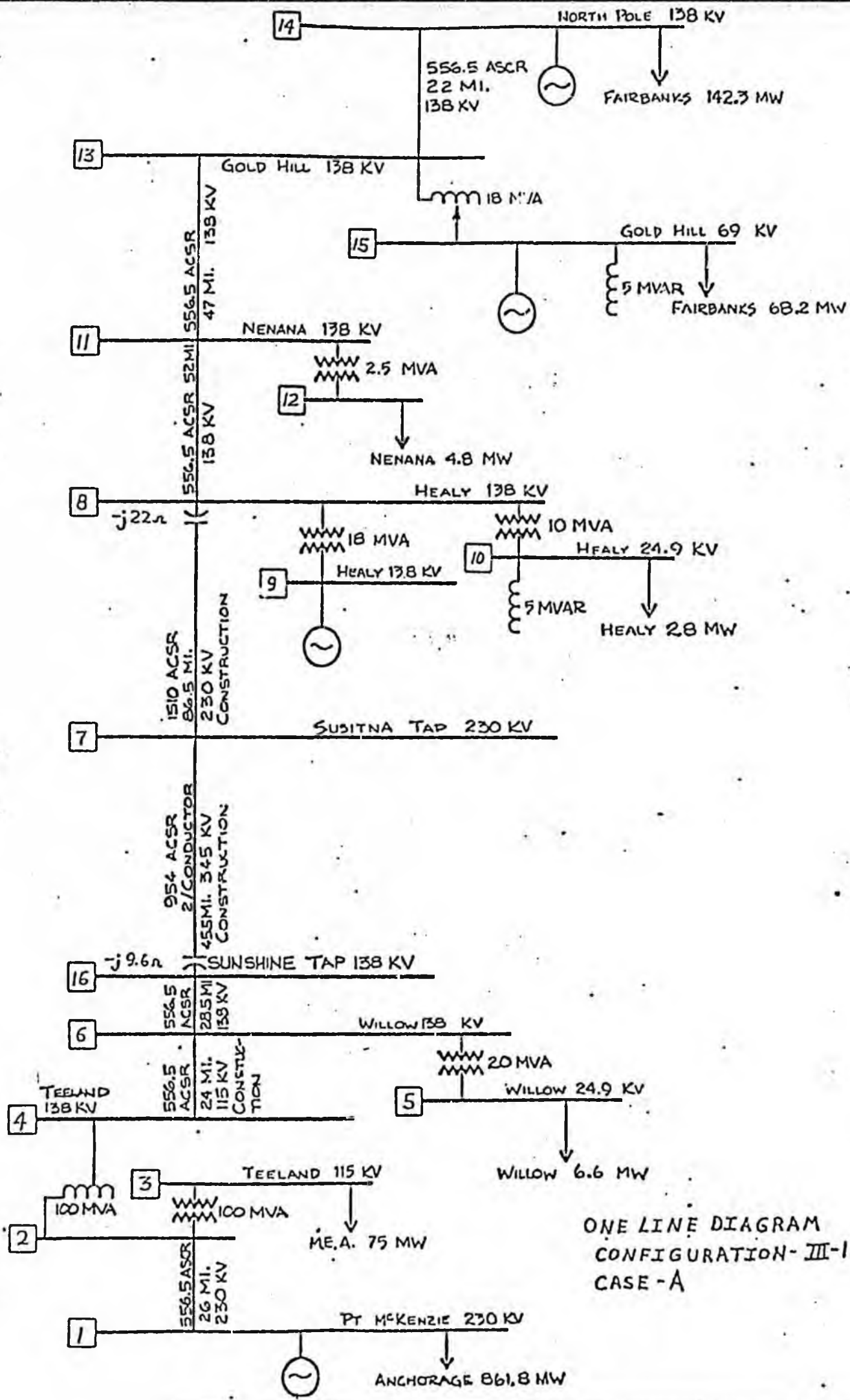
It is recommended that this interim arrangement is worth serious consideration particularly in view of the opportunity to accelerate the completion of an important segment of a renewable energy project. A decision to begin by mid-1980 would allow for construction to start in the winter of 1980-81 and for completion by mid 1983.

Additional specific studies to arrive at the basic details for design support and for negotiations of operating, wheeling and maintenance agreements should be implemented early in the course of action toward accomplishment of such a project.

TABLE-1
LOAD FLOW SUMMARY DATA

CASE	Load Flow Load Year	Line Section Power Transfer - MW	Line Voltage Range - %	Line Loss %/MW*	Power Angle - degrees Pt. Mack - N.Pole	Total Construction Cost ¹
I	CASE A Anch-Fbks 1984 Loads	Willow to Healy 35	102 to 112	<u>2.5</u> 3.4	33°	\$ 63,727,000
	CASE B Fbks-Anch 1984 Loads	Healy to Willow 50	99 to 108	<u>2.2</u> 2.0	27°	\$ 63,727,000
	CASE C Fbks-Anch 1984 Loads	Healy to Willow 16	99 to 105	n.a.	9°	\$ 63,727,000
II	CASE A Anch-Fbks 1984 Loads	Willow to Healy 39	102 to 108	<u>2.9</u>	28°	\$ 63,371,000
	CASE B Anch-Fbks 1990 Loads	Willow to Healy 31	98 to 104	<u>2.5</u> 6.5	30°	\$ 63,371,000
	CASE C Fbks-Anch	Healy to Willow 51	97 to 104	<u>1.6</u> 3.5	23°	\$ 63,371,000
II-1	CASE A Anch-Fbks 1984 Loads	Sunshine to Healy 36	102 to 107	<u>3.0</u> 4.1	31°	\$ 52,630,000
III	CASE A Anch-Fbks 1984 Loads	Sunshine to Healy 34	103 to 106	<u>2.8</u> 3.8	30°	\$ 44,587,000
	CASE B Open circ.-Healy 1984 Loads	Sunshine to Healy 0	104 to 112	---	3°	\$ 44,587,000
III-1	CASE A Anch-Fbks 1984 Loads	Sunshine to Healy 35	103 to 106	<u>2.9</u> 3.9	28°	\$ 45,032,000
	CASE B Fbks-Anch 1984 Loads	Healy to Sunshine 54	102 to 105	<u>4.5</u> 4.2	31°	\$ 45,032,000
	CASE C Anch-Fbks 1990 Loads	Sunshine to Healy 27	100 to 105	<u>3.0</u> 7.5	31°	\$ 45,032,000
	CASE D Fbks-Anch 1990 Loads	Healy to Sunshine 53	97 to 104	<u>2.7</u> 5.9	30°	\$ 45,032,000

* Line Loss is calculated as a % of the total Generation on line for each case. MW are also shown.
** Construction costs estimated using unit costs from Intertie Study (See Appendix B for sample).



ONE LINE DIAGRAM
 CONFIGURATION-III-1
 CASE-A

Report of
Technical Advisory Committee
on
Economics of Anchorage - Fairbanks
Minimal Transmission Intertie

Anchorage Municipal Light & Power
Golden Valley Electric Association
Fairbanks Municipal Utilities System

January 1980

Robert W. Retherford Associates' Anchorage-Fairbanks transmission intertie supplementary study for maximizing use of existing lines with new lines at Susitna Design capacity, completed January 24, 1980, demonstrated the probable technical feasibility of transmitting economy energy from Anchorage to Fairbanks and reserve generating capacity from Fairbanks to Anchorage over a minimal transmission line. This report examines the economics of such interchanges for Configuration III - 1 Cases A and B of the RWRA study.

ECONOMY ENERGY

From data in the supplementary study it was estimated that annual losses in transmitting 200 million KWH at economy energy from Anchorage to Fairbanks would be about 4% or 8 million KWH. 200 million KWH generated by AMLP would replace 192 million KWH generated by GVEA with simple cycle and regenerative combustion turbines averaging 13,000 BTU per KWH.

AMLP's fuel consumption to generate the economy energy was determined by using the General Electric HPROD production costing program to model generator operation. HPROD was run for AMLP's system load plus economy energy and for AMLP system load alone. The difference between the two amounts of fuel was the fuel burned to generate the economy energy for GVEA. The following table shows the fuel saved.

FUEL CONSUMPTION, MILLIONS OF BTU

GENERATION BY

<u>YEAR</u>	<u>GVEA</u>	<u>AMLP</u>	<u>FUEL SAVED</u>
1984	2,500,000	2,200,000	300,000
1985	2,500,000	2,330,000	170,000
1986	2,500,000	2,560,000	-60,000

The 300,000 million BTU saved in 1984 is equivalent to about 52,000 barrels of fuel oil. The amount of fuel consumed by AMLP to generate economy energy increases each year; as AMLP system load grows, less efficient generating units must be operated to produce the economy fuel.

Monetary savings from economy energy, of course, depend on the relative costs of fuel in Anchorage and Fairbanks. To give an idea of the amounts of money involved without attempting to forecast fuel prices several years hence, fuel was priced at present values of \$2.85 per million BTU for GVEA and \$0.829 per million BTU for AMLP:

FUEL COSTS

GENERATION BY

<u>YEAR</u>	<u>GVEA</u>	<u>AMLP</u>	<u>SAVING</u>
1984	\$7,125,000	\$1,824,000	\$5,301,000
1985	7,125,000	1,932,000	5,193,000
1986	7,125,000	2,122,000	5,003,000

The supplementary study showed that GVEA could provide 53 MW of reserve generating capacity to AMLP over the transmission line. Without this reserve capacity it would be necessary for AMLP to install a peaking combustion turbine to maintain firm generating capacity. Capital recovery costs of such a peaking turbine were estimated to be \$847,000 annually at today's prices. The value of 53 MW of reserve capacity furnished by GVEA to AMLP over the transmission line would thus be \$847,000 annually

SUMMARY

Adding the value of economy energy to that of reserve generating capacity produced the following total value of the transmission line to AMLP and GVEA:

<u>YEAR</u>	<u>ECONOMY ENERGY</u>	<u>RESERVE CAPACITY</u>	<u>TOTAL</u>
1984	\$5,301,000	\$847,000	\$6,148,000
1985	5,193,000	847,000	6,040,000
1986	5,003,000	847,000	5,850,000

COST ESTIMATE (1979 Dollars)CONFIGURATION III-1

1.	<u>New Transmission Lines</u>		
1.1	Healy - Susitna Tap, 86.5 m. (sc, 230 kV, 1510 kcmil ACSR)	\$176,693./mile	15,283,945
1.2	Susitna Tap - Willow 71.5m (sc, 345 kV, 2 x 954 kcmil ACSR)	\$253,320./mile	18,112,380
		<hr/>	
		Transmission Total:	\$33,396,325
2.	<u>Substations</u>		
2.1	Healy 138 kV Addition of Series Compensation	150,000	
2.2	Healy 138 kV Circuit breakers & property	243,000	
2.3	Willow 138 kV Addition of Series Compensation	150,000	
2.4	Willow 138 kV Circuit breakers and property 60 MVA Autotransformer 115/138 kV	1,243,000	
		<hr/>	
		Substations Total:	\$ 1,786,000

CONFIGURATION III-1 (Cont.)

TOTAL COSTS (1979)

Transmission Lines	\$ 33,396,325
Substations	1,786,000
Control and Communication	3,300,000
Engineering/Design	<u>3,000,000</u>
	\$ 41,482,325

DISBURSEMENTS AND ESCALATION

		<u>Escalated @ 8% p.a.</u>
1981 (7%)	2,903,760	3,387,000
1982 (25%)	10,370,580	13,064,000
1983 (68%)	<u>28,207,985</u>	<u>38,376,000</u>
	41,482,325	54,827,000
		- <u>41,482,325</u>
	Total Escalation	13,344,675

PROJECT COST SUMMARY

Project Costs	\$41,482,325
Escalation	<u>13,344,675</u>
Total	<u>\$54,827,000</u>