

LEG. FINANCE - BILLS 1981 - 1982 1629

SB 148 cont. - SB 148

1629

1 section, this money shall be replaced with money received as interest
2 on loans authorized by this chapter.

3 * Sec. 6. AS 44.47.400 is amended to read:

4 Sec. 44.47.400. SECURITY FOR LOANS. (a) The director shall
5 adopt regulations in accordance with the Administrative Procedure Act
6 (AS 44.62) establishing acceptable security for loans originated or
7 purchased in whole or in part under AS 44.47.380.

8 (b) A person may pledge as security for the repayment of a loan
9 originated or purchased in whole or in part under AS 44.47.380 a pre-
10 ference right he holds to receive title to land he occupies as a pri-
11 mary place of residence, primary place of business, subsistence
12 campsite, or as headquarters for reindeer husbandry. The preference
13 right must be conveyed to the person by the Native corporation to which
14 the land was granted under section 14 of the Alaska Native Claims
15 Settlement Act (85 Stat. 688, 43 U.S.C. secs. 1601 1626, as amended
16 by P.L. 94-204) before it may be pledged as security under this sub-
17 section. The commissioner of community and regional affairs shall
18 prescribe procedures and standard forms for establishing, pledging, and
19 appraising the value of a preference right held by a person to secure
20 the repayment of a loan originated or purchased in whole or in part
21 under AS 44.47.380.

22 * Sec. 7. AS 44.47.410 is amended to read:

23 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-
24 gage loan originated or purchased in whole or in part under AS 44.-
25 47.380 may not exceed

26 (1) nine percent for a mortgage loan made to a person who is
27 an eligible veteran under AS 18.56.101;

28 (2) ten percent for a mortgage loan made to a person other
29 than a person described in (1) of this subsection.

1 * Sec. 8. AS 44.47.420(a) is amended to read:

2 Sec. 44.47.420. TITLE. (a) Before the director originates or
3 purchases a nonconforming housing mortgage loan in whole or in part,
4 the director may require a borrower to show marketable title to real
5 property offered as security for the loan to be purchased.

6 * Sec. 9. AS 44.47.430(b) is amended to read:

7 (b) The director may withdraw money from the restricted title
8 loss reserve account in an amount equal to the loss to the division on
9 a nonconforming housing mortgage loan originated or purchased in whole
10 or in part by the division if marketable title to the real property
11 used to secure the loan was shown in accordance with AS 44.47.420(b)-
12 (2). Money withdrawn from the restricted title loss reserve account
13 under this section shall be deposited in the nonconforming housing loan
14 fund.

15 * Sec. 10. AS 44.47.460 is amended to read:

16 Sec. 44.47.460. LOAN SERVICING. (a) Before purchasing or par-
17 ticipating in the purchase of a loan, the director shall enter into a
18 loan servicing agreement with the private financial institution from
19 which the loan is to be purchased.

20 (b) The director may execute service agreements with private
21 lending institutions to service loans originated by the division.

22 (c) Under the servicing agreement, the private financial insti-
23 tution shall administer the loan and may charge the division a negoti-
24 ated fee on the division's share of the loan. When appropriate, the
25 [THE] private financial institution may also charge the borrower a
26 reasonable originator fee not to exceed one percent.

27 * Sec. 11. AS 44.47.470 is amended to read:

28 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or
29 participating in the purchase of a nonconforming housing mortgage loan,

1 the director may have or may require the borrower to have an appraisal
2 made of the fair market value of the real property, including struc-
3 tures on the real property, for which the loan is made. In conducting
4 an appraisal under this section, the appraiser shall give full value to
5 insulation and other features of construction in structures on the real
6 property which add to the energy efficiency of the structures.

7 * Sec. 12. AS 44.47.490 is amended to read:

8 Sec. 44.47.490. ASSISTANCE BY DIVISION PERSONNEL. (a) The
9 director shall create field offices which have the authority of final
10 approval of loans under this chapter, hire at least one lending offi-
11 cer, and may [SHALL] contract for the services of

12 (1) real property appraisers who are familiar with rural
13 construction; and

14 (2) engineers who are familiar with engineering problems in
15 arctic and subarctic regions.

16 (b) The personnel described in (a) of this section shall make
17 regular visits to each of the regions established under AS 44.47.510(a)
18 to provide preconstruction and post-construction inspections of real
19 property for which loans are originated or purchased by the division in
20 whole or in part under AS 44.47.380 and to provide assistance to pri-
21 vate financial institutions and their borrowers in the regions.

22 * Sec. 13. AS 44.47.510(b) is amended to read:

23 (b) Unless otherwise required by an appropriation, the director
24 shall allocate the money in the nonconforming housing loan fund among
25 the regions established under (a) of this section for the purpose of
26 originating or purchasing each type of loan described in AS 44.47.380.
27 In making an allocation under this subsection, the director shall
28 consider the past and potential lending activity of private financial
29 institutions in the region as well as the need for loans in the region.

1 The director may reallocate the money among the regions as he considers
2 necessary.

3 * Sec. 14. This Act takes effect immediately in accordance with AS 01.-
4 10.070(c).

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COMMITTEE REPORT

HOUSE

5/7/81

FURTHER:

(11)

Date: JUNE 9, 1981

Mr. Speaker:

The Committee on FINANCE has had CSSB 148(Fin)am
"An Act relating to housing loans; and providing for an effective date."

under consideration and reports it back as follows:

- do pass do not pass
 do pass with attached amendments(s)
 replace with CS for CSSB 148(Fin) same title
and recommends do pass new title
 AND attaches a "Letter of Intent" New Fiscal Note
 reports it back without recommendation
 referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Freeman

Freeman

Freeman

Freeman

Freeman

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Freeman - no rec

Freeman

CHAIRMAN

Asper

Original sponsor: Mulcahy

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 148 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state loan programs under the
7 Alaska Housing Finance Corporation, the Department of
8 Community and Regional Affairs, and the Alaska Indus-
9 trial Development Authority; and providing for an
10 effective date."

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

12 * Section 1. AS 18.56.040 is amended to read:

13 Sec. 18.56.040. MEETINGS OF BOARD. (a) The board shall elect a
14 chairman from among its membership at its annual [FIRST] meeting [IN]
15 each year. A majority of the members constitute a quorum for organizing
16 the board, conducting its business and exercising the powers of the
17 corporation. The board shall meet at the call of its chairman. The
18 board shall meet not less than once each three months.

19 (b) The board may meet and transact business by electronic media
20 if

21 (1) public notice of the time and places where the meeting
22 will be held by electronic media has been given in the same manner as
23 if the meeting were held in a single location;

24 (2) participants and members of the public can hear and have
25 the same right to participate in the meeting as if the meeting were

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

June 8, 1981

MEMORANDUM

TO: Honorable Russ Meekins
House Finance Committee

FROM: Milt Barker, ^{MB} Fiscal Analyst
Legislative Finance Division

SUBJECT: HCS SB 148 (Finance)

The following are the major revisions to CSHB 487 (Finance) relating to AHFC and AIDA, and CSSB 148 (Finance) am, relating to nonconforming housing loans, which are to be incorporated into HCS SB 148 (Finance):

AHFC

1. Authorization for second mortgages for either home purchase or home improvement:
 - a) interest rate is the same as first mortgages;
 - b) subsidized portion of the loan is equal to \$90,000 less any outstanding first mortgage balance;
2. the "Rogers ratchet" interest rate:
 - a) starts at 10%;
 - b) gradually adjusts upward to 3% below the corporations cost of funds;
 - c) in no case is less than 10% unless corporations cost of funds is less than 10%;
3. authorization for board meetings via electronic media;

4. annual report to legislature must include summary of past efforts and future plans regarding outreach and satisfaction of loan demand in rural areas;

5. legislative intent that the corporation study second mortgages before implementing;

6. automatic extension of prior year bond authorization in absence of legislative action;

7. AFHC is to pay a higher servicing fee for loans in rural areas;

AIDA

1. bond authorization increased to \$400 million;

2. automatic extension of prior year bond authorization in absence of legislative action;

3. loans purchased with bond proceeds will be held in the enterprise development fund:

a) 10% bank participation at a minimum required;

b) 20% bank participation for moral obligation on loans over \$1 million required;

c) no moral obligation on loans over \$10 million;

d) maximum loan is \$7,500,000 or 75% of project costs;

e) AIDA to establish income limits for project applicants for loans purchased from bond proceeds;

4. small enterprise account will use AIDA assets and cash flow to purchase loans for:

a) working capital, inventory, and refinancing up to \$500,000 which are federally guaranteed; the interest rate is the tax-exempt rate;

b) new multi-family rental and cooperative housing of three or more units up to \$50,000 per unit or \$3,000,000 per project; the interest rate is 1% greater than the "Rogers ratchet";

c) other small enterprise projects at the tax-exempt rate;

- d) letter of intent giving working capital and inventory loans first priority on \$2 million cash flow from existing AIDA assets and allocating 30% thereof to such loans which are less than \$100,000;
- e) definition of "small enterprise" includes telecommunications utilities with gross income less than \$20,000,000;

Nonconforming Loans

1. construction loans only to intended occupants;
2. no more than 20% of nonconforming loans may be in urban areas;
3. interest rates equal to the "Rogers ratchet" (in effect no subsidy for amounts greater than \$90,000);
4. higher servicing fees are to be paid for loans in rural areas;
5. intent that C&RA originate loans only if there is a demonstrated lack of service available prior to January 1982;
6. intent that approved business loans be processed to completion beyond FY 81 (HCR 40);

Appropriations

1. reduce nonconforming loans to \$40 million;
2. increase AHFC rural mortgage loans to \$20 million;
3. appropriate \$20 million to AIDA for multi-family housing;
4. allocate \$20 million of the AHFC special mortgage loan purchase program to second mortgages for home improvement.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HCSCSSB 148 (Finance am)

Title An Act relating to housing loans and providing for an effect date

Requested by Legislative Finance Date _____

II. FISCAL DETAIL

Agency Affected Community & Regional Affairs

Program Category Affected Housing Assistance Division

BRU, Program, or Subprogram(s) Affected Non-Conforming Loans

(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 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		70.0				
200 TRAVEL						
300 CONTRACTUAL		100.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars)

GENERAL FUND		170.0				
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		2				
PART TIME						
TEMPORARY						

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

Sec. 44.47.395, of Senate Bill 148 established the Operating Loss Reserve Account, and it is recommended that \$100,000 be appropriated for this fund. The funding would be used for the specific purpose of renovation and repair on foreclosed properties. This account is to be continued from year to year.

Two additional positions are requested to be located in the Anchorage Office:

1 position is for a Loan Closing Clerk responsible for reviewing loan documents, obtaining title policies, insurance policies, and recording loan documents to provide expeditious closing of loans.

Sue Lowell by m m
Sue Lowell (Deputy Director)

IV. DATE 6/22/81

PREPARED BY Community & Regional Affairs, Division of
AGENCY Housing Assistance
PHONE 272-4585

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

The second position is an Accounting Technician, to account for the disbursement of loan funds and to account for and monitor phased loan disbursements, for direct loans, construction loans; building material loans and repair and renovation loans.

Original sponsor: Mulcahy

Offered: 6/9/81
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 148 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state loan programs under the
7 Alaska Housing Finance Corporation, the Department of
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9 trial Development Authority; and providing for an
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11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 * Section 1. AS 18.56.040 is amended to read:

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14 chairman from among its membership at its annual [FIRST] meeting [IN]
15 each year. A majority of the members constitute a quorum for organizing
16 the board, conducting its business and exercising the powers of the
17 corporation. The board shall meet at the call of its chairman. The
18 board shall meet not less than once each three months.

19 (b) The board may meet and transact business by electronic media
20 if

21 (1) public notice of the time and locations where the meeting
22 will be held by electronic media has been given in the same manner as
23 if the meeting were held in a single location;

24 (2) participants and members of the public in attendance can
25 hear and have the same right to participate in the meeting as if the
26 meeting were conducted in person; and

27 (3) copies of pertinent reference materials, statutes, regu-
28 lations, and audio-visual materials are reasonably available to parti-
29 cipants and to the public.

1 (c) A meeting by electronic media as provided in this section has
2 the same legal effect as a meeting in person.

3 * Sec. 2. AS 18.56.096 is amended to read:

4 Sec. 18.56.096. LIMITATION ON POWER TO MAKE OR PURCHASE MORTGAGE
5 LOANS. The corporation may not make, participate in the making of,
6 purchase, or participate in the purchase of

7 (1) a first mortgage loan under this chapter that [WHICH]
8 exceeds the limitations on first mortgage loans purchased by the Federal
9 National Mortgage Association as to principal amount and loan-to-value
10 ratio; or [,]

11 (2) a second mortgage loan the amount of which, when combined
12 with the principal balance of a first mortgage loan on the property,
13 exceeds the limitation on the amount set out in (1) of this section or
14 which has a loan-to-value ratio when considered with the principal bal-
15 ance of the first mortgage loan, that exceeds 90 percent.

16 * Sec. 3. AS 18.56.098(a) is amended to read:

17 (a) The corporation shall establish a special mortgage loan
18 purchase program. Under the special mortgage loan purchase program,
19 the corporation may purchase first or second mortgage loans, including
20 graduated payment mortgage loans, made [(1)] for the purchase, improve-
21 ment, or rehabilitation of residences [; OR (2) FOR THE REFINANCING OF
22 A MORTGAGE LOAN ON A RESIDENCE IF THE PURPOSE OF THE REFINANCING IS TO
23 PROVIDE MONEY FOR THE IMPROVEMENT OR REHABILITATION OF THE RESIDENCE].

24 * Sec. 4. AS 18.56.098(c) is amended to read:

25 (c) The corporation may pledge mortgage loans purchased by the
26 corporation under (a) of this section, mortgage loans assigned to the
27 corporation for the special mortgage loan purchase program, and mortgage
28 loans purchased with amounts appropriated to the corporation for the
29 special mortgage loan purchase program to pay the principal, interest,

1 and redemption premium, if any, on bonds or bond anticipation notes
2 issued by the corporation for the special mortgage loan purchase pro-
3 gram and may expend amounts appropriated to the special mortgage loan
4 purchase program for mortgage loan subsidies or other purposes of the
5 program as necessary to cause the interest rate on mortgage loans pur-
6 chased under the special mortgage loan purchase program and retained
7 by the corporation or sold under AS 18.56.099 to equal the rates speci-
8 fied in this section.

9 * Sec. 5. AS 18.56.098(d) is repealed and reenacted to read:

10 (d) The corporation shall establish the interest rate on a mort-
11 gage loan purchased under (a) of this section in accordance with the
12 following:

13 (1) The interest rate on the first \$90,000 of a mortgage
14 loan purchased with the proceeds of the first issue of taxable bonds of
15 the corporation is 10 percent or the cost of funds, whichever is less.

16 (2) The interest rate on the first \$90,000 of a mortgage
17 loan purchased with the proceeds of a second or subsequent issue of
18 taxable bonds of the corporation shall be determined as follows:

19 (A) If the cost of funds of an issue of taxable bonds
20 is more than the cost of funds of the preceding issue of taxable
21 bonds, the interest rate shall be increased by an amount equal to
22 the difference between the cost of funds of the two bond issues.

23 (B) Except as provided in (C) and (D) of this paragraph
24 and (4) of this subsection, the interest rate may not be less than
25 10 percent and may not be reduced.

26 (C) If the difference between the cost of funds of an
27 issue of taxable bonds and the interest rate established for a
28 mortgage loan purchased with the proceeds of the previous issue
29 would be equal to or less than three percent under the provisions

1 of (B) of this paragraph, the interest rate on mortgage loans
2 purchased with the proceeds of that taxable bond issue and subse-
3 quent taxable bond issues is three percent less than the cost of
4 funds of the taxable bond issue that is used to purchase the
5 mortgage loan.

6 (D) The interest rate on a mortgage loan purchased with
7 the proceeds of a taxable bond issue may not be less than 10
8 percent unless the cost of funds of the taxable bond issue is less
9 than 10 percent, in which case the interest on a mortgage loan
10 purchased with the proceeds of a taxable bond issue is equal to
11 the cost of funds.

12 (3) If the corporation does not issue taxable bonds, the
13 interest rate on the first \$90,000 of a mortgage loan purchased under
14 (a) of this section may not exceed 10 percent.

15 (4) An interest rate determined under this subsection shall
16 be reduced by one percentage point if the loan is made to an eligible
17 veteran under AS 18.56.101.

18 (5) The interest rate for the amount of a mortgage loan
19 purchased under (a) of this section that exceeds \$90,000 is equal to
20 the cost of funds to the corporation attributable to that part of the
21 loan.

22 (6) If a second mortgage is purchased under (a) of this
23 section, the existing unamortized loan amount of the first mortgage
24 shall be subtracted from \$90,000 to determine the amount of the loan
25 that is eligible for an interest rate determined under (1) - (4) of
26 this subsection.

27 (7) The interest rate on a mortgage loan purchased from
28 money appropriated to the corporation is the rate the corporation
29 determines is appropriate by application of the provisions of (1) - (5)

1 of this subsection.

2 (8) The interest rate on a mortgage loan purchased from the
3 proceeds of bonds that are exempt from taxation under the Mortgage
4 Subsidy Bond Tax Act of 1980 (26 U.S.C. 103A) is 10 percent or the cost
5 of the funds, whichever is less, unless a higher or lower interest rate
6 is required to be established under the Mortgage Subsidy Bond Tax Act.

7 (9) In this subsection

8 (A) "cost of funds" means the true interest cost ex-
9 pressed as a rate on bonds of the corporation plus an additional
10 percentage as determined by the corporation to represent the
11 expenses of operation, costs of issuance, and mortgage servicing;

12 (B) "taxable bonds" means bonds bearing interest that
13 is taxable under the provisions of the Mortgage Subsidy Bond Tax
14 Act of 1980 (26 U.S.C. 103A).

15 * Sec. 6. AS 18.56.098(e) is amended to read:

16 (e) The corporation shall establish regulations in accordance
17 with AS 18.56.088 to implement the special mortgage loan purchase
18 program. The [IN ORDER TO DISCOURAGE THE SPECULATIVE USE OF MORTGAGE
19 CREDIT UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM FOR PURPOSES
20 OTHER THAN HOME OWNERSHIP, THE] regulations shall include provisions
21 allowing, prohibiting, or restricting [OTHERWISE SETTING CONDITIONS ON]
22 the right to assume or the right to provide for the payment of mortgage
23 loans purchased under (a) of this section by a person other than the
24 mortgagor. A provision in a mortgage loan purchased by the corporation
25 which prohibits or restricts the right to assume or the right to pro-
26 vide for the payment of mortgage loans is enforceable. The corpora-
27 tion shall enforce the regulations adopted under this subsection.

28 * Sec. 7. AS 18.56 is amended by adding a new section to read:

29 Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. (a) Pursuant to

1 sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C.
2 103A) the amount of mortgage revenue bonds that may be issued in the
3 state under sec. 103A(g)(4) of that Act is allocated solely to the
4 corporation. A municipality may not issue mortgage revenue bonds under
5 sec. 103A(g)(4) of the Mortgage Subsidy Bond Tax Act of 1980 unless
6 permitted to do so by the corporation. The amount of mortgage revenue
7 bonds issued by a municipality under sec. 103A(g)(4) of the Mortgage
8 Subsidy Bond Tax Act of 1980 with the permission of the corporation
9 shall be deducted from the total amount permitted by that Act.

10 (b) The provisions of this section apply to home rule municipali-
11 ties.

12 * Sec. 8. AS 18.56 is amended by adding a new section to read:

13 Sec. 18.56.107. LOAN SERVICE FEES FOR RURAL AREAS. Loan service
14 fees charged for a loan made or purchased in a rural area with money
15 received by the corporation after July 1, 1981, shall be higher than
16 loan service fees charged for other loans made or purchased by the
17 corporation.

18 * Sec. 9. AS 18.56.110 is amended by adding a new subsection to read:

19 (g) Notwithstanding AS 18.56.090(12) and (a) of this section, the
20 corporation may not issue bonds, other than refunding bonds, in any
21 12-month period beginning after June 30, 1982, in an amount that exceeds
22 the amount of bonds authorized to be issued during the preceding 12-
23 month period, unless a different amount is authorized by the legisla-
24 ture.

25 * Sec. 10. AS 18.56.200(c) is amended to read:

26 (c) The corporation shall include in its annual report under (b)
27 of this section an estimate of the investment activity of the corpora-
28 tion in mortgage loans under this chapter for the following 12-month
29 period and an estimate of the amount of bonds to be issued for the

1 investments. [NOTWITHSTANDING AS 18.56.090(12) OR 18.56.110(a), THE
2 CORPORATION MAY NOT ISSUE BONDS OTHER THAN REFUNDING BONDS DURING ANY
3 12-MONTH PERIOD BEGINNING AFTER JUNE 30, 1981, IN AN AMOUNT THAT EXCEEDS
4 THE AMOUNT APPROVED BY LAW FOR THAT 12-MONTH PERIOD.]

5 * Sec. 11. AS 18.56.200 is amended by adding a new subsection to read:

6 (d) The corporation shall include in its annual report under (b)
7 of this section a summary of its efforts to implement a program to ex-
8 tend the operation of the loan programs authorized under this chapter
9 to communities with populations of less than 15,000.

10 * Sec. 12. AS 18.56.210 is amended by adding a new paragraph to read:

11 (13) "bond" or "obligation" means a bond or note of the
12 corporation or a mortgage participation certificate issued with respect
13 to mortgages of the corporation.

14 * Sec. 13. AS 44.47.370 is amended by adding a new paragraph to read:

15 (8) originate and service direct loans made for construc-
16 tion, purchase, renovation, or improvements and building materials, for
17 nonconforming housing made to qualified buyers in accordance with
18 AS 44.47.360 - 44.47.560.

19 * Sec. 14. AS 44.47.380 is amended to read:

20 Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is created
21 in the Department of Community and Regional Affairs the nonconforming
22 housing loan fund consisting of money appropriated to it by the legis-
23 lature. The director shall administer the nonconforming housing loan
24 fund in accordance with AS 44.47.360 - 44.47.560 and shall use the
25 money in the nonconforming housing loan fund to originate, purchase, or
26 participate in the purchase of

- 27 (1) nonconforming housing mortgage loans;
28 (2) loans made for building materials for nonconforming
29 housing;

1 (3) loans made for renovations or improvements to noncon-
2 forming housing;

3 (4) loans made for the construction of nonconforming owner-
4 occupied housing other than loans to builders or contractors.

5 * Sec. 15. AS 44.47 is amended by adding a new section to read:

6 Sec. 44.47.385. ELIGIBLE LOCATIONS. (a) The director may make
7 loans from the nonconforming housing loan fund only for nonconforming
8 housing loans to qualified buyers for nonconforming housing.

9 (b) Not more than 20 percent of the total principal amount of
10 loans made for nonconforming housing may be made in cities of organized
11 boroughs and service areas of unified municipalities where the popula-
12 tion of the city or service area exceeds 3,500.

13 (c) For purposes of (b) of this section, population shall be de-
14 termined with reference to the 1980 preliminary census report as pub-
15 lished in "Alaska 1980 Population" and released January 1, 1981, by the
16 Department of Labor.

17 (d) In allocating money under (b) of this subsection, if a home
18 proposed for financing is in more than one service area, that home
19 shall be considered to be in the service area with the smallest popula-
20 tion.

21 * Sec. 16. AS 44.47.390 is amended to read:

22 Sec. 44.47.390. LIMITATIONS ON USE OF NONCONFORMING HOUSING LOAN
23 FUND. The director may not use the money in the nonconforming housing
24 loan fund to

25 (1) originate a direct loan or purchase or participate in
26 the purchase of a nonconforming housing mortgage loan which exceeds the
27 limitations on mortgage loans purchased by the Federal National Mortgage
28 Association as to principal amount or loan-to-value ratio;

29 (2) originate a direct loan or purchase or participate in

1 the purchase of a loan made for building materials for nonconforming
2 housing

3 (A) which exceeds \$45,000 or exceeds

4 (i) 80 percent of the appraised value of the work
5 completed on the nonconforming housing for which the loan is made
6 if the nonconforming housing is pledged as collateral for the
7 loan; or

8 (ii) 80 percent of the value of other property
9 which is pledged as security for the loan and which is satis-
10 factory to the director as collateral;

11 (B) unless the terms of the loan agreement require
12 inspections and certifications, as required by regulations of the
13 director, at the expense of the borrower; and

14 (C) unless the period of time allowed for repayment of
15 the loan is equal to or less than 15 years [THE LESSER OF

16 (i) THREE YEARS; OR

17 (ii) THE MAXIMUM PERIOD OF TIME ESTABLISHED BY
18 REGULATION BY THE DIRECTOR BASED ON THE PREVAILING PRACTICE AMONG
19 PRIVATE FINANCIAL INSTITUTIONS IN THE GENERAL AREA IN WHICH THE
20 LOAN IS MADE FOR LOANS FOR THE PURCHASE OF BUILDING MATERIALS];

21 (3) originate direct loans or purchase or participate in the
22 purchase of a nonconforming housing mortgage loan which is secured by
23 real property the marketable title to which is shown in accordance with
24 AS 44.47.420(b)(2) if the total amount of outstanding nonconforming
25 housing mortgage loans held by the division exceeds 10 times the amount
26 of money in the restricted title loss reserve account (AS 44.47.430) [;

27 (4) PURCHASE OR PARTICIPATE IN THE PURCHASE OF CONSTRUCTION
28 LOANS].

29 * Sec. 17. AS 44.47 is amended by adding a new section to read:

1 Sec. 44.47.395. OPERATING LOSS RESERVE ACCOUNT. (a) There is
2 established an operating loss reserve account for the purpose of meet-
3 ing legal expenses incurred through the foreclosure of properties
4 acquired by the director under AS 44.47.370(6) and making repairs to
5 these properties so that they may be sold to new buyers.

6 (b) The operating reserve loss account consists of money appro-
7 priated by the legislature. To the extent that money is paid out of
8 the operating loss reserve account for the purposes stated in this
9 section, this money shall be replaced with money received as interest
10 on loans authorized by this chapter.

11 * Sec. 18. AS 44.47.400 is amended to read:

12 Sec. 44.47.400. SECURITY FOR LOANS. (a) The director shall
13 adopt regulations in accordance with the Administrative Procedure Act
14 (AS 44.62) establishing acceptable security for loans originated or
15 purchased in whole or in part under AS 44.47.380.

16 (b) A person may pledge as security for the repayment of a loan
17 originated or purchased in whole or in part under AS 44.47.380 a pre-
18 ference right he holds to receive title to land he occupies as a pri-
19 mary place of residence, primary place of business, subsistence camp-
20 site, or as headquarters for reindeer husbandry. The preference right
21 must be conveyed to the person by the Native corporation to which the
22 land was granted under section 14 of the Alaska Native Claims Settlement
23 Act (85 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended by P.L.
24 94-204) before it may be pledged as security under this subsection.
25 The commissioner of community and regional affairs shall prescribe
26 procedures and standard forms for establishing, pledging, and appraising
27 the value of a preference right held by a person to secure the repayment
28 of a loan originated or purchased in whole or in part under AS 44.-
29 47.380.

1 * Sec. 19. AS 44.47.410 is repealed and reenacted to read:

2 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-
3 gage loan originated or purchased in whole or in part under AS 44.-
4 47.380 is equal to the interest rate, as determined under AS 18.56.098-
5 (d)(1) - (5), on a mortgage loan purchased under AS 18.56.098(d) from
6 the proceeds of the most recent issue of taxable bonds before the
7 mortgage loan originated or purchased under AS 44.47.380.

8 * Sec. 20. AS 44.47.420(a) is amended to read:

9 (a) Before the director originates or purchases a nonconforming
10 housing mortgage loan in whole or in part, the director may require a
11 borrower to show marketable title to real property offered as security
12 for the loan to be purchased.

13 * Sec. 21. AS 44.47.430(b) is amended to read:

14 (b) The director may withdraw money from the restricted title
15 loss reserve account in an amount equal to the loss to the division on
16 a nonconforming housing mortgage loan originated or purchased in whole
17 or in part by the division if marketable title to the real property
18 used to secure the loan was shown in accordance with AS 44.47.420(b)(2).
19 Money withdrawn from the restricted title loss reserve account under
20 this section shall be deposited in the nonconforming housing loan fund.

21 * Sec. 22. AS 44.47.460 is amended to read:

22 Sec. 44.47.460. LOAN SERVICING. (a) Before purchasing or par-
23 ticipating in the purchase of a loan, the director shall enter into a
24 loan servicing agreement with the private financial institution from
25 which the loan is to be purchased.

26 (b) The director may execute service agreements with private
27 lending institutions to service loans originated by the division.

28 (c) Under the servicing agreement, the private financial insti-
29 tution shall administer the loan and may charge the division a negoti-

1 ated fee on the division's share of the loan. When appropriate, the
2 [THE] private financial institution may also charge the borrower a
3 reasonable originator fee not to exceed one percent.

4 (d) Loan servicing agreements entered into under this section
5 shall provide for higher fees for loans made for nonconforming housing
6 located outside of cities of organized boroughs and service areas of
7 unified municipalities that have a population in excess of 3,500, than
8 for other loans made for nonconforming housing.

9 * Sec. 23. AS 44.47.470 is amended to read:

10 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or
11 participating in the purchase of a nonconforming housing mortgage loan,
12 the director may have or may require the borrower to have an appraisal
13 made of the fair market value of the real property, including struc-
14 tures on the real property, for which the loan is made. In conducting
15 an appraisal under this section, the appraiser shall give full value to
16 insulation and other features of construction in structures on the real
17 property which add to the energy efficiency of the structures.

18 * Sec. 24. AS 44.47.490 is amended to read:

19 Sec. 44.47.490. ASSISTANCE BY DIVISION PERSONNEL. (a) The
20 director may establish field offices under this chapter, may [SHALL]
21 hire [AT LEAST] one or more lending officers, [OFFICER] and may [SHALL]
22 contract for the services of

23 (1) real property appraisers who are familiar with rural
24 construction; and

25 (2) engineers who are familiar with engineering problems in
26 arctic and subarctic regions.

27 (b) The personnel described in (a) of this section shall make
28 regular visits to each of the regions established under AS 44.47.510(a)
29 to provide preconstruction and post-construction inspections of real

1 property for which loans are originated or purchased by the division in
2 whole or in part under AS 44.47.380 and to provide assistance to private
3 financial institutions and their borrowers in the regions. Authority
4 for final approval of loans may not be exercised by the personnel des-
5 cribed in this section.

6 * Sec. 25. AS 44.47.510(b) is amended to read:

7 (b) Unless otherwise required by an appropriation, the director
8 shall allocate the money in the nonconforming housing loan fund among
9 the regions established under (a) of this section for the purpose of
10 originating or purchasing each type of loan described in AS 44.47.380.
11 In making an allocation under this subsection, the director shall
12 consider the past and potential lending activity of private financial
13 institutions in the region as well as the need for loans in the region.
14 The director may reallocate the money among the regions as he considers
15 necessary.

16 * Sec. 26. AS 44.88.010 is amended to read:

17 Sec. 44.88.010. LEGISLATIVE FINDING AND POLICY. (a) The legis-
18 lature finds, determines and declares that

19 (1) there exist areas of the state in which seasonal and
20 nonseasonal unemployment exist;

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

24 (3) the state lacks the basic manufacturing, industrial, and
25 small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises
26 and other facilities referred to in (5) of this subsection [AS 44.88.-
27 010(a)(5)] necessary to permit adequate development of its natural
28 resources and the balanced growth of its economy;

29 (4) the establishment, and expansion of industrial, manufac-

1 turing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING]
2 enterprises in Alaska, including facilities for air and water transpor-
3 tation, facilities for pollution control and waste disposal, facilities
4 for the local furnishing of gas, facilities for water, and facilities
5 for industrial parks, is essential to the development of the natural
6 resources and the long-term economic growth of the state, and will di-
7 rectly and indirectly alleviate unemployment in the state;

8 (5) the achievement of the goal of full employment, and of
9 establishment and continuing operation and development of industrial,
10 manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL
11 FISHING] enterprises in the state, including facilities for air and
12 water transportation, facilities for pollution control and waste dis-
13 posal, facilities for the local furnishing of gas, facilities for
14 water, and facilities for industrial parks, will be accelerated and
15 facilitated by the creation of an instrumentality of the state with
16 powers to incur debt and to make and insure loans to finance, and to
17 assist private lenders to make loans to finance, the establishment,
18 operation, and development of industrial, manufacturing, and small
19 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises, includ-
20 ing facilities for air and water transportation, facilities for pollu-
21 tion control and waste disposal, facilities for the local furnishing of
22 gas, facilities for water, and facilities for industrial parks, for
23 private operation;

24 (6) it is in the public interest to promote the prosperity
25 and general welfare of all citizens of the state by stimulating commer-
26 cial and industrial growth and expansion by encouraging an increase of
27 private investment by banks, investment houses, insurance companies,
28 and other financial institutions, including pension and retirement
29 funds, to help satisfy the need for economic expansion;

1 (7) it is in the state's interest to import private capital
2 to create new economic activity which would not otherwise take place in
3 the state.

4 (b) It is declared to be the policy of the state, in the interests
5 of promoting the health, security and general welfare of all the people
6 of the state, and a public purpose, to increase job opportunities and
7 otherwise to encourage the economic growth of the state, including the
8 development of its natural resources, through the establishment of
9 manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND
10 COMMERCIAL FISHING] enterprises and the other facilities referred to in
11 (a)(5) of this section [AS 44.88.010(a)(5)] by creating the public
12 corporation with power, duties and functions as provided in this chapter.

13 * Sec. 27. AS 44.88.050(a) is amended to read:

14 (a) A majority of the members of the authority constitutes a
15 quorum for the transaction of business or the exercise of a power or
16 function at a meeting of the authority. In case of a tie vote on a
17 motion or resolution pending before the authority the motion or resolu-
18 tion shall be presented to the governor and if approved by him, is
19 considered adopted by the authority. The authority may meet and trans-
20 act business by electronic media if (1) public notice of the time and
21 locations where the meeting will be held by electronic media has been
22 given in the same manner as if the meeting were held in a single loca-
23 tion; (2) participants and members of the public in attendance can hear
24 and have the same right to participate in the meeting as if the meeting
25 were conducted in person; and (3) copies of pertinent reference mater-
26 ials, statutes, regulations, and audio-visual materials are reasonably
27 available to participants and to the public. A meeting by electronic
28 media as provided in this subsection has the same legal effect as a
29 meeting in person.

1 * Sec. 28. AS 44.88.070 is amended to read:

2 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the
3 authority is to promote, develop and advance the general prosperity and
4 economic welfare of the people of Alaska, to relieve problems of unem-
5 ployment, and to create additional employment by providing various
6 means of financing and means of facilitating the financing of indust-
7 rial, manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMER-
8 CIAL FISHING] enterprises and the other facilities referred to in
9 AS 44.88.010(a)(5) within the state.

10 * Sec. 29. AS 44.88.080(12) is amended to read:

11 (12) to purchase or insure loans to finance the costs of
12 manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND
13 COMMERCIAL FISHING] enterprise projects;

14 * Sec. 30. AS 44.88.080(18) is amended to read:

15 (18) to facilitate the expansion of a secondary market for
16 the resale of federally or commercially insured loans made to finance
17 the costs of projects held by federal and state chartered financial
18 institutions [COMMERCIAL BANKS] in Alaska.

19 * Sec. 31. AS 44.88 is amended by adding a new section to read:

20 Sec. 44.88.085. FEES CHARGED BY AUTHORITY. (a) An application
21 fee may not be charged for an application for authority participation
22 in a loan under AS 44.88.158.

23 (b) The commitment fee for a loan commitment by the authority may
24 not exceed two percent of the principal amount of the loan.

25 * Sec. 32. AS 44.88.090(g)(1) is repealed and reenacted to read:

26 (1) issue bonds, other than refunding bonds, in any 12-month
27 period beginning after June 30, 1982, in an amount that exceeds the
28 amount of bonds authorized to be issued during the preceding 12-month
29 period, unless a different amount is authorized by the legislature; or

1 * Sec. 33. AS 44.88.105 is amended by adding new subsections to read:

2 (f) The authority may establish a reserve fund, other than a
3 capital reserve fund, to secure its bonds. The authority may deposit
4 in a reserve fund established under this subsection the proceeds of
5 sale of its bonds and other money that may be made available from any
6 other source. A reserve fund established under this subsection must
7 comply with (a) - (c) of this section. The authority may allow a
8 reserve fund established under this subsection to be depleted without
9 complying with (d) of this section.

10 (g) The authority may not establish a capital reserve fund to
11 secure an issue of bonds if the proceeds of the bonds are used to
12 finance a project the cost of which exceeds \$10,000,000.

13 (h) The authority may not establish a capital reserve fund to
14 secure an issue of bonds in an amount in excess of \$1,000,000 unless at
15 least 20 percent of the principal amount of the loan for the project
16 that is financed from the proceeds of the bonds is retained by a federal
17 or state chartered financial institution.

18 * Sec. 34. AS 44.88.155(a) is amended to read:

19 (a) There is established in the authority the enterprise develop-
20 ment fund. The enterprise development fund is a trust fund for the
21 uses and purposes of this chapter. Money may be paid into and out of
22 the enterprise development fund only as provided in this chapter. The
23 enterprise development fund may be composed of money or assets appro-
24 priated or transferred to the authority, interest on investments and
25 loans of the enterprise development fund, and other money deposited in
26 it by the authority. The authority may use the assets of the enter-
27 prise development fund to purchase loans made by others for projects,
28 as defined in AS 44.88.220, that have been or that the authority anti-
29 cipates will be financed with the proceeds of bonds.

1 * Sec. 35. AS 44.88.155(b) is amended to read:

2 (b) The authority shall establish within the enterprise develop-
3 ment fund a loan insurance account, a small enterprise [BUSINESS,
4 TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account, and
5 other accounts it considers appropriate. Amounts in the enterprise
6 development fund including, without limitation, repayments of loan
7 principal and interest, may be pledged to the payment of bonds of the
8 authority and shall be held and invested by the authority in investments
9 authorized under AS 37.10.070(a) or as may be authorized in agreements
10 with bondholders respecting amounts in the loan insurance account, the
11 small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING
12 ENTERPRISES] loan account, and other accounts within the enterprise
13 development fund.

14 * Sec. 36. AS 44.88.155 is amended by adding new subsections to read:

15 (d) A loan purchased with money in the enterprise development
16 fund

17 (1) may not exceed \$7,500,000

18 (2) may not exceed 75 percent of the cost of the project or
19 75 percent of the appraised value of the project, whichever is less,
20 unless the amount of the loan in excess of those limits is federally
21 insured or guaranteed or is insured by a qualified mortgage insurance
22 company;

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

26 (4) shall contain complete amortization provisions satisfac-
27 tory to the authority requiring periodic payments by the borrower;

28 (5) shall be in the form and contain the terms and provi-
29 sions with respect to insurance, repairs, alterations, payment of taxes

1 and assessments, default reserves, delinquency charges, default reme-
2 dies, acceleration of maturity, secondary liens and other matters the
3 authority prescribes;

4 (6) shall be secured as to repayment by a mortgage or other
5 security instrument in the manner the authority determines is feasible
6 to assure timely repayment under a loan agreement entered into with the
7 borrower;

8 (7) may not be made unless at least 10 percent of the
9 principal amount of the loan is retained by the originator of the
10 loan.

11 (e) The authority shall establish income eligibility limits for
12 applicants for loans purchased under this section for projects costing
13 less than \$10,000,000. The limits shall be consistent with income and
14 experience levels required to insure the viability of the project.

15 (f) The interest rate on a loan purchased with money in the
16 enterprise development fund may not exceed the true interest cost
17 expressed as a rate, plus an additional percentage to represent the
18 expenses of operation, costs of issuance, and mortgage servicing costs
19 that the authority estimates would be payable on bonds issued by the
20 authority to provide money to make the loan.

21 * Sec. 37. AS 44.88.157 is amended by adding new subsections to read:

22 (j) Notwithstanding (a) - (i) of this section, the authority may
23 establish additional loan insurance accounts outside the enterprise
24 development fund to secure special obligation bonds, and pay into the
25 loan insurance account money made available from an appropriation or
26 from any other source. A loan insurance account established under this
27 subsection is not subject to the requirements of (d) and (g) of this
28 section.

29 (k) A loan may not be insured from a loan insurance account

1 within the enterprise development fund if the loan is for a project the
2 cost of which exceeds \$10,000,000.

3 (1) A loan in excess of \$1,000,000 may not be insured from a loan
4 insurance account within the enterprise development fund unless at
5 least 20 percent of the principal amount of the loan is retained by a
6 federal or state chartered financial institution.

7 * Sec. 38. AS 44.88.158(a) is repealed and reenacted to read:

8 Sec. 44.88.158. SMALL ENTERPRISE LOAN ACCOUNT. (a) The authority
9 may use the assets of the small enterprise loan account to purchase

10 (1) loans made to a project applicant for a multi-family
11 dwelling enterprise;

12 (2) the guaranteed portion of a loan made by a private state
13 or federal chartered financial institution to a small enterprise to pay
14 the cost of a project, as defined in AS 44.88.220, if the loan is
15 guaranteed by the United States or an agency or instrumentality of the
16 United States, including, but not limited to, the federal Small Business
17 Administration, the National Marine Fisheries Service, and the Farmers
18 Home Administration; and

19 (3) other loans made to small enterprises to pay the costs
20 of projects, as defined in AS 44.88.220.

21 * Sec. 39. AS 44.88.158(b) is repealed and reenacted to read:

22 (b) The interest rate on a loan purchased with money in the small
23 enterprise loan account shall equal the true interest cost, expressed
24 as a rate, plus an additional percentage to represent the expenses of
25 operation, costs of issuance, and mortgage servicing costs that the
26 authority estimates would be payable on tax-exempt bonds, except that
27 the interest rate on a loan purchased for a multi-family dwelling
28 enterprise shall be one percent more than the interest rate, as deter-
29 mined under AS 18.56.098(d)(1) - (3), on a mortgage loan purchased

1 under AS 18.56.098(d) from the proceeds of the most recent issue of
2 taxable bonds before the loan purchased for a multi-family dwelling
3 enterprise.

4 * Sec. 40. AS 44.88.158(c) is repealed and reenacted to read:

5 (c) A loan purchased with money in the small enterprise loan
6 account

7 (1) may not exceed

8 (A) \$3,000,000 or \$50,000 for each dwelling unit,
9 whichever is less, if the loan is made for a multi-family dwelling
10 enterprise;

11 (B) \$500,000 if the loan is purchased under AS 44.88.-
12 158(a)(2); or

13 (C) \$7,500,000 if the loan is made to a small enterprise
14 that is not a multi-family dwelling enterprise;

15 (2) may not exceed 75 percent of the cost of the project or
16 75 percent of the appraised value of the project, whichever is less,
17 unless the amount of the loan in excess of those limits is federally
18 insured or guaranteed or is insured by a qualified mortgage insurance
19 company;

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

23 (4) shall contain complete amortization provisions satisfac-
24 tory to the authority requiring periodic payments by the borrower;

25 (5) shall be in the form and contain the terms and provi-
26 sions with respect to insurance, repairs, alterations, payment of taxes
27 and assessments, default reserves, delinquency charges, default reme-
28 dies, acceleration of maturity, secondary liens and other matters the
29 authority prescribes;

1 (6) shall be secured as to repayment by a mortgage or other
2 security instrument in the manner the authority determines is feasible
3 to assure timely repayment under a loan agreement entered into with the
4 borrower; and

5 (7) may not be made unless at least 10 percent of the prin-
6 cipal amount of the loan is retained by the originator of the loan.

7 * Sec. 41. AS 44.88.158(d) is amended to read:

8 (d) The authority may adopt regulations for the administration of
9 the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING
10 ENTERPRISES] loan account which may include, without limitation, provi-
11 sions for fees and agreements relating to application, loan commitment,
12 servicing, and origination of loans by other lenders.

13 * Sec. 42 AS 44.88.158(e) is amended to read:

14 (e) The authority may enter into agreements as to the use of the
15 money in the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL
16 FISHING ENTERPRISES] loan account, including without limitation, trust
17 or custody arrangements with banks or trust companies. It may also
18 pledge, assign, or grant the agreement, interests under an agreement,
19 or interests in the small enterprise [BUSINESS, TOURISM, MINING, AND
20 COMMERCIAL FISHING ENTERPRISES] loan account as may be necessary or
21 appropriate to provide for payment and security for bonds of the author-
22 ity.

23 * Sec. 43. AS 44.88.158 is amended by adding a new subsection to read:

24 (g) The authority shall adopt regulations to establish priorities
25 for the purchase of loans for multi-family dwelling enterprises which
26 take into account the need for multi-family housing in the state as
27 reflected by vacancy rates in multi-family housing in different areas
28 of the state.

29 * Sec. 44. AS 44.88.220(2) is amended to read:

1 (2) "business enterprise" means a single proprietorship,
2 corporation, firm, partnership, or other association of persons organ-
3 ized in any manner, for any business purpose, other than [WHICH IS NOT
4 ORGANIZED] on a nonprofit basis;

5 * Sec. 45. AS 44.88.220(5) is amended to read:

6 (5) "project" means [INCLUDES]

7 (A) a plant or facility used or intended for use in
8 connection with making, processing, preparing, or producing in any
9 manner, goods, products or substances of any kind or nature or in
10 connection with developing or utilizing a natural resource, or
11 extracting, smelting, transporting, converting, assembling or
12 producing in any manner, minerals, raw materials, chemicals,
13 compounds, alloys, fibers, commodities and materials, products or
14 substances of any kind or nature, any plant or facility used or
15 intended for use as an industrial park or in connection with air
16 and water transportation, or any plant or facility for the preven-
17 tion, limitation or control of air or water pollution, for the
18 disposal of sewage or solid waste, for the local furnishing of
19 gas, or for the furnishing of water;

20 (B) a small [BUSINESS] enterprise [, TOURISM ENTERPRISE,
21 MINING ENTERPRISE, AND COMMERCIAL FISHING ENTERPRISE AS DEFINED IN
22 (12), (13), (14), AND (15) OF THIS SECTION]; or

23 (C) a multi-family dwelling enterprise;

24 * Sec. 46. AS 44.88.220(6) is amended to read:

25 (6) "plant" or "facility" means real property, whether above
26 or below mean high water, or an interest in it, and the buildings,
27 improvements and structures constructed or to be constructed on or in
28 it, and may include fixtures, machinery, and equipment on it or in it,
29 and tangible personal property, regardless of whether the tangible

1 personal property is attached to or connected with real property, if
2 the owner has agreed not to remove the tangible personal property
3 permanently from the state for the period the authority sets; ["PLANT"
4 OR "FACILITY" DOES NOT INCLUDE WORK IN PROCESS OR STOCK IN TRADE,]

5 * Sec. 47. AS 44.88.220(8) is amended to read:

6 (8) "project cost" or "cost of a project"

7 (A) means all or any part of the aggregate costs deter-
8 mined by the authority to be necessary to finance the construc-
9 tion, expansion, or acquisition of a project, including without
10 limitation the cost of acquiring real or tangible personal prop-
11 erty, and, in connection with real property, the cost of con-
12 structing buildings and improvements, the cost of constructing
13 means of access to and from the project, the cost of constructing
14 extensions of utility systems to the site of the project; the cost
15 of a project includes, without limitation, the cost of financing
16 the project, interest charges before, during or after construction,
17 expansion, or acquisition of the project, costs related to the
18 determination of the feasibility, planning, design or engineering
19 of the project and, to the extent determined necessary by the
20 authority, administrative expenses, the cost of machinery or
21 equipment to be used in the operation of the project and expenses
22 of installation, replacement or rehabilitation, and all other
23 costs, charges, fees and expenses which may be determined by the
24 authority to be necessary to finance the construction, expansion,
25 or acquisition;

26 (B) includes work in progress, stock in trade, accounts
27 receivable, or the refinancing of the existing indebtedness of a
28 project applicant, financed or refinanced through a loan purchased
29 under AS 44.88.158(a)(2);

1 * Sec. 48. AS 44.88.220(12) is repealed and reenacted to read:

2 (12) "small enterprise" means

3 (A) a business enterprise that is a project applicant
4 with gross income of \$10,000,000 or less for its last annual
5 reporting period before the application to the authority for a
6 loan; or

7 (B) a utility that

8 (i) provides telecommunication services;

9 (ii) is not eligible for financing from the Alaska
10 Power Authority;

11 (iii) qualifies for a loan under the Rural Electri-
12 fication Act (7 U.S.C. sec. 901, et seq.); and

13 (iv) has gross revenues of \$20,000,000 or less
14 during its last annual reporting period before it applies to
15 the authority for a loan;

16 * Sec. 49. AS 44.88.220 is amended by adding a new paragraph to read:

17 (16) "multi-family dwelling enterprise" is a rental or
18 cooperative dwelling of three or more units.

19 * Sec. 50. The Alaska Housing Finance Corporation may issue bonds in the
20 principal amount of \$592,000,000 during the fiscal year ending June 30,
21 1982.

22 * Sec. 51. Subject to the limitation of AS 44.88.090(g), the Alaska
23 Industrial Development Authority may issue bonds in the principal amount of
24 \$400,000,000 during the fiscal year ending June 30, 1982.

25 * Sec. 52. The following laws are repealed: AS 18.56.098(f)(3) and
26 AS 44.88.220(13), (14), and (15).

27 * Sec. 53. This Act takes effect immediately in accordance with AS 01.-
28 10.070(c).

29

Original sponsor: Mulcahy

Offered: 3/5/81
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 148 (Finance) am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TWELFTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to housing loans; and providing for
7 an effective date."

7

8

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

9

* Section 1. AS 44.47.370 is amended by adding a new paragraph to read:

10

(8) originate and service direct loans made for construc-

11

tion, purchase, renovation, or improvements and building materials, for

12

nonconforming housing made to qualified buyers in accordance with

13

AS 44.47.360 - 44.47.560.

14

* Sec. 2. AS 44.47.380 is amended to read:

15

Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is

16

created in the Department of Community and Regional Affairs the non-

17

conforming housing loan fund consisting of money appropriated to it by

18

the legislature. The director shall administer the nonconforming

19

housing loan fund in accordance with AS 44.47.360 - 44.47.560 and shall

20

use the money in the nonconforming housing loan fund to originate,

21

purchase, or participate in the purchase of

22

(1) nonconforming housing mortgage loans;

23

(2) loans made for building materials for nonconforming

24

housing;

25

(3) loans made for renovations or improvements to noncon-

26

forming housing;

27

(4) loans for construction of nonconforming housing.

28

* Sec. 3. AS 44.47 is amended by adding a new section to read:

29

Sec. 44.47.385. ELIGIBLE LOCATIONS. (a) The director may make

1 loans from the nonconforming housing loan fund only for nonconforming
2 housing loans to qualified buyers for nonconforming housing located in

3 (1) the unorganized borough, including cities and villages
4 of the unorganized borough; and

5 (2) an organized borough or unified municipality; however,
6 a nonconforming housing loan made under this paragraph may not be made
7 within a city of an organized borough or service area of a unified
8 municipality if the population of that city or service area exceeds
9 3,500.

10 (b) For purposes of (a) of this section, population shall be de-
11 termined with reference to the 1980 preliminary census report as pub-
12 lished in "Alaska 1980 Population" and released January 1, 1981 by the
13 Department of Labor.

14 * Sec. 4. AS 44.47.390 is amended to read:

15 Sec. 44.47.390. LIMITATIONS ON USE OF NONCONFORMING HOUSING LOAN
16 FUND. The director may not use the money in the nonconforming housing
17 loan fund to

18 (1) originate direct loans or purchase or participate in the
19 purchase of a nonconforming housing mortgage loan which exceeds the
20 limitations on mortgage loans purchased by the Federal National Mortgage
21 Association as to principal amount;

22 (2) originate direct loans or purchase or participate in the
23 purchase of a loan made for building materials for nonconforming housing

24 (A) which exceeds \$45,000 or exceeds

25 (i) 80 percent of the appraised value of the work
26 completed on the nonconforming housing for which the loan is made
27 if the nonconforming housing is pledged as collateral for the
28 loan; or

29 (ii) 80 percent of the value of other property

1 which is pledged as security for the loan and which is satis-
2 factory to the director as collateral;

3 (B) unless the terms of the loan agreement require
4 inspections and certifications, as required by regulations of the
5 director, at the expense of the borrower; and

6 (C) unless the period of time allowed for repayment of
7 the loan is equal to or less than 15 years [THE LESSER OF

8 (i) THREE YEARS; OR

9 (ii) THE MAXIMUM PERIOD OF TIME ESTABLISHED BY
10 REGULATION BY THE DIRECTOR BASED ON THE PREVAILING PRACTICE AMONG
11 PRIVATE FINANCIAL INSTITUTIONS IN THE GENERAL AREA IN WHICH THE
12 LOAN IS MADE FOR LOANS FOR THE PURCHASE OF BUILDING MATERIALS];

13 (3) originate direct loans or purchase or participate in the
14 purchase of a nonconforming housing mortgage loan which is secured by
15 real property the marketable title to which is shown in accordance with
16 AS 44.47.420(b)(2) if the total amount of outstanding nonconforming
17 housing mortgage loans held by the division exceeds 10 times the amount
18 of money in the restricted title loss reserve account (AS 44.47.430) [;

19 (4) PURCHASE OR PARTICIPATE IN THE PURCHASE OF CONSTRUCTION
20 LOANS].

21 * Sec. 5. AS 44.47 is amended by adding a new section to read:

22 Sec. 44.47.395. OPERATING LOSS RESERVE ACCOUNT. (a) There is
23 established an operating loss reserve account for the purpose of meet-
24 ing legal expenses incurred through the foreclosure of properties
25 acquired by the director under AS 44.47.370(6) and making repairs to
26 these properties so that they may be sold to new buyers.

27 (b) The operating reserve loss account consists of money appro-
28 priated by the legislature. To the extent that money is paid out of
29 the operating loss reserve account for the purposes stated in this

1 section, this money shall be replaced with money received as interest
2 on loans authorized by this chapter.

3 * Sec. 6. AS 44.47.400 is amended to read:

4 Sec. 44.47.400. SECURITY FOR LOANS. (a) The director shall
5 adopt regulations in accordance with the Administrative Procedure Act
6 (AS 44.62) establishing acceptable security for loans originated or
7 purchased in whole or in part under AS 44.47.380.

8 (b) A person may pledge as security for the repayment of a loan
9 originated or purchased in whole or in part under AS 44.47.380 a pre-
10 ference right he holds to receive title to land he occupies as a pri-
11 mary place of residence, primary place of business, subsistence
12 campsite, or as headquarters for reindeer husbandry. The preference
13 right must be conveyed to the person by the Native corporation to which
14 the land was granted under section 14 of the Alaska Native Claims
15 Settlement Act (85 Stat. 688, 43 U.S.C. secs. 1601 1626, as amended
16 by P.L. 94-204) before it may be pledged as security under this sub-
17 section. The commissioner of community and regional affairs shall
18 prescribe procedures and standard forms for establishing, pledging, and
19 appraising the value of a preference right held by a person to secure
20 the repayment of a loan originated or purchased in whole or in part
21 under AS 44.47.380.

22 * Sec. 7. AS 44.47.410 is amended to read:

23 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-
24 gage loan originated or purchased in whole or in part under AS 44.-
25 47.380 may not exceed

26 (1) nine percent for a mortgage loan made to a person who is
27 an eligible veteran under AS 18.56.101;

28 (2) ten percent for a mortgage loan made to a person other
29 than a person described in (1) of this subsection.

1 * Sec. 8. AS 44.47.420(a) is amended to read:

2 Sec. 44.47.420. TITLE. (a) Before the director originates or
3 purchases a nonconforming housing mortgage loan in whole or in part,
4 the director may require a borrower to show marketable title to real
5 property offered as security for the loan to be purchased.

6 * Sec. 9. AS 44.47.430(b) is amended to read:

7 (b) The director may withdraw money from the restricted title
8 loss reserve account in an amount equal to the loss to the division on
9 a nonconforming housing mortgage loan originated or purchased in whole
10 or in part by the division if marketable title to the real property
11 used to secure the loan was shown in accordance with AS 44.47.420(b)-
12 (2). Money withdrawn from the restricted title loss reserve account
13 under this section shall be deposited in the nonconforming housing loan
14 fund.

15 * Sec. 10. AS 44.47.460 is amended to read:

16 Sec. 44.47.460. LOAN SERVICING. (a) Before purchasing or par-
17 ticipating in the purchase of a loan, the director shall enter into a
18 loan servicing agreement with the private financial institution from
19 which the loan is to be purchased.

20 (b) The director may execute service agreements with private
21 lending institutions to service loans originated by the division.

22 (c) Under the servicing agreement, the private financial insti-
23 tution shall administer the loan and may charge the division a negoti-
24 ated fee on the division's share of the loan. When appropriate, the
25 [THE] private financial institution may also charge the borrower a
26 reasonable originator fee not to exceed one percent.

27 * Sec. 11. AS 44.47.470 is amended to read:

28 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or
29 participating in the purchase of a nonconforming housing mortgage loan,

1 the director may have or may require the borrower to have an appraisal
2 made of the fair market value of the real property, including struc-
3 tures on the real property, for which the loan is made. In conducting
4 an appraisal under this section, the appraiser shall give full value to
5 insulation and other features of construction in structures on the real
6 property which add to the energy efficiency of the structures.

7 * Sec. 12. AS 44.47.490 is amended to read:

8 Sec. 44.47.490. ASSISTANCE BY DIVISION PERSONNEL. (a) The
9 director shall create field offices which have the authority of final
10 approval of loans under this chapter, hire at least one lending offi-
11 cer, and may [SHALL] contract for the services of

12 (1) real property appraisers who are familiar with rural
13 construction; and

14 (2) engineers who are familiar with engineering problems in
15 arctic and subarctic regions.

16 (b) The personnel described in (a) of this section shall make
17 regular visits to each of the regions established under AS 44.47.510(a)
18 to provide preconstruction and post-construction inspections of real
19 property for which loans are originated or purchased by the division in
20 whole or in part under AS 44.47.380 and to provide assistance to pri-
21 vate financial institutions and their borrowers in the regions.

22 * Sec. 13. AS 44.47.510(b) is amended to read:

23 (b) Unless otherwise required by an appropriation, the director
24 shall allocate the money in the nonconforming housing loan fund among
25 the regions established under (a) of this section for the purpose of
26 originating or purchasing each type of loan described in AS 44.47.380.
27 In making an allocation under this subsection, the director shall
28 consider the past and potential lending activity of private financial
29 institutions in the region as well as the need for loans in the region.

1 . The director may reallocate the money among the regions as he considers
2 necessary.

3 * Sec. 14. This Act takes effect immediately in accordance with AS 01.-
4 10.070(c).

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Alaska State Legislature

Senate

Official Business

18 February 1981

Pouch V
State Capitol
Juneau, Alaska 99811

To: Senate Finance Committee Members

From: Senator Ferguson *JS*

ANALYSIS
COMMITTEE SUBSTITUTE FOR
SENATE BILL 148

Section 1. Page 1, lines 9 thru 13 AS 44.47.370 is amended by adding a new paragraph to allow the Division of Housing Assistance, Department of Community & Regional Affairs, to originate and services made under the nonconforming housing loan program.

Section 2. Page 1, lines 14 thru 27 AS 44.47.380 is amended to allow the Division of Housing Assistance to make loans for construction. Also, the section includes the language to allow loan origination by the Division.

Section 3. Page 1, lines 28 & 29; Page 2, lines 1 thru 29; Page 3, lines 1 thru 5 AS 44.47.390 is amended to allow for building materials loans to be made not to exceed \$45,000 and 15 year term. Loan origination language is included in the section. Also, the three year limit and maximum loan term established by regulation is deleted and replaced by statute with a longer term and loan amount ceiling. Construction loans are deleted.

Section 4. Page 3, lines 6 thru 16 AS 44.47 is amended by adding a new section that set up an operating loss reserve account to pay expenses incurred by the Division of Housing Assistance through foreclosure of properties that need repairs for resale and to meet any legal expences. The section also allows for the Legislature to appropriate funds to the account and allow for repayment to the fund with money received from interest payments until the amount expended from the account is replenished.

Section 5. Page 3, lines 17 thru 29; Page 4, lines 1 thru 6 AS 44.47.400 is amended to include language that allows the Division of Housing Assistance to originate loans. This language keeps the section consistent with the earlier intent to allow loan origination by the Division of Housing Assistance.

SENATE BILL 148 ANALYSIS

Page 2 of 2

Section 6. Page 4, lines 7 thru 14 AS 44.47.410 is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 7. Page 4, lines 15 thru 19 AS 44.47.420(a) is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 8. Page 4, lines 20 thru 28 AS 44.47.420 is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 9. Page 4, line 29; Page 5, lines 1 thru 11 AS 44.47.460 is amended to allow the director of the Division of Housing Assistance to execute service agreements with private lending institutions to service loans that the division has made. Also, language further clarifies that a private financial institution may, when appropriate, charge an originator fee on those loans which are not originated by the Division of Housing Assistance.

Section 10. Page 5, lines 12 thru 20 AS 44.47.470 is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 11. Page 5, lines 21 thru 29; Page 6, lines 1 thru 6 AS 44.47.490 is amended to allow the Division of Housing Assistance field offices to have final authority on approval of loans. Also, changes shall to may in requiring the director to contract for appraisers and engineers. The division personnel, in some cases, have this expertise.

Section 12. Page 6, lines 7 thru 16 AS 44.47.510(b) is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 13. Page 6, lines 17 & 18 AS 01.10.070(c) allows for an immediate effective date.



ALASKA ASSOCIATION OF REALTORS[®]

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A PROPOSAL FOR MEETING ALASKA'S HOUSING NEEDS

Alaska Association of Realtors
1818 W. Northern Lights Boulevard
Anchorage, Alaska

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A PROPOSAL FOR MEETING ALASKA'S HOUSING NEEDS

The Alaska Housing Finance Corporation has assisted rural and urban Alaskans since 1971, by providing funds through the sale of tax-exempt bonds, for the acquisition of housing for Alaskans and their families. The very existence of that corporation and its financing programs is now threatened through the enactment of the "Ullman Bill" - Federal legislation that was passed last year. This new law sharply restricts the availability of tax-exempt bonds for housing, and thus, nearly eliminates the primary funding source of the Alaska Housing Finance Corporation.

This extreme change in the availability of funding, coupled with a projected severe shortage of housing in Alaska in the next few years, brings to light the grave necessity of legislative action in the early months of 1981, to add permanent strength and stability to the Alaska Housing Finance Corporation and to create new sources of funding.

Although the rural areas of Alaska have always had a shortage of decent, affordable housing, most of the urban areas of Alaska, except for Southeastern, have had an adequate supply in recent years. However, housing experts throughout the State are now reporting that housing inventories are rapidly diminishing and predict a housing shortage unless there is a substantial construction program this summer.

Housing experts report the greatest shortages of available homes for sale are in Southeastern Alaska, Kenai Peninsula, Matanuska-Susitna Borough, and Fairbanks. Although the Municipality of Anchorage has the largest supply of housing available, both for sale and rental, this supply is rapidly diminishing.

There are a number of sources confirming the approaching housing shortage in the Municipality of Anchorage. The supply of available "for sale" housing, as indicated by the Anchorage Multiple Listing System, is shown in Table 1 attached hereto. Based on the rate of sales since January 1, 1981, this would indicate that there is only an eight week inventory of unsold housing remaining in the Municipality of Anchorage. Table 2 indicates vacancy rates in rental housing. As can be seen from this table, high vacancy rates which were experienced last year are now rapidly decreasing to a normal 5% to 7% rate. In fact, this table indicates that medium and higher priced units are now experiencing typical vacancy rates. The vacancy factor for lower priced housing includes many older, substandard units which are barely habitable and, therefore, represent vacancy rates for substandard housing rather than housing generally classified as "safe, sanitary, and decent".

In summary, it is the opinion of the Alaska Association of Realtors that unless there is a substantial program to provide funding for homes and apartments during the summer of 1981, all areas of Alaska

will face a severe housing shortage before the end of 1981. Because of the lead time required to construct new housing, it is imperative that any program which will have an impact on the supply of housing in 1981 be enacted and available to disburse funds not later than May 1, 1981.

The purpose of this paper is to explain the need for funding to provide housing for rural and urban Alaskans and some suggestions for possible long-term solutions to the housing problems of Alaska.

HOUSING COSTS

In addition to the problem of a shortage of actual housing units, there is a potential lack of affordable housing due to the current aberration in the financial markets. At the current moment, due to the action of the 1980 Legislature, this is not a problem in Alaska but will be unless the Legislature takes appropriate action.

Ironically, the State's well-being has been responsible for the high cost of housing in many parts of the State. Due to rising petroleum prices, the cost of heating oil has increased by over 300% in recent years. In some rural areas, the cost of heating oil now exceeds \$2.00 per gallon!! One way of offsetting increased housing costs created by the State's financial success is to loan some of this money back to citizens at reasonable rates.

For the last several years, renters in most urban areas of Alaska have been blessed with extremely affordable rental housing due to the oversupply which has kept rents stable during one of the highest periods of inflation ever experienced in the United States. During the period of September 1978 to September 1980, the Consumer Price Index for Anchorage increased from 192.8 to 230.9, an increase of 19.76% in the cost of living. During the same period of time, the residential rental index declined from 159.9 to 157.7 for a decrease of 1.4% in rental costs.^{1/} During the same period of time, the cost of new construction has risen by approximately 20% and interest rates for financing new construction have increased by over 40%. Alaskan appraisers report that current rent levels will have to increase by at least 50% before the construction of new rental housing at the current cost and interest rates is feasible.

The effect of high interest rates on purchasers of new homes can be best demonstrated by comparing the cost of owning a \$90,000 home with an \$85,000 mortgage, under the current Alaska Housing Finance Corporation rate of 10% as opposed to a rate of 15% currently being charged in other States.

^{1/} Anchorage Consumer Price Index for September 1978 and September 1980. Published by the Bureau of Labor Statistics of the U.S. Department of Labor.

10% - The required monthly payments on a 30-year, \$85,000 mortgage at 10%, is \$745.94/month. Allowing an additional \$100/month for real estate taxes and insurance, this means, with current underwriting standards, a family would have to have an annual income of \$40,605 to afford the typical \$90,000 home.

15% - Using the same assumptions at 15%, the required monthly payment rises to \$1,074.78/month and the required annual income to qualify for the loan increases to \$56,389.

Based on the foregoing, it is safe to predict that unless the Legislature of the State of Alaska provides for continuation and expansion of existing housing loan programs, there will be a shortage of available housing throughout the State and everyone except those fortunate enough to already own their own home, will experience a sharp increase in the cost of renting or buying housing. Because of this sharp increase in cost, many people will be forced to reside in inadequate, overcrowded, or substandard housing.

SUMMARY OF EXISTING PROGRAMS

Since the primary purpose of this paper is to focus on actions which can be taken by the Legislature of the State of Alaska, no effort will be made to examine Federal housing programs except to say that their impact is limited only to a small percentage of persons in the very lowest income brackets.

During its 1980 session, the Alaska Legislature's passage of SB-1 established several housing loan programs administered through the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs. At the time of passage, they appeared to provide acceptable solutions to the majority of Alaska's housing needs. A summary of these programs are as follows.

Special Mortgage Loan Purchase Program: Under this program, loans are provided through the Alaska Housing Finance Corporation to all credit worthy Alaskans for the purchase of single-family and owner-occupied duplexes, to a maximum loan amount of \$147,750 for single-family homes and \$189,000 for duplexes. Under this program, loans may be made equal to 95% of the appraised value of single-family homes and 90% for duplexes. The program provides that the interest rate on the first \$90,000 of such loans will not exceed 10% annual interest for non-veterans or 9% for qualifying veterans. Interest rates on the portion in excess of \$90,000 may exceed 10% if AHFC's cost of acquiring money is higher.

Graduated Payment Mortgages: To assist families who are likely to experience rising incomes to acquire homes sooner, the program also allows for graduated payment mortgages where the amount of payments are lower in the early years and are increased in later years.

Homeowners Assistance Program: In an effort to expand home ownership opportunities to lower income persons, the program provides a subsidy for certain lower income persons so that the interest cost of their loans can be as low as 6% and so that the required payments do not exceed 25% of their income.

Non-Conforming Housing Loans: Because the "bond market" has traditionally required that bond funds may be only used to make loans on "standard homes" (usually defined to mean the type of housing that non-Alaskan investors are familiar with), there has never been an adequate supply of money for many of Alaska's rural communities. As a result, SB-1 established a special non-conforming housing program within the Department of Community and Regional Affairs to provide loans for rural housing which does not meet the so called "standard housing" criteria.

Mobile Homes: For the first time, the State has implemented a program whereby long-term money is available for purchase of mobile homes at reasonable rates.

PROBLEMS WITH EXISTING PROGRAMS

Although the above-mentioned programs did provide a solution to a large percentage of Alaska's housing need, they did not address the needs for rental housing or higher priced homes. Due to administrative regulations, they have not been significantly effective in providing ownership of duplexes. Unfortunately, the program was primarily dependent upon the sale of tax-exempt bonds, which can be sold at rates substantially less than rates for taxable bonds, to meet the funding needs of the program. During the "lame duck session" of the 1980 Congress, the so called "Ullman Bill" was passed, which sharply restricts the availability of tax-exempt bonds to meet housing needs. The bill does provide for a transitional period in which a small percentage of the non-veteran housing needs may be met through sale of tax-exempt bonds. If the tax-exempt bonds are general obligation bonds, they may be used to make loans to qualifying veterans. The enactment of the "Ullman Bill" means that the cost of providing housing loans for most Alaskans will be sharply increased. According to a February 18, 1981 memorandum from Milt Barker, Legislative Fiscal Analyst, options that are being considered for meeting the needs of loans not qualifying for tax-exempt bonds are the sale of taxable revenue bonds and pass through mortgage certificates.^{2/}

^{2/} Memorandum dated February 18, 1981 from Milt Barker, Fiscal Analyst to Honorable Arliss Sturgulewski, Chairwoman, Budget and Audit Committee, on the subject, "AHFC and the Ullman Bill".

While, of course, it would be possible to raise money through either of these two mechanisms, both will result in a substantial increase in cost. To continue the existing programs, it is estimated that the cost of selling taxable bonds at 15% would be \$236 million for \$700 million in loans to 7,000 families. Although the Barker memo indicates that Merrill Lynch has estimated a reduced cost of 13.1% for pass through certificates, that cost still amounts to \$139,000,000.^{2/}

Using the worst case estimate (15% taxable bonds), the average cost to maintain the current 9% and 10% interest rates would be \$33,714 per loan ($\$236,000,000 \div 7,000$). Since the 15% taxable bond rate is based on a 30-year period and considering the average loan is refinanced every seven years, the total number of families benefiting from the program over the 30-year bond period would be approximately 28,000 and the cost of the interest differential per family would be \$8,428 ($\$33,714 \div 4$). According to the Barker memo, the 1970 census indicates an average household size of 3.52 persons. Using this figure and assuming an average loan of 7½ years (90 months) per family, the cost of the interest differential is \$26.60/month/person benefitted ($\$8,428 \div 3.52 = \$2,394$; $\$2,394 \div 90 \text{ months} = \$26.60/\text{month}$).

Although the cost of \$26.60/month/person benefitted is based on the worst case estimate and even though that figure seems a bargain for the benefits provided, some persons would prefer to use Alaska's vast oil wealth for other purposes. Rather than chance creating a severe housing shortage through losing an argument as to whether or not the State of Alaska can afford \$20+ per month per citizen to provide an adequate supply of decent affordable housing, the Alaska Association of Realtors is making recommendations to reduce the cost of loan programs and to broaden the eligibility of those who may benefit.

POSSIBLE SOURCES OF MONEY

While the sale of taxable bonds is one source of obtaining the necessary money to fund a viable loan program, it is also the most expensive method. The Alaska Association of Realtors, therefore, would like to propose consideration of a combination of the following alternate sources of financing as a method to reduce the cost of the interest differential.

^{2/} Memorandum dated February 18, 1981 from Milt Barker, Fiscal Analyst to Honorable Arliss Sturgulewski, Chairwoman, Budget and Audit Committee, on the subject, "AHFC and the Ullman Bill".

1. Sale of Tax-Exempt Bonds: Although the Ullman Bill does sharply restrict the use of tax-exempt bonds, it does allow each State to sell tax-exempt bonds to a maximum of \$200 million per year or 9% of the average annual mortgages for the past three years. In the case of the State of Alaska, this means \$200 million per year could be funded through the sale of tax-exempt bonds. However, legislation further provides that only 50% of this amount can be utilized by the State Housing Finance Agency. Since the Alaska Housing Finance Corporation estimates a need of \$700 million for next year, \$100 million of this amount could be raised from the sale of tax-exempt bonds with the remaining \$600 million from other sources.

2. Pass Through Mortgage Certificates: Pass Through Mortgage Certificates are securities participating in a pool of specific mortgages whereby the actual payments to interest and principal pass through on a pro rata basis to the holder of the certificate. Because residential mortgages are traditionally paid off well before their maturity (average of 7 years), such certificates represent a shorter term investment than 30-year mortgage bonds. As a result, the required interest rate on such certificates is usually less than long-term bonds. According to the Barker memo, Merrill Lynch indicates that such certificates could be sold on the market for 13.1% as opposed to 15% for mortgage bonds.

3. General Obligation Bonds for Veterans: The Ullman Bill specifically allows the sale of tax-exempt general obligation bonds to fund veteran loan programs similar to those now in effect in California and Oregon. The staff of the Alaska Housing Finance Corporation has already explored this possibility and estimates that 30% to 40% of the total financing market is represented by veterans. Assuming the lower figure means that \$210 million of the total \$700 million need could be met through inexpensive tax-exempt bonds. Unfortunately, the issue has not been completely clarified as to whether or not Alaska can sell such bonds without a Constitutional Amendment. If the Attorney General rules that they can be sold, then immediate steps should be taken to implement such a bond sale. If a Constitutional Amendment is required, it will not be possible to implement such a program during 1981. Nevertheless, even though there might be a delay in implementing such a program, it will be a solution to future needs and should be pursued as quickly as possible.

4. Sale of Tax-Exempt Bonds for Rental Housing: Since the total thrust of the Ullman Bill was to limit the sale of tax-exempt bonds to make loans for the purchase of housing, it did not in any way limit the authority of the Alaska Housing Finance Corporation to sell tax-exempt bonds for low and moderate income rental housing. Since Alaska will soon experience a shortage of rental housing as well as owner-occupied housing, immediate steps should be taken to implement a sale of tax-exempt bonds to provide loans for construction of low and moderate income rental housing.

5. Direct Investment in Mortgage Loans: Since the State of Alaska is projected to have a large budget surplus, a desirable alternative to spending that money would be to invest a substantial portion in mortgage loans yielding 9% to 10%. While such an interest rate is lower than the rate which can be currently obtained in the short-term financial market, it is a higher return than the State has averaged on other investments over the past several years. For example, an article in the March 4th edition of the Anchorage Times indicates that \$46 million of the State Employees Pension Fund, which the Department of Revenue has invested in gold, is now only worth \$34.8 million. However, the article quotes Revenue's Deputy Commissioner as stating that a "secret agreement" with an "unnamed bank" will provide the State with a guaranteed profit of 6.5%! Since current practice provides for careful underwriting of mortgage loans and independent mortgage insurance on the top 20% of the loan by a reputable mortgage insurance company, investments in mortgage loans are virtually risk free. It would appear that a 9% to 10% return in a relatively risk free investment, which also provides benefits to the citizens, whose money is being loaned, is certainly a more attractive investment than speculation in a non-productive commodity at 6½%.

6. Loans from the Permanent Fund: The same arguments expressed above for direct investment by the State can be made for investing a portion of the Permanent Fund in residential mortgages. Although Commissioner of Revenue, Tom Williams, has stated that the Permanent Fund is currently earning 13%, its average return over the past several years has been somewhat less. For example, the rate of return in Fiscal 1978 was 7.53%; Fiscal 1979 was 8.24%; and Fiscal 1980 was 11.29%.^{3/}

One difficulty in use of the Permanent Fund is the belief by some that the purpose of the Permanent Fund is to obtain the maximum possible monetary yield without regard to the residual benefits that can be obtained by investing in the welfare of the beneficiaries of the Fund. Even if this somewhat questionable philosophy is accepted, the Permanent Fund can be used to satisfy housing needs and housing loans can benefit the Permanent Fund. For example, rather than pay \$139 million to non-resident investors to fund the required interest differential on the sale of pass through mortgage certificates, it would be more desirable to appropriate an additional \$139 million to the Permanent Fund and allow it to invest in such certificates. At least in this manner, the total capital amount is invested in the Permanent Fund rather than being spent outside the State of Alaska.

^{3/} Alaska Permanent Fund Corporation, 1980 Annual Report and Financial Statements.

It must also be remembered that the interest differential applies only on the first \$90,000 of a loan and that there is no program presently available to those Alaskans who desire and are able to pay a loan for more than \$147,750. The Permanent Fund could easily be utilized to make such higher limit loans or to make the portion of the loan in excess of \$90,000.

In any event, it is the opinion of the Alaska Association of Realtors that 10% mortgage loans made to the beneficiaries of the Permanent Fund are an attractive long-term investment while also providing numerous social benefits and increased employment.

SUGGESTIONS FOR BROADENING ELIGIBILITY OF THE PROGRAM

In an effort to allow more Alaskans to benefit from a comprehensive housing program and to allow the amount of money available for such a program to go farther, the Alaska Association of Realtors suggests the following program changes.

1. Expand Loan Program to Include Owner-Occupied Triplexes and Fourplexes: Since the typical cost of triplexes and fourplexes ranges from \$40,000 to \$50,000 per dwelling unit, the cost per dwelling unit is substantially less than the \$90,000 to \$100,000 required in a single-family loan program. Additional benefit of such a program is that it provides housing for owner-occupants as well as additional rental housing for those persons who do not desire to undertake the obligation of home ownership.

2. Expand the Use of Graduated Payment Mortgages: Through the expanded use of Graduated Payment Mortgages, the income eligibility requirements to qualify for a loan are decreased, therefore, allowing more persons to qualify.

3. Implement a Program of Junior Mortgages: In almost every situation involving the sale of an existing home, a major portion of the purchase price paid to the seller is used to pay off an existing loan. Many of these loans are held by the Alaska Housing Finance Corporation and were obtained from the sale of low interest bonds in earlier years. By allowing the purchaser to assume an existing loan and obtain a new junior mortgage for the required differential in sales price, the amount of money available goes much farther. As an example, assume that in the sale of a \$90,000 home the buyer requires an \$85,000, 30-year mortgage at 10% but that the home being sold is already subject to an existing \$55,000 loan made five years ago (25 years remaining on the loan) at 8% interest. The economics of the situation are as follows:

\$85,000 loan at 10% with 30 year amortization =	\$745.94/month
Payments on existing \$55,000 loan at 8% with 25 years re- maining =	<u>-424.50/month</u>
Payments available to be made on \$30,000 junior mortgage:	\$321.44/month

In this example, rather than requiring \$85,000 in new money, only \$30,000 is required for a junior mortgage and the buyer can pay \$321.44/month on that mortgage without increasing his cost above the cost of a new 30 year, \$85,000 mortgage at 10%. If the junior mortgage were made for 25 years (the term on the underlying mortgage) payable at \$321.44/month, the yield to Alaska Housing Finance Corporation on the \$30,000 junior mortgage would be approximately 12.25%.

As can be seen from the above example, through the use of junior mortgages, the amount of money required is less and the interest rate paid by the borrower is more. As a result, without increasing the cost of home ownership, it is possible to make the same amount of available money benefit more people and the cost of the interest differential is reduced.

4. Expand Loan Program to Include Multiple-Family Housing: As discussed under "Possible Sources of Money", it is still possible to sell tax-exempt bonds to make loans for the construction of lower and moderate income rental housing. Since the typical cost of construction of rental units is approximately \$40,000 per unit, the amount of money required for a dwelling unit is less than under single-family programs. In addition, by making loans financed from tax-exempt bonds, the required interest rate to the borrower would be less, thereby reducing rents to occupants and reducing the amount of rental increases required to make new multiple housing feasible.

5. Continuation of the Mobile Home Program: As mentioned before in this paper, the State of Alaska has recently enacted a program to provide loans for the acquisition of mobile homes. Since the cost of mobile homes is significantly less than the cost of acquiring a conventionally constructed single-family home, the cost per dwelling unit is substantially less. Also, because mobile homes are factory manufactured and are easily transportable by barge, it is easy to meet rapidly expanding housing needs, particularly in rural locations, through use of mobile homes.

6. Higher Loan Limit: Although only a small percentage of Alaskans have the financial capability to acquire a home requiring loan limits in excess of the AHFC limit, those that do are forced to borrow the entire amount of money at currently prevailing money market rates. Although such persons are in a better

financial position than the average Alaskan, they are, nevertheless, citizens and should be entitled to the same benefit of an interest differential on the first \$90,000 of money borrowed. We propose that loans be allowed equal to 80% of the purchase price of any Alaskan home with a maximum 10% interest rate on the first \$90,000 (9% veterans) with the balance at market rates. Such a change in the program would eliminate the present discrimination against higher income Alaskans.

7. Refinance of High Interest Debt: Because the current loan programs have been in existence for only a short time and because not all Alaskans were eligible, certain persons have been forced to obtain loans at high short-term money market rates. Although we do not propose that loans be allowed to extract equity from the property, we do believe that loans should be made available to refinance existing high interest loans plus the cost of such refinancing including any costs incurred for remodeling or energy conservation. Such a program will eliminate the discrimination against those persons forced to pay higher interest rates for acquisition of their homes simply because they were purchased prior to the current loan program.

8. Expanded Funding of Non-Conforming Housing Program: Because of the difficulty which has been encountered in the past in selling bonds to make rural loans and loans for homes not considered to meet "urban standards", the Legislature should provide sufficient direct appropriations to provide for these needs.

9. Increase Percentage of Income Allowable for Mortgage Payments: This change would not involve legislation but would involve a change in Alaska Housing Finance Corporation's regulations. The current eligibility criteria provides that borrowers may not pay more than 25% of their gross income for principal, interest, taxes, and insurance. In the example shown earlier in this paper, it was pointed out that, as a result of this requirement, a family had to have an income of \$40,605 to acquire a \$90,000 home with an \$85,000 loan. In many foreign countries and even in other States, lenders have recognized that the 25% limit is somewhat arbitrary and that it is possible for persons to pay a larger percentage of their income for housing without jeopardizing their ability to provide for other living needs or making a risky loan. If, for example, the limits were raised from 25% to 35%, the necessary income to qualify for an \$85,000 loan to purchase a \$90,000 house would be reduced from \$40,605 per year to \$29,003 per year. Such a change in regulations would immediately make many more Alaskans eligible for home ownership.

10. Change Method of Underwriting Duplex Loans: At the current time, in determining the eligibility of a borrower for a duplex loan, his eligibility is calculated by adding 80% of the rental value of the rental unit to his income. Therefore, if a person making \$40,000/year desires to acquire a duplex with a unit renting for \$500/month, the amount of mortgage payments which he may pay is calculated as follows:

Basic Income:	\$40,000
Rental Income: \$500/Mo. x 12 x 80% =	<u>4,800</u>
Total Income:	\$44,800

Since a borrower may only pay 25% of his eligible income for mortgage, taxes, and insurance payments, the maximum payment he may make for debt service, taxes, and insurance is \$933/month (\$44,800 + 12 x .25). If the cost of taxes and insurance were \$100/month, the maximum loan at 10% interest with a 30-year amortization is only \$94,921. Since the cost of a typical duplex is much higher, a person earning \$40,000/year is not eligible for a duplex loan unless he has large cash savings which he can make as a down payment.

Instead of the present standard of underwriting duplex loans, we suggest that the borrower be allowed to subtract 80% of the rental value of the rental unit from the total payment of principal, interest, taxes, and insurance before calculating eligibility. Utilizing this method, a person earning \$40,000 could make monthly payments of \$833.33/month before counting the rental value. If 80% of the rental value were then added, the total amount of payments which a borrower could make would be \$1,233 (\$833 + 80% x \$500). If the cost of taxes and insurance is \$133/month, the borrower would have \$1,100 for principal and interest payments. At 10% interest, this would amortize a loan of \$125,345. With this change in AHFC's administrative regulations, it would be possible for a person earning \$40,000/year to acquire a modest duplex.

SUMMARY

In addition to the increased availability of housing for more Alaskans, it must be remembered that a program which provides money for construction of new homes provides many jobs in the construction and related industries. Throughout the decade of the 1970's, the average number of new housing units constructed in Alaska was 4,775 per year. Although we know of no specific studies within the State of Alaska, a survey by the Economics Department of the National Association of Realtors, indicates that due to the multiplier effect of money spent in the construction industry, the construction of each new home provides employment for 4 persons during the year in which the home is constructed. Assuming no increase in new construction over the 1970's average, the continued availability of residential financing, therefore, has the ability of providing 19,100 jobs per year. While not all of the jobs created would be in Alaska, a high percentage of them would be.

While the Alaska Association of Realtors is not naive enough to believe that adoption of all the suggestions contained herein will solve all of the housing needs of all Alaskans, we do sincerely believe that if these suggestions are adopted, more Alaskans will be provided with safe, sanitary, and decent housing, more jobs will be provided for Alaskans, and the cost benefit ratio will be very nominal. For many years Alaskans have been forced to live in the lowest quality housing of any State in the United States because of a poor economy, lack of mortgage financing, and the complete dependence on the Federal government for all our needs. Now that we have been fortunate enough to see our natural resources profitably developed, we should make every attempt to wisely utilize the money produced by such resource development to raise the housing standards of all Alaskans to those enjoyed by persons in the rest of the United States. The need is obvious, funds are available, and the Alaska Legislature has the ability to provide the solution.

For additional information, please contact:

Alaska Association of Realtors
1818 W. Northern Lights Boulevard
Anchorage, Alaska 99503

Phone: (907) 272-8016

TABLE I

ANCHORAGE MULTIPLE LISTING SERVICE

The figures below were compiled from the Multiple Listing Book dated March 24, 1981 and from the February month-end "MLS Listing Exchange Statistics". The figures include Anchorage, Eagle River, Potter, Whittier, etc. Unfortunately, statewide figures are not available, but housing needs are considered to be as critical in the more rural areas of Alaska.

Units Listed (3/24/81)

Single Family	692
Condominium Units	<u>218</u>
	910
Sales Per Week in February	118
Weeks of Inventory Remaining	7.7

TABLE II

The Spring 1981 issue of the Anchorage Real Estate Research Report is in the process of being printed. The civilian rental housing vacancy rate included therein is as follows:

Percent of Vacancy
Rental Units According to Price

	<u>Low</u>	<u>Medium</u>	<u>High</u>
January 1981	27.1%	7.2%	5.5%

The lower priced units had a considerably higher vacancy, but that ratio is not considered to be representative of the market. The vacancy ratio of housing generally classified as 'safe, sanitary, & decent' is 5.5% to 7.2% as of January 31, 1981.

Original sponsor: Mulcahy

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 148 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to housing loans; and providing for
7 an effective date."

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

9 * Section 1. AS 44.47.370 is amended by adding a new paragraph to read:

10 (8) originate and service direct loans made for construc-
11 tion, purchase, renovation, or improvements and building materials, for
12 nonconforming housing made to qualified buyers in accordance with
13 AS 44.47.360 - 44.47.560.

14 * Sec. 2. AS 44.47.380 is amended to read:

15 Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is
16 created in the Department of Community and Regional Affairs the non-
17 conforming housing loan fund consisting of money appropriated to it by
18 the legislature. The director shall administer the nonconforming
19 housing loan fund in accordance with AS 44.47.360 - 44.47.560 and shall
20 use the money in the nonconforming housing loan fund to originate,
21 purchase, or participate in the purchase of

22 (1) nonconforming housing mortgage loans;

23 (2) loans made for building materials for nonconforming
24 housing;

25 (3) loans made for renovations or improvements to noncon-
26 forming housing;

27 (4) loans for construction of nonconforming housing.

28 * Sec. 3. AS 44.47.390 is amended to read:

29 Sec. 44.47.390. LIMITATIONS ON USE OF NONCONFORMING HOUSING LOAN

1 FUND. The director may not use the money in the nonconforming housing
2 loan fund to

3 (1) originate direct loans or purchase or participate in the
4 purchase of a nonconforming housing mortgage loan which exceeds the
5 limitations on mortgage loans purchased by the Federal National Mortgage
6 Association as to principal amount;

7 (2) originate direct loans or purchase or participate in the
8 purchase of a loan made for building materials for nonconforming housing

9 (A) which exceeds \$45,000 or exceeds

10 (i) 80 percent of the appraised value of the work
11 completed on the nonconforming housing for which the loan is made
12 if the nonconforming housing is pledged as collateral for the
13 loan; or

14 (ii) 80 percent of the value of other property
15 which is pledged as security for the loan and which is satis-
16 factory to the director as collateral;

17 (B) unless the terms of the loan agreement require
18 inspections and certifications, as required by regulations of the
19 director, at the expense of the borrower; and

20 (C) unless the period of time allowed for repayment of
21 the loan is equal to or less than 15 years [THE LESSER OF

22 (i) THREE YEARS; OR

23 (ii) THE MAXIMUM PERIOD OF TIME ESTABLISHED BY
24 REGULATION BY THE DIRECTOR BASED ON THE PREVAILING PRACTICE AMONG
25 PRIVATE FINANCIAL INSTITUTIONS IN THE GENERAL AREA IN WHICH THE
26 LOAN IS MADE FOR LOANS FOR THE PURCHASE OF BUILDING MATERIALS];

27 (3) originate direct loans or purchase or participate in the
28 purchase of a nonconforming housing mortgage loan which is secured by
29 real property the marketable title to which is shown in accordance with

1 AS 44.47.420(b)(2) if the total amount of outstanding nonconforming
2 housing mortgage loans held by the division exceeds 10 times the amount
3 of money in the restricted title loss reserve account (AS 44.47.430) [;

4 (4) PURCHASE OR PARTICIPATE IN THE PURCHASE OF CONSTRUCTION
5 LOANS].

6 * Sec. 4. AS 44.47 is amended by adding a new section to read:

7 Sec. 44.47.395. OPERATING LOSS RESERVE ACCOUNT. (a) There is
8 established an operating loss reserve account for the purpose of meet-
9 ing legal expenses incurred through the foreclosure of properties
10 acquired by the director under AS 44.47.370(6) and making repairs to
11 these properties so that they may be sold to new buyers.

12 (b) The operating reserve loss account consists of money appro-
13 priated by the legislature. To the extent that money is paid out of
14 the operating loss reserve account for the purposes stated in this
15 section, this money shall be replaced with money received as interest
16 on loans authorized by this chapter.

17 * Sec. 5. AS 44.47.400 is amended to read:

18 Sec. 44.47.400. SECURITY FOR LOANS. (a) The director shall
19 adopt regulations in accordance with the Administrative Procedure Act
20 (AS 44.62) establishing acceptable security for loans originated or
21 purchased in whole or in part under AS 44.47.380.

22 (b) A person may pledge as security for the repayment of a loan
23 originated or purchased in whole or in part under AS 44.47.380 a pre-
24 ference right he holds to receive title to land he occupies as a pri-
25 mary place of residence, primary place of business, subsistence
26 campsite, or as headquarters for reindeer husbandry. The preference
27 right must be conveyed to the person by the Native corporation to which
28 the land was granted under section 14 of the Alaska Native Claims
29 Settlement Act (85 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended

1 by P.L. 94-204) before it may be pledged as security under this sub-
2 section. The commissioner of community and regional affairs shall
3 prescribe procedures and standard forms for establishing, pledging, and
4 appraising the value of a preference right held by a person to secure
5 the repayment of a loan originated or purchased in whole or in part
6 under AS 44.47.380.

7 * Sec. 6. AS 44.47.410 is amended to read:

8 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-
9 gage loan originated or purchased in whole or in part under AS 44.-
10 47.380 may not exceed

11 (1) nine percent for a mortgage loan made to a person who is
12 an eligible veteran under AS 18.56.101;

13 (2) ten percent for a mortgage loan made to a person other
14 than a person described in (1) of this subsection.

15 * Sec. 7. AS 44.47.420(a) is amended to read:

16 Sec. 44.47.420. TITLE. (a) Before the director originates or
17 purchases a nonconforming housing mortgage loan in whole or in part,
18 the director may require a borrower to show marketable title to real
19 property offered as security for the loan to be purchased.

20 * Sec. 8. AS 44.47.430(b) is amended to read:

21 (b) The director may withdraw money from the restricted title
22 loss reserve account in an amount equal to the loss to the division on
23 a nonconforming housing mortgage loan originated or purchased in whole
24 or in part by the division if marketable title to the real property
25 used to secure the loan was shown in accordance with AS 44.47.420(b)-
26 (2). Money withdrawn from the restricted title loss reserve account
27 under this section shall be deposited in the nonconforming housing loan
28 fund.

29 * Sec. 9. AS 44.47.460 is amended to read:

1 Sec. 44.47.460. LOAN SERVICING. (a) Before purchasing or par-
2 ticipating in the purchase of a loan, the director shall enter into a
3 loan servicing agreement with the private financial institution from
4 which the loan is to be purchased.

5 (b) The director may execute service agreements with private
6 lending institutions to service loans originated by the division.

7 (c) Under the servicing agreement, the private financial insti-
8 tution shall administer the loan and may charge the division a negoti-
9 ated fee on the division's share of the loan. When appropriate, the
10 [THE] private financial institution may also charge the borrower a
11 reasonable originator fee not to exceed one percent.

12 * Sec. 10. AS 44.47.470 is amended to read:

13 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or
14 participating in the purchase of a nonconforming housing mortgage loan,
15 the director may have or may require the borrower to have an appraisal
16 made of the fair market value of the real property, including struc-
17 tures on the real property, for which the loan is made. In conducting
18 an appraisal under this section, the appraiser shall give full value to
19 insulation and other features of construction in structures on the real
20 property which add to the energy efficiency of the structures.

21 * Sec. 11. AS 44.47.490 is amended to read:

22 Sec. 44.47.490. ASSISTANCE BY DIVISION PERSONNEL. (a) The
23 director shall create field offices which have the authority of final
24 approval of loans under this chapter, hire at least one lending offi-
25 cer, and may [SHALL] contract for the services of

26 (1) real property appraisers who are familiar with rural
27 construction; and

28 (2) engineers who are familiar with engineering problems in
29 arctic and subarctic regions.

1 (b) The personnel described in (a) of this section shall make
2 regular visits to each of the regions established under AS 44.47.510(a)
3 to provide preconstruction and post-construction inspections of real
4 property for which loans are originated or purchased by the division in
5 whole or in part under AS 44.47.380 and to provide assistance to pri-
6 vate financial institutions and their borrowers in the regions.

7 * Sec. 12. AS 44.47.510(b) is amended to read:

8 (b) Unless otherwise required by an appropriation, the director
9 shall allocate the money in the nonconforming housing loan fund among
10 the regions established under (a) of this section for the purpose of
11 originating or purchasing each type of loan described in AS 44.47.380.
12 In making an allocation under this subsection, the director shall
13 consider the past and potential lending activity of private financial
14 institutions in the region as well as the need for loans in the region.
15 The director may reallocate the money among the regions as he considers
16 necessary.

17 * Sec. 13. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

3/4/81

This FN pulled
from committee files
at request of Senator
Ferguson & replaced
w/foregoing note.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB-148

Title An act relating to housing loans; and providing for an effective date.

Requested by Mulcahy

Date 2/11/81

II. FISCAL DETAIL

Agency Affected Department of Commerce and Economic Development

Program Category Affected Public Protection

BRU, Program, or Subprogram(s) Affected Division of Insurance

(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 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

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

IV. DATE 2/11/81

PREPARED BY Kenneth C. Moore, Director
AGENCY Division of Insurance
PHONE 465-2515

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

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB-148

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Requested by Mulcahy

Date 2/11/81

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BRU, Program, or Subprogram(s) Affected Division of Insurance

(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 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME	0	0	0	0	0	0
PART TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

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

IV. DATE 2/11/81

PREPARED BY Division of Insurance
AGENCY 465-2515
PHONE

Kenneth C. Moore
Kenneth C. Moore, Director

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



Alaska State Legislature

Senate

Official Business

18 February 1981

Pouch V
State Capitol
Juneau, Alaska 99811

To: Senate Finance Committee Members

From: Senator Ferguson *JFB*

ANALYSIS COMMITTEE SUBSTITUTE FOR SENATE BILL 148

Section 1. Page 1, lines 9 thru 13 AS 44.47.370 is amended by adding a new paragraph to allow the Division of Housing Assistance, Department of Community & Regional Affairs, to originate and services made under the nonconforming housing loan program.

Section 2. Page 1, lines 14 thru 27 AS 44.47.380 is amended to allow the Division of Housing Assistance to make loans for construction. Also, the section includes the language to allow loan origination by the Division.

Section 3. Page 1, lines 28 & 29; Page 2, lines 1 thru 29; Page 3, lines 1 thru 5 AS 44.47.390 is amended to allow for building materials loans to be made not to exceed \$45,000 and 15 year term. Loan origination language is included in the section. Also, the three year limit and maximum loan term established by regulation is deleted and replaced by statute with a longer term and loan amount ceiling. Construction loans are deleted.

Section 4. Page 3, lines 6 thru 16 AS 44.47 is amended by adding a new section that set up an operating loss reserve account to pay expenses incurred by the Division of Housing Assistance through foreclosure of properties that need repairs for resale and to meet any legal expences. The section also allows for the Legislature to appropriate funds to the account and allow for repayment to the fund with money received from interest payments until the amount expended from the account is replenished.

Section 5. Page 3, lines 17 thru 29; Page 4, lines 1 thru 6 AS 44.47.400 is amended to include language that allows the Division of Housing Assistance to originate loans. This language keeps the section consistent with the earlier intent to allow loan origination by the Division of Housing Assistance.

SENATE BILL 148 ANALYSIS

Page 2 of 2

Section 6. Page 4, lines 7 thru 14 AS 44.47.410 is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 7. Page 4, lines 15 thru 19 AS 44.47.420(a) is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 8. Page 4, lines 20 thru 28 AS 44.47.420 is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 9. Page 4, line 29; Page 5, lines 1 thru 11 AS 44.47.460 is amended to allow the director of the Division of Housing Assistance to execute service agreements with private lending institutions to service loans that the division has made. Also, language further clarifies that a private financial institution may, when appropriate, charge an originator fee on those loans which are not originated by the Division of Housing Assistance.

Section 10. Page 5, lines 12 thru 20 AS 44.47.470 is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 11. Page 5, lines 21 thru 29; Page 6, lines 1 thru 6 AS 44.47.490 is amended to allow the Division of Housing Assistance field offices to have final authority on approval of loans. Also, changes shall to may in requiring the director to contract for appraisers and engineers. The division personnel, in some cases, have this expertise.

Section 12. Page 6, lines 7 thru 16 AS 44.47.510(b) is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 13. Page 6, lines 17 & 18 AS 01.10.070(c) allows for an immediate effective date.

II. FISCAL DETAIL

Agency Affected Community and Regional Affairs
 Program Category Affected Housing Assistance Division
 BRU, Program, or Subprogram(s) Affected Nonconforming Housing Loans
 (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 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES	70.0					
200 TRAVEL						
300 CONTRACTUAL ...	100.0					
400 COMMODITIES ...						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND	170.0					
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	2					
PART TIME						
TEMPORARY						

Sec. 44.47.395, of Senate Bill 148 established the Operating Loss Reserve Account, and it is recommended that \$100,000 be appropriated for this fund. The funding would be used for the specific purpose of renovation and repair on foreclosed properties, this account is to be continued from year to year.

Two additional positions are requested to be located in the Anchorage Office:

1 position is for a loan Closing Clerk responsible for reviewing loan documents, obtaining title policies, insurance policies, and recording loan documents to provide expeditious closing of loans.

The second position is an Accounting Technician, to account for the disbursement of loan funds and to account for and monitor phased loan disbursements, for direct loans, construction loans; building material loans and repair and renovation loans.

IV. DATE 2/24/81

PREPARED BY Jack Smalley
 AGENCY Community & Regional Affairs, Division of Housing Assistance
 PHONE 272-4505

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

Introduced: 2/4/81
Referred: Finance

1 IN THE SENATE

BY MULCAHY

2 SENATE BILL NO. 148

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to housing loans; and providing for
7 an effective date."

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

9 * Section 1. AS 44.47.370 is amended by adding a new paragraph to read:

10 (8) originate and service direct loans made for purchase,
11 renovation, or improvements and building materials, for nonconforming
12 housing made to qualified buyers in accordance with AS 44.47.360 -
13 44.47.560.

14 * Sec. 2. AS 44.47.380 is amended to read:

15 Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. (a) There is
16 created in the Department of Community and Regional Affairs the non-
17 conforming housing loan fund consisting of money appropriated to it by
18 the legislature. The director shall administer the nonconforming
19 housing loan fund in accordance with AS 44.47.360 - 44.47.560 and shall
20 use the money in the nonconforming housing loan fund to originate,
21 purchase, or participate in the purchase of

22 (1) nonconforming housing mortgage loans;

23 (2) loans made for building materials for nonconforming
24 housing;

25 (3) loans made for renovations or improvements to noncon-
26 forming housing.

27 (b) Loans may be made for

28 (1) owner-occupied single and two-family structures;

29 (2) owner-occupied three and four unit structures located

1 in rural areas;

2 (3) nonowner-occupied single and two-family structures; and

3 (4) nonowner-occupied three and four unit structures located

4 in rural areas.

5 * Sec. 3. AS 44.47 is amended by adding a new section to read:

6 Sec. 44.47.385. DISPOSITION OF LOAN FUND. (a) Not less than 80
7 percent of the amount appropriated by the legislature to the nonconform-
8 ing housing loan fund shall be used to originate direct loans or pur-
9 chase or participate in the purchase of loans in accordance with
10 AS 44.47.380(b)(1) and (b)(2).

11 (b) Not more than 20 percent of the amount appropriated by the
12 legislature to the nonconforming housing loan fund may be used to
13 originate direct loans or purchase or participate in the purchase of
14 loans in accordance with AS 44.47.380(b)(3) and (b)(4).

15 * Sec. 4. AS 44.47.390 is amended to read:

16 Sec. 44.47.390. LIMITATIONS ON USE OF NONCONFORMING HOUSING LOAN
17 FUND. The director may not use the money in the nonconforming housing
18 loan fund to

19 (1) originate direct loans or purchase or participate in the
20 purchase of a nonconforming housing mortgage loan which exceeds the
21 limitations on mortgage loans purchased by the Federal National Mortgage
22 Association as to principal amount;

23 (2) originate direct loans or purchase or participate in the
24 purchase of a loan made for building materials for nonconforming housing

25 (A) which exceeds

26 (i) 80 percent of the appraised value of the work
27 completed on the nonconforming housing for which the loan is made
28 if the nonconforming housing is pledged as collateral for the
29 loan; or

1 (ii) 80 percent of the value of other property
2 which is pledged as security for the loan and which is satis-
3 factory to the director as collateral;

4 (B) unless the terms of the loan agreement require
5 inspections and certifications, as required by regulations of the
6 director, at the expense of the borrower; and

7 (C) unless the period of time allowed for repayment of
8 the loan is equal to or less than the lesser of

9 (i) three years; or

10 (ii) the maximum period of time established by
11 regulation by the director based on the prevailing practice among
12 private financial institutions in the general area in which the
13 loan is made for loans for the purchase of building materials;

14 (3) originate direct loans or purchase or participate in the
15 purchase of a nonconforming housing mortgage loan which is secured by
16 real property the marketable title to which is shown in accordance with
17 AS 44.47.420(b)(2) if the total amount of outstanding nonconforming
18 housing mortgage loans held by the division exceeds 10 times the amount
19 of money in the restricted title loss reserve account (AS 44.47.430);

20 (4) originate direct loans or purchase or participate in the
21 purchase of construction loans.

22 * Sec. 5. AS 44.47 is amended by adding a new section to read:

23 Sec. 44.47.395. OPERATING LOSS RESERVE ACCOUNT. (a) There is
24 established an operating loss reserve account for the purpose of meeting
25 legal expenses incurred through the foreclosure of properties acquired
26 by the director under AS 44.47.370(6) and making repairs to these
27 properties so that they may be sold to new buyers.

28 (b) The operating reserve loss account consists of money appro-
29 priated by the legislature. To the extent that money is paid out of

1 the operating loss reserve account for the purposes stated in this
2 section, this money shall be replaced with money received as interest
3 on loans authorized by this chapter.

4 * Sec. 6. AS 44.47.400 is amended to read:

5 Sec. 44.47.400. SECURITY FOR LOANS. (a) The director shall
6 adopt regulations in accordance with the Administrative Procedure Act
7 (AS 44.62) establishing acceptable security for loans originated or
8 purchased in whole or in part under AS 44.47.380.

9 (b) A person may pledge as security for the repayment of a loan
10 originated or purchased in whole or in part under AS 44.47.380 a pre-
11 ference right he holds to receive title to land he occupies as a primary
12 place of residence, primary place of business, subsistence campsite, or
13 as headquarters for reindeer husbandry. The preference right must be
14 conveyed to the person by the Native corporation to which the land was
15 granted under section 14 of the Alaska Native Claims Settlement Act (85
16 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended by P.L. 94-204)
17 before it may be pledged as security under this subsection. The commis-
18 sioner of community and regional affairs shall prescribe procedures and
19 standard forms for establishing, pledging, and appraising the value of a
20 preference right held by a person to secure the repayment of a loan
21 originated or purchased in whole or in part under AS 44.47.380.

22 * Sec. 7. AS 44.47.410 is amended to read:

23 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-
24 gage loan originated or purchased in whole or in part under AS 44.-
25 47.380 may not exceed

26 (1) nine percent for a mortgage loan made to a person who is
27 an eligible veteran under AS 18.56.101;

28 (2) ten percent for a mortgage loan made to a person other
29 than a person described in (1) of this subsection.

1 * Sec. 8. AS 44.47.420(a) is amended to read:

2 Sec. 44.47.420. TITLE. (a) Before the director originates or
3 purchases a nonconforming housing mortgage loan in whole or in part,
4 the director may require a borrower to show marketable title to real
5 property offered as security for the loan to be purchased.

6 * Sec. 9. AS 44.47.430(b) is amended to read:

7 (b) The director may withdraw money from the restricted title
8 loss reserve account in an amount equal to the loss to the division on
9 a nonconforming housing mortgage loan originated or purchased in whole
10 or in part by the division if marketable title to the real property
11 used to secure the loan was shown in accordance with AS 44.47.420(b)(2).
12 Money withdrawn from the restricted title loss reserve account under
13 this section shall be deposited in the nonconforming housing loan fund.

14 * Sec. 10. AS 44.47.440 is amended by adding a new subsection to read:

15 (b) The division may establish a blanket fire insurance policy in
16 cooperation with the Alaska Housing Finance Corporation covering the
17 assets of both corporations as provided in AS 18.56.

18 * Sec. 11. AS 44.47.460 is amended to read:

19 Sec. 44.47.460. LOAN SERVICING. (a) Before purchasing or
20 participating in the purchase of a loan, the director shall enter into
21 a loan servicing agreement with the private financial institution from
22 which the loan is to be purchased.

23 (b) The director may execute service agreements with private
24 lending institutions to service loans originated by the division.

25 (c) Under the servicing agreement, the private financial insti-
26 tution shall administer the loan and may charge the division a negoti-
27 ated fee on the division's share of the loan. When appropriate, the
28 [THE] private financial institution may also charge the borrower a
29 reasonable originator fee not to exceed one percent.

1 * Sec. 12. AS 44.47.470 is amended to read:

2 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or
3 participating in the purchase of a nonconforming housing mortgage loan,
4 the director may have or may require the borrower to have an appraisal
5 made of the fair market value of the real property, including struc-
6 tures on the real property, for which the loan is made. In conducting
7 an appraisal under this section, the appraiser shall give full value to
8 insulation and other features of construction in structures on the real
9 property which add to the energy efficiency of the structures.

10 * Sec. 13. AS 44.47.490 is amended to read:

11 Sec. 44.47.490. ASSISTANCE BY DIVISION PERSONNEL. (a) The
12 director shall create field offices which have the authority of final
13 approval of loans under this chapter, hire at least one lending
14 officer, and may [SHALL] contract for the services of

15 (1) real property appraisers who are familiar with rural
16 construction; and

17 (2) engineers who are familiar with engineering problems in
18 arctic and subarctic regions.

19 (b) The personnel described in (a) of this section shall make
20 regular visits to each of the regions established under AS 44.47.510(a)
21 to provide preconstruction and post-construction inspections of real
22 property for which loans are originated or purchased by the division in
23 whole or in part under AS 44.47.380 and to provide assistance to private
24 financial institutions and their borrowers in the regions.

25 * Sec. 14. AS 44.47.510(b) is amended to read:

26 (b) Unless otherwise required by an appropriation, the director
27 shall allocate the money in the nonconforming housing loan fund among
28 the regions established under (a) of this section for the purpose of
29 originating or purchasing each type of loan described in AS 44.47.380.

1 In making an allocation under this subsection, the director shall
2 consider the past and potential lending activity of private financial
3 institutions in the region as well as the need for loans in the region.
4 The director may reallocate the money among the regions as he considers
5 necessary.

6 * Sec. 15. AS 44.47.560(3) is amended to read:

7 (3) "housing" means owner-occupied single and two family
8 structures, owner-occupied three and four unit structures located in
9 rural areas, and nonowner-occupied single and two family structures and
10 nonowner-occupied three and four unit structures located in rural areas
11 [, SINGLE-FAMILY HOUSING AND OWNER-OCCUPIED DUPLEXES];

12 * Sec. 16. This Act takes effect immediately in accordance with AS 01.-
13 10.070(c).