

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1149 SCOMM 34: HOUSE SPEC. COMMITTEE ON STATE LOANS 1983-84 316

ALASKA
EQUIPMENT, Inc.
DBA THE COAL BUNKERS

PHONE: (907) 456-5005 or 456-5971

P.O. BOX 72869 • 270 ILLINOIS ST.

FAIRBANKS, ALASKA 99707

August 18, 1982

Mr. Bob Bettisworth
Box 80288
Fairbanks, Alaska 99708

Dear Mr. Bettisworth:

I have some questions about a recent attorney general opinion. The subject is alternative energy systems (AS 45.88.500). The issue affected by this decision is whether or not loans for coal and multifuel central heating systems will be allowed. The systems of major concern to my firm are stoker fed coal boilers and forced air furnaces.

First I should give you some background to the problem. When SB 666 was passed the Fairbanks vendors were assured by the Legislature that the only thing being excluded by an amendment to AS 45.88.500 was stoves, fireplaces and fireplace inserts. The reason for this was that stoves are a common and relatively low cost item and that stoves of the air-tight design contribute more to air pollution than other energy systems. The Legislature also assured us that the amendment did not exclude coal and multifuel boiler heating systems because 1) coal and multifuel boilers are new innovative but costly energy systems; 2) most boiler systems are designed with forced combustion fans and do not contribute more to air pollution than other conventional energy systems; 3) alternative fuel boilers are specifically included in Sec. 45.88.500(2)(A) which is Sec. 48(1)(3)(A) OF the Internal Revenue Code.

The first part of Internal Revenue Code 48(1)(3)(A) says "the term 'alternative energy property' means a boiler the primary fuel for which will be an alternative substance. The definition of alternative substance used in this statute is "any substance other than oil or natural gas and any product of oil or natural gas." Coal boilers are in this category since they are boilers using an alternative substance for their primary fuel. Coal boilers should be included in the loan program because Sec. 48(1)(3)(A) of the Internal Revenue Code is an integral part of AS 45.88.500 and all property defined by this section is specifically included by AS 45.88.500(2)(A).

AS 45.88.500(3)(A)&(B) does not specifically exclude boilers, however, it does specifically exclude stoves, fireplaces and fireplace inserts. The legislators involved in writing this bill have told me that the bill was worded this way because they intended to stop loans on stoves unless they had catalytic converters. They also said they wanted to continue to allow loans for alternative energy property specifically included in AS 45.88.500(2)(A). The equipment specifically included in that part of the statute is not only boiler systems but also alternative fuel burners ie. coal stokers; equipment to convert coal into other usable fuels and chemicals; pollution control equipment; and material handling equipment for alternative substances.

The administration has taken a pathway that is against the will of the people who have exercised their voice through their elected officials. The people want the administration to obey the law and start loaning money for coal and wood boilers and coal stokers. These items are specifically included and the Department of Commerce is in violation of the law by refusing to allow loans on such property.

The Fairbanks vendors were assured by the legislators that the program would continue relatively unchanged. Many vendors took orders and ordered stock based on the continuation of this loan program. The Department of Commerce has caused economic hardship and has left many people who were planning on buying a coal or wood boiler without a means of financing. Winter is closing in and these people have to face another winter using high priced oil and electricity for heat.

The Department of Commerce should be directed to allow loans on coal and wood boilers and other alternative energy property that is specifically allowed in AS 45.88.500(2)(A).

Please contact me as soon as possible regarding this attorney general's opinion about alternative energy systems.

Sincerely,



Bruce D. Cain
General Manager
The Coal Bunkers

cc: Barbara Herman, Dept. of Law, Juneau
All Fairbanks Legislators

TARM 400 SERIES

Central Heat from Wood or Coal

HS TARM brings wood and coal heat into the twentieth century with the TARM 400 Series boilers.

Wood and coal are cheap fuels. But wood or coal stoves don't heat your house evenly. Or conveniently.

Your present central heating system heats your house evenly, leaves no ashes or bark on the living room rug, and lets you come and go as you please. But how much longer can you afford the fuel it burns? And how much longer will that fuel be available—at any price?

Now HS TARM gives you the best of both worlds. TARM 400 add-on systems provide the economy and security of wood or coal plus the freedom, comfort and convenience of central heat.

Connected to your present hot water boiler and fired with wood or coal, your TARM 400 will heat your whole house and all the tap water you need. When you're away or if you forget to add fuel to the fire, your present boiler will take over automatically to keep your house warm.

Sixty years of design and production know-how go into every TARM 400 boiler. They're built to last. And built so they're easy for you to operate and maintain. With features like a large firebox with no obstructions to get in your way. Durable cast-iron doors and grates. A heavily insulated jacket, finished in a brilliant orange-red enamel.

There's also an optional tankless coil for heating tap water. And if you live in an area where electricity is inexpensive or little back-up heat is required, you can turn your TARM 400 into a completely independent multi-fuel system with the optional electrical elements package.

These features—in a boiler made by the best-known, most respected company in the business—make the TARM 400 your only choice if you

insist on quality and long-term economy.

combustion

TARM 400 Series boilers operate as cross-draft burners when fired on wood and as updraft burners when fired on coal—ensuring the most complete combustion of either fuel.

Cross-draft systems give the most efficient wood combustion possible with a natural draft chimney. In the TARM 400 Series boilers, primary air enters the area below the grates through a flap on the ash door. This primary air flow is controlled precisely by the SAMSON draft regulator, a non-electric device that regulates boiler temperature automatically, even during power failures. As the fire burns, smoke and hot gas pass through the hot coals on the grates to the rear of the firebox. Secondary air, admitted through the air dial on the firing door and through a tube in the rear of the firebox, mixes with these hot gases,

encouraging further burning and minimizing creosote formation.

TARM 400 Series boilers are converted easily to updraft operation by the addition of a vertical cast-iron baffle in the firebox. The baffle forces all primary air to pass up through the coal bed. Secondary air passing over the bed burns the carbon monoxide produced by the coal fire. Hot gases



HS • TARM

then pass down behind the baffle and up through the heat exchanger at the rear of the firebox.

Efficient burning is but the first step to an efficient boiler. Heat must be removed from the flue gases before the gases leave the boiler. In the TARM 400 Series, the vertical firetube heat exchanger extracts the maximum amount of heat from these gases before they are vented up the chimney. Less heat up the chimney means more heat in your house—where you want it.

construction

For durability, all TARM 400 Series boilers are constructed of $\frac{1}{4}$ " steel plate. The doors and grates are cast and machined from the finest gray iron.

For maximum flexibility of installation, the flue outlet may be mounted either on the right side of the boiler or at the rear.

For ease of maintenance, the firetube heat exchanger, accessible when the cleanout cover is removed, may be cleaned quickly and easily with the round flue brush supplied with the boiler.

The optional tankless copper coil is $\frac{3}{8}$ " in diameter—larger than average to ensure good heat output even at lower boiler temperatures.

Note: TARM 400 Series boilers are available constructed in accordance with the ASME Boiler and Pressure Vessel Code and National Board-registered.

controls and accessories

Each TARM 400 Series boiler is shipped with the following:

- cast-iron doors and shaker grates
- SAMSON Automatic Draft Regulator
- High Limit Aquastat (overheat control)
- ASME Boiler Pressure Relief Valve
- cleaning tools

The following accessories may be ordered with the boiler or ordered separately for installation at a later date:

- cast-iron baffle plate for burning anthracite coal
- copper tankless coil and ASME Coil Pressure Relief Valve for heating domestic water
- electrical elements package for converting the TARM 400 boiler to an independent multi-fuel system

20-year limited warranty

All HS TARM boilers sold after Nov. 15, 1981 carry a 20-year limited warranty, a copy of which is provided with the boiler and is available from your HS TARM Dealer or from Tekton Corporation.

ALL TARM 400 Series boilers are ETL-approved. All specifications are subject to change without notice. The responsibility for determining compliance with local and state codes is the obligation of the dealer.

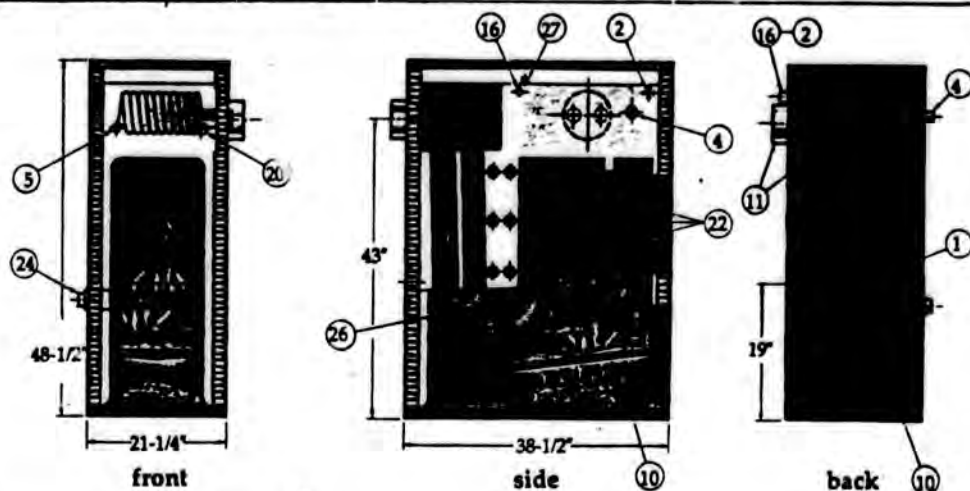
Note: Adequate chimney draft is required for proper operation of all wood-fired boilers. Please observe minimum chimney requirements in the table above.

© 1981, Tekton Corporation

specifications

		TARM 402	TARM 404
Maximum Gross Output-Wood	Btu/hr	110,000	150,000
Burn Time	hr	5	6
Minimum Gross Output-Wood	Btu/hr	25,000	37,000
Burn Time	hr	14	16
Maximum Gross Output-Coal*	Btu/hr	120,000	168,000
Burn Time	hr	12	12
Minimum Gross Output-Coal*	Btu/hr	30,000	42,000
Burn Time	hr	24+	24+
Maximum Output with 6 Electrical Elements	Btu/hr	102,000	102,000
	KW	36	36
Domestic Hot Water Output — Wood	GPM	2.2	3.0
Boiler Body			
Width	in	21 $\frac{1}{4}$	24 $\frac{1}{4}$
Depth	in	38 $\frac{1}{2}$	49 $\frac{1}{2}$
Height	in	48 $\frac{1}{2}$	48 $\frac{1}{2}$
Firebox			
Length	in	18 $\frac{1}{2}$	27 $\frac{1}{2}$
Width	in	13 $\frac{1}{4}$	16 $\frac{1}{4}$
Height	in	27 $\frac{1}{2}$	27 $\frac{1}{2}$
Volume	cu ft	4	7
Height to Center of Flue	in	43	43
Tappings for:			
1 Return	in	1 $\frac{1}{2}$	1 $\frac{1}{2}$
2 Supply	in	1 $\frac{1}{2}$	1 $\frac{1}{2}$
3 Fusible Plug	in	$\frac{3}{4}$	$\frac{3}{4}$
4 Aquastat	in	$\frac{3}{4}$	$\frac{3}{4}$
5 Tridicator	in	$\frac{1}{2}$	$\frac{1}{2}$
10 Drain & Fill	in	1	1 $\frac{1}{2}$
11 Flue Outlet	in	6	8
14 Tankless Coil	in	$\frac{3}{4}$	$\frac{3}{4}$
15 Tankless Coil	in	$\frac{3}{4}$	$\frac{3}{4}$
16 Pressure Relief Valve	in	$\frac{3}{4}$	$\frac{3}{4}$
20 Draft Regulator	in	$\frac{3}{4}$	$\frac{3}{4}$
22 Electrical Elements	in	1	1
24 Preheated Secondary Air Control			
26 Preheated Secondary Air Manifold			
27 Air Vent	in	$\frac{3}{4}$	$\frac{3}{4}$
Water Volume	gal	41	62
Weight of Boiler Body	lbs	968	1,430
Weight of Jacket	lbs	88	99
Pressure Test	psi	60	60
Minimum Flue Size	in	8 x 8	8 x 12
Minimum Chimney Height	ft	20	20
Minimum Draft Required	in/WG	.05	.05

* with optional coal baffle installed



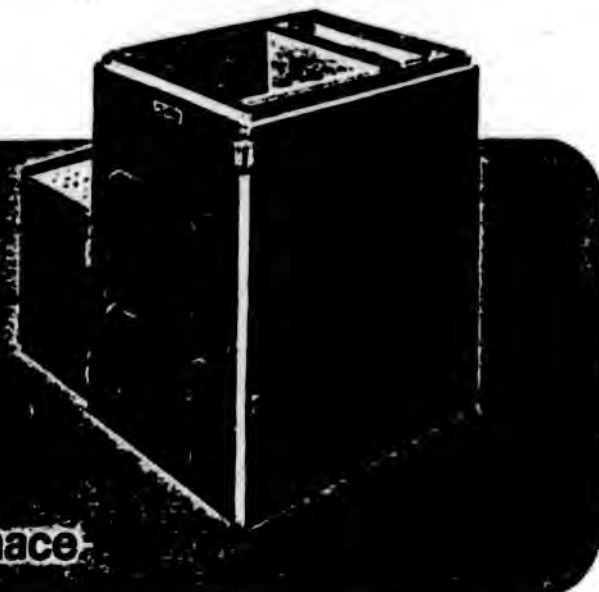
ROUTE 116, CONWAY, MA 01341



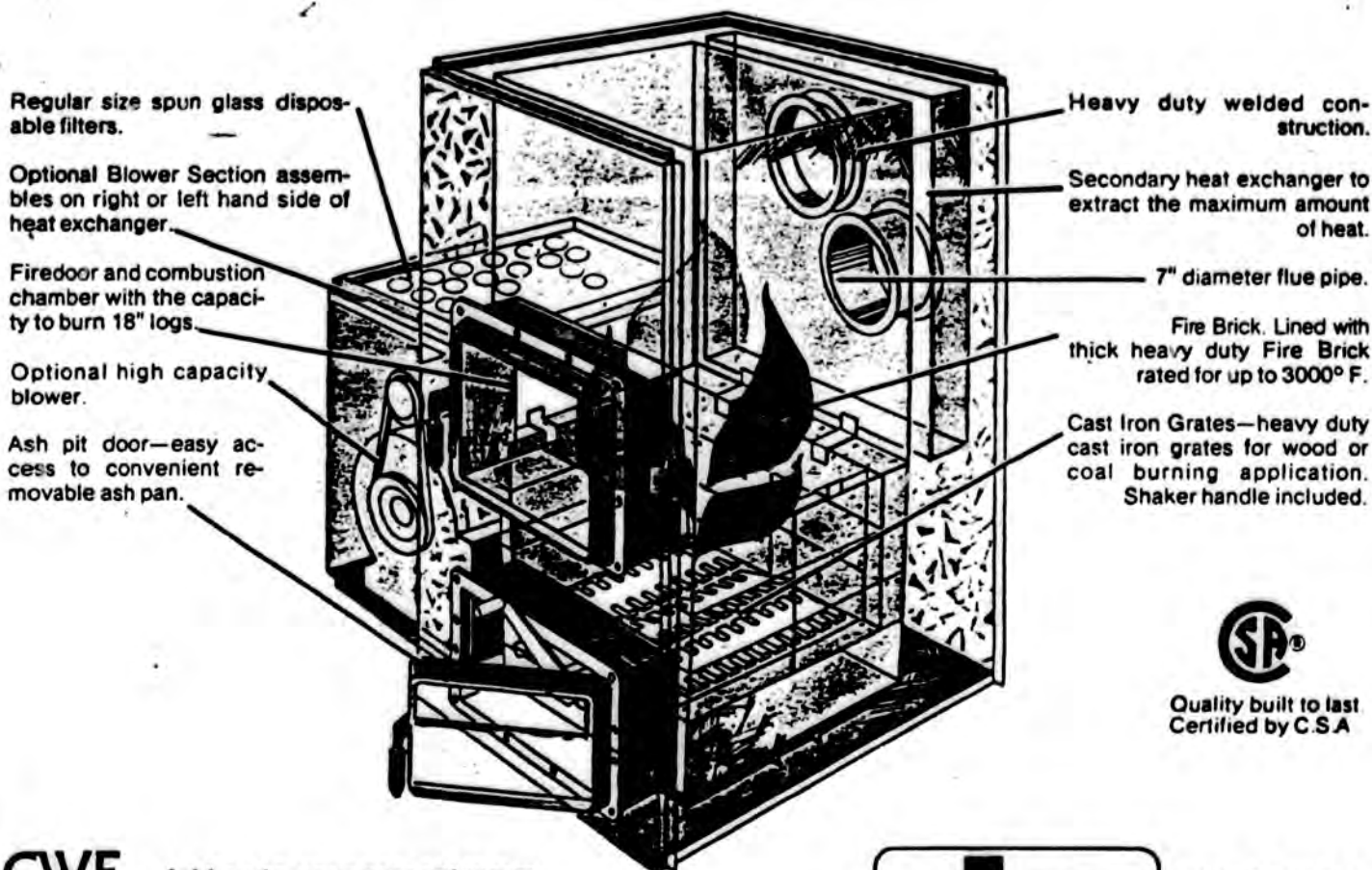
CWF

Dual-Fuel Furnace

Stops worrying about shortages and spiralling prices. Install a Duo-Matic coal and wood burning furnace.



**Burns either wood or coal,
for convenience and economy.**



Quality built to last
Certified by C.S.A

CWF —Add on to your present warm air furnace, or install as a free-standing solid fuel furnace.



**MULTI-FUEL
FURNACES**

Even heat distribution • Automatic thermostat controls •

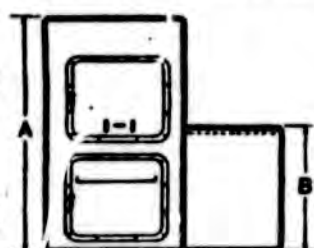
**The Largest Selling Multi-Fuel
Furnace in North America.**



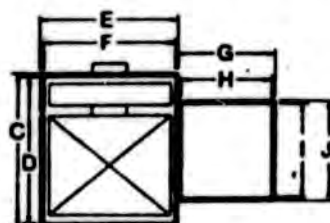
CWF SERIES

Burns wood or coal.

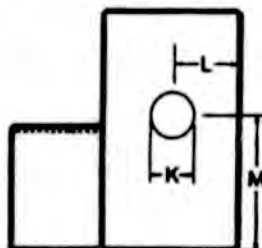
Specifications and Dimensions for CWF Furnace



FRONT VIEW



TOP VIEW



REAR VIEW

Specifications:

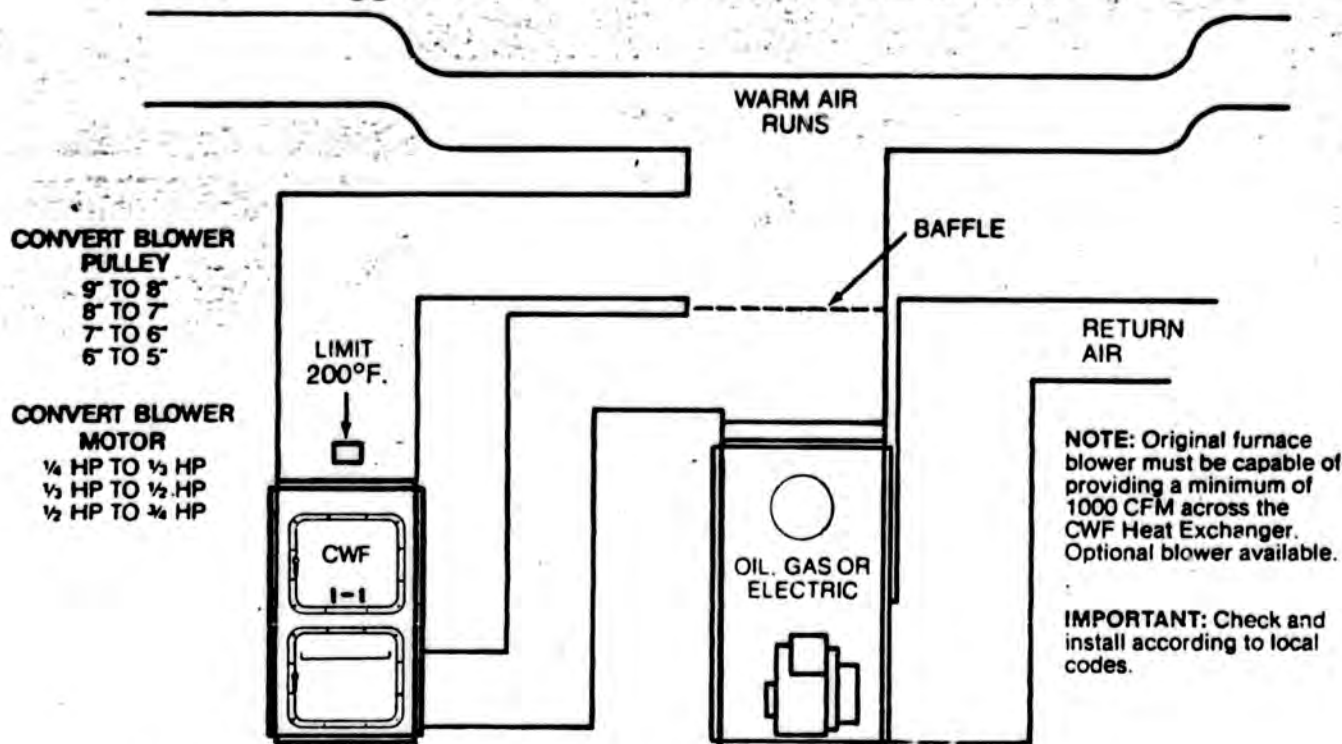
- Solid fuel combustion chamber: Fire brick lined with cast iron grates. Size: 18" x 17" x 14"
- Firing Door: 16 1/4" x 13 1/2"
- Insulated Cabinet: Foil faced mineral fibers.

- Flue outlet: 7" • Blower motor: 1/4 HP.
- Blower: CFM-1000 • Blower: 9" wheel type.
- Ex. Static: 20 • Air filter: 1 20" x 20"
- B.T.U.: Estimated max. 120,000.
- Shipping weight: Complete 625 lbs.

Dimensions:

- A = Furnace section height 52 1/2"
- B = Blower section height 30 1/2"
- C = Furnace section depth 33 1/2"
- D x F = Cold air plenum 19 1/2" w x 18 1/2" h.
- E = Furnace section width 27 1/2"
- G = Blower section width 21 1/2"
- H x I = Cold air plenum 19 1/2" w x 18 1/2" h.
- J = Blower section depth 20"
- K = Flue pipe dia. 7"
- L = Flue pipe to center furnace section 13 1/2"
- M = Flue pipe to center from floor 34 1/2"

Suggested Wood ADD-ON Duct Installation



Olsen Inc.

Duo-Matic/Olsen, Inc.
2510 Bond Street
Park Forest South, IL 60466

AVAILABLE FROM

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 28, 1983

BILL SHEFFIELD, GOVERNOR

☐ POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

☐ 225 CORDOVA STREET - BLDG B
ANCHORAGE, ALASKA 99501
PHONE: (907) 264-2294

The Honorable Rick Uehling
Representative
Alaska State Legislature
Pouch V
Juneau, AK 99811

FILE COPY

Dear Representative Uehling:

Per your request, the following information provides for a general overview of the proposed Home Ownership Assistance Fund to be created in the Department of Community and Regional Affairs.

Purpose

"The Home Ownership Assistance Fund (HOAF) will consist of money appropriated to it by the legislature. Money in the fund shall be used solely to assist persons of lower and moderate income to purchase single-family homes financed under AS 44.47.360-44.47.560 by providing a subsidy to those persons in the amount that is necessary to reduce the annual interest rate paid on the mortgage loan to six percent"...

Funding Request

The following is a breakdown of the total amount requested to fund the HOAF:

- 1) The amount requested to create the subsidy fund is \$650,000. This amount will subsidize approximately 176 loans.
- 2) The amount requested to fund the principle loan amount of 176 loan is \$15,000,000.
- 3) The amount requested as operating capital is \$226,000.

The amount requested to totally fund the HOAF is \$15,876,000. This request is based on an effective date of January 1, 1984.

Lower to Moderate Income Data

Income and housing cost data were obtained from data published by the U.S. Bureau of the Census; Alaska Statewide Housing Needs Study prepared by CH2M Hill; and loan file data or the Housing Assistance Division (HAD) of the Department of Community and Regional Affairs.

For specific data on median income levels and average housing cost for rural Alaska, see Tables 1 and 2 below.

TABLE 1

<u>Rural Income</u>	<u>% of Population</u>
- \$5,000	9.9
\$ 5,000 - 9,999	12.3
10,000 - 14,999	14.1
15,000 - 19,999	10.3
*20,000 - 24,999	9.6
**25,000 - 29,999	8.8
30,000 - 49,999	22.8
- 50,000	12.2

*Lower Income \$21,770 (9.6% of total population)

**Median Household income \$28,800 (8.8% of total population)

HOAF target income group \$20,000 to 39,000 [(five or more family members) (approximately 11.4% of population)].

Percentage of population reached by HOAF - 29.8%.

Percentage of population reached by other HAD programs - 35%.

TABLE 2

RURAL NEW CONSTRUCTION COST 1981-82

<u>Regional Cntrs.</u>	<u>Median Sq Ft Space</u>	<u>Median Land Value</u>	<u>Median Sq Ft Cost</u>	<u>Median Cost</u>
Nome	\$ 1,300	\$15,000	\$73	\$110,000
Kotzebue	1,500	19,000	65	116,000
Bethel	1,300	17,000	85	128,000
Dillingham	1,200	15,000	88	120,000
More Remote Areas	1,600	20,000	66	125,000
Overall Medians	\$1,350	\$17,000	\$75	\$118,250

Conclusions

The Home Ownership Assistance Fund will benefit approximately 29.8% of the rural population or lower to moderate income groups earning \$20,000 to \$30,000 with an extra allowance for five or more member families which will bring the maximum income limit to \$39,000.

Existing HAD programs are providing mortgage loans to approximately 43.8% of the rural population. This is based on the Division's average loan amount of \$87,500, and the income required to receive this amount. It is estimated that the criterion of the HOAF program will allow the Division to reach approximately 64% of the rural population. Based on this information, the Division will establish income limitations as follows:

Income Maximums

Adult Family Members	\$30,000
First Child	5,000
Each Addition Child	1,500
To Program Maximum of	39,000

In light of the median cost for newly constructed homes in rural Alaska (\$118,250), the Division will establish dwelling price maximums as follows:

Dwelling Price Maximum

One or Two Member Family	\$100,000
Three Member Family	105,000
Four Member Family	110,000
Five or More Member Family	120,000

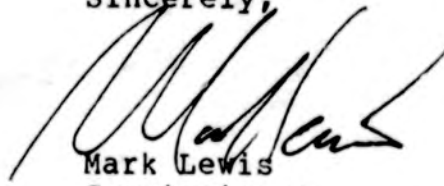
It should be noted that not all housing will cost \$100,000 - \$120,000, and that only moderate income will qualify for the maximum dwelling maximums. Lower income borrowers will qualify for less expensive housing of approximately \$75,000 - \$85,000. At this price level, lower income borrowers can qualify when the proposed subsidy schedule is applied.

The Honorable Rick Uehling
Representative
April 28, 1983
Page 4

Attached (Attachment A) is recommended language for Section 7 of CS HB302 (HSCSL) to facilitate the HOAF as outlined in this correspondence.

If we can be of any further assistance, please give me a call.

Sincerely,



Mark Lewis
Commissioner

Attachment

ATTACHMENT A

- * Sec. 7. AS 44.47 is amended by adding a new section to read:

Sec. 44.46.382. HOME OWNERSHIP ASSISTANCE FUND. (a)

There is created in the Department of Community and Regional Affairs, the home ownership assistance fund consisting of money appropriated to it by the legislature. Money in the fund shall be used solely to assist persons of lower and moderate income to purchase single-family homes financed under AS 44.47.360 -- 44.47.560 by providing a subsidy to those persons in an amount not greater than the difference between

(1) the amount annually required to pay the prevailing interest on and principal of that person's loan and real property taxes and insurance for the home purchased with the loan; and

(2) the amount annually required to pay an effective interest of 6% per annum on and principal of that person's loan and real property taxes and insurance for the home purchased with the loan.

(3) the maximum subsidy is established at the amount required to reduce a borrower's annual payment to the amount set in (2) of this section.

(4) the division shall establish maximum income to total payment ratios as related to the maximum percentage and gross income allowable to pay total payment including principle, interest taxes and insurances, as well as maximum income and dwelling prices.

(b) In this section, "persons of lower and moderate income" means individuals considered by the division to require assistance under this section because of inadequate income or other limited personal financial resources, taking into consideration

(1) the amount of total income available for housing needs;

(2) the size of the family;

(3) the cost and condition of available housing;

(4) standards established in various federal programs for determining eligibility based on income;

(5) the ability to enter the private housing market and to pay market amounts for decent, safe, and sanitary housing; and

(6) other factors considered relevant by the division.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y. State Capitol
Juneau, Alaska 99811
(907) 465-3991

May 3, 1983

MEMORANDUM

TO: Representative Rick Uehling
FROM: Leslie Longenbaugh, ^{LL}Research Staff
RE: Housing Loans: Background Information
Research Request 83-160

Bill Lovell asked that we provide the following:

1. a copy of the administrative regulations of the Alaska Housing Finance Corporation (AHFC)
 2. a book of amortization tables;
 3. the year in which the legislature set a limit of \$90,000 for the subsidized portion of loans financed through AHFC's Special Mortgage Loan Purchase Program;
 4. the median household income in rural Alaska;
 5. the mean amount of AHFC's Home Ownership Assistance mortgages, and the mean household income of borrowers; and
 6. the maximum monthly mortgage payments and maximum allowable mortgages for borrowers with annual household incomes from \$5,000 to \$50,000 in multiples of 5,000.
-
1. I have enclosed a copy of AHFC's regulations, taken from the Alaska Administrative Code, revised 1982. AHFC has promulgated additional regulations since the code was revised, but these new regulations have not yet been engrossed formally.
 2. Capital Office Supply expects to have books of amortization tables available by Wednesday at the earliest; Yukon Office Supply does not stock the books and Baranof Bookstore carries a book that covers interest rates only from 15 percent to 25 percent.
 3. In 1980, when it first enacted the Special Mortgage Loan Purchase Program, the legislature declared that "the interest rate on the first \$90,000 of a mortgage loan purchased with the proceeds of a second or subsequent issue of taxable bonds of the corporation..." would be set at the cost of the funds (AS 18.56.098 (g)(2)).

4. The most recent figures available for median income in rural Alaska are from 1979, and are published by the U.S. Bureau of the Census.¹ The bureau offers median income data for two units, the household and the family. The census bureau defines "household" to include "all the persons who occupy a housing unit"; a "family" "consists of a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption."²

According to my information, banks tend to make housing loans based on an assessment of the family's income rather than on the income of the household. I have included both in the table below.

In calculating the figures that appear in Table 1, I used the definition of rural that is presently used by the Division of Housing Assistance in awarding loans through the Rural Owner-Occupied and Rural Non-Owner-Occupied Housing Loan Programs. This definition includes all places that have fewer than 4,500 population and are outside access to Fairbanks or Anchorage by road or rail if within the second, third or fourth judicial districts (AS 44.47.560).

TABLE 1
Median Annual Income in Rural and Urban Alaska, 1979

Unit	Rural	Urban	Statewide
Household	\$15,451	\$27,650	\$25,421
Family	\$17,341	\$31,214	\$28,406

House Research Agency 5/3/83

Source: U.S. Bureau of the Census (1980)

¹ Neither the U.S. Department of Housing and Urban Development in Anchorage (271-4170) nor the Alaska Department of Labor, Division of Research and Analysis (465-4500), has more recent data.

² U.S. Department of Commerce, Bureau of the Census, 1980 Census of Population and Housing, Report PHC80-3-3, Summary Characteristics for Governmental Units and Standard Metro- politan Statistical Areas: Alaska, pages B-1 and B-2.

5. Attached is a summary sheet prepared by the staff at AHFC for the March 1983 edition of the corporation's monthly report, Selected Corporation and Program Information. You will note that the average amount of Home Ownership Assistance mortgages made between July 1982 and February 1983 is \$69,410. This compares to an average of \$90,833 for all first mortgages purchased by AHFC during this period.

The average monthly income, \$1,987 (or \$23,844 annually), for borrowers who received Home Ownership Assistance between July 1982 and February 1983 compares to an average monthly income of \$4,066 (\$48,792 annually) for all first-time homeowners who borrowed from AHFC during those months.

6. Table 2 illustrates the maximum monthly payments, calculated at 25 percent of gross earnings, and the maximum note amount over a 30-year term at these monthly payments on a loan bearing interest of 6 percent. The third column is the maximum purchase price, assuming a down payment of 5 percent.

TABLE 2
Maximum Mortgages at Selected Levels of Annual Income

Annual Income (Gross)	Maximum Monthly Payment (25% of income)	Maximum Loan Amount (30 years at 6%)	Maximum Purchase Price
\$ 5,000	\$ 104.17	\$ 17,374.68	\$ 18,243.41
10,000	208.34	34,747.70	36,485.09
15,000	312.50	52,122.38	54,728.50
20,000	416.66	69,495.39	72,970.16
25,000	520.83	86,870.08	91,213.58
30,000	625.00	104,244.76	109,456.99
35,000	729.17	121,619.44	127,700.41
40,000	833.33	138,992.46	145,942.08
45,000	937.50	155,367.14	164,185.49
50,000	1,041.67	173,741.82	182,428.91

House Research Agency, 5/3/83

If you have any questions or further needs for research, please call.

Attachments

than 10 years after the maturity of the mortgage loan, or to any earlier date at which the fee simple title will vest in the lessee, which leasehold estate is assignable or transferable if the same is subjected to the lien of the mortgage, and the term of the mortgage loan must not exceed the term of the set ground rent by more than 10 years and the leasehold estate must otherwise be acceptable to the Corporation;

(13) "mortgage" means the mortgage deed, deed of trust or other security instrument, the obligation secured thereby, the title evidence, and all other documents and other papers pertaining to the mortgage loans;

(14) "owner-occupant" means a borrower whose principal residence is the dwelling which is the subject of the mortgage loan;

(15) "permitted encumbrances" means liens, encumbrances, reservations and other imperfections of title as shall not materially impair the use or value of the premises or as to which appropriate steps have been taken to secure the interest of the Corporation; and

(16) "planned unit development (PUD)" means a real estate development which consists of separately owned lots with contiguous or noncontiguous areas or facilities usually owned by an owner's association in which the owners of the lots have a stock or membership interest which cannot be severed from the ownership of an individual unit. Title to the real estate under the dwelling units is held by the individual lot owners and not by the owner's association. The owner's association usually has title to and administers the common areas, and levies monthly charges against lot owners for common area expenses. (Eff. 2/17/82, Reg. 82)

Authority: AS 18.56.088

CHAPTER 137. RECEIPT, CUSTODY, INVESTMENT, AND MANAGEMENT OF STATE FUNDS

Article

1. Alaska Permanent Fund Corporation
(15 AAC 137.010-15 AAC 137.200)

ARTICLE 1. ALASKA PERMANENT FUND CORPORATION

Section

10. Scope of
15 AAC 137.010-15 AAC 137.200
20. (Repealed)
30. Conventional residential mortgages
40. General terms and conditions for loans and mortgages
50. General terms and conditions for certificates of deposit
60. Accounting practices
200. Definitions

15 AAC 137.010. SCOPE OF 15 AAC 137.010 - 15 AAC 137.200. 15 AAC 137.010 - 15 AAC 137.200 apply to investments of the corporation in federally guaranteed and insured loans and mortgages and conventional residential mortgages and in certificates of deposit. (Eff. 2/5/81, Reg. 77; am 8/5/82, Reg. 83)

Authority: AS 37.13.120

15 AAC 137.020. FEDERALLY GUARANTEED LOANS AND MORTGAGES. Repealed 8/5/82.

15 AAC 137.030. CONVENTIONAL RESIDENTIAL MORTGAGES. Under AS 37.13.120 (g)(16) and (17), the corporation will, in its discretion, purchase adjustable-rate conventional residential mortgages which meet the following requirements:

(1) a mortgage must be for an owner-occupied, one - to four-unit dwelling;

(2) a loan-to-value ratio must be no more than 90 percent for a single-family dwelling up to \$150,000, 80 percent for single-family dwellings over \$150,000, and 80 percent for a two- to four-unit dwelling; and

loan is sought is to be owned by a husband and wife as joint tenants and one spouse is a qualified veteran for purposes of the state guaranteed veterans' home mortgage program, the Corporation will consider both spouses as qualified veterans with regard to that loan. (Eff. 1/26/83, Reg. 85)

Authority: § 7, Ch. 35, SLA 1982
AS 18.56.050
AS 18.56.088
AS 18.56.090

15 AAC 118.580. EVIDENCE OF QUALIFICATIONS. (a) The Corporation may accept, as evidence of the satisfactory fulfillment of the requirements of 15 AAC 118.510(b)(1), an official document of the appropriate federal agency indicating that the individual has received an honorable or general discharge. If the individual has received a discharge or release other than honorable or general, the Corporation may require additional evidence to demonstrate that the discharge or release was under conditions other than dishonorable.

(b) The Corporation may seek assistance from the United States Veterans' Administration as the Corporation considers necessary or appropriate to determine whether an individual qualifies as a veteran under 15 AAC 118.500 - 15 AAC 118.580. The Corporation may accept a certification from the Veterans' Administration as evidence of an individual's qualification as a veteran for the purposes of the state guaranteed veterans' home mortgage program. However, a certification or other determination of the Veterans' Administration is not binding upon the Corporation. (Eff. 1/26/83, Reg. 85)

Authority: § 7, Ch. 35, SLA 1982
AS 18.56.050
AS 18.56.088
AS 18.56.090

15 AAC 118.900. DEFINITIONS. In 15 AAC 118.210 - 15 AAC 118.900, unless the context requires otherwise,

(1) the definitions in AS 18.56.210 apply to words used in this chapter;

(2) "act" means AS 18.56;

(3) "adjusted income per family" means total family gross income, less adjustments for

(A) the number of family members in the household;

(B) child support payments for children; and

(C) the second wage earner's income as determined from time to time by the Corporation based on standard reporting data for the State of Alaska;

(4) "appraised value" means the market value of the property securing the mortgage as estimated by an appraiser acceptable to the Corporation;

(5) "common elements" means those things which are maintained by, but not owned by, the owner's association of a condominium project. The common elements typically include, among other things, the land, roofs, floors, lobbies and community space and facilities;

(6) "condominium" means a form of ownership of real property characterized by title created by statute to a unit in a project together with an undivided real estate interest in the common elements which are a part of said project in accordance with state enabling law;

(7) "executive director" means the executive director of the Alaska Housing Finance Corporation;

(8) "FHA" means the Federal Housing Administration or its legal successors;

(9) "FNMA" means the Federal National Mortgage Association or its legal successors;

(10) "FHLMC" means the Federal Home Loan Mortgage Corporation or its legal successors;

(11) "home mortgage" or "residential mortgage" means a mortgage which is secured by real property upon which is located a dwelling unit designed for residential use and where the real estate is owned in fee simple or consists of a leasehold estate;

(12) "leasehold estate" means an estate having a remaining term running or renewable at the option of the lessee, for a period of not less

full military benefits. (Eff. 1/26/83, Reg. 85)

Authority: § 7, Ch. 35, SLA 1982

AS 18.56.050

AS 18.56.088

AS 18.56.090

15 AAC 118.530. DUTY IN NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION OR IN COAST AND GEODETIC SURVEY. A person is a qualified veteran for purposes of the state guaranteed veterans' home mortgage program if

(1) the person has served on full-time duty as a commissioned officer of the National Oceanic and Atmospheric Administration or of the Coast and Geodetic Survey

(A) after July 28, 1945; or

(B) before July 29, 1945, if

(i) the person was on transfer to the United States Army, Navy, Marine Corps, Air Force, or Coast Guard;

(ii) during time of war or national emergency declared by the President, the person was assigned to duty on a project for the United States Army, Navy, Marine Corps, Air Force, or Coast Guard in an area determined by the Secretary of Defense to be of immediate military hazard; or

(iii) the person served continuously in the Philippine Islands from December 7, 1941, to July 28, 1945; and

(2) the person satisfies the requirements of 15 AAC 118.510(b) with respect to the duty described in (1) of this section. (Eff. 1/26/83, Reg. 85)

Authority: § 7, Ch. 35, SLA 1982

AS 18.56.050

AS 18.56.088

AS 18.56.090

15 AAC 118.540. DUTY IN UNITED STATES MILITARY, AIR FORCE, COAST GUARD, OR NAVAL ACADEMY. A person is a qualified veteran for purposes of the state guaranteed veterans' home mortgage program if

(1) the person has served as a cadet at the United States Military, Air Force, or Coast Guard Academy or as a midshipman at the United States Naval Academy; and

(2) the person satisfies the requirements of 15 AAC 118.510(b) with respect to the duty described in (1) of this section. (Eff. 1/26/83, Reg. 85)

Authority: § 7, Ch. 35, SLA 1982

AS 18.56.050

AS 18.56.088

AS 18.56.090

15 AAC 118.550. DUTY IN ALASKA NATIONAL GUARD OR AIR NATIONAL GUARD. A person is a qualified veteran for purposes of the state guaranteed veterans' home mortgage program if

(1) the person has served in the Alaska National Guard or Air National Guard under 32 U.S.C. §§ 316, 502, 503, 504, or 505 (or a prior corresponding provision of law);

(2) the person was disabled from a disease or injury incurred or aggravated in the line of that duty; and

(3) the person satisfies the requirements of 15 AAC 118.510(b) with respect to the duty described in (1) of this section. (Eff. 1/26/83, Reg. 85)

Authority: § 7, Ch. 35, SLA 1982

AS 18.56.050

AS 18.56.088

AS 18.56.090

15 AAC 118.560. TRAVEL TO OR FROM DUTY. For the purposes of 15 AAC 118.510 – 15 AAC 118.550, "duty" or "service" includes authorized travel to and from the duty or service. (Eff. 1/26/83, Reg. 85)

Authority: § 7, Ch. 35, SLA 1982

AS 18.56.050

AS 18.56.088

AS 18.56.090

15 AAC 118.570. SPOUSES. A spouse of a qualified veteran is not a qualified veteran for purposes of the state guaranteed veterans' home mortgage program unless the spouse also qualifies under 15 AAC 118.510 – 15 AAC 118.580. However, if the residence for which a

aggravated in the line of duty as a member of a reserve component of the United States Army, Navy, Marine Corps, Air Force, or Coast Guard if

(A) the duty was other than full-time duty and was prescribed for the reserve component of which the person was a member by the appropriate United States Secretary under 37 U.S.C. § 206 or another law; or

(B) the duty was part of special additional duties authorized for the reserve component of which the person was a member by an authority designated by the appropriate United States Secretary and was performed by the person on a voluntary basis in connection with the prescribed training or maintenance activities of the reserve component to which the person was assigned.

(b) In addition to the requirements of (a) of this section, a person is a qualified veteran for purposes of the state guaranteed veterans' home mortgage program if the person

(1) has retired or been discharged or released from the duty described in (a) of this section under conditions other than dishonorable; or

(2) has not retired or been discharged or released from the duty described in (a) of this section but

(A) has completed his or her initial period of duty; and

(B) would have been entitled to a discharge or release under conditions other than dishonorable at the end of his or her initial period of duty.

(c) A person is not a qualified veteran under (a)(2) of this section if the duty served by the person was as a temporary member of the Coast Guard Reserve.

(d) A person is not a qualified veteran under (a)(3) of this section if the duty served by the person consisted of

(1) work or study performed in connection with correspondence courses;

(2) attendance at an educational institution in an inactive status; or

(3) duty performed as a temporary member of the Coast Guard Reserve. (Eff. 1/26/83, Reg. 85)

Authority: § 7, Ch. 35, SLA 1982

AS 18.56.050

AS 18.56.088

AS 18.56.090

15 AAC 118.520. DUTY IN PUBLIC HEALTH SERVICE. (a) A person is a qualified veteran for purposes of the state guaranteed veterans' home mortgage program if the person satisfies the requirements of 15 AAC 118.510(b) with regard to the duty described in this section and if

(1) the person has served on full-time duty, other than for training purposes, as a commissioned officer of the Public Health Service, or of the Reserve Corps of the Public Health Service, after July 28, 1945, or, if the duty occurred before July 29, 1945, under circumstances affording entitlement to full military benefits;

(2) the person has served on full-time duty for training purposes as a commissioned officer of the Reserve Corps of the Public Health Service at the times and under the circumstances required by (1) of this subsection and the person was disabled from a disease or injury incurred or aggravated in the line of that duty; or

(3) subject to the limitations in 15 AAC 118.510(d), the person was disabled from a disease or injury incurred or aggravated in the line of duty as a commissioned officer of the Reserve Corps of the Public Health Service under the circumstances described in 15 AAC 118.510 (a)(3)(A) and (B).

(b) For the purposes of (a) of this section, the Corporation will, in its discretion, seek the assistance of the Veterans' Administration in determining whether an individual's service before July 29, 1945, in the Public Health Service was under circumstances affording entitlement to

off) on the residence securing the mortgage note at any time prior to the execution of the mortgage. For purposes of this section, the replacement of

- (1) construction period loans;
- (2) bridge loans or similar temporary initial financing; and
- (3) in the case of a qualified rehabilitation, an existing mortgage,

shall not be treated as the acquisition or replacement of an existing mortgage. Generally, temporary initial financing is any financing which has a term of 24 months or less.

(b) Second lien mortgage loans may be purchased under 15 AAC 118.490 – 15 AAC 118.580 to the extent such loans are allowable under applicable federal law and comply with the provisions of 15 AAC 118.420 and 15 AAC 118.425. (Eff. 1/26/83, Reg. 85)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.494. PURCHASE OF QUALIFIED VETERANS' MORTGAGE LOANS FROM SELLER/SERVICERS. In addition to the terms and conditions fixed by 15 AAC 118.260 for the purchase of mortgage loans from the originating mortgage lender ("seller/servicer"), the sales and servicing agreement between seller/servicer and the Corporation and the seller/servicer guide will provide for reasonable periodic inspection by, and other reasonable procedures, including reasonable investigations by, the seller/servicer to assure that the mortgage loans purchased comply with the Temporary Regulations. The sales and servicing agreement shall contain covenants by the seller/servicer designed to assure compliance with the Temporary Regulations. (Eff. 1/26/83, Reg. 85)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.500. VETERANS. As provided in sec. 7, ch. 35 SLA 1982, "qualifying veteran," for the purposes of the State Guaranteed Veterans' Home Mortgage Program, has the meaning provided for the term "qualified veteran" under the Mortgage Subsidy Bond Tax Act of 1980 (94 Stat. 2660 – 2680). Temporary

regulations of the Internal Revenue Service (Sec. 6a.103A-3(c), as published in the Federal Register, Vol. 46, no. 126, Wednesday, July 1, 1981, page 34324) have implemented the Mortgage Subsidy Bond Tax Act by defining "veteran" to have the meaning provided in 38 U.S.C. 101(2). There is no definition of "qualified veteran" under the Mortgage Subsidy Bond Tax Act or the regulations adopted under that Act. The Corporation will accept as a "qualified veteran" a person who meets the definition of "veteran" as established in the temporary regulation of the Internal Revenue Service described above. The provisions of 15 AAC 118.500 – 15 AAC 118.580 are intended to interpret and clarify the temporary regulation. However, sec. 7, ch. 35, SLA 1982, incorporates by reference future amendments to the definition of "qualified veteran" under the Mortgage Subsidy Bond Tax Act. Therefore, to the extent that the temporary regulation of the Internal Revenue Service referred to above is amended or replaced by another regulation, the provisions of the later amendment or replacement prevail over contrary provisions in 15 AAC 118.510 – 15 AAC 118.580. (Eff. 1/26/83, Reg. 85)

Authority: § 7, Ch. 35, SLA 1982
AS 18.56.050
AS 18.56.088
AS 18.56.090

15 AAC 118.510. DUTY IN ARMED FORCES. (a) A person is a qualified veteran for purposes of the state guaranteed veterans' home mortgage program if the person satisfies the requirements of (b) of this section and if

(1) the person has served on full-time duty, other than for training, in the United States Army, Navy, Marine Corps, Air Force, or Coast Guard or in a reserve component of the United States Army, Navy, Marine Corps, Air Force, or Coast Guard;

(2) subject to (c) of this section, the person has served on full-time duty for training purposes in a reserve component of the United States Army, Navy, Marine Corps, Air Force, or Coast Guard and was disabled from a disease or injury incurred or aggravated in the line of that duty; or

(3) subject to (d) of this section, the person was disabled from a disease or injury incurred or

rehabilitation of the residence with the acquisition cost of the residence to the mortgagor. The total expenditures made by the seller for rehabilitation do not include the cost of acquiring the building or land but do include all amounts directly expended by the seller in rehabilitating the building (excluding overhead and other indirect charges). (Eff. 9/17/81, Reg. 80)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.430. QUALIFIED MORTGAGE LOANS. (a) First lien mortgage loans may be purchased under 15 AAC 118.400 – 15 AAC 118.450 only if made to persons who did not have a mortgage (whether or not paid off) on the residence securing the mortgage note at any time prior to the execution of the mortgage. For purposes of this section, the replacement of

(1) construction period loans;

(2) bridge loans or similar temporary initial financing; and

(3) in the case of a qualified rehabilitation, an existing mortgage,

shall not be treated as the acquisition or replacement of an existing mortgage. Generally, temporary initial financing is any financing which has a term of 24 months or less.

(b) Second lien mortgage loans may be purchased under 15 AAC 118.400 – 15 AAC 118.450 to the extent such loans are allowable under applicable Federal law and comply with the provisions of 15 AAC 118.420 and 15 AAC 118.425. (Eff. 9/17/81, Reg. 80; am 2/17/82, Reg. 82)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.440. LOAN TERMS. Repealed 2/17/82.

15 AAC 118.450. PURCHASE OF QUALIFIED MORTGAGE LOANS FROM SELLER/SERVICERS. In addition to the terms and conditions fixed by 15 AAC 118.260 for the purchase of mortgage loans from the originating mortgage lender ("seller/servicer"), the sales and servicing agreement between seller/servicer and the Corporation and the seller/servicer guide will

provide for reasonable periodic inspection by, and other reasonable procedures, including reasonable investigations by the seller/servicer to assure that the mortgage loans purchased comply with the requirements of the Temporary Regulations. The sales and servicing agreement shall contain covenants by the seller/servicer designed to assure compliance with the Temporary Regulations. (Eff. 9/17/81, Reg. 80; am 2/17/82, Reg. 82)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.490. QUALIFIED VETERANS' MORTGAGE BOND PROGRAM (SPECIAL MORTGAGE LOAN PURCHASE PROGRAM).

(a) 15 AAC 118.490 – 15 AAC 118.580 are adopted to permit the Corporation to issue qualified mortgage bonds as described under Section 103A(c)(3) of the Internal Revenue Code and the Temporary Regulations published in the Federal Register with respect thereto (herein called the "Temporary Regulations") and to define and describe mortgages eligible to be financed with the proceeds of qualified veterans' mortgage bonds as part of the special mortgage loan purchase program of the Corporation (herein called the "program"). These sections are intended to establish procedures to ensure compliance with the mortgage eligibility provisions referred to in the Temporary Regulations.

(b) A person is eligible under the program for a residential mortgage loan which is eligible for purchase by the Corporation under the act if

(1) the person is a qualified veteran as described in 15 AAC 118.500 – 15 AAC 118.580;

(2) the residential mortgage loan will finance a single-family, owner-occupied residence as the term "single-family, owner-occupied residence" is used and described in 15 AAC 118.405. (Eff. 1/26/83, Reg. 85)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.492. QUALIFIED VETERANS' MORTGAGE LOANS. (a) First lien mortgage loans may be purchased under 15 AAC 118.490 – 15 AAC 118.580 only if made to persons who did not have a mortgage (whether or not paid

previously have been provided, whether or not by the same lender provided that

(A) the prior loan or loans have been repaid; and

(B) if any person who had a present ownership interest in such residence at the time the previous qualified home improvement loan or loans were made has a present ownership interest in the residence at the time the subsequent qualified home improvement loan is made, then the allowable amount of the subsequent qualified home improvement loan shall be reduced by the amount, at origination, of any previous qualified home improvement loan, so that the sum of such loans does not exceed \$15,000. (Eff. 9/17/81, Reg. 80; am 2/17/82, Reg. 82)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.425. QUALIFIED REHABILITATION LOAN. A person is eligible under the program for a qualified rehabilitation loan as provided in this section

(1) The term "qualified rehabilitation loan" means any owner financing provided in connection with

(A) A qualified rehabilitation; or

(B) The acquisition of a residence with respect to which there has been a qualified rehabilitation;

but only if the mortgagor to whom such financing is provided is the first resident of the residence after completion of the rehabilitation. Where there are two or more mortgagors of a rehabilitation loan, the first residency requirement is met if any of the mortgagors meets the first residency requirement.

(2) The term "qualified rehabilitation" means any rehabilitation of a residence if

(A) there is a period of at least 20 years between the date on which the building was first used and the date on which physical work on such rehabilitation begins;

(B) 75 percent or more of the existing external walls of such building are retained in place as external walls in the rehabilitation process; and

(C) the expenditures for such rehabilitation are 25 percent or more of the mortgagor's adjusted basis in the residence (including the land on which the residence is located).

(3) For purposes of (1)(A) and (B), the rules applicable to the investment tax credit for qualified rehabilitated buildings under section 48(g)(1)(A)(iii) and (B) of the Internal Revenue Code shall apply. However, unlike section 48(g)(1)(B), once a building meets the 20-year test, more than one rehabilitation of that building within a 20-year period may qualify as a qualified rehabilitation.

(4) The adjusted basis to the mortgagor is the mortgagor's adjusted basis for purposes of determining gain or loss on the sale or exchange of a capital asset (as defined in section 1221 of the Internal Revenue Code). The mortgagor's adjusted basis shall be determined as of the date of completion of the rehabilitation, or, if later, the date the mortgagor acquires the residence, i.e., the date on which the mortgagor includes in basis any amounts expended for rehabilitation that are expended for capital assets.

(5) The amounts expended by the mortgagor for rehabilitation include all amounts expended for rehabilitation regardless of whether the amounts expended were financed from the proceeds of the loan or from other sources, and regardless of whether the expenditure is capital expenditure, so long as the expenditure is made during the rehabilitation of the residence and is reasonably related to the rehabilitation of the residence. The value of services performed by the mortgagor or members of the mortgagor's family (as used in 15 AAC 118.415) in rehabilitating the residence will not be included in determining the rehabilitation expenditures for purposes of the 25-percent test.

(6) Where a mortgagor purchases a residence that has been substantially rehabilitated, the 25-percent test is determined by comparing the total expenditures made by the seller for the

the mortgagor for at least two years prior to the date on which construction of the residence begins.

(c) The term "specified percent" as used in this section is the percentage fixed by Section 103A of the Internal Revenue Code, as amended, and applied to the average area purchase price calculations as a requirement for the use of proceeds of qualified mortgage bonds, and that percentage is 90 percent for qualified mortgage bonds issued prior to September 3, 1982 and 110 percent for qualified mortgage bonds issued thereafter. (Eff. 9/17/82, Reg. 80; am 10/27/82, Reg. 84)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.417. ALLOCATION OF PROCEEDS AFTER SEPTEMBER 3, 1982. (a) Proceeds available to mortgagors who do not meet the qualifications described in 15 AAC 18.410 (a) will be allocated as follows and in the following sequence depending upon availability of proceeds:

(1) to mortgagors eligible for receipt of funds under the Corporation's home ownership assistance program or such other programs as the Corporation may from time to time establish for handicapped persons and which programs are designated as eligible hereunder by the executive director;

(2) if the executive director determines that mortgagors under the home ownership assistance program or other programs described in (1) of this subsection are not utilizing proceeds in a timely fashion, to mortgagors with a lower or moderate income not otherwise eligible under the qualified mortgage loan program, the home ownership assistance program, or the other programs described in (1) of this subsection;

(3) if the executive director determines that proceeds are not being utilized in a timely fashion for mortgagors eligible under (1) and (2) of this subsection, to any other mortgagor.

(b) Mortgagors who are eligible for funds under the home ownership assistance program and who would meet the qualifications for the qualified mortgage bond program described in 15 AAC 118.410(a) must apply for financing

under qualified mortgage bond program procedures prescribed by the Corporation and may not apply through the home ownership assistance program for proceeds made available under (a)(1) of this section.

(c) Subject to the priorities set forth in (a) of this section, the executive director may prescribe rules for the availability and allocation of proceeds available for mortgagors who become eligible for financing under the qualified mortgage bond program by operation of 15 AAC 118.410(d) and this section.

(d) The executive director may prescribe rules for the allocation of proceeds from qualified mortgage bonds subject to different computations for the "specified percent" of the average area purchase price as set forth in 15 AAC 118.415(c). (Eff. 10/27/82, Reg. 84)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.420. QUALIFIED HOME IMPROVEMENT LOANS. A person is eligible under the program for a qualified home improvement loan as provided in this section.

(1) The term "qualified home improvement loan" means a mortgage loan, in an amount which does not exceed \$15,000 with respect to any residence, which finances alterations, repairs, and improvements on, or in connection with, an existing single-family, owner-occupied residence by the owner thereof, but only if such items substantially protect or improve the basic livability or energy efficiency of the residence.

(2) Alterations, repairs, or improvements that satisfy the requirement of subdivision (1) include the renovation of plumbing or electric systems, the installation of improved heating or air conditioning systems, the addition of living space, or the renovation of a kitchen area. Items that will not be considered to substantially protect or improve the basic livability of the residence include swimming pools, tennis courts, saunas, or other recreational or entertainment facilities.

(3) A qualified home improvement loan may be made to a borrower for a residence for which one or more qualified home improvement loans

(3) pursuant to the provisions of 15 AAC 118.417. (Eff. 9/17/82, Reg. 80; am 10/27/82, Reg. 84)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.415. PURCHASE PRICE REQUIREMENTS. (a) The acquisition cost, as herein defined, of each single-family residence may not exceed the "specified percent" of the average area purchase price of the statistical area in which one residence being financed is located as determined by the executive director in accordance with the Temporary Regulations. The executive director shall determine the average area purchase price separately with respect to (1) residences which have not been previously occupied, (2) residences which have been previously occupied, (3) one-family residences, and (4) two-family residences. The executive director may adopt the average area purchase-price limitations published by the Treasury Department for the statistical area in which a residence is located which are referred to in the Temporary Regulations as the "Safe Harbor Regulations." The term "acquisition cost" means the cost of acquiring a residence from the seller as a completed residential unit. The determination whether a particular residence meets the purchase-price requirements shall be made as of the date on which the commitment to provide the financing is made, or if earlier, the date of purchase of the residence. The term "acquisition cost" includes the following:

(A) all amounts paid, either in cash or in any kind, by the purchaser (or related party or for the benefit of the purchaser) to the seller (or related party or for the benefit of the seller) as consideration for the residence;

(B) If a residence is incomplete, the reasonable cost of completing the residence whether or not the cost of completing construction is to be financed with bond proceeds. For example, where a mortgagor purchases a building which is so incomplete that occupancy of the building is not permitted under local law, the acquisition cost includes the costs of completing the building so that occupancy of the building is permitted;

(C) Where a residence is purchased subject to a ground rent, the capitalized value of the ground rent. Such value shall be calculated using a discount rate equal to the yield on the issue of bonds as defined in the Temporary Regulations.

(b) The term "acquisition cost" does not include the following:

(1) The usual and reasonable settlement or financing costs. Settlement costs include titling and transfer costs, title insurance, survey fees, or other similar costs. Financing costs include credit reference fees, legal fees, appraisal expenses, "points" which are paid by the buyer (but not the seller, even though borne by the mortgagor through a higher purchase price) or other costs of financing the residence. However, such amounts will be excluded in determining acquisition cost only to the extent that the amounts do not exceed the usual and reasonable costs which would be paid by the buyer where financing is not provided through a qualified mortgage bond issue. For example, if the purchaser agrees to pay to the seller more than a pro rata share of property taxes, such excess shall be treated as part of the acquisition cost of a residence;

(2) The value of services performed by the mortgagor or members of the mortgagor's family in completing the residence. For purposes of the preceding sentence, the family of an individual shall include only the individual's brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants. For example, where the mortgagor builds a home alone or with the help of family members, the acquisition cost includes the cost of materials provided and work performed by subcontractors (whether or not related to the mortgagor) but does not include the imputed cost of any labor actually performed by the mortgagor or a member of the mortgagor's family in constructing the residence. Similarly, where the mortgagor purchases an incomplete residence, the acquisition cost includes the cost of material and labor paid by the mortgagor to complete the residence but does not include the imputed value of the mortgagor's labor or the labor of the mortgagor's family in completing the residence.

(3) The cost of land which has been owned by

considered a principal residence. The term "residence" does not include property such as an appliance, a piece of furniture, a radio, etc., which under Alaska law is not a fixture. Land appurtenant to a residence shall be considered as part of the residence only if such land reasonably maintains the basic livability of the residence and does not provide, other than incidentally, a source of income to the mortgagor. Land appurtenant to a residence is not included in the definition of "residence" if the land may be further subdivided under zoning or platting regulations in effect at the time of the making of the mortgage loan. (Eff. 9/17/81, Reg. 80)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.410. OWNERSHIP REQUIREMENTS. (a) Except as provided in (d) of this section, each of the mortgagors to whom owner financing (i.e., financing to acquire a residence under 15 AAC 118.405) is provided must meet the requirements of this paragraph. A mortgagor meets the requirements of this paragraph only if the mortgagor had no present ownership interest in a principal residence located anywhere at any time during the three-year period prior to the date on which the mortgage is executed. For purposes of the preceding sentence, the mortgagor's interest in the residence with respect to which the financing is being provided shall not be taken into account. In the event there is more than one mortgagor with respect to a particular residence, each of the mortgagors must meet the three-year requirement. A person who is liable under a note secured by a mortgage, but who does not have a present ownership interest in a residence subject to the mortgage, need not meet the three-year requirement. For example, where a parent of a home purchaser co-signs the note for a child, but the parent takes no interest in the residence, it is not necessary that the parent meet the three-year requirement since the parent is not a mortgagor of the residence. Examples of interest which constitute present ownership interest are the following:

- (1) a fee simple interest;
- (2) a joint tenancy, a tenancy in common, or a tenancy by the entirety;
- (3) a life estate;

(4) a land contract (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some time later; and

(5) an interest held in trust for the mortgagor (whether or not created by the mortgagor) that would constitute a present ownership interest if held directly by the mortgagor.

(b) Examples of interests which do not constitute present ownership interests are the following:

- (1) a remainder interest;
- (2) a lease with or without an option to purchase;
- (3) a mere expectancy to inherit an interest in a principal interest;
- (4) the interest that a purchaser of a residence acquires on execution of a purchase contract; and
- (5) an interest in other than a principal residence during the previous three years.

(c) The Corporation will require proof by affidavit of mortgagors of eligibility and compliance with the above requirements and will establish other procedures to ascertain eligibility and compliance with the requirements.

(d) Mortgagors who do not meet the qualifications described in (a) of this section are eligible under the qualified mortgage bond program

(1) to the extent permitted under Section 103A of the Internal Revenue Code, as amended, and any Temporary Regulations with respect thereto;

(2) to the extent of availability of

(A) 10 percent of the lendable proceeds of qualified mortgage bonds issued prior to September 3, 1982 which are uncommitted on that date; and

(B) 10 percent of the lendable proceeds of qualified mortgage bonds issued after September 3, 1982; and

15 AAC 118.344. FAIRBANKS NORTH STAR BOROUGH PROGRAM. A portion of the special mortgage loan purchase program may be implemented in the Fairbanks North Star Borough by the Corporation with the proceeds of \$35,000,000 bonds of the Borough which are tax-exempt under Section 1104(b)(4) of the Mortgage Subsidy Bond Tax Act of 1980, and with amounts appropriated to the Corporation for the special mortgage loan purchase program. The provisions of this chapter which implement the special mortgage loan purchase program shall govern the portion of the program to be implemented in the Fairbanks North Star Borough, except that the mortgage loans purchased with the proceeds of bonds shall be secured by real property and owner-occupied residences located only in the Fairbanks North Star Borough, and shall be originated and serviced by seller/servicers with originating and servicing capacity in the Borough. The details of the portion of the special mortgage loan purchase program to be implemented in the Borough including, without limitation, the amount of the appropriation to be used by the Corporation in connection therewith, shall be fixed by agreement between the Corporation and the Borough. The agreement may be part of a trust indenture securing the bonds between the Borough, the Corporation and the Trustee. (Eff. 6/30/80, Reg. 78; am 4/29/82, Reg. 82)

Authority: AS 18.56.088
AS 18.56.090
AS 18.56.098

15 AAC 118.345. DEFINITIONS. Repealed 2/17/82.

15 AAC 118.400. QUALIFIED MORTGAGE BOND PROGRAM (SPECIAL MORTGAGE LOAN PURCHASE PROGRAM). 15 AAC 118.400 - 15 AAC 118.450, are adopted to permit the Corporation to issue qualified mortgage bonds as described under Section 103A(c)(1) and (c)(2) of the Internal Revenue Code and the Temporary Regulations published in the Federal Register with respect thereto (herein called the "Temporary Regulations") and to define and describe mortgages eligible to be financed with the proceeds of qualified mortgage bonds as part of the special mortgage loan purchase program of the Corporation (herein called the "program"). These sections are intended to establish procedures to ensure

compliance with the mortgage eligibility provisions referred to in the Temporary Regulations. (Eff. 9/17/81, Reg. 80; am 2/17/82, Reg. 82; am 10/27/82, Reg. 84; am 1/26/83, Reg. 85)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.405. SINGLE-FAMILY RESIDENCES. A person is eligible under the program for a residential mortgage loan which is eligible for purchase by the Corporation under the act to finance the purchase of a single-family, owner-occupied residence, including a condominium, PUD project unit or a duplex (in 15 AAC 118.405 - 15 AAC 118.450 called "residence"). As used in 15 AAC 118.405 - 15 AAC 118.450, "single-family, owner-occupied residence" includes a duplex if one unit of the duplex is occupied by the owner of the duplex and the duplex was first occupied as a residence at least five years before the mortgage is executed. The residence must be a single-family residence which, at the time the mortgage is executed by the mortgagor, can reasonably be expected by the Corporation to become the principal residence of the mortgagor within a reasonable time after the financing is provided. The residence must be located within the State of Alaska. The Corporation will prescribe the form of an affidavit to be signed by each mortgagor of his intent to use the residence as his principal residence within a reasonable time not exceeding 60 days, after the financing is provided and will establish other procedures to ensure that the requirement is met. Whether a residence is used as a principal residence will depend on all the facts and circumstances of each case, including the good faith of the mortgagor. Except for duplexes, a residence which can reasonably be expected to be used in a trade or business, as an investment property, or as a recreational home, will not be

(ii) the sum necessary to reduce the monthly payments of principal and interest on the mortgage loan, together with taxes, hazard insurance, mortgage insurance and any homeowner association fees (less any utility expenses included in those fees) with respect to the property, to 28 percent of gross income per household;

(C) the sum necessary to reduce the monthly payments of principal and interest on the mortgage loan to 20 percent of gross income per household;

(2) the term for a mortgage loan with respect to which there is a home ownership assistance agreement must be the maximum term allowed under the Corporation's program providing financing for the home or the remaining economic life of the property, whichever is less;

(3) the remaining economic life of the property must be at least 20 years;

(4) the sales price or appraised value on a home to be financed with a mortgage loan with respect to which there is a home ownership assistance agreement shall not exceed the following:

(A) \$80,000 for a one or two member family;

(B) \$85,000 for a three-member family;

(C) \$90,000 for a four-member family;

(D) \$100,000 for a five or more member family;

(5) the loan-to-value ratio for a mortgage loan with respect to which there is a home ownership assistance agreement shall not exceed 95 percent.

(6) the borrower shall be required to enter into a home ownership assistance agreement with the Corporation which shall contain periodic income-review requirements in the form required by the Corporation including, without limitation, provisions reducing or eliminating assistance depending on

(A) application of the assistance formula of paragraph (c)(1) of this section;

(B) a formula or other method based on the amount available for assistance from income or revenues of the home ownership fund;

(7) when the term of a home ownership assistance agreement, which is originally executed by a borrower on or after February 1, 1983, expires as provided in (c)(6) of this section, a new home-ownership assistance agreement may be entered pursuant to the terms of (c) of this section, but the assistance amount under a new agreement may not exceed the assistance amount allowed under the previous agreement;

(8) after February 1, 1983, the Corporation will not enter into a home ownership assistance agreement with a borrower who has not previously obtained a loan prior to that date under the home ownership assistance program if the amount of assistance is determined to be less than \$50 per month.

(d) A home ownership assistance agreement is personal to the borrower and may not be assigned.

(e) No secondary financing of a mortgage loan with respect to which there is a home ownership assistance agreement is permitted.

(f) As used in this section

(1) "family" means those individuals executing the mortgage note and deed of trust, and their dependents who occupy the residence on a permanent basis;

(2) "household" means all persons who may or may not be members of the family and who occupy the residence on a permanent basis as full or part-time residents. (Eff. 12/15/80, Reg. 78; am 9/17/81, Reg. 81; am 1/26/83, Reg. 85)

Authority: AS 18.56.091

15 AAC 118.325. MINIMUM CONSTRUCTION STANDARDS AND STANDARD DEVIATIONS. Repealed 2/17/82.

15 AAC 118.330. IMPROVEMENT OR REHABILITATION. Repealed 2/17/82.

15 AAC 118.335. APPEALS PROCEDURE. Repealed 2/17/82.

15 AAC 118.340. SERVICING FEE. Repealed 2/17/82.

15 AAC 118.342. HOME OWNERSHIP ASSISTANCE PROGRAM. (a) The home ownership assistance program exists solely to assist persons of lower and moderate income to purchase homes financed with a mortgage loan purchased by the Corporation under 15 AAC 118.300 – 15 AAC 118.345. Except as provided in this section, the same limitations and conditions otherwise applicable under 15 AAC 118.300 – 15 AAC 118.345 apply to mortgage loans where the borrower is eligible for home ownership assistance under this section.

(b) A person is eligible for home ownership assistance for the purchase of a single-family residence, including a condominium or PUD unit, after having met general borrower loan qualifications of the Corporation and those of this section. To be eligible

(1) the borrower must be a person of lower or moderate income, which is defined to be persons with gross income per household not exceeding the income limits per household size when calculated as follows:

(A) There shall be a Base Income Limit of \$26,000 per household.

(B) The income limit shall be the Base Income Limit of \$26,000 per year plus the following amounts for members of the household:

(i) nothing for one adult;

(ii) \$1,000 for each additional adult beyond one adult;

(iii) \$5,000 for one child;

(iv) \$7,500 for two children; and

(v) \$1,000 for each additional child beyond two children.

(2) the household must not own assets of value exceeding two times the applicable income limit for the household size set forth in (b)(1) of this section; if a member of the household is 65 years old or over the household must not own assets of value exceeding three times the applicable income limit for the household size set forth in (b)(1) of this section.

(c) The terms for home ownership assistance are as follows:

(1) mortgage payments may be partially subsidized by the home ownership fund in an amount not to exceed the lesser of the following amounts:

(A) for borrowers who first executed a home ownership assistance agreement prior to February 1, 1983

(i) the sum necessary to reduce the borrower's monthly payments of principal and interest on the mortgage loan to the amounts payable as if the mortgage loan were a level debt-service loan bearing interest at the rate of six percent a year; or

(ii) the sum necessary to reduce the borrower's monthly payments of principal and interest on the mortgage, together with taxes, hazard insurance, mortgage insurance and homeowner association fees if any with respect to the property to 25 percent of gross income per family;

(B) for borrowers who first executed a home ownership assistance agreement on or after February 1, 1983

(i) the sum necessary to reduce the monthly payments of principal and interest on the mortgage loan to the amounts payable as if the mortgage loan were a level debt-service loan bearing interest at the rate of six percent a year; or

planned unit development (herein called a "single-family residence") or a duplex shall be as set forth in this paragraph:

(A) The loan-to-value ratio on a mortgage loan for a single-family residence and a duplex shall not exceed 95 percent.

(B) The loan amount on a mortgage loan for a single-family residence shall not exceed \$160,500.

(C) The loan amount on a mortgage loan for a duplex shall not exceed \$205,200.

(D) The loan amount on a mortgage loan guaranteed by the Veterans Administration for a single-family residence and a duplex shall not exceed \$135,000.

(E) The amount of the guarantee plus the downpayment on a mortgage loan guaranteed by the Veterans Administration for a single-family residence and a duplex must equal 25 percent of the value of the single-family residence or the duplex.

(F) The loan amount on a mortgage loan insured by the FHA for a single-family residence shall not exceed \$101,250.

(G) The loan amount on a mortgage loan insured by the FHA for a duplex shall not exceed \$114,000.

(H) The downpayment and loan-to-value ratios of mortgage loans insured by the FHA shall be as required by FHA.

(2) The limitations provided in (b)(1) of this section are applicable to a first lien mortgage loan. The limitations as to amount of loan shall also limit the amount of a second lien mortgage loan, provided that in computing the amount of a second lien mortgage loan any first lien mortgage loan shall be deducted. The loan-to-value ratio of a second lien mortgage loan shall be as fixed in the Act. All loan-to-value ratios and maximum lien amounts shall be reduced if Federal National Mortgage Association, Veterans Administration or FHA limits are reduced for Alaska.

(c) One unit of a duplex, triplex, or four-plex

must be owner-occupied for a residential mortgage loan to finance the purchase of that duplex, triplex or four-plex to be eligible for purchase by the Corporation.

(d) For triplexes and four-plexes, loans purchased as part of the special mortgage loan purchase program

(1) must constitute a first lien on real estate in fee simple or on a leasehold estate and be subject only to permitted encumbrances;

(2) must be only for the purchase of a completed owner-occupied residential housing, the mortgage of which shall be eligible for purchase by the Corporation under the Act;

(3) must have a loan-to-value ratio no more than 90 percent for a triplex or four-plex;

(4) will not exceed a loan amount of \$247,650 for a triplex and \$307,950 for a four-plex.

(e) A residential mortgage loan hereafter purchased by the Corporation in order to finance a unit in a condominium project or in a planned unit development project ("condominium" or "PUD project") shall be subject to the following terms and conditions:

(1) the living units of the condominium or PUD project must be within the same structure or a reasonably contiguous structure. Common elements of the project must have been completed prior to the purchase of the loan; and

(2) prior approval procedures, warranties and provisions relating to the sale and occupancy of units which are reasonable and customary in mortgage lending, shall apply as prescribed in the seller/servicer guide. (Eff. 6/30/80, Reg. 78; am 6/18/81, Reg. 79; am 9/17/81, Reg. 80; am 2/17/82, Reg. 82; am 10/27/82, Reg. 84; am 1/4/83, Reg. 85)

Authority: AS 18.56.096

AS 18.56.098(a) and (e)

15 AAC 118.315. PURCHASES OF LOANS FROM SELLER/SERVICERS. Repealed 2/17/82.

15 AAC 118.320. ASSUMPTIONS OF MORTGAGE LOANS. Repealed 2/17/82.

15 AAC 118.300. SPECIAL MORTGAGE LOAN PURCHASE PROGRAM SCOPE.

(a) 15 AAC 118.300 – 15 AAC 118.580 implement the special mortgage loan purchase program established by AS 18.56.098.

(b) 15 AAC 118.400 – 15 AAC 118.450 implement the portion of the special mortgage loan purchase program to be financed with the proceeds of qualified mortgage bonds.

(c) 15 AAC 118.490 – 15 AAC 118.580 implement the portion of the special mortgage loan purchase program to be financed with the proceeds of qualified veterans' mortgage bonds. (Eff. 6/30/80, Reg. 78; am 9/17/81, Reg. 80; am 2/17/82, Reg. 82; am 1/26/83, Reg. 85)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.305. BORROWER ELIGIBILITY.

A person is eligible under the program for a residential mortgage loan to finance the purchase of a dwelling, including a duplex, triplex, fourplex, condominium, or an individual unit within a PUD project, subject to any restrictions under 15 AAC 118.400 – 15 AAC 118.580 for mortgages financed by bonds issued thereunder. Eligibility is without regard to location of the dwelling within the State of Alaska. The dwelling must be designed for residential use and intended for use and used as the principal residence of the borrower pursuant to AS 18.56. A person is not eligible for a loan if the person is an owner of a dwelling financed by an outstanding loan purchased by the Corporation. As used in this section, "owner" includes a person who is liable on a mortgage or note with respect to a loan but does not include a person not occupying a dwelling but remaining as a co-owner after legal termination of a marriage. A loan to finance the purchase of a dwelling includes a loan to an owner/builder constituting the first permanent financing of a dwelling which has been newly constructed by the owner/builder. The determination of whether a dwelling has been "newly constructed" shall be made by the Corporation having regard to the facts and circumstances relating to the construction of the dwelling. (Eff. 10/2/80, Reg. 78; am 1/27/81, Reg. 78; am 2/17/82, Reg. 82; am 10/27/82, Reg. 84; am 1/26/83, Reg. 85)

Authority: AS 18.56.088
AS 18.56.098

15 AAC 118.310. LOAN TERMS. (a) Each residential mortgage loan purchased by the Corporation as part of the special mortgage loan purchase program, except as otherwise provided in (d) of this section for triplexes and fourplexes, must

(1) be serviced by a seller/servicer approved by the Corporation;

(2) constitute a first or second lien on real estate in fee simple or on a leasehold estate and, if a first lien, be subject only to permitted encumbrances, and, if a second lien, be subject only to permitted encumbrances and a first lien mortgage loan serviced by a seller/servicer approved by the Corporation;

(3) if a first lien, be the subject of private mortgage insurance, federal insurance, or federal guarantee, the benefits of which are payable to the Corporation, in the event that the ratio of the loan to the value of the property ("loan-to-value ratio") exceeds 80 percent;

(4) if a second lien, be the subject of private mortgage insurance, federal insurance or federal guarantee, the benefits of which are payable to the Corporation, in the event that the ratio of the first and second lien mortgage loans combined to the value of the property exceed 80 percent to the extent necessary to cause the ratio to go down to 75 percent;

(5) be for purchase of completed, owner-occupied residential housing or for the improvement or rehabilitation of owner-occupied residential housing, the mortgage of which shall be eligible for purchase by the Corporation under the Act;

(6) be insured by a mortgagee's policy of title insurance issued by a title insurance company qualified to do business in the state and acceptable to the Corporation, insuring the enforceable mortgage, subject only to permitted encumbrances or in the case of a second lien mortgage, subject only to permitted encumbrances and the first lien mortgage.

(b)(1) The loan-to-value ratio and the loan amounts on first lien mortgage loans of the Corporation to finance a single-family residence, including a unit in a condominium project or a

(4) The maximum loan amount on multi-family residences with five or more units shall be computed at 80 percent of value.

(e) All loans purchased or made from the housing development fund must be subject to a written agreement which must include, but need not be limited to, the following terms and conditions:

(1) the proceeds of the loan shall be used only for the purpose for which the loan is made, as provided in the agreement;

(2) the loan shall be repaid as provided in the agreement;

(3) all repayments in connection with a loan to defray development costs shall be made concurrent with receipt by the borrower of the proceeds of a construction loan or mortgage loan, or at such other times as the Corporation considers reasonably necessary or practicable; and

(4) security for repayment will be specified and be upon terms and conditions which the Corporation, in its discretion, considers reasonably necessary or practicable to insure all repayments.

(f) Loans purchased or made from the housing development fund may be for construction of new residential, single- or multi-family housing, for repair or rehabilitation of existing residential housing or for mobile homes. (Eff. 11/29/78, Reg. 68; am 3/10/80, Reg. 74; am 10/2/80, Reg. 78; am 2/17/82, Reg. 82; am 4/29/82, Reg. 82)

Authority: AS 18.55.088
AS 18.56.090
AS 18.56.098

15 AAC 118.282. MOBILE HOME LOAN PROGRAM. (a) Each loan for the purpose of financing the purchase of a mobile home shall contain or be subject to the following terms and conditions:

(1) the loan must not exceed \$72,500;

(2) the loan-to-value ratio excluding the furniture and appliance package referred to in (a)(7) of this section must be no greater than 95 percent except that the loan-to-value ratio on

loans insured by FHA or guaranteed by the VA shall be the percentages permitted by the regulations of those agencies;

(3) the maximum term of the loan shall be 20 years and may not exceed the remaining economic life of the property;

(4) the mobile home must be occupied by the owner as his year-round principal residence and the owner-occupant must not own any other residence in the State of Alaska;

(5) the product of the length and width of the mobile home shall total at least 600 square feet;

(6) the loan may include the acquisition of real property for the site of the mobile home and the permanent foundation of the mobile home on the site, provided that the value of a mobile home and foundation located on the owner's real property shall not be less than 50 percent of the total appraised value of the real property;

(7) the loan may finance related personal property (the "furniture and appliance package") up to a purchase price of \$1,500;

(8) the loan must be secured by a security agreement on the mobile home and all other personal property on the premises, including but not limited to lean-tos, wanigans and storage buildings and a first deed of trust on any real property being financed by the loan. The deed of trust must be insured by a mortgagee's ALTA policy of title insurance conforming to the provisions set forth in 15 AAC 118.310(a)(5);

(9) no other financing, including but not limited to secondary financing, will be permitted on the mobile home; and

(10) as used in this section the term "owned" with respect to real property includes leasehold interests extending 10 years beyond the term of a loan as well as fee-simple ownership. (Eff. 2/17/82, Reg. 82)

Authority: AS 18.56.090(5)
AS 18.56.100

15 AAC 118.290. DEFINITIONS. Repealed 2/17/82.

(f) The appeals committee may adopt bylaws governing its internal operations, including, without limitation, provisions as to time and place of meetings.

(g) The Corporation will consider no further appeal from a decision of the appeals committee. (Eff. 2/17/82, Reg. 82)

Authority: AS 18.56.088
AS 18.56.090
AS 18.56.098

15 AAC 118.280. GENERAL HOUSING PROGRAMS. (a) Loans may be purchased by, or made from, the housing development fund created by AS 18.56.100 or pursuant to the Corporation's general powers in AS 18.56.090 (1) - (3) for housing located in remote, under-developed or blighted areas of the state.

(b) Loans purchased by the Corporation from amounts appropriated to the rural mortgage purchase program shall contain the same terms and conditions as loans purchased pursuant to the special mortgage loan purchase program (15 AAC 118.310) except that title insurance and hazard insurance may be provided from the rural housing title insurance fund and rural housing hazard insurance fund and that loans shall bear interest at a rate determined by the executive director.

(c) Loans purchased by the Corporation from amounts appropriated to the rural non-owner occupied mortgage purchase program shall not exceed \$750,000 in principal amount to any one person, partnership or corporation, as determined by the Corporation, and shall bear interest at the rate of nine and one-half percent a year, except that the Corporation may purchase a loan in excess of \$750,000 if the circumstances of the loan warrant and sufficient funding is available to accommodate total anticipated loan demand and if approved by a committee, comprised of a board member appointed by the chairman or his or her designee, the executive director or his or her designee and the mortgage operations director of the Corporation. The AHFC board of directors must be notified of the Corporation's approval of a non-owner occupied loan in excess of \$750,000. Each mortgage loan purchased by the Corporation as part of the rural non-owner occupied mortgage purchase program must

(1) be serviced by a seller/servicer approved by the Corporation;

(2) be the subject of (A) insurance described in (5) of this subsection to the extent determined necessary by the Corporation, (B) federal insurance or (C) federal guarantee. The benefit of the insurance or guarantee shall be payable to the Corporation;

(3) constitute a first or, for purposes of substantial rehabilitation (50 percent or more), a second lien on real estate in fee simple, on a leasehold estate, or on lands subject to conveyance under ANSCA subject to permitted encumbrances;

(4) be for completed, non-owner occupied residential housing, the mortgage of which shall be eligible for purchase by the Corporation under the act;

(5) be insured by title insurance and hazard insurance which may be provided in whole or in part from the rural housing title insurance fund and rural housing hazard insurance fund, to the extent determined necessary by the Corporation.

(d) The loan amounts and loan terms on mortgages purchased as part of the rural non-owner occupied mortgage program shall be as set forth in this subsection

(1) The loan-to-value ratio on loans purchased under the rural non-owner occupied mortgage purchase program shall not exceed 80 percent.

(2) In the event the loan purchased by the Corporation is a second deed of trust for the substantial rehabilitation (50 percent or more) of a non-owner occupied property the sum of the principal balance of the first and second deeds of trust shall not exceed 80 percent of value.

(3) The maximum loan amount on non-owner occupied single-family residences through four-plexes shall be the following:

Number of Units	Maximum Loan
1	\$160,500
2	205,200
3	247,650
4	307,950

Standard deviations from the minimum construction standards which will permit water holding tanks, on-site water and sewer systems, foundations, and other deviations as specific circumstances warrant, are hereby established if and to the extent an inspecting engineer has certified that the characteristics of such physical construction will not impair the health or safety of the occupants of the residence and will not reduce the useful life of the residence below the term of the mortgage loan. The Corporation will require as a condition to its purchasing a mortgage loan, a waiver and release from each borrower to the effect that the Corporation is not responsible for any failure of the residence to meet minimum construction standards or be within standard deviations and for every other matter and thing relating to the construction or suitability of the residences whether or not caused by action or inaction of the inspecting engineer or any other person. The inspecting engineer will not be hired by or have any relationship to the Corporation whatsoever. The Corporation will cause to have printed in plain English an appropriate form of release to the above effect to be executed by each borrower prior to purchasing the mortgage loan and shall incorporate such release in such loan documents as it determines. (Eff. 2/17/82, Reg. 82)

Authority: AS 18.56.098(b) and (e)

15 AAC 118.270. SERVICING FEE. Repealed 2/17/82.

15 AAC 118.272. APPEALS PROCEDURE.

(a) A decision by the Corporation not to purchase a mortgage loan, including without limitation an action denying or effectively denying the purchase of a mortgage loan, may be appealed to the appeals committee by the seller/servicer of the mortgage loan or, in the case of the denial of approval for a housing project, and seller/servicer sponsoring that project.

(b) The appeals committee shall consist of

- (1) the executive director of the Corporation;
- (2) a member of the board of directors of the Corporation designated by the chairperson; and
- (3) a member of the private lending community selected by the other two members of the appeals committee;

If the executive director or a commissioner appointed by the chairperson from the board of directors, becomes unavailable to sit on the appeals committee, each may designate a replacement to assume his or her duties on the committee until such time as he or she becomes available. The executive director and the appointed board member or their designees may select different members of the private lending community for particular appeals as the circumstances warrant.

(c) A decision by the Corporation declining the approval of a mortgage loan submitted by a seller/servicer must

- (1) be in writing;
- (2) specifically set forth the reason(s) relied upon to decline the purchase;
- (3) be dated and signed on behalf of the Corporation; and
- (4) be mailed or delivered to the seller/servicer.

(d) A seller/servicer may appeal a decision of the Corporation declining the approval of a mortgage loan by submitting a written notice of appeal. The notice of appeal must

- (1) set forth the reason(s) supporting the appeal;
- (2) rely solely upon the information and documentation originally before the loan officer who declined the loan; and
- (3) be received by the Corporation within 10 working days from the date of the decision of the Corporation declining purchase.

(e) The appeals committee shall review the appeal and issue a written appeal decision within 15 days after the Corporation's receipt of the notice of appeal. Such a decision shall

- (1) be signed by the executive director of the Corporation or his designee; and
- (2) specifically set forth the reasons of the appeals committee for accepting or rejecting the appeal.

**ARTICLE 2.
ALASKA HOUSING FINANCE
CORPORATION**

Section

- 210. (Repealed)
- 220. (Repealed)
- 230. (Repealed)
- 235. General provisions
- 240. Public notice of meeting
- 250. Determination of interest rates
- 260. Purchases of loans from seller/servicers
- 263. Contractor prerequisites for loans
- 267. Assumptions of mortgage loans
- 270. (Repealed)
- 272. Appeals procedure
- 280. General housing programs
- 282. Mobile home loan program
- 290. (Repealed)
- 300. Special mortgage loan purchase program scope
- 305. Borrower eligibility
- 310. Loan terms
- 315. (Repealed)
- 320. (Repealed)
- 325. (Repealed)
- 330. (Repealed)
- 335. (Repealed)
- 340. (Repealed)
- 342. Home ownership assistance program
- 344. Fairbanks North Star Borough program
- 345. (Repealed)
- 400. Qualified mortgage bond program (special mortgage loan purchase program)
- 405. Single-family residences
- 410. Ownership requirements
- 415. Purchase price requirements
- 417. Allocation of proceeds after September 3, 1982
- 420. Qualified home improvement loans
- 425. Qualified rehabilitation loan
- 430. Qualified mortgage loans
- 440. Loan terms
- 450. Purchase of qualified mortgage loans from seller/servicers
- 490. Qualified veterans' mortgage bond program (special mortgage loan purchase program)
- 492. Qualified veterans' mortgage loans
- 494. Purchase of qualified veterans' mortgage loans from seller/servicers
- 500. Veterans
- 510. Duty in armed forces
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- 530. Duty in National Oceanic and Atmospheric Administration or in Coast and Geodetic Survey
- 540. Duty in United States Military, Air Force, Coast Guard, or Naval Academy
- 550. Duty in Alaska National Guard or Air National Guard
- 560. Travel to or from duty
- 570. Spouses
- 580. Evidence of qualifications
- 900. Definitions

Editor's Note: The Alaska Housing Finance Corporation regulations, exempt from the Administrative Procedure Act filing requirements by AS 18.56.088(a), have been voluntarily filed under AS 44.62.120. They have not been reviewed and approved by the Department of Law under AS 44.62.060, and do not fully conform to the Drafting Manual for Administrative Regulations (AS 44.62.050).

Editor's Note: As of Register 78, the Alaska Housing Finance Corporation regulations which were formerly located in 3 AAC 92, have been transferred to 15 AAC 118 in recognition of the relocation made by ch. 106 SLA 1980.

15 AAC 118.210. AUTHORITY FOR AND SCOPE OF REGULATIONS. Repealed 9/17/81.

15 AAC 118.220. BORROWER ELIGIBILITY. Repealed 9/17/81.

15 AAC 118.230. LOAN TERMS. Repealed 9/17/81.

15 AAC 118.235. GENERAL PROVISIONS. Except as otherwise provided, the provisions of 15 AAC 118.235 – 15 AAC 118.275 apply to all programs of the Corporation. (Eff. 2/17/82, Reg. 82)

Authority: AS 18.56.088

15 AAC 118.240. PUBLIC NOTICE OF MEETING. (a) Except in the case of a meeting of the board at which the issuance of Corporation bonds is authorized, not more than two weeks and not less than five days before each meeting, the Corporation shall give public notice of the time, place and subject of the meeting. In the case of a meeting of the board at which the issuance of Corporation bonds is authorized, the Corporation shall give public notice of the time, place, and subject of the meeting at least 24 hours before the meeting. Notice will be given by advertisement in a newspaper of statewide circulation.

(b) The Corporation will, in its discretion, establish additional procedures to insure that the public has a reasonable opportunity to be heard and that business at meetings will be conducted in an orderly process. (Eff. 11/29/78, Reg. 68; am 8/17/82, Reg. 83)

Authority: AS 18.56.040(d)

15 AAC 118.250. DETERMINATION OF INTEREST RATES. (a) The Corporation shall establish and will, in its discretion, from time to time revise rates of interest on mortgage loans. The rates of interest so established and revised shall

(1) not exceed the legal rate of interest on such loans in the State of Alaska;

(2) be adequate to insure the financial viability of the Corporation's bond and note financing programs and in accord with contracts entered into with bondholders and noteholders;

(3) comply with all provisions of law, including United States Treasury regulations, applicable to the Corporation and its mortgage loans; and

(4) be designed to promote the use of the programs by qualifying residents of the state.

(b) The board may delegate the power to revise interest rates on mortgage loans to its executive director. (Eff. 11/29/78, Reg. 68)

Authority: AS 18.56.050

AS 18.56.090(3)

15 AAC 118.260. PURCHASES OF LOANS FROM SELLER/SERVICERS. (a) Subject to the availability of funds, the Corporation will, in its discretion, purchase mortgage loans from originating mortgage lenders ("seller/servicers") under the following terms and conditions:

(1) The seller/servicer must

(A) be approved by FHA or FNMA or constitute a regional housing authority under AS 18.55; and

(B) be approved by the Corporation as meeting such tests as to financial viability, in-state servicing capabilities and general capacity to act as a seller/servicer, as the Corporation may determine.

(2) As a condition to purchase of mortgage loans, a sales and servicing agreement will be entered into between the seller/servicer and the Corporation which must

(A) provide the methods whereby delinquent collections and foreclosures will be undertaken by the seller/servicer;

(B) provide for periodic reports to be provided to the Corporation by the seller/servicer; and

(C) require the seller/servicer to service mortgages in accordance with acceptable mortgage practices of prudent lending, including, but not limited to, the exercising of diligence in collecting amounts due under mortgages.

(3) The seller/servicer must provide a bond deemed sufficient by the Corporation to protect the Corporation against errors, omissions and fraud.

(4) A mortgage loan may be purchased from a seller/servicer only after the seller/servicer has completed an application as described in a seller/servicer guide. A seller/servicer guide shall

(A) be prepared and revised as deemed necessary by the executive director;

(B) establish for the timeliness of reports and remittance of funds, appraisal procedures, documents necessary for credit determination and other procedures customarily required by prudent mortgage lenders;

(C) provide for the form of all applications for mortgage loans;

(D) provide a list of completed documents and materials required to accompany the application forms including proof of borrower eligibility and financial capacity and other documentation customarily required by prudent mortgage lenders;

(E) provide a form of a contract of commitment or approval form; and

(F) require submission of other documents and materials as deemed necessary or desirable by the executive director.

(5) Prior to submitting a mortgage loan for purchase by the Corporation, the seller/servicer must submit for approval a complete loan application with supporting documents as described in paragraph 4;

(6) The Corporation hereby designates the Judicial Districts of the State of Alaska established and described pursuant to AS 22.10.010 for the purpose of allocating money for the purchase of mortgage loans. The Corporation will allocate amounts on the basis of recent and future anticipated lending activities of the financial institutions (seller/servicers) as well as upon the potential need for mortgage loans in each Judicial District of the state as it determines is required based on the most current research and information reasonably available to it. From time to time the Corporation will reallocate amounts among the Judicial Districts as it determines appropriate to reflect the changes in lending activity or need in the Judicial Districts;

(7) The Corporation shall provide for a procedure of commitment by seller/servicers to deliver qualifying mortgages for purchase by the Corporation at an interest rate fixed in the commitment. The commitment procedure shall provide for commitments to purchase mortgages by the Corporation for an initial period of 120 days from the date the commitment is signed by the Corporation and shall provide for payment of a commitment fee of one-half of one percent of the principal amount of the mortgage with extensions of 30-day periods up to 90 days upon payment of an extension fee to the Corporation of one-half of one percent of the mortgage for each 30-day extension. The procedures shall further provide

(A) for prior approval of property and credit on a mortgage without a commitment to a specific interest rate at a fee equal to one-half of one percent of the mortgage;

(B) for application of the prior approval of property and credit fee against any subsequent commitment fee for such period of time as may be set forth in the commitment procedure;

(C) that upon cancellation or expiration of a commitment, a request for a future commitment for a mortgage at a rate lower than that previously committed to will not be accepted for a period of 90 days after the date of cancellation or expiration of the prior commitment; provided, however, if a rate reduction becomes available because the application has been made under a different program of the Corporation the rate for the refilled application shall be the rate established for that program at the time the original commitment was made by the Corporation; and

(D) for other details necessary for the operation of the commitment procedure.

(b) The executive director shall establish and may from time to time revise the forms of seller/servicer guide and seller/servicer agreements consistent with the provisions of these Regulations.

(c) The authority to make or purchase mortgage loans and enter into seller/servicer agreements and to administer all the terms and provisions thereof and of the seller/servicer guide is delegated to the executive director.

(d) The Corporation will, in its discretion, allow the seller/servicer to collect a servicing fee in an amount, which may be expressed as a percentage. (Eff. 11/29/78, Reg. 68; am 5/9/80, Reg. 78; am 2/17/82, Reg. 82; am 8/17/82, Reg. 83; am 1/4/83, Reg. 85)

Authority: AS 18.56.090(3),(6) and (17)

AS 18.56.096(3)

AS 18.56.098(e)

AS 18.56.105

15 AAC 118.263. CONTRACTOR PREREQUISITES FOR LOANS.

(a) The Corporation will not make, participate in the making of, purchase, or participate in the purchase of a mortgage loan to finance the purchase of new housing or for the improvement or rehabilitation of existing housing, unless the construction, improvement, or rehabilitation work has been performed by a contractor who is registered to work as a contractor under AS 08.18 on the date the work on the housing commences and throughout the period of such work.

(b) This section does not apply if the construction, improvement, or rehabilitation work

(1) has been totally or substantially performed by the borrower;

(2) has been performed by a borrower who acts as the contractor for the construction, improvement, or rehabilitation work; or

(3) has been performed in an area designated by the Corporation as exempt from the requirements of this section because of the unavailability of registered contractors in that area. (Eff. 10/27/82, Reg. 84)

Authority: AS 18.56.096

15 AAC 118.267. ASSUMPTIONS OF MORTGAGE LOANS. (a) A clause in substantially the following form may be inserted in the Corporation's standard Deed of Trust for a mortgage loan which is not the subject of federal insurance or guarantee:

Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable if either (1) the property ceases to be the principal residence of the Borrower, or (2) if all or any part of the Property or an interest therein is sold or transferred by Borrower without Lender's prior written consent excluding (a) the creation of a lien or encumbrance subordinate to this Deed of Trust, (b) the creation of a purchase money security interest for household appliances, (c) a transfer by devise, descent or by operation of law upon the death of a joint tenant or (d) the grant of any leasehold interest of three years or less not containing an option to purchase.

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration in accordance with paragraph 14 hereof. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may without further notice or demand on Borrower, invoke any remedies permitted by paragraph 18 hereof.

(b) At the option of the executive director, if

in his opinion a clause in the Corporation's Deed of Trust in the form of that set forth in (a) of this section would jeopardize or nullify mortgage insurance coverage, the clause may be modified as the executive director deems necessary to preserve mortgage insurance coverage.

(c) The executive director may also formulate a clause for the Corporation's Deed of Trust for mortgage loans to be financed with the proceeds of Qualified Mortgage Bonds pursuant to Section 103A of the Internal Revenue Code providing for acceleration of or increase in loan rate on such mortgages and otherwise as may be necessary in his view to cause such mortgage loan to comply with the provision of said Section 103A.

(d) At such time as regulations or procedures of the FHA and VA permit, a clause or clauses in substantially the form or forms set forth in this section, with such variations as required under said regulations or procedures, may be set forth in the standard Deed of Trust for mortgage loans guaranteed or insured by FHA or VA. (Eff. 2/17/82, Reg. 82)

Authority: AS 18.56.088

15 AAC 118.269. MINIMUM CONSTRUCTION STANDARDS AND STANDARD DEVIATION. The minimum construction standards for residences securing mortgage loans of the Corporation are established as the construction standards which, in the opinion of the Corporation, are acceptable within the community within which the residence is located.

ALASKA HOUSING FINANCE CORPORATION

LOAN SUMMARY - MORTGAGES PURCHASED
RECEIVING HOME OWNERSHIP SUBSIDY

	<u>FY '81</u>	<u>%</u>	<u>FY '82</u>	<u>%</u>	<u>JULY - FEB FY' 83</u>	<u>%</u>
Sales Price	67,142		68,684		73,991	
Appraised Value	68,318		69,568		74,903	
Note Amount	63,183		64,381		69,410	
Monthly Income	1,905		1,932		1,987	
Age of Borrower	29.6		30.0		29.5	
Size of Household	1.8		1.9		1.9	
Loan to Sales Price Ratio	94.10		93.74		93.81	
Weighted Average Int. Rate	9.98		11.12		10.55	
Monthly P & I Payment			620.18		637.88	
Dwelling Type						
SFR	227	59.58	398	44.08	267	42.52
Condo	141	37.01	487	53.93	356	56.68
PUD	13	3.41	18	1.99	5	.80
	<u>381</u>	<u>100.00</u>	<u>903</u>	<u>100.00</u>	<u>628</u>	<u>100.00</u>
New/Existing						
New	57	14.96	272	30.12	426	67.83
Existing	324	85.04	631	69.88	202	32.17
	<u>381</u>	<u>100.00</u>	<u>903</u>	<u>100.00</u>	<u>628</u>	<u>100.00</u>
First Time Homeowner						
Yes	289	75.85	639	70.76	480	76.43
No	92	24.15	264	29.24	148	23.57
	<u>381</u>	<u>100.00</u>	<u>903</u>	<u>100.00</u>	<u>628</u>	<u>100.00</u>
Insurance Type						
FHA	-	-	-	-	-	-
VA	-	-	-	-	-	-
CONV	381	100.00	903	100.00	628	100.00
	<u>381</u>	<u>100.00</u>	<u>903</u>	<u>100.00</u>	<u>628</u>	<u>100.00</u>
Eligible State Veteran	7	1.84	11	1.22	45	7.17
Non-Eligible State Veteran	374	98.16	892	98.78	583	92.83
	<u>381</u>	<u>100.00</u>	<u>903</u>	<u>100.00</u>	<u>628</u>	<u>100.00</u>
Original Balance	24,072,600.00		58,136,000.00		45,589,200.00	

cf16

Alaska

HOUSING



FINANCE CORPORATION

May 4, 1983

The Honorable Rick Uehling
Chairman, House Special
Committee on Loans
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Chairman Uehling:

Re: Reduction in AHFC's capital budget

The recent reduction in AHFC's capital budget request for the Special Mortgage Loan Purchase Program (the "Program") from \$67.5 million to \$7 million is the result of a determination by the Corporation that the General Obligation Fund ("the Fund") is no longer necessary and its assets should be reallocated to be used to subsidize loans purchased under the Program. A concern had been expressed by the bond rating agency Standard & Poors regarding the Board's policy of upgrading the Corporation's unrestricted assets to meet any potential deficiency in funds available to meet debt service requirements. This question arose in connection with this rating of State Assisted Mortgage Bonds Series, B & C during August, 1981. The previous issue, Series A, had been rated "A" to the surprise of the Corporation. Continued access to the taxable bond market at reasonable rates was felt to be possible only if "AA" ratings were obtained. The Corporation responded by creating the Fund by Resolution adopted October 21, 1981.

The Fund was to consist of certain assets which would become available upon expiration of their pledge to two 1980 tax-exempt bond issues. This lapse occurred in January, 1983. The latest published financial statements were dated December 31, 1982. Consequently, the Fund has not appeared as such in any financials. The assets transferred to the Fund, however, were included in the State Assisted Mortgage Fund and reflected in the statements.

The initial source of the assets designated by the Board to go into the Fund was a 1980 appropriation of mortgage loans. A portion of the \$236 million of mortgage loans transferred were originated and serviced

The Honorable Rick Uehling
Page 2
May 4, 1983

by the State of Alaska Division of Veterans Affairs. The Board's Resolution transferred the balance of such loans on that date to the Fund effective upon their release from pledge.

Subsequent to the release, the Corporation renewed discussions with its financial advisor, John Muveen & Co. and senior managing underwriter, Solomon Brothers Inc. regarding the need for utilizing these assets to increase its unrestricted asset base. Both felt the Corporation had met the rating agency's concerns through specific security enhancements to its bonds including mortgage pool insurance and hazard insurance covering earthquake risk. A decision was also made to put the servicing of the loans out for proposal to private lending institutions to decrease the cost and enhance the ability to utilize the mortgage as collateral.

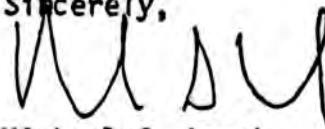
As a result of the above, the Corporation now feels it can utilize the Fund assets to subsidize its mortgage programs without impairing the ratings on its bonds. The FY 84 capital budget has been reduced to reflect this reallocation.

The attached Exhibit A details the revised budget request and reflects the reduced capital budget request for the Special Mortgage Loan Purchase Program based upon the existing statutes of the Corporation.

As set forth in the fiscal notes submitted relative to HB 302, the increase in the subsidized portion of mortgage loans from \$90,000 to \$100,000 will require an additional \$12.5 million appropriation to the Program for FY 84.

If you should have any question regarding the above or require any additional information do not hesitate to contact me.

Sincerely,



Michael S. Lynch
Executive Director

MSL:MKC:jas

Enclosure

April 21, 19

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM
SUMMARY OF MORTGAGE DEMAND AND PROPOSED BOND FINANCINGS
Fiscal Year 1984

(In Millions)

	Estimated Carry-Over From FY '83	Program Repayments And Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Carry-Over To FY '85	Estimat FY '84 Mortgag Demand
Taxable First Mortgage Program								
State Assisted Mortgage Bonds -								
Single-Family and Duplex	\$ 80	\$ 40	\$ 550	\$ (6)	\$ 183	\$ 54	\$ 50	\$ 851
Triplex and Four-plex	5	20					5	20
First Mortgage Veterans' Program -								
State Guaranteed Veterans' Bonds	60		200	(5)	22		10	267
Tax-Exempt First Mortgage Program -								
Home Mortgage Bonds	30		200	(5)	32	(27)	50	180
Taxable Second Mortgage Program -								
Second Mortgage Bonds	12							12
Reserve to Complete Open Series	—	—	—	—	27	(27)	—	—
TOTAL	\$ <u>187</u>	\$ <u>60</u>	\$ <u>950</u>	\$ <u>(16)</u>	\$ <u>264</u>	\$ <u>-</u>	\$ <u>115</u>	\$ <u>1,330</u>

April 28, 1983

ALASKA HOUSING FINANCE CORPORATION
SCHEDULE OF SUBSIDY FUNDS
(In Millions)
Assumes General Obligation Fund Asset
Transfer to the SAM Fund

Second Half of FY 83

Subsidy funds available 1/1/83		\$ 19.611
Reverted assets to be used for subsidy		
Cash (102.516 plus 11.023)	\$ 113.540	
(1) Mortgages (136.762 plus 50.062)	<u>186.824</u>	<u>300.364</u>
Total		319.975
Subsidy required January 1 through June 30, 1983		<u>70.776</u>
Subsidy funds available for FY 84		<u>\$249.199</u>

Fiscal Year 1984

Estimated Subsidy	\$264.000
Estimated Earnings on SAM Fund (Avg. Bal. of 100m at 8%)	(8.000)
Subsidy Funds Carried Forward from FY 83	<u>(249.199)</u>
Estimated FY 84 Subsidy Requirement	<u>\$ 6.801</u>

	<u>NON-DVA</u>	<u>DVA (GOF)</u>
(1) Mortgages Reverted	\$172.512	\$ 77.562
Utilized to fill outstanding non-ABE bond issues	(17.000)*	
Discount on \$75 million mortgage to an approximate yield of 13.50%	(18.750)	
Discount on \$70 million (DVA) mortgage to an approximate yield of 13.5%		(27.500)
	<u>\$136.762</u>	<u>\$ 50.062</u>

*Series B & C \$18.5
Series D & E 6.5
Series 81- 1 (8.0)
\$17.0

Note: Mortgage loans remaining in the SAM Fund at June 30, 1983 will consist only of those originally appropriated to the Corporation.

April 21, 1983

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

SUMMARY OF MORTGAGE DEMAND AND PROPOSED BOND FINANCINGS
Fiscal Year 1984
<Attachment>

Assumptions

- Continued availability of credit facilities enabling the Corporation to issue intermediate term securities
- Level of subsidy for taxable first mortgage program at 3.00 percent. No modification to the ratchet and mortgage rates totally dependent upon the Corporation's cost of funds.
- Tax exempt interest rates not substantially higher than current levels.
- Federal tax exempt mortgage bond authorization terminating December 1983 (other than authorization for qualified veterans bonds which continues indefinitely). The \$200 million in bond sales reflected in the Schedule would be the last issue sold pursuant to the Mortgage Subsidy Bond Tax Act of 1980.
- Mortgage demand maintained at current levels with seasonal adjustments. Allocation between Taxable First Mortgage Program and State Guaranteed Veterans' Program based upon a reduction in Qualifying Veterans activity to the previous levels experienced under the definition of "State Veteran."
- Legislation received in 1983 authorizing a special general state election approving additional State Guaranteed Bonds for the Veterans Mortgage Program.
- Mortgage loans held in the SAM Fund and reverting from a previous pledge sold to yield approximately 13.50%. If possible, a separate mortgage backed bond issue will be utilized as opposed to a whole loan sale.
- Home Improvement Loan Bonds 1982 Series A called on June 1, 1983 releasing approximately \$7 million back to the Special Mortgage Loan Purchase Program.

April 21, 1983

State Assisted Mortgage Bonds Series G funds "warehoused" during FY 84 and available for mortgage purchases only if the Corporation's cost of funds increase to a level which allows adherence to the legislatively established rate for the issue.

NOTE: Activity in the Mobile Home Loan Purchase Program is not reflected in the schedule as funding is from appropriations to the Home Ownership Fund with the earnings on the loans used to meet obligations of the Corporation under assistance contracts entered into under the Home Ownership Assistance Program. The Corporation's capital budget request for the Home Ownership Fund for FY 84 is \$50 million which will be used to purchase mobile home loans.

April 21, 1983

ALASKA HOUSING FINANCE CORPORATION

SCHEDULE OF PROPOSED FINANCINGS
(in Millions)

		<u>Bond Issue</u>	<u>Required Subsidy</u>	<u>Mortgage Loan Pool</u>
<u>January through June 30, 1983</u>				
Taxable First Mortgage Bonds				
SAM Series I	1/83	\$ 50,000	\$ 15,175	\$ 62,500
SAM Series J	3/83	50,000	14,410	62,000
SAM Series K	5/83	75,000	21,500	93,000
Sam Series L	6/83	75,000	21,500	93,000
		<u>250,000</u>	<u>72,585</u>	<u>310,500</u>
State Guaranteed Veterans Bonds				
SGB 1983 First Series	1/83	50,000	1,681	50,100
SGB 1983 Second Series	5/83	125,000	3,750	125,000
SGB 1983 Third Series	6/83	75,000	2,250	75,000
		<u>250,000</u>	<u>7,681</u>	<u>250,100</u>
Other Items Effecting Subsidy:				
Subsidy Reversion upon				
HIL Call	6/83		(7,000)	
Interest Earned on SAM Fund			(8,000)	
Reserve for ABE Bond Issues Completed			12,500	12,500
Cash from SAM Mortgage Loan Fund for Series B & C			(7,000)	
		<u>-</u>	<u>(9,500)</u>	<u>12,500</u>
TOTALS 1/1/83 to 6/30/83		<u>\$500,000</u>	<u>\$ 70,766</u>	<u>\$ 573,100</u>
<u>July 1, 1983 through June 30, 1984</u>				
Taxable First Mortgage Bonds		\$550,000	\$183,000	\$ 727,000
Tax-Exempt First Mortgage Bonds		200,000	32,000	227,000
State Guaranteed Veterans Bonds		200,000	22,000	217,000
Reserve to Complete Open Series			27,000	27,000
TOTALS 7/1/83 to 6/30/84		<u>\$950,000</u>	<u>264,000</u>	<u>\$1,198,000</u>

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

May 10, 1983

FILE COPY

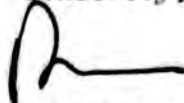
Honorable Rick Uehling, Chairman
House Special Committee on
State Loans
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Uehling:

Your Special Committee on State Loans Committee considered HB 302, (relating to the Alaska Housing Finance Corporation; relating to rural and nonconforming loan; and effective date) and recommended it be replaced with a committee substitute. The May 5 House Journal supplement contained a fiscal note from the Department of Community and Regional Affairs which indicated unused AIDA Certificates of Deposit as the source of funding for the fiscal impact.

We have discussed this fiscal note with the Department of Community and Regional Affairs and have agreed that this fiscal note requires amendment. In view of a reduced FY '84 request by Alaska Housing Finance Corporation, monies have been freed that can be used to fund the housing assistance program. Additionally, there are technical problems with using unused AIDA Certificates of Deposit which make them unworkable as a source of funding. The Department of Community and Regional Affairs will therefore be submitting a revised fiscal note deleting AIDA Certificates of Deposit as the funding source.

Sincerely,



Richard A. Lyon
Commissioner

RAL/cw#26A6

cc: Representative Al Adams, Chairman
House Finance Committee

STATE OF ALASKA THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 10, 1983

SUBJECT: Comparison of HB 302, CSHB 302 (C&RA) and
CSHB 302 (Loans)

TO: Representative Rick Uehling
Chairman, House Special Committee on Loans

FROM: *LH* Linn H. Asper
Legislative Counsel

You have requested a sectional analysis that compares HB 302, CSHB 302 (C&RA) and CSHB 302 (Loans) (state housing loan programs).

Provisions that are the same in all three versions of the bill:

Section 6 of HB 302, concerning eligibility for veterans interest rates on AHFC loans (AS 18.56.101), is the same as Sec. 1 of CSHB 302 (C&RA) and Sec. 9 of CSHB 302 (Loans).

Section 7 of HB 302, concerning retention of a financial advisor for AHFC bond sales, is substantially the same as Sec. 2 of CSHB 302 (C&RA) and Sec. 10 of CSHB 302 (Loans).

The portion of Sec. 9 of HB 302, that repeals AS 44.47.385, is the same as Sec. 5 of CSHB 302 (C&RA) and Sec. 18 of CSHB 302 (Loans).

Section 10 of HB 302 (immediate effective date) is essentially the same as Sec. 6 of CSHB 302 (C&RA) and Sec. 20 of CSHB 302 (Loans).

Provisions that are the same or similar in HB 302 and CSHB 302 (Loans):

Sections 1 - 3 in both HB 302 and CSHB 302 (Loans) increase the amount that may be loaned under the

special mortgage loan purchase program (AS 18.56.098) for a single family residence. HB 302 would increase the loan limit to \$250,000. CSHB 302 (Loans) would increase the limit to 10 percent above the FNMA loan limits.

Section 4 of HB 302, changing the method of calculating the interest rate under AS 18.56.098(g), is the same as Sec. 4 of CSHB 302 (Loans) except that HB 302 provides for a maximum state loan subsidy of four percent and CSHB 302 (Loans) limits the subsidy to three percent. Also, CSHB 302 (Loans) raises the subsidized portion of a loan from \$90,000 to \$100,000, while HB 302 does not.

Section 5 of HB 302, making technical changes in the interest calculation mechanism under AS 18.56.098(g) is the same as Sec. 7 in CSHB 302 (Loans) except that CSHB 302 (Loans) raises the subsidized portion of a loan from \$90,000 to \$100,000, while HB 302 does not.

The portion of Sec. 9 of HB 302 that repeals AS 18.-56.098(g)(2) is the same as the similar portion of Sec. 18 in CSHB 302 (Loans).

Provisions that are the same or similar in CSHB 302 (C&RA) and CSHB 302 (Loans):

Section 3 of CSHB 302 (C&RA), making the housing assistance fund in the Department of Community and Regional Affairs a revolving fund, is the same as Sec. 12 in CSHB 302 (Loans).

Section 4 of CSHB 302 (C&RA), establishing a home ownership assistance fund in the Department of Community and Regional Affairs is substantially the same as Sec. 13 in CSHB 302 (Loans), except that the Loans version is more specific as to restrictions on use of the home ownership subsidy for people of low or moderate income.

Provisions that are found only in HB 302:

Section 8 of HB 302 makes some of the changes to the AHFC interest rate calculation apply only to bond sales after the effective date of the Act. This provision was dropped in the Community and Regional Affairs

substitute and not picked up again in the Loans substitute.

Provisions that are found only in CSHB 302 (Loans):

Sections 5, 6, and 8 of CSHB 302 (Loans) amend AS 18.-56.098(g) to increase the subsidized portion of an AHFC loan from \$90,000 to \$100,000.

Section 11 allows AHFC to purchase a housing loan for a residence within 50 miles of the District of Columbia for a member of the Alaska delegation to the U.S. Congress.

Section 14 amends existing law so that a person who receives a nonconforming or rural housing loan from the Department of Community and Regional Affairs can also get a loan for nonowner-occupied housing from that department.

Section 15 changes the method of calculating interest for nonconforming and rural housing under the Department of Community and Regional Affairs to tie both loan programs to the interest rate for AHFC loans.

Section 16 changes the current community and regional affairs housing loans definition of "rural" to extend that definition to all communities with fewer than 4,500 people that are either not connected by road or rail to Anchorage, or are connected by road or rail to Anchorage, but are more than 50 air miles from Anchorage.

Section 17 allows alternative technology loans to be made for certain kinds of central heating systems that use solid fuel.

Section 19 delays the effective date of the establishment of the home ownership assistance fund until January 1, 1984.

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

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

MEMORANDUM

May 11, 1983

SUBJECT: State housing loans
(CSHB 302 (Loans))

TO: Representative Rick Uehling

FROM: *LH* Linn H. Asper
Legislative Counsel

You have requested a sectional analysis of CSHB 302 (Loans).

FILED
Sections 1 - 3 increase the amount of money that may be loaned for single-family residences under AHFC loan programs, from the current limits to 10 percent above those limits. These sections also make it clear that no change is made to loan limits for duplex, triplex, or four-plex housing.

Section 4 raises the subsidized portion of an AHFC loan from \$90,000 to \$100,000 and restructures the interest calculation mechanism for the special mortgage loan purchase program. The maximum interest rate subsidy remains at three percent.

Section 5 - 3 raise the subsidized portion of AHFC loans from \$90,000 to \$100,000. Sec. 5 makes other technical changes in the interest rate mechanism for the special mortgage loan purchase program.

Section 9 removes the residence requirement for eligibility for veteran's interest rates and changes eligibility requirements for national guard members and reservists.

Section 10 makes the hiring of a financial advisor for an AHFC bond sale permissive instead of mandatory.

Section 11 allows AHFC to purchase mortgage loans in the Washington, D.C. area for members of the Alaska delegation to the U.S. Congress.

Section 12 makes technical amendments to the housing assistance loan fund in the Department of Community and Regional Affairs to make it clear that the fund is a revolving fund, and that principal payments from housing loans are returned to the fund.

Section 13 establishes a home ownership assistance fund in the Department of Community and Regional Affairs to assist lower and moderate income families to purchase homes under the community and regional affairs nonconforming and rural housing programs. The maximum subsidy available under the new fund is the amount that reduces the effective interest rate for a borrower to six percent. The maximum amount of a loan that can be subsidized from the fund is \$120,000.

Section 14 allows a person to have both a nonconforming or rural housing loan and a nonowner-occupied housing loan under the housing loan programs of the Department of Community and Regional Affairs.

Section 15 sets nonconforming housing interest rates at one-quarter percent more than AHFC rates and sets rural housing interest rates at one percent less than AHFC rates.

Section 16 changes the definition of "rural" for community and regional affairs housing loans to include every community with fewer than 4,500 people that is not connected by road or rail to Anchorage or that is connected by road or rail to Anchorage, but is more than 50 air miles from Anchorage.

Section 17 adds certain solid fuel central heating systems to the list of alternative energy devices that are eligible for alternative energy loans under AS 45.88.

Section 18 repeals a portion of the AHFC interest rate calculation mechanism that is no longer necessary and repeals an allocation provision for nonconforming housing loans.

Section 19 delays the effective date of the home ownership assistance fund until January 1, 1984.

Section 20 makes the rest of the Act effective immediately.

LHA:ljb
19/020

Alaska State Legislature

FILE COPY

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821



REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

MEMORANDUM

TO: Representative Rick Uehling
FROM: Bill Lovell, Staff
DATE: May 20, 1983

RE: CSHB 302 (Finance) AmH

For your convenience, I have analyzed the Finance Committee Substitute for House Bill 302, Amended House.

Sections 1 - 3 increase the amount of money that may be loaned for single-family residences under AHFC loan programs, from the current FNMA limits (at the present, \$160,000) to 10 percent above those limits. Sections 1 and 2 make it clear that no change is made to loan limits for duplex, triplex, or four-plex housing.

Section 4 repeals the "Rogers' Ratchet" and replaces it with similar, but more concise language.

Section 5 clarifies the method in which AHFC will determine the effective interest rate for loans purchased with funds obtained from program receipts, interest income, and fees.

Section 6 removes the residency requirement for eligibility for veterans' interest rates and changes eligibility requirements for national guard members and reservists.

Section 7 makes the hiring of a financial advisor for an AHFC bond sale permissive instead of mandatory.

Section 8 makes technical amendments to the housing assistance loan fund in the Department of Community and Regional Affairs to make it clear that the fund is a revolving fund, and that principal payments from housing loans are returned to the fund.

Section 9 establishes a home ownership assistance fund in the Department of Community and Regional Affairs to assist

lower and moderate income Alaskans to purchase homes under the community and regional affairs nonconforming and rural housing programs. The maximum subsidy available under the new fund is the amount that reduces the effective interest rate for a borrower to six percent. The maximum amount of a loan that can be subsidized from the fund is \$120,000.

Section 10 allows a person to have both a nonconforming or rural housing loan and a nonowner-occupied housing loan under the housing loan programs of the Department of Community and Regional Affairs.

Section 11 prohibits the Department of Community and Regional Affairs from making a mortgage loan for rental housing unless the borrower agrees not to discriminate against tenants or prospective tenants on account of sex, marital status, changes in marital status, pregnancy, parenthood, race, religion, color, national origin, or status as a student.

Section 12 sets nonconforming housing loans at one-quarter percent more than AHFC rates and sets rural housing loans at one percent less than AHFC rates.

Section 13 changes the definition of "rural" for community and regional affairs housing loans to include every community with fewer than 4,500 people that is not connected by road or rail to Anchorage, but is more than 50 air miles from Anchorage.

Section 14 adds central heating systems fueled by wood or coal to the list of alternative energy devices that are eligible for alternative energy loans under AS 45.88.

Section 15 repeals a portion of the AHFC interest rate calculation mechanism that is no longer necessary and repeals the 80/20 split allocation provision (80 percent rural and 20 percent urban) for nonconforming housing loans.

Section 16 delays the effective date of the home ownership assistance fund until January 1, 1984.

Section 17 makes the rest of the bill effective immediately.

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

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

MEMORANDUM

June 21, 1983

SUBJECT: Comparison of CSHB 302 (Finance) am and
SCS CSHB 302 (Finance)

TO: Representative Rick Uehling
Chairman, House Special Committee on Loans

FROM:  Linn H. Asper
Legislative Counsel

You have requested a comparison of the above-referenced versions of HB 302.

The following sections are the same in both versions:
Secs. 1 - 7 of the House passed version are the same as
Secs. 4 - 10 in the Senate version. Secs. 9 - 12 of the
House version are the same as Secs. 13 - 16 in the Senate,
and Secs. 16 - 17 in the House are the same as Secs. 28 - 29
in the Senate.

Section 8 of the House version makes the housing assistance loan fund a revolving fund, consisting of money appropriated by the legislature and repayments of principal and interest. The Senate version, Sec. 12, limits the revolving fund to appropriations and repayments of principal and requires that interest on loans from the fund be paid into the general fund.

Section 13 of the House version redefined the term "rural" for the purposes of housing loans made by the Department of Community and Regional Affairs. The Senate version deletes the new definition. Sec. 14 of the House version added a new subparagraph to the definition of "alternative energy system" to allow loans to be made for certain additional heating devices. The Senate version makes similar changes in a different form.

Section 15 of the House version is the same as Sec. 27 of the Senate version in that it repeals AS 18.56.098(g)(2), but the House version also repeals the allocation formula of

AS 44.47.385 while the Senate version, in Sec. 18, repeals and reenacts the allocation formula.

The following provisions are new in the Senate version of the bill:

Section 1 of the Senate version adds the Sitka Community Association to the list of regional native housing authorities that can administer community and regional affairs housing loans.

Sections 2 and 3 establish an Alaska Housing Finance Corporation Revolving Loan Fund and require accounting and reporting for that fund.

Section 11 provides for the extension of AHFC loans to members of the Alaska congressional delegation in Washington, D.C. This provision was amended out of the House version on the floor of the House.

Section 17 requires an annual report and accounting for the housing assistance revolving fund.

Section 18, as noted above, reenacts an allocation formula for community and regional affairs loan money.

Section 21 incorporates SB 251 into HB 302. SB 251 establishes a low cost and low income multiple family housing development fund in the Department of Community and Regional Affairs to provide grants to municipalities and qualified nonprofit corporations to construct low income multiple family housing.

Section 22 through 26 incorporate SB 253 into HB 302, making largely technical changes to the multifamily housing loan account in AIDA to extend the operation of that account and allow AIDA to use money in the account to establish capital reserve funds to secure bond issues for multifamily housing.

LHA:ljb
25/013

DRAFT

Memorandum

To: House Majority Caucus Members
From: Rep. Rick Uehling, Chairman
Special Committee on State Loans
Subject: Senate CS HB 302 (Loans)
Date: June 22, 1983

The major provisions in the Senate version which are not in the original House Bill are listed below.

1. Establishes an AHFC revolving fund and continues to allow the principle on loans to be deposited in the fund. However, it does not allow interest to return to AHFC. Interest will go back to the General Fund, *ON A YEARLY BASIS AND THE LEGISLATURE WILL HAVE THE*

2. Requires under the Executive Budget Act a complete accounting of the AHFC revolving fund by January 10th each year, to the Legislature. The intent of this provision is making the Corporation accountable for its actions, directly to the Legislature.

3. Residential mortgage assistance for members of the Alaska Congressional Delegation. This was in the House Bill but was taken out by floor amendment. It was put back in Senate Labor & Commerce.

C.R.A.
4. Under ~~Community and Regional Affairs~~, Housing Assistance Loan Fund it requires principle to stay in the revolving loan fund, but puts the interest back in the general fund. *DRAFTED BY THE HOUSE LOANS*

THAT WAS EXTENSIVELY WORKED ON THE COMMITTEE
5. The House version contains a new definition of Rural, however the Senate version leaves ~~it the same~~ as the present Statute. *C.R.A.*

THAN
MAY NOT
~~at least~~ 20% of its funds to urban areas, the remainder going to Rural communities. The House version repeals the 80/20 split presently in Statute. This reenacts an allocation formula for C & RA Loan money.

PROLOGUE
TO
APPROPRIATE
THE MONEY
SEE'S FIT

7. Under Sections 21 - 26, the Senate has incorporated two Senate Bills. They are SB 251 "An Act establishing the low cost and low income multiple family housing development fund in C & RA" and SB 253, "An Act relating to the multifamily housing Loan Program of the Alaska Industrial Development Authority." The first Bill extends the powers under C & RA and establishes a low income multiple family housing fund and a grant program to municipalities and qualified non-profit corporations for construction of multiple family housing. The second Bill makes technical changes to the AIDA multifamily housing loan account, by taking certificates of deposit out of the loan loss reserve fund and showing them as an asset in the Capital reserve Fund. This frees up money for more investment in other bonding programs in AIDA, *RESULTING IN MORE BUSINESS LOANS*

Another Statute change is the \$10 million limitation on multi-family housing being lifted. This would allow ~~loans in excess of the \$10 million for larger projects.~~

MORE FEASIBILITY AND ~~OUR~~ LARGER LOANS TO INDIVIDUALS
I believe that ~~these~~ *these* are the major differences in ~~HB 302~~ *SB 413 302* and recommend that we do not concur in these amendments. The Senate action in rolling two Bills into the ~~House~~ version which have not had proper public input is reason-enough. The other changes are minor or technical, but it would be best to consider these in Conference Committee.

OUR

→ *VERSION IS BAD PUBLIC POLICY, CONSIDERING*

HOUSE MEMBERS HAVE NOT HAD PROPER INPUT ON THESE IMPORTANT CHANGES. A CONFERENCE COMMITTEE WOULD GIVE US MORE INPUT AND

BETTER PUBLIC

INPUT WOULD MAKE BETTER PUBLIC POLICY.

IN MANY CASES PROJECTS THAT COULD NOT BE PROFITABLE OUT CAN NOW UNDER THIS PROVISION BE PROFITABLE TO THE INVESTOR.

TO BUY AND BUILD MULTI-FAMILY HOUSING UNITS.

April 8, 1983

POSITION PAPER

RE: CSHB 312 (Loans)

SPONSOR: The House Special Committee on State Loans

Program Effects of Bill

Section 3 eliminates the resident requirements affecting veterans. The new provision allows a greater number of veterans to qualify for a 1% reduction in interest rates on mortgages for nonconforming mortgage loans. The division concurs with this section. However, both rural and nonconforming loans will be affected should Section 9 of this bill be enacted.

Section 6 creates a revolving loan fund in the division. The creation of a revolving loan fund will permit the division to retain principal payments received from borrowers. The revolving loan fund in time will reduce the future capital budget requests. The division is in concurrence with this Section.

Section 7 creates within the division a Home Ownership Assistance Fund. The creation of this fund, and the subsidy it provides will assist low and moderate income persons in purchasing single family homes. The impact, both fiscal and in activity will be tremendous. The subsidy fund will allow persons who ordinarily would not qualify for a housing loan to do so. The division expects to expend a large portion of its loan fund allocation in this area. The division is in favor of the creation of this fund.

Section 8 permits a borrower, who has an outstanding non owner-occupied housing loan, to apply for an owner-occupied housing loan. The passage of HB-305 will correct an injustice now imposed on borrowers holding an outstanding non owner-occupied housing loan.

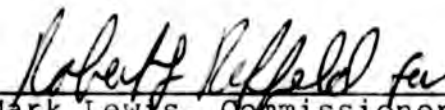
Section 9 sets the interest rate for nonconforming urban housing loans $1/4\%$ higher than the taxable bond rate as determined under Section 1. In addition, Section 9 sets the interest rate for rural housing loans 1% lower than the taxable bond rate as determined under Section 1. Raising the nonconforming rate $1/4\%$ will make AHFC financing more desirable in urban Alaska. Setting the rural rate 1% lower than AHFC's rates will increase demand for rural loans provided by the division. The division concurs with this section.

Section 10 of this bill makes it possible for the division to operate under one definition of rural.

Section 11 repeals the law mandating an 80%/20% split in loan fund allocations for nonconforming housing loans. Currently rural Alaska receives 80% of the funding. Section 10 will also allow the division to allocate nonconforming funds in a more productive manner. The division concurs with this Section.

Section 12 provides an effective date for Section 7. The effective date of January 1, 1984 is acceptable to the department.

Section 13 provides an effective date for Sections 3, 6 and 8-10. The division feels the effective date of these Sections should be immediate.



Mark Lewis, Commissioner

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 15, 1983

BILL SHEFFIELD, GOVERNOR

☒ POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

☐ 225 CORDOVA STREET - BLDG B
ANCHORAGE, ALASKA 99501
PHONE: (907) 264-2294

POSITION PAPER

RE: CS For HB 302 (C&RA)

SPONSOR: Community and Regional Affairs Committee

Program Effects of Bill

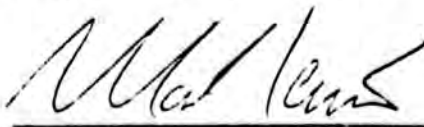
Section 1 eliminates the one year residency requirements affecting veterans. The new provision allows a greater number of veterans to qualify for a 1% reduction in interest rates on mortgages for urban nonconforming mortgage loans. The division concurs with this section.

Section 3 creates a revolving loan fund in the division. The creation of a revolving loan fund will permit the division to retain principal payments received from borrowers. The revolving loan fund, in time, will reduce future capital budget requests. The division is in concurrence with this Section.

Section 4 creates within the division a Home ownership Assistance Fund. The creation of this fund, and the subsidy it provides will assist low and moderate income persons in purchasing single family homes. The impact, both fiscal and in activity will be tremendous. The subsidy fund will allow persons who ordinarily would not qualify for a housing loan to do so. The division expects to expend a large portion of its loan fund allocation in this area. The division is in favor of the creation of this fund.

Section 5 repeals the law mandating an 80%/20% split in loan fund allocations for nonconforming housing loans. Currently rural Alaska receives 80% of the funding. Section 5 will also allow the division to allocate nonconforming funds in a more productive manner. In addition to eliminating the 80%/20% split in nonconforming loans, Section 5 will eliminate a second rural definition. The division concurs with this Section.

Section 6 provides for an immediate effective date for all Sections. The division feels the effective date of Section 4 of this bill should be January 1, 1984. This date will allow the division time to properly implement the program. The division concurs with this Section.


Mark Lewis, Commissioner

STATE OF ALASKA
FISCAL NOTE

Revision Date , 1983

I. REQUEST

Bill/Resolution No.: CS for HB 302
Title: State Housing Loans
Sponsor: House CR&A committee
Requestor: HCRAC

II. FISCAL DETAIL

Agency Affected: Comm & Reg Affairs
Program Category Affected: Development
BRU, Program of Subprogram(s) Affected:
Housing Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES		141	193	205	217	230
200 TRAVEL		41	44	46.1	48.9	51.8
300 CONTRACTUAL		12	13	13.5	14.3	15.2
400 COMMODITIES		29	31	32	33	34
500 EQUIPMENT		3	3.1	3.3	3.5	3.7
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		226	284.1	299.9	316.7	334.7
ANNUAL SUBSIDY		650	1,000	1,200	1,350	1,700
CAPITAL		15,650	31,650	37,850	44,200	50,700
SUBSIDY (Cumulative)		650	1,650	2,850	4,200	5,700
REVENUE		350	2,150	4,250	6,650	9,350
REVENUE (Annual)		350	1,800	2,100	2,400	2,700

FUNDING: (Thousands of Dollars)

GENERAL FUND		15,650	31,650	37,850	44,200	50,700
FEDERAL FUNDS						
OTHER (Specify Source)						
Program Receipts		226	284.1	299.9	316.7	334.7

POSITIONS:

FULL-TIME		5	5	5	5	5
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Unused AIDA Certificates of Deposit. SLA 1982, Ch 114 CCSSB 322
(See 9. Assumptions for Fiscal Note).

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: B. Morse-Quinn/R. Price

Phone: 272-4585

Division: Housing Assistance Division

Date: 4/15/83

Approved by Commissioner:

Date: 4/15/83

Department: Community and Regional Affairs

Distribution:

Original to Legislative Finance
Copy to Office of Management and Budget (for Legislature introduced bills)
Copy to Department (for Governor introduced bills)
Copy to Sponsor
Copy to Requestor (if different from Sponsor)

3/8/83

Home Ownership Assistance Fund (HOAF) Assumptions for Fiscal Note

1. AHFC made 381 HOF loans in FY'81 for \$24.7 million with an average loan amount of \$64,829.00. AHFC made 903 HOF loans in FY'82 for \$58.1 million with an average loan amount of \$64,341.00. HAD's average loan amount is \$87,500.00. HAD projects a FY'84 HOAF program of 176 loans at \$85,000.00 each for a total of \$15 million in loans made.
2. HAD projects a HOAF Program based on rural Alaskan needs as follows:
 - a. Dwelling Price Maximums

1 or 2 member family	\$100,000
3 member family	105,000
4 member family	110,000
5 or more member family	120,000
 - b. Income Maximums

Adult family members	30,000
1st child	5,000
Each additional child	1,500
to program maximum of	39,000
 - c. Asset Maximums

3 times income for all borrowers	
----------------------------------	--
3. Subsidies are calculated for payments of 1 adult and 2 children in rural Alaska to be subsidized from ratchet rate of 10% to HOAF rate of 6%. Average salary is computed at \$2,835 per month with subsidy of \$235.30 per month.
4. Capital projections assume accumulated subsidy projections. Annual subsidy rates are noted.
5. Revenue projections assume accumulated interest of 6% returning to the General Fund. Annual interest earnings are noted. Principal repayment is assumed to revolve back to the fund and is not calculated as revenue.
6. Position requests assume a specialization of duties and can absorb the year round program levels projected with no increased staff.
7. Travel is assumed to reflect both direct and indirect lending services of the division. FY'84 travel reflects the following specific assumptions:

2,500	Loan Examiner I to hearings in six field locations
3,600	Accountant, 6 trips to Juneau
5,000	Central office to bring field staff for training on new program
30,000	6 field offices @ 5,000 each for increased direct services and program outreach

8. Contractual assumptions were as follows:
8,500 New regulations - HOAF
3,500 Computer programming
9. Commodities assumptions were based on present cost of equipment for desks, chairs, files, WANG stations and data processing equipment.
10. Equipment is assumed at \$500 per new position plus \$500 for extra supplies to field.
11. Annual projections carry a 6% inflation calculation.

Notes for Form 13 Calculations

1. All salaries are based on GGU Salary Schedule for A ranges effective 1/1/83 for number of months requested.
2. Benefits were calculated at .0613 of gross salaries.
3. Supplemental benefits were calculated at DCRA FY'84 variable rate of .1537.
4. Fixed benefits were calculated at gross salary x 240.

Notes for Personal Services Category Projections

1. FY'84 impacts for new positions varied between 12 and 6 months. FY'85 projections assume all positions at 12 month plus 6% salary inflation costs. Subsequent years assume only annual inflation rate of 6%.

Notes for Revenue Projections

1. Monthly distribution of capital funds and, therefore, monthly interest calculations due on payments of first year operations cannot be accurately projected until program becomes operational. These figures are division's best estimates.

AMENDMENT

Offered in the HOUSE

By Furnace

TO: CSHB 302(C&RA)

Page 4, after line 8, insert a new section to read:

"* Sec. 5. AS 44.47.560(5) is repealed and reenacted to read:

(5) "rural" means of or relating to a community in the state with a population of 4,500 or less, as determined by the department under AS 29.88.015, that

(A) is not connected by road or rail to Anchorage; or

(B) is connected by road or rail to Anchorage, but is more than 100 air miles from Anchorage;"

Renumber succeeding sections accordingly.

#2. Housing Assistance Loan Fund

§ 44.47.520

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AS 44.47.380.
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15 SLA 1981;

ce of subsection

this section was
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is in conformity
§ 4, Chapter 58,

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§ 44.47.560

STATE GOVERNMENT

§ 44.47.565

Effective dates. — Section 78, ch. 113, SLA 1982, makes this section effective June 25, 1982, in accordance with AS 01.10.070(c).

Editor's notes. — Section 71, ch. 113, SLA 1982, provides: "Notwithstanding AS 44.47.520(b) as enacted in sec. 49 of this Act, until January 1, 1983, the interest

rate on a loan for non-owner occupied housing under AS 44.47.520 is nine and one-half percent. The division of housing assistance in the Department of Community and Regional Affairs may not issue a commitment for a loan under this section after September 1, 1982."

Sec. 44.47.560. Definitions. In AS 44.47.360 — 44.47.560,

(1) "director" means the director of the division of housing assistance;

(2) "division" means the division of housing assistance;

(3) "housing" means owner-occupied, single-family housing and owner-occupied duplexes;

(4) "nonconforming housing" means housing which does not conform to minimum building standards under any state or federal program that provides loans for housing purchases.

(5) "rural" means

(A) a community in the second, third, or fourth judicial district of the state with a population of 4,500 or less that is not connected by road or rail to Anchorage or Fairbanks; or

(B) a community in the first judicial district of the state with a population of 4,500 or less;

(6) "rural housing" means housing, whether or not it is nonconforming housing, that is located in a rural area of the state. (§ 73 ch 106 SLA 1980; am § 50 ch 113 SLA 1982)

Effect of amendments. — The 1982 amendment, effective June 25, 1982, added paragraphs (5) and (6).

Article 10. Local Boundary Commission.

Section

565. Local boundary commission

Sec. 44.47.565. Local boundary commission. There is in the Department of Community and Regional Affairs a local boundary commission. The local boundary commission consists of five members appointed by the governor for overlapping five-year terms. One member shall be appointed from each of the four judicial districts described in AS 22.10.010 and one member shall be appointed from the state at large. The member appointed from the state at large is the chairman of the commission. (§ 7 ch 64 SLA 1959; am § 5 ch 200 SLA 1972; am § 100 ch 59 SLA 1982)

Effect of amendments. — The 1982 amendment, effective May 28, 1982, substituted "judicial districts described in AS 22.10.010" for "major senatorial election districts" and inserted "member shall be appointed" in the third sentence.

#3. Proposed amendment to #2.
(Governor's bill).

remodeling, rehabilitation, or expansion of an existing owner-occupied residence, if the borrower has an outstanding housing loan made under a state loan program, other than a loan for nonowner-occupied housing under AS 44.47.520, that bears interest at a rate that was less than the prevailing market interest rate for similar housing loans at the time the loan was made.

* Sec. 9. AS 44.47.410 is amended to read:

Sec. 44.47.410. INTEREST ON LOANS. (a) The interest rate on a mortgage loan originated or purchased in whole or in part under AS 44.47.380 for nonconforming housing that is not rural housing is one-quarter percent more than [EQUAL TO] the interest rate, as determined under AS 18.56.098(g)(1) -- (4), on a mortgage loan purchased under AS 18.56.098(a) from the proceeds of the most recent applicable issue of taxable bonds before the origination or purchase of the mortgage loan originated or purchased under AS 44.47.380.

(b) The interest rate on a mortgage loan originated or purchased in whole or in part under AS 44.47.380 for rural housing is one percent less than the interest rate, as determined under AS 18.56.098(g)(1) -- (4), on a mortgage loan purchased under AS 18.56.098(a) from the proceeds of the most recent applicable issue of taxable bonds before the origination or purchase of the mortgage loan originated or purchased under AS 44.47.380 [10-1/2 PERCENT].

* Sec. 10. AS 44.47.560(5) is repealed and reenacted to read:

(5) "rural" means of or relating to a community in the state with a population of 4,500 or less, as determined by the department under AS 29.88.015, that

(A) is not connected by road or rail to Anchorage or Fairbanks; or

(B) is connected by road or rail to Anchorage or

1 Fairbanks, but is more than 100 air miles from Anchorage and from
2 Fairbanks.

3 * Sec. 11. The amendments to AS 18.56.098(g) -- (i) made by secs. 1 --
4 3 of this Act apply only to mortgage loans purchased by the Alaska Housing
5 Finance Corporation from the proceeds of, or other money to be pledged to,
6 bonds sold after the effective date of secs. 1 -- 3 of this Act.

7 * Sec. 12. AS 44.47.385 is repealed.

8 * Sec. 13. Sections 7, 8, 10, and 12 of this Act take effect January 1,
9 1984.

10 * Sec. 14. Sections 1 -- 6, 9, and 11 of this Act take effect immedi-
11 ately in accordance with AS 01.10.070(c).



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

Department Community & Regional Aff.	Sponsor (Principal) Special Committee State Loans	Bill Number CS HB 302
Department Position		
Division Director B. Morse-Quin	Date 4/29/83	Commissioner's Signature <i>Robert H. Kippel</i> Date 4/29/83

GOVERNOR'S OFFICE USE

Comments:		
☐ Position Noted	By	Date

SUMMARY

1. a) Related Bills (Similar or Conflicting)	1. b) Other Agencies Affected by Bill
2. a) Organizational Support for Bill	2. b) Organizational Opposition to Bill
3. Program Effects of Bill	
4. Fiscal Impact: ☐ None ☐ Fiscal Note Attached	
5. Amendments Proposed:	
6. Comments: SEE ATTACHED	

AMENDMENT #1

OFFERED IN THE HOUSE:

By: Representative Lindauer

To: CS HB 302 Finance
~~CS (Finance)~~

HOUSE BILL No.

SENATE BILL No.

PAGE: 1

LINE: 26

Page 1, line 26:

Change 10 to 60

Page 2, line 2:

Change 10 to 60

AMENDMENT

#2

OFFERED IN THE HOUSE:

By: Vaska

To: CS HOUSE BILL No. 302(Finance)

SENATE BILL No. _____

PAGE: 4

LINE: 5

Insert the following as a new section 7 and renumber accordingly:

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

Sec. 18.56.106. NOTICE TO BORROWERS. (a) If a loan is made or purchased under this chapter bearing interest at a rate that is lower than the cost of funds to the state for the money that is used to make or purchase the loan, the corporation shall annually during the term of the loan give the following notice to the borrower:

NOTICE TO THE BORROWER

During the preceding year the interest on your loan has been subsidized by the State of Alaska to reduce high interest costs for home mortgages and to promote home ownership by individuals.

Interest cost to the state for your loan this year	\$
Less interest you paid on your loan this year	\$
State subsidy on your loan for the year	\$

(b) In this section "cost of funds" has the same meaning set out in As 18.56.098(g)(7)(A).

AMENDMENT

#3

OFFERED IN THE HOUSE:

By: LACHER

To: CS

HOUSE BILL No. HB 302 (FINANCE)

SENATE BILL No.

PAGE: 4

LINE: 11-19

DELETE ALL MATERIAL (SECTION 8) AND RENUMBER SUCCEEDING SECTIONS ACCORDINGLY.

****COPY****

417

ALASKA HOUSE OF REPRESENTATIVES
CSHB 302(FIN) AM 1

1ST SESSION 13TH LEG

5/20/83 12: 6 PM

		4 YEAS	33 NAYS	2 EXC	1 ABS		
N	ABOOD	N	FLOOD	N	LACHER	N	PHILLIPS
N	ADAMS	N	FRITZ	N	LARSON	N	RINGSTAD
N	BARNES	N	FULLER	Y	LINDAUER	E	SHULTZ
Y	BETTISWORTH	N	FURNACE	N	LISKA	Y	SZYMANSKI
N	BUSSELL	E	GOLL	N	MALONE	N	TISCHER
N	CATO	N	GRUSSENDORF	N	MARTIN	N	UEHLING
N	CLOCK SIN	N	HAYES	N	MCBRIDE	N	VASKA
N	COWDERY	N	HERRMANN	N	MILLER, M.M.	N	WARD
A	DAVIS	N	HURLBERT	N	MILLER, M.W.	N	WENDTE
N	DUNCAN	N	KOPONEN	Y	PESTINGER	N	ZHAROFF

+ VOTED FOR

* CHANGED VOTE

418

****COPY.***

ALASKA HOUSE OF REPRESENTATIVES
CSHB 302(FIN) AM 2

1ST SESSION 13TH LEG

5/20/83 2:46 PM

		17 YEAS	21 NAYS	1 EXC	1 ABS		
N	ABOOD	Y	FLOOD	Y	LACHER	Y	PHILLIPS
N	ADAMS	N	FRITZ	Y	LARSON	N	RINGSTAD
N	BARNES	N	FULLER	N	LINDAUER	E	SHULTZ
N	BETTISWORTH	N	FURNACE	N	LISKA	Y	SZYMANSKI
N	BUSSELL	Y	GOLL	Y	MALONE	N	TISCHER
N	CATO	N	GRUSSENDORF	N	MARTIN	N	UEHLING
Y	CLOCKSIN	N	HAYES	Y	MCBRIDE	Y	VASKA
N	COWDERY	Y	HERRMANN	Y	MILLER, M.M.	N	WARD
Y	DAVIS	A	HURLBERT	N	MILLER, M.W.	Y	WENDTE
Y	DUNCAN	Y	KOPONEN	N	PESTINGER	Y	ZHAROFF

+ VOTED FOR

* CHANGED VOTE

****COPY****

420

ALASKA HOUSE OF REPRESENTATIVES
CSHB 302(FIN)AM

1ST SESSION 13TH LEG

5/20/83 3:12 PM

		39 YEAS	0 NAYS	1 EXC	0 ABS		
Y	ABOOD	Y	FLOOD	Y	LACHER	Y	PHILLIPS
Y	ADAMS	Y	FRITZ	Y	LARSON	Y	RINGSTAD
Y	BARNES	Y	FULLER	Y	LINDAUER	E	SHULTZ
Y	BETTISWORTH	Y	FURNACE	Y	LISKA	Y	SZYMANSKI
Y	BUSSELL	Y	GOLL	Y	MALONE	Y	TISCHER
Y	CATO	Y	GRUSSENDORF	Y	MARTIN	Y	UEHLING
Y	CLOCKSIN	Y	HAYES	Y	MCBRIDE	Y	VASKA
Y	COWDERY	Y	HERRMANN	Y	MILLER, M.M.	Y	WARD
Y	DAVIS	Y	HURLBERT	Y	MILLER, M.W.	Y	WENDTE
Y	DUNCAN	Y	KOPONEN	Y	PESTINGER	Y	ZHAROFF

+ VOTED FOR

* CHANGED VOTE

****COPY****

421

ALASKA HOUSE OF REPRESENTATIVES
CSHB 315(FIN)

1ST SESSION 13TH LEG

5/20/83 3:15 PM

	38 YEAS	1 NAYS	1 EXC	0 ABS		
Y ABOOD	Y		Y	LACHER	Y	PHILLIPS
Y ADAMS	Y		Y	LARSON	Y	RINGSTAD
Y BARNES	Y		Y	LINDAUER	E	SHULTZ
Y BETTISWORTH	Y		Y	LISKA	Y	SZYMANSKI
Y BUSSELL	Y		N	MALONE	Y	TISCHER
Y CATO	Y		Y	MARTIN	Y	UEHLING
Y CLOCKSIN	Y		Y	MCBRIDE	Y	VASKA
Y COWDERY	Y		Y	MILLER, M.M.	Y	WARD
Y DAVIS	Y		Y	MILLER, M.W.	Y	WENDTE
Y DUNCAN	Y		Y	PESTINGER	Y	ZHAROFF

+ VOTED FOR

* CHANGED VOTE

THE ACCOUNTABILITY AMENDMENT

Amendment # 1 by Rodey

Add a new Section 2 to read:

* Section 2 AS 18.56.089 is amended to read:

Sec. 18.56.089 EXECUTIVE BUDGET ACT. The operating budget of the corporation is subject to the Executive Budget Act (AS 37.07) for fiscal years beginning after June 30, 1981. In addition, to further ensure effective budgetary decision-making by the legislature, the corporation shall present to the legislature by January 10 of each year, a complete accounting of the Alaska housing finance revolving fund. This accounting shall be audited by an independent outside auditor and shall include a full description of all mortgage loan interest and principal repayments and program receipts, including, without limitation, mortgage loan commitment fees, received by or accrued to the corporation during the preceding fiscal year, and all income earned on assets of the corporation during that period, including, without limitation, earnings on assets of the state assisted mortgage fund.

Add a new section 13 to read:

* Section 13 AS 44.47 is amended by adding a new section to read:

Sec. 44.47.530 ANNUAL REPORT. (a) The division shall prepare and transmit annually a report accounting to the governor and the legislature for the efficient discharge of all responsibility assigned by law or directive to the division.

(b) By January 10 of each year, the director shall publish a report of the division for distribution to the governor, the legislature and the public. The report shall be written in easily understandable language, shall consider the assigned duties of the division, and shall include: (1) a financial statement audited by an independent outside auditor;

(2) a statement of the division's loans under this chapter including an appraisal of the loans at market value;

(3) a description of the division's loan activities during the period covered by the report;

(4) a comparison of the division's goals with actual performance during the period covered by the report;

(5) a description of the division's loan portfolio by region within the four judicial districts of the State; and

(6) any other information the director believes would be of interest to the governor, the legislature and the public.

Add a new Section 1 to read:

9 * Section 1. AS 18.56 is amended by adding a new section to read:

10 Sec. 18.56.082. ALASKA HOUSING FINANCE REVOLVING FUND. The
11 AHFC Alaska housing finance revolving fund is established in the corpo-
12 ration. The revolving fund consists of appropriations made to the
13 revolving fund by the legislature, money or other assets transferred
14 to the revolving fund by the corporation, repayments of principal and
15 interest on loans made or purchased by the corporation, and the earn-
16 ings on all other investments of the corporation that are not pledged
17 to the payment of bonds or required, under agreements with bondhold-
18 ers, to be otherwise held or disposed of. Amounts deposited in the
19 revolving fund shall be expended for the purposes of the corporation,
20 set out in this chapter.

Amend Section 8, lines 15 - 18 to read:

HAD Sec. 44.47.380. Housing Assistance Loan Fund. There is created
in the Department of Community and Regional Affairs, as a revolving
loan fund, the housing assistance loan fund consisting of money
appropriated to it by the legislature and repayments of principal
and interest on loans made or purchased from the assets of the fund.
[INTEREST ON LOANS MADE OR PURCHASED FROM THE ASSETS OF THE FUND MUST
BE TRANSFERRED TO THE DEPARTMENT OF REVENUE FOR DEPOSIT IN THE GENERAL
FUND.]

Amendment # 3 by Rodey

THE AIDA AMENDMENT

Add new sections to the bill to include all of SB 253 with the exception of Section 2 of that bill.

Introduced: 4/14/83
Referred: Labor and Commerce
and Finance

Amendment #3 J. Fisher

1 IN THE SENATE

BY JOSEPHSON AND V. FISCHER

2

SENATE BILL NO. 253

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the multifamily housing loan
7 program of the Alaska Industrial Development Author-
8 ity; and providing for an effective date."

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

10 * Section 1. Section 69(c)(8), ch. 113, SLA 1982, is amended to read:

11 (8) to use assets of the multifamily housing loans security
12 fund to establish capital reserve funds to secure bonds issued in
13 connection with the financing of multifamily housing projects and to
14 provide a loan loss reserve for loans purchased by the multifamily
15 housing loan account of the enterprise development fund.

16 * Sec. 2. Section 69(e), ch. 113, SLA 1982, is amended to read:

17 (e) A capital reserve fund established under this section to
18 secure bonds issued in connection with the financing of multifamily
19 housing projects is not subject to the \$10,000,000 limitation stated
20 in AS 44.88.105(a). The provisions of AS 44.88.105(f) do not apply to
21 capital reserve funds established to secure bonds issued to finance
22 one or more multifamily housing projects.

23 * Sec. 3. Section 69(f), ch. 113, SLA 1982, is amended to read:

24 (f) A multifamily housing loan account is established in the
25 enterprise development fund of the authority (AS 44.88.155), consist-
26 ing of money and other assets of the enterprise development fund that
27 the authority deposits into it. [HOWEVER, THE AUTHORITY MAY NOT
28 DEPOSIT PROCEEDS FROM THE SALE OF BONDS OF THE AUTHORITY INTO THE
29 MULTIFAMILY HOUSING LOAN ACCOUNT.] The multifamily housing loan

1 account shall be used only to purchase or originate loans for multi-
2 family housing projects. The authority may not use proceeds from the
3 sale of bonds of the authority to finance secondary loans for multi-
4 family housing. Notwithstanding the provisions of AS 44.88.155(d), a
5 loan purchased or originated by the authority for the multifamily
6 housing loan account

7 (1) may not be for a term longer than 30 years from the
8 date the loan is made;

9 (2) shall be secured by a mortgage or other security in-
10 strument in the manner the authority determines is feasible to assure
11 timely repayment under a loan agreement entered into with the bor-
12 rower; the mortgage or other security instrument constitutes a first
13 lien against the multifamily housing project, except that it may be
14 subordinated by the authority to a loan made directly or indirectly
15 with the proceeds of a sale of bonds by the authority, the Alaska
16 State Housing Authority, or a municipality of the state during the
17 time when the loan from these proceeds is outstanding, and may be
18 subordinated to a loan that refinances the original loan, if the
19 authority considers it appropriate to do so;

20 (3) shall provide for a schedule of payments of principal
21 and interest that is satisfactory to the authority, and that may
22 include, without limitation, deferrals or reductions of payments,
23 variable payments, balloon payments, sharing in equity appreciation,
24 and other arrangements;

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

1 * Sec. 4. Section 69(h), ch. 113, SLA 1982, is amended to read:

2 (h) The multifamily housing loans security fund is established
3 in the authority. The multifamily housing loans security fund con-
4 sists of money and assets appropriated or transferred to it, the in-
5 come produced from its investments and holdings, and deposits that the
6 authority may make from repayments of multifamily housing loans pur-
7 chased by the multifamily housing loan account of the enterprise de-
8 velopment fund. The assets of the multifamily housing loans security
9 fund may be used to establish capital reserve funds to secure bonds
10 issued in connection with the financing of multifamily housing pro-
11 jects. The assets of [THE PURPOSE OF] the multifamily housing loans
12 security fund may also be used [IS] to provide a loan loss reserve for
13 the enterprise development fund for multifamily housing loans made by
14 the authority from the multifamily housing loan account of the enter-
15 prise development fund. The multifamily housing loans security fund
16 is not a general asset of the authority and may not be pledged or com-
17 mitted in any way except as provided in this subsection [TO PROVIDE A
18 LOAN LOSS RESERVE FOR THE ENTERPRISE DEVELOPMENT FUND FOR MULTIFAMILY
19 HOUSING LOANS MADE BY THE AUTHORITY FROM THE MULTIFAMILY HOUSING LOAN
20 ACCOUNT OF THE ENTERPRISE DEVELOPMENT FUND]. The authority may

21 (1) establish separate accounts in the multifamily housing
22 loans security fund for multifamily housing loans, as it finds appro-
23 priate, and may establish other accounts that it considers appropri-
24 ate;

25 (2) hold and invest money and other assets of the multi-
26 family housing loans security fund at competitive national market
27 rates in the types of investments described in AS 37.10.070(a).

28 * Sec. 5. Section 69(k)(2), ch. 113, SLA 1982, is amended to read:

29 (2) "multifamily housing project" means a specific