

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
1586 SCOMM 59: JNT. COMMITTEE ON ECONOMIC RECOVERY, 1988

1383

JUDICIAL V. NONJUDICIAL FORECLOSURE PROVISIONS:

JUDICIAL FORECLOSURE -

In a judicial foreclosure, the court forecloses on the Deed of Trust, orders the property sold, and may give the lender a deficiency judgement for the difference of what they can sell the property for and what is actually owed on the property. This deficiency judgement is a personal obligation on the part of the borrower. The borrower is also given a "right of redemption" period (one year) to pay what is owed and regain possession to the property, (unless the property is sold to a bonafide purchaser and not subject to the right of redemption).

Judicial foreclosures can take a great deal of effort, are expensive, and time consuming as well.

NONJUDICIAL FORECLOSURE -

Foreclosure conducted outside the court system. No deficiency judgement or right of redemption period allowed. Lender has option to sue on the Note (by judicial means) prior to suing on the Deed of Trust, (AS 09.45.170).

The Alaska Supreme Court concluded in Moening v. Alaska Mutual Bank (2/26/88), a secured creditor may initially ignore the security, and sue on the note, absent an agreement to the contrary. Further, under Conrad v. Counsellors Investment Company (2/26/88), the Supreme Court concluded that the deed of trust does not expressly preclude a suit on the note. Under common law, (AS 34.20.100), a prior suit on the note does not preclude subsequent nonjudicial (or judicial foreclosure) of the security.

Up until recently, it was to the benefit of the lender to foreclose on the Deed of Trust, as the property was usually worth more than the amount owing; suit on the Note was unnecessary, as the lender received the full amount of the debt upon a foreclosure sale of the property. Within the past several years, many property values have dropped significantly, and the amount owing can be more than the actual market value of the property, hence the term "negative equity" or "under water".

The Alaska lending institutions have taken the following three approaches to foreclosure:

1. If the borrower has no significant assets, the lender forecloses on the Deed of Trust. However, if the borrower is making a good faith effort to remedy his defaulting loan status, then the lender usually works with him to bring the loan current before taking steps to foreclose. The lenders are not interested in managing foreclosed properties.

2. If the borrower has other assets to cover the debt, but is willing to work with the lender to alleviate the debt, then the lender does not take up a suit on the Note, but rather attempts to work out some arrangement for payment with the borrower.
3. If the borrower has other assets to cover the debt, but is unwilling to cooperate with the lender in working out some sort of payment arrangements, then the lender may take steps to sue on the Note prior to foreclosing on the Deed of Trust.

Only in Case #3 does the lender sue on the Note, and there have been very few instances where they have been forced to take this remedy prior to foreclosing on the Deed of trust.

The recent Alaska Supreme Court decisions have not altered the way the banks do business in Alaska, and it is "business as usual". What these two cases have pointed out is that the lender does indeed have the option to sue on the Note prior to foreclosing nonjudicially on the Deed of Trust, as per AS 34.20.070 - 34.20.135.

The lender does have the option to a judicial foreclosure, and will in some cases go this route if the lender feels that it is worth going after the holder of the deed of trust personally via a deficiency judgement issued by the courts. (In many cases, it is not worth the time, effort and expenditure to the lender to foreclose via the court system.)

* * * * *

JUDICIAL FORECLOSURE

NONJUDICIAL FORECLOSURE

-Requires Court Action

-No court action required

-Deficiency judgment may be awarded

-No deficiency judgment
-Suit on the Note is optional prior only to nonjudicial foreclosure on Deed of Trust

-Right of Redemption period allowed (one year)

-No Right of Redemption

* * * * *

Mortgage -

A lien on property - does not create title or estate to secure the unpaid balance of the purchase price.

(Mortgages are rarely used in the State of Alaska.)

Foreclosure proceedings can only be conducted judicially, (through the court system) with a mortgage because there is nothing in place in the mortgage document for default remedies.

Deed of Trust

Instrument used by which legal title to real property is placed in one or more trustees to secure the repayment of a sum of money, (or the performance of some other condition). Differs in form from a mortgage as it is essentially a security.

The deed of trust document has prescribed foreclosure provisions, thereby allowing the lender to foreclose outside of court, i.e. nonjudicial foreclosure proceedings. Foreclosure proceedings can be accomplished by judicial or nonjudicial means. Deficiency judgements are prohibited in a nonjudicial foreclosure; however, the lender can sue on the Note prior to a nonjudicially foreclosing on the Deed of Trust. No suit is allowed on the Note if the lender chooses to foreclose nonjudicially on the Deed of Trust first.

Note -

A unilateral instrument containing an express and absolute promise of signer to pay a specified person a definite sum of money at a specified time.

Right of Redemption - that period of time, (one year), as set by statute for the defaulting borrower to "redeem" himself and pay up on the mortgage, thereby regaining "custody" of his property. Generally, there is no right of redemption in a nonjudicial foreclosure.

1776 G Street NW
PO Box 37248
Washington, DC 20013
202/789.4700

**Freddie
Mac**

Owned by America's
Savings Institutions

April 9, 1988

Representative Steve Rieger
Co-Chair, Subcommittee on Housing and Banking
House Joint Economic Recovery Committee
Pouch V
State Capitol
Juneau, Alaska 99811
C/O Ann Ringstad

Dear Representative Rieger:

At Ann Ringstad's request, I am providing you with comments on H.B. 549, a bill requiring a notice on the mortgage note of the lender's remedies under Alaskan state law when a borrower defaults on a mortgage.

By way of background, the Federal Home Loan Mortgage Corporation, better known as Freddie Mac, was created by Congress in 1970 to increase the amount of funds available for mortgage lending. Freddie Mac accomplishes its mandate by purchasing residential mortgages from lenders, thereby replenishing their supply of funds to be lent to additional home buyers. Freddie Mac guarantees the payment of the mortgages and sells securities backed by the mortgages to institutional and private investors. In 1987, Freddie Mac purchased nearly \$102 million in mortgages from Alaska lenders.

Freddie Mac certainly agrees with the concept of an informed consumer. This is not only good public policy, it is good business practice. We commend the Legislature for its concern that consumers be made aware of the lender's ability to utilize several remedies, including deficiency judgments, in default situations.

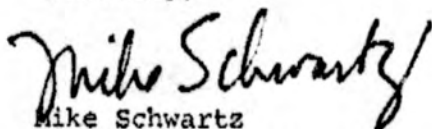
We are concerned about your method for informing the consumer. Adding more information to the note or deed may defeat your intent by making the document too complicated, wordy and intimidating. Also, making Alaska mortgage documents less uniform from notes in other states runs counter to the national trend toward uniform documents. As the mortgage finance industry becomes more reliant on the secondary mortgage market and its investors, uniform documents take on increasing importance.

Representative Steve Rieger
April 9, 1988
Page two

We recommend that you consider requiring an explanation of lenders' remedies on a separate piece of paper which both borrower and lender would sign at closing time. The language of this explanation should be spelled out in the law in order to avoid a different explanation from each lender.

I hope this information is helpful to you and that you will call whenever you have questions on this or other issues of mutual interest.

Sincerely,



Mike Schwartz
Legislative Director

MS:mcf



ALASKA ASSOCIATION OF REALTORS, INC.*

1836 West Northern Lights Blvd. • Anchorage, Alaska 99517
Telephone 907-278-0855

Representative Steve Rieger
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, Alaska 99811

April 7, 1988

Dear Representative Rieger,

The Alaska Association of REALTORS®, after careful consideration, is supporting the passage of HB 549. The full disclosure to all parties involved in real estate transactions can only benefit the public. The Association would suggest however, that the disclosure be accomplished through a "rider" to other documents. This would serve the purpose without a complete redrafting of the standard forms.

We enthusiastically support passage of HB 549.

Sincerely,

Dea Turner
Executive Vice President



NOTE

See # 8 + 6(c)

19

Alaska
(City)

(Property Address. Add Borrower's Post Office Address, if Different)

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. \$..... (this amount is called "principal"), plus interest, to the order of the Lender. The Lender is I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

2. INTEREST

Interest will be charged on unpaid principal until the full amount of principal has been paid. I will pay interest at a yearly rate of%.

The interest rate required by this Section 2 is the rate I will pay both before and after any default described in Section 6(B) of this Note.

3. PAYMENTS**(A) Time and Place of Payments**

I will pay principal and interest by making payments every month.

I will make my monthly payments on the day of each month beginning on 19..... I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. My monthly payments will be applied to interest before principal. If, on I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "maturity date."

I will make my monthly payments at or at a different place if required by the Note Holder

(B) Amount of Monthly Payments

My monthly payment will be in the amount of U.S. \$.....

4. BORROWER'S RIGHT TO PREPAY

I have the right to make payments of principal at any time before they are due. A payment of principal only is known as a "prepayment." When I make a prepayment, I will tell the Note Holder in writing that I am doing so.

I may make a full prepayment or partial prepayments without paying any prepayment charge. The Note Holder will use all of my prepayments to reduce the amount of principal that I owe under this Note. If I make a partial prepayment, there will be no changes in the due date or in the amount of my monthly payment unless the Note Holder agrees in writing to those changes.

5. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (i) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (ii) any sums already collected from me which exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the principal I owe under this Note or by making a direct payment to me. If a refund reduces principal, the reduction will be treated as a partial prepayment.

6. BORROWER'S FAILURE TO PAY AS REQUIRED**(A) Late Charge for Overdue Payments**

If the Note Holder has not received the full amount of any monthly payments by the end of calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be% of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

(B) Default

If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.

(C) Notice of Default

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of principal which has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is delivered or mailed to me.

(D) No Waiver By Note Holder

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

(E) Payment of Note Holder's Costs and Expenses

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

7. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

8. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

9. WAIVERS

I and any other person who has obligations under this Note waive the rights of presentment and notice of dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

10. UNIFORM SECURED NOTE

This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:

Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.

..... (Seal)
Borrower

..... (Seal)
Borrower

..... (Seal)
Borrower

[Sign Original Only]

APL 08 '88 09:02 LIO - FAIRBANKS

P.2

\$ _____, Alaska, _____, 19____ No. _____

For value received, we jointly and severally promise to pay to the order of

DENALI STATE BANK at its office in _____, Alaska,

_____ DOLLARS

with interest from _____ at the rate of _____ per cent per annum until this note is fully paid.

Principal and interest payable \$ _____ per month _____ on the _____ day of each month, beginning _____, and continuing until this note is paid in full.

The amount of interest due on this note is to be paid at the same time the principal installments are paid. If any such installments of principal or interest is not paid when due, the whole sum of principal and interest shall at the option of the holder become immediately due and payable. Principal and interest are payable only in Legal Currency of the United States of America. For value received each and every party signing or endorsing this note hereby waives presentment, demand, protest, and notice of non-payment, any release or discharge arising from any extension of time, discharge of a prior party, or from any cause other than actual payment in full hereof, binds himself hereon as a principal, not as surety, and promises, if this note is not paid at maturity and is placed in the hands of an attorney for collection, or suit is brought hereon, to pay all costs of collection including reasonable attorney's fees.

Security _____

Mailing Address _____

Living Address _____

FHA FORM NO. 9197A
Revised 1/71

This form is used in connection
with deeds of trust insured under
the one-to-four-family provisions
of the National Housing Act.

DEED OF TRUST NOTE

FHA CASE NO.

\$

, Alaska.
19

FOR VALUE RECEIVED, the undersigned promise(s) to pay to the order of

the principal sum of
Dollars

(\$), with interest from date at the rate of
per centum (%) per annum on the balance remaining from time to time unpaid. The
principal and interest shall be payable at the office of

in
or at such other place as the holder hereof may designate, in writing, in monthly installments of
Dollars

(\$), commencing on the first day of , 19 , and on the
first day of each month thereafter, until the principal and interest are fully paid except that the final
payment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable on
the first day of

If default be made in the payment of any installment under this note, and if such default is not made
good prior to the due date of the next such installment, the entire principal sum and accrued interest
shall at once become due and payable at the option of the holder of this note. Failure to exercise this
option shall not constitute a waiver of the right to exercise the same in the event of any subsequent de-
fault. If any suit or action is instituted to collect this note or any part thereof the undersigned promi-
se(s) and agree(s) to pay, in addition to the costs and disbursements provided by statute, a reasonable
sum as attorney's fees in such suit or action.

The undersigned, whether principal, surety, guarantor, endorser, or other party hereto, agrees to be
jointly and severally bound, severally hereby waive any homestead or exemption right against said debt,
waive demand, protest and notice of demand, protest and nonpayment, and expressly agree that this note
or any payment thereunder may be extended from time to time and consent to the acceptance of further
security, including other types of security, all without in any way affecting the liability of such parties.

This note is secured by a Deed of Trust, of even date herewith, to
as Trustee, on real estate situated in the Recording Precinct,
State of Alaska, and this note is to be construed according to the laws of the State of Alaska.

NOTICE: THIS LOAN IS NOT ASSUMABLE WITHOUT THE APPROVAL OF THE VETERANS ADMINISTRATION OR ITS AUTHORIZED AGENT.

\$ _____, Alaska
_____ 19 _____

FOR VALUE RECEIVED, the undersigned jointly and severally, promise to pay to the order of

the principal sum of

(\$ _____), with interest from date at the rate of _____ Dollars
per centum (_____ %) per annum on the unpaid
balance until paid. The said principal and interest shall be payable at

or at such other place as the holder may designate in writing delivered or mailed to the debtor, in monthly installments of

(\$ _____), commencing on the _____ day of _____ Dollars
19 _____, and continuing on the _____ day of each month thereafter, until this note is fully paid,
except that, if not sooner paid, the final payment of principal and interest shall be due and payable on the
day of _____

Privilege is reserved to prepay at any time, without premium or fee, the entire indebtedness or any part thereof not less than the amount of one installment, or one hundred dollars (\$100.00), whichever is less. Prepayment in full shall be credited on the date received. Partial prepayment, other than on an installment due date, need not be credited until the next following installment due date or thirty days after such prepayment, whichever is earlier.

If any deficiency in the payment of any installment under this note is not made good prior to the due date of the next such installment, or if there be failure to comply with any of the agreements contained in the Deed of Trust securing the Note, the entire principal sum and accrued interest shall at once become due and payable without notice at the option of the holder of this note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. In the event of default, the undersigned promise(s) and agree(s) to pay necessary expenses as may be incurred in collection, including reasonable attorney's fee.

This note is secured by a Deed of Trust of even date executed by the undersigned on certain property described therein and represents money actually used for the acquisition of said property or the improvements thereon.

The undersigned agree to be jointly and severally bound, severally hereby waive demand, protest and notice of demand, protest and nonpayment, and expressly agree that this note or any payment thereunder may be extended from time to time and consent to the acceptance of further security, including other types of security, all without in any way affecting the liability of such parties.

I HEREBY CERTIFY that this is the note described in and secured by a Deed of Trust of even date herewith and in the same principal amount as herein stated and secured by real estate in the
Recording District, State of Alaska. Dated this _____ day of
_____ 19 _____

My commission expires

Notary Public in and for the State of Alaska

7 HFC
ABE NOTE

NOTE

Loan No. _____, Alaska
_____, 19____

Property Address (Street and Borrower's Post Office Address, if different)

City _____ State _____ Zip Code _____

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay _____ Dollars
(U.S. \$ _____) (this amount will be called "principal"),
plus interest, to the order of the Lender. The Lender is _____. I understand that the Lender
may transfer this Note. The Lender or anyone who takes this Note by
transfer and who is entitled to receive payments under this Note will be
called the "Note Holder".

2. INTEREST

I will pay simple interest at an annual rate of _____ %.

Interest will be charged on that part of principal which has not been
paid. Interest will be charged beginning on the date of this Note and
continuing until the full amount of principal has been paid.

3. PAYMENTS

I will pay principal and interest by making payments each month of _____ Dollars
(U.S. \$ _____) on the _____ day of each month beginning
_____, 19____. Such monthly installments shall
remain the same through the third (3rd) year and then shall increase
according to the following schedule.

Beginning of year

4 _____ Dollars
(U.S. \$ _____) on the First day of _____, 19____

5 _____ Dollars
(U.S. \$ _____) on the First day of _____, 19____

6 _____ Dollars
(U.S. \$ _____) on the First day of _____, 19____

7 _____ Dollars
(U.S. \$ _____) on the First day of _____, 19____

8 _____ Dollars
(U.S. \$ _____) on the First day of _____, 19____

9 _____ Dollars
(U.S. \$ _____) on the First day of _____, 19____

The monthly installment of _____ Dollars (U.S. \$ _____)
shall continue until the entire indebtedness evidenced by this Note is
fully paid, except that any remaining indebtedness, if not sooner paid,
shall be due and payable on _____.

I will make my monthly payments at _____, or at a different place if required by
the Note Holder.

4. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Late Charges for Overdue Payments

If the Note Holder has not received the full amount of any of my monthly payments by the end of 15 calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be 4% of my overdue payment. I will pay this late charge only once on any late payment.

(B) Default

If I do not pay the full amount of each monthly payment by the date stated in Section 3 above, I will be in default.

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described below, the Note Holder will still have the right to do so if I am in default at a later time.

(C) Notice from Note Holder

If I am in default by more than 30 days, the Note Holder may require me to pay immediately the full amount of principal which has not been paid and all the interest that I owe on that amount.

(D) Payment of Note Holder's Costs and Expenses

If the Note is in default, the Note Holder will have the right to be paid back for all of its costs and expenses in collection amounts due it to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorney's fees.

5. THIS NOTE SECURED BY A DEED OF TRUST

In addition to the protections given to the Note Holder under this Note, a Deed of Trust, dated _____, 19____, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. The Deed of Trust may be made subject to any addendums attached to the Deed of Trust. If there is a conflict between the provisions of this Note and the provisions of any Addendum, the provisions of the Addendum shall control.

6. BORROWER'S PAYMENTS BEFORE THEY ARE DUE

I have the right to make payments of principal at any time before they are due. A payment of principal only is known as a "prepayment". When I make a prepayment, I will tell the Note Holder in a letter that I am doing so. A prepayment of all of the unpaid principal is known as a "full prepayment". A prepayment of only part of the unpaid principal is known as a "partial prepayment".

I will make a full prepayment or a partial prepayment without paying any penalty. The Note Holder will use all of my prepayments to reduce the amount of the principal that I owe under this Note. If I make a partial prepayment, there will be no delays in the due dates or changes in the amounts of my monthly payments unless the Note Holder agrees in writing to those delays or changes. I may make a full prepayment at any time. If I choose to make a partial prepayment, the Note Holder may require me to make the prepayment on the same day that one of my monthly payments is due. The Note Holder may also require that the amount of my partial prepayment be equal to the amount of principal that would have been part of my next one or more monthly payments.

7. BORROWER'S WAIVERS

I waive my rights to require the Note Holder to do certain things. Those things are: (a) to demand payments of amounts due (known as "presentment"); (b) to give notice that amounts due have not been paid (known as "notice of dishonor"); (c) to obtain an official certification of nonpayment (known as "protest"). Anyone else who agrees to keep the promises made in this Note, or who agrees to make payments to the Note Holder if I fail to keep my promises under this Note, or who signs this Note to transfer it to someone else also waives these rights. These persons are known as "guarantors, sureties, and endorsers".

8. GIVING OF NOTICES

Any notice of default that must be given to me under this Note will be given by delivering it or by mailing it by certified mail addressed to me at the Property Address above. A notice will be delivered or mailed to me at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by mailing it by certified mail to the Note Holder at the address stated in Section 3 above. A notice will be mailed to the Note Holder at a different address if I am given a notice of that different address.

9. RESPONSIBILITY OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each of us is fully and personally obligated to pay the full amount owed and to keep all of the promises made in this Note. Any guarantor, surety, or endorser of this Note (as described in Section 7 above) is also obligated to do these things. The Note Holder may enforce its rights under this Note against each of us individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note. Any person who takes over my rights or obligations under this Note will have all of my rights and must keep all of my promises made in this Note, but I will still remain liable unless released in writing by the "Note Holder". Any person who takes over the rights or obligations of a guarantor, surety, or endorser of this Note (as described in Section 7 above) is also obligated to keep all of the promises made in this Note.

Borrower

Borrower

Borrower

Borrower

Original sponsor: Rules by Request/House Members
of the Joint Committee on
Economic Recovery

IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

CS FOR HOUSE BILL NO. 549 (L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to notice requirements in the use of
a deed of trust; and providing for an effective
date."

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

* Section 1. AS 34.20 is amended by adding a new section to read:

Sec. 34.20.132. NOTICE OF OTHER REMEDIES. (a) When a lender
uses a note as evidence of an obligation secured by a deed of trust,
the note must affirmatively advise the trustor or borrower and any
other party bound by the note if the beneficiary or lender wants the
option to bring suit directly on the note to collect an amount owing
under the note without first foreclosing the deed of trust. This
option must be stated in writing within the note or as a separate
document. If a note executed after the effective date of this Act
fails to contain the notice specified in this section, the debt
secured by the deed of trust may be foreclosed under AS 09.45.170 -
09.45.220 or AS 34.20.070 - 34.20.135.

(b) If the beneficiary or lender wishes to collect an amount
owing under the note without first foreclosing the deed of trust, the
following language is sufficient in the note:

The trustor or borrower is personally obligated and fully
liable for the amount due under the note. The security
available to the beneficiary or lender is not limited to
the property identified in the deed of trust and the bene-
ficiary or lender has the right to sue on the note and

1 obtain a personal judgment against the trustor or borrower
2 for satisfaction of the amount due under the note either
3 before or after a judicial foreclosure of the deed of
4 trust under AS 09.45.170 - 09.45.220.
5 (c) In this section, "note" includes a rider to the note.
6 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

345
STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSHB 549 (L&C)
PUBLISH DATE: HOUSE 4/15/88

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
Title: An Act relating to notice BRU: _____
requirements on use of a deed of trust
Sponsor: Rules Committee Components: Banking
Requester: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

Lawrence P. Carroll
Prepared by: Lawrence P. Carroll, Acting Director
Division: Banking, Securities & Corporations
J. Anthony Smith
Approved by Commissioner: J. Anthony Smith
Agency: Department of Commerce & Economic Development

Phone: 465-2521
Date: 4/11/88
Date: 4/12/88

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

BY THE RULES COMMITTEE BY REQUEST
OF THE HOUSE MEMBERS OF THE JOINT
COMMITTEE ON ECONOMIC RECOVERY

1 IN THE HOUSE

2 HOUSE BILL NO. 549

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to notice requirements on the use of
7 a deed of trust; and providing for an effective
8 date."

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

10 * Section 1. AS 34.20 is amended by adding a new section to read:

11 Sec. 34.20.132. NOTICE OF OTHER REMEDIES. When a lender uses a
12 note as evidence of an obligation secured by a deed of trust, the note
13 must affirmatively advise the trustor and any other party bound by the
14 note, in writing within the note, of the security, recourse, and other
15 remedies, if any, available to the beneficiary. If it is intended to
16 permit the beneficiary to bring suit to collect an amount owing on the
17 obligation without foreclosing the deed of trust, this intent must be
18 stated in writing in the note. A beneficiary may not use a remedy not
19 specifically and clearly stated on a note executed after the effective
20 date of this Act. If a note executed after the effective date of this
21 Act fails to contain the notice required by this section, the debt
22 secured by the deed of trust may be foreclosed only under AS 34.20.-
23 070 - 34.20.135, a deficiency judgment may not be entered, and no
24 other action may be taken nor judgment entered against the trustor,
25 surety, or guarantor on the obligation secured by the note.

26 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: HB 549
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
Title: An Act relating to notice BRU: _____
requirements on use of a deed of trust
Sponsor: Rules Committee Components: Banking
Requester: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Lawrence P. Carroll, Acting Director
Division: Banking, Securities & Corporations
Approved by Commissioner: Anthony Smith
Agency: Department of Commerce & Economic Development

Phone: 465-2521
Date: 4/11/88
Date: 4/12/88

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

page ____ of ____

13860-1/041188a

WORK DRAFT

WORK DRAFT

WORK DRAFT



5-2066N ✓
Bradley
4/14/88

Original sponsor: Rules by Request/House Members
of the Joint Committee on
Economic Recovery

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 549 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to notice requirement on the use of
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9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 34.20 is amended by adding a new section to read:

11 Sec. 34.20.132. NOTICE OF OTHER REMEDIES. (a) When a lender
12 uses a note as evidence of an obligation secured by a deed of trust,
13 the note must affirmatively advise the trustor and any other party
14 bound by the note if the beneficiary wants the option to bring suit
15 directly on the note to collect an amount owing under the note without
16 first foreclosing the deed of trust. This option must be stated in
17 writing within the note. If a note executed after the effective date
18 of this Act fails to contain a notice specified in this section, the
19 debt secured by the deed of trust may be foreclosed only under AS 34.-
20 20.070 - 34.20.135, a deficiency judgment may not be entered, and no
21 other action may be taken nor judgment entered against the trustor,
22 surety, or guarantor on the obligation secured by the note.

23 (b) If the beneficiary wishes to collect an amount owing on the
24 note without first foreclosing the deed of trust, the following lan-
25 guage is sufficient in the note:

26 The borrower
27 ~~shall be deemed to have agreed to the following language:~~

1 in the deed of trust and the lender has the right to
2 sue on the note and obtain a personal judgment
3 against the borrower for satisfaction of the amount due
4 under the note either before or after a judicial fore-
5 closure of the deed of trust under AS 09.45.170 - 09.45.220.

6 (c) In this section, "note" includes a rider to the note.

7 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).
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Work Draft #5-2038A dated 3/16/88

"Urging extension of the Federal Home Loan Bank Board's
"Southwest Plan" to Alaska."

By the Joint Committee on Economic Recovery (for the Subcommittee
on Small Business)

Page Two, Line 7 through 10:

WHEREAS one of the [a] principal purposes of the Southwest Plan
is to [realize economics of scale, reduce operating expenses, and
eliminate redundancies of thrift institutions] lower costs for
both the Federal Home Loan Bank Board and the lending
institutions through an infusion of capital, while preserving
adequate services, competition, and basic structure; and

5-2038A
Chenoweth
3/16/88

BY THE JOINT COMMITTEE ON ECONOMIC
RECOVERY (For the Subcommittee on
Small Business)

1 IN THE HOUSE

2 HOUSE JOINT RESOLUTION NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Urging extension of the Federal Home
6 Loan Bank Board's "Southwest Plan" to
7 Alaska.

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

9 WHEREAS the economy of the state is severely depressed, unemployment
10 is extraordinarily high, real estate values have fallen by as much as 50
11 percent in some metropolitan areas, thousands of families have lost their
12 jobs and homes, and hundreds of small businesses are close to failure; and

13 WHEREAS the state's financial system has been severely strained by the
14 extraordinary economic events precipitated by the collapse of world oil
15 prices; and

16 WHEREAS several banks have closed, to the disadvantage of the families
17 and businesses that banked and borrowed at those banks; and

18 WHEREAS further erosion of the state's banking system is not in the
19 best interests of the state's businesses, homeowners, and a competitive
20 banking system; and

21 WHEREAS the economic distress because of the unprecedented economic
22 contraction within the state is not unlike the economic distress that has
23 been experienced by other petroleum-producing states, notably those in the
24 South and Southwest; and

25 WHEREAS, among other responses to the economic downturn in the South
26 and Southwest, the Federal Home Loan Bank Board, the federal agency that
27 regulates and supervises the federal home loan banks that provide a flexi-
28 ble credit reserve for member savings institutions as a principal financing
29 source for lending institutions, has determined that the region, comprising

1 the states of Arkansas, Louisiana, Mississippi, New Mexico, and Texas,
2 warrants special assistance due to its economic difficulties; and

3 WHEREAS the board has fashioned and implemented a "Southwest Plan"
4 that has provided economic and noneconomic assistance to thrift insti-
5 tutions in that region, partially offsetting the effects of the economic
6 slump; and

7 WHEREAS a principal purpose of the "Southwest Plan" is to realize
8 economics of scale, reduce operating expenses, and eliminate redundancies
9 of thrift institutions while preserving adequate services, competition, and
10 basic structure; and

11 WHEREAS the reforms proposed within the "Southwest Plan" should assist
12 thrift institutions in that region to reduce operating costs while main-
13 taining a competitive environment, and improve public confidence in those
14 institutions during a period of economic difficulty;

15 BE IT RESOLVED that the Alaska State Legislature respectfully requests
16 the Alaska delegation in Congress to request the Federal Home Loan Bank
17 Board to extend the "Southwest Plan" to financial institutions in Alaska.

18 COPIES of this resolution shall be sent to the Honorable Ted Stevens
19 and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don
20 Young, U.S. Representative, members of the Alaska delegation in Congress.
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DRAFT
by Rieyer

BY THE JOINT COMMITTEE ON ECONOMIC
RECOVERY (For the Subcommittee on
Housing and Banking)

1 IN THE HOUSE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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20 date of this Act. If a note executed after the effective date of this
21 Act fails to contain the notice required by this section, the debt
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23 070 - 34.20.135, a deficiency judgment may not be entered, and no
24 other action may be taken nor judgment entered against the trustor,
25 surety, or guarantor on the obligation secured by the note.

26 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

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28
JOINT LIABILITY IN PARTNERSHIPS.

March 4, 1988

No. 22



Official Business

Alaska State Legislature House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

BY THE JOINT COMMITTEE ON ECONOMIC RECOVERY

March 2, 1988

COMMITTEE RESOLUTION

Relating to the Residential Real Estate Market

WHEREAS the Alaska State Building Authority, (ASBA), has proposed a comprehensive plan to relocate the tenants, and then demolish Willow Park, a 150-unit, low-rent housing project; and

WHEREAS ASBA is seeking funding for this project from federal, state and local sources; and

WHEREAS the existing structures are 35 years old and in need of extensive renovation to remedy safety code violations, and renovation would cost more than the structures are worth; and

WHEREAS removing substandard units and replacing them with available public and privately owned housing units will help to stabilize the current housing market and help bring substantial new federal funds into a local Alaskan economy; and

March 4, 1988

WHEREAS relocation would provide an improved quality of life for the current residents of Willow Park; and

WHEREAS the complexes are functionally obsolete and a blight on the community; and

WHEREAS the Committee recognizes the value of the Willow Park demolition project and recognizes a responsibility for asbestos abatement of this state-owned facility; and

WHEREAS federal funding for relocation of the Willow Park tenants is directly related to garnering state or local funding of other costs, including asbestos abatement, demolition and site restoration

BE IT RESOLVED that the Committee supports all efforts to obtain state, federal and local funds to complete this relocation and demolition project.

BE IT FURTHER RESOLVED that the Committee recommends that finding appropriate and sufficient state and local funding sources remain both a state legislative and municipal government priority, and that further analysis for consideration by the Legislature in upcoming appropriation actions be completed as soon as possible. The Committee further recommends that final

March 4, 1988

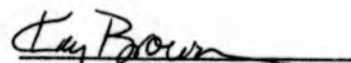
project costs exclusive of federal relocation assistance funds, once verified and funded, be spelled out in a memorandum of understanding between the state and local government by the Alaska State Building Authority subject to the conditions for appropriation the Legislature deems advisable.

Signed this 2nd day of March, 1988



Representative Max Gruenberg

Chairman, House Joint Economic Recovery Committee



Representative Kay Brown

Co-Chairperson

Housing & Banking Subcommittee



Representative Steve Rieger

Co-Chairperson

Housing & Banking Subcommittee



Official Business

Alaska State Legislature

House

10-10-88 removal
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Alaska State
Bldg Auth

P.O. BOX V
State Capitol
Juneau, Alaska 99811

BY THE JOINT COMMITTEE ON ECONOMIC RECOVERY

March 2, 1988

COMMITTEE RESOLUTION

Relating to the Residential Real Estate Market

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WHEREAS ASBA is seeking funding for this project from federal, state and local sources; and

WHEREAS the existing structures are 35 years old and in need of extensive renovation to remedy safety code violations, and renovation would cost more than the structures are worth; and

WHEREAS removing substandard units and replacing them with available public and privately owned housing units will help to stabilize the current housing market and help bring substantial new federal funds into a local Alaskan economy; and

WHEREAS relocation would provide an improved quality of life for the current residents of Willow Park; and

WHEREAS the complexes are functionally obsolete and a blight on the community; and

WHEREAS the Committee recognizes the value of the Willow Park demolition project and recognizes a responsibility for asbestos abatement of this state-owned facility; and

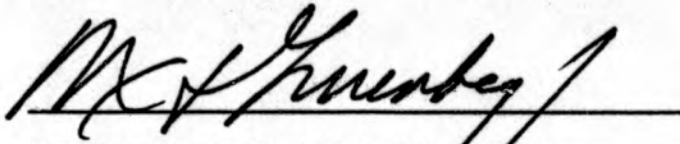
WHEREAS federal funding for relocation of the Willow Park tenants is directly related to garnering state or local funding of other costs, including asbestos abatement, demolition and site restoration.

BE IT RESOLVED that the Committee supports all efforts to obtain state, federal and local funds to complete this relocation and demolition project.

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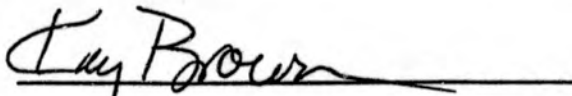
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Signed this 2nd day of March, 1988



Representative Max Gruenberg

Chairman, House Joint Economic Recovery Committee



Representative Kay Brown

Co-Chairperson

Housing & Banking Subcommittee



Representative Steve Rieger

Co-Chairperson

Housing & Banking Subcommittee



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

Report to the Joint Committee on Economic Recovery
by the
House Subcommittee on Housing and Banking
February 22, 1988

Introduction

The House Subcommittee on Housing and Banking has begun investigating these threshold issues and questions: Should state government act to prop up the real estate market (residential or commercial)? Would proposed actions be effective? Who benefits and who loses? How would the overall economy, and the recovery from recession, be affected? How will active commercial loans (performing, non-real estate) be treated under various alternatives?

The Subcommittee also has begun investigating specific legislation.

The Subcommittee will continue its review on these questions and proposals, and will bring recommendations to the full committee as rapidly as possible.

Recommendation on AEDC Proposal

The Subcommittee was asked by the House chairman of the Joint Economic Recovery Committee to review and recommend whether to appropriate \$250,000 to the Anchorage Economic Development Corporation (AEDC) for

assessment of the FDIC portfolio. The assessment would provide information needed to decide whether to purchase the portfolio with the proceeds of a bond issue, perhaps supported by the state's "moral obligation."

The Subcommittee conducted more than 12 hours of hearings on the AEDC proposal and other related issues during the past week.

The Subcommittee recommends against appropriation of \$250,000 to AEDC for FDIC portfolio assessment at this time.

However, the Subcommittee believes there is a need to acquire additional information about the FDIC portfolio, particularly about the so-called "orphaned" commercial loans -- performing, non-real estate loans which may need a continuing line of credit. Investigations into the extent of this problem may lead to recommendations regarding the FDIC portfolio or those specific loans.

The Subcommittee has not taken a position on other proposals or legislation which need further investigation, such as the "real estate stabilization trust" described in the Hallwood Group proposal of Feb. 18, and other bridge bank concepts.

Agenda for Week of Feb. 22-29

The Subcommittee hopes to bring forward by next week additional recommendations on items that could be immediately pursued or enacted by the Legislature, such as:

- Early funding of 10 additional positions for AHFC.
- Early funding for demolition of Willow Park and Hollywood Vista projects in Anchorage.
- Resolution requesting assistance from federal agencies.

The Subcommittee has scheduled the following meetings:

Thursday, Feb. 25, 8 a.m., House Finance Committee Room

Bert Wagnon, AIDEA

Barry Hulin, First Federal Bank

Thursday, Feb. 25, 5 p.m., Room to be announced

*Willis Kirkpatrick, Division of Banking, Securities and Corporations

Saturday, Feb. 27, noon, House Finance Committee Room

Work session on residential issues

Monday, Feb. 29, 8 a.m., Room to be announced

Report to full Committee on Subcommittee recommendations

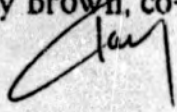
*unconfirmed

House Subcommittee on Housing and Banking

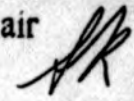
4 .

Submitted by:

Rep. Kay Brown, co-chair



Rep. Steve Rieger, co-chair



cc: House Subcommittee on Housing and Banking

Rep. Mike Davis

Rep. Fran Ulmer

Rep. Mark Boyer

Rep. Pat Pourchot

Rep. Steve Frank

Rep. Henry Springer

Rep. Dave Donley

Rep. Virginia Collins

Rep. Randy Phillips

Rep. Mike Navarre



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

Report to the Joint Committee on Economic Recovery
by the
House Subcommittee on Housing and Banking
February 29, 1988

Re: Willow Park Housing Project
Statement of Subcommittee Intent

A total appropriation of up to \$2.6 million of state funds is sought for the purpose of asbestos removal for demolition of Willow Park Housing Complex.

The Alaska State Building Authority has proposed a comprehensive plan to remove Willow Park, a 150-unit, low-rent housing project, from the Anchorage rental inventory. ASBA is seeking funding for this project from the federal, state and municipal governments. The total project cost is \$13.8 million.

The \$9 million in federal funds for relocation of the Willow Park tenants is contingent upon state or local funding of \$4.8 million of other costs, including asbestos abatement, demolition and site restoration.

COMMITTEE RESOLUTION:

The Subcommittee recognizes the value of the Willow Park demolition project and recognizes a responsibility for asbestos abatement of this state-owned facility.

The Subcommittee supports efforts to obtain state, federal and local funds to complete this relocation and demolition project.

The Subcommittee recognizes that the specific dollar amounts for demolition and asbestos abatement are still being refined.

The Subcommittee recommends that additional analysis be done to find appropriate sources of funding. The Subcommittee further recommends that project costs be spelled out in a project agreement between the state, federal and local governments.

JOINT COMMITTEE ON ECONOMIC RECOVERY
LEGISLATION UNDER CONSIDERATION BY THE HOUSE

The following bills and resolutions are presented under various "packages" determined by subject area. This is a preliminary review list from which a final list of bills would be drawn. There is some overlap between subject areas as some bills were considered by a number of subcommittees.

HOUSING AND BANKING

- HB 402 - Relating to Alaska Industrial Development and Export Authority.
BY: Rules Committee by request of Governor
STATUS:
- HE 429 - Optional exemptions from municipal property tax.
BY: Labor & Commerce Committee
STATUS:
- HB 436 - Neighborhood Business Development Fund.
BY: Labor & Commerce Committee
STATUS:
- HB 431 - Appropriation: Neighborhood Business Development Fund.
BY: Labor & Commerce Committee
STATUS:
- HB 432 - Authorizing AHFC to accept trades.
BY: Donley
STATUS:
- HB 433 - Lien foreclosure moratorium.
BY: Labor & Commerce
STATUS:
- HB 434 - Relating to municipal development and redevelopment.
BY: Menard
STATUS:

HB 457 - Relating to the Alaska stabilization assistance program.
BY: Pettyjohn
STATUS:

HB 458 - Appropriation: Alaska stabilization assistance program.
BY: Pettyjohn
STATUS:

SB 338 - Relating to Uniform Common Interest Ownership Act.
BY: Faiks
STATUS:

Other legislation is under consideration for introduction.

BUSINESS PACKAGE

HB 219 - Appropriation: Alaska Center for International Business.
BY: Rules Committee by Request of Governor
STATUS:
(SB 220 Rules by request, Status:)

HB 402 - (see above under Housing and Banking)

HB 419 - Community economic disaster revolving loan fund.
BY: Rules Committee by Request of Governor
STATUS:

HB 430 - (see above under Housing and Banking)

HB 431 - (see above under Housing and Banking)

HB 432 - (see above under Housing and Banking)

EMPLOYMENT AND INDUSTRY PACKAGE

HB 15 - Enterprise zones; tax credits.
BY: Martin
STATUS:

HB 26 - Date-Labeling of milk products.
BY: Martin
STATUS:
(SB 105 by Kerttula, status:)

HB 43 - Return transportation for certain workers.
BY: Donley
STATUS:

HB 45 - Alaska bidder preference.
BY: Donley

STATUS:

- HB 60 - Export enterprises.
BY: Martin
STATUS:
- HB 145 - Resident hire; projects on state land.
BY: Donley
STATUS:
- HB 162 - Work in underground mines.
BY: Ulmer
STATUS:
- HB 185 - State loan programs; changes/elimination.
BY: Rules Committee by Request of Governor
STATUS:
- HB 209 - Port authority for municipalities.
BY: Larson
STATUS:
- HB 227 - Joint insurance arrangements.
BY: Taylor
STATUS:
- HB 326 - Hiring local state employees.
BY: Herrmann
STATUS:
- HB 353 - Revision of Workers' Compensation laws.
BY: Labor & Commerce Committee
STATUS:
(SB 322 by Labor & Commerce, status:)
- HB 421 - Pipeline property tax exemption.
BY: Donley
STATUS:
- HB 430 - (see above under Housing and Banking)
- HB 431 - (see above under Housing and Banking)
- HCR 39 - Restrict foreign workers on OCS rigs.
BY: Donley
STATUS:
- HCR 45 - Encouraging local hire.
BY: Pearce
STATUS:
- HJR 20 - Urging Alaska hire by federal government.
BY: Shultz
STATUS:

HJR 22 - Resident hire on defense projects.
BY: Boyer
STATUS:

HJR 24 - Federal funds for job training, voc/ed.
BY: Boyer
STATUS:
(SJR 31 by Duncan, status:)

HJR 57 - Over-the-horizon backscatter radar.
BY: Shultz
STATUS:
(SJR 65 by Coghill, status:)

SB 64 - Export enterprises under A.I.D.A.
BY: Kelly
STATUS:

SB 135 - Limiting hire of nonresident teachers
BY: Josephson
STATUS:

SB 166 - Regulations affecting small entities.
BY: Fahrenkamp
STATUS:

SB 261 - Unemployment Insurance Trust Fund.
BY: Rules Committee by Request of Governor
STATUS:

SB 345 - Resource development dispute task force.
BY: Szymanski
STATUS:

SB 414 - Foreign Trade Zones.
BY: Rules Committee by Request of Governor
STATUS:

SB 433 - Fisheries Business Tax Credits
BY: Zharoff
STATUS:

SB 471 - Business loan guarantee/refinance program.
BY: Halford
STATUS:

SCR 30 - Encouraging resident hire by the state.
BY: Coghill
STATUS:

SCR 42 - Supporting mini-module production.
BY: Faiks
STATUS:

SJR 35 - Timber industry in Southeast Alaska.
BY: Jones
STATUS:

SJR 64 - Resident hire: Amchitka, Shemya, Adak.
BY: Zharoff
STATUS:

FISHERIES PACKAGE

HB 108 - Aquatic Farming.
BY: Ellis
STATUS:

HB 492 - Appropriation: Alaska Bottomfish Development Plan.
BY: Herrmann
STATUS:

HB 509 - Commercial Fisheries Loans.
BY: Herrmann
STATUS:

HB 518 - Aquatic Farming.
BY: Hudson
STATUS:

HJR 64 - Alaska fishing in Exclusive Economic Zone.
BY: Herrmann
STATUS:

SB 410 - Operation of state hatcheries by contract.
BY: Eliason
STATUS:

SB 433 - (see above under employment and industry)

RESOURCE DEVELOPMENT PACKAGE

HB 423 - Appropriation: Tourism and recreation projects.
BY: Brown
STATUS:

HB 471 - Temporary oil and gas royalty waivers.
BY: Gruenberg
STATUS:

HJR 13 - Foreign Export of Alaska Crude Oil.
BY: Davis
STATUS:

HJR 49 - Visitor's facility, South side of Denali.
BY: Pearce
STATUS:

(SJR 49 by Sturgulewski, status:)

SB 112 - Forest management agreements.

BY: Jones

STATUS:

(HB 141 by Taylor, status:)

SB 367 - Municipal tax exemption; state resources.

BY: Duncan

STATUS:

SB 443 - Game bird farming.

BY: Coghill

STATUS:

TRANSPORTATION PACKAGE

HB 62 - Creating Alaska Marine Highway Authority.

BY: Cato

STATUS:

HB 479 - Appropriation: Marine Highway System.

BY: Goll

STATUS:

HCR 34 - Tourist oriented directional signs.

BY: Larson

STATUS:

SCR 9 - Winter service Alaska Marine Highway.

BY: Jones

STATUS:

SJR 11 - Repeal Jones Act.

BY: Coghill

STATUS:

INTERIOR REGION

HB 202 - A revision of the Cooperative Codes Revision Act.

BY: Labor & Commerce Committee

STATUS:

HB 253 - Relating to the Alaska Research Policy Act and the science and engineering advisory commission.

BY: Rules Committee by Request of Governor

STATUS:

HB 318 - Establishing the Alaska energy efficient home equity fund.

BY: Ellis

STATUS:

(SB 308 by Fahrenkamp, Status:)

HB 394 - Relating to electric and telephone cooperatives.
BY: Labor & Commerce Committee
STATUS:

HB 430 - (see above under Housing and Banking)

HB 431 - (see above under Housing and Banking)

SB 166 - (see above under Employment and Industry)

HR 5 - Local effects of state budget cuts.
BY: Community & Regional Affairs Committee
STATUS:

Minutes-H.

Housing &

Banking Sub-

committee

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Final Report of the **Subcommittee on Housing and Banking**

Joint Committee on Economic Recovery

May 5, 1988

Members

Rep. Kay Brown, Co-Chair
Rep. Steve Rieger, Co-Chair

Rep. Pat Pourchot
Rep. Steve Frank
Rep. Henry Springer
Rep. Fran Ulmer
Rep. Virginia Collins
Rep. Mike Davis
Rep. Mark Boyer
Rep. Randy Phillips
Rep. Mike Navarre
Rep. Dave Donley

Housing and Banking Subcommittee

Report to

Joint Committee on Economic Recovery

The Housing and Banking Subcommittee recommends that the legislature pursue the following policies and take the following actions to address the state's economic problems:

Policy: Improve distressed housing market.

Strategy: Reduce housing supply.

Develop and initiate plans to demolish institutionally-owned residential properties (REO's) which are unsafe, substandard in quality, and for which demand does not exist.

1. Direct state agencies and encourage other agencies owning REO to cooperate in demolishing unsafe and substandard housing.

Action needed by legislature: Pass subcommittee's resolution, HJR 72 am, on residential housing market.

Cost to State: Theoretically, none.

2. Authorize Alaska Housing Finance Corporation (AHFC) to use a portion of its reserves to participate in the demolition of publicly-owned substandard housing, including multi-family housing projects, where such action is supported by local communities and where such action makes long-term economic sense to AHFC.

Action needed by legislature: Pass CSHB 555 (FIN).

Cost to State: Depends on number and cost of projects.

3. Fund demolition of the state-owned Willow Park Apartments in Anchorage.

Action needed by legislature: Pass CSHB 555 (FIN) to authorize use of AHFC reserves.

Cost to State: Demolition of Willow Park is expected to cost up to \$4.7 million, including asbestos abatement; the Alaska State Building Authority (ASBA) has proposed that the state and Anchorage municipal governments share these costs. The federal government has been asked to contribute approximately \$9 million to purchase or subsidize alternate housing and to cover the residents' moving costs.

Direct AHFC to exercise prudent business judgment in managing its vacant REO mobile homes.

4. Direct AHFC to develop an analysis comparing the costs and benefits of alternative ways of managing REO mobile homes, including demolition, sales, and short-term storage in storage lots and mobile home parks. Authorize AHFC to write off and dispose of vacant and unsalable mobile homes, as part of a cooperative arrangement with other institutional REO owners, wherever it makes economic sense to do so. Direct AHFC to take immediate action to lower holding costs.

Action needed by Legislature: Pass subcommittee resolution, CSHCR 54 (FIN), on management of surplus mobile homes owned by AHFC.

Cost to State: The current foreclosed inventory of 1200 mobile homes could increase by an additional 800-1200 units if economic conditions persist. Because most AHFC mobile home loans do not carry mortgage insurance, foreclosed units involve substantial costs to AHFC whether sold, destroyed, or maintained. The Subcommittee's directive acknowledges the losses and costs to the state that could accrue through various actions by AHFC, but strongly encourages the development of a consistent strategy that minimizes losses or maintenance costs and acts in the long-term best interests of AHFC.

Strategy: Use surplus housing for public purposes.

5. Establish a mental health pilot program for the acquisition of excess residential properties to meet critical housing needs identified by the Alaska Mental Health Board.

During the interim, investigate feasibility of expansion of the program to address other public housing needs such as elderly, developmentally disabled, physically handicapped, homeless, low-income, transitional units for ex-offenders and substance abusers, emergency shelters for abused or runaway children and women's shelters.

Conduct a survey of all statewide public housing needs, and recommend financial and management options to the Sixteenth Legislature when it convenes in 1989.

Action needed by legislature: Fund mental health pilot program as part of the capital budget request of the Mental Health Board to meet the state's obligations under the Mental Health Trust Lands Settlement.

Direct House Research Agency to conduct an interim survey of public housing needs and to analyze options for expanding the program.

Cost to State: \$2.35 million for pilot program.

Strategy: Increase demand for housing.

6. Support pending legislation identified by other subcommittees of the Joint Committee on Economic Recovery that will improve the economy generally and create jobs.

Strategy: Provide aid to distressed homeowners.

7. Revise law to allow restructuring of rural housing loans by the Department of Community and Regional Affairs, where appropriate.

Action needed by legislature: Pass subcommittee legislation, HB 550.

Cost to State: Theoretically, none.

8. Direct AHFC to relax current owner-occupancy ratios for condominium mortgage loans to the extent possible, and to take actions to raise owner occupancy in condominium developments.

Action needed by legislature: Pass subcommittee legislation CS HB 555(FIN).

Cost to State:

9. Direct AHFC to take whatever action is necessary to provide timely responses to the public on pending matters. Provide adequate funding to hire personnel trained and qualified in market problem areas, such as property management workouts, and borrower counseling.

Action needed by legislature: Approve Governor's amended budget to provide funding of 25 new positions for AHFC.

Cost to State: \$1.788 million (Program Receipt dollars included in Governor's FY 89 budget request)

10. Authorize AHFC to utilize trades of property where feasible in order to increase liquidity in the housing market and to assist Alaskans whose circumstances now require a larger or smaller home, or a home in a different community. Direct AHFC to make establishment of such a program a priority.

Action needed by legislature: Pass CS HB 432 (JUD) and CS HB 555 (FIN).

Cost to State: The Housing and Banking Subcommittee believes that any use of state money for these purposes must be fair to Alaskans generally, and recommends that this issue be explored by standing committees in hearings on the bill.

11. Encourage investors to provide more flexibility in, and to increase the use of, modification, refinance, and forbearance plans.

Action needed by the legislature: Pass subcommittee resolution, HJR 72 am, expressing legislative support for concepts to be implemented by agencies.

Cost to State: Theoretically, none.

12. Provide trained, centralized staffing to assist borrowers in danger of default or delinquency, and offer statewide mortgage counseling.

Action needed by legislature: Fund and expand existing services operated by the Alaska Housing Market Council, including the Mortgage and Information Referral Hotline.

Cost to State: FY 88 supplemental appropriation of \$100,000 and FY 89 appropriation of \$400,000 (\$100,000 each from ASBA, AHFC, AIDEA and the Alaska Permanent Fund Corporation included in Governor's budget).

Strategy: Revise state lending programs.

13. Investigate changes to the AHFC HOF and Mobile Home Loan programs.

Action needed by legislature: Reflect on how, or whether, state loan programs have contributed to the current economic difficulties for the economy or for individual Alaskans, and make recommendations for changes.

Cost to State: None.

Strategy: Clarify rules regarding foreclosure.

14. Increase the required disclosure of remedies available to lenders upon default. Investigate the effects of the recent Supreme Court decisions on the default and foreclosure process, and consider action if appropriate.

Action needed by legislature: Pass subcommittee legislation, CSHB 549 (JUD).

Cost to State: None.

Strategy: Improve financing opportunities for neighborhood development.

15. Maximize available private funds for redevelopment of targeted business zones throughout Alaska, community revitalization, neighborhood housing services and economic development projects.

Action needed by legislature: Pass legislation, possibly a version of CSHB 430 (FIN) and CSHB431 (FIN) am funded at some appropriate level.

Cost to State: Up to \$3 million.

Policy: Maximize ability of market to solve commercial real estate and loan problems, minimize state intervention.

16. Decrease limitations on AIDEA's ability to respond to current economic conditions.

Action needed by legislature: Passage of CSHB 402 (FIN).

Cost to State: None.



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

February 3, 1988

Members of Housing and Banking Subcommittee of the Joint
Economic Recovery Committee:

Rep. Kay Brown, Co-chair
Rep. Steve Reiger, Co-chair
Rep. Mike Davis
Rep. Fran Ulmer
Rep. Mark Boyer
Rep. Pat Pourchot
Rep. Steve Frank
Rep. Henry Springer
Rep. Dave Donley
Rep. Virginia Collins
Rep. Randy Phillips



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

TO: Members of Housing and Banking Subcommittee
Joint Committee on Economic Recovery

FROM: Representative Kay Brown, Co-chair *Tay*
Representative Steve Rieger, Co-chair *AK*
Housing and Banking Subcommittee

RE: Subcommittee meeting schedule

DATE: February 2, 1987

The House Economic Recovery Subcommittee on Housing and Banking has scheduled the following meeting times:

February 4, Thursday, 8:30 a.m., House Finance Committee Room
Worksession

February 11, Thursday, 8:00 a.m., House Finance Committee Room
Cynthia Parker, Anchorage Neighborhood Housing
Services
Glenda Straube, Alaska Housing Market Council

February 13, Saturday, 1:30-4:00 p.m., Anchorage LIO
Teleconference with Juneau legislators
Gil Lulay, Community Associations Institute
Public Testimony

February 18, Thursday, 8:00 a.m., House Finance Committee Room
Ron Lehr, Alaska Housing Finance Committee
Barbara Morse-Quinn, Alaska State Building
Authority

February 25, Thursday, 8:00 a.m., House Finance Committee Room
Bert Wagnon, AIDA
Barry Hulin, First Federal Bank

March 3, Thursday, 8:00 a.m., House Finance Committee Room
Topic to be announced.

March 10, Thursday, 8:00 a.m., House Finance Committee Room
Topic to be announced.

March 17, Thursday, 8:00 a.m., House Finance Committee Room
Topic to be announced.

March 24, Thursday, 8:00 a.m., House Finance Committee Room
Topic to be announced.

March 31, Thursday, 8:00 a.m., House Finance Committee Room
Topic to be announced.

cc: Members of the Joint Committee on Economic Recovery
Irene Cashen, Chief Clerk



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

TO: Members of Housing and Banking Subcommittee
Joint Committee on Economic Recovery

FROM: Representative Kay Brown, Co-Chair *Kay*
Representative Steve Rieger, Co-Chair *SR*
Housing and Banking Subcommittee

RE: Notice of Meetings Week of February 15, 1988

DATE: February 15, 1988

This is to notify you of the meetings scheduled for the Housing and Banking Subcommittee for the week of February 15, 1988:

February 18 Thursday, 8:00 a.m. House Finance Committee Room
-Ron Lehr, Alaska Housing Finance Corporation
-Barbara Morse-Quinn, Alaska State Building Authority

We have also arranged the following meeting times to hear discussion on a proposal to appropriate \$250,000 for an analysis and review of the current FDIC portfolio:

February 18 Thursday, 1:00 p.m., Governor's Conference Room
-Gregg Erickson, Office of Management and Budget
-Dave Rose, Alaska Permanent Fund Corporation
-Commissioner Hugh Malone, Dept. of Revenue

February 19 Friday, 1:30 p.m., House Finance Committee Room
-Bob Flint, Anchorage Economic Development Corp.
-Peter McDowell, Sealaska Corporation
-Commissioner Tony Smith, Dept. of Commerce
-Bob Gillam, Home Savings Bank

ALSO MARK YOUR CALENDARS FOR THE FOLLOWING MEETINGS:

February 20 Saturday, 11:00 a.m., House Finance Committee Room
-Worksession on development of subcommittee recommendations on proposed \$250,000 appropriation

February 22 Monday, 8:05 a.m. to 9:00 a.m., House Finance Room
-Joint Committee on Economic Recovery
-Response to full Committee regarding subcommittee recommendations on proposal to appropriate \$250,000

cc: Members of the Joint Committee on Economic Recovery
Irene Cashen, Chief Clerk



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

TO: Members of Housing and Banking Subcommittee
Joint Committee on Economic Recovery

FROM: Representative Kay Brown, Co-chair *Kay*
Representative Steve Rieger, Co-chair *ph*
Housing and Banking Subcommittee

RE: Notice of Subcommittee meetings

DATE: February 22, 1988

The House Economic Recovery Subcommittee on Housing and Banking has scheduled the following meeting times:

February 25, Thursday, 8:00 a.m., House Finance Committee Room
Bert Wagnon, AIDEA
Barry Hulin, First Federal Bank

February 25, Thursday, 5:00 p.m. to 6:00 p.m.,
Governor's Conference Room
Willis Kirkpatrick, Division of Banking, Securities
and Corporations

February 27, Saturday, 12:00 Noon, House Finance Committee Room
Worksession

February 29, Monday, 8:30 a.m., Room to be announced
Report to full Committee on Subcommittee recommendations

March 3, Thursday, 8:00 a.m., House Finance Committee Room
William L. McNall, attorney
Professor Hayden Green, University of Alaska,
School of Business, Department of Real Estate



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

TO: Members of Housing and Banking Subcommittee
Joint Committee on Economic Recovery

FROM: Representative Kay Brown, co-chair *Kay*
Representative Steve Rieger, co-chair *SR*
Housing and Banking Subcommittee

RE: Notice of subcommittee meetings

DATE: March 2, 1988

March 5 Saturday, 1:30 p.m. House Finance Committee Room
Worksession

March 10 Thursday, 8:00 a.m. House Finance Committee Room
Topic to be announced

March 12 Saturday, 12 Noon House Finance Committee Room
Worksession

March 16 Wednesday, 8:00 a.m. House Finance Committee Room
Ron Lehr, AHFC

March 17 Thursday, 8:00 a.m. House Finance Committee Room
Worksession

cc: Members of the Joint Committee on Economic Recovery
Irene Cashen, Chief Clerk



Official Business

Alaska State Legislature

House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Members of Housing and Banking Subcommittee
Joint Committee on Economic Recovery

FROM: Representative Kay Brown, Co-Chair *Kay*
Representative Steve Rieger, Co-Chair *St*
Housing and Banking Subcommittee

RE: Notice of Meetings through March, 1988

DATE: March 21, 1988

This is to notify you of the meetings scheduled for the Housing and Banking Subcommittee for the remainder of March, 1988.

March 24 Thursday, 8:00 a.m. House Finance Committee Room

-Worksession
-Discussion of pending resolutions and bills
being revised by subcommittee members.

March 31 Thursday, 8:00 a.m., House Finance Committee Room

-Worksession
-Discussion on Foreclosures

Also, for your information, we have the following meeting tentatively scheduled:

April 6 Wednesday, 8:00 a.m. House Finance Committee Room

-Worksession - topic(s) to be announced

cc: Members of the Joint Committee on Economic Recovery
Irene Cashen, Chief Clerk

Joint Committee on Economic Recovery
House
February 11, 1988

Present: Representative Steve Reiger (chair)
Representative Steve Frank
Representative Henry Springer
Representative Kay Brown
Representative Mike Davis
Representative Dave Donley

Side 1, tape 1 began during Rep. Donley speaking about various pieces of legislation.

Glenda Strauby: I'm the Executive Dir of the AK Housing Market Council. We're an advisory group to the governor on housing issues. Our charge at this time is to look for ways to stabilize the housing market.

She briefly ran through their annual report, which each committee member has available to look through.

They are involved in the Willow Park relocation Project, they want an example for around the state to take this opportunity to take people from the substandard market and place those people into the mainstream of the market. Some things they've looked at the hardest is the over-supply on the market. It seems critical to hold properties off the market. The state, owning alot of the properties has the opportunities to do that, which other states don't due to the anti-trust laws. There's been alot of ideas on how to do that, she supports the Bridge Bank idea (Allowing institutional property owners to trade their properties for shares in this bank-like state agency; holding the property until the market recovered, to make a profit or recover losses.)

I think that we need to allow state agencies such as AHFC to issue bonds for the purpose of financing public interest projects which are aimed at reducing their REO portfolios. AHFC can only loan to individuals now. AIDEA might be a better source for this. I support the trade up-trade down bill by Rep. Donley. We support early counseling for people getting into financial problems. The proposal Cynthia Parker may deliver to you today is excellent. The only thing I am concerned about is that the rest of the state is organized in this kind of effort. One of the things we've been talking about is the issue of abandonment. I think civil penalties are in order. Another major issue is aggressively implementing work our programs for people. Contrary to what you may have read, homeowners are not yawning at the Hope program, we are hearing from them. We need to activate the market, this is not the time to tighten the restrictions on home loans; investors and mortgage insurers need to respond for offers in a timely manner and remove alot of the stumbling blocks from qualified buyers. Condominiums are taking the hardest hits. We need to develop loan programs for these. If you

look at the list, nothing is qualified to meet the owner occupancy ratios; they are selling units where they're not requiring people to meet those ratios. Our condominium task force report came out with the recommendation that we need to include delinquent condo fees in modifications that we do. The Hope program does not now include that, and I think it should, these fees are vital to the maintenance of any home. We are at a critical stage in the housing market now. Anchorage has a 10 year surplus of housing. Some additional serious problems are: current borrowers who are almost broke and getting ready to lose it, and we need info on what to tell these people to do.

Rep. Frank: So you're saying the banks aren't listening?

Glenda: It's not all that, but it's time to turn it around and put some resources out there.

Rep. Donley: Re: condo fees/dues, the lender delays foreclosure for a long time, and they are not obligated to pay condo dues prior to the foreclosure, so the dues owed before the bank takes over are unpaid, do you have any recommendations?

Glenda: One of the things the task force recommended the banks move faster on foreclosure, because it effects everyone else. The investor has certain things they should be able to expect from a seller-servicers, they have the option to pull their contracts from the seller-servicers.

Rep. Springer voiced his concerns for the rural market, because of liberal rural housing practices.

Rep. Brown voiced concerns about marginally operated properties, and which ones will be chosen for public interest projects and what will happen to ones that aren't used.

Ms Strauby mentioned they are looking for projects to use a models in this type of utilization.

Rep. Springer wanted to get a clearer picture of who it is that's really hurting, the hardship cases. Until he gets a clearer picture of who these people are he's not willing to commit the state to any obligation, etc.

END OF SIDE 1.

Further discussion followed on who these people might be.

Cynthia Parker: I am the Exec. Dir. of Anch. Neighborhood Housing Services. The corporation was formed as assistance to cities interested in creating reinvestment opportunities and stabilize neighborhoods throughout the country. There are 200 offices like ours throughout the U.S.. We see as our current challenge one of figuring out intervention strategies that will allow us to help stabilize our neighborhoods and communities. What you have before you is one proposal we have been working with; MGIC, Fannie Mae and AK Housing on providing an additional

component, and we have agreed to do is open up the Neighborhood Housing Services on a city-wide basis in Anchorage. We will be providing a component of the HOAP (the HOPE Program). What this would provide is more indepth counseling, a larger consumer outreach, explaining the program, and setting up a foreclosure prevention counseling program. Because we have been administering a loan fund for 5 years, which has experienced a low delinquency rate. This is partially attributed to the type of evaluation we do for making loans, we look at all aspects of a person's borrowing capacity separate from just the mortgage. We typically do a second analysis for the benefit of the loan committee. Right now people are encountering high consumer debt, and sometimes the mortgage payment takes a backseat. We are helping get people back on their feet, and get them to deal with creditors themselves instead of dealing with collection agencies or just giving up. We're trying to get small debts under control so mortgage considerations are more affordable. This program can work hand in hand with the HOAP program, and we can work with the exceptions to the HOAP program. This program is one that we have looked at and tried to model from other depressed market areas. We are looking at some funds for the debt consolidation portion of the loan fund, we are willing and have discussed with our secondary market the ability to recycle the fund once it has been turned over. MGIC and MAGIC are considering providing a type of mortgage insurance on the debt consolidation loan so that the risk-loss ratio to the state would be less.

Rep. Brown: What communities in AK would be eligible if the legislation would be proposed?

Cynthia: As I understand it there is a section in the bill that refers to a population base of 20,000. Neighborhood Investment has had experience in dealing with large and small communities throughout the country, but typically the nature of the bases are more applicable to larger populations. I wouldn't suggest the corporation be on a state-wide basis, the best thing about a corporation such as ours is that it is a local corporation and that is what's necessary to make it work is the participation and control of a local community, so my recommendation to the drafters of the bill is to set up smaller corporations similar in local communities.

Rep. Collins: Do you have any idea of the cost of demolition for the Hollywood Park apartments? Who's going to pay that?

Cynthia: I'm sure the legislature will receive a request from the Municipality for some assistance. Remarkably enough, I got the numbers last night, the price is 1

mil. 2 for asbestos abatement and demolition.

Rep. Donley: You presented a residential housing proposal today, that's separate from HB 430 and 431, which deals with revitalization of business communities, right?

Cynthia: Rep. Donley has experience with the program as we operate in the Spenard neighborhood, and we have a history in that area of developing strategies for specific neighborhoods and specific local situations.

We've been administering a business loan fund in the Spenard area, for about 8 months now. One of the things we have been doing is recruiting new businesses and trying to assist existing businesses with their expansion efforts. We have been fairly successful during this period of time. One of the considerations for the loan committee has been the creation of jobs in the economy as they consider each individual loan. ANHS began last year to launch a pilot business loan fund for the network of Neighborhood Housing Services corporations, and we proposed that with a deed capital fund from the state allocated by the legislature session before last that our secondary market match that loan fund with a 4 mil dollar commitment. That's from our social investment fund. We have a variety of public and private investment sources that contribute to the loan fund. It ranges from insurance companies (Equitable, Prudential) to the Ford Foundation, British Petroleum, Arco, all have contributed to the secondary market. One of the reasons these funds are available is these companies set aside monies for public service investment, they also receive tax benefits from their investment.

As far as the removal of 378 units from the housing market, there's a local firm (Shorrett and Riley) that produces the current housing vacancy rate, and their last 1/2ly report says Anchorage is experiencing in multi-family housing a 42% vacancy rate in low range rental housing. Removing 378 of the units will have an impact on the market. We should take a look at our substandard units, and if there is an opportunity to allow for more rapid absorption into the marketplace will help the market. As far as the relocation goes, we assisted in the relocation of a trailer court in Spenard which was somewhat controversial. We were able to strike a bargain with the developer, the city contributed \$100,000 in that instance for the relocation effort, the developer contributed \$200,000, and we administered the relocation for them. In that instance we developed a plan, as we would do with Gov't Hill, and we had a council on the site. In some cases they had to go door to door, fill out forms to see if they were eligible for Sect. 8 or Pub. Assistance funds and basically at that time there was a limited supply of trailer court space in the Anchorage area because of coding. The situations going to be a little different because of the housing rate today, finding comparable housing units, the 2 other projects near this one are about 60-75% vacant and have a comparable rent structure, so we'll be able to do it much more rapidly. Some people are really effected by a major relocation like this, so it's good to have a relocation counselor help them out on a personal level. We don't have a private source of funds to help contribute to those people who don't fit into low-income housing guidelines, and that's a problem we haven't solved yet.

Rep. Reiger made some brief remarks about future testimony scheduling. The meeting was then adjourned.

Joint Committee on Economic Recovery
House
Housing & Banking Subcommittee

February 13, 1988

Present: Representative Steve Rieger, Co-Chair
Representative Kay Brown, Co-Chair
Representative Virginia Collins
Representative Pat Pourchot
Representative Dave Donley
Representative Heinrich Springer
Representative Fran Ulmer

Witnesses:

TAPE ONE, SIDE ONE

The meeting was called to order by Co-Chair Kay Brown.

Gil Lulay, Condo Association manager for 4 1/2 years, addresses the Committee, describing functions of Associations.

Rep. Ulmer asks how many problems are result of downturn in economy as opposed to problems in administrative policies and agencies. Lulay states there are 84,000 mortgages with 10% on condos. AHFC has foreclosure rate of one-third. Lulay states buyers need to be informed of condo association dues.

Rep. Rieger asks if part of purchase price is reserved for delinquent homeowner fees. Lulay responds there is a two month dues deposit initially; some dispense it immediately, others retain it in an operating reserve fund. There is no other requirement. Lulay points out this increases closing costs for buyers by \$600.00 to \$1,200.00, and the closing date can have an impact on the interest figure.

Rep. Pourchot states he is a condo association member and was assisted by the Association in the past. Pourchot asks if banks are purposely delaying foreclosures to avoid the membership dues while assuming the duties of ownership. Lulay states with regard to AHFC, they pressure service banks immediately if they suspect delay, although the longer the bank can forestall, the longer they delay responsibility of dues. Lulay points out that foreclosures take from six to nine months. Pourchot asks Lulay's position with regard to a moratorium on foreclosures. Lulay presumes the Bill in question refers to owner-occupied units, working to establish a plan to repay any delinquent installments, and asks how the assessment will be covered. Lulay believes that is a major issue as it has serious implications for the associations. Lulay urges that any moratorium provide that the owner is current with the Association. Pourchot refers to the 70% occupancy requirement and asks if this is a key problem in certification for AHFC loans. Lulay states it is a key factor, and is not in the control of the Association. Vacant units are considered non-owner occupied, and the lack of financing has a direct impact upon the value of the unit. Lack of certification forces sellers to find buyers with cash, who purchase at much reduced prices. Pourchot asks how the Legislature can assist; Lulay is uncertain because AHFC is controlled by bond conditions. This condition on investor money is a hardship on the Association and buyers.

Rep. Brown asks if consolidation of owners into viable units can be accomplished. Lulay responds it is a complex situation, but he believes there could be advantages for homeowners and investors who have foreclosed. Lulay points out an owner could "hold their unit hostage to any conversion." Lulay states the process involves a major selling job and points out it could destroy the heart of the association. Lulay states he does not have the answer, but benefits for all can be identified.

Rep. Brown asks who should take the lead in facilitating a consolidation. Lulay responds the clout is with the investor; they are the ones with ultimate control. Lulay states owners want to sell, but there are no buyers, so if they can come closer to being whole, they will listen.

Rep. Rieger clarifies that the "investor" is the secondary market, or AHFC or MGIC; that banks are servicers or go-betweens.

Glenda Straube, Executive Director of the Alaska Housing Market Council, in Juneau, asks about the 70% owner-occupancy requirement and states a local task force reached the conclusion that the bonding requirements actually were the reason for the 70% limit. Straube states Fannie Mae has allowed AHFC to substitute owner-occupancy regulations. Straube states bond requirements did not permit HOAP, but as

bondholders faced investment failures they were willing to allow changes. Regarding facilitators of conversions or consolidation, the task force suggested that the Market Council might be appropriate when there were multiple investors in a project.

Rep. Brown asks Mr. Lulay for specific recommendations which the Legislature should follow. Lulay refers to the modifications and amendments proposed to the Common Interest Ownership Act which have been submitted to assist association management. Lulay states anything to stabilize the economy will aid associations.

Lulay states there has been a change in AHFC's certification requirements since Fannie Mae became involved, becoming much stricter, and if AHFC makes a decision on certification, there is no appeal process. An association can request a hearing, but there is no response, and the association is decertified without appeal.

Rep. Brown opens the meeting to public testimony, asking that statements be limited to 3 minutes because of the number of requests for time.

Bill McNall, an attorney representing approximately 150 homeowner associations, and has served on national committees. McNall urges that the Legislature study the AHFC regulations or policy on owner-occupancy ratio, and find why buyers were never told that their property would not be marketable under owner-occupancy ratios -- and throw the restriction out. McNall suggests AHFC have the opportunity of buying the units back because of misrepresentation. Regarding collection of dues, McNall states there is a proposal before the Legislature to allow the association a lien right for six months assessment from the date of a default. McNall points out that banks sometimes take a year to 18 months to foreclose, although the statute requires only 111 days to foreclose. McNall states the burden created by that process is unreasonable to other homeowners, many of whom are financially struggling. McNall describes problems of credit ratings of condo owners. McNall suggests that owners be allowed to trade-out, urges that the mortgage insurance carrier be involved by including insurance "up front." McNall states that unless the Legislature "comes up with something, there will be on-going foreclosures and probably a lot of bankruptcies because those folks don't have a choice." McNall states most homeowners would do anything possible to avoid foreclosure.

Rep. Rieger asks that McNall present a written statement for the Committee.

Don Taylor, describes his problems with mobile home ownership. Taylor bought the mobile home when the real estate market was

at its highest; now his family has outgrown the mobile home and there is no prospect of selling it. Taylor states AHFC must take action to help people who want to make Alaska their permanent home, making it possible for them to trade mortgages and avoid having to leave the state.

Trina Hikes, Co-chair of Residential Interest Group for Housing Trades (Group), organized in December, contacted Rep. Donley for assistance before HB 432 was introduced. Hikes urges that the Committee invite Dr. Green to address the Committee. The Group found there are three players in the problem; the homeowner, AHFC, and the mortgage insurer. The Legislature has jurisdiction over AHFC. The Group urges that the mortgage insurer be brought in to discuss the situation with the owners and AHFC so that everyone can shoulder a portion of the burden. The Group asks that part of the negative equity be placed on each party. The Group represents single family dwelling owners as well as condo owners.

Sandra W. purchased a condo at \$88,500.00; the last one sold was at \$43,500.00. Sandra works at the University, is a single parent who wishes to remain in Alaska. Sandra states her payments are current now, but she does need help. She urges passage of HB 432. Sandra has sought to trade her unit for a larger unit, but has been unable to do so. AHFC sent her a three page form letter in response to her request, stating "we're not in position to trade -- it's in the hands of the mortgage insurers." Sandra states 70% of her monthly salary goes to mortgage payment, dues, and utilities, and she cannot continue to do that. She urges that homeowners be allowed to return their mortgage to AHFC in exchange for property in the AHFC inventory, or some other creative program.

Bob Rogers at Mat-Su, states he is an 18 year resident, owns a business, has little education, but has common sense. Rogers refers to HB 432. Rogers believes condominium associations have been unfairly treated because no law limits the amount of time in which the servicing bank must act. Rogers urges the Legislature to act in this regard. Rogers asks that permanent fund money be placed in Alaska banks for mortgage use in Alaska. Rogers states banks will lend on a \$10,000.00 automobile, but not on a home with equity. Rogers points out that AHFC requirements for brokers are not acceptable or fair. Rogers states homeowners are not speculators, and they need relief. Rogers suggests refinancing at a lesser interest rate. Rogers states self-employed individuals are not treated fairly, either, and urges change in that respect

TAPE ONE, SIDE TWO

Mike Hinshaw addresses the Committee. He states he has a 834 square foot condo, purchased in July 1984 for \$88,500.00. Currently dues are \$155.00 per month. Hinshaw's family is

increasing and he needs more living space. He has gone to VA, to his bank, and to AHFC, for help, unsuccessfully. Hinshaw states integrity and honesty are important, and homeowners do not want to lose their credit rating. Hinshaw supports RIGHT and HB 432. Hinshaw asks the Legislature to invite Dr. Hayden Green to meet with them.

Robert Gray, condo owner, addresses the Committee. He states condo buyers do not understand they are buying a liability; administration. SB 338 addresses an amendment of Uniform Common Interest Ownership Act, and is supported by Gray, together with an amendment of his own that developers must provide associations in transition process the necessary building data that the average homeowner is never provided. Gray states it is imperative that the Act be amended. Gray suggests associations be audited every three years.

Rep. Donley, sponsor of HB 432, has joined the Committee.

Stan ? speaks as a citizen of Alaska, and in lieu of Professor Green of the University of Alaska Business School, who is unable to attend. Stan refers to articles by Dr. Green which describe essentials of a program which will relieve the problems being discussed. He states it is not as difficult as believed, to remedy the problem, and suggests establishing a distressed real estate holding company to unify interests of all parties in an orderly manner. Stan describes a scenario of investment in homes, and speculators, pointing out there is no advocate for the homeowner. He urges rational land use controls resulting in relief for Alaska residents.

Rep. Donley asks the staff to make a copy of the previous remarks. Donley states Labor and Commerce is working on legislation at this time.

Ray Metcalf states he sat on a committee which created AHFC. He recently developed a small project that gives a clear picture of what was created. Metcalf has delivered statistics and information to the Governor's office, and now focuses on one small area of the AHFC to show what went wrong, and how to right it. Metcalf states he developed a small mobile home area where mobile homes are on space owned by the mobile home owner. AHFC was contacted in 1981, seeking financing for the plan. In the past \$350.00 a month covered mobile home payment and space rent. Then a square foot appraisal was instituted, and the "blue book" discarded, resulting in increased appraisals. Space rents then were increased. Individuals were then paying more than they were qualified for, and began to desert mobile homes. AHFC entered and paid the space rent. This keeps space rent at a peak, while apartments have decreased in rent. Metcalf states AHFC perpetrated the act, and now are obtaining judicial foreclosures against the owners. Metcalf states mortgage insurance requirements are

barriers for buyers. Metcalf offers 17 pages of written testimony.

Gordon Hazel, real estate broker and association manager, addresses the Committee. Hazel states budgets must be increased for associations, but with high vacancy rates, this is not possible, and there is a snowball effect of reduced maintenance and deterioration of the properties.

Rep. Donley states proposals in Labor and Commerce Committee provide for a moratorium, with a fair rental value set so that association dues would be paid and there would be a continuing commitment by the resident. Hazel believes that would be satisfactory. Donley states the Labor and Commerce proposal is for the court to establish a rental level that would include dues, which could be beneficial.

Lee Scott states she is concerned about use of conversion of condos to low-income residences because that would create a problem for rental units because individuals will vacate present commercial rental facilities, and would just shift the problem, creating problems for apartment owners. Scott states apartment owners are not asking for a bail-out, but just for help through a difficult period. Scott asks the Legislature to work with agencies to extend mortgage duration and decrease interest rates. Scott points out that many military personnel are leaving, creating additional vacancies.

Scott Smith states he is the owner of a sub-standard condo, with many problems in addition to those of many condo owners. Smith purchased his residence in 1982, and suffers moisture and other construction defect problems. Smith has learned that no building permit was filed; that the Attorney General's office found no contractor license or bonding for the contractor, who was a vice president of Alaska Mutual Bank. Smith asks how AHFC could allow a bank to police itself. Consumer Protection has been uncooperative. Deed in lieu of foreclosure procedures were denied by the bank, which charged \$200.00 for the application. Smith states the units are uninhabitable and individuals have been forced to vacate the premises. Smith believes banks are not taking foreclosure action to avoid paying dues. Smith states residents do not wish to remain, regardless of financial relief that is offered because of the quality of the construction. Smith states he is a resident of Colonial Plaza Condominiums, a converted project.

TAPE TWO, SIDE ONE

David Rankin states he wishes to discuss legislation, is an attorney, and president of a condo association. He states the legislation proposed would assist homeowner associations to collect dues. The 70% owner-occupancy requirement of AHFC is a requirement only to the extent AHFC states it cannot be

altered. Rankin refers to legislation creating AHFC, and states there is no statute prohibiting AHFC from loaning to people who desire to rent the property. Rankin believes the legislation prohibits having owner-occupancy requirements, at 86.56.088(i). AHFC had no owner-occupancy provision prior to 1981, when they switched to Fannie Mae. From 1981 to October 1987 bonds were underwritten through Fannie Mae, and in October 1987 switched to Freddie Mac. Freddie Mac's owner-occupancy ratio is 60%, and AHFC has not lowered the ratio even though they could. Rankin states AHFC currently issues some of their own bonds, and cites examples of rental programs, and HOAP is the result of such a bond issue. Bonds are floated separately for non-conforming community associations. Rankin states the rental program has caused people to simply stop paying and be foreclosed upon.

Regarding transfer rights, Rankin states he is not certain legislation is needed, and points out that not everyone will wish to trade up; some families must of necessity trade down. Rankin describes the problems of blanket judicial foreclosures which stretches the foreclosure time for as much as a year. Rankin urges that this be eliminated.

Rep. Donley asks if Committee members have reviewed a senate proposal dealing with condominiums.

Bob Kerner addresses the Committee with regard to HB 432. Kerner refers to a letter received from Rep. Rieger which states he supports the concept of the Bill. Kerner is unaware of the full concept of the bill. Kerner did private investigation of the current market, and states AHFC's actions reduce prices to "a deal you can't refuse" which is the easiest answer. Kerner's goal is to increase his standard of living and to accommodate his family. He describes his communication with AHFC, in which the AHFC representative "laughed" when he offered to trade, giving AHFC the smaller debt, and he taking the larger one. Kerner's mortgage is \$70,000.00. AHFC suggested he find a buyer who could qualify, and pay \$50,000.00, and that Kerner take a second mortgage for the difference. Kerner believes trades up and down are feasible.

Rep. Rieger states he wrote in the letter that he believed it would be administratively difficult, if not impossible. Rieger states the number of players in the game make it complex. Rieger believes the concept has merit, and the Committee is taking this testimony for further information.

Kay Rollison states she owns an AHFC condo and has been talking with her servicing bank since the fall of 1986. The bank's response has been that if you keep payments current, you qualify for refinancing, which was an "illusive carrot" as they never intended to let individuals refinance. Now only if

one is in default can they refinance. Rollison asks what services are available.

Rep. Springer states lists are made of those in default, requesting assistance, who will be sent information, and other individuals on a separate list; information to be sent out within four months. Springer states banks did not agree on another program which was initiated by AHFC, and it was a bad program because only those in the business profited.

Rep. Brown states requirements include: be an AHFC loan, be owner-occupied primary residence, there be a hardship and an involuntary income decrease, have ability to repay under a modified program.

Rollison refers to condo association fees stating purchasers have a projected dues figure when they buy; and reiterates that the slowness of the banks in foreclosing creates a burden for the association. Rollison believes the goal should be to aid people and to halt the need for foreclosures. Rollison hopes individuals who intend to remain in Alaska will receive some assistance. Rollison states at current rate, it will be three to four years before the mortgage balance will be low enough to equal market value of the property. Rollison states she has a degree in economics, and the situation makes no economic sense. She suggests filing bankruptcy or moving to another state to start life over.

Jack Keene believed the meeting was for more general situations than for condos when he made plans to attend. He describes difficulties a friend encountered in attempting to work with a bank because they are not concerned, they have little to win or lose. The mortgage insurance company, located in Florida, was surprised to learn the bank was not enthusiastic to do business with her. Keene believes in commercial, condo and single family housing situations, people must work in concert rather than against each other, and perhaps the Legislature could create a facility or arbitration board with representatives from the lender, bank, insurance carrier, etc. to work out individual cases.

END OF TAPE

Joint Committee on Economic Recovery
Housing & Banking Subcommittee

February 18, 1988 8:00a.m.

Present: Representative Steve Rieger
Representative Kay Brown
Representative Dave Donley
Representative Heinrich Springer
Representative Steve Frank
Representative Virginia Collins
Representative Mark Boyer
Representative Randy Phillips
Representative Pat Pourchot
Representative Fran Ulmer
Representative Max Gruenberg
Representative Mike Navarre
Representative Red Boucher

Witnesses:

Barbara Morse Quinn
Alaska State Building Authority

Dr. Ronald Lehr
Alaska Housing Financing Authority

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Barbara Morse Quinn of Alaska State Building Authority states the Committee represents an opportunity for all of Alaska to solidify the many proposals to remedy the current economic situation. Ms. Quinn's expertise is low-income housing. Quinn states that a "flight to quality" avenue has opened, allowing people to upgrade their homes, and this should be available to all citizens, including low-income families. Quinn refers to the Willow Park project, and a document entitled "The Role of Public Housing in Market Stabilization, Anchorage, Alaska, Solutions and Proposals" which represents reiteration of an application to HUD asking for \$9 million in new purchase money for Alaska, to buy as many as 80 properties in the institutionally held portfolio of AHFC. Quinn states the time to act on the proposal is now. Alaska State Building Authority, a state agency, owns the Willow Park property, subject to use for low-income housing. If the property is vacated for five years, it would become the property of the municipal government. This is not recommended because subsidy to 150 tenant families would be lost. Quinn sees the Committee as an opportunity to eliminate the oversupply of housing through one small action.

Rep. Rieger states the Willow Park data has been distributed.

Rep. Springer refers to leveling the entire project. Quinn states the federal government pays for all costs except capital dollars for asbestos abatement.

Rep. Boyer asks for general philosophy of the legislature's role with regard to housing in Alaska. Ms. Quinn responds there is a 50-50 split between government intervening or not intervening to stabilize housing. Quinn feels government need not intervene except where there is crisis, which exists only in low-income residential. Quinn states "everybody will lose money, there is no way to prevent it, but we do not have to have government intervention". Rep. Boyer is concerned that the legislature not act too late. Quinn states by summer the federal agencies will have made a decision.

Rep. Collins asks the cost of demolition of Willow Park, and for the entire project. Quinn responds demolition, without asbestos removal, is \$2.2 million; with asbestos removal it is \$4.8 million, and the entire project is \$13.8 million.

Rep. Phillips confirms there are 150 units, of which 106 are occupied.

Rep. Springer believes the cost estimate is excessive. Quinn offers to attempt to obtain re-estimates. Quinn states the contract with the federal government is on only the Willow Park property.

Rep. Frank asks if there is a waiting list for low-income housing in Anchorage. Quinn responds there are 1,000 people on the waiting list. Frank asks what people on the waiting list are told. Quinn states they are waiting for a different type of property; Willow Park is sub-standard, and has vacant units. Individuals on the list are section 8 eligible and qualifying for better properties, and describes the section 8 process and qualifications.

Ms. Quinn, in response to questions by Rep. Phillips, states there is a limited number of housing certificates available from the federal government, and describes the process of obtaining certificates.

Rep. Frank clarifies that citizens vacating Willow Park will be moved into properties owned by the agency. These must, by regulation, be 3 bedroom and larger, and can be as large as 8-plex, not single family dwellings.

Rep. Springer asks for clarification on over-income situations. Quinn describes the process, and states some individuals remain, and pay the agency the excess.

Dr. Ron Lehr, Alaska Housing Finance Corporation, joins the Committee. Rep. Rieger states this will be a question and answer presentation.

Rep. Pourchot refers to a meeting in Anchorage on Saturday at which it was stated that the 70% ownership requirement of condo associations affects the viability of associations and the demand for condos, and a report which states there is more flexibility than 70%. Pourchot asks what has been done, and what would be the limit. Lehr describes the background, stating the 70% figure comes from the Fannie Mae and FHA requirement for insurance. The recent change referred to was using Freddie Mac, rather than Fannie Mae, which allows a 60% figure if the project is eligible. Lehr states generally AHFC can provide financing and insurance; those who suffer are the average homeowner trying to sell. Little can be done with respect to conventional market, non-VA, FHA properties. Lehr states it is difficult, if not impossible, to obtain private mortgage insurance on condos. Lehr states it is necessary to convince FHA to be flexible, and he believes they are too strict in present circumstances. Lehr does not believe out of pocket financing is recommended.

Rep. Pourchot asks if foreclosed units are counted in the formula of 70%, and if it is an option. Lehr responds it is not correct procedure. Pourchot states in the distressed, residential market, there is a very large negative equity, and asks if anything can be done. Lehr responds "probably not." Pourchot asks if these are the highest at risk of foreclosure, and Lehr responds affirmatively. Lehr believes it is required that there be restriction of supply, and identifies various present sources. Pourchot asks if focusing the supply reduction at the bottom, there would be a benefit to the remaining residential market. Lehr agrees that is a possibility. Pourchot suggests concentrating the basic supply reduction on the lower end of the housing market.

Rep. Donley refers to proposals to trade up/down with MGIC and asks for clarification. Lehr states it is a proposal for trades up, and a similar mechanism could be used for a trade down. AHFC is willing to do so, but there are difficulties, including concurrence by the insurance carrier. Rep. Donley urges being creative, and not writing off entire negative equity, especially at the lower level.

TAPE ONE, SIDE TWO

Dr. Lehr states insurance companies must be convinced, and describes concern about taking units off the market. Rep. Donley asks the timeline of putting the proposal together. Lehr responds a study is to be done by the University of Alaska on figures of supply and demand, and then the program will be designed, hopefully by spring. Lehr states working

with Fannie Mae and MGIC will be easier than working with FHA and VA.

Rep. Frank asks what plans have been made to restrict supply. Lehr states the primary plan is to move residents from one group of units into others, resulting in vacant projects; then to determine the best use of the vacant projects, such as student housing, elderly housing, re-conversion to apartments, etc. Rep. Frank refers to Rep. Ulmer's suggestion to increase the interest rate on new construction loans and Lehr states there is little new construction financing, so it is not a concern. Lehr believes the market is rational.

Rep. Frank asks if the designated broker system is working. Lehr states this is a frequent question, and gives a brief history and description. When there were few properties, it was a workable system, but with multiple properties now, the system does not work well, and banks are not geared to be property managers. Lehr believes the system is working better now because of experience gained.

Rep. Ulmer asks what Dr. Lehr would propose if he were in the Legislature. Dr. Lehr responds he does not know that legislation is needed at this time. Lehr describes the HOAP program operation without legislation. Rep. Ulmer asks for comments on the proposed bridge bank. Lehr does not believe that residential properties need to be included because commercial and residential properties are very different. Lehr states 4 or 5 institutions dominate the market, and it is their problem to address. Lehr states there is a desire to minimize losses, and the institutions must work with insurance companies.

Rep. Brown asks what plans are in place to address management of mobile homes, their storage, and possibility of a bulk sale. Lehr responds mobile homes are the worst part of the market, and AHFC currently has 1,200 units, and 800 to 1,000 are currently delinquent. Lehr describes action taken to repair units and ready them for sale and marketing plans. Lehr describes monthly expense of storing mobile homes as being approximately \$200 to \$250 per unit. Lehr states a storage lot for approximately 100 has been obtained and units are being moved there.

Rep. Brown asks if the policy being pursued is keeping space rents artificially high for remaining residents. Dr. Lehr responds that significant vacancies always result in lower prices. Lehr states some park owners have reduced rents not just for AHFC, but for all tenants.

Rep. Springer states the current economic situation is not unique; it has been endured elsewhere, and asks if solutions in the Lower 48 might be applicable to Alaska's situation. Dr. Lehr states he traveled to other areas at the insistence

of Fannie Mae, and he believes Alaska is doing much better than other areas, despite the fact the housing market dip is greater in Alaska. Rep. Springer confirms that state governments in other areas did not become involved. Rep. Springer discusses the ABE loan program, and expensive refinancing programs. Lehr states refinance is a new loan; Springer disagrees. Lehr describes the HOAP program as an option. Lehr acknowledges there are some individuals who cannot be assisted.

Rep. Gruenberg refers to sale of mobile homes, and asks if an increase has occurred in sales in other residential properties. Lehr responds the general sales trend is upwards, reflecting that the market is improving for most properties. Rep. Gruenberg clarifies that difficulties in getting lending agencies together for discussion are not the institutions refusing to do so. Rep. Gruenberg states FDIC recently indicated there are unusual factors in Alaska, and asks if the Legislature can assist in getting more response from FDIC. Lehr states it is premature at this time. Rep. Gruenberg discusses refinancing fees, and states perhaps the Legislature can assist, suggesting recommendations from Dr. Lehr. Lehr describes the requirements of the process and states there is little interest in investing in Alaska property at this time.

Rep. Donley asks if Dr. Lehr is participating in the Housing Market Council. Lehr responds affirmatively. Donley states the Legislature is asking what it can do for the homeowner. Lehr states a healthier market helps homeowners.

TAPE TWO, SIDE ONE

Dr. Lehr states he is working with investment bankers to obtain "cheap" money to assist low-income families to buy homes, and is trying to design programs that do not cost a lot of money. Rep. Donley asks that Dr. Lehr help the Legislature identify other concepts in addition to financing to solve the housing problem, and offers to work with Dr. Lehr to that end.

Rep. Frank discusses people who desire to stay in their homes, but need some assistance. Lehr states a foreclosure costs the system about \$50,000.00 so it is in their best interest to assist individuals to stay in their home.

Rep. Rieger asks if there are programs which should be abolished. Dr. Lehr responds that the mobile home financing program has been a "disaster for everybody" and the Home Ownership Fund (HOF), modeled after the HUD 235 program, has created problems for AHFC because the "ceiling became a floor." Dr. Lehr does not believe the programs should be abolished, but should be revised, perhaps having an incentive built in.

Rep. Springer states another program in that category is the Rural Non-Conformance Loan Program, with state standards which are not accepted by banks.

Rep. Rieger asks the committee to consider what recommendations should be made.

Rep. Brown refers to previous testimony on foreclosures, and asks Dr. Lehr to describe the process, especially with regard to condo homeowner dues. Dr. Lehr responds that condo associations seek fast foreclosures to avoid absorbing delinquent and/or unpaid dues. When foreclosure is accomplished, AHFC pays the association dues.

Rep. Gruenberg asks for information on the "large fund". Lehr responds the balance is \$1.5 billion net worth, some of which is pledged to bond issues and securities. Rep. Gruenberg asks how much is not pledged. Lehr responds it is about \$400 to \$500 million, but he is uncertain, and points out that unpledged does not mean it is liquid. Mobile home loans are made from that balance. Rep. Gruenberg asks "how much actual money do you have in the bank, as opposed to accounts receivable?" Lehr states \$200 to \$250 million, with the presumption that AHFC is "dead as a financing entity, and is basically a checking account." Rep. Gruenberg asks, of the remaining \$1.25 billion, how much is collectible. Lehr states there is a loan loss reserve, so the figure is adjusted for bad debts. Rep. Gruenberg asks the figure, unadjusted. Dr. Lehr states the loan loss reserve is between \$20 to \$30 million, and is not covered by mortgage insurance. Lehr states AHFC received approximately \$80 million last year in insurance claims.

Rep. Rieger clarifies that HOAP is refinancing 18 year loans to 30 year loans. Lehr states the HOAP program will be 10% on the first \$90,000.00 and cost of funds is about 11%. Loans are being made under HOAP.

Rep. Rieger asks the committee to consider the request of Ms. Quinn on the Willow Park project, and asks for a committee recommendation. At 1:00 p.m. the committee will consider commercial real estate market, chaired by Rep. Brown.

Rep. Collins states she is troubled that we "got into this trouble because we tried to subsidize housing ownership, and when government subsidizes anything the cost automatically goes up." Collins asks, "are we are solving the problem, or just perpetuating it." Dr. Lehr states that if government intervenes in the marketplace in a way that facilitates how things work, it can be successful. Lehr describes HOF as a failed intervention because it sometimes made homeowners out of people who should have remained renters.

There being no further questions, meeting adjourned.

Joint Committee on Economic Recovery
House
Housing & Banking Subcommittee

February 18, 1988 1:00pm

Present: Representative Kay Brown, Chair
Representative Steve Rieger
Representative Heinrich Springer
Representative Max Gruenberg
Representative Randy Phillips
Representative Virginia Collins
Representative Mike Navarre
Representative Steve Frank
Representative Mike Davis
Representative John Sund
Representative Pat Pourchot

Witnesses:

Gregg Erickson
Office of Management and Budget
P. O. Box AM
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David Rose
Alaska Permanent Fund

Connie Yoshimura
Anchorage, Alaska

Buzz Hoffman
Alaska Continental Bank

TAPE ONE, SIDE ONE

Rep. Brown calls the meeting to order, stating the purpose of the subcommittee is the underlying policy issues with respect to proposals being advanced as ways the state might assist the commercial real estate market. Brown believes a decision or recommendation would be the opportunity to appropriate money through the jobs bill. The committee is asked to look at specific requests to appropriate \$250,000.00 for an appraisal of the FDIC portfolio, and the underlying issues to which such an appropriation would apply.

Gregg Erickson, Economist with Office of Management and Budget, submits written and oral comments to the Committee to give an overview of the commercial market situation.

Erickson states he will cover five questions: (1) what caused the recession, (2) when will it end, (3) what sort of recovery can we expect, (4) how will the real estate crash effect that

recovery, and (5) what are policy options for the state. Erickson summarizes answers to the questions: (1) the recession was caused by the increase in state spending in the early 1980's; it was inevitable when the state made the decision to pump so much money into the economy so quickly; (2) some economists say the recession has already ended, but everyone agrees it will end before the close of 1988; (3) recovery depends in part on decisions of the Legislature, but economists are optimistic about the recovery and believe with good reason that it will be steady; (4) the real estate crash will make recovery more robust and faster; and (5) the economy will improve on its own, the state does not need to do anything major to speed the recovery, but there things the state can do to ease the pain of the recession.

Erickson refers to a chart of the recession, with vertical accents of the percentages of the rate at which employment grew or declined, which is the pulse of regional economies. Data starts in January of 1980 and ends in January 1988. Erickson describes the boom in Alaska beginning in February 1980, driven by expectation and increased spending in July 1980, when state spending increased by 100%. The boom peaked in March 1981, when jobs were added at 12.5% annually, and thereafter declined. Beginning of the recession occurred in September 1985. Erickson states the recession was self-inflicted, and was exceptionally sharp and deep, and he believes, short. The deepest point, when jobs were lost at 1,660 per month, covered a 6 month period, the last data point being October 1987.

Erickson discusses the relationship between growth of spending and the inevitability of the recession. Erickson states the 100% increase in real per capita spending in one year made it inevitable that capital and labor would be attracted to fill the demands created by state spending, and most of it went for investment goods. Erickson describes the pyramid effect of the spending in which the investment to satisfy the initial stimulus accelerates the demand by drawing in additional investment, and the reverse situation which follows. Erickson points out that state spending did not decline until FY 86, and the construction industry recession began in late 1984.

Erickson states the oil price collapse was not the cause of the recession; it did not occur until December 1985, three months after the recession began and more than two years after the construction industry recession commenced.

Erickson states the foregoing is his view, as an economist, of the recession. He states that in balance, the real estate crash will add jobs, and compares real estate to commerce. Erickson states the decline in residence rents in Anchorage has had the equivalent economic impact of adding 1,400 state jobs. Business income from falling rents is even larger. Erickson agrees that recession has cut real incomes, which

reduces purchasing power, but firms are bidding jobs away from other areas.

Erickson states there are policy options which the State of Alaska could consider to ease the pain; those that make sense are those which do not cost much money. Erickson has no specific recommendations. Erickson states there has been justified concern that the recession has created a loss of confidence in Alaska, and declares that is difficult to measure, but there have been recent reports, including the Anchorage Population Profile, proving that is not the case. Erickson describes the out-migration from Anchorage and states it is not a broad-based exodus. The Ditman Research Report should be viewed carefully, with more attention to the numbers, which are optimistic, than the commentary, and cites examples. Erickson is optimistic, although there are two major clouds on the horizon, (1) regardless of reductions in spending in the past two years, Alaska continues to spend at a rate higher than has been described as sustainable spending, and (2) although Alaska has made an economic transformation since the 1960's, the differentials in education, health, etc. between urban and rural Alaska are increasing, with rural Alaska falling behind.

Rep. Gruenberg confirms that the chart represents growth and decline, not absolute numbers, and asks what the graph would be with absolute numbers. Erickson responds it would grow more rapidly in some areas, and more slowly in others. Gruenberg asks, when measuring percentage growth and decline, if it is using "zero as a constant or relative." Erickson states "relative to the size of the economy in the previous period." Gruenberg asks "from the point of view of making long term policy decisions for the state, what do you think our role should be in attempting to lessen the booms and busts?" Erickson responds that excessive state spending caused the current recession.

Rep. Collins asks at what level of per capita spending should the state act to prevent a recurrence. Erickson states Drs. Reaume and Goldsmith have studied this and defers to them.

Rep. Phillips asks what will happen to the state as a whole for the next 6 months, and then the next 12 months. Erickson believes the economy is probably adding jobs now, pointing out that different areas have different types of jobs and situations.

Rep. Rieger refers to "wealth effect" and real estate values, asking if a state policy is suggested for the residential market. Erickson states it exists and believes it will not be significant in Alaska. Erickson suggests reviewing a recent analysis for AHFC of the residential market done by Professor Lee Husky of University of Alaska. Rieger refers to FDIC, asking what the loans might do. Erickson responds economists

do not see the properties as being a liability to economic development.

Rep. Springer appreciates the concern of Mr. Erickson for rural Alaska, stating the economic situation in rural Alaska has suffered severely with little reason to believe there will be change in the future. Erickson states the answers to the problem are not easy to reach.

Rep. Brown states the meeting will be extended for one hour, with Dave Rose, Commissioner Malone, Connie Yoshimura and Buzz Hoffman of Alaska Continental Bank to address the committee.

TAPE ONE, SIDE TWO

David Rose states he has no prepared remarks, and will submit to questions. Rose is awaiting arrival of reports indicating the banking situation as of December 31 because he is currently working with September 30 figures. Rose states it is believed the long slide of banks has turned around in the last quarter. Alaska Permanent Fund has had as much as \$182 million deposited in Alaska banks. Rose has been asked by legislators (1) should we be doing anything, and (2) is there anything we could do that really makes sense. From an economic viewpoint Rose believes the best thing to do is nothing; let the factors of supply and demand take hold. Rose compares economic issues with social and political issues. Rose believes there are social and economic responsibilities, apart from economic, and urges that the Legislature divide the problems into those categories, to be approached solely on the social and political level. Rose does not agree completely with the "wealth effect" but acknowledges it does exist. Rose describes the difficulties of businesses, stating there is real distress which must be addressed socially and politically.

Rose recommends that if the Legislature decides something must be done, not because it makes economic sense, the Committee review a report he made in January in response to Mayor Fink's inquiries about using the permanent fund. Rose states there must be diminished supply and increased demand. Subsequently Rose prepared a paper entitled "Conceptual Plan for an Alaska Stabilization Assistance Program." Rose describes proposals rejected by professionals, choosing to leave real estate loans with Alliance Bank and FDIC. Rose proposes that the State of Alaska tell owners of problem real estate, FDIC, Freddie Mac, VA, Alliance and other Alaska banks, etc., "You have a problem, and we're not going to buy that problem from you. We will allow you to pool it and take an interest in that pool, and you try to stabilize, in your own enlightened self-interest, the market so that values will come up." Rose points out that FDIC is a member bank organization, and owes a service to the banks.

Rose cited FDIC/Alliance Bank and stated the Hallwood Group must make Alliance Bank work within 18 months. He asked the Committee to consider the economic and political ramifications, and to try to move supply and demand curve in a positive direction. Rose discusses bank failures, and warns that the problem could return.

Rep. Frank asks if 18 months is long enough for the bridge bank to liquidate properties. Rose states there are two separate questions: banks must be allowed to be banks and not be property managers, and Alliance and other banks must be allowed to be bankers so that they can succeed. Rose points out it is not necessary that the banks get their money out during that period. Rep. Frank asks if banks give up flexibility by participating, and if they are better off being outside the bridge. Rose responds that will happen. Rose has received a copy of the Hallwood Group's proposal, after review of Senator Kelly's and Senator Sturgulewski's legislation, which is conceptually very close. The proposal includes the concepts advanced by Sealaska and another group concerning investment trust, providing for immediate sale to another trust with the same long term goals.

Rep. Brown asks for a copy of the proposal.

Rep. Rieger asks who would manage the bridge bank. Rose responds it would be the entities which contribute, not a state agency. The only state involvement would be appropriation of the working capital through an organization which prepares a contract and monitors the contract to ensure that stabilization is maintained. Rep. Rieger asks if it can work without the \$15 million. Rose responds he does not know, pointing out there are huge carrying costs. Rep. Rieger asks how things would be different with the bridge bank. Rose states the winners are the people who hold property for the long term, and the losers are those who want the market to collapse and get in for lower amounts. Rose describes the political fault, stating a stabilization keeps the cost of living up, but in the end run it may be beneficial. Rose clarifies there are not hard advocates for the bill at this time, although it is a real concept with prospect of being executed. Rose cautions there are some weaknesses in the market which will never be overcome.

Rep. Gruenberg asks if a bridge bank has been used elsewhere. Rose responds there are none to his knowledge in any other state or country. Gruenberg recognizes benefits are available to entice the banks to participate, and asks what other methods have been used to achieve similar results in other locations. Rose states government has either stayed out entirely, or has provided cut-rate loans in distressed areas, i.e., a Pennsylvania plan. Rose states government has never been successful in dealing with such problems because it can only create jobs by hiring, or it can "get out of the way,

regulationwise." Gruenberg disagrees, pointing out that Rose suggests a method of government encouraging business to solve it's problems.

Rep. Frank asks how the value of loans will be determined. Rose states it would be the underlying collateral, or the real estate valuation. Rose refers to a similar effort in Oklahoma which fell apart because of valuation. Rose cautions that if the Hallwood proposal does not give strong consideration to by-passing the valuation problem, then it may not work.

Rep. Gruenberg refers to other testimony regarding FDIC's intent with regard to property and asks Rose what evidence he has to support his statement that FDIC is not about to dispose of their property. Rose responds he has no evidence, but knows there are two sides to FDIC, one being regulatory and the other liquidating. Rose has dealt with the regulatory body, and he believes liquidation would defeat the basic mission of FDIC.

Rep. Navarre discusses the supply curve and asks what the proposal would do on a long term basis. Rose responds that it is synchronized to work very well, but synchronization is essential.

Commissioner Malone joins the Committee. Malone cites the desire to avoid previous mistakes and urges caution in proceeding to avoid squeezing out the private sector activity. Malone urges treating the problem, not the symptoms. Malone states there is potential of properties being vacant for long periods of time, creating urban blight, and he is uncertain that mechanisms considered are the solution. Malone suggests that where state laws and regulations create barriers, perhaps they should be revised.

TAPE TWO, SIDE ONE

Commissioner Malone states total state spending is down, and the Legislature needs to consider reallocating how dollars are spent. Malone urges letting the private sector grow because that is a positive thing.

Rep. Brown refers to Dr. Lehr's comments concerning actions AHFC might take to stabilize the residential housing market, and asks Commissioner Malone's comments. Malone responds that AHFC must act to manage its properties, although he does not have concrete suggestions. Malone is uncertain about feasibility of moving individuals from one condo to another. Malone believes AHFC should be sold, "lock, stock and barrel, getting out of it whatever we can and let the buyer manage the assets." Malone believes political solutions are likely to be piecemeal and contrary to management techniques.