

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672 1189
1621 SCOMM 61: SEN. SPEC. COMM. ON BANKING AND ECONOMIC DEV. 1989-90

Amendment
to: CSHB 462 (C & RA)

Page 2, line 12, insert a new section to read:

"*Sec. 3. AS 18.56 is amended by adding a new section to read:

Sec 18.56.051 Dividend Policy. The corporation shall pay an annual dividend to the state general fund equal to at least fifty percent of the unrestricted net income, if any, of the corporation as determined under AS 18.56.089.

The dividend shall be paid within six months of the close of the fiscal year, unless the Board of Directors establishes by resolution that payment of a lesser dividend or no dividend is required to maintain the financial soundness of the corporation."

(renumber following sections accordingly)

March 14, 1990

^F1^

^F2^

^F3^

^F4^

^F5^

Re: Proposed AHFC Dividend Statute

Dear ^F6^:

Thank you for your analysis of the original proposed AHFC Dividend Statute. Your insights and observations helped focus the House Finance Committee's deliberations.

Enclosed find a copy of a revised Dividend Statute. This current proposal represents an apparent consensus reached at a recent House Finance Sub-Committee meeting. The Committee would greatly appreciate your taking the time to review this new proposal and, in light of your knowledge of AHFC and the capital markets, provide your comments at your earliest possible convenience. The committee would like to know your views on whether, and to what extent, the current proposal is better, worse, or no different than the previous dividend policy which you reviewed.

Also, there is talk of postponing the effective date of the Dividend Statute until 1994. How would such a delay affect your analysis?

Thank you in advance for your assistance.

Very truly yours,

/s/
Robert A. Mintz
Chairman
Board of Directors
Alaska Housing Finance Corporation
RAM/ms

3/14/90

The attached 2 pages were sent individually to:

John C. Moore/Shearson Lehman Hutton

JoAnne Kennedy/First Boston

Alfred B. Thatcher Jr./Bear Stearns

Maria DeRosa/Paine Webber, cc: Dennis Waldock

Eric Wohlforth/Wohlforth, Argetsinger, Johnson & Brecht

Mark Cameron/Alaska Housing Finance Corporation

bcc:

Senator Pat Rodey

ALASKA MORTGAGE BANKERS ASSOCIATION

P.O. BOX 9-2691 / ANCHORAGE, ALASKA 99509-2691

February 9, 1990

Senator Pat Rodey
Alaska State Senate
P.O. Box V
Juneau, Alaska 99811

Reference SB 427 (AHFC)

Dear Senator Rodey:

The Alaska Mortgage Bankers Association supports passage of Senate Bill 427, but urges consideration of the following amendments:

- We strongly recommend that the Board of Directors be returned to seven members, with a majority of those members to come from the private sector.
- We recommend that AHFC be given authorization to obtain legal counsel from the private sector as pertains to issues involving real estate and mortgage law, specific issues on loan programs and on individual loans.

Thank you for your consideration. If we can be of further assistance, please call me at 257-3442 or any member of the Board of Directors of the Association.

Sincerely,



Lucille Stietz
Chair, Legislative Committee

AMBA Board Members:	Cheryl Henry, President	257-3301
	Betty Knipp, Secretary-Treasurer	265-3450
	Randy Boyd, Director	364-0210
	Julie North, Director	563-0700



520 East 34th St.
Anchorage, AK 99503
(907) 561-1900
P.O. Box 101020
Anchorage, AK 99510

M E M O R A N D U M

DATE: February 13, 1990
TO: Max Gifford
FROM: Bob Sullivan

AHFC supports SB427 as written.

AHFC will support SB344 if amended to read same as current version of HB368.

→ in attendance, Redey, Fairs, Frank.
S-427 (rep. Saskatchewan)

Bob Sullivan - * Why exemption from
Ex. Budget Act —

427. EFFECT:
1. Phase out subsidy
 2. Exempts from procurement ACT
 3. Exempts AHFC from Exec. Budget Act.

* Sen. Frank - serious policy questions
w/ exemption from Ex.
Budget Act.

Fairs - Admin. Procedures Act
Public Policy Act
How would exemption from Ex. Budget
Act, in fact the other two
remaining ACTS - Admin & Pub Policy.
(rep. Saskatchewan ~~offer~~ offers response
Swarck - references Ernst & Young
Reports.

Fairs - AHFC was supposed to be
bond purchaser - not
property owner.

Swarck - Economic Crisis caused
AHFC ownership (66% ownership)

S-427

Fails - Trailer program?

Swack: "NOT sure we did anything"

Chris Foster: AK. ASSOC. OF REALTORS =
on record of expanding AHFC
board from 5-7

"Stepped staff increases" rather
than waiting too long

Coyner: Bankers Assoc. supports increasing
AHFC staff

Budget/Audit - opposed to AHFC exemption
from Budget Act -
Mont.

Fails 4A - AHFC - R.D.
substantially equivalent -
- make it same -

Kirkpatrick:

S-371 : license

Kirkpatrick -

FRANK: doubts agency ability to
influence Mortgage Servicers
outside Alaska....

"Michigan example"

Kirkpatrick - bill patterned
after Illinois

FRANK

Guidelines -

AK. BANKERS
ASSOC.

American Assoc.
of Mortgage Servicers

Alaska State Legislature

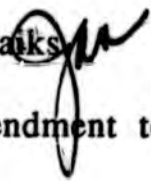


Senate Judiciary Committee

February 26, 1990

MEMORANDUM

TO: Senator Pat Rodey, Chairman
Senate Banking and Economic Development Committee

FROM: Senator Jan Farkas 

SUBJECT: Proposed Amendment to Senate Bill 427

Attached is an amendment I will be offering to Senate Bill 427 when the bill is considered by the committee this Tuesday. Just as the original bill exempts AHFC from the state procurement code, the amendment also exempts the Alaska Railroad Corporation.

Should you need any further information, please just let me know.

A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. FAIKS

TO: SB 427

Page 1, lines 6 - 7:

Delete "the Alaska Housing Finance Corporation and its housing programs"

Insert "program and administration requirements of certain state corporations"

Page 1, lines 7 - 8:

Delete "corporation"

Insert "Alaska Housing Finance Corporation"

Page 1, line 14, after "income;":

Insert "relating to procurement practices of the Alaska Railroad Corporation;"

Page 6, following line 26:

Insert a new bill section to read:

"* Sec. 8. AS 36.30.015(e) is amended to read:

(e) The board [BOARDS] of directors of [THE ALASKA RAILROAD CORPORATION AND] the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction [BY THE CORPORATION]. The procedures must be substantially equivalent to the procedures prescribed in this

chapter and in regulations adopted under this chapter."

Renumber the following bill sections accordingly.

Page 7, following line 21:

Insert a new bill section to read:

"* Sec. 11. AS 42.40.100 is amended to read:

Sec. 42.40.100. MANAGEMENT BY THE BOARD. The board is responsible for the management of the corporation but shall delegate certain powers and duties to the chief executive officer in accordance with AS 42.40.120. In managing the corporation the board shall

(1) be responsible for the management of the financial and legal obligations of the Alaska Railroad;

(2) operate the Alaska Railroad as a common carrier subject to the jurisdiction of the United States Interstate Commerce Commission consistent with 45 U.S.C. 1207;

(3) generally manage the corporation on a self-sustaining basis;

(4) apply to the legislature for an appropriation with the concurrence of the governor to be used to provide a particular service that is not otherwise self-sustaining if a subsidy is required to maintain that service;

(5) provide for safe, efficient, and economical transportation to meet the overall needs of the state;

(6) raise needed capital by issuing bonds of the corporation upon approval by the legislature while ensuring that borrowing by

the corporation does not directly or indirectly endanger the state's own borrowing capacity;

(7) review all state and other land disposal proposals to aid in planning for future development or expansion of transportation services;

(8) adopt and publish procedures to govern the procurement of supplies, services, professional services, and construction by the corporation; the procedures adopted must: [ENSURE THAT THE PROCUREMENT PROCEDURES OF THE CORPORATION] meet accepted railroad industry standards;

(9) ensure that the accounting procedures of the corporation meet generally accepted accounting principles consistent with industry standards for comparable railroads."

Renumber the following bill sections accordingly.

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 427 (2d Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to program and administration re-
7 quirements of certain state corporations; expanding
8 the number of directors of the Alaska Housing Finance
9 Corporation; exempting the Alaska Housing Finance
10 Corporation from the State Procurement Code and
11 making an exception for the corporation under the
12 Executive Budget Act; amending the corporation's
13 special mortgage loan purchase program and progres-
14 sively reducing the maximum level of loan amounts
15 eligible for a reduction under a mortgage loan sub-
16 sidy; amending the corporation's mortgage loan sub-
17 sidy program for persons of lower and moderate in-
18 come; and relating to procurement practices of cer-
19 tain state corporations; and providing for an effec-
20 tive date."

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

22 * Section 1. AS 18.56.030(a) is amended to read:

23 (a) The corporation shall be governed by a board of directors
24 consisting of

25 (1) the commissioner of revenue and the commissioner of
26 commerce and economic development;

27 (2) one other member who is the head of a [THE] principal
28 department of the executive branch of state government appointed by
29 the governor; and

1 (3) four [TWO] public members appointed by the governor,
2 one of whom shall be a representative of the financial community and
3 one of whom shall be a person licensed as a real estate broker under
4 AS 08.88.171(a).

5 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

6 (b) Notwithstanding (a) of this section, the loan amount eligi-
7 ble for assistance under the subsidy authorized by (a) of this section
8 is the amount determined under AS 18.56.098(f).

9 * Sec. 3. AS 18.56.098(f) is amended to read:

10 (f) In this section and in AS 18.56.099

11 (1) "graduated payment mortgage loan" means a mortgage loan
12 the terms of which provide for monthly principal and interest payments
13 that

14 (A) during the first year of the mortgage loan are
15 lower than the monthly principal and interest payments that would
16 be required under the terms of a level payment mortgage loan made
17 at the same interest rate; and

18 (B) during subsequent years of the mortgage loan are
19 graduated to provide for the same return over the term of the
20 loan that would have been provided by a level payment mortgage
21 loan made at the same interest rate;

22 (2) "loan amount eligible for assistance" means the amount
23 of a mortgage loan that does not exceed the amount of the loan estab-
24 lished by law; if an amount has not been established by law, the
25 amount is zero;

26 (3) "mortgage loan" includes a beneficial interest or
27 participation in a mortgage loan; [(3) REPEALED]

28 (4) "residence" means

29 (A) an owner-occupied, single-family residence,

1 including a mobile home; [,] or

2 (B) an owner-occupied duplex, triplex, or fourplex.

3 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

4 (f) in this section and in AS 18.56.091 and 18.56.099

5 (1) "graduated payment mortgage loan" means a mortgage loan
6 the terms of which provide for monthly principal and interest payments
7 that

8 (A) during the first year of the mortgage loan are
9 lower than the monthly principal and interest payments that would
10 be required under the terms of a level payment mortgage loan made
11 at the same interest rate; and

12 (B) during subsequent years of the mortgage loan are
13 graduated to provide for the same return over the term of the
14 loan that would have been provided by a level payment mortgage
15 loan made at the same interest rate;

16 (2) "loan amount eligible for assistance" means

17 (A) the first \$50,000 of a mortgage loan for persons
18 of lower or moderate income whose purchase of a home is assisted
19 under AS 18.56.091; or

20 (B) except as to persons whose purchase of a home is
21 assisted under AS 18.56.091, the amount of a mortgage loan that
22 does not exceed the amount of the loan established by law; if an
23 amount has not been established by law, the amount is zero;

24 (3) "mortgage loan" includes a beneficial interest or
25 participation in a mortgage loan;

26 (4) "residence" means

27 (A) an owner-occupied, single-family residence, in-
28 cluding a mobile home; or

29 (B) an owner-occupied duplex, triplex, or fourplex.

1 * Sec. 5. AS 18.56.098(g) is amended to read:

2 (g) The corporation shall establish the interest rate on a first
3 mortgage loan purchased under (a) of this section in accordance with
4 the following:

5 (1) The interest rate on the loan amount eligible for
6 assistance [FIRST \$90,000] of a mortgage loan purchased with the
7 proceeds of an issue of taxable bonds of the corporation is three
8 percent less than the cost of funds of that issue, except that

9 (A) if the cost of funds of that issue is less than 10
10 percent, the interest rate is equal to the cost of funds; and

11 (B) if the cost of funds of that issue is more than 10
12 percent, the interest rate may not be less than 10 percent.

13 (2) An interest rate determined under this subsection on
14 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
15 loan that is not purchased from the proceeds of bonds that are qual-
16 ified veterans' mortgage bonds under the applicable provisions of 26
17 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
18 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
19 point if the loan is made to an eligible veteran under AS 18.56.101.

20 (3) The interest rate for the amount of a mortgage loan
21 purchased under (a) of this section that exceeds the loan amount
22 eligible for assistance [\$90,000] is equal to the cost of funds to the
23 corporation attributable to that part of the loan.

24 (4) The interest rate on the loan amount eligible for
25 assistance [FIRST \$90,000] of a mortgage loan purchased with money
26 that is not the proceeds of either taxable or tax-exempt bonds is the
27 rate the corporation determines is appropriate by application of the
28 provision of (1) of this subsection.

29 (5) The interest rate on the loan amount eligible for

1 assistance [FIRST \$90,000] of a mortgage loan purchased from the
2 proceeds of bonds that are exempt from taxation other than bonds that
3 constitute qualified veterans' bonds under (i) of this section, is
4 equal to the interest rate determined under (1) and (2) of this sub-
5 section on a loan purchased under (a) of this section from the pro-
6 ceeds of the most recent applicable issue of taxable bonds sold by the
7 corporation. A higher or lower interest rate shall be established on
8 the entire loan amount if required to ensure the tax-exempt status of
9 the bonds.

10 (6) The corporation shall determine the interest rate on a
11 mortgage loan that is an adjustable rate mortgage loan as provided in
12 this subsection. The corporation shall recalculate the interest rate
13 from time to time based on changes in the cost to the corporation of
14 the funds used to purchase the adjustable rate mortgage loan. How-
15 ever, the corporation may establish a minimum interest rate applicable
16 to an adjustable rate mortgage loan, and the interest rate on the
17 adjustable rate mortgage loan may not be less than the minimum inter-
18 est rate so established regardless of the cost of funds to the corpo-
19 ration.

20 (7) For loans made under this section, the corporation
21 shall give effect to interest rate changes applicable to the loans
22 based on time of loan application, time of issuance of the corpora-
23 tion's bonds issued to purchase loans, or other factors as the corpora-
24 tion determines.

25 (8) [(7)] In this subsection

26 (A) "cost of funds" means the true interest cost
27 expressed as a rate on bonds of the corporation plus an addi-
28 tional percentage as determined by the corporation to represent
29 the allocable expenses of operation, costs of issuance, and

1 mortgage servicing;

2 (B) "taxable bonds" means bonds bearing interest that
3 is taxable under applicable provisions of 26 U.S.C. (Internal
4 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
5 BOND TAX ACT OF 1980)] issued to finance the purchase of first
6 mortgage loans.

7 * Sec. 6. AS 18.56.098(h) is amended to read:

8 (h) The corporation shall establish the interest rate on a
9 second mortgage loan purchased under (a) of this section in the manner
10 established for computing the interest rates on a first mortgage loan
11 under (g) of this section except that, in the case of a second mort-
12 gage loan, if the first mortgage loan made to the same borrower is
13 held by the corporation and was purchased under the special mortgage
14 loan purchase program, the outstanding principal balance of the exist-
15 ing first mortgage loan is subtracted from the loan amount eligible
16 for assistance [\$90,000] to determine the amount of the loan that is
17 eligible for an interest rate on a second mortgage loan determined by
18 reference to (g) of this section.

19 * Sec. 7. AS 18.56.098(i) is amended to read:

20 (i) The interest rate on the loan amount eligible for assistance
21 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
22 bonds that constitute qualified veterans' mortgage bonds under appli-
23 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
24 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
25 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
26 for other loans to veterans under (g)(2) of this section [AS 18.56.-
27 098(g)(3)]. A higher or lower interest rate shall be established on
28 the entire loan amount if required by applicable provisions of 26
29 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

1 * Sec. 8. AS 36.30.015(e) is amended to read:

2 (e) The boards of directors of the Alaska Railroad Corporation,
3 the Alaska Housing Finance Corporation, and the Alaska State Housing
4 Authority shall adopt procedures to govern the procurement of sup-
5 plies, services, professional services, and construction for [BY] the
6 respective public corporations [CORPORATION]. The procedures must

7 (1) reflect competitive bidding principles and provide
8 vendors reasonable and equitable opportunities to participate in the
9 procurement process; and

10 (2) include procurement methods to meet emergency and
11 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
12 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS
13 CHAPTER].

14 * Sec. 9. AS 36.30.990(1) is amended to read:

15 (1) "agency"

16 (A) means a department, institution, board, commis-
17 sion, division, authority, public corporation, the Alaska Pio-
18 neers' Home, or other administrative unit of the executive branch
19 of state government;

20 (B) does not include

21 (i) [, EXCEPT FOR] the University of Alaska;

22 (ii) [,] the Alaska State Housing Authority;

23 (iii) the [AND] Alaska Railroad Corporation;

24 (iv) the Alaska Housing Finance Corporation;

25 (v) [IT DOES NOT INCLUDE] a regional Native
26 housing authority created under AS 18.55.996, or a regional
27 electrical authority created under AS 18.57.020;

28 * Sec. 10. AS 37.07 is amended by adding a new section to read:

29 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)

1 Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing
2 Finance Corporation may, by resolution adopted by the board of direc-
3 tors, increase an item appropriated from corporation receipts if

4 (1) the board of directors determines that circumstances
5 require an increase in expenditures in excess of an existing appro-
6 priation made under the authority conferred by this chapter; and

7 (2) additional corporation receipts are available.

8 (b) Before the resolution required by (a) of this section takes
9 effect, the board of directors shall submit a revised program to the
10 governor for approval as provided in AS 37.07.080(d). A copy of the
11 revised program shall be submitted to the legislative budget and audit
12 committee.

13 (c) The increase authorized by (a) of this section may not
14 extend beyond the end of the fiscal year in which the resolution is
15 adopted.

16 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
17 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
18 mortgage loans purchased by the Alaska Housing Finance Corporation from the
19 special mortgage loan purchase program and from qualified veterans' mort-
20 gage bonds

21 (1) after June 30, 1990, and before July 1, 1991, the loan
22 amount eligible for assistance under AS 18.56.098 is \$70,000;

23 (2) after June 30, 1991, and before July 1, 1992, the loan
24 amount eligible for assistance under AS 18.56.098 is \$50,000;

25 (3) after June 30, 1992, and before July 1, 1993, the loan
26 amount eligible for assistance under AS 18.56.098 is \$30,000.

27 * Sec. 12. Of the two additional public members appointed by the gover-
28 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall
29 serve a term of two years and one shall serve a term of one year. When

1 making the appointments, the governor shall specify the length of the term
2 of each person appointed.

3 * Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

4 * Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect
5 July 1, 1990.

A M E N D M E N T

To: CSSB 427(fin)

Page 7, line 7: delete "and"

Page 7, between lines 11 and 12: insert the following new material to read:

"(3) grant preferences that are substantially similar to the resident and product preferences authorized by AS 36.30.170(b), AS 36.30.250(b) and AS 36.30.322 - 36.30.338. "

EFFECT OF AMENDMENT:

This amendment would require the ARRC, ASHA, and AHFC to adopt procurement procedures embodying the Alaska bidder's preference and the Alaska product preference set out in existing law and regulations.



520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

POSITION PAPER

APRIL 10, 1990

PROPOSED HOUSE FINANCE COMMITTEE AMENDMENT TO SB 427

An amendment to SB 427, the AHFC Subsidy Revision bill has been introduced in the House Finance Committee. The amendment would require the Corporation to pay an annual dividend to the State of Alaska general fund, in an amount equal to 50% of the Corporation's annual earnings.

AHFC opposes this amendment for several reasons, including:

1. It jeopardizes the Corporation's short- and long-term borrowing capacity, and its present and future credit relationships, both of which are essential for the Corporation to continue access capital markets, making mortgage dollars available to Alaskans.
2. It severely inhibits the ability of the Corporation to support and to participate in new, innovative housing programs, including layered financing approaches which would effectively leverage outside funding for housing for special needs populations and non-profit housing sponsors.
3. Diverting funds from the Corporation to the general fund for non-housing purposes is contradictory to AHFC's enabling legislation, which established the Corporation for the purpose of providing housing for low- and moderate-income Alaskans.
4. It is contrary to the recommendations contained in the report of the Legislature's own Housing Finance Task Force, which called for less interference by the state government in running the business of AHFC and specified that it was unwise to attempt to extract assets from the Corporation for non-housing purposes. Further, the amendment would negate the impact of the elimination of the subsidy program, by diverting the savings realized by elimination of the subsidy away from the Corporation.
5. It obscures the separation of AHFC, an independent public corporation, responsible for its own assets and liabilities, from the state government, by putting the legislature in first position with discretion over use of the Corporation's earnings. This control must remain solely with the Board of Directors, as appointed by the Governor, to maintain the integrity of the Corporation as an independent entity and to avoid perception of state liability for the Corporation's debt.

COMPARING CSSB427(2d Fin) to CSSB427(B&ED)

**SUMMARY OF CHANGES MADE TO SB427(B&ED) IN THE
SENATE FINANCE COMMITTEE**

1. page 2, lines 2 - 4; Added language specifying that one of AHFC's four Board members be a representative of the financial community and that one be a licensed real estate broker.
2. We eliminated the old section 2 from the B&ED version which would have totally exempted AHFC from the Executive Budget Act.
3. page 7, lines 1 - 13; Under this bill, AHFC and the Alaska Railroad are exempted from the state procurement code to save them money. This language requires AHFC and the ARR to adopt their own procurement procedures which reflect competitive bidding practices.
4. page 7, line 28 thru page 8, line 15; New section added
This section gives AHFC an exception to rather than an exemption from the Executive Budget Act. AHFC's budget will continue to come before the legislature for approval, but this exception gives them the flexibility to make needed changes during the interim. This flexibility will save AHFC money.

*Flood
Draft*

*Suggest letting
Sen. Frank decide
how to deal with
FBX —*



Official Business

Alaska State Legislature

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

April 2, 1990

FAX TRANSMISSION

To: Tom Behan
Bob Mintz
AHFC

From: Max Gifford
Legislative Assistant

Subject: SB-427, analysis by Chenoweth

Sen. Uehling asked Jack Chenoweth of LAA Legal to do an analysis and sectional of SB-427, following our less than successful effort to pass the bill in the Senate on Friday last.

From my initial reading the only concern I have is with page two of the two-page document entitled, "Sectional Analysis". Under point (4) in the Chenoweth memo he discusses AHFC expenditure of program receipts and suggests that this language allows expenditure, "without providing the opportunity for a prior review of the proposed additional expenditure by the Legislative Budget & Audit Committee;.." This language is sure to engender interest (I use that term lightly) from Senator Kerttula.

There is a school of thought that believes that with the inclusion of the program receipt expenditure language in the front section of the budget AHFC can already expend funds without necessarily waiting for LB&A approval. But I'd rather not distribute this memo with the wording that Chenoweth has used without referencing the front section of the budget as it now exists.

Also, Senator Duncan continues to object to the word "immediately" on line 12 of the title page....and according to staff his objections are pure and simple....without the word immediately, he can seek to amend the time frame for which program receipts can be expended when the bill gets to the house.

Patrick M. Rodey
Senator

Alaska State Legislature



3111 C. St., Suite 510
Anchorage, Alaska 99503
(907) 561-7618

During Session:
P.O. Box V
Juneau, Alaska 99811
(907) 465-3793

Tuesday, April 3, 1990

Senate

MEMORANDUM

To: Senator Pat Rodey

From: Max

Subject: CSSB 427 (RIs)/ AHFC

SECTIONAL ANALYSIS. The Chenoweth memo to Sen. Uehling of March 30th, does a good job at detailing the bill.

Note the first two pages are specific to AHFC. On page two under subsection (4), however, there is a reference to Sec. 10 in which Chenoweth states, "the amendment would permit AHFC to draw upon unappropriated corporation receipts with providing the opportunity for prior review of the proposed additional expenditure by LB&A."

This statement may cause some confusion because it does not take into account the **appropriation of AHFC program receipts** in the front section of the annual budget bill. The intent and purpose of this bill is do what the Legislature's housing finance task force set out to do which was to find ways to stabilize Alaska's housing market, reduce the state's fiduciary involvement, and hopefully let the housing market system develop into a viable business in state without considerable state involvement. To do that AHFC needs the tools to accomplish these goals...and that means giving them the ability to function in the housing market without being hamstrung by bureaucracy. As AHFC has indicated the potential for losing money grows in proportion to their inability to respond to the ups and downs of the housing market.

To further buttress the point, I asked for a short memo (Dierdorff to Rodey, April 2nd) noting that for several years the legislature has provided for appropriation of AHFC program receipts in the front section of the budget. The finance committee did that in 1985 to assist AHFC in responding to market needs. During those years, 1988 was the only year reference was made to requesting AHFC comply with the LB&A procedure.

Further protecting state interests is the requirement in Sec. 10 that AHFC submit program revisions (expending program receipts) to the governor and LB&A, and once submitted, then permitting the agency to proceed with the program revision.

The argument may be made that AHFC should not be allowed to expend money without first gaining approval from LB&A, however, some believe (LAA Legal) that the legislative appropriation/authorization in the front section of the budget is all that is needed for AHFC to expend program receipts. Besides, the LB&A requirement may take as long as 45 days and sometimes longer and that is the real problem; the inability of the bureaucracy to act promptly to protect state fiduciary interests in the housing market.

SUBSIDY PHASE DOWN. The remaining three pages of the March 30th Chenoweth to Uehling memo is a good overview of the subsidy phase down program proposed in SB 427.

RAILROAD. Also attached is the Railroad procurement amendment Sen. Faiks will offer. It essentially opts them out from the confines of the procurement code but says the RR shall adopt procedures that reflect competitive bidding, reasonable opportunities for vendors, and establish an Alaska bidder preference, except for "purchase, operation, expansion, reduction, or maintenance or track structure or equipment moving upon track structure of the railroad." (i.e. tracks, ties, and rail cars)

Memos attached

March 30th, Chenoweth to Uehling, 2 page sectional analysis, followed by a three page analysis of the subsidy adjustment.

April 2nd, Dierdorff to Rodey, 1 page, re: AHFC Program Receipts

Amendments.....Sen. Faiks, Railroad procurement, bidder preference.

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

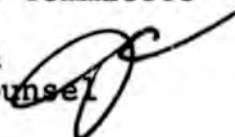
POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

MEMORANDUM

March 30, 1990

SUBJECT: CSSB 427 (Rules) -- sectional analysis

TO: Senator Rick Uehling, Co-Chair
Senate Finance Committee

FROM: Jack Chenoweth
Legislative Counsel 

This measure generally amends various program and administrative requirements applicable to several state corporations. While it is principally applicable to the Alaska Housing Finance Corporation (AHFC), one section--bill section 8--also applies to the Alaska Railroad Corporation and the Alaska State Housing Authority (ASHA).

In summary, this bill accomplishes the following:

With respect to the Alaska Housing Finance Corporation:

(1) re-orientes the interest subsidy on AHFC's major mortgage loan program: the bill eliminates, by stair-stepping down over a three-year period, the mortgage interest subsidy that may be provided under the current special mortgage loan program--the principal mortgage loan program--of the AHFC, and replaces that subsidized program, in modified form, with an amended version of the Corporation's home ownership program for persons of low and moderate income, with the subsidy provided at a reduced threshold [bill sections 2 - 7 and 11];

(2) increases the number of members of the board of directors of AHFC from five to seven by adding two additional public members, thereby making the majority of the board (4 of 7 members) "public members" rather than agency heads [bill sections 1 and 12];

(3) exempts AHFC from compliance with the State Procurement Code, substituting a requirement that the AHFC board of directors develop and adopt other similar

Senator Rick Uehling
Page 2
March 30, 1990

procedures applicable to guide and govern necessary procurements [bill sections 8 and 9];

*Maybe
modify*

(4) amends the manner of handling of AHFC's expenditure of additional corporation receipts by exempting AHFC from compliance with the provisions of AS 37.07.080 (submission and approval of revised program requirements under the Executive Budget Act, AS 37.07); the amendment would permit AHFC to draw upon unappropriated corporation receipts without providing the opportunity for a prior review of the proposed additional expenditure by the Legislative Budget and Audit Committee; under the change, AHFC would only be required to prepare a program revision and submit the revision to the governor and the committee; once the revised program was prepared and submitted, the additional corporation receipts could be expended by AHFC [bill section 10];

With respect to the Alaska Railroad Corporation and the Alaska State Housing Authority:

These two state corporations are now exempt from the State Procurement Code (see existing AS 36.30.990(1)). Under current law these two corporations were to have adopted procedures "substantially equivalent to the procedures prescribed in [the State Procurement Code]." The amendment made by bill section 8 eliminates the "substantially equivalent" reference and substitutes different, somewhat broader, less stringent, standards that these two corporations' procurement practices would have to meet.

Effective dates:

Sections 2 and 4, relating to the modifications of AHFC's home ownership program for low- and moderate-income people, are delayed until July 1, 1992.

The remainder of the bill takes effect July 1, 1990.

* * *

Additional details of the AHFC subsidy modification provisions that are changed by bill sections 2 - 7 and 11 are set out in the enclosed.

JBC:lmb
L10/041

STATE OF ALASKA THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

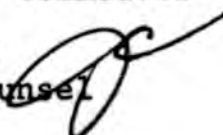
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 30, 1990

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TO: Senator Rick Uehling, Co-Chair
Senate Finance Committee

FROM: Jack Chenoweth
Legislative Counsel 

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- (2) increases the number of members of the board of directors of AHFC from five to seven by adding two additional public members, thereby making the majority of the board (4 of 7 members) "public members" rather than agency heads [bill sections 1 and 12];
- (3) exempts AHFC from compliance with the State Procurement Code, substituting a requirement that the AHFC board of directors develop and adopt other similar

Senator Rick Uehling
Page 2
March 30, 1990

procedures applicable to guide and govern necessary procurements [bill sections 8 and 9];

(4) amends the manner of handling of AHFC's expenditure of additional corporation receipts by exempting AHFC from compliance with the provisions of AS 37.07.080 (submission and approval of revised program requirements under the Executive Budget Act, AS 37.07); the amendment would permit AHFC to draw upon unappropriated corporation receipts without providing the opportunity for a prior review of the proposed additional expenditure by the Legislative Budget and Audit Committee; under the change, AHFC would only be required to prepare a program revision and submit the revision to the governor and the committee; once the revised program was prepared and submitted, the additional corporation receipts could be expended by AHFC [bill section 10];

With respect to the Alaska Railroad Corporation and the Alaska State Housing Authority:

These two state corporations are now exempt from the State Procurement Code (see existing AS 36.30.990(1)). Under current law these two corporations were to have adopted procedures "substantially equivalent to the procedures prescribed in [the State Procurement Code]." The amendment made by bill section 8 eliminates the "substantially equivalent" reference and substitutes different, somewhat broader, less stringent, standards that these two corporations' procurement practices would have to meet.

Effective dates:

Sections 2 and 4, relating to the modifications of AHFC's home ownership program for low- and moderate-income people, are delayed until July 1, 1992.

The remainder of the bill takes effect July 1, 1990.

* * *

Additional details of the AHFC subsidy modification provisions that are changed by bill sections 2 - 7 and 11 are set out in the enclosed.

JBC:lmb
L10/041

This isn't bad
for a sectional
except for (4)
on page 2 which
discusses 'unappropriated
corporation receipts

The yellowed
language is
like a red flag
for Sen. McNamara
& Duncan

STATE OF ALASKA THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 2, 1990

SUBJECT: AHFC Program Receipts (CSSB 427(Rules))

TO: Senator Pat Rodey
Attn: Max Gifford

FROM: David R. Dierdorff 
Revisor of Statutes

You have asked for a brief explanation of the treatment of AHFC program receipts in the budget bill.

For the last five fiscal years, the Act providing for the general operating and loan program budget of state government has included "front pages" language appropriating all unrestricted receipts that the corporation receives during the fiscal year to the Alaska housing finance revolving fund. See, sec. 15, ch. 98, SLA 1985; sec. 14, ch. 129, SLA 1986; sec. 14, ch. 95, SLA 1987; sec. 14, ch. 154, SLA 1988; and sec. 14, ch. 116, SLA 1989. I note that the language each year has been identical, except that in 1988 a subsection (b) was added requiring the corporation to comply with AS 37.07.080(h) prior to expending any of the program receipts for a purpose not described in the corporation's operating plan under AS 37.07.080(b). I note also that the language appears in the governor's operating and loan program bill for FY 91. See sec. 15, HB 500.

There is no question but that the boiler plate language found in these budget Acts appropriates everything AHFC receives during the year.

DRD:pl
WKP4/011

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSSB 427 (Rules)

Page 7, line 3:

Delete "the Alaska Railroad Corporation,"

Insert "[THE ALASKA RAILROAD CORPORATION]"

Page 7, line 4, after "Corporation":

Delete ","

Page 7, following line 14:

Insert a new bill section to read:

"* Sec. 9. AS 36.30.015 is amended by adding a new subsection to read:

(f) The board of directors of the Alaska Railroad Corporation shall adopt procedures to govern the procurement of supplies, services, professional services, and construction. The procedures must

(1) reflect competitive principles and provide vendors reasonable and equitable opportunities to participate in the procurement process;

(2) include procurement methods to meet emergency and extraordinary circumstances; and

(3) for a contract awarded for supplies, services, and construction, comply with the provisions of AS 36.30.170(b) and 36.30.250(b) that establish a preference for an Alaska bidder, except

that the Alaska bidder preference provisions of AS 36.30.170(b) and 36.30.250(b) do not apply to a contract that actually and directly relates to the purchase, operation, expansion, reduction, or maintenance of track structure or equipment moving upon track structure of the railroad."

Renumber the following bill sections accordingly.

STATE OF ALASKA THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

March 30, 1990

SUBJECT: Mortgage interest subsidy adjustment made by
secs. 2 - 7 and 11 of CSSB 427 (Rules) --
sectional analysis

TO: Senator Rick Uehling, Co-Chair
Senate Finance Committee

FROM: Jack Chenoweth
Legislative Counsel 

As has been noted, the significant provisions of CSSB 427 (Rules), sections 2 - 7 and 11, re-orient the interest subsidy on AHFC's major mortgage loan program. This memo provides more detailed information as to how that adjustment is accomplished.

AHFC's leading mortgage assistance program is its special mortgage loan purchase program established in AS 18.56.098. Under current law, AHFC is authorized to subsidize interest on the first \$90,000 of a borrower's mortgage loan. See AS 18.56.098(g).

This bill phases out the subsidy by stair-stepping down over a three-year period the mortgage interest subsidy that may be provided under the current special mortgage loan program:

-- for loans made in FY '91, the authorized subsidy threshold is set at the first \$70,000 of a mortgage loan;

-- for those made in FY '92, the authorized subsidy threshold is set at the first \$50,000 of a mortgage loan;

-- for mortgage loans made during FY '93, the authorized subsidy threshold is set at \$30,000.

After June 30, 1993 (i.e. the last day of FY 1993), no further interest subsidy is authorized under this loan program.

Senator Rick Uehling
Page 2
March 30, 1990

However, AHFC officials indicated that they wanted to retain the authority to provide a subsidy to certain low- and moderate-income borrowers. This is accomplished by amending another AHFC program, known as the "home ownership assistance program" established in AS 18.56.091 for persons of low and moderate income. That program is amended, effective July 1, 1992, to permit provision of subsidized interest payments on the first \$50,000 of a mortgage loan approved by AHFC under its home ownership assistance program loan.

The definition of "persons of lower and moderate income" appears in AS 18.56.900(11). The definition makes reference to various factors that AHFC must consider, but does not prescribe a definition solely with reference to a set amount of the borrower's income.

Finally, I would note that, at the sponsor's request, this legislation is drafted in a way that, should the legislature ever want to re-establish subsidized interest payments for mortgages provided under AHFC's special mortgage loan program, it may very easily do so.

*

The particular bill sections, bill sections 2 - 7 and 11, do the following:

Bill sections 3, 5, 6, 7, and 11 make changes to AHFC's "special mortgage loan program."

In addition to a couple of technical and drafting changes (relating to U.S. tax code references), the principal changes made by bill sections 5, 6, and 7 delete, in various places, a reference to the existing \$90,000 threshold for interest subsidies authorized under AHFC's special mortgage loan program and substitute in place the term "loan amount eligible for assistance."

"Loan amount eligible for assistance" is defined in bill section 3 to be an amount as determined by law (or, if no amount is set by law, then the amount is deemed to be zero).

The actual amount of a "loan amount eligible for assistance" is set by law in bill section 11. This is a temporary law provision. As noted, the loan threshold declines from the current \$90,000 and is, for loans made

- during FY 91, \$70,000;
- during FY 92, \$50,000;
- during FY 93, \$30,000.

After June 30, 1993 (i.e. beginning July 1, 1993, or the start of FY 94), there would be no rate set or determined by law, hence, under the definition of the phrase "loan amount eligible for assistance," the threshold rate is deemed to be zero, and no part of the interest on a mortgage loan made under the special mortgage loan program may be subsidized.

Under this approach, the legislature may readily re-establish subsidized interest rates on these mortgage loans merely by enacting an uncoded law that re-states the threshold rate.

Bill sections 2 and 4 amend the other AHFC loan program mentioned, the "home ownership assistance program" of AS 18.56.091, established for persons of lower and moderate income. Under bill section 2, an interest subsidy is authorized based on the threshold established by law. Bill section 4 (page 3, lines 18, 19, and 20) sets that threshold for persons whose purchase of a home is assisted under AS 18.56.091 at \$50,000.

Bill sections 2 and 4 take effect July 1, 1992, that is, on the date when, under the existing subsidy program, the interest rate subsidy threshold is due to drop from \$50,000 to \$30,000. In other words, for persons of lower and moderate income, the threshold at which interest rates on new mortgage loans may be subsidized will not fall below \$50,000.

JBC:lmb
L10/042

** This is good for explanation
of subsidy phase out -
and should be passed
out*

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE RULES COMMITTEE

2

CS FOR SENATE BILL NO. 427 (Rules)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to program and administration re-
7 quirements of certain state corporations; expanding
8 the number of directors of the Alaska Housing Finance
9 Corporation; exempting the Alaska Housing Finance
10 Corporation from the State Procurement Code and
11 allowing the corporation to expend additional corpo-
12 ration receipts immediately after submission of a
13 revised program to the Legislative Budget and Audit
14 Committee; amending the corporation's special mort-
15 gage loan purchase program and progressively reducing
16 the maximum level of loan amounts eligible for a re-
17 duction under a mortgage loan subsidy; amending the
18 corporation's mortgage loan subsidy program for
19 persons of lower and moderate income; and relating to
20 procurement practices of certain state corporations;
21 and providing for an effective date."

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

23 * Section 1. AS 18.56.030(a) is amended to read:

24 (a) The corporation shall be governed by a board of directors
25 consisting of

26 (1) the commissioner of revenue and the commissioner of
27 commerce and economic development;

28 (2) one other member who is the head of a [THE] principal
29 department of the executive branch of state government appointed by

1 the governor; and

2 (3) four [TWO] public members appointed by the governor,
3 one of whom shall be a representative of the financial community and
4 one of whom shall be a person licensed as a real estate broker under
5 AS 08.88.171(a).

6 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

7 (b) Notwithstanding (a) of this section, the loan amount eligi-
8 ble for assistance under the subsidy authorized by (a) of this section
9 is the amount determined under AS 18.56.098(f).

10 * Sec. 3. AS 18.56.098(f) is amended to read:

11 (f) In this section and in AS 18.56.099

12 (1) "graduated payment mortgage loan" means a mortgage loan
13 the terms of which provide for monthly principal and interest payments
14 that

15 (A) during the first year of the mortgage loan are
16 lower than the monthly principal and interest payments that would
17 be required under the terms of a level payment mortgage loan made
18 at the same interest rate; and

19 (B) during subsequent years of the mortgage loan are
20 graduated to provide for the same return over the term of the
21 loan that would have been provided by a level payment mortgage
22 loan made at the same interest rate;

23 (2) "loan amount eligible for assistance" means the amount
24 of a mortgage loan that does not exceed the amount of the loan estab-
25 lished by law; if an amount has not been established by law, the
26 amount is zero;

27 (3) "mortgage loan" includes a beneficial interest or
28 participation in a mortgage loan; [(3) REPEALED]

29 (4) "residence" means

1 (A) an owner-occupied, single-family residence, in-
2 cluding a mobile home; [,] or
3 (B) an owner-occupied duplex, triplex, or fourplex.
4 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:
5 (f) In this section and in AS 18.56.091 and 18.56.099
6 (1) "graduated payment mortgage loan" means a mortgage loan
7 the terms of which provide for monthly principal and interest payments
8 that
9 (A) during the first year of the mortgage loan are
10 lower than the monthly principal and interest payments that would
11 be required under the terms of a level payment mortgage loan made
12 at the same interest rate; and
13 (B) during subsequent years of the mortgage loan are
14 graduated to provide for the same return over the term of the
15 loan that would have been provided by a level payment mortgage
16 loan made at the same interest rate;
17 (2) "loan amount eligible for assistance" means
18 (A) the first \$50,000 of a mortgage loan for persons
19 of lower or moderate income whose purchase of a home is assisted
20 under AS 18.56.091; or
21 (B) except as to persons whose purchase of a home is
22 assisted under AS 18.56.091, the amount of a mortgage loan that
23 does not exceed the amount of the loan established by law; if an
24 amount has not been established by law, the amount is zero;
25 (3) "mortgage loan" includes a beneficial interest or
26 participation in a mortgage loan;
27 (4) "residence" means
28 (A) an owner-occupied, single-family residence, in-
29 cluding a mobile home; or

1 (B) an owner-occupied duplex, triplex, or fourplex.

2 * Sec. 5. AS 18.56.098(g) is amended to read:

3 (g) The corporation shall establish the interest rate on a first
4 mortgage loan purchased under (a) of this section in accordance with
5 the following:

6 (1) The interest rate on the loan amount eligible for
7 assistance [FIRST \$90,000] of a mortgage loan purchased with the
8 proceeds of an issue of taxable bonds of the corporation is three
9 percent less than the cost of funds of that issue, except that

10 (A) if the cost of funds of that issue is less than 10
11 percent, the interest rate is equal to the cost of funds; and

12 (B) if the cost of funds of that issue is more than 10
13 percent, the interest rate may not be less than 10 percent.

14 (2) An interest rate determined under this subsection on
15 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
16 loan that is not purchased from the proceeds of bonds that are qual-
17 ified veterans' mortgage bonds under the applicable provisions of 26
18 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
19 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
20 point if the loan is made to an eligible veteran under AS 18.56.101.

21 (3) The interest rate for the amount of a mortgage loan
22 purchased under (a) of this section that exceeds the loan amount
23 eligible for assistance [\$90,000] is equal to the cost of funds to the
24 corporation attributable to that part of the loan.

25 (4) The interest rate on the loan amount eligible for
26 assistance [FIRST \$90,000] of a mortgage loan purchased with money
27 that is not the proceeds of either taxable or tax-exempt bonds is the
28 rate the corporation determines is appropriate by application of the
29 provision of (1) of this subsection.

1 (5) The interest rate on the loan amount eligible for
2 assistance [FIRST \$90,000] of a mortgage loan purchased from the
3 proceeds of bonds that are exempt from taxation other than bonds that
4 constitute qualified veterans' bonds under (i) of this section, is
5 equal to the interest rate determined under (1) and (2) of this sub-
6 section on a loan purchased under (a) of this section from the pro-
7 ceeds of the most recent applicable issue of taxable bonds sold by the
8 corporation. A higher or lower interest rate shall be established on
9 the entire loan amount if required to ensure the tax-exempt status of
10 the bonds.

11 (6) The corporation shall determine the interest rate on a
12 mortgage loan that is an adjustable rate mortgage loan as provided in
13 this subsection. The corporation shall recalculate the interest rate
14 from time to time based on changes in the cost to the corporation of
15 the funds used to purchase the adjustable rate mortgage loan. How-
16 ever, the corporation may establish a minimum interest rate applicable
17 to an adjustable rate mortgage loan, and the interest rate on the
18 adjustable rate mortgage loan may not be less than the minimum inter-
19 est rate so established regardless of the cost of funds to the corpo-
20 ration.

21 (7) For loans made under this section, the corporation
22 shall give effect to interest rate changes applicable to the loans
23 based on time of loan application, time of issuance of the corpora-
24 tion's bonds issued to purchase loans, or other factors as the corpora-
25 tion determines.

26 (8) [(7)] In this subsection

27 (A) "cost of funds" means the true interest cost
28 expressed as a rate on bonds of the corporation plus an addi-
29 tional percentage as determined by the corporation to represent

1 the allocable expenses of operation, costs of issuance, and
2 mortgage servicing;

3 (B) "taxable bonds" means bonds bearing interest that
4 is taxable under applicable provisions of 26 U.S.C. (Internal
5 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
6 BOND TAX ACT OF 1980)] issued to finance the purchase of first
7 mortgage loans.

8 * Sec. 6. AS 18.56.098(h) is amended to read:

9 (h) The corporation shall establish the interest rate on a
10 second mortgage loan purchased under (a) of this section in the manner
11 established for computing the interest rates on a first mortgage loan
12 under (g) of this section except that, in the case of a second mort-
13 gage loan, if the first mortgage loan made to the same borrower is
14 held by the corporation and was purchased under the special mortgage
15 loan purchase program, the outstanding principal balance of the exist-
16 ing first mortgage loan is subtracted from the loan amount eligible
17 for assistance [\$90,000] to determine the amount of the loan that is
18 eligible for an interest rate on a second mortgage loan determined by
19 reference to (g) of this section.

20 * Sec. 7. AS 18.56.098(i) is amended to read:

21 (i) The interest rate on the loan amount eligible for assistance
22 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
23 bonds that constitute qualified veterans' mortgage bonds under appli-
24 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
25 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
26 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
27 for other loans to veterans under (g)(2) of this section [AS 18.56.-
28 098(g)(3)]. A higher or lower interest rate shall be established on
29 the entire loan amount if required by applicable provisions of 26

1 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

2 * Sec. 8. AS 36.30.015(e) is amended to read:

3 (e) The boards of directors of the Alaska Railroad Corporation,
4 the Alaska Housing Finance Corporation, and the Alaska State Housing
5 Authority shall adopt procedures to govern the procurement of sup-
6 plies, services, professional services, and construction for [BY] the
7 respective public corporations [CORPORATION]. The procedures must

8 (1) reflect competitive bidding principles and provide
9 vendors reasonable and equitable opportunities to participate in the
10 procurement process; and

11 (2) include procurement methods to meet emergency and
12 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
13 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS

14 CHAPTER].

15 * Sec. 9. AS 36.30.990(1) is amended to read:

16 (1) "agency"

17 (A) means a department, institution, board, commis-
18 sion, division, authority, public corporation, the Alaska Pio-
19 neers' Home, or other administrative unit of the executive branch
20 of state government;

21 (B) does not include

22 (i) [, EXCEPT FOR] the University of Alaska;

23 (ii) [,] the Alaska State Housing Authority;

24 (iii) the [AND] Alaska Railroad Corporation;

25 (iv) the Alaska Housing Finance Corporation;

26 (v) [IT DOES NOT INCLUDE] a regional Native
27 housing authority created under AS 18.55.996, or a regional
28 electrical authority created under AS 18.57.020;

29 * Sec. 10. AS 37.07 is amended by adding a new section to read:

1 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)

2 Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing
3 Finance Corporation may, by resolution adopted by the board of direc-
4 tors, increase an item appropriated from corporation receipts if

5 (1) the board of directors determines that circumstances
6 require an increase in expenditures in excess of an existing appro-
7 priation made under the authority conferred by this chapter; and

8 (2) additional corporation receipts are available.

9 (b) Before the resolution required by (a) of this section takes
10 effect, the board of directors shall submit a revised program to the
11 governor for approval as provided in AS 37.07.080(d). A copy of the
12 revised program shall be submitted to the legislative budget and audit
13 committee.

14 (c) The increase authorized by (a) of this section may not
15 extend beyond the end of the fiscal year in which the resolution is
16 adopted.

17 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
18 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
19 mortgage loans purchased by the Alaska Housing Finance Corporation from the
20 special mortgage loan purchase program and from qualified veterans' mort-
21 gage bonds

22 (1) after June 30, 1990, and before July 1, 1991, the loan
23 amount eligible for assistance under AS 18.56.098 is \$70,000;

24 (2) after June 30, 1991, and before July 1, 1992, the loan
25 amount eligible for assistance under AS 18.56.098 is \$50,000;

26 (3) after June 30, 1992, and before July 1, 1993, the loan
27 amount eligible for assistance under AS 18.56.098 is \$30,000.

28 * Sec. 12. Of the two additional public members appointed by the gover-
29 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall

1 serve a term of two years and one shall serve a term of one year. When
2 making the appointments, the governor shall specify the length of the term
3 of each person appointed.

4 * Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

5 * Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect
6 July 1, 1990.

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE RULES COMMITTEE

2

CS FOR SENATE BILL NO. 427 (Rules)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to program and administration re-
7 quirements of certain state corporations; expanding
8 the number of directors of the Alaska Housing Finance
9 Corporation; exempting the Alaska Housing Finance
10 Corporation from the State Procurement Code and
11 allowing the corporation to expend additional corpo-
12 ration receipts immediately after submission of a
13 revised program to the Legislative Budget and Audit
14 Committee; amending the corporation's special mort-
15 gage loan purchase program and progressively reducing
16 the maximum level of loan amounts eligible for a re-
17 duction under a mortgage loan subsidy; amending the
18 corporation's mortgage loan subsidy program for
19 persons of lower and moderate income; and relating to
20 procurement practices of certain state corporations;
21 and providing for an effective date."

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

23 * Section 1. AS 18.56.030(a) is amended to read:

24 (a) The corporation shall be governed by a board of directors
25 consisting of

26 (1) the commissioner of revenue and the commissioner of
27 commerce and economic development;

28 (2) one other member who is the head of a [THE] principal
29 department of the executive branch of state government appointed by

1 the governor; and

2 (3) four [TWO] public members appointed by the governor,
3 one of whom shall be a representative of the financial community and
4 one of whom shall be a person licensed as a real estate broker under
5 AS 08.88.171(a).

6 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

7 (b) Notwithstanding (a) of this section, the loan amount eligi-
8 ble for assistance under the subsidy authorized by (a) of this section
9 is the amount determined under AS 18.56.098(f).

10 * Sec. 3. AS 18.56.098(f) is amended to read:

11 (f) In this section and in AS 18.56.099

12 (1) "graduated payment mortgage loan" means a mortgage loan
13 the terms of which provide for monthly principal and interest payments
14 that

15 (A) during the first year of the mortgage loan are
16 lower than the monthly principal and interest payments that would
17 be required under the terms of a level payment mortgage loan made
18 at the same interest rate; and

19 (B) during subsequent years of the mortgage loan are
20 graduated to provide for the same return over the term of the
21 loan that would have been provided by a level payment mortgage
22 loan made at the same interest rate;

23 (2) "loan amount eligible for assistance" means the amount
24 of a mortgage loan that does not exceed the amount of the loan estab-
25 lished by law; if an amount has not been established by law, the
26 amount is zero;

27 (3) "mortgage loan" includes a beneficial interest or
28 participation in a mortgage loan; [(3) REPEALED]

29 (4) "residence" means

1 (A) an owner-occupied, single-family residence, in-
2 cluding a mobile home; [] or

3 (B) an owner-occupied duplex, triplex, or fourplex.

4 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

5 (f) In this section and in AS 18.56.091 and 18.56.099

6 (1) "graduated payment mortgage loan" means a mortgage loan
7 the terms of which provide for monthly principal and interest payments
8 that

9 (A) during the first year of the mortgage loan are
10 lower than the monthly principal and interest payments that would
11 be required under the terms of a level payment mortgage loan made
12 at the same interest rate; and

13 (B) during subsequent years of the mortgage loan are
14 graduated to provide for the same return over the term of the
15 loan that would have been provided by a level payment mortgage
16 loan made at the same interest rate;

17 (2) "loan amount eligible for assistance" means

18 (A) the first \$50,000 of a mortgage loan for persons
19 of lower or moderate income whose purchase of a home is assisted
20 under AS 18.56.091; or

21 (B) except as to persons whose purchase of a home is
22 assisted under AS 18.56.091, the amount of a mortgage loan that
23 does not exceed the amount of the loan established by law; if an
24 amount has not been established by law, the amount is zero;

25 (3) "mortgage loan" includes a beneficial interest or
26 participation in a mortgage loan;

27 (4) "residence" means

28 (A) an owner-occupied, single-family residence, in-
29 cluding a mobile home; or

1 (B) an owner-occupied duplex, triplex, or fourplex.

2 * Sec. 5. AS 18.56.098(g) is amended to read:

3 (g) The corporation shall establish the interest rate on a first
4 mortgage loan purchased under (a) of this section in accordance with
5 the following:

6 (1) The interest rate on the loan amount eligible for
7 assistance [FIRST \$90,000] of a mortgage loan purchased with the
8 proceeds of an issue of taxable bonds of the corporation is three
9 percent less than the cost of funds of that issue, except that

10 (A) if the cost of funds of that issue is less than 10
11 percent, the interest rate is equal to the cost of funds; and

12 (B) if the cost of funds of that issue is more than 10
13 percent, the interest rate may not be less than 10 percent.

14 (2) An interest rate determined under this subsection on
15 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
16 loan that is not purchased from the proceeds of bonds that are qual-
17 ified veterans' mortgage bonds under the applicable provisions of 26
18 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
19 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
20 point if the loan is made to an eligible veteran under AS 18.56.101.

21 (3) The interest rate for the amount of a mortgage loan
22 purchased under (a) of this section that exceeds the loan amount
23 eligible for assistance [\$90,000] is equal to the cost of funds to the
24 corporation attributable to that part of the loan.

25 (4) The interest rate on the loan amount eligible for
26 assistance [FIRST \$90,000] of a mortgage loan purchased with money
27 that is not the proceeds of either taxable or tax-exempt bonds is the
28 rate the corporation determines is appropriate by application of the
29 provision of (1) of this subsection.

1 (5) The interest rate on the loan amount eligible for
2 assistance [FIRST \$90,000] of a mortgage loan purchased from the
3 proceeds of bonds that are exempt from taxation other than bonds that
4 constitute qualified veterans' bonds under (i) of this section, is
5 equal to the interest rate determined under (1) and (2) of this sub-
6 section on a loan purchased under (a) of this section from the pro-
7 ceeds of the most recent applicable issue of taxable bonds sold by the
8 corporation. A higher or lower interest rate shall be established on
9 the entire loan amount if required to ensure the tax-exempt status of
10 the bonds.

11 (6) The corporation shall determine the interest rate on a
12 mortgage loan that is an adjustable rate mortgage loan as provided in
13 this subsection. The corporation shall recalculate the interest rate
14 from time to time based on changes in the cost to the corporation of
15 the funds used to purchase the adjustable rate mortgage loan. How-
16 ever, the corporation may establish a minimum interest rate applicable
17 to an adjustable rate mortgage loan, and the interest rate on the
18 adjustable rate mortgage loan may not be less than the minimum inter-
19 est rate so established regardless of the cost of funds to the corpo-
20 ration.

21 (7) For loans made under this section, the corporation
22 shall give effect to interest rate changes applicable to the loans
23 based on time of loan application, time of issuance of the corpora-
24 tion's bonds issued to purchase loans, or other factors as the corpora-
25 tion determines.

26 (8) [(7)] In this subsection

27 (A) "cost of funds" means the true interest cost
28 expressed as a rate on bonds of the corporation plus an addi-
29 tional percentage as determined by the corporation to represent

1 the allocable expenses of operation, costs of issuance, and
2 mortgage servicing;

3 (B) "taxable bonds" means bonds bearing interest that
4 is taxable under applicable provisions of 26 U.S.C. (Internal
5 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
6 BOND TAX ACT OF 1980)] issued to finance the purchase of first
7 mortgage loans.

8 * Sec. 6. AS 18.56.098(h) is amended to read:

9 (h) The corporation shall establish the interest rate on a
10 second mortgage loan purchased under (a) of this section in the manner
11 established for computing the interest rates on a first mortgage loan
12 under (g) of this section except that, in the case of a second mort-
13 gage loan, if the first mortgage loan made to the same borrower is
14 held by the corporation and was purchased under the special mortgage
15 loan purchase program, the outstanding principal balance of the exist-
16 ing first mortgage loan is subtracted from the loan amount eligible
17 for assistance [\$90,000] to determine the amount of the loan that is
18 eligible for an interest rate on a second mortgage loan determined by
19 reference to (g) of this section.

20 * Sec. 7. AS 18.56.098(i) is amended to read:

21 (i) The interest rate on the loan amount eligible for assistance
22 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
23 bonds that constitute qualified veterans' mortgage bonds under appli-
24 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
25 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
26 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
27 for other loans to veterans under (g)(2) of this section [AS 18.56.-
28 098(g)(3)]. A higher or lower interest rate shall be established on
29 the entire loan amount if required by applicable provisions of 26

1 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

2 * Sec. 8. AS 36.30.015(e) is amended to read:

3 (e) The boards of directors of the Alaska Railroad Corporation,
4 the Alaska Housing Finance Corporation, and the Alaska State Housing
5 Authority shall adopt procedures to govern the procurement of sup-
6 plies, services, professional services, and construction for [BY] the
7 respective public corporations [CORPORATION]. The procedures must

8 (1) reflect competitive bidding principles and provide
9 vendors reasonable and equitable opportunities to participate in the
10 procurement process; and

11 (2) include procurement methods to meet emergency and
12 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
13 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS
14 CHAPTER].

15 * Sec. 9. AS 36.30.990(1) is amended to read:

16 (1) "agency"

17 (A) means a department, institution, board, commis-
18 sion, division, authority, public corporation, the Alaska Pio-
19 neers' Home, or other administrative unit of the executive branch
20 of state government;

21 (B) does not include

22 (i) [, EXCEPT FOR] the University of Alaska;

23 (ii) [,] the Alaska State Housing Authority;

24 (iii) the [AND] Alaska Railroad Corporation;

25 (iv) the Alaska Housing Finance Corporation;

26 (v) [IT DOES NOT INCLUDE] a regional Native
27 housing authority created under AS 18.55.996, or a regional
28 electrical authority created under AS 18.57.020;

29 * Sec. 10. AS 37.07 is amended by adding a new section to read:

1 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)
2 Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing
3 Finance Corporation may, by resolution adopted by the board of direc-
4 tors, increase an item appropriated from corporation receipts if

5 (1) the board of directors determines that circumstances
6 require an increase in expenditures in excess of an existing appo-
7 piation made under the authority conferred by this chapter; and

8 (2) additional corporation receipts are available.

9 (b) Before the resolution required by (a) of this section takes
10 effect, the board of directors shall submit a revised program to the
11 governor for approval as provided in AS 37.07.080(d). A copy of the
12 revised program shall be submitted to the legislative budget and audit
13 committee.

14 (c) The increase authorized by (a) of this section may not
15 extend beyond the end of the fiscal year in which the resolution is
16 adopted.

17 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
18 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
19 mortgage loans purchased by the Alaska Housing Finance Corporation from the
20 special mortgage loan purchase program and from qualified veterans' mort-
21 gage bonds

22 (1) after June 30, 1990, and before July 1, 1991, the loan
23 amount eligible for assistance under AS 18.56.098 is \$70,000;

24 (2) after June 30, 1991, and before July 1, 1992, the loan
25 amount eligible for assistance under AS 18.56.098 is \$50,000;

26 (3) after June 30, 1992, and before July 1, 1993, the loan
27 amount eligible for assistance under AS 18.56.098 is \$30,000.

28 * Sec. 12. Of the two additional public members appointed by the gover-
29 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall

1 serve a term of two years and one shall serve a term of one year. When
2 making the appointments, the governor shall specify the length of the term
3 of each person appointed.

4 * Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

5 * Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect
6 July 1, 1990.

Original sponsor(s): Rules/Housing Finance Task Force

IN THE SENATE

BY THE RULES COMMITTEE

CS FOR SENATE BILL NO. 427 (Rules)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to program and administration requirements of certain state corporations; expanding the number of directors of the Alaska Housing Finance Corporation; exempting the Alaska Housing Finance Corporation from the State Procurement Code and allowing the corporation to expend additional corporation receipts immediately after submission of a revised program to the Legislative Budget and Audit Committee; amending the corporation's special mortgage loan purchase program and progressively reducing the maximum level of loan amounts eligible for a reduction under a mortgage loan subsidy; amending the corporation's mortgage loan subsidy program for persons of lower and moderate income; and relating to procurement practices of certain state corporations; and providing for an effective date."

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

* Section 1. AS 18.56.030(a) is amended to read:

(a) The corporation shall be governed by a board of directors consisting of

(1) the commissioner of revenue and the commissioner of commerce and economic development;

(2) one other member who is the head of a [THE] principal department of the executive branch of state government appointed by

1 the governor; and

2 (3) four [TWO] public members appointed by the governor,
3 one of whom shall be a representative of the financial community and
4 one of whom shall be a person licensed as a real estate broker under
5 AS 08.88.171(a).

6 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

7 (b) Notwithstanding (a) of this section, the loan amount eligi-
8 ble for assistance under the subsidy authorized by (a) of this section
9 is the amount determined under AS 18.56.098(f).

10 + Sec. 3. AS 18.56.096(f) is amended to read:

11 (f) In this section and in AS 18.56.099

12 (1) "graduated payment mortgage loan" means a mortgage loan
13 the terms of which provide for monthly principal and interest payments
14 that

15 (A) during the first year of the mortgage loan are
16 lower than the monthly principal and interest payments that would
17 be required under the terms of a level payment mortgage loan made
18 at the same interest rate; and

19 (B) during subsequent years of the mortgage loan are
20 graduated to provide for the same return over the term of the
21 loan that would have been provided by a level payment mortgage
22 loan made at the same interest rate;

23 (2) "loan amount eligible for assistance" means the amount
24 of a mortgage loan that does not exceed the amount of the loan estab-
25 lished by law; if an amount has not been established by law, the
26 amount is zero;

27 (3) "mortgage loan" includes a beneficial interest or
28 participation in a mortgage loan; [(3) REPEALED]

29 (4) "residence" means

1 (A) an owner-occupied, single-family residence, in-
2 cluding a mobile home; [,] or

3 (B) an owner-occupied duplex, triplex, or fourplex.

4 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

5 (f) In this section and in AS 18.56.091 and 18.56.099

6 (1) "graduated payment mortgage loan" means a mortgage loan
7 the terms of which provide for monthly principal and interest payments
8 that

9 (A) during the first year of the mortgage loan are
10 lower than the monthly principal and interest payments that would
11 be required under the terms of a level payment mortgage loan made
12 at the same interest rate; and

13 (B) during subsequent years of the mortgage loan are
14 graduated to provide for the same return over the term of the
15 loan that would have been provided by a level payment mortgage
16 loan made at the same interest rate;

17 (2) "loan amount eligible for assistance" means

18 (A) the first \$50,000 of a mortgage loan for persons
19 of lower or moderate income whose purchase of a home is assisted
20 under AS 18.56.091; or

21 (B) except as to persons whose purchase of a home is
22 assisted under AS 18.56.091, the amount of a mortgage loan that
23 does not exceed the amount of the loan established by law; if an
24 amount has not been established by law, the amount is zero;

25 (3) "mortgage loan" includes a beneficial interest or
26 participation in a mortgage loan;

27 (4) "residence" means

28 (A) an owner-occupied, single-family residence, in-
29 cluding a mobile home; or

1 (B) an owner-occupied duplex, triplex, or fourplex.

2 + Sec. 5. AS 18.56.098(g) is amended to read:

3 (g) The corporation shall establish the interest rate on a first
4 mortgage loan purchased under (a) of this section in accordance with
5 the following:

6 (1) The interest rate on the loan amount eligible for
7 assistance [FIRST \$90,000] of a mortgage loan purchased with the
8 proceeds of an issue of taxable bonds of the corporation is three
9 percent less than the cost of funds of that issue, except that

10 (A) if the cost of funds of that issue is less than 10
11 percent, the interest rate is equal to the cost of funds; and

12 (B) if the cost of funds of that issue is more than 10
13 percent, the interest rate may not be less than 10 percent.

14 (2) An interest rate determined under this subsection on
15 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
16 loan that is not purchased from the proceeds of bonds that are qual-
17 ified veterans' mortgage bonds under the applicable provisions of 26
18 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
19 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
20 point if the loan is made to an eligible veteran under AS 18.56.101.

21 (3) The interest rate for the amount of a mortgage loan
22 purchased under (a) of this section that exceeds the loan amount
23 eligible for assistance [\$90,000] is equal to the cost of funds to the
24 corporation attributable to that part of the loan.

25 (4) The interest rate on the loan amount eligible for
26 assistance [FIRST \$90,000] of a mortgage loan purchased with money
27 that is not the proceeds of either taxable or tax-exempt bonds is the
28 rate the corporation determines is appropriate by application of the
29 provision of (1) of this subsection.

1 (5) The interest rate on the loan amount eligible for
2 assistance [FIRST \$90,000] of a mortgage loan purchased from the
3 proceeds of bonds that are exempt from taxation other than bonds that
4 constitute qualified veterans' bonds under (1) of this section, is
5 equal to the interest rate determined under (1) and (2) of this sub-
6 section on a loan purchased under (a) of this section from the pro-
7 ceeds of the most recent applicable issue of taxable bonds sold by the
8 corporation. A higher or lower interest rate shall be established on
9 the entire loan amount if required to ensure the tax-exempt status of
10 the bonds.

11 (6) The corporation shall determine the interest rate on a
12 mortgage loan that is an adjustable rate mortgage loan as provided in
13 this subsection. The corporation shall recalculate the interest rate
14 from time to time based on changes in the cost to the corporation of
15 the funds used to purchase the adjustable rate mortgage loan. How-
16 ever, the corporation may establish a minimum interest rate applicable
17 to an adjustable rate mortgage loan, and the interest rate on the
18 adjustable rate mortgage loan may not be less than the minimum inter-
19 est rate so established regardless of the cost of funds to the corpo-
20 ration.

21 (7) For loans made under this section, the corporation
22 shall give effect to interest rate changes applicable to the loans
23 based on time of loan application, time of issuance of the corpora-
24 tion's bonds issued to purchase loans, or other factors as the corpora-
25 tion determines.

26 (3) [(7)] In this subsection

27 (A) "cost of funds" means the true interest cost
28 expressed as a rate on bonds of the corporation plus an addi-
29 tional percentage as determined by the corporation to represent

1 the allocable expenses of operation, costs of issuance, and
2 mortgage servicing;

3 (B) "taxable bonds" means bonds bearing interest that
4 is taxable under applicable provisions of 26 U.S.C. (Internal
5 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
6 BOND TAX ACT OF 1980)] issued to finance the purchase of first
7 mortgage loans.

8 * Sec. 6. AS 18.56.093(h) is amended to read:

9 (h) The corporation shall establish the interest rate on a
10 second mortgage loan purchased under (a) of this section in the manner
11 established for computing the interest rates on a first mortgage loan
12 under (g) of this section except that, in the case of a second mort-
13 gage loan, if the first mortgage loan made to the same borrower is
14 held by the corporation and was purchased under the special mortgage
15 loan purchase program, the outstanding principal balance of the exist-
16 ing first mortgage loan is subtracted from the loan amount eligible
17 for assistance [\$90,000] to determine the amount of the loan that is
18 eligible for an interest rate on a second mortgage loan determined by
19 reference to (g) of this section.

20 * Sec. 7. AS 18.56.093(i) is amended to read:

21 (i) The interest rate on the loan amount eligible for assistance
22 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
23 bonds that constitute qualified veterans' mortgage bonds under appli-
24 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
25 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
26 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2) the rate
27 for other loans to veterans under (g)(2) of this section [AS 18.56.-
28 098(g)(3)1. A higher or lower interest rate shall be established on
29 the entire loan amount if required by applicable provisions of 26

1 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

2 * Sec. 8. AS 36.30.015(e) is amended to read:

3 (e) The boards of directors of the Alaska Railroad Corporation,
4 the Alaska Housing Finance Corporation, and the Alaska State Housing
5 Authority shall adopt procedures to govern the procurement of sup-
6 plies, services, professional services, and construction for [BY] the
7 respective public corporations [CORPORATION]. The procedures must

8 (1) reflect competitive bidding principles and provide
9 vendors reasonable and equitable opportunities to participate in the
10 procurement process; and

11 (2) include procurement methods to meet emergency and
12 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
13 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS
14 CHAPTER].

15 * Sec. 9. AS 36.30.990(1) is amended to read:

16 (1) "agency"

17 (A) means a department, institution, board, commis-
18 sion, division, authority, public corporation, the Alaska Pio-
19 neers' Home, or other administrative unit of the executive branch
20 of state government;

21 (B) does not include

22 (i) [, EXCEPT FOR] the University of Alaska;

23 (ii) [,] the Alaska State Housing Authority;

24 (iii) the [AND] Alaska Railroad Corporation;

25 (iv) the Alaska Housing Finance Corporation;

26 (v) [IT DOES NOT INCLUDE] a regional Native
27 housing authority created under AS 13.55.996, or a regional
28 electrical authority created under AS 13.57.020;

29 * Sec. 10. AS 37.07 is amended by adding a new section to read:

1 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)
2 Notwithstanding the provisions of AS 37.07.030(h), the Alaska Housing
3 Finance Corporation may, by resolution adopted by the board of direc-
4 tors, increase an item appropriated from corporation receipts if

5 (1) the board of directors determines that circumstances
6 require an increase in expenditures in excess of an existing appro-
7 priation made under the authority conferred by this chapter; and

8 (2) additional corporation receipts are available.

9 (b) Before the resolution required by (a) of this section takes
10 effect, the board of directors shall submit a revised program to the
11 governor for approval as provided in AS 37.07.080(d). A copy of the
12 revised program shall be submitted to the legislative budget and audit
13 committee.

14 (c) The increase authorized by (a) of this section may not
15 extend beyond the end of the fiscal year in which the resolution is
16 adopted.

17 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
18 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
19 mortgage loans purchased by the Alaska Housing Finance Corporation from the
20 special mortgage loan purchase program and from qualified veterans' mort-
21 gage bonds

22 (1) after June 30, 1990, and before July 1, 1991, the loan
23 amount eligible for assistance under AS 18.56.098 is \$70,000;

24 (2) after June 30, 1991, and before July 1, 1992, the loan
25 amount eligible for assistance under AS 18.56.098 is \$50,000;

26 (3) after June 30, 1992, and before July 1, 1993, the loan
27 amount eligible for assistance under AS 18.56.098 is \$30,000.

28 * Sec. 12. Of the two additional public members appointed by the gover-
29 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall
30 CS9B 427(R1s)

1 serve a term of two years and one shall serve a term of one year. When
2 making the appointments, the governor shall specify the length of the term
3 of each person appointed.

4 * Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

5 * Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect
6 July 1, 1990.
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