

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 86/2

2151 FCC SB 148

851

1981-1982

CONFERENCE AND FREE CONFERENCE COMMITTEES

LIST OF FILES (PAGE 1)

SB 148

SB 666 (FILE 1)

SB 666 (FILE 2: NOTEBOOK)

SJR 4 - SEE SCOMM 45

SB

148

2ND FREE CONFERENCE COMMITTEE REPORT

DATE: _____

Mr. President:

Mr. Speaker:

The 2ND FREE Conference Committee which ~~has had~~ considered CS FOR SENATE BILL NO. 148 (Fin) am (housing loans; eff. date) and HOUSE CS FOR CS FOR SENATE BILL NO. 148 (Fin) (state loan programs under the Alaska Housing Finance Corporation, the Department of Community and Regional Affairs, and the Alaska Industrial Development Authority; eff date)

(WITH LIMITED POWERS ON MULTI-FAMILY DWELLINGS)

under-consideration, recommends that

the amendments shown on Attachment A be adopted.

be adopted.

Senate Members:

Don Gilman
Senator Gilman, Chairman

Neil Ray
Senator Ray

Ziegler
Senator Ziegler

House Members:

Robert Bettisworth
Representative Bettisworth, Chairman

Ray Metcalfe
Representative Metcalfe

Miller
Representative Miller

*would need
re-wording
if SBA
changes*

AIDA was created to import low-cost capital into the State, and to pass that low cost on to the business community with the addition of modest administrative and overhead costs.

It is the intent of the Legislature that the expense to the State of the AIDA programs remain modest, and it is not the intent of the Legislature to subsidize taxable loans down to tax-exempt rates nor to appropriate State money, which would otherwise be eligible for investment at taxable rates, directly to an AIDA loan fund to be lent at tax exempt rates.

The Legislature specifically wishes to avoid building into the AIDA program an expectation of low-interest funds the same way that such an expectation has been built into the AHFC program. It is important that the business community recognize the possibility that the issuance of tax-exempt industrial revenue bonds may be halted by Congress, and that if such an event occurs, the Legislature will not act to continue, through subsidy, the tax-exempt loan programs.

*add to make more use
Wording re encouraging gov't guaranteed loans*

DRAFT LETTER OF INTENT FOR FCCSSB 146 ("Due on Sale" portion)

AS 18.56.098(e) has been amended to authorize AHFC to require "due on sale" clauses in new mortgages that it acquires after July 1, 1981. In the common law of some other states, such as California, judicial decisions have held "due on sale" clauses to be invalid and unenforceable. The amendment to AS 18.56.098(e), by statutory law, rejects this common law principle and provides instead that such clauses by AHFC will be enforceable. The action of modifying the common law in this way is not unlike that done to the common law of contracts by the adoption of the Uniform Commercial Code.

In the case of AHFC, the enforceability of "due on sale" clauses is an essential part of its taxable bond program. This is because the mortgages to be made have a term of 30 years, but the bond market today for taxable, 30-year bonds has become virtually non-existent, even if an extremely high rate of interest is paid on the bonds. To issue bonds in the annual volume that AHFC requires to meet the demand for its mortgages, and to do so at more reasonable interest rates and thereby allow more mortgages to be made with the subsidy monies appropriated to it, AHFC has issued and will issue bonds for a shorter term -- the maturities for its first taxable bond sale earlier this month were for 13 and 18 years. To pay the bonds off with these shorter maturities, AHFC must rely on the prepayment of the outstanding balances on its mortgages when the houses being financed by them are sold. If assumptions or "wrap arounds" are allowed so that these mortgages would not be paid off until the end of their 30-year terms, AHFC would default on its repayment of its bonds.

Thus, the purpose of the "due on sale" clause for new AHFC mortgages is to facilitate the taxable bond program by allowing the subsidy funds to cover more mortgages as the result of the lower bond interest rates with shorter bond maturities. This is a very different case from "due on sale" clauses that private lenders seek to enforce, which merely seek to protect those lenders from the effects of variations in their cost of money during the term of the mortgages they make.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. FCCSSB 148

Title "An Act relating to state loan programs..."

Requested by Department of Revenue/Ak. Housing Finance Corp. Date June 22, 1981

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Economic Development

BRU, Program, or Subprogram(s) Affected Alaska Housing Finance Corporation

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

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		900.0	1,080.0	1,188.0	1,306.8	1,437.5
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	\$5,912.3					

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Capital Appropriation for						
mtg. subsidies and other		900.0	1,080.0	1,188.0	1,306.8	1,437.5
mtg. programs						

POSITIONS

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

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

Pursuant to the legislative intent of FCCSSB 148, Alaska Housing Finance Corporation may pay an additional fee to lending institutions originating loans in certain rural areas of the State and subsequently sold to the Corporation. The fee will compensate the lending institutions for additional expenses incurred in connection with originating loans in such areas.

Funding of these fees paid by the Corporation will be from annual capital budget appropriations to the Corporation from the General Fund and will not be paid from program receipts or charged against the operating budget of the Corporation.

IV. DATE June 22, 1981

PREPARED BY Alaska Housing Finance Corporation

AGENCY Department of Revenue

PHONE 276-5599

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

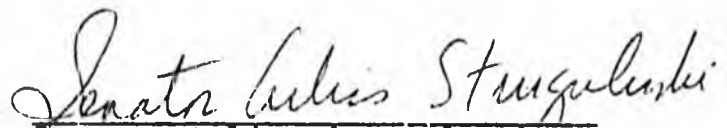
FREE CONFERENCE COMMITTEE
ON SB 148
RECOMMENDATIONS ON APPROPRIATIONS

The Free Conference Committee on SB 148 recommends that the Free Conference Committee on HB 50 approve the following appropriations which would be consistent with the intent and provisions of FCCS SB 148:

	<u>ALLOCATIONS</u>	<u>APPROPRIATIONS</u>
Alaska Housing Finance Corporation		
Special Mortgage Loan Purchase Program		\$222,000,000
Home Ownership Assistance Program		43,000,000
Mobile Home Loan Purchase Program	\$18,000,000	
Owner-Occupied Rural Mortgage Loan Purchase Program	20,000,000	
Non-owner Occupied Rural Mortgage Loan Purchase Program	5,000,000	
Community and Regional Affairs		
Non-conforming Housing Program		40,000,000
Alaska Industrial Development Authority		
Enterprise Development Fund for Reserve Funds to secure bond issues		8,000,000

The following appropriation is also recommended if FCCS SB 148 is amended to provide for subsidized loans for multi-family rental housing:

Alaska Industrial Development Authority		
Small Enterprise Loan Account for multi-family dwelling loan purchases		20,000,000



Senator Arliss Sturgulewski,
Chairman

Steve
From: AK HS'g Finance
Ext 819 /Barauf.

AMENDMENT TO FCCSB 148

Page 3, Line 25

Add new sentence to read as follows:

"The provisions of such regulations prohibiting or restricting the right to assume or the right to provide for the payment of mortgage loans shall be effective for mortgage loans purchased by the Corporation subsequent to July 1, 1981."

MARK CAMERON

Amendment To Letter of Intent

"AIDA shall review the consequences of selling umbrella bonds up to \$2000000...."

Amendment to AIDA

SBA loan purchases only to new SBA's

Original sponsor: Mulcahy

1 IN THE SENATE

BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE BILL NO. 148

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

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

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

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

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

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

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

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

3 * Sec. 2. AS 18.56.045 is amended to read:

4 Sec. 18.56.045. MINUTES OF MEETINGS. The board shall keep
5 minutes of each meeting and send a certified copy to the governor
6 and to the Legislative Budget and Audit Committee.

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

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

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

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

20 * Sec. 4. AS 18.56.098(a) is amended to read:

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

28 * Sec. 5. AS 18.56.098(c) is amended to read:

29 (c) The corporation may pledge mortgage loans purchased by the