

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

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

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

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

26 * Sec. 7. AS 18.56.098 is amended by adding new subsections to read:

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

ADD: 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, 1991.

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

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

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

11 (B) Except as provided in (C) and (D) of this paragraph
12 and (3) of this subsection, the interest rate may not be less than
13 10 percent and may not be reduced.

14 (C) If the difference between the cost of funds of an
15 issue of taxable bonds and the interest rate established for a
16 mortgage loan purchased with the proceeds of the previous issue
17 would be equal to or less than three percent, the interest rate on
18 mortgage loans purchased with the proceeds of that taxable bond
19 issue and subsequent taxable bond issues is three percent less
20 than the cost of funds of the taxable bond issue that is used to
21 purchase the mortgage loan.

22 (D) The interest rate on a mortgage loan purchased with
23 the proceeds of a taxable bond issue may not be less than 10
24 percent unless the cost of funds of the taxable bond issue is less
25 than 10 percent, in which case the interest on a mortgage loan
26 purchased with the proceeds of a taxable bond issue is equal to
27 the cost of funds.

28 (3) An interest rate determined under this subsection on the
29 first \$90,000 of a mortgage loan shall be reduced by one percentage

1 point if the loan is made to an eligible veteran under AS 18. .101.

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

6 (5) The interest rate on a mortgage loan purchased from
7 money appropriated to the corporation is the rate the corporation
8 determines is appropriate by application of the provisions of (1) - (4)
9 of this subsection. The rate may be based on an estimate of the cost
10 of funds of a proposed issue or issues of bonds.

11 (6) The interest rate on the first \$90,000 of a mortgage
12 loan purchased from the proceeds of bonds that are exempt from taxation
13 under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103A) is 10
14 percent or the cost of the funds, whichever is less. A higher or lower
15 interest rate shall be established on the entire loan amount if required
16 under the Mortgage Subsidy Bond Tax Act.

17 (7) In this subsection

18 (A) "cost of funds" means the true interest cost ex-
19 pressed as a rate on bonds of the corporation plus an additional
20 percentage as determined by the corporation to represent the
21 allocable expenses of operation, costs of issuance, and mortgage
22 servicing;

23 (B) "taxable bonds" means bonds bearing interest that
24 is taxable under the provisions of the Mortgage Subsidy Bond Tax
25 Act of 1980 (26 U.S.C. 103A) issued to finance the purchase of
26 first mortgage loans.

27 (h) The corporation shall establish the interest rate on a second
28 mortgage loan purchased under (a) of this section in the manner estab-
29 lished for computing the interest rates on a first mortgage loan under

1 (g) of this section except that the outstanding principal balance of
2 the existing first mortgage loan is subtracted from \$90,000 to determine
3 the amount of the loan that is eligible for an interest rate on a
4 second mortgage loan determined by reference to (g) of this section.

5 * Sec. 8. AS 18.56.101 is amended to read:

6 Sec. 18.56.101. ELIGIBILITY FOR VETERANS' INTEREST RATES. The
7 following persons are eligible veterans for the purposes of AS 18.56.-
8 098(g) and (h) [AS 18.56.098(d)]:

9 (1) a person who served in the armed forces of the United
10 States for 90 days or more, or whose service was for less than 90 days
11 because of injury or disability incurred in the line of duty, after
12 April 6, 1917,

13 (A) who at the time of induction into the service was a
14 resident of the territory or state, who had been a resident for
15 not less than one year immediately before his induction, and who
16 returned to the territory or state within one year after discharge
17 as a resident with the intention of remaining in the territory or
18 state; or

19 (B) who, not being a bona fide resident of the territory
20 or state at the time of entry into the service, has been a resident
21 of the territory or state for at least one year at the time of the
22 loan application and has been a resident of the territory or state
23 for least five years; and

24 (C) whose discharge was under honorable conditions;

25 (2) the widow or widower of a member of the armed forces of
26 an eligible veteran if

27 (A) the member or veteran was a resident of the terri-
28 tory or state for one year before induction into the service;

29 (B) the member or veteran served in the armed forces

1 for at least 90 days after April 6, 1917; and

2 (C) his discharge was under honorable conditions;

3 (3) a person who has served in the Alaska Army National
4 Guard, the Alaska Air National Guard, or the Alaska Naval Militia or
5 who has served in a reserve unit of the United States armed forces in
6 Alaska if the reserve unit required, as a minimum, one weekend each
7 month of duty and 15 consecutive days of active duty training each year
8 for not less than five years and whose discharge was under honorable
9 conditions.

10 * Sec. 9. AS 18.56 is amended by adding a new section to read:

11 Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. (a) Pursuant to
12 sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C.
13 103A) the amount of mortgage revenue bonds that may be issued in the
14 state under sec. 103A(g)(4) of that Act is allocated solely to the
15 corporation. A municipality may not issue mortgage revenue bonds under
16 sec. 103A(g)(4) of the Mortgage Subsidy Bond Tax Act of 1980 unless
17 permitted to do so by the corporation. The amount of mortgage revenue
18 bonds issued by a municipality under sec. 103A(g)(4) of the Mortgage
19 Subsidy Bond Tax Act of 1980 with the permission of the corporation
20 shall be deducted from the total amount permitted by that Act.

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

23 * Sec. 10. AS 18.56 is amended by adding a new section to read:

24 Sec. 18.56.107. LOAN ORIGINATION AND SERVICE FEES FOR RURAL
25 AREAS. Loan origination and service fees charged for a loan made or
26 purchased in a rural area with money received by the corporation after
27 July 1, 1981, may be higher than loan origination and service fees
28 charged for other loans made or purchased by the corporation and the
29 corporation may pay a portion of the higher fees.

1 * Sec. 11. AS 18.56.110 is amended by adding a new subsection to read:

2 (g) Notwithstanding AS 18.56.090(12) and (a) of this section, the
3 corporation may not issue bonds, other than refunding bonds, in any
4 12-month period beginning after June 30, 1982, in an amount that exceeds
5 the amount of bonds authorized to be issued during the preceding 12-
6 month period, unless a different amount is authorized by the legisla-
7 ture.

8 * Sec. 12. AS 18.56.200(c) is amended to read:

9 (c) The corporation shall include in its annual report under (b),
10 of this section an estimate of the investment activity of the corpora-
11 tion in mortgage loans under this chapter for the following 12-month
12 period and an estimate of the amount of bonds to be issued for the
13 investments. [NOTWITHSTANDING AS 18.56.090(12) OR 18.56.110(a), THE
14 CORPORATION MAY NOT ISSUE BONDS OTHER THAN REFUNDING BONDS DURING ANY
15 12-MONTH PERIOD BEGINNING AFTER JUNE 30, 1981, IN AN AMOUNT THAT EXCEEDS
16 THE AMOUNT APPROVED BY LAW FOR THAT 12-MONTH PERIOD.]

17 * Sec. 13. AS 18.56.200 is amended by adding a new subsection to read:

18 (d) The corporation shall include in its annual report under (b)
19 of this section a summary of its efforts to implement a program to ex-
20 tend the operation of the loan programs authorized under this chapter
21 to ^{rural} communities, ~~with populations of less than 15,000.~~

22 * Sec. 14. AS 18.56.210 is amended by adding a new paragraph to read:

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

26 * Sec. 15. AS 44.47.370 is amended by adding a new paragraph to read:

27 (8) originate and service direct loans made to qualified
28 buyers in accordance with AS 44.47.360 - +4.47.560.

29 * Sec. 16. AS 44.47.380 is amended to read:

1 Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is created
2 in the Department of Community and Regional Affairs the nonconforming
3 housing loan fund consisting of money appropriated to it by the legis-
4 lature. The director shall administer the nonconforming housing loan
5 fund in accordance with AS 44.47.360 - 44.47.560 and shall use the
6 money in the nonconforming housing loan fund to originate, purchase, or
7 participate in the purchase of

8 (1) nonconforming housing mortgage loans;

9 (2) loans made for building materials for nonconforming
10 housing;

11 (3) loans made for renovations or improvements to noncon-
12 forming housing;

13 (4) loans made for the construction of owner-occupied non-
14 conforming housing other than loans to builders or contractors or loans
15 that compensate an owner for his labor or services in constructing his
16 own housing.

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

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

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

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

29 (d) In allocating money under (b) of this subsection, if a home

1 proposed for financing is in more than one service area, that home
2 shall be considered to be in the service area with the smallest popula-
3 tion.

4 * Sec. 18. AS 44.47.390 is amended to read:

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

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

12 (2) originate a direct loan or purchase or participate in
13 the purchase of a loan made for building materials for nonconforming
14 housing

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

16 (i) 80 percent of the appraised value of the work
17 completed on the nonconforming housing for which the loan is made
18 if the nonconforming housing is pledged as collateral for the
19 loan; or

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

23 (B) unless the terms of the loan agreement require
24 inspections and certifications, as required by regulations of the
25 director, at the expense of the borrower; and

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

28 (i) THREE YEARS; OR

29 (ii) THE MAXIMUM PERIOD OF TIME ESTABLISHED BY

1 REGULATION BY THE DIRECTOR BASED ON THE PREVAILING PRACTICE
2 AMONG PRIVATE FINANCIAL INSTITUTIONS IN THE GENERAL AREA IN
3 WHICH THE LOAN IS MADE FOR LOANS FOR THE PURCHASE OF BUILDING
4 MATERIALS];

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

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

13 * Sec. 19. AS 44.47 is amended by adding a new section to read:

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

19 ~~(b) The operating reserve loss account consists of money appro-~~
20 priated by the legislature. To the extent that money is paid out of
21 the operating loss reserve account for the purposes stated in this
22 section, this money shall be replaced with money received as interest
23 on loans authorized by this chapter.

24 * Sec. 20. AS 44.47.400 is amended to read:

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

29 (b) A person may pledge as security for the repayment of a loan

1 originated or purchased in whole or in part under AS 44.47.380 a pre-
2 ference right he holds to receive title to land he occupies as a pri-
3 mary place of residence, primary place of business, subsistence camp-
4 site, or as headquarters for reindeer husbandry. The preference right
5 must be conveyed to the person by the Native corporation to which the
6 land was granted under section 14 of the Alaska Native Claims Settle-
7 ment Act (85 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended by P.L.
8 94-204) before it may be pledged as security under this subsection.
9 The commissioner of community and regional affairs shall prescribe
10 procedures and standard forms for establishing, pledging, and appraising
11 the value of a preference right held by a person to secure the repay-
12 ment of a loan originated or purchased in whole or in part under AS 44.-
13 47.380.

14 * Sec. 21. AS 44.47.410 is repealed and reenacted to read:

15 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-
16 gage loan originated or purchased in whole or in part under AS 44.-
17 47.380 is equal to the interest rate, as determined under AS 18.56.098-
18 (g)(1) - (4), on a mortgage loan purchased under AS 18.56.098(g) from
19 the proceeds of the most recent applicable issue of taxable bonds
20 before the origination or purchase of the mortgage loan originated or
21 purchased under AS 44.47.380.

22 * Sec. 22. AS 44.47.420(a) is amended to read:

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

27 * Sec. 23. AS 44.47.430(b) is amended to read:

28 (b) The director may withdraw money from the restricted title
29 loss reserve account in an amount equal to the loss to the division on

1 a nonconforming housing mortgage loan originated or purchased in whole
2 or in part by the division if marketable title to the real property
3 used to secure the loan was shown in accordance with AS 44.47.420(b)(2).
4 Money withdrawn from the restricted title loss reserve account under
5 this section shall be deposited in the nonconforming housing loan fund.

6 * Sec. 24. AS 44.47.460 is amended to read:

7 Sec. 44.47.460. LOAN ORIGINATION AND SERVICING. (a) Before
8 purchasing or participating in the purchase of a loan, the director
9 shall enter into a loan servicing agreement with the private financial
10 institution from which the loan is to be purchased.

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

13 (c) Under the servicing agreement, the private financial insti-
14 tution shall administer the loan and may charge the division a negoti-
15 ated origination or servicing fee on the division's share of the loan.
16 When appropriate, the [THE] private financial institution may also
17 charge the borrower a reasonable origination fee not to exceed one
18 percent.

19 (d) Loan origination and servicing agreements entered into under
20 this section may provide for higher fees for loans made for nonconform-
21 ing housing located outside of cities of organized boroughs and service
22 areas of unified municipalities that have a population in excess of
23 3,500, than for other loans made for nonconforming housing. The divi-
24 sion may pay a portion of the higher fees.

25 * Sec. 25. AS 44.47.470 is amended to read:

26 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or
27 participating in the purchase of a nonconforming housing mortgage loan,
28 the director may have or may require the borrower to have an appraisal
29 made of the fair market value of the real property, including struc-

1 tures on the real property, for which the loan is made. In conducting
2 an appraisal under this section, the appraiser shall give full value to
3 insulation and other features of construction in structures on the real
4 property which add to the energy efficiency of the structures.

5 * Sec. 26. AS 44.47.490 is amended to read:

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

10 (1) real property appraisers who are familiar with rural
11 construction; and

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

14 (b) The personnel described in (a) of this section may [SHALL]
15 make [REGULAR] visits to [EACH OF] the regions established under AS 44.-
16 47.510(a) to provide preconstruction and post-construction inspections
17 of real property for which loans are originated or purchased by the
18 division in whole or in part under AS 44.47.380 and to provide assis-
19 tance to private financial institutions and their borrowers in the
20 regions. Authority for final approval of loans may not be exercised by
21 the personnel described in this section.

22 * Sec. 27. AS 44.47.510(b) is amended to read:

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

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

3 * Sec. 28. AS 44.88.010 is amended to read:

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

6 (1) there exist areas of the state in which seasonal and
7 nonseasonal unemployment exists;

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

11 (3) the state lacks the basic manufacturing, industrial, and
12 ~~small~~ ^{and essential business} [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises
13 and the other facilities referred to in (5) of this subsection [AS 44.-
14 88.010(a)(5)] necessary to permit adequate development of its natural
15 resources and the balanced growth of its economy;

16 (4) the establishment and expansion of industrial, manufac-
17 turing, and ~~small~~ ^{and essential business} [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING]
18 enterprises in Alaska and the other facilities referred to in (5) of
19 this subsection are [, INCLUDING FACILITIES FOR AIR AND WATER TRANSPOR-
20 TATION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES
21 FOR THE LOCAL FURNISHINGS OF GAS, FACILITIES FOR WATER, AND FACILITIES
22 FOR INDUSTRIAL PARKS, IS] essential to the development of the natural
23 resources and the long-term economic growth of the state, and will di-
24 rectly and indirectly alleviate unemployment in the state;

25 (5) the achievement of the goal of full employment, and of
26 establishment and continuing operation and development of industrial,
27 manufacturing, ~~and small~~ ^{and essential business} [BUSINESS, TOURISM, MINING AND COMMERCIAL
28 FISHING] enterprises, ^{and other enterprises} in the state, including facilities for air and
29 water transportation, facilities for pollution control and waste dis-

1 posal, facilities for the local furnishing of gas, facilities for
 2 water, and facilities for industrial parks, will be accelerated and
 3 facilitated by the creation of an instrumentality of the state with
 4 powers to incur debt and to make and insure loans to finance, and to
 5 assist private lenders to make loans to finance, the establishment,
 6 operation, and development of industrial, manufacturing, ~~and~~ ^{business} small
 7 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises, ~~and~~
 8 ^{other enterprises,} including facilities for air and water transportation, facilities for
 9 pollution control and waste disposal, facilities for the local furnish-
 10 ing of gas, facilities for water, ~~and~~ facilities for industrial parks,
 11 [, FOR PRIVATE OPERATION]; ~~and~~

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

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

21 (b) It is declared to be the policy of the state, in the interests
 22 of promoting the health, security and general welfare of all the people
 23 of the state, and a public purpose, to increase job opportunities and
 24 otherwise to encourage the economic growth of the state, including the
 25 development of its natural resources, through the establishment and
 26 expansion of manufacturing, industrial, ~~and small~~ ^{business} [BUSINESS, TOURISM,
 27 MINING AND COMMERCIAL FISHING] enterprises, ~~and~~ ^{other enterprises,} and the other facilities
 28 referred to in (a)(5) of this section [AS 44.88.010(a)(5)] by creating
 29 the public corporation with power, duties and functions as provided in

1 this chapter.

2 * Sec. 29. AS 44.88.050(a) is amended to read:

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

19 * Sec. 30. AS 44.88.050 is amended by adding a new subsection to read:

20 (d) The authority shall keep minutes of each meeting and send a
 21 certified copy to the governor and to the Legislative Budget and Audit
 22 Committee.

23 * Sec. 31. AS 44.88.070 is amended to read:

24 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the
 25 authority is to promote, develop and advance the general prosperity and
 26 economic welfare of the people of Alaska, to relieve problems of unem-
 27 ployment, and to create additional employment by providing various
 28 means of financing and means of facilitating the financing of indus-
 29 trial, manufacturing, ~~and small~~ ^{business} [BUSINESS, TOURISM, MINING, AND COM-

1 ~~COMMERCIAL FISHING~~ enterprises, and the other facilities referred to in
2 AS 44.88.010(a)(5) within the state.

3 * Sec. 32. AS 44.88.080(12) is amended to read:

4 (12) to purchase or insure loans to finance the costs of
5 manufacturing, industrial, ~~and small~~ ^{business} [BUSINESS, TOURISM, MINING, AND
6 COMMERCIAL FISHING] enterprise ~~and other enterprise~~ projects;

7 * Sec. 33. AS 44.88.080(18) is amended to read:

8 (18) to facilitate the expansion of a secondary market for the
9 resale of federally or commercially insured loans made to finance the
10 costs of projects in Alaska held by federal and state chartered finan-
11 cial institutions or by the Alaska Commercial Fishing and Agriculture
12 Bank [COMMERCIAL BANKS IN ALASKA].

13 * Sec. 34. AS 44.88 is amended by adding a new section to read:

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

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

19 * Sec. 35. AS 44.88.090(g)(1) is repealed and reenacted to read:

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

24 * Sec. 36. AS 44.88.105(a) is amended to read:

25 (a) For the purpose of securing one or more issues of its bonds,
26 the authority may establish one or more special funds, called "capital
27 reserve funds", and shall pay into those capital reserve funds the
28 proceeds of the sale of its bonds and other money which may be made
29 available to the authority from other sources for the purposes of the

1 capital reserve funds. A capital reserve fund may be established only
2 if the authority determines that the establishment of the fund would
3 enhance the marketability of the bonds, and if those costs of a pro-
4 ject, as defined in AS 44.88.220, which are to be financed with the
5 proceeds of the bonds, do not exceed \$10,000,000. Money in a capital
6 reserve fund, except as provided in this section, may be used as re-
7 quired only for (1) the payment of the principal of, and interest on,
8 bonds or of the sinking fund payments with respect to those bonds; (2)
9 the purchase or redemption of the bonds; or (3) the payment of a
10 redemption premium required to be paid when the bonds are redeemed
11 before maturity. However, money in a capital reserve fund may not be
12 withdrawn if the withdrawal would reduce the amount in the capital
13 reserve fund to less than the capital reserve requirement, except for
14 the purpose of making payment, when due, of principal, interest,
15 redemption premiums on the bonds, and sinking fund payments when other
16 money of the authority is not available for the payments. Income or
17 interest earned by, or increment to, a capital reserve fund, from the
18 investment of all or part of the fund, may be transferred by the author-
19 ity to other funds or accounts of the authority if the transfer does
20 not reduce the amount of the capital reserve fund below the capital
21 reserve fund requirement.

22 * Sec. 37. AS 44.88.105 is amended by adding new subsections to read:

23 (f) The authority may not establish a capital reserve fund to
24 secure an issue of bonds in an amount in excess of \$1,000,000 unless at
25 least 20 percent of the principal amount of the loan for the project is
26 retained by a federal or state chartered financial institution or the
27 Alaska Commercial Fishing and Agriculture Bank.

28 (g) The authority may establish reserve funds, other than capital
29 reserve funds, to secure one or more issues of its bonds. The authority

1 may deposit in a reserve fund established under this subsection the
2 proceeds of sale of its bonds and other money which may be made avail-
3 able from any other source. A reserve fund established under this
4 subsection must comply with (a) - (c) of this section. The authority
5 may allow a reserve fund established under this subsection to be
6 depleted without complying with (d) of this section.

7 * Sec. 38. AS 44.88.155 is repealed and reenacted to read:

8 Sec. 44.88.155. ENTERPRISE DEVELOPMENT FUND. (a) The enterprise
9 development fund is established in the authority. The enterprise
10 development fund is a trust fund for the uses and purposes of this
11 chapter. The enterprise development fund consists of money or assets
12 appropriated or transferred to the authority and other money or assets
13 deposited in it by the authority.

14 (b) The authority may establish in the enterprise development
15 fund a small enterprise loan account, a loan insurance account, and
16 other accounts it considers appropriate.

17 (c) Money and other assets of the enterprise development fund may
18 be used to secure bonds of the authority, and shall be held and invested
19 by the authority in the types of investments described in AS 37.10.-
20 070(a) and AS 39.35.110(a)(9) and (14); ^{or shall} ~~Money in the enterprise devel-~~
21 ~~opment fund may also~~ be used to purchase loans for projects as defined
22 in AS 44.88.220.

23 (d) A loan purchased in whole or in part by the authority, other
24 than a loan which is financed with the proceeds of bonds of the author-
25 ity and secured only by a project applicant or a project,

26 (1) may not exceed

27 (A) \$10,000,000; or

28 (B) \$500,000 if the loan is purchased under AS 44.88.-

29 158;

1 (2) may not exceed the cost of the project or 75 percent of
2 the appraised value of the project, whichever is less, unless the
3 amount of the loan in excess of this limit is federally insured or
4 guaranteed or is insured by a qualified mortgage insurance company;

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

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

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

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

19 (7) may not be made unless

20 (A) at least 10 percent of the principal amount of the
21 loan is retained by the originator of the loan; or

22 (B) 100 percent of the principal amount of the loan is
23 guaranteed by the United States or an agency or instrumentality of
24 the United States;

25 (8) must be

26 (A) at least partially guaranteed by the United States
27 or an agency or instrumentality of the United States, subject to
28 the provisions of AS 44.88.158; or

29 (B) financed from the proceeds of bonds; or

1 (C) expected by the authority to be financed from the
2 proceeds of bonds.

3 (e) The authority may adopt regulations for the administration of
4 the enterprise development fund which may include, without limitation,
5 provisions for fees and agreements relating to application, loan com-
6 mitment, servicing, and origination of loans by other lenders.

7 (f) The authority may enter into agreements as to the use of the
8 money in the enterprise development fund, including without limitation,
9 trust or custody arrangements with banks or trust companies. It may
10 also pledge, assign, or grant the agreement, interests under an agree-
11 ment, or interests in the enterprise development fund as may be neces-
12 sary or appropriate to provide for payment and security for bonds of
13 the authority.

14 * Sec. 39. AS 44.88.157 is amended by adding new subsections to read:

15 (j) Notwithstanding (a) - (i) of this section, the authority may
16 establish additional insurance accounts to secure special obligation
17 bonds, and may pay into an insurance account established under this
18 subsection money made available from an appropriation or any other
19 source. An insurance account established under this subsection is not
20 subject to the requirements of (d) and (g) of this section.

21 (k) A loan may not be insured from a loan insurance account
22 within the enterprise development fund if the loan is for a project the
23 cost of which exceeds \$10,000,000.

24 (l) A loan in excess of \$1,000,000 may not be insured from a loan
25 insurance account within the enterprise development fund unless at
26 least 20 percent of the principal amount of the loan is retained by a
27 federal or state chartered financial institution or the Alaska Commer-
28 cial Fishing and Agriculture Bank.

29 * Sec. 40. AS 44.88.158 is repealed and reenacted to read:

1 Sec. 44.88.158. SMALL ENTERPRISE LOAN ACCOUNT. (a) A small
2 enterprise loan account is established in the enterprise development
3 fund. The account may be composed of money or assets appropriated or
4 transferred to the authority, interest on investments and loans of the
5 small enterprise loan account, the unpledged income of the enterprise
6 development fund, and other money or assets deposited in it by the
7 authority.

8 **Prospective**
9 **Only** (b) The authority may use money in the small enterprise loan
10 account to purchase the guaranteed portion of a loan made by a private,
11 financial institution, ^{after June 30, 1981} to a small enterprise to pay the cost of a pro-
12 ject, as defined in AS 44.88.220, if the loan is guaranteed by the
13 United States or an agency or instrumentality of the United States,
14 including, but not limited to, the Small Business Administration, the
15 National Marine Fisheries Service, and the Farmers Home Administration,
16 ~~and if the loan is originated after June 30, 1981~~

17 (c) The authority may purchase loans originated by the Alaska
18 Rural Rehabilitation Corporation which are made to agricultural enter-
19 prises. Loans purchased under this subsection may be secured by sub-
20 stitute collateral if the amount of the loan does not exceed 75 percent
21 of the value of the total collateral for the loan. Loans may be pur-
22 chased under this subsection only from money appropriated to the small
23 enterprise loan account for that purpose.

24 * Sec. 41. AS 44.88 is amended by adding a new section to read:

25 Sec. 44.88.159. INTEREST RATES. (a) The interest rate on a loan
26 that qualifies for tax-exempt financing ^{is equal to} ~~may not exceed~~ the interest
27 rate on loans of the authority prevailing at the time the loan is
28 purchased for projects having tax-exempt financing. In this subsection,
29 "tax-exempt financing" means financing from the proceeds of the sale of
a series of bonds on which the interest is exempt from federal income
tax.

1 (b) The interest rate on a loan purchased by the authority with
 2 money in the small enterprise loan account from the proceeds of the
 3 sale of a series of taxable bonds ^{is still equal to} ~~may not exceed~~ the true interest
 4 cost, expressed as a rate, of the most recent sale of taxable bonds of
 5 comparable term by the authority, plus an additional percentage to
 6 represent allocable expenses of operation, costs of issuance, and
 7 mortgage servicing costs of the authority. [If the authority has not
 8 sold taxable bonds of comparable term within three months of the time
 9 the loan is purchased, the interest rate on the loan may not exceed the
 10 true interest cost, expressed as a rate, that the authority estimates
 11 would be payable on taxable bonds issued by the authority to provide
 12 money to make the loan, plus an additional percentage to represent
 13 allocable expenses of operation, costs of issuance, and mortgage ser-
 14 vicing costs of the authority.] In this subsection, "taxable bonds"
 15 means bonds on which the interest is subject to federal income tax.

16 (c) The interest rate on a loan purchased by the authority with
 17 money in the small enterprise loan ^{is} ~~that is~~ account not from the proceeds
 18 of the sale of a series of taxable bonds ^{is} ~~is~~ the most recent index of
 19 corporate ^{AA} ~~AA~~ bond yields as published by Moody's ^{Investors Service.} ~~rating service.~~

20 * Sec. 42. AS 44.88 is amended by adding a new section to read:

21 Sec. 44.88.165. DELINQUENT LOANS. If more than two percent of
 22 the total outstanding balance of loans purchased from a financial
 23 institution under this chapter becomes delinquent for 90 days or more,
 24 the authority shall discontinue purchasing loans from that financial
 25 institution until the delinquency is reduced to less than two percent.

26 * Sec. 43. AS 44.88.220(2) is amended to read:

27 (2) "business enterprise" means a single proprietorship,
 28 corporation, firm, partnership, or other association of persons organ-
 29 ized in any manner, for any business purpose, other than [WHICH IS NOT

Including but not limited to plants or facilities which qualify for tax-exempt bonding

1 ORGANIZED] on a nonprofit basis;

2 * Sec. 44. AS 44.88.220(5) is amended to read:

3 (5) "project" means [INCLUDES]

4 (A) a plant or facility used or intended for use in
5 connection with ^{B) a business enterprise} making, processing, preparing, or producing in any
6 manner, goods, products or substances of any kind or nature ^{including plants and facilities to be used} in
7 connection with developing or utilizing a natural resource, or
8 extracting, smelting, transporting, converting, assembling or
9 producing in any manner, minerals, raw materials, chemicals,
10 compounds, alloys, fibers, commodities and materials, products or
11 substances of any kind or nature, any plant or facility used or
12 intended for use as an industrial park or in connection with air
13 and water transportation, or any plant or facility for the preven-
14 tion, limitation or control of air or water pollution, for the
15 disposal of sewage or solid waste, for the local furnishing of
16 gas, or for the furnishing of water; *[Signature]*

17 (B) commercial activity by a small [BUSINESS] enterprise
18 [, TOURISM ENTERPRISE, MINING ENTERPRISE AND COMMERCIAL FISHING
19 ENTERPRISE AS DEFINED IN (12), (13), (14), AND (15) OF THIS SEC-
20 TION];

21 * Sec. 45. AS 44.88.220(8) is amended to read:

22 (8) "project cost" or "cost of a project" means all or any
23 part of the aggregate costs determined by the authority to be necessary
24 to finance the construction, expansion, or acquisition of a project,
25 including without limitation the cost of acquiring real or tangible
26 personal property, and, in connection with real property, the cost of
27 constructing buildings and improvements, the cost of constructing means
28 of access to and from the project, the cost of constructing extensions
29 of utility systems to the site of the project; the cost of a project

1 includes, without limitation, the cost of financing the project, in-
2 terest charges before, during or after construction, expansion, or
3 acquisition of the project, costs related to the determination of the
4 feasibility, planning, design or engineering of the project and, to the
5 extent determined necessary by the authority, administrative expenses,
6 the cost of machinery or equipment to be used in the operation of the
7 project and expenses of installation, replacement or rehabilitation,
8 and all other costs, charges, fees and expenses which may be determined
9 by the authority to be necessary to finance the construction, expansion,
10 or acquisition;

11 * Sec. 46. AS 44.88.220(12) is repealed and reenacted to read:

12 (12) "small enterprise" means a business enterprise which is
13 a project applicant with gross income of \$10,000,000 or less for its
14 annual reporting period ending immediately before the application to
15 the authority for a loan;

16 * Sec. 47. AS 44.88.220 is amended by adding a new paragraph to read:

17 (16) "commercial activity" includes work in process or activ-
18 ity involving stock in trade, accounts receivable, or the refinancing
19 of existing indebtedness, subject to the provisions of AS 44.88.158.

20 * Sec. 48. The Alaska Housing Finance Corporation may issue bonds in the
21 principal amount of \$592,000,000 during the fiscal year ending June 30,
22 1982.

23 * Sec. 49. Subject to the limitation of AS 44.88.090(g), the Alaska
24 Industrial Development Authority may issue bonds in the principal amount of
25 \$400,000,000 during the fiscal year ending June 30, 1982.

26 * Sec. 50. The following laws are repealed: AS 18.56.090(1), 18.56.-
27 098(d) and (f)(3), and AS 44.88.220(13), (14), and (15).

28 * Sec. 51. This Act takes effect immediately in accordance with AS 01.-
29 10.070(c).

H O U S E A M E N D M E N T S

TO: FCCSSB 148

Page 20, line 27 after "\$10,000,000;" delete "or"

Page 20, line 29 after "158;" insert "or"

Page 20, after line 29, insert:

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

Page 23, after line 21, insert:

Until June 30, 1982,
"(d) [^]The authority may use the assets of the small enterprise loan account to purchase a loan made to a project applicant for a multi-family dwelling enterprise. *Loans may be purchased under this subsection only from money appropriated to the small enterprise loan account for that purpose.*

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

Page 24, after line 19, insert: *the portion of* *by the authority*

"(d) The interest rate on [^]a loan purchased [^]for a multi-family dwelling enterprise shall be one percent more than the interest rate,

as determined under AS 18.56.098(g)(1) and (2), on a mortgage loan purchased under AS 18.56.098(g) or (h) from the proceeds of the most recent issue of taxable bonds before the loan purchased for a multi-family dwelling enterprise."

Page 25, line 20, after "TION];" insert "and"

Page 25, after line 20, insert:

"(C) a multi-family dwelling enterprise;"

Page 26, line 16, delete "a new paragraph" and insert "new paragraphs"

Page 26, after line 16, insert:

"(16) 'multi-family dwelling enterprise' is a rental or cooperative dwelling of ^{eight} ~~three~~ or more units;"

Page 26, line 17, delete "(16)" and insert "(17)"

H O U S E A M E N D M E N T S

TO: FCCSSB 148

Page 20, line 27 after "\$10,000,000;" delete "or"

Page 20, line 29 after "158;" insert "or"

Page 20, after line 29, insert:

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

Page 23, after line 21, insert:

"(d) Until June 30, 1982, the authority may use the assets of the small enterprise loan account to purchase a loan made to a project applicant for a multi-family dwelling enterprise. Loans may be purchased under this subsection only from money appropriated to the small enterprise loan account for that purpose.

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

Page 24, after line 19, insert:

"(d) The interest rate on the portion of a loan purchased by the authority for a multi-family dwelling enterprise shall be one percent more than the interest rate, as determined under AS 18.56.098(g)(1) and (2), on a mortgage loan purchased under AS 18.56.098(g) or (h) from the proceeds of the most recent issue of taxable bonds before the loan purchased for a multi-family dwelling enterprise."

Page 25, line 20, after TION];" insert "and"

Page 25, after line 20, insert:

"(C) a multi-family dwelling enterprise;"

Page 26, line 16, delete "a new paragraph" and insert "new paragraphs"

Page 26, after line 16, insert:

"(16) 'multi-family dwelling enterprise' is a rental or cooperative dwelling of eight or more units;"

Page 26, line 17, delete "(16)" and insert "(17)"

June 23

Gilman calls meeting back to order 3:00 pm June 23

Gilman reconsiders his vote

p 23, after line 21: insert: "until June 30, 1982"

"loans may be purchased under this subsector only for loans appropriated specifically for that purpose"

"the portion of a loan purchased by the authority for a multiple family dwelling enterprise

bank participation will be added on top.

Then switch to Senate definition of multi ^{family} dwelling enterprise. (eight or more)

Letter of intent

(change ~~to~~ new (f)

"by Feb 1"

"[make specific reference to ~~state~~ how this is a one-time pilot program]"

Agree that there will not be any letter of intent regarding regional designation.

Gilman moves House language, with exception of eight units rather than three, ~~and~~

Ziegler & Gilman agree. Gilman says Ray will sign

Bathworth asks if we can make recommendation regarding the funding for SBA money. Gilman says that this is outside of the purview of the committee. Metcalfe moves to send a letter -- Gilman moves ~~it's~~ ^{it's} ~~out~~ ^{out} of order

Second Free Conference Committee Report

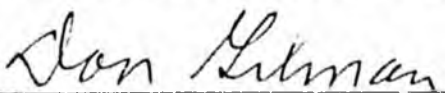
The letter of intent shall be amended to include the following section under AIDA:

f. That the multi-family dwelling program provided for in FCCS CSSB 148 is a pilot program and may not be continued, and that the staff of AIDA develop a financing plan or a set of alternative financing plans for multi-family housing, including estimates of demand and subsidy cost, if any, to the State. AIDA shall present its plans by February 1, 1982 to the Legislature for consideration in the 1982 session.

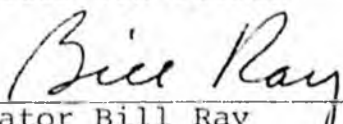
2nd FREE CONFERENCE COMMITTEE
ON SB 148
RECOMMENDATION FOR APPROPRIATION

The 2nd Free Conference Committee on SB 148 recommends that the Free Conference Committee on HB 297 appropriate \$20,000,000 from the general fund to the Alaska Industrial Development Authority, small enterprise loan account for the purchase of loans for multi-family dwelling enterprises. This appropriation should have a lapse date of June 30, 1982.

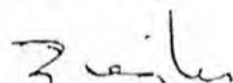
The above action would be consistent with provisions adopted by the 2nd Free Conference Committee on SB 148 which authorized the Alaska Industrial Development Authority to purchase loans for multi-family dwellings of eight or more units with 10% bank participation until June 30, 1982, subject to appropriation.



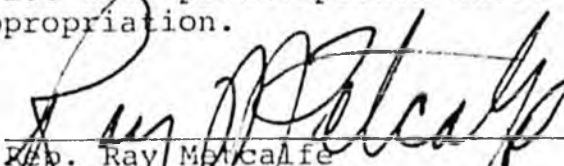
Senator Don Gilman



Senator Bill Ray



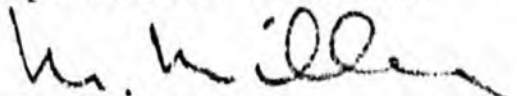
Senator Robert Ziegler



Rep. Ray McCalfe



Rep. Robert Bettisworth



Rep. Mike Miller

The Free Conference Committee on HCS CSSB 148 (Finance) intends the following on FCCS CSSB 148:

AHFC Second Mortgages

- a) that the Alaska Housing Finance Corporation implement a program of purchasing second mortgages for acquisition of residences as soon as possible after determining the potential demand for the program, the ability to finance the program through the sale of bonds and mortgage pass-through certificates and that a second mortgage purchase program does not adversely affect the first mortgage bond financing program;
- b) that AHFC implement a program of purchasing second mortgages for home improvement provided that:
 - 1) it conducts a study to determine:
 - A) the ability of the corporation to finance second mortgages through the sale of bonds or pass-through mortgage certificates; and,
 - B) the potential demand for second mortgages for home improvements; and,
 - C) whether the second mortgage program will adversely affect the first mortgage program;
 - 2) copies of the study are submitted to the Legislature; and,
 - 3) the corporation determines, based on results of the study, that it is advisable to undertake such a program and informs the Legislature of its determination.
- c) that if the corporation decides to implement a second mortgage program for home improvement:
 - 1) up to \$20 million or any excess, whichever is greater, of the appropriation special mortgage loan purchase program be allocated for second mortgage loans for home improvement; and,
 - 2) the second mortgage program for home improvement be implemented no later than February 15, 1982.

All AHFC Mortgage Programs

a) that 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 15 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.

AHFC Rural Mortgages

- a) that the corporation increase its outreach, services, and provision of information about its programs in rural areas and small communities:
- b) that the corporation meet demand for mortgage loans in rural areas and small communities.
- c) that the corporation make use of the provisions of the bill allowing higher origination or servicing fees whenever appropriate, including the provision that the corporation pay all or part of the higher cost of originations in rural areas, so that home purchasers in urban and rural areas pay similar percentage amounts for loan origination.

AIDA

- a) that the Alaska Industrial Development Authority give first priority for use of an estimated \$2 million per month of cash flow during fiscal year 1982 from existing assets of the authority to the purchase of federally guaranteed loans for working capital, inventory, accounts receivable, and refinancing of existing indebtedness:
- b) that the authority allocate up to 30 percent, if demand exists, of this cash flow for the purchase of loans described above which are for \$100,000 or less;
- c) that the Alaska Industrial Development Authority make maximum use of the Federal guarantee programs in its financings, including the Farm Home Administration, National Marine Fisheries Service, and Small Business Administration guarantees.
- d) that the authority submit a report to the Legislature on the performance and results of its purchase of federally guaranteed loans;
- e) that if a financing is secured by the moral obligation of the State or by the general assets of AIDA, and if the borrower is subject to capital spending restrictions in order to maintain tax-exempt status of that financing, AIDA shall require the borrower to provide annual certified audits to the board, and a condition of those audits shall be to verify compliance with the Internal Revenue Service capital spending restrictions.
- f) that the board and staff of AIDA or any other state agency disseminating information about AIDA's programs be cognizant of the following long-term legislative intent toward AIDA:

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 and that if such an event occurs, the Legislature will not act to continue, through subsidy, the tax-exempt rate loan programs.

Nonconforming Housing Loans

a) the Department of Community and Regional Affairs place the lowest priority on construction loans (interim financing) other than building material loans:

b) that the Department of Community and Regional Affairs may originate loans in areas of the State where in the opinion of the Department financial institutions are not adequately providing extension of credit for housing, or not making a good faith effort to do so.

Business Loans

a) that the Department of Commerce and Economic Development process to completion beyond July 1, 1981, if necessary, certain types of loans approved prior to July 1, 1981, after which date the authority of the Department to make such loans is repealed by Sec. 71, Ch. 106, SLA 1980.

Ba

Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B

Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa

Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca

Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C

Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's Corporate Bond Yield Averages

Table with columns for Corporate by Ratings (Av. Corp., Aaa, Aa, A, Baa, P.U., Ind., R.R.), Corporate by Groups, Public Utility Bonds (Aaa, Aa, A, Baa), Industrial Bonds (Aaa, Aa, A, Baa), and Railroad Bonds (Aaa, Aa, A, Baa). Rows list months from 1975 to 1981.

Note: See Moody's Bond Survey for a brief description and the latest published list of bonds included in the averages. Because of the death of Amalgamated railroad term bond issues, Moody's Aaa railroad bond yield average was discontinued as of December 18, 1967.

The Free Conference Committee on HCS CSSB 148 (Finance) intends the following on FCCS CSSB 148:

AHFC Second Mortgages

a) that the Alaska Housing Finance Corporation implement a program of purchasing second mortgages for acquisition of residences as soon as possible after determining the potential demand for the program, the ability to finance the program through the sale of bonds and mortgage pass through certificates and that a second mortgage purchase program does not adversely affect the first mortgage bond financing program;

b) that AHFC implement a program of purchasing second mortgages for home improvement provided that it conducts a study to determine:

- 1) the ability of the corporation to finance second mortgages through the sale of bonds or pass-through mortgage certificates; and,
- 2) the potential demand for second mortgages for home improvement; and,
- 3) whether the second mortgage program will adversely affect the first mortgage program;

and provided that the corporation determines, based on the results of the study, that it is advisable to undertake such a program;

c) that copies of the study mentioned in (b) above are to be submitted to the legislature;

d) that if the corporation decides to implement a second mortgage program for home improvement:

- 1) up to \$20 million or any excess, whichever is greater, of the appropriation for the special mortgage loan purchase program be allocated for second mortgage loans for home improvement; and,
- 2) the second mortgage program for home improvement be implemented no later than ~~January~~,
February 15,
1982.

Go back to House wording per FCC

All AHFC Mortgage Programs

a) that 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.

AHFC Rural Mortgages

a) that the corporation increase its outreach, services, and provision of information about its programs in rural areas and small communities;

b) that the corporation meet demand for mortgage loans in rural areas and small communities.

c) that the corporation make use of the provisions of the bill allowing higher origination or servicing fees whenever appropriate, including the provision that the corporation pay all or part of the higher cost of originations in rural areas, so that home purchasers in urban and rural areas pay similar percentage amounts for loan origination.

AIDA *Add back in a) and b) from the House letter of intent*

a) that the Alaska Industrial Development Authority make maximum use of the Federal guarantee programs in its financings, including the Farm Home Administration, National Marine Fisheries Service, and Small Business Administration guarantees.

b) that the authority submit a report to the legislature on the performance and results of its purchase of federally guaranteed loans;

c) that if a financing is secured by the moral obligation of the state or by the general assets of AIDA, and if the borrower is subject to capital spending restrictions in order to maintain tax-exempt status of that financing, AIDA shall require the borrower to provide annual certified audits to the board, and a condition of those audits shall be to verify compliance with the Internal Revenue Service capital spending restrictions.

d) that the board and staff of AIDA or any other state agency disseminating information about AIDA's programs be cognizant of the following long-term legislative intent toward AIDA:

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 two words
Delete,
per FCC

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 the Legislature~~ and that if such an event occurs, the Legislature will not act to continue, through subsidy, the tax-exempt rate loan programs.

Nonconforming Housing Loans

- a) the Department of Community and Regional Affairs place the lowest priority on construction loans (interim financing) other than building material loans;
- b) that the Department of Community and Regional Affairs may originate loans in areas of the state where in the opinion of the Department financial institutions are not adequately providing extension of credit for housing, or not making a good faith effort to do so.

Business Loans

- a) that the Department of Commerce and Economic Development process to completion beyond July 1, 1981, if necessary, certain types of loans approved prior to July 1, 1981, after which date the authority of the department to make such loans is repealed by sec. 71, ch. 106, SLA 1980.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

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

June 23, 1981

MEMORANDUM

TO: Honorable Arliss Sturgulewski, Chairman
Free Conference Committee on SB 148

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

SUBJECT: FCCS SB 148

The following are the major provisions of FCCS SB 148:

AHFC

1. Authorization for board meetings via electronic media;
2. Authorization for second mortgages for either home purchase or home acquisition:
 - a) interest rate is the same as first mortgages;
 - b) subsidized portion of the loan is equal to \$90,000 less any outstanding first mortgage balance;
3. Authorization for AHFC to enforce "due on sale" clauses on loans purchased after July 1, 1981;
4. The "Rogers ratchet" interest rate for first and second mortgages on the first \$90,000 of a loan:
 - a) starts at 10%, 9% for veterans;
 - b) gradually adjusts to 3% below the corporation's cost of funds;
 - c) in no case is less than 10% or 9% unless the corporation's cost of funds is less than 10%;

5. Allocation of the State's \$200 million allotment of tax-exempt mortgage revenue bonds to AHFC which may reallocate amounts to municipalities;
6. Authorization for higher loan origination and service fees in rural areas (the corporation is authorized to pay a portion of the origination fees);
7. Automatic extension of prior year bond authorization in the absence of legislative action;
8. Requirement for a summary of loan efforts in rural communities in the corporation's annual report;
9. Authorization of \$592,000,000 in bonds.

Nonconforming Housing Loans

1. Authorization for Community & Regional Affairs to originate nonconforming loans;
2. Authorization for construction loans other than to builders and contractors or for a person's own labor;
3. No more than 20% of nonconforming loans allowed in urban areas;
4. Interest rates equal to the "Rogers" ratchet (in effect, no subsidy on amounts greater than \$90,000);
5. Authorization for higher loan origination and service fees in rural areas (the department is authorized to pay a portion of the origination fees);

AIDA

1. Authorization for meetings of the authority via electronic media;
2. Loan application fees prohibited and loan commitment fees limited to two percent of the loan amount for small enterprise loan account purchases of loans;
3. Extension of prior year bond authorization in the absence of legislative action;
4. Limitation on the use of the moral obligation of the State to:

- a) loans for projects less than \$10,000,000;
 - b) loans for projects between \$1,000,000 and \$10,000,000 only with bank participation of 20% or more;
5. Maximum amount on loans purchased by the Enterprise Development Fund is the lesser of:
- a) \$10,000,000; or
 - b) \$500,000 in the case of federally insured loans to small enterprises;
 - c) the cost of the project; or
 - d) 75% of the appraised value of the project;
6. Loans purchased by the Enterprise Development Fund from cash flow or assets of the authority other than bond proceeds must be:
- a) new federally insured loans to small enterprises; or
 - b) loans that will eventually be funded from bond proceeds;
7. Loans purchased by the Enterprise Development Fund must have at least 10% bank participation;
8. The interest rate on loans purchased by the Enterprise Development Fund is:
- a) for projects eligible for tax-exempt financing: the cost of tax-exempt bond funds;
 - b) for projects not eligible for tax-exempt financing:
 - 1) the cost of taxable bond funds if the authority issues taxable bonds;
 - 2) the rate on Aa corporate bonds if the authority does not issue taxable bonds;
9. Loans purchased by the Enterprise Development Fund from other than bond proceeds may not be made to businesses with gross income over \$10,000,000; there is no income limit for loans purchased from bond proceeds;
10. The federally insured portion of new working capital, inventory, accounts receivable and refinancing loans

up to \$500,000 made to small enterprises may be purchased from other than tax-exempt bond proceeds;

11. Authorization of \$400,000,000 in bonds.

MBB:pw

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

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

June 24, 1981

MEMORANDUM

TO: Honorable Arliss Sturgulewski, Chairman
Free Conference Committee on SB 148

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

SUBJECT: FCCS SB 148

The following are the major provisions of FCCS SB 148:

AHFC

1. Authorization for board meetings via electronic media;
2. Authorization for second mortgages for either home purchase or home acquisition:
 - a) interest rate is the same as first mortgages;
 - b) subsidized portion of the loan is equal to \$90,000 less any outstanding first mortgage balance;
3. Authorization for AHFC to enforce "due on sale" clauses on loans purchased after July 1, 1981;
4. The "Rogers ratchet" interest rate for first and second mortgages on the first \$90,000 of a loan:
 - a) starts at 10%, 9% for veterans;
 - b) gradually adjusts to 3% below the corporation's cost of funds;
 - c) in no case is less than 10% or 9% unless the corporation's cost of funds is less than 10%;

5. Allocation of the State's \$200 million allotment of tax-exempt mortgage revenue bonds to AHFC which may reallocate amounts to municipalities;
6. Authorization for higher loan origination and service fees in rural areas (the corporation is authorized to pay a portion of the origination fees);
7. Automatic extension of prior year bond authorization in the absence of legislative action;
8. Requirement for a summary of loan efforts in rural communities in the corporation's annual report;

Nonconforming Housing Loans

1. Authorization for Community & Regional Affairs to originate nonconforming loans;
2. Authorization for construction loans other than to builders and contractors or for a person's own labor;
3. No more than 20% of nonconforming loans allowed in urban areas;
4. Interest rates equal to the "Rogers" ratchet (in effect, no subsidy on amounts greater than \$90,000);
5. Authorization for higher loan origination and service fees in rural areas (the department is authorized to pay a portion of the origination fees);

AIDA

1. Authorization for meetings of the authority via electronic media; ,
2. Loan application fees prohibited and loan commitment fees limited to two percent of the loan amount for small enterprise loan account purchases of loans;
3. Extension of prior year bond authorization in the absence of legislative action;
4. Limitation on the use of the moral obligation of the State to:

- a) loans for projects less than \$10,000,000;
 - b) loans for projects between \$1,000,000 and \$10,000,000 only with bank participation of 20% or more;
5. Maximum amount on loans purchased by the Enterprise Development Fund is the lesser of:
- a) \$10,000,000; or
 - b) \$500,000 in the case of federally insured loans to small enterprises;
 - c) the cost of the project; or
 - d) 75% of the appraised value of the project;
6. Loans purchased by the Enterprise Development Fund from cash flow or assets of the authority other than bond proceeds must be:
- a) new federally insured loans to small enterprises; or
 - b) loans that will eventually be funded from bond proceeds;
7. Loans purchased by the Enterprise Development Fund must have at least 10% bank participation;
8. The interest rate on loans purchased by the Enterprise Development Fund is:
- a) for projects eligible for tax-exempt financing: the cost of tax-exempt bond funds;
 - b) for projects not eligible for tax-exempt financing:
 - 1) the cost of taxable bond funds if the authority issues taxable bonds;
 - 2) the rate on Aa corporate bonds if the authority does not issue taxable bonds;
9. Loans purchased by the Enterprise Development Fund from other than bond proceeds may not be made to businesses with gross income over \$10,000,000; there is no income limit for loans purchased from bond proceeds;
10. The federally insured portion of new working capital, inventory, accounts receivable and refinancing loans

up to \$500,000 made to small enterprises may be purchased from other than tax-exempt bond proceeds;

11. Authorization of \$400,000,000 in bonds;
12. Authorization for the purchase of loans for rental or cooperative multi-family dwellings of eight or more units:
 - a) until June 30, 1982;
 - b) subject to appropriation;
 - c) with 10% bank participation;
 - d) at an interest rate of 1% above the "Rogers ratchet";
 - e) in an amount not to exceed the lesser of \$3,000,000 or \$50,000 per unit.

MBB:pw

SB

6666

FILE 1

CONFERENCE COMMITTEE AND FREE CONFERENCE COMMITTEE MEETINGS
ON SB 666, 1982*

Tape #	Date	
1	4/20/82	SIDE # 1 - AGR, ALL. TECH., ZONING, RURAL HOUSING
2	4/21/82	" # 2 - A.H.F.C., H.A.D.
3	4/22/82	" # 1 - A.H.F.C.
4	5/4/82	" # 2 - A.H.F.C.
5	5/5/82	" # 1 - BLANK
6	5/6/82	" # 2 - BLANK
7	5/6/82	" # 1 - COMMERCIAL FISHERIES LEADS
8	5/7/82	" # 2 - BLANK
9	5/10/82	" # 1 - A.H.F.C.
10	5/10/82	" # 2 - A.H.F.C.
11	5/11/82	" # 1 - A.H.F.C.
12	5/11/82	" # 2 - BLANK
13	5/12/82	" # 1 - MULTI-FAMILY, COUNCIL OF 100'S
14	5/12/82	" # 2 - BLANK
15	5/17/82	" # 1 - LEGISLATIVE INTENT
16	5/18/82	" # 2 - H.A.D.
17	5/27/82	" # 1 - H.A.D.
		" # 2 - BLANK

* Received from Sen. Rodey's office.

1) { H. Special Committee on Bonds '82 } Small box of cassettes
{ Bond Conference Committee } log sheets in box
{ Bond Sub Committee }

2) FCC meetings on SB666:
17 cassettes; no logs or minutes

3) Sen. Resources Committee:
Contact Resa King ^{capitol Room 211} 465-3835. She has
committee materials and will help with
~~to~~ locating any information on SB666.

4) pages from journals

~~5) C~~

5) Contact ~~the~~ Legislative Finance for House and
Senate Finance Committee materials

CONFERENCE COMMITTEE REPORT

SB 666

May 27, 1982

Mr. President:
Mr. Speaker:

The Conference Committee with limited powers of free conference considering SENATE BILL NO. 666 (mining loan fund (AS 27.09); eff date) and HOUSE CS FOR SENATE BILL NO. 666 (FIN) am H (certain state loan programs; eff date) recommends that:

CONFERENCE CS FOR SENATE BILL NO. 666
(certain state loan and grant programs; eff
date) with a Letter of Intent and fiscal
note

be adopted.

The report was signed by Senators Sturgulewski and Mulcahy, Representatives Meekin (Chairman) and Halford, Senator Rodey (Chairman) and Representative Malone signed "no recommendation".

Letter of Intent on CONFERENCE CS FOR SENATE BILL NO. 666 follows:

"The Legislature intends that:

1. The authority conferred upon the Alaska Industrial Development Authority (AIDA) to participate in multifamily housing projects is to be used to facilitate the financing of such projects, generally by bridging the likely gap between the debt service on tax-exempt bonds to finance them and the rental income available from the projects to meet that debt service. This gap may be bridged by reducing the amount of bond-proceeds financing by making a second loan from AIDA with temporarily reduced or deferred payments of principal and interest. The gap may also be bridged by the making of a loan in which AIDA advances funds as needed to meet the difference between debt service for a bond-proceeds loan and the rental income available from the project to meet that debt service; as advanced, the funds would become the principal of a loan by AIDA which could be repaid or start being repaid after the bond-proceeds loan (or a refinancing loan thereof) is paid off. Other ways to shift the timing for the payment of debt service from project rentals may also be employed, as appropriate, in order to make the financing of a project feasible. However, in no such arrangement is it intended that AIDA's funds from its enterprise development fund be consumed to provide a subsidy over the life of the loan.

SE 666 cont'd

2. AIDA is to use its authority to own multifamily housing projects only when necessary to protect AIDA's security interest in a project, and not to become a partner or co-venturer with a developer in multifamily housing projects. Nothing in this act prohibits AIDA from supplementing its interest return to multifamily housing project investments with shared appreciation mortgages on terms comparable to those used in the private financial community.
3. The easing of the restrictions on the use of the capital reserve fund in multifamily bond issues is to be regarded as an exception only to accommodate multifamily real estate borrowings. This is not a change in general policy toward the use of capital reserve funds and the corresponding state moral-obligation pledge, and the legislature intends that there still be a participation by both the multifamily housing project owner and the originating bank whenever the state's moral obligation is pledged, however, the authority may purchase 100% of Federal Housing Administration guaranteed loans.
4. AIDA is to cooperate with any Alaskan municipality which has sponsored its own multifamily housing projects financing program.
5. Loans made under AS 16.10.310(a)(1)(B) and AS 16.10.310-(a)(1)(C) are intended to be made to individuals who do not have alternative sources of financing available to them.
6. It is the intent of the legislature that, in the event of passage by the 97th Congress of a bill which would provide for a program of mortgage interest reduction payments, AHFC enter into agreements as appropriate with the Government National Mortgage Association, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation to effectuate the program in Alaska.
7. The amendment to AS 18.56.098(g)(?) in Section 20 of the bill is included to insure that if AHFC issues bonds comprised solely of mortgage loans for triplex and four-plex residences, that issue would not affect the operation of the interest rate ratchet.
8. AHFC investigate the possibility of having the Federal National Mortgage Association (FNMA) or similar agencies purchase mortgages financed by AHFC. The investigation should include analysis of the financial, legal, and administrative advantages and disadvantages that might accrue by the sale of mortgages or mortgage securities to or through FNMA or similar agencies. The results of the investigation are to be provided to the Legislative Budget and Audit Committee and the House and Senate Special Committees on Banking by September 30, 1982.

SB 666 cont'd

Senator Rodey moved and asked unanimous consent that the Letter of Intent be adopted. Without objection, the Letter of Intent was adopted.

Fiscal note appears in Senate Supplement No. 54 to today's journal.

Senator Rodey moved that the Senate adopt the Conference Committee report.

The question being: "Shall CONFERENCE CS FOR SENATE BILL NO. 666 (relating to certain state loan and grant programs) pass the Senate?" The roll was taken with the following result:

CCS SB 666

Yeas:	18	Anderson, Bennett, Colletta, Dankworth, Eliason, Fahrenkamp, Ferguson, Fischer, Gilman, Kelly, Kerttula, Mulcahy, Parr, Ray, Rodey, Sackett, Stinson, Sturgulewski
Nays:	0	
Excused:	1	Ziegler
Absent:	1	Bradley

and so, CONFERENCE CS FOR SENATE BILL NO. 666 passed the Senate with a Letter of Intent.

Senator Rodey moved and asked unanimous consent that the roll call on the passage of the above bill be considered the roll call on the effective date clause. Without objection, it was so ordered.

CONFERENCE CS FOR SENATE BILL NO. 666 was referred to the Secretary for engrossment and enrollment.

HB 339

Conference Committee report on CS FOR HOUSE BILL NO. 339 (SA) (relating to the judicial review of administrative regulations) and SENATE CS FOR CS FOR HOUSE BILL NO. 339 (JUD) (relating to adoption of administrative regulations) was distributed to each Senator today at 10:30 a.m.

HCSSB 666 (Fin) am H

Representative Halford moved that the House approve the Conference Committee Report on HCSSB 666 (Fin) am H (certain state loan programs, eff. date) and SB 666 (mining loan fund AS 27.09); eff. date), thus adopting CCSSB 666 (relating to certain state loan and grant programs; eff. date).

The question being: "Shall the House approve the Conference Committee Report on HCSSB 666 (Fin) am H and SB 666, thus adopting CCSSB 666?" The roll was taken with the following result:

Yeas	28	Abood, Anderson, Barnes, Beirne, Bettisworth, Brown, Buchholdt, Bylana, Chuckwuk, Clocksin, Cuddy, Duncan, Fanning, Freeman, Fuller, Grussendorf, Halford, Haugen, Hayes, Hurlbert, Meekins, Metcalfe, Miller, Montgomery, Moss, O'Connell, Phillips, Randolph
Nays	9	Adams, Carney, Cotten, Gardiner, Martin, Rogers, Smith, Sutcliffe, Vaska
Excused:	1	Zharoff
Absent	2	Cato, Malone

And so, the House approved the Conference Committee Report, thus adopting CCSSB 666.

Representative Halford moved and asked unanimous consent that the roll call on adoption of CCSSB 666 be considered the roll call on the effective date clauses. There being no objection, it was so ordered.

Representative Halford moved that the House adopt the Letter of Intent. There being no objection, it was so ordered.

Representative Carney gave notice of reconsideration of his vote on the adoption of CCSSB 666.

CCSSB 322

Representative Cotten brought up the reconsideration of his vote on the adoption of the Conference Committee Report adopting CCSSB 322 (making appropriations for various state loan and grant programs, amending a 1981 appropriation for senior citizen housing, eff. date).

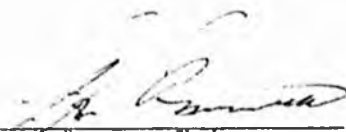
The question being: "Shall the House adopt the Conference Committee Report, thus adopting CCSSB 322, on reconsideration?" The roll was taken with the following result:

2d HCS CSSB 42 (Fin) am H

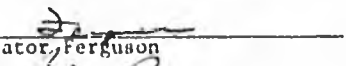
Date May 26, 1982

Mr. President:
Mr. Speaker:

The Conference Committee considering CS FOR SENATE BILL NO. 42 (C&RA) AM (relating to the village safe water program; eff. date) and 2d HOUSE CS FOR CS FOR SENATE BILL NO. 42 (FIN) AM H (providing for the issuance of general obligation bonds in the amount of \$95,615,000 for the purpose of paying the cost of water, sewer, and solid waste facilities construction; eff date) recommends that Conference CS for SB 42 entitled "An Act providing for the issuance of general obligation bonds in the amount of \$102,027,000 for the purpose of paying the cost of water, sewer, and solid waste facilities construction; and providing for an effective date" be adopted.



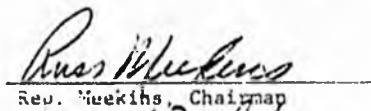
Senator Bennett, Chairman



Senator Ferguson



Senator Ray



Rep. Meekins, Chairman



REP FULLER

Rep. Rogers

HCS SB 666 (Fin) am H

Date 5/27/82

Mr. President:
Mr. Speaker:

The Conference Committee with limited powers of free conference considering SENATE BILL NO. 666 (mining loan fund (AS 27.09); eff. date) and HOUSE CS FOR SENATE BILL NO. 666 (FIN) AM H (certain state loan programs; eff. date) recommends that Conference Committee Substitute for Senate Bill NO. 666, "An Act relating to certain state loan and grant programs; and providing for an effective date" with a letter of intent and a fiscal note

HCS SB 666 (Fin) am H

be adopted.

Patrick Rodey
 Senator Rodey, Chairman

William Sturgulewski
 Senator Sturgulewski

Bob Mulcahy
 Senator Mulcahy

Russ Meekins
 Rep. Meekins, Chairman

Rich Halford
 Rep. Halford

J. Malone - No Recommendation
 Rep. Malone

HCS S3 876 (Fin)

Date May 27, 1982

Mr. President:
Mr. Speaker:

The Conference Committee considering SENATE BILL NO. 876 (Special appropriations and appropriation transfers to the Department of Law for implementation of a settlement agreement; eff date) and HOUSE CS FOR SENATE BILL NO. 876 (Fin) (general obligation bonds for \$74,380,000 for capital improvements for University of Alaska education facilities; eff date) recommends that Conference CS for SB No. 876 entitled "An Act providing for the issuance of general obligation bonds in the amount of \$79,000,000 for the purpose of paying the cost of capital improvements for University of Alaska education facilities; and providing for an effective date" be adopted.

Senator Bennett
 Senator Bennett, Chairman

Senator Dankworth
 Senator Dankworth

Senator Karttula
 Senator Karttula

Russ Meekins
 Representative Meekins, Chairman

John Fuller
 Representative Fuller

Representative Rogers
 Representative Rogers

SB

666

FILE 2

A G E N D A

Wed: 4:00 pm.
THUR. 3:30 pm
Fri 3:00 pm

Conference Committee

House CS for Senate Bill No. 666 (Finance) Am H

Wednesday, April 28, 1982

I. Alaska Industrial Development Authority: (To be continued on Friday)

- 40) Shall the language in Section 41 of the bill relating to multi-family housing be modified?
- 41) Shall AS 44.88 relating to delinquency provisions be modified?

II. Proposed Amendments Pending:

- Amendment #2: relating to the Agricultural Loan Act
- Amendment #3: relating to the Alternative Technology and Energy Revolving Loan Fund
- Amendment #4: relating to senior citizens housing
- Amendment #5: relating to repealers
- Amendment #7: relating to AS 18.55.997
- Amendment #8: relating to AS 18.56.170

III. Other Proposed Amendments:

- 5) Shall existing language in AS 16.10.310-360 be modified?
- 6) Shall foreclosure procedures for loans made under AS 16.10 be modified?
- 8) Shall the Division of Housing Assistance be allowed broader use of the appropriation to the senior citizens housing fund?
- 28) Shall the language in Sections 31-35 of the bill relating to the transfer of rural programs from AHFC be modified?
- 29) Shall the language in Section 39 of the bill relating to owner-occupied housing be modified?
- 30) Shall the language in Section 49 of the bill relating to effective dates be modified?
- 31) Shall language be added to AS 44.47 to allow Regional Native Housing Authorities to perform the loan function for rural housing in places where the Division of Housing Assistance has no offices?

32) Shall language be added to the bill relating to the Alaska Municipal Bond Bank Authority?

45) Shall language be added to the bill relating to the establishment of an Alaska Resources Corporation in place of the ARRC?

51) Shall intent language be adopted to allow the Division of Loans to use a portion of their funds for an outreach program for the fishing loan programs?

52) Shall language be added to the bill relating to the loan repayment provisions under AS 44.81.210?

53) Shall language be added to the bill relating to the Title Loss Reserve Account under AS 44.47.420?

For Friday, April 30th:

IV. Alaska Housing Finance Corporation:

7) Shall the subsidy rates for tri-plexes and four-plexes under AHFC be modified?

48) Shall the AHFC interest rate language be modified?

18



Official Business

Alaska State Legislature

Senate

Office of the President

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

To: Senator Rodey
Senator Mulcahy
Representative Halford
From: Jay Kerttula, Senate President
Date: April 17, 1982
Subject: House CS for SB 666 (Finance) am H

You have asked for my comments on the latest version of SB 666, now in conference.

- * Section 1 should be amended to provide:
"To be eligible for a land clearing loan, the land must be classified as Class 3 or better by the Soil Conservation Service."
- * Section 3 of the bill should be eliminated. This production loan fund should not be used for processing loans. CFAB exists for this purpose.
- * Section 5 should be amended as follows:
"(g) A loan for clearing land may not
(1) exceed \$250,000 (\$400,000);
(2) bear interest that is less than
(exceeds) eight percent; or
(3) have a term in excess of 20 (30)
years."

First of all, \$250,000 should be sufficient for these loans. Second, eight percent is very cheap money these days. These programs are in danger of being wiped out if they become a pure subsidy. Third, 20 years is an adequate term for land clearing repayment.

- * Section 6 should be eliminated. \$25,000 is high enough for a loan to be made without board approval; anything higher deserves board consideration.

Thank you for your consideration of these comments.

SENATOR
PATRICK M. RODEY
3271 MONTCLAIRE COURT
ANCHORAGE, AK 99503



SENATE MAJORITY LEADER
CHAIRMAN
SENATE JUDICIARY COMMITTEE
CHAIRMAN
SENATE SPECIAL COMMITTEE
ON BANKING

ALASKA STATE LEGISLATURE

POUCH V
JUNEAU, ALASKA 99811
(907) 465-3717

MEMORANDUM

TO : Members of the Conference Committee on HCS SB 666 (Fin) and E
FROM: Senator Patrick Rodey *PR*
RE : Schedule change in conference committee meetings

DATE: April 16, 1982

Please be advised there has been a schedule change in the conference committee meetings during next week (April 19 - 22nd). Meetings will be held in Senate Finance Committee Room.

5:00 p.m. Monday, April 19th

Division of Business Loans
Historical District
Mining
Child Care
Alternative Technology
Residential Energy
Commercial Fishing
Agriculture

3:30 p.m. Tuesday, April 20th

Division of Housing Assistance
Municipal Bond Bank

4:00 p.m. Wednesday, April 21st

Alaska Housing Finance Corporation

3:30 p.m. Thursday, April 22nd

Alaska Industrial Development Authority

cc Senator Sturgulewski
Senator Mulcahy
Representative Meekins
Representative Halford
Representative Malone
Senate Secretary
House Chief Clerk

SENATOR
PATRICK M. RODEY
3271 MONTCLAIRE COURT
ANCHORAGE, AK 99503



SENATE MAJORITY LEADER
CHAIRMAN
SENATE JUDICIARY COMMITTEE
CHAIRMAN
SENATE SPECIAL COMMITTEE
ON BANKING

ALASKA STATE LEGISLATURE
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3717

MEMORANDUM

TO : Members of the Conference Committee on HCS SB 666 (Fin) am H
FROM: Senator Patrick Rodey *PR*
RE : Schedule change in conference committee meetings

DATE: April 16, 1982

Please be advised there has been a schedule change in the conference committee meetings during next week (April 19 - 22nd). Meetings will be held in Senate Finance Committee Room.

5:00 p.m. Monday, April 19th

Division of Business Loans
Historical District
Mining
Child Care
Alternative Technology
Residential Energy
Commercial Fishing
Agriculture

3:30 p.m. Tuesday, April 20th

Division of Housing Assistance
Municipal Bond Bank

4:00 p.m. Wednesday, April 21st

Alaska Housing Finance Corporation

3:30 p.m. Thursday, April 22nd

Alaska Industrial Development Authority

cc Senator Sturgulewski
Senator Mulcahy
Representative Meekins
Representative Halford
Representative Malone
Senate Secretary
House Chief Clerk

* Sec. 15. AS 18.55.997 is amended to read:

Sec. 18.55.997. RESIDENTIAL LOANS. (a) In addition to the powers authorized to a regional housing authority under AS 18.55.996, a regional housing authority may, in accordance with procedures and policies adopted and approved by the division of housing assistance in the Department of Community and Regional Affairs, (BOARD OF DIRECTION OF THE ALASKA HOUSING FINANCE CORPORATION), make loans for the purchase or development of residential housing in rural areas of the state except where the division has a loan office. A loan shall be secured by collateral in an amount acceptable to the division of housing assistance in the Department of Community and Regional Affairs (BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE CORPORATION). The rate of interest on a loan authorized by this section may not exceed ten and one-half percent for an owner-occupied single-family or duplex residence (AN INTEREST RATE APPROVED BY THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE CORPORATION).

(b) in this section,

(1) "development" means the construction of a new residence or the repair, remodeling, rehabilitation or expansion of an existing home;

(2) "rural" means

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

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

* Sec. AS 44.47.410 is amended to read:

Sec. 44.47.410. INTEREST ON LOANS. The rate on a mortgage loan originated or purchased in whole or in part under AS 44.47.380 is ten and one-half percent (EQUAL TO THE INTEREST RATE, AS DETERMINED UNDER AS 18.56.098(g)(1)-(4), ON A MORTGAGE LOAN PURCHASED UNDER AS 18.56.098(g) FROM THE PROCEEDS OF THE MOST RECENT APPLICABLE ISSUE OF TAXABLE BONDS BEFORE THE ORIGINATION OR PURCHASE OF THE MORTGAGE LOAN ORIGINATED OR PURCHASED UNDER AS 44.47.380).

AM #6
PRELIMINARY

Proposed amendments by Senator Rodey:

Delete the following:

AS 45.88.010. Fund established [TERMINATES JUNE 30, 1984].

Section 43 of the bill: repeal and re-enact to read:

(e) The rate of interest equals the percentage of the average weekly yield of municipal bonds for the 12 months preceding the loan, as determined by the commissioner of commerce and economic development from municipal bond yield rates as reported in the 30-year revenue index of the Weekly Bond Buyer.

Delete Section 44

Amend Section 45 to read:

(3) does not include

- (A) a coal or multi-fuel heating stove; or
- (B) a fireplace.

Include intent language to state: "It is the intent of the Conference Committee on SB 666 that no more than 65 percent of the appropriation to the Alternative Technology and Energy Revolving Loan Fund be used to make loans for wood stoves."

STILL PENDING ON → SK 666 -

~~Amendment # 3(b) WOOD STOVES~~

amendment # 4 Passed SENIOR CITIZENS (technical)

amendment # 7(a) }
7(b) } 3/4 plus AHFC
7(c) } (" " (plus fiscal note)

~~amendment # 5 REPEALERS (see # 10 last section)~~

amendment # 15 Passed con Registered Contractors / AHFC

clarify interest p. 27 & 5 (non-confirming)

amendment # 48 AHFC / ratchet

II # 7 Housing Assistance

III # 31 " "

III # 32 ← Hold → Bond Bank

40/41 ← Hold → AIDA

~~III # 45 Hold ARE~~

III # 52 Passed Fishing

III # 53(a) H.A.D.
53(b) "

III # 54 Hold Sm. Bus.

letter of intent ← Passed → Fishing

LEGISLATION

Legislation

Original sponsors: Fahrenkamp, Bennett
and Parr

Offered: 4/1/82
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 666 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to certain state loan programs; and
7 providing for an effective date."

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

9 * Section 1. AS 03.10.020(1) is amended to read:

10 (1) make loans to individual resident farmers, homesteaders,
11 and partnerships or corporations composed of farmers and homesteaders,
12 for clearing land for agricultural purposes, development of farms, stor-
13 age and processing of farm produce, livestock and machinery and to indi-
14 viduals, partnerships or corporations, for storage and processing plants
15 for agricultural products;

16 * Sec. 2. AS 03.10.030(a) is repealed and reenacted to read:

17 (a) A farm development, chattel, or irrigation loan made under
18 this chapter

19 (1) may not exceed a term of 30 years;

20 (2) may not, when added to the outstanding balance of other
21 loans made under this chapter, exceed a total outstanding balance of
22 \$1,000,000;

23 (3) shall be secured by a real estate or chattel mortgage of
24 any priority, except that the portion of a loan that exceeds \$500,000,
25 when added to prior indebtedness that is secured by the same property,
26 must be secured by a first mortgage;

27 (4) shall bear interest at a rate that may not be less than
28 eight percent or more than the commercial rate, unless the commercial
29 rate is eight percent or less; in this paragraph "commercial rate" means

1 the prevailing rate of interest at private lending institutions in the
2 state for loans similar to those referred to in this subsection.

3 * Sec. 3. AS 03.10.030(c) is amended to read:

4 (c) A short term loan, to be amortized within one year, not to
5 exceed \$200,000 to any one borrower may be made for operating purposes,
6 except that short term loans made under this subsection for farm product
7 processing may be made for \$500,000 or less.

8 * Sec. 4. AS 03.10.030(e) is amended to read:

9 (e) An installment payment is delinquent unless it is mailed by
10 the borrower on or before the 30th [15TH] day after the date specified
11 for payment in the loan agreement or unless it is received by the depart-
12 ment on or before the 30th [15TH] day after the date specified for
13 payment in the loan agreement. If an installment payment is delinquent,
14 the director may [SHALL] assess a delinquency penalty. The delinquency
15 penalty shall be an amount equal to seven percent of the delinquent
16 payment, but the combined delinquency penalty and loan interest may not
17 exceed 15 percent.

18 * Sec. 5. AS 03.10.030 is amended by adding new subsections to read:

19 (g) A loan for clearing land may not

- 20 (1) exceed \$400,000;
21 (2) bear interest that exceeds eight percent; or
22 (3) have a term in excess of 30 years.

23 (h) The commissioner shall adopt regulations to establish other
24 terms for loans made under this chapter, consistent with the provisions
25 of this section, and may establish interest rates for loans under (a)(4)
26 of this section that

- 27 (1) encourage agricultural development;
28 (2) do not subsidize nonviable agricultural enterprises; and
29 (3) do not discriminate against existing agricultural enter-

1 prizes.

2 * Sec. 6. AS 03.10.050(a) is amended to read:

3 (a) The commissioner shall administer the loan fund in conjunction
4 with the agricultural revolving loan fund board. No loan in excess of
5 \$50,000 [\$25,000] may be made by the commissioner without the approval
6 of a majority of the board.

7 * Sec. 7. AS 03.10.050 is amended by adding a new subsection to read:

8 (c) A meeting of the agricultural revolving loan fund board to act
9 on applications for loans is exempt from the public meeting requirements
10 of AS 4.62.310.

11 * Sec. 8. AS 16.10.310 is repealed and reenacted to read:

12 Sec. 16.10.310. POWERS OF THE DEPARTMENT. (a) The department may

13 (1) make loans to

14 (A) individual commercial fishermen who have been state
15 residents for a continuous period of five years immediately preced-
16 ing the date of application for a loan under AS 16.10.300 - 16.10.-
17 370 and have had a crewmember or commercial fishing license under
18 AS 16.05.480 or a permit under AS 16.43 for any one of the past
19 five years, and who actively participated in the fishery during
20 that period, for the purchase of entry permits;

21 (B) an individual who has been a state resident for a
22 continuous period of five years immediately preceding the date of
23 application for a loan under AS 16.10.300 - 16.10.370, who (i)
24 because of lack of training or lack of employment opportunities in
25 the area of residence does not have occupational opportunities
26 available other than commercial fishing; or (ii) is economically
27 dependent on commercial fishing for a livelihood and commercial
28 fishing has been a traditional way of life for him in Alaska, for
29 the repair, restoration or upgrading of existing vessels and gear.

1 for the purchase of entry permits and gear, and for the construc-
2 tion and purchase of vessels;

3 (C) corporations, partnerships, or joint ventures, 100
4 percent of which are owned by individual commercial fishermen who
5 have been state residents for a continuous period of five years
6 immediately preceding the date of application for a loan under
7 AS 16.10.300 - 16.10.370 and have had a crewmember or commercial
8 fishing license under AS 16.05.480 or a permit under AS 16.43 for
9 any one of the past five years, and who actively participated in
10 the fishery during that period, for the repair, restoration or
11 upgrading of existing vessels and gear, for the purchase of gear,
12 and for the construction and purchase of vessels;

13 (2) designate agents and delegate its powers to them as
14 necessary;

15 (3) adopt regulations necessary to carry out its functions;

16 (4) establish amortization plans for repayment of loans,
17 which may include extensions for poor fishing seasons;

18 (5) enter into agreements with private lending institutions,
19 other state agencies, or agencies of the federal government, to carry
20 out the purposes of AS 16.10.300 - 16.10.370;

21 (6) enter into agreements with other agencies or organiza-
22 tions to create an outreach program to make loans under AS 16.10.300 -
23 16.10.370 in rural areas of the state.

24 (b) The department shall consult with the Department of Fish and
25 Game on regulations and procedures established under this chapter.

26 * Sec. 4 AS 16.10.320(a) is repealed and reenacted to read:

27 (a) A loan under AS 16.10.310 - 16.10.370

28 (1) made to

29 (A) an individual described in AS 16.10.310(a)(1)(A) may

1 not exceed \$300,000;

2 (B) an individual, corporation, partnership, or joint
3 venture described in AS 16.10.310(a)(1)(B) or (C) may not exceed
4 \$100,000;

5 (2) may not exceed a term of 15 years;

6 (3) may not bear interest exceeding 10 and one-half percent;

7 (4) may be secured by a first priority lien and appropriate
8 security agreement; and

9 (5) may not exceed 75 percent of the appraised value of the
10 collateral used to secure the loan, except that a loan granted under
11 AS 16.10.333 for the purchase of an Alaska limited entry permit may not
12 exceed an amount determined in accordance with (f) or (h) of this
13 section.

14 * Sec. 10. AS 16.10.320(d) is amended to read:

15 (d) A loan may not be made to a borrower under AS 16.10.300 -
16 16.10.370 if it would result in an outstanding debt of the borrower to
17 the commercial fishing revolving loan fund in excess of \$300,000
18 [\$500,000, EXCLUDING OUTSTANDING DEBT INCURRED UNDER (c) OF THIS SECTION.
19 A BORROWER UNDER AS 16.10.300 - 16.10.370 MAY USE UP TO 49 PERCENT OF
20 THE AMOUNT BORROWED TO REFINANCE ANY OUTSTANDING LOANS OF THE BORROWER
21 REGARDLESS OF THE SOURCE OF THE LOANS, IF THE OUTSTANDING LOANS WERE
22 MADE FOR ANY OF THE PURPOSES DESCRIBED IN AS 16.10.310]. A loan to an
23 associate of the borrower is considered to be a loan to the borrower.
24 For the purposes of this section, "associate of the borrower" means

25 (1) a corporation or other organization of which the borrower
26 is an officer, director or partner, or is, directly or indirectly, the
27 beneficial owner of 10 percent or more of any class of equity securi-
28 ties;

29 (2) a person who is, directly or indirectly, the beneficial

1 owner of 10 percent or more of any class of equity securities of the
2 borrower;

3 (3) a trust or other estate in which the borrower has a
4 substantial beneficial interest or as to which the borrower serves as
5 trustee or in a similar fiduciary capacity.

6 * Sec. 11. AS 16.20.320(e) is amended to read:

7 (e) Two or more individual commercial fishermen who each satisfy
8 the requirements specified in AS 16.10.310(a)(1)(B) [AS 16.10.310(a)(1)-
9 (A)] may jointly obtain a commercial fishing loan for the construction
10 of a fishing vessel or the purchase of an existing fishing vessel.

11 Loans granted under this subsection

12 (1) may not exceed the amount specified in (a)(1) of this
13 section multiplied by the number of qualified commercial fishermen
14 applying for the loan;

15 (2) may not exceed a term of 15 years;

16 (3) shall be secured by a first priority lien and appropriate
17 security agreement;

18 (4) may not bear interest exceeding 10 [NINE] and one-half
19 percent; and

20 (5) may not exceed 75 percent of the appraised value of the
21 collateral used to secure the loan.

22 * Sec. 12. AS 16.10.320(f) is amended to read:

23 (f) Except as permitted in (h) of this section a [A] loan granted
24 under AS 16.10.333(a) for the purchase of an Alaska limited entry permit
25 may not exceed 90 percent of the appraised value of the collateral used
26 to secure the loan.

27 * Sec. 13. AS 16.10.320 is amended by adding a new subsection to read:

28 (h) A loan under AS 16.10.333(a) may be made for up to 100 percent
29 of the appraised value of the collateral used to secure the loan if the

1 borrower demonstrates that he has at least three years of experience as
2 a commercial fisherman in the fishery to which the entry permit applies;
3 as used in this paragraph, "three years of experience as a commercial
4 fisherman in the fishery" means that for an accumulated total of three
5 fishing seasons in the same fishery the person has actively participated
6 in the commercial harvest of fish under the direction of a limited entry
7 permit holder.

8 * Sec. 14. AS 16.10 is amended by adding a new section to read:

9 Sec. 16.10.325. GUARANTORS. A person may act as guarantor if the
10 borrower has insufficient collateral to secure a loan for the purposes
11 described in AS 16.10.310(a)(1)(B). The loan agreement shall specific-
12 ally describe the property of the guarantor to be used as collateral by
13 the borrower and shall be signed by the guarantor and the borrower. The
14 department shall provide the guarantor with a copy of all notices sent
15 to the borrower by the department. If the loan is for the purchase of
16 an entry permit, the guaranty by the guarantor may not constitute a
17 lien, mortgage, or encumbrance on or pledge of the entry permit.

18 * Sec. 15. AS 18.55.997 is amended to read:

19 Sec. 18.55.997. RESIDENTIAL LOANS. (a) In addition to the powers
20 authorized to a regional housing authority under AS 18.55.996, a regional
21 housing authority may, in accordance with procedures and policies adopted
22 and approved by the division of housing assistance in the Department of
23 Community and Regional Affairs [BOARD OF DIRECTORS OF THE ALASKA HOUSING
24 FINANCE CORPORATION], make loans for the purchase or development of resi-
25 dential housing in rural areas of the state. A loan shall be secured by
26 collateral in an amount acceptable to the division of housing assistance
27 in the Department of Community and Regional Affairs [BOARD OF DIRECTORS
28 OF THE ALASKA HOUSING FINANCE CORPORATION]. The rate of interest on a
29 loan authorized by this section may not exceed the interest rate on a

1 loan originated or purchased under AS 44.47.360 - 44.47.560 [AN INTEREST
2 RATE APPROVED BY THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE
3 CORPORATION].

4 (b) In this section,

5 (1) "development" means the construction of a new residence
6 or the repair, remodeling, rehabilitation or expansion of an existing
7 home;

8 (2) "rural" means

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

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

14 * Sec. 16. AS 18.56.040 is amended by adding a new subsection to read:

15 (d) Public notice of 24 hours or more shall be given before a
16 meeting of the board at which the issuance of corporation bonds is
17 authorized.

18 * Sec. 17. AS 18.56 is amended by adding a new section to read:

19 Sec. 18.56.084. INTERNATIONAL BORROWING. For the purpose of
20 obtaining access to international capital markets to borrow money for
21 the special mortgage loan purchase program (AS 18.56.098), as an addition
22 to the powers of the corporation under AS 18.56.090, the corporation may
23 (1) establish or cause to be established, subsidiary corporations in-
24 corporated in the state or in another state, or under the laws of a
25 foreign jurisdiction; (2) invest in corporations established under this
26 section; (3) issue bonds and borrow money for investments in corpora-
27 tions established under this section; (4) borrow from corporations
28 established under this section; (5) guarantee the obligations of corpora-
29 tions established under this section; (6) enter into agreements with

1 corporations established under this section or with other persons; or
2 (7) do anything otherwise necessary to facilitate access to international
3 capital markets. A guarantee under this section constitutes a bond of
4 the corporation as defined in AS 18.56.210(13).

5 * Sec. 18. AS 18.56.098(f)(4) is amended to read:

6 (4) "residence" means an owner-occupied, single-family resi-
7 dence, including a mobile home, or an owner-occupied duplex, triplex or
8 four-plex.

9 * Sec. 19. AS 18.56.098(g)(2) is amended to read:

10 (2) The interest rate on the first \$90,000 of a mortgage loan
11 for a single-family or duplex residence, on the first \$105,000 of a
12 mortgage loan for a triplex residence, and on the first \$140,000 of a
13 mortgage loan for a four-plex residence purchased with the proceeds of a
14 second or subsequent issue of taxable bonds of the corporation shall be
15 determined as follows:

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

20 (B) Except as provided in (C) and (D) of this paragraph
21 and (3) of this subsection, the interest rate may not be less than
22 10 percent and may not be reduced.

23 (C) If the difference between the cost of funds of an
24 issue of taxable bonds and the interest rate established for a
25 mortgage loan purchased with the proceeds of the previous issue
26 would be equal to or less than three percent, the interest rate on
27 mortgage loans purchased with the proceeds of that taxable bond
28 issue and subsequent taxable bond issues is three percent less than
29 the cost of funds of the taxable bond issue that is used to purchase

1 the mortgage loan.

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

8 * Sec. 20. AS 18.56.098(g)(3) is amended to read:

9 (3) An interest rate determined under this subsection on the
10 first \$90,000 of a mortgage loan that is not purchased from the proceeds
11 of bonds that are qualified veterans' mortgage bonds under the Mortgage
12 Subsidy Bond Tax Act of 1980 (26 U.S.C. 103(A)), as amended, shall be
13 reduced by one percentage point if the loan is made to an eligible
14 veteran under AS 18.56.101.

15 * Sec. 21. AS 18.56.098(g)(6) is amended to read:

16 (6) The interest rate on the first \$90,000 of a mortgage loan
17 for a single-family or duplex residence, on the first \$105,000 of a
18 mortgage loan for a triplex residence and on the first \$140,000 of a
19 mortgage loan for a four-plex residence purchased from the proceeds of
20 bonds that are exempt from taxation under the Mortgage Subsidy Bond Tax
21 Act of 1980 (26 U.S.C. 103(A)) is 10 percent or the cost of the funds,
22 whichever is less. A higher or lower interest rate shall be established
23 on the entire loan amount if required under the Mortgage Subsidy Bond
24 Tax Act.

25 * Sec. 22. AS 18.56.098 is amended by adding new subsections to read:

26 (1) The interest rate on the first \$90,000 of a mortgage loan
27 purchased from the proceeds of bonds that constitute qualified veterans'
28 mortgage bonds under the Mortgage Subsidy Bond Tax Act of 1980 (26
29 U.S.C. 103(A)) as amended, is the greater of (1) four percent less than

1 the cost of funds or (2) the rate for other loans to veterans under
2 AS 18.56.098(g)(3). A higher or lower interest rate shall be estab-
3 lished on the entire loan amount if required under the Mortgage Subsidy
4 Bond Tax Act of 1980.

5 (j) If the money used to purchase a mortgage loan made to a veteran
6 under this section comes from an issue of bonds of the corporation
7 guaranteed by the state each bond must be issued as part of an issue
8 substantially all of the proceeds of which are used to provide resi-
9 dences for veterans, or be issued in such other manner that may be
10 necessary to insure that the bond is a "qualified veteran's mortgage
11 bond" under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103(A)),
12 as amended.

13 (k) The interest rate limitations of AS 45.45.010 do not apply to
14 loans purchased under this section or to loans that the corporation has,
15 in any manner, committed itself to purchase.

16 * Sec. 23. AS 18.56 is amended by adding a new section to read:

17 Sec. 18.56.102. COMMITMENTS FOR THE PURCHASE OF MORTGAGE LOANS.

18 The corporation shall offer commitments for the purchase of mortgage
19 loans at the interest rate prevailing for similar mortgage loans at the
20 time a commitment is made. The corporation shall charge a commitment fee
21 for an initial 90-day commitment of one-half percent of the amount of the
22 mortgage loan for which the commitment is purchased. A commitment made
23 under this section may be extended for a second 90-day period for an
24 additional fee of one-half percent of the amount of the mortgage loan
25 and, at the option of the corporation, for further periods of one month
26 for an additional fee of one-sixth percent of the amount of the mortgage
27 loan for each month the commitment is extended. A commitment made under
28 this section, including extensions, may not exceed one year.

29 * Sec. 24. AS 18.56.110(b) is amended to read:

1 (b) The principal and interest on these bonds or notes, except
2 state guaranteed bonds, is payable from corporation funds, excluding
3 funds in the housing development fund. The principal and interest on
4 state guaranteed bonds is payable from corporation funds, excluding
5 funds in the housing development fund, and in accordance with the terms
6 of the state guaranty of principal and interest. Bond anticipation
7 notes may be payable from the proceeds of the sale of bonds or from the
8 proceeds of sale of other bond anticipation notes or, in the event bond
9 or bond anticipation note proceeds are not available, such notes may be
10 paid from other funds or assets of the corporation. Bonds or notes may
11 be additionally secured by a pledge of a grant or contribution from the
12 federal government, or a corporation, association, institution or person,
13 or a pledge of money, income, or revenues of the corporation from any
14 source. Notes issued in anticipation of the sale of bonds that are to
15 be issued under this chapter and guaranteed as to principal and interest
16 by the state are guaranteed as to principal and interest by the state
17 and secured by the full faith, credit and resources of the state.

18 * Sec. 25. AS 18.56.110(d) is amended to read:

19 (d) Bonds or bond anticipation notes, except state guaranteed
20 bonds and bond anticipation notes, may be sold in the manner, on the
21 terms and at the price the corporation determines. State guaranteed
22 bonds and bond anticipation notes shall be sold at public sale by the
23 corporation in amounts and at times as may be approved by the state
24 bond committee, on terms and at the price fixed under the notice of
25 sale.

26 * Sec. 26. AS 27.09.010 is amended by adding a new subsection to read:

27 (b) The mining loan fund is a revolving fund consisting of ap-
28 propriations made to the fund by the legislature and repayments of
29 principal and interest on loans made from the fund. Money appropriated

1 to or repaid into the fund does not lapse in accordance with AS 37.25.-
2 010.

3 * Sec. 27. AS 29.48.110(a) is amended to read:

4 (a) In addition to existing municipal authority providing for the
5 preservation, protection, and maintenance of historic sites, the local
6 historical district commission established under AS 29.48.108, in con-
7 sultation with the Historic Sites Advisory Committee within the Depart-
8 ment of Natural Resources, may establish [A] historical districts
9 [DISTRICT] within the boundaries of the municipality.

10 * Sec. 28. AS 44.33.255(c) is amended to read:

11 (c) The duration for repayment of a loan may not exceed 20 [10]
12 years.

13 * Sec. 29. AS 44.47.370(3) is amended to read:

14 (3) purchase or participate in the purchase of nonconforming
15 and rural housing mortgage loans in accordance with AS 44.47.360 -
16 44.47.560;

17 * Sec. 30. AS 44.47.370(4) is amended to read:

18 (4) purchase or participate in the purchase of loans for
19 building materials for nonconforming and rural housing in accordance
20 with AS 44.47.360 - 44.47.560;

21 * Sec. 31. AS 44.47.380 is amended to read:

22 Sec. 44.47.380. [NONCONFORMING] HOUSING ASSISTANCE LOAN FUND.
23 There is created in the Department of Community and Regional Affairs the
24 [NONCONFORMING] housing assistance loan fund consisting of money appro-
25 priated to it by the legislature. The director shall administer the
26 [NONCONFORMING] housing assistance loan fund in accordance with AS 44.-
27 47.360 - 44.47.560 and shall use the money in the [NONCONFORMING] housing
28 assistance loan fund to originate, purchase, or participate in the pur-
29 chase of

- 1 (1) nonconforming and rural housing mortgage loans;
2 (2) loans made for building materials for nonconforming
3 and rural housing;
4 (3) loans made for renovations or improvements to nonconform-
5 ing and rural housing;
6 (4) loans made for the construction of owner-occupied noncon-
7 forming and rural housing other than loans to builders or contractors or
8 loans that compensate an owner for his labor or services in constructing
9 his own housing.

10 * Sec. 32. AS 44.47.385(a) is amended to read:

11 (a) The director may make loans from the [NONCONFORMING] housing
12 assistance loan fund only for nonconforming and rural housing loans to
13 qualified buyers for nonconforming and rural housing.

14 * Sec. 33. AS 44.47.390 is amended to read:

15 Sec. 44.47.390. LIMITATIONS ON USE OF [NONCONFORMING] HOUSING
16 ASSISTANCE LOAN FUND. The director may not use the money in the [NON-
17 CONFORMING] housing assistance loan fund to

18 (1) originate a direct loan or purchase or participate in the
19 purchase of a nonconforming or rural housing mortgage loan that [WHICH]
20 exceeds the limitations on mortgage loans purchased by the Federal
21 National Mortgage Association as to principal amount or loan-to-value
22 ratio;

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

26 (A) that [WHICH] exceeds \$45,000 or exceeds

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

1 as collateral for the loan; or

2 (ii) 90 percent of the value of other property which
3 is pledged as security for the loan and which is satisfactory
4 to the director as collateral;

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

8 (C) unless the period of time allowed for repayment of
9 the loan is equal to or less than 15 years;

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

17 * Sec. 34. AS 44.47.420(a) is amended to read:

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

22 * Sec. 35. AS 44.47.430(b) is amended to read:

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

1 loan fund.

2 * Sec. 36. AS 44.47.440 is amended to read:

3 Sec. 44.47.440. FIRE INSURANCE. Before purchasing or participat-
4 ing in the purchase of a nonconforming or rural housing mortgage loan,
5 the director may require the borrower to agree to purchase and maintain
6 fire insurance for the real property for which the loan is made in an
7 amount not less than the outstanding principal balance of the loan.

8 * Sec. 37. AS 44.47.470 is amended to read:

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

17 * Sec. 38. AS 44.47.510(b) is amended to read:

18 (b) Unless otherwise required by an appropriation, the director
19 shall allocate the money in the [NONCONFORMING] housing assistance loan
20 fund among the regions established under (a) of this section for the
21 purpose of originating or purchasing each type of loan described in
22 AS 44.47.380. In making an allocation under this subsection, the direc-
23 tor shall consider the past and potential lending activity of private
24 financial institutions in the region as well as the need for loans in
25 the region. The director may reallocate the money among the regions as
26 he considers necessary.

27 * Sec. 39. AS 44.47 is amended by adding a new section to read:

28 Sec. 44.47.520. LOANS FOR NON-OWNER OCCUPIED HOUSING. (a) In
29 addition to the powers authorized by AS 44.47.370 the director may adopt

1 regulations allowing the use of money in the housing assistance loan
2 fund to make loans for the purchase or development of non-owner occupied
3 housing in rural areas of the state.

4 (b) The rate of interest on a loan authorized by this section may
5 not exceed nine and one-half percent.

6 (c) In this section

7 (1) "development" means the construction of a new residence
8 or the repair, remodeling, rehabilitation, or expansion of an existing
9 residence;

10 (2) "non-owner occupied housing" means a single-family resi-
11 dence or a multi-family residence having up to eight dwelling units
12 that is not nonconforming housing, and is not occupied by the owner.

13 * Sec. 40. AS 44.47.560 is amended by adding new paragraphs to read:

14 (5) "rural" means

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

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

20 (6) "rural housing" means housing, other than nonconforming
21 housing, that is located in a rural area of the state.

22 * Sec. 41. AS 44.88 is amended by adding a new section to read:

23 Sec. 44.88.153. MULTI-FAMILY HOUSING LOANS. (a) The authority
24 may purchase loans made for the construction of qualified multi-family
25 housing.

26 (b) A loan for qualified multi-family housing

27 (1) may not exceed the cost of the qualified multi-family
28 housing project, or 75 percent of the appraised value of the project,
29 whichever is less;