

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 86/2

2180 HCRA HB 285 - HB 302

H

B

285

3/30

COMMITTEE REPORT

HOUSE

FINANCE

FURTHER:

(3)

3/23/83

*Ret
To
✓*

Date: _____

Mr. Speaker:

The Committee on COMMUNITY & REGIONAL AFFAIRS has had HB 285

An Act making miscellaneous supplemental appropriations; and providing for an effective date.

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

_____ CHAIRMAN

Alaska State Legislature

Barbara Lacher, Chairman
Mae Tischer, Vice-Chairman
Randy Phillips
Milo Fritz
Don Clocksin
Jack McBride
Mike Szymanski



Room 104
State Capitol
Juneau, Alaska 99811

Pouch V
Juneau, Alaska 99811

House of Representatives Committee on Community & Regional Affairs

MEMORANDUM

TO: COMMITTEE ON COMMUNITY & REGIONAL AFFAIRS

FROM: STAFF

DATE: MARCH 18, 1983

SUBJECT: HB 227

In accordance with instructions from the Committee a CSHB 227 has been prepared. The CS contains only those portions of HB 227 that pertain to salary increases; and, the amount of \$312,200 for the Legislative Affairs Agency was reduced to \$273,265. The difference, \$38,935, is the amount in the Legislative Affairs Agency appropriation that was designated for salary increase of Legislators.

The staff is having a committee sponsored bill prepared that will include all remaining appropriations from the original HB 227 except that the amounts for municipal aid and revenue sharing will reflect the same amounts previously approved by the committee for those purposes.

Alaska State Legislature

REPRESENTATIVE
BARBARA LACHER
P.O. BOX 478
PALMER, ALASKA 99645
(907) 376-4215



WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4894

House of Representatives

TO: All Community and Regional Affairs Committee Members.
FROM: House Community and Regional Affairs Staff.
RE: HB 285

House Bill 285 was prepared at the direction of the committee. It contains all of the supplemental appropriations that were originally in HB 227 except for appropriations for salary increases which are in CSHB 227.

The amount of supplemental appropriations in Section 1 and Section 2 of HB 285 have been changed from the amounts requested in HB 227. Section 1 was changed from 16.1 million to 25.1 million and Section 2 was changed from 2.9 million to 2.938 million because the Committee previously acted on legislation that appropriated the higher amounts for the respective purposes.

Staff attempted to have the title of HB 285 further specified to be more restrictive but was advised by Legal Affairs that in this case, it was not possible.

Offered: 3/11/83
Referred: Rules

Original sponsors: Sackett, Ferguson
and Mulcahy

<u>Funding Information</u>	
General Fund	\$30,400,000
Other Funds	-0-
	<u>\$30,400,000</u>

*get copy
of CS HB
285 from
clerk's
office. [Signature]*

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 98 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making supplemental appropriations for finan-
7 cial assistance to municipalities, unincorporated
8 communities, and other recipients; and providing for
9 an effective date."

10

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

11

* Section 1. The sum of \$25,000,000 is appropriated from the general
12 fund to the Department of Revenue for the municipal assistance fund
13 (AS 43.20.016(a)) for distribution to municipalities for the fiscal year
14 ending June 30, 1983.

*HB 153
HB 285*

15

* Sec. 2. The sum of \$2,500,000 is appropriated from the general fund
16 to the Department of Community and Regional Affairs for the unincorporated
17 community assistance grants authorized by sec. 2, ch. 60, SLA 1981 for
18 payment during the fiscal year ending June 30, 1983.

HB 285

19

* Sec. 3. The sum of \$2,900,000 is appropriated from the general fund
20 to the miscellaneous services account (AS 29.89.080) for distribution under
21 AS 29.89 and AS 29.95.010(b) to municipalities and other recipients for the
22 fiscal year ending June 30, 1983.

HB 152

23

* Sec. 4. The unexpended and unobligated portions of the appropriations
24 made by this Act lapse into the general fund June 30, 1983.

25

* Sec. 5. This Act takes effect immediately in accordance with AS 01.-
26 10.070(c).

HB 227 = ^{pay raise} CS less Legislative pay raise
HB 226 - enabling pay raise - not covered (Less Legislators)

~~HB 285~~

Committee Substitute - indiv Recs -

Delete Sec 3

Finance 3
affairs 1/2/13
Revenue 2

Sachs - Phillips Draft -

Order "new Bill" - Remove all statutes,
or what ever necessary to dissociate pay
increases of legislators from any other pay increases
or actions. The intent is to require separate,
individual legislation any time there is to be
approved a pay raise for legislators.

~~HB 162~~
HB 162
OS-
Munich 2

24.15.020

- The 1982
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2 ch 26 SLA
am § 6 ch 148
SLA 1980)

§ 24.15.050

LEGISLATURE

§ 24.20.060

Effect of amendments. — Section 14, ch. 3, SLA 1980 applicable to calendar year 1979, retroactive to January 1, 1979, rewrote this section to read as follows:

"Sec. 24.15.020. Annual legislative compensation. (a) The annual salary for each member of the legislature is \$15,500, payable monthly in 12 equal installments. The president of the senate and speaker of the house of representatives are each enti-

tled to an additional \$500 a year during tenure of office.

"(b) Except as provided by a general law applicable to all officers of the state, the compensation of a member of the legislature may not be reduced during his term of office."

Section 28 of ch. 3 retroactive to January 1, 1980, again rewrote the section.

Sec. 24.15.050. Legislative transportation. A member of the legislature is entitled to reimbursement for the expense of moving between his place of residence and the capital city for the purpose of attending a regular session of the legislature. Reimbursement shall be as provided by regulations covering state employees adopted by the commissioner of administration under AS 39.20.160. (§ 1 ch 36 SLA 1959; am § 4 ch 100 SLA 1963; am § 1 ch 106 SLA 1975; am § 29 ch 3 SLA 1980)

Effect of amendments. — The 1980 amendment retroactive to January 1, 1980, rewrote the section.

Chapter 20. Agencies of the Legislature.

Article

4. Legislative Board of Retirement Benefits (Repealed)

Article 1. Legislative Council.

Section

60. Powers

62. Legislative internship program

75. Alaska Code Revision Commission

Sec. 24.20.060. Powers. The legislative council has the following powers:

- (1) to organize and adopt rules for the conduct of its business;
- (2) to hold public hearings, administer oaths, issue subpoenas, compel the attendance of witnesses and production of papers, books, accounts, documents, and testimony, and to have the deposition of witnesses taken in a manner prescribed by court rule or law for taking depositions in civil actions when consistent with the powers and duties assigned to the council by AS 24.20.010 — 24.20.140;
- (3) to call upon all state officials, agencies and institutions to give full cooperation to the council and its executive director by collecting and furnishing information, conducting studies and making recommendations;
- (4) in addition to providing the administrative services required for the operation of the legislative branch:

Cross references. — For provisions relating to special sessions to meet operating budget obligations, see 37.05.159.

Effect of amendments. — The 1982 amendment added subsection (b).

Chapter 15. Compensation of Legislators, Officers and Employees.

Article 1. Legislators.

Section

- 10. Legislative per diem
- 20. Salary of legislators
- 50. Legislative transportation

Sec. 24.15.010. Legislative per diem. (a) Each member of the legislature is entitled to receive per diem at the same rate allowed for a state employee under AS 39.20.110 and 39.20.160, including regional variations in the rate where applicable.

(b) A legislator is entitled to receive per diem at the short-term rate

(1) during a legislative session if he does not live in his place of permanent residence during the session; and

(2) while he is on committee business for an interim committee of the legislature in a place which is not his place of permanent residence.

(c) A legislator is entitled to receive per diem at the long-term rate

(1) during a legislative session if he lives in his place of permanent residence during the session; and

(2) while he is engaged in committee business for an interim committee of the legislature at his place of permanent residence.

(d) In this section

(1) "long-term rate" means the long-term per diem rate established in regulations adopted by the commissioner of administration under AS 39.20.160;

(2) "short-term rate" means the short-term per diem rate established in regulations adopted by the commissioner of administration under AS 39.20.160. (§ 1 ch 26 SLA 1961; am § 3 ch 100 SLA 1963; am § 8 ch 193 SLA 1970; am § 5 ch 87 SLA 1971; am § 6 ch 263 SLA 1976; am § 13 ch 3 SLA 1980)

Effect of amendments. — The 1980 amendment retroactive to January 1, 1979, rewrote the section.

Sec. 24.15.020. Salary of legislators. The monthly salary for each member of the legislature is equal to Step A, Range 10 of the salary schedule in AS 39.27.011(a) for Juneau, Alaska. The president of the senate and the speaker of the house of representatives are each entitled to an additional \$500 a year during tenure of office. (§ 2 ch 26 SLA 1961; am § 1 ch 149 SLA 1966; am § 9 ch 193 SLA 1970; am § 6 ch 148 SLA 1976; am § 7 ch 263 SLA 1976; am §§ 14, 28 ch 3 SLA 1980)

Effect of amendments. — The 1980 amendment retroactive to January 1, 1979, rewrote this section to read: "Sec. 24.15.020. As compensation. (a) The salary of each member of the legislature is payable monthly in 12 equal installments. The president of the senate and the speaker of the house of representatives are each entitled to an additional \$500 a year during tenure of office." (§ 2 ch 26 SLA 1961; am § 1 ch 149 SLA 1966; am § 9 ch 193 SLA 1970; am § 6 ch 148 SLA 1976; am § 7 ch 263 SLA 1976; am §§ 14, 28 ch 3 SLA 1980)

Sec. 24.15.050. Legislative per diem. The legislature is entitled to receive per diem at the same rate allowed for a state employee under AS 39.20.110 and 39.20.160, including regional variations in the rate where applicable. (a) A legislator is entitled to receive per diem at the short-term rate (1) during a legislative session if he does not live in his place of permanent residence during the session; and (2) while he is on committee business for an interim committee of the legislature in a place which is not his place of permanent residence. (b) A legislator is entitled to receive per diem at the long-term rate (1) during a legislative session if he lives in his place of permanent residence during the session; and (2) while he is engaged in committee business for an interim committee of the legislature at his place of permanent residence. (c) In this section (1) "long-term rate" means the long-term per diem rate established in regulations adopted by the commissioner of administration under AS 39.20.160; (2) "short-term rate" means the short-term per diem rate established in regulations adopted by the commissioner of administration under AS 39.20.160. (§ 1 ch 26 SLA 1961; am § 3 ch 100 SLA 1963; am § 8 ch 193 SLA 1970; am § 5 ch 87 SLA 1971; am § 6 ch 263 SLA 1976; am § 13 ch 3 SLA 1980)

Effect of amendments. — The 1980 amendment retroactive to January 1, 1979, rewrote the section.

Chapter 16. Powers and Duties of the Legislature.

Article

4. Legislative Board

Section

- 60. Powers
- 62. Legislative intent
- 75. Alaska Code Revisions

Sec. 24.20.06. Powers. (1) to organize and conduct the business of the legislature; (2) to hold public hearings and receive testimony from witnesses taken at public hearings; (3) to call upon any person to appear before the legislature or any committee thereof and furnish full cooperation and information; (4) in addition to the powers conferred by the constitution, to make and enforce such rules and regulations as may be necessary for the operation of the legislature.

(1) to organize and conduct the business of the legislature; (2) to hold public hearings and receive testimony from witnesses taken at public hearings; (3) to call upon any person to appear before the legislature or any committee thereof and furnish full cooperation and information; (4) in addition to the powers conferred by the constitution, to make and enforce such rules and regulations as may be necessary for the operation of the legislature.

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H B

302

Alaska State Legislature

REPRESENTATIVE
BARBARA LACHER
P.O. BOX 478
PALMER, ALASKA 99645
(907) 376-4215



WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4894

House of Representatives

M E M O R A N D U M

TO: REPRESENTATIVE LACHER

FROM: SARAH ROBINSON

SUBJECT: C&RA RURAL HOUSING ASSISTANCE PROGRAM

DATE: April 19, 1983

John Aycock called from Kotzebue today to voice a complaint to the C&RA Committee concerning an "unfair" January 1983 decision made by the Department of Community and Regional Affairs for a "90% mortgage ceiling on rural housing loans." He requested that Representative Lacher, as chairperson of the House C&RA Committee, look into this matter and correct the "unfair" decision. He further argued that this program prevented native residents from affording home investments due to the high down payment required with a 90% loan ceiling. "This policy prevents native residents from purchasing homes and forces them to live in apartments. There are many native friends of mine who would like to purchase this home, but can ill afford the down payment."

Upon questioning I determined from Mr. Aycock, that he has lived in Alaska for the past four years. All of these four years have been spent in his job in Kotzebue with the Department of Education. He is the outgoing principle of the Kotzebue Elementary School. Mr. Aycock is trying to sell his house for \$112,500.00, and he claims that with the 90% ceiling this requires the purchaser to come up with a \$13,000.00 down payment. He has been unable to locate a buyer for his house.

I contacted Ray Price of the Housing Assistance Division of the Department of Community and Regional Affairs, and asked him about the program for rural housing loans. As illustrated in the audit report we just received in this office (filed under Audit), urban housing loans are under a separate program from rural housing loans. The urban housing loans receive an interest rate according to a percentage chart provided in the audit report. For example the interest rate is 10% up to \$90,000.00 and then it rises, with price increases in the homes, according to an established table. For rural housing loans, in contrast, the interest rate is a flat 10.5% irregardless of the cost of the home. I inquired about the 90% ceiling on loans and Mr. Price explained that the ceilings are, as a rule, 95% for rural housing loans.

The only exception being a decision made by Barbara Morse-Quinn, Director of the Housing Assistance Division of C&RA, this last January for one class of homes built in rural areas that do not meet state housing standards. The Kotzebue case under examination falls into this category.

John Aycock is trying to sell his house built by Jo Max Contractors, and constructed by Ben Lowman Construction, in Kotzebue. This housing was determined to be poorly built and therefore C&RA changed its loan ceiling to 90% for this and several other similar cases. In either the 90% or 95% case, the amount is determined between the lowest of two valuations: 1) the appraisal price, or 2) the sales price. Obviously Mr. Aycock's sales price is higher than the appraised valuation of his home.

Mike Scott, Aide to Senator Ferguson, and resident of Kotzebue completed the picture. Three years ago, Jo Max obtained a HUDD contract in Kotzebue. The resulting housing had collapsing walls, no roof insulation, poorly fitting doors and windows, and so on. Jo Max then went into the construction of private single family homes in the same region. C&RA became involved following a number of complaints. The Department of C&RA almost took Jo Max to court over this case, but instead settled for a lower loan ceiling on these houses. Mr. Scott says that C&RA was very responsible about this and that they had on site inspections, etc. Mr. Scott further informed me that the "natives" are not "restless" to get out of apartments into Jo Max housing. In fact they have no problems obtaining available housing in the area. The Jo Max homes are notorious in the region for their poor construction and are not in that much demand in the local real estate market. When informed of the sale price on Mr. Aycock's home, Ferguson's Aide said that these houses (1,000 square feet max.) were selling for \$95,000.00 only last year, and that Mr. Aycock is clearly trying to make a profit before he leaves the "bush" for bigger things. The issue of the "poor suffering natives," in other words, is a cloak behind which Mr. Aycock hides his self-interests. The reason he called Representative Lacher, House Chairperson of C&RA, rather than Senator Ferguson, Senate Chairperson of C&RA, is obvious--he went seeking sympathy to an ear he hoped would be ignorant of the situation. The catch? He says he is moving to the Palmer area later this year.

Please advise.

John Aycock
P.O. Box 264
Kotzebue, AK 99752

442--3342(W)
442--3629(H)

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 15, 1983

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

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

POSITION PAPER

RE: CS For HB 302 (C&RA)

SPONSOR: Community and Regional Affairs Committee

Program Effects of Bill

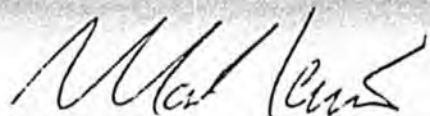
Section 1 eliminates the one year residency requirements affecting veterans. The new provision allows a greater number of veterans to qualify for a 1% reduction in interest rates on mortgages for urban nonconforming mortgage loans. The division concurs with this section.

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

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

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

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



Mark Lewis, Commissioner

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

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

II. FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

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

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

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: B. Morse-Quinn/R. Price Phone: 272-4585
 Division: Housing Assistance Division Date: 4/15/83
 Approved by Commissioner: [Signature] Date: 4/15/83
 Department: Community and Regional Affairs

Distribution:

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

3/8/83

Home Ownership Assistance Fund (HOAF) Assumptions for Fiscal Note

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

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

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

3 times income for all borrowers
3. Subsidies are calculated for payments of 1 adult and 2 children in rural Alaska to be subsidized from ratchet rate of 10% to HOAF rate of 6%. Average salary is computed at \$2,835 per month with subsidy of \$236.30 per month.
4. Capital projections assume accumulated subsidy projections. Annual subsidy rates are noted.
5. Revenue projections assume accumulated interest of 6% returning to the General Fund. Annual interest earnings are noted. Principal repayment is assumed to revolve back to the fund and is not calculated as revenue.
6. Position requests assume a specialization of duties and can absorb the year round program levels projected with no increased staff.
7. Travel is assumed to reflect both direct and indirect lending services of the division. FY'84 travel reflects the following specific assumptions:

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

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

Notes for Form 13 Calculations

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

Notes for Personal Services Category Projections

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

Notes for Revenue Projections

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

STATE OF ALASKA

Bill Sheffield, Governor

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

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

April 12, 1983

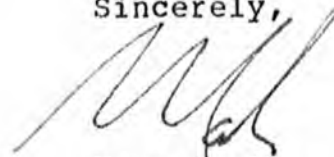
The Honorable Barbara Lacher
Representative
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Lacher:

Enclosed is written testimony outlining the Department of Community and Regional Affairs position on HB 302 and HB 305. Also enclosed is the Department's response to Legislative Audit's preliminary audit report, dated March 10, 1983.

Hopefully your committee will consider this written testimony in your development of a combined HB 302 and HB 305 loans bill.

Sincerely,



Mark Lewis
Commissioner

Enclosures

*Barb -
attached is copy of
DC&RA response on the
legislative audit report
on Housing assistance. It
was rushed over today. I
can reproduce for committee
files if you want.*

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT

April 1, 1983

Mr. Gerald L. Wilkerson
Legislative Auditor
Division of Legislative Audit
Pouch W
Juneau, Alaska 99811

Dear Mr. Wilkerson:

Re: "A Report on the Department of Community and Regional Affairs, Housing Assistance Loan Fund, For the Fiscal Year Ended June 30, 1982." Preliminary Audit Report (CONFIDENTIAL)

This letter comes in response to your communications of March 9 and 10, 1983 on the above referenced audit document.

A. Recommendation No. 1

HAD should assess the interest rate on mortgage loans in compliance with Alaska Statutes.

The department concurs with this recommendation. On December 28, 1982 a letter announcing an interest rate change for the Housing Assistance Loan Fund, Nonconforming Loan Program, was forwarded in response to Interim Letter No. 1 on your audit findings. Enclosed as Enclosure A-1 please find our interest rate notification letter of November 18, 1982 and our subsequent interest rate notification letter of March 11, 1983 (Enclosure A-2).

In addition to implementing a fixed date procedure for interest rate changes, enclosed you will also find our January 31, 1983 Request for Opinion of the Attorney General on this subject. (Enclosure A-3). Because of bond sale reserves at Alaska Housing Finance Corporation, taxable sales are frequently held well in advance of commitment issue. Unless the interest rates between sales rates are significantly different, funds from one sale are usually fully expended before funds from a subsequent sale are drawn. As this opinion request infers, AHFC announces interest rate changes as their funds dictate, with no particular formula in relation to the bond sale date. A verbal opinion from Assistant Attorney General John Rubini indicates

that our interest rate conversion dates should not predate those of AHFC, regardless of delay from date of sale. We anticipate issuing interest rate conversion notices within 48 hours of notification of rate change from AHFC.

B. Recommendation No. 2
HAD should strengthen controls over mortgage loans.

The department concurs with this recommendation. Enclosed as Enclosure B-1 please find a form now being used by the Housing Assistance Division entitled "Certification of Costs for Owner/Builder New Construction." This form is to be executed by the borrowers and seller/servicer representative before loan purchase is finalized. It has been published in the new handbooks of the Housing Assistance Loan Program, along with several revised forms of the Division. This book is available for your review upon request.

In addition to implementing this form, the division has requested further certification on the part of the seller/servicers, as exemplified in the enclosed Seller/Servicer Letter of March 17, 1983. (Enclosure B-2).

To correct the audit exceptions on three specific files still in question, the division has contacted the two seller/servicers involved in these transactions and requested their review of these files.

The following information has been obtained to date:

Loan #02-343-00213 \$5,953 - No further information.

Loan #01-861-09454 \$36,765 -All documentation to account for costs in excess of \$67,000 has been received by seller/servicer and will be forwarded to division.

Loan #02-343-00213 \$94,653. Loan fully repaid. No longer held in division's portfolio.

A full written response on each review is anticipated prior to April 30, 1983.

Mr. Gerald L. Wilkerson
April 1, 1983
Page 3

C. Recommendation No. 3

HAD should establish written guidelines to aid its staff in determining acceptable nonconforming characteristics.

The department concurs in this recommendation. Enclosed as Enclosure C-1 is the written definition of nonconforming characteristics established by the division on February 4, 1983. This definition has been publicized by staff and is available to all borrowers or seller/servicers for their review.

In addition to finalizing this definition, the division has recently completed the publication of a Housing Assistance Loan Program handbook and brochures. The publications fully define our loan programs and are available for review in any of our Housing Assistance Division offices.

D. Recommendation No. 4

HAD should improve its accounting system.

(1) HAD does not reconcile its loan receipts and disbursements and other operating expenditures to the State accounting system (PBA).

The department concurs in this recommendation. The division has been working very hard in conjunction with the Division of Administrative Services staff to identify responsibilities, monitor actions and insure fiscal accountability for all loan fund expenditures with regard to reconciliation with PBA. Enclosure D-1 outlines the new reporting procedures which have now been implemented at HAD. Procedures for reconciliation of loan disbursements are now in place and are being performed on a monthly basis. We anticipate completion of reconciliation procedures for loan receipts and other operating expenditures for the April 30, 1983 PBA report.

(2) Interest income is recorded net of service fees.

The department concurs in this recommendation. In consultation with the Department of Law, it has been determined a revised program request will be presented

Mr. Gerald L. Milkerson

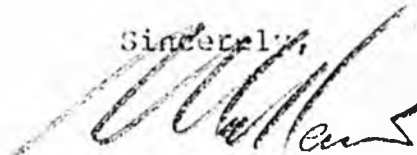
April 1, 1983

Page 4

before the Legislative Budget and Audit Committee to receive and expend a portion of the interest income for payment of service fees. In addition, the department will establish a system to properly account for the expenditures in accordance with AS 37.05.150.

Thank you for the opportunity to comment on this report. Please contact me or Barbara Horse-Quinn at 272-4535 should you have any questions regarding this correspondence. I hope this letter will sufficiently address all your concerns. We look forward to receiving the final audit report as soon as it becomes available.

Sincerely,



Mark Lewis
Commissioner

cc: Barbara Horse-Quinn

JAY S. HAMMOND, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

HOUSING ASSISTANCE DIVISION

November 18, 1982

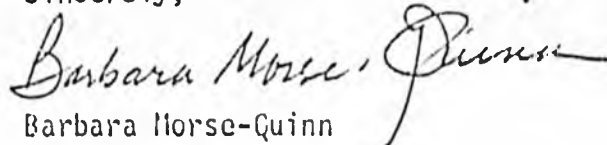
To: ALL SELLER SERVICES

The Housing Assistance Division announces the reduction of interest rates for the Nonconforming Loan Program of the Housing Assistance Loan Fund. The new rates are attached. The authority for this reduction is found in AS 44.47.410 and AS 18.56.092(g).

As a reminder, all rural loan rates are fixed by the Legislature and are not adjusted with State Mortgage Bond sales.

Any loan commitment issued after November 17, 1982 for the Nonconforming Loan Program will be at the new rate.

Sincerely,


Barbara Morse-Quinn
Director

Attachment

- REPLY TO:
- 2600 GENERAL SUITE 400
ANCHORAGE, ALASKA 99503
PHONE (907) 272-4535
 - BOX 10011
DILLINGHAM, ALASKA 99576
PHONE (907) 642-2245
 - GENERAL DELIVERY
KOTzebue, ALASKA 99752
PHONE (907) 442-3575
 - P.O. BOX 348
BETHEL, ALASKA 99559
PHONE (907) 543-3564
 - 1514 CUSHMAN ROOM 210
FAIRBANKS, ALASKA 99701
PHONE (907) 452-4459
 - BOX 41
NOME, ALASKA 99752
PHONE (907) 443-2655
- STATEWIDE TOLL FREE
PHONE ZENETH 4565

Enclosure A-1

MEMORANDUM

State of Alaska
Community and Regional Affairs

TO: The Honorable Norman Gorsuch
Attorney General
Department of Law
Attn: John Rubini
Asst. A.G.

DATE: January 31, 1983

FILE NO:

TELEPHONE NO: 272-4585

FROM: MARK LEWIS
COMMISSIONER

SUBJECT: Request for Opinion
Effective Date for Interest
Rates under AS 44.47.410(a)

By:

Barbara Morse-Quinn, Director
Housing Assistance Division
Community and Regional Affairs

Alaska Statute 44.47.410(a) mandates that our urban interest rates are "equal to the interest rate, as determined under AS 18.56.098(a) from the proceeds of the most recent applicable issue of taxable bonds." On January 19, 1983, Alaska Housing Finance Corporation sold series I of taxable bonds. This sale resulted in a reduction of the interest rates from 10.125% to 10% on the first \$90,000 for non-veterans and from 9.125% to 9% on the first \$90,000 for qualified veterans. However, AHFC has not put these rates into effect for their programs until they have exhausted the funds from the series H sale of taxable bonds.

Our question to you is, do we adjust our rates on the date of the last sale of the taxable bonds which was January 19, 1983 or on the date AHFC makes the rates effective for their programs which they anticipate will be mid-February?

Enclosure A-2

NONCONFORMING DEFINED

Effective February 4, 1983

Nonconforming housing is housing which is structurally sound and presents no health or safety hazards to the occupants but because of outmoded construction practices, changes in current design, a lack of normal amenities common to the area of the structure or a lack of utilities common to the area of the structure cannot be financed through any other state or federal mortgage loan program.

It has been our experience that the following list are the prevalent types of nonconformities:

1. Untreated wood foundations.
2. Untreated piling foundations.
3. Crib foundations.
4. Lack of a foundation.
5. Variations in foundation systems.
6. Dwellings with less than 1 full bathroom.
7. Dwellings with room layouts which affect the privacy of the bath or bedrooms.
8. Dwellings with ceiling heights less than 8' in the living areas.
9. Dwellings with rooms in tandem.
10. Dwellings with gross living areas less than 600 square feet.
11. Disjointed structures.
12. Dwellings which do not enjoy the utilities (electric, water or wastewater) which are common for the immediate area in the which the dwelling is located, such as:
 - A. Private electric
 - B. Lack of electricity
 - C. Shallow wells
 - D. Cisterns
 - E. Surface water collection systems
 - F. Holding tanks for water
 - G. Sewage haul systems
 - H. Water haul systems
 - I. Graywater systems
 - J. Outhouses
13. Dwellings which rely upon space heaters or woodstoves and their sole source of heat.
14. Dwellings constructed around a mobile home frame.
15. Restricted Titles due to ANCSA

This list is not finite and can be expanded upon as more characteristics unacceptable to other mortgage lending programs become known to the Division.

MEMORANDUM

State of Alaska

Community & Regional Affairs

TO: Barbara Morse-Quinn, Director
Ray Price, Deputy Director
Housing Assistance Division

DATE: February 8, 1983

FILE NO:

TELEPHONE NO:

FROM: Remond Henderson, Internal Auditor *RH*
Division of Administrative Services

SUBJECT:

Attached are a number of schedules which can be used in the reconciliation of HAD loan reports to the state PBA system. Although these schedules are designed to be used only in reconciling funds available per HAD reports to funds available per PBA, it is an example of formal reconciliation and communication procedures which must exist within HAD and between HAD and the Juneau Fiscal section. The attached schedules and/or related procedures may change once the conversion to an automated mortgage loan system has occurred, however, I recommend their implementation at this point in time. Under the present system each month a number of differences occur between loans encumbered by HAD and those encumbered by Fiscal. If the recommended procedures are not implemented, these differences will continue to occur each month and will result in a large difference at the time of conversion to the automated system. Identifying the cause of a large difference could be extremely time consuming. Therefore, a monthly reconciliation should be performed.

I have performed a reconciliation between HAD and PBA reports for the month of December noting a net difference of \$450,000. Although the net amount difference is immaterial it should be identified and corrected as soon as PBA reports are available, I will perform the reconciliation for the month of January and will identify the difference at that time. However, to insure the difference does not increase as a result of the routine procedures performed by HAD and the Fiscal section, I recommend the following:

1. Preparation of SCHEDULE I (a summary schedule of loan activity by year of loan fund; ie; encumbrances, cancellations, increases, decreases).
2. Preparation of SCHEDULES II, III, and IV. These are schedules for each loan fund (by year) and provides the detail support for the summary schedule described in 1 above. In preparing schedules II, III, and IV a number of procedures must be followed by HAD and Fiscal. These procedures are discussed below:

- a. HAD's Accounting Technician should continue to maintain the Loan Activity Log. All encumbrances, transfers, increases, adjustments, etc. should be entered in the log. In effect, the Loan Activity Log should reflect all activity which affects loan encumbrances.
- b. The Loan Closer should forward a copy of requests for warrants to the Accounting Technician in order for her to determine amounts requested are in agreement with amounts encumbered. If there is a difference, the Accounting Technician will enter the increase or decrease in the Loan Activity Log and applicable schedule. If an increase or decrease in a loan amount is known by the Loan Closer in advance, the Loan Closer should forward a document indicating the change to the Accounting Technician.
- c. The Loan Closer should forward a copy of all warrant cancellation requests to the Accounting Technician. (This has no effect on schedules II, III, or IV, however, effects the HAD reports prepared by the Accounting Technician.
- d. All items entered in the Activity Log (see [a] above) by the Accounting Technician should be entered in the Wang and on the applicable SCHEDULES, II, III, or IV. The Accounting Technician should establish a cut-off date at the end of each month. This will be important for reconciliation purposes. All activity input in the Wang (per activity log) in a particular month and included in HAD Loan Reports for that month should be entered on SCHEDULES II, III, or IV for the same month. For example, information entered in the Wang on January 5th and included in the December 31st (or January 1st) HAD Loan Reports should be included in the schedules for the month of December.

- e. The Accounting Technician should forward SCHEDULE's I, II, III, and IV to Fiscal on a routine basis, preferably weekly. The Fiscal section will complete the schedules and return them to HAD as documents are received by the Department of Administration. If an item submitted by HAD is indicated by Fiscal as not being recorded, it should appear on the reconciliation schedule (SCHEDULE's V, VI, and VII attached) at month end. This is an item which will be included in the HAD Loan Report for the current month, however, will not be reflected in the Current Year Authorization Balances report (PBA Report) for the month.
 - f. The Accounting Technician should review SCHEDULE's II, III, and IV as they are received from Fiscal for potential reconciling items. As described in [e] above, items not recorded by the Department of Administration will be reconciling items. Additionally, items recorded by the Department of Administration in the month following the month submitted by HAD will be reconciling items (i.e; included in December HAD Loan Report, however, recorded by the Department of Administration on January 10th).
3. Preparation of SCHEDULES V, VI and VII (the reconciliation schedules) on a monthly basis. These schedules are the basis of reconciling the Current Year Authorization Balances Report (PBA Report) to the HAD Loan Reports prepared at month end. A loan report should always be printed at month end. If the PBA Report has not been received by the 15th of the current month, please notify Fiscal.

Performance of the above procedures will be the first step in reconciling PBA reports to HAD reports. Should you have any questions regarding these procedures, please contact me. I will discuss these procedures with the Fiscal section immediately.

cc: F. H. Rehfeld, Director
Division of Administrative Services

Dan Kanouse, Administrative Officer
Division of Administrative Services

Initials	Date
Prepared By	
Approved By	

SCHEDULE I

SUMMARY OF ACTIVITY FOR MONTH OF
Date of Report

	(1)	(2)	(3)	(4)
1				
2				
3		<u>FISCAL YEAR 1981 LOAN FUND</u>		
4		(SEE SCHEDULE II ATTACHED)		
5	ENCUMBRANCES			
6	TRANSFERS			
7	INCREASES			
8	DECREASES			
9	CANCELLATIONS			
10				
11		<u>FISCAL YEAR 1982 LOAN FUND</u>		
12		(SEE SCHEDULE III ATTACHED)		
13	ENCUMBRANCES			
14	TRANSFERS			
15	INCREASES			
16	DECREASES			
17	CANCELLATIONS			
18				
19		<u>FISCAL YEAR 1983 LOAN FUND</u>		
20		(SEE SCHEDULE IV ATTACHED)		
21	ENCUMBRANCES			
22	TRANSFERS			
23	INCREASES			
24	DECREASES			
25	CANCELLATIONS			
26				
27				
28				
29				
30				
31				
32				
33				
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36				
37				
38				
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41				
42				
43				

Initials	Date
Prepared By	
Approved By	

SCHEDULE V

FY 81 LOAN FUND

RECONCILIATION FOR THE MONTH OF _____

	(1)	(2)	(3)	(4)
1				
2	Balance (available funds) per	Current Year Authorization		
3		Balances Report		
4	ADD:			
5	LOAN CANCELLATIONS RECORDED BY HAD			
6	NOT RECORDED BY DEPT. OF ADMINISTRATION			
7				
8				
9	LOAN DECREASES RECORDED BY			
10	HAD NOT RECORDED BY DEPT. OF ADMINISTRATION			
11				
12				
13	TRANSFERS RECORDED BY HAD NOT			
14	RECORDED BY DEPT. OF ADMINISTRATION			
15				
16				
17	OTHER (EXPLAIN)			
18				
19				
20				
21				
22				
23				
24	DEDUCT:			
25	LOAN ENCUMBRANCES RECORDED BY HAD			
26	NOT RECORDED BY DEPT. OF ADMINISTRATION			
27				
28				
29	LOAN INCREASES RECORDED BY HAD			
30	NOT RECORDED BY DEPT. OF ADMINISTRATION			
31				
32				
33	TRANSFERS RECORDED BY HAD NOT			
34	RECORDED BY DEPT. OF ADMINISTRATION			
35				
36				
37	OTHER (EXPLAIN)			
38				
39				
40				
41				
42				
43				

	Initials	Date
Prepared By		
Approved By		

SCHEDULE VI

FY 82 LOAN FUND

RECONCILIATION FOR THE MONTH OF _____

	(1)	(2)	(3)	(4)
1				
2	Balance (available funds) per		Current Year Authorization	
3			Balances Report	
4	ADD:			
5	LOAN CANCELLATIONS RECORDED BY HAD			
6	NOT RECORDED BY DEPT. OF ADMINISTRATION			
7				
8				
9	LOAN DECREASES RECORDED BY			
10	HAD NOT RECORDED BY DEPT. OF ADMINISTRATION			
11				
12				
13	TRANSFERS RECORDED BY HAD NOT			
14	RECORDED BY DEPT. OF ADMINISTRATION			
15				
16				
17	OTHER (EXPLAIN)			
18				
19				
20				
21				
22				
23				
24	DEDUCT:			
25	LOAN ENCUMBRANCES RECORDED BY HAD			
26	NOT RECORDED BY DEPT. OF ADMINISTRATION			
27				
28				
29	LOAN INCREASES RECORDED BY HAD			
30	NOT RECORDED BY DEPT. OF ADMINISTRATION			
31				
32				
33	TRANSFERS RECORDED BY HAD NOT			
34	RECORDED BY DEPT. OF ADMINISTRATION			
35				
36				
37	OTHER (EXPLAIN)			
38				
39				
40				
41				
42				
43				

Initials	Date
Prepared By	
Approved By	

SCHEDULE VII

FY 83 LOAN FUND

RECONCILIATION FOR THE MONTH OF _____

	(1)	(2)	(3)	(4)
1				
2	Balance (available funds) per	Current Year Authorization		
3		Balances Report		
4	ADD:			
5	LOAN CANCELLATIONS RECORDED BY HAD			
6	NOT RECORDED BY DEPT. OF ADMINISTRATION			
7				
8				
9	LOAN DECREASES RECORDED BY			
10	HAD NOT RECORDED BY DEPT. OF ADMINISTRATION			
11				
12				
13	TRANSFERS RECORDED BY HAD NOT			
14	RECORDED BY DEPT. OF ADMINISTRATION			
15				
16				
17	OTHER (EXPLAIN)			
18				
19				
20				
21				
22				
23				
24	DEDUCT:			
25	LOAN ENCUMBRANCES RECORDED BY HAD			
26	NOT RECORDED BY DEPT. OF ADMINISTRATION			
27				
28				
29	LOAN INCREASES RECORDED BY HAD			
30	NOT RECORDED BY DEPT. OF ADMINISTRATION			
31				
32				
33	TRANSFERS RECORDED BY HAD NOT			
34	RECORDED BY DEPT. OF ADMINISTRATION			
35				
36				
37	OTHER (EXPLAIN)			
38				
39				
40				
41				
42				
43				

MEMORANDUM

State of Alaska

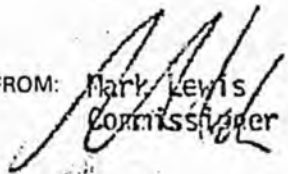
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

TO: The Honorable Norman Gorsuch
Attorney General
Department of Law

DATE: January 24, 1983

FILE NO:

TELEPHONE NO: 465-4709

FROM:  Mark Lewis
Commissioner

SUBJECT: REQUEST FOR OPINION
HAD Service Fee

The Department of Community & Regional Affairs requests your assistance in providing an opinion on the proper source of funding of service fees paid to financial institutions by the Housing Assistance Loan Fund. Alaska Statute 44.47.460 states that "Before purchasing or participating in the purchase of a loan, the director shall enter into a loan servicing agreement with the private financial institution from which the loan is to be purchased." It further states that, "Under the servicing agreement, the private financial institution or the regional native housing authority shall administer the loan and may charge the division a negotiated origination or servicing fee on the division's share of the loan".

Since the inception of the Housing Assistance Loan Program (previously Non-conforming Housing Loan Program) the Division has negotiated contracts with financial institutions for the servicing of loans. After a loan has been purchased and payments from the borrower are received, the financial institutions deduct the amount of their service fee and forward the remaining remittance to the Division. The loan payments are then transmitted to the Treasury through the Division of Administrative Services, for deposit, net the service fees retained by the financial institutions. This transmittal of loan payments is performed on a monthly basis.

This procedure is not adequate to properly reflect the amount of interest revenue actually received by the State. It has been determined that to accommodate this situation, an accounting entry is required at the time of deposit to reflect the total amount of revenue received (principal and interest) and an adjustment to the expenditure journal for the service fees deducted. To accomplish this accounting adjustment, expenditure authority must be provided to the Department for the service fees. The Department is willing to go to LB&AV for a request to receive and expend program receipts. A problem may exist in identifying a portion of the earnings from a loan fund, currently unrestricted revenue, as restricted revenue to pay for services rendered to the loan fund. The only other alternatives we have at this point is a supplemental request, (there is little chance it will be approved) or identifying a portion of the loan fund itself for this purpose.

*was to
be cut in
legislation*

Enclosure D-2

THE FOLLOWING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

Hon. Gorsuch, Attorney General
January 24, 1983
Page 2

The effect of this situation is that FY82 interest income (and corresponding expenditure amounts) are understated by over \$60,000. It is anticipated that in FY83 this figure could be as high as \$325,000.

Your assistance in this matter would be greatly appreciated. If you require any further information please call Bob Rehfeld at 465-4708.

HL/iS/el

141&A

THE PRECEDING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

HOUSING ASSISTANCE DIVISION

Bill Sheffield, Governor

REPLY TO:

- 2600 DENALI, SUITE 400
ANCHORAGE, ALASKA 99503
PHONE: (907) 272-4585
 - BOX 10041
DILLINGHAM, ALASKA 99576
PHONE: (907) 842-2245
 - GENERAL DELIVERY
KOTZEBUE, ALASKA 99752
PHONE: (907) 442-3675
 - P O BOX 348
BETHEL, ALASKA 99559
PHONE: (907) 543-3864
 - 1514 CUSHMAN, ROOM 210
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-468
 - BOX 41
NOME, ALASKA 99762
PHONE: (907) 443-2655
- STATEWIDE TOLL FREE
PHONE: ZENETH 4585

March 17, 1983

To: ALL SELLER/SERVICERS

In a recent review of our seller/servicer files we have observed a lack of documentation which authorizes designated personnel to act on behalf of an originating lender. This documentation is necessary when considering the signatures on commitment contracts or agreements which the lender may enter into on behalf of a borrower with this division.

Please provide by April 15, 1983 documentation which would designate the personnel authorized to enter into contracts or agreements, along with any exceptions or limits to this authority, on behalf of your institution. The documentation should contain the statement that the authorized officer's signature carries the full faith and credit of the lender, and is a binding agreement regardless of future personnel assignments within your institution.

Thank you for your cooperation and compliance with this request.

Sincerely,

Barbara Morse-Quinn

Barbara Morse-Quinn
Director

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

HOUSING ASSISTANCE DIVISION

Bill Sheffield, Governor

REPLY TO:

- 2600 DENALI, SUITE 400
ANCHORAGE, ALASKA 99503
PHONE: (907) 272-4585
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 - 1514 CUSHMAN, ROOM 210
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-4468
 - BOX 41
NOME, ALASKA 99762
PHONE: (907) 443-2655
- STATEWIDE TOLL FREE
PHONE: ZENETH 4585

March 11, 1983

To: ALL SELLER/SERVICERS

The Housing Assistance Division announces the reduction of interest rates for the Nonconforming Loan Program of the Housing Assistance Loan Fund. The new rates are attached. The authority for this reduction is found in AS 44.47.410 and AS 18.56.098(g).

As a reminder, all rural loan rates are fixed by the legislature and are not adjusted with State Mortgage Bond sales.

Any loan commitment issued on or after March 14, 1983 for the Nonconforming Loan Program will be at the new rate.

Sincerely,

Barbara Morse-Quinn

Barbara Morse-Quinn
Director

M RJP


Attachment

Enclosure A-2

P.O. Box 1020, Anchorage, Alaska 99510

TO: All Seller/Serviceers

DATE: March 9, 1983
(Memo #83-17)

FROM: LeRoy Rothe 
Mortgage Operations Director

Re: Interest Rate Change

Effective March 11, 1983, the following interest rate schedule shall apply to all mortgage loan requests received by Alaska Housing Finance Corporation (AHFC), with the exception of the Tax-Exempt Loan program, the Second Deed of Trust programs and the Veterans Mortgage Bond program. All applications received by AHFC on or after that date will be underwritten at these rates.

LR/1a

RECEIVED

MAR 11 1983

Dept. of Comm. & Reg. Affairs
Housing Assistance Division

ALASKA HOUSING FINANCE CORPORATION

3/07/33

SERIES.....S82-I

SCHEDULE FOR LOANS AT 10.000 ON THE FIRST

90.000.00 , 12.670 ON BALANC

LOAN AMOUNT		INTEREST RATE	P & I FACTOR
FROM	TO		
90,000.00	92,200.00	10.000	.008776
92,250.00	95,800.00	10.125	.008869
96,850.00	101,950.00	10.250	.008962
102,000.00	107,650.00	10.375	.009055
107,700.00	114,050.00	10.500	.009148
114,100.00	121,250.00	10.625	.009241
121,300.00	129,400.00	10.750	.009335
129,450.00	138,700.00	10.875	.009429
138,750.00	149,500.00	11.000	.009523
149,550.00	162,100.00	11.125	.009618
162,150.00	177,050.00	11.250	.009713
177,100.00	195,000.00	11.375	.009808
195,050.00	217,000.00	11.500	.009903
217,050.00	244,600.00	11.625	.009998
244,650.00	280,250.00	11.750	.010094
280,300.00	328,050.00	11.875	.010190
328,100.00	395,550.00	12.000	.010286
395,600.00	400,000.00	12.125	.010382

ALASKA HOUSING FINANCE CORPORATION

3/07/83

SERIES...S82-1

VA SCHEDULE

SCHEDULE FOR LOANS AT 9.000 ON THE FIRST 90,000.00 + 12.570 ON BALANC

FROM	LOAN AMOUNT	TO	INTEREST RATE	P & I FACTOR
90,000.00		91,000.00	9.000	.008047
91,650.00		94,850.00	9.125	.008136
94,900.00		98,400.00	9.250	.008227
98,450.00		102,200.00	9.375	.008313
102,250.00		106,300.00	9.500	.008409
106,350.00		110,750.00	9.625	.008500
110,800.00		115,500.00	9.750	.008592
115,650.00		120,900.00	9.875	.008684
120,950.00		126,700.00	10.000	.008776
126,750.00		133,050.00	10.125	.008869
133,100.00		140,150.00	10.250	.008962
140,200.00		147,950.00	10.375	.009055
148,000.00		156,750.00	10.500	.009148
156,800.00		166,650.00	10.625	.009241
166,700.00		177,350.00	10.750	.009335
177,900.00		190,650.00	10.875	.009429
190,700.00		205,500.00	11.000	.009523
205,550.00		222,800.00	11.125	.009616
222,850.00		243,350.00	11.250	.009713
243,400.00		258,000.00	11.375	.009808
258,050.00		298,250.00	11.500	.009903
298,300.00		336,200.00	11.625	.009998
336,250.00		335,200.00	11.750	.010094
335,250.00		400,000.00	11.875	.010190

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 8, 1983

SUBJECT: Comparison of HB 302 and HB 305

TO: Representative Barbara Lacher
Chairman, House Community and
Regional Affairs Committee

FROM: *HL* Linn H. Asper
Legislative Counsel

You have requested a comparison of HB 302 and HB 305, concerning state housing loan programs.

Provisions that are the same in both bills:

Section 6 of HB 302, concerning eligibility for veterans interest rates on AHFC loans (AS 18.56.101), is the same as Sec. 4 of HB 305.

Section 7 of HB 302, concerning retention of a financial advisor for AHFC bond sales, is the same as Sec. 5 of HB 305.

Section 8 of HB 302, concerning application of certain provisions of the Act, is essentially the same as Sec. 11 of HB 305.

Section 9 of HB 302, repealing AS 44.47.385, is essentially the same as Sec. 12 in HB 305.

Section 10 of HB 302 (immediate effective date) is essentially the same as Sec. 14 of HB 302.

Provisions that are similar in both bills:

Sections 4 and 5 of HB 302, concerning interest rates for AHFC loans, are similar to Secs. 1 through 3 of HB 305. Each changes the method of calculating AHFC interest rates in a similar manner. HB 305 would increase the subsidized portion of AHFC loans from the

present \$90,000 amount to \$100,000. HB 302 makes no change in the subsidized portion of AHFC loans. HB 305 would put a 12.5 percent ceiling on AHFC interest rates. HB 302 places no ceiling on interest rates.

Provisions that are found only in HB 302:

Sections 1 through 3 of HB 302 would have the effect of increasing the amount of money that could be loaned for a single-family residence from \$160,000 to \$250,000.

Provisions that are found only in HB 305:

Section 6 of HB 305 would make it clear that the housing assistance loan fund (AS 44.47.380) is a revolving fund.

Section 7 of HB 305 would establish a home ownership assistance fund in the Department of Community and Regional Affairs for housing loan assistance to low and moderate income families, similar to the AHFC home ownership fund (AS 18.56.091).

Section 8 of HB 305 would allow a borrower to have both a nonconforming or rural housing loan and a loan for nonowner occupied housing, amending AS 44.47.390.

Section 9 of HB 305 would amend the method of computing interest rates for nonconforming and rural housing loans under AS 44.47.410.

Section 10 of HB 305 would redefine the term "rural" as that term is used in connection with nonconforming and rural housing loans made or purchased by the Department of Community and Regional Affairs.

Section 13 would make Secs. 7, 8, 10, and 12 of HB 305 effective January 1, 1984.

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

- POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700
- 225 CORDOVA STREET - BLDG B
ANCHORAGE, ALASKA 99501
PHONE: (907) 264-2294

April 6, 1983

BILL ANALYSIS

RE: HB 302

SPONSOR: House Special Committee on State Loans


Program Effects of Bill

Section 6 of the bill eliminates the resident requirements affecting veterans in the past. The new provision allows a greater number of Veterans to qualify for a 1% reduction in interest rates on the mortgage.

Section 9 of the bill makes it possible for the Division to operate under one definition of rural. Moreover, Section 9 repeals the law mandating an 80%/20% in loan fund allocation for nonconforming loans. Currently rural Alaska receives 80% of the funding. Section 9 will allow the Division to allocate nonconforming funds in a more productive manner. Fiscal impact should be minimal.

Comments

The Department suggests that the effective date of Section 9 be immediate.


Mark Lewis, Commissioner

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: HB 302
 Title: Relating to the AK Housing Finance..
 Sponsor: Hou. Spec. Comm. on St. Loans
 Requestor: HC&RA

II. FISCAL DETAIL

Agency Affected: DCRA
 Program Category Affected: DEVELOPMENT
 BRU, Program of Subprogram(s) Affected: HAD

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING		-0-	-0-	-0-	-0-	-0-
100 PERSONAL SERVICES		-0-	-0-	-0-	-0-	-0-
200 TRAVEL		-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL		-0-	-0-	-0-	-0-	-0-
400 COMMODITIES		-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT		-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES		-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC		-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-
CAPITAL		-0-	-0-	-0-	-0-	-0-
REVENUE		-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

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

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

N/A

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Barbara Morse-Quinn / LMQ / Phone: 272-4585
 Division: Housing Assistance Division Date: 3/19/83
 Approved by Commissioner: [Signature] Date: 4/7/83
 Department: Community & Regional Affairs

Distribution:

Original to Legislative Finance
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 Copy to Department (for Governor introduced bills)
 Copy to Sponsor
 Copy to Requestor (if different from Sponsor)

3/8/83

I. REQUEST

Bill/Resolution No: HB 302
 Title: AHFC--semi rural loans
 Sponsor: House Special Committee on Loans
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: Econ. Develop.
 BRU, Program of Subprogram(s) Affected:
Alaska Housing Finance Corporation

EXPENDITURES/REVENUES: (Millions of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC.	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	29	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

GENERAL FUND	29	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS:

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

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

IV. ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Michael S. Lynch
 Division: Alaska Housing Finance Corporation

Phone: 276-5599
 Date: 4/7/83

Approved by Commissioner: Joseph K Donohue
 Department: Revenue

Date: 4/7/83

Distribution:

- Original to Legislative Finance
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- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

IV. Analysis for HB 302

It is estimated that AHFC would receive 250 additional loans that they do not now receive which require an additional \$50 million of bond financing. Based on a mix of one-third veterans and two-thirds non-veterans, this would require subsidy funds of \$9 million. Raising the change in the ratchet from three percent to four percent will have a cost of \$20 million. If no other bills with a fiscal impact for AHFC are passed, the Corporation would be able to accommodate the \$29 million cost within its current FY 84 \$150 million capital budget request.

April 6, 1983
Proposed House Bill 302

REMARKS BY REPRESENTATIVE RICK UEHLING

The bill before you today is House Bill 302, "An Act relating to the Alaska Housing Finance Corporation; relating to rural and nonconforming housing loans; and providing for an effective date." It makes a number of substantive changes in the present AHFC program.

First, it establishes a new limit of \$250,000 for first mortgages purchased by AHFC -- thereby deleting the provision that loan limits be tied to the Federal National Mortgage Association limits. For example, the total amount loaned for a single family residence is \$160,000 under FNMA limits. The legislation before you raises that limit to \$250,000.

Secondly, it eliminates the "Roger's Ratchet" and sets a flat four percent subsidy on all loans up to \$90,000. Over that, the cost of funds are the determining factor. Essentially, this bill eliminates unnecessary language in present statute and allows the subsidy to be at a constant level. This gives AHFC and the Legislature a consistent level of appropriation for future fiscal years. In essence, this streamlines and simplifies present law.

Thirdly, this legislation cleans up existing statute in the section defined as "eligible veteran" by deleting questionable residency requirements and changing the National Guard and Reserve service requirement. This change has been suggested by the Governor in HB 305.

Fourthly, this bill makes the retention of a financial advisor by the AHFC for the negotiation of private sales of bonds optional instead of mandatory.

The fifth, and final, point I would like to make is that this legislation repeals the allocation formula for nonconforming housing, which is based on population.

Department of Community and Regional Affairs

Analysis
of
Proposed Amendments to HB 302

1. Section 3 (page 1 line 22) - Includes language to limit the effects of this section to single family dwellings. This has impact on AHFC only and is a change requested by them. Limits for Housing Assistance Division programs are set by the Federal National Mortgage Association and are \$162,450 for single family dwellings and \$207,750 for duplexes. No effect on HAD.
2. Section 4 (page 1 line 27) - The amount up to which the subsidized interest rates set by this section are applicable is changed from \$90,000 to \$100,000. Again this is an AHFC requested amendment and would have no impact upon HAD programs.
3. Section 8 (page 3, line 26) - This changes the sections of HB 302 addressed by section 8 from sections 4 and 5 to sections 1 through 5. These sections apply to AHFC mortgages only. This would have no effect upon HAD programs.
4. Section 8 (page 3, line 28) - Changes bonds issued to bonds sold and includes language to cover use of any other available funds. Again this alteration has no effect upon HAD programs.

4/8/83

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

March 29, 1983

SUBJECT: AHFC and housing assistance loans
(HB 302, Work Order No. 13-1140)

TO: Representative Rick Uehling

FROM: *ELA* Linn H. Asper
Legislative Counsel

You have asked for a sectional analysis of HB 302, relating to the Alaska Housing Finance Corporation and housing assistance loans administered by the Department of Community and Regional Affairs.

Section 1 deletes the provision that now ties the maximum amount of AHFC loans to Federal National Mortgage Association limits.

Section 2 makes the same deletion with regard to second mortgages that Sec. 1 makes for first mortgages.

Section 3 establishes a new limit of \$250,000 for first mortgages purchased by AHFC, and a limit of \$250,000 for second mortgages when combined with the outstanding balance of the first mortgage.

Section 4, in combination with the repeal of AS 18.56.098(g)(2) made in Sec. 9 of the bill, eliminates the "Rogers ratchet" method of determining interest rates on AHFC loans. Instead, a flat four percent subsidy is enacted so that the interest rate on an AHFC loan will be four percent less than the cost of funds for that loan, with two exceptions:

- (1) if the cost of funds is less than 10 percent, the interest rate equals the cost of funds; and
- (2) if the cost of funds is more than 10 percent the interest rate may not be less than 10 percent.

Section 5 makes technical changes to AS 18.56.098(g)(5) to conform that paragraph with the changes made elsewhere in the section.

Section 6 changes the definition of "eligible veteran" for the purposes of the increased veteran's subsidy for AHFC loans, by deleting questionable residency requirements and by changing the national guard and reserve service requirements.

Section 7 makes the retention of a financial advisor by the AHFC for the negotiation of private sales of bonds optional instead of mandatory.

Section 8 is a transitional provision that ties the changes in the method used to compute AHFC interest rates to bond sales that take place after the effective date of the Act.

Section 9 repeals AS 18.56.098(g)(2), referred to above in connection with Sec. 4, and repeals AS 44.47.385, which established an allocation formula, based on population, for nonconforming housing loan money administered by the division of housing assistance in the Department of Community and Regional Affairs.

Section 10 provides an immediate effective date for the Act.

LHA:ljb
12/029

SUMMARY COMPARISON OF HB 302 AND HB 305

EXISTING

HB 302

HB 305

COMMITTEE DETERMINATION

Maximum subsidized portion of AHFC Loans is \$90,000

\$90,000 ✓

\$100,000 ✓

Contains several residency requirements for Veterans

Eliminates special Veteran residency requirements

Eliminates special Veteran residency requirements *ok*

Requires AHFC to retain independant financial advisor for bond sales

Makes bond advisor optional

Makes bond advisor optional *ok*

Requires Department of Community and Regional Affairs (DCRA) to commit 80 percent of funds to rural loans, and 20 percent to urban areas. ✓

Eliminates 80-20 requirement

Eliminates 80-20 requirement

Persons with subsidized loans for non-owner occupied housing can not have additional loan for owner occupied

No change ✓

Permits borrowers to have loans for owner occupied and non-owner occupied housing

No specific loan fund for low and moderate income housing in DCRA that is similar to AHFC program

No change ✓

Establishes a revolving loan fund in DCRA for low and moderate income housing. Provides for interest rates to be ¼% higher than the taxable bond rate for urban non-conforming housing than for rural non-conforming housing. Provides for loans 1% less than the taxable bond rate for rural housing loans, but not for urban housing loans.

EXISTING

Maximum limit on loans for single family residences are tied to Federal Nat'l Mortgage Association (FNMA) (\$162,450) same provisions apply to second mortgages.

AHFC provides 3 percent maximum subsidy rate on loans.

Definition of rural:
AS 44.47.560

"rural" means:

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

HB 302

Removes linkage to FNMA and establishes maximum loan for single family residences at \$250,000. Same limits \$250,000 for second mortgages.

Establishes 4 percent subsidy except: (a) if cost of funds is less than 10%, the interest rate equals the cost of funds. (b) if cost of funds is more than 10%, the interest rate may not be less than 10 percent.

No change

HB 305

No change to existing law. ✓

Same as HB 302 but adds: the interest rate may not exceed 12.5 percent.

"rural" means of or relating to a community in the state with a population of 4,500 or less, as determined by the department under AS 29.88.015, that (a) is not connected by road or rail to Anchorage or Fairbanks; or (b) is connected by road or rail to Anchorage or Fairbanks, but is more than 100 air miles from Anchorage and from Fairbanks.

COMMITTEE DETERMINATION

- (1) nonconforming and rural housing mortgage loans;
- (2) loans made for building materials for nonconforming and rural housing;
- (3) loans made for renovations or improvements to nonconforming and rural housing;
- (4) loans made for the construction of owner-occupied nonconforming and rural housing other than loans to builders or contractors or loans that compensate an owner for the owner's labor or services in constructing the owner's own housing. (§ 73 ch 106 SLA 1980; am § 6 ch 115 SLA 1981; am § 38 ch 113 SLA 1982)

Effect of amendments. — The 1981 amendment added "originate" preceding "purchase" in the second sentence of the introductory language and added paragraph (4).

The 1982 amendment, effective June 25, 1982, substituted "housing assistance loan fund" for "nonconforming housing loan

fund" in one place in the first sentence and in two places in the second sentence, and inserted "and rural" in paragraphs (1)-(4).

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01.05.031(c) and § 4, Chapter 58, SLA 1982.

Sec. 44.47.385. Eligible locations. (a) The director may make loans from the housing assistance loan fund only for nonconforming and rural housing loans to qualified buyers for nonconforming and rural housing.

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

(c) For purposes of (b) of this section, population shall be determined with reference to the 1980 preliminary census report as published in "Alaska 1980 Population" and released January 1, 1981, by the Department of Labor.

(d) In allocating money under (b) of this section, if a home proposed for financing is in more than one service area, that home shall be considered to be in the service area with the smallest population. (§ 17 ch 115 SLA 1981; am § 39 ch 113 SLA 1982)

Effect of amendments. — The 1982 amendment, effective June 25, 1982, in subsection (a), substituted "housing assis-

tance loan fund" for "nonconforming housing loan fund" and inserted "and rural" in two places.

Sec. 44.47.390. Limitations on use of housing assistance loan fund. The director may not use the money in the housing assistance loan fund to

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

(f) A regulation adopted under (b) — (e) of this section becomes effective immediately upon its adoption by the board, unless otherwise specifically provided by the order of adoption.

(g) The provisions of (b) — (e) of this section do not apply to regulations governing interest rates on the corporation's mortgage loan programs.

(h) The board shall adopt regulations in accordance with (a)—(f) of this section which establish a procedure by which a seller of mortgage loans may appeal a decision of the corporation not to purchase mortgage loans offered by the seller. (§ 5 ch 167 SLA 1978; am § 19 ch 106 SLA 1980; am § 17 ch 113 SLA 1982)

Effect of amendments. — The 1982 amendment, effective June 25, 1982, added paragraph (5) to subsection (c).

Sec. 18.56.096. Limitation on power to make or purchase mortgage loans. The corporation may not make, participate in the making of, purchase, or participate in the purchase of

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

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

(3) a mortgage loan to finance the purchase of new housing or for the improvement or rehabilitation of existing housing, unless the construction, improvement, or rehabilitation work has been performed by a contractor who is registered to work as a contractor under AS 08.18; this paragraph does not apply if the construction, improvement, or rehabilitation work

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

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

(C) has been performed in an area designated by the corporation as exempt from the requirements of this paragraph because of the unavailability of registered contractors in that area. (§ 27 ch 106 SLA 1980; am § 3 ch 115 SLA 1981; am § 18 ch 113 SLA 1982)

Effect of amendments. — The 1982 amendment, effective June 25, 1982, added paragraph (3).

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Sec. 18.56.098. Special mortgage loan purchase program. (a) The corporation shall establish a special mortgage loan purchase program. Under the special mortgage loan purchase program, the corporation may purchase first or second mortgage loans, including graduated payment mortgage loans, made for the purchase, improvement, or rehabilitation of residences.

(b) The corporation shall adopt regulations under AS 18.56.088 to establish minimum construction standards which a residence must meet before the corporation may purchase a mortgage loan on the residence under (a) of this section. The minimum construction standards shall include standard deviations from the minimum construction standards to allow the corporation to purchase loans on residences which do not meet the minimum construction standards but which are certified by an engineer to be within the standard deviations. The standard deviations shall include, but are not limited to, provisions relating to water holding tanks, on-site water and sewer systems, and foundations.

(c) The corporation may pledge mortgage loans purchased by the corporation under (a) of this section, mortgage loans assigned to the corporation for the special mortgage loan purchase program, and mortgage loans purchased with amounts appropriated to the corporation for the special mortgage loan purchase program to pay the principal, interest, and redemption premium, if any, on bonds or bond anticipation notes issued by the corporation for the special mortgage loan purchase program and may expend amounts appropriated to the special mortgage loan purchase program for mortgage loan subsidies or other purposes of the program as necessary to cause the interest rate on mortgage loans purchased under the special mortgage loan purchase program and retained by the corporation or sold under AS 18.56.099 to equal the rates specified in this section.

(d) Repealed by § 51 ch 115 SLA 1981.

(e) The corporation shall establish regulations in accordance with AS 18.56.088 to implement the special mortgage loan purchase program. The regulations shall include provisions allowing, prohibiting, or restricting the right to assume or the right to provide for the payment of mortgage loans purchased under (a) of this section by a person other than the mortgager. A provision in a mortgage loan purchased by the corporation after June 30, 1981, that prohibits or restricts the right to assume or the right to provide for the payment of mortgage loans is enforceable. The corporation shall enforce the regulations adopted under this subsection.

(f) In this section and in AS 18.56.099,

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

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

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

(2) "mortgage loan" includes a beneficial interest or participation in a mortgage loan;

(3) Repealed by § 51 ch 115 SLA 1981.

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

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

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

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

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

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

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

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

(E) If the proceeds of a taxable bond issue are to be used only for the purchase of mortgage loans for triplex and four-plex residences, the cost of funds of that bond issue is not considered in determining the interest rate on the first \$90,000 of a mortgage loan. The interest rate

on the first \$90,000 of the proceeds from mortgage loan interest rate, a purchased with

(3) An interest rate of \$90,000 of a mortgage loan that are Subsidy Bonds reduced by or veteran under

(4) The interest rate under (a) of this section funds to the corporation

(5) The interest rate appropriated for this purpose is appropriated for this subsection. The interest rate of a proposed

(6) The interest rate charged from the proceeds of the Mortgage Loan Act, as amended, other than under (i) of this section is less. A high loan amount

(7) In this

(A) "cost of funds" on bonds of the corporation determined by the corporation, costs of

(B) "taxable bond" under the provisions of U.S.C. 103A

(h) The cost of funds of a mortgage loan purchased for the purpose of (g) of this section

the first mortgage loan purchased by the corporation for the purpose of the mortgage loan program established by the loan that is determined

(i) The interest rate charged from

on the first \$90,000 of a mortgage loan that is purchased with the proceeds from a taxable bond issue used solely for the purchase of mortgage loans for triplex and four-plex residences is equal to the interest rate, as determined under this paragraph, on a mortgage loan purchased with the proceeds of the preceding issue of taxable bonds.

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

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

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

(6) The interest rate on the first \$90,000 of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103(A)), as amended, other than bonds that constitute qualified veterans' bonds under (i) of this section, is 10 percent or the cost of the funds, whichever is less. A higher or lower interest rate shall be established on the entire loan amount if required under the Mortgage Subsidy Bond Tax Act.

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

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

(h) The corporation shall establish the interest rate on a second mortgage loan purchased under (a) of this section in the manner established for computing the interest rates on a first mortgage loan under (g) of this section except that, in the case of a second mortgage loan, if the first mortgage loan made to the same borrower is held by the corporation and was purchased under the special mortgage loan purchase program, the outstanding principal balance of the existing first mortgage loan is subtracted from \$90,000 to determine the amount of the loan that is eligible for an interest rate on a second mortgage loan determined by reference to (g) of this section.

(i) The interest rate on the first \$90,000 of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans'

mortgage bonds under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103(A)) as amended, is the greater of (1) four percent less than the cost of funds or (2) the rate for other loans to veterans under AS 18.56.098(g)(3). A higher or lower interest rate shall be established on the entire loan amount if required under the Mortgage Subsidy Bond Tax Act of 1980.

(j) If the money used to purchase a mortgage loan made to a veteran under this section comes from an issue of bonds of the corporation guaranteed by the state, each bond must be issued as part of an issue substantially all of the proceeds of which are used to provide residences for qualifying veterans. In this subsection a qualifying veteran is a person who is a "qualified veteran" as the term is defined or may subsequently be defined under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103(A)), as amended.

(k) The interest rate limitations of AS 45.45.010 do not apply to loans purchased under this section or to loans that the corporation has, in any manner, committed itself to purchase. (§ 27 ch 106 SLA 1980; am §§ 4 — 7, 51 ch 115 SLA 1981; am § 1 ch 35 SLA 1982; am §§ 19 — 24 ch 113 SLA 1982)

Effect of amendments. — The first 1982 amendment, effective May 18, 1982, in subsection (h), inserted "in the case of a second mortgage loan, if the first mortgage loan made to the same borrower is held by the corporation and was purchased under the special mortgage loan purchase program."

Sections 19, 20 and 24, ch. 113, SLA 1982, the second 1982 amendment, effective June 25, 1982, added "triplex or four-plex" to the end of paragraph (4) of subsection (f), added subparagraph (2)(E) to subsection (g), and added subsection (k). Sections 21-23 of ch. 113 inserted the language beginning "that is not purchased from the proceeds of bonds" and ending "as amended" in paragraph (3) of subsection (g), inserted "as amended, other than bonds that constitute qualified veterans' bonds under (i) of this section" in paragraph (6) of subsection (g), and added subsections (i) and (j).

Section 76, ch. 113, SLA 1982, makes §§ 21-23 of the act effective on the date of approval by the voters of the state of a constitutional amendment to Alaska Const., art. IX, § 8 to allow the state to

contract debt for housing loans for veterans. Such an amendment to the Alaska constitution may be found in Legislative Resolve No. 18, SLA 1982, to be voted on at the next general election to be held in November, 1982.

Editor's notes. — Section 68, ch. 113, SLA 1982, provides: "If a newly constructed owner-occupied triplex or four-plex is completed between the effective date of this Act [June 25, 1982] and October 1, 1984, and the triplex or four-plex is eligible for financing under the provisions of the special mortgage loan purchase program of the Alaska Housing Finance Corporation (AS 18.56.098), the interest rate determined under AS 18.56.098(g)(2), (3) and (6) shall apply to the first \$105,000 of a mortgage loan for a triplex and to the first \$140,000 of a mortgage loan for a four-plex. In this section "newly constructed owner-occupied triplex or four-plex" means an owner-occupied triplex or four-plex that is not occupied before the effective date of this Act and for which a mortgage loan has not been previously purchased by the Alaska Housing Finance Corporation."

Sec. 18.56.100. Housing development fund. (a) There is created a housing development fund to be administered by the corporation as a trust fund separate and distinct from any other money or funds administered by the corporation.

(b) Consistent with the primary and permanent interest rate or security for repayment, or participation in a federally insured mortgage loan, the corporation determines, in part, from the following conditions.

(c) To the extent

(1) grants are

(2) all receipts and other disbursements are accounted for in this section.

(d) The corporation may, at its discretion, use whatever any of the funds.

(e) Repealed

(f) Repealed

(g) Repealed

(h) Repealed

(i) Repealed

(j) Repealed

(k) Repealed

ch 81 SLA 1977
SLA 1982)

Effect of amendments. — The first amendment, effective June 25, 1982, in subsection (a), deleted the phrase "development fund" and substituted "loan fund to be administered by the corporation". Deleted the phrase "development fund" and substituted "loan fund" in paragraphs (1) and (2). Deleted the phrase "defray the costs of construction" and substituted "lower and moderate the interest rate" in paragraph (3). Deleted the phrase "applying for a mortgage loan" and substituted "required to make a mortgage loan" in paragraph (4). Deleted the phrase "closing costs and other amounts applicable to the mortgage loan" and substituted "payments and other amounts" in paragraph (5). Deleted the phrase "insured or guaranteed" and substituted "loan" in paragraph (6).

Sec. 18.56.110.

(a) There is created a housing development fund to be administered by the corporation as a trust fund separate and distinct from any other money or funds administered by the corporation.

(4) security for repayment shall be specified and shall be upon terms and conditions as the corporation considers necessary or practicable to insure all repayments. (§ 1 ch 107 SLA 1971; am § 4 ch 81 SLA 1972; am § 28 ch 106 SLA 1980)

Effect of amendments. — The 1980 amendment, in subsection (e), substituted "money" for "funds" following "purposes of providing" and deleted the former second through fifth sentences of that subsection which read: "The commissioner of revenue is authorized to purchase fund notes with surplus funds in the state treasury. Before submission of the executive budget to the legislature, the commissioner of revenue shall annually recommend to the governor the anticipated amounts of surplus funds

available for purchase of fund notes in the fiscal year encompassed by the budget. In making his recommendation to the governor, the commissioner of revenue shall consider the expenditure and revenue projections contained in the most recent revenue source document prepared for and submitted to the legislature by the administration. If the governor agrees with the recommendation of the commissioner of revenue, he shall forward the recommendation to the corporation.

Sec. 18.56.101. Eligibility for veterans' interest rates. The following persons are eligible veterans for the purposes of AS 18.56.098(g) and (h):

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

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

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

(C) whose discharge was under honorable conditions;

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

(A) the member or veteran was a resident of the territory or state for one year before induction into the service;

(B) the member or veteran served in the armed forces for at least 90 days after April 6, 1917; and

(C) his discharge was under honorable conditions;'

(3) a person who has served in the Alaska Army National Guard, the Alaska Air National Guard, or the Alaska Naval Militia or who has served in a reserve unit of the United States armed forces in Alaska if the reserve unit required, as a minimum, one weekend each month of duty and 15 consecutive days of active duty training each year for not less than five years and whose discharge was under honorable conditions. (§ 29 ch 106 SLA 1980; am § 8 ch 115 SLA 1981)

AS 18.56.098

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

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

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

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

(h) The corporation shall establish the interest rate on a second mortgage loan purchased under (a) of this section in the manner established for computing the interest rates on a first mortgage loan under (g) of this section except that the outstanding principal balance of the existing first mortgage loan is subtracted from \$90,000 to determine the amount of the loan that is eligible for an interest rate on a second mortgage loan determined by reference to (g) of this section. (§ 27 ch 106 SLA 1980; am §§ 4 — 7, 51 ch 115 SLA 1981)

Effect of amendments. — The 1981 amendment added "first or second" preceding "mortgage loans," added "improvement, or rehabilitation" preceding "of residences," deleted paragraph designation (1) preceding "for the purchase" and deleted "or (2) for the refinancing of a mortgage loan on a residence if the purpose of the refinancing is to provide money for the improvement or rehabilitation of the residence" in subsection (a). In subsection (c), the amendment added the language beginning "and may expend amounts" and ending "equal the rates specified in this section" near the end of the subsection. In subsection (e), the amendment substituted "the" for "in order to discourage the speculative use of mortgage credit under the special mortgage loan purchase program for purposes other than home ownership, the" at the

beginning of the second sentence, substituted "restricting" for "otherwise setting conditions on" preceding "the right to assume," added "or the right to provide for the payment of" preceding "mortgage loans purchased" and added "by a person other than the mortgagor" following "of this section" at the end of the second sentence and added the present third and fourth sentences of the subsection. The amendment also added subsections (g) and (h) and repealed subsection (d) concerning interest rates charged on mortgage loans purchased under subsection (a) and repealed subsection (f) (3) which defined "mortgage program cost."

Editor's notes. — For 1980 priorities in the purchase of mortgage loans by the Alaska Housing Finance Corporation, see § 11, ch. 106, SLA 1980, in the 1980 Temporary and Special Acts and Resolves.

Sec. 18.56.099: loans. The corporation... mortgage loans. interest or participation into a trust agreement of the mortgage corporation or a corporation under the trust... shall be considered... To the extent possible... beneficial interest... the sale of the... 1980)

Cross reference provisions applicable to 18.56.098(f).

Sec. 18.56.100: a special revolving fund" to be administered and distinct from... ration.

(b) Consideration of primary and permanent interest rate or security for repayment.

(1) defray the cost of residential housing.

(2) provide for the application of mortgage loans and pay closing costs and partial rental... 18.56.090 (4); (c)

(3) purchase and construction loans by sponsors, build residential housing not otherwise reasonably equitably.

(c) To the extent possible

(1) grants a special revolving fund notes; and

(2) all receipts or other dispositions of the fund section.

Effect of amendments. — The 1981 amendment added subsection (g).

Sec. 18.56.115. Independent financial advisor. In negotiating the private sale of bonds or bond anticipation notes to an underwriter, the corporation shall retain a financial advisor who is independent from the underwriter. (§ 4 ch 102 SLA 1974; am § 2 ch 130 SLA 1978)

Effect of amendments. — The 1978 amendment rewrote this section.

Sec. 18.56.120. Validity of any pledge. The pledge of assets or revenues of the corporation to the payment of the principal or interest on any obligations of the agency is valid and binding from the time the pledge is made and any such assets or revenues are immediately subject to the lien of the pledge without physical delivery or further act. The lien of any pledge is valid and binding against all parties having claims of any kind in tort, contract or otherwise against the corporation, irrespective of whether those parties have notice of the lien of the pledge. Nothing here prohibits the corporation from selling assets subject to any pledge, except that any sale may be restricted by the trust agreement or resolution providing for the issuance of the obligations. (§ 1 ch 107 SLA 1971)

Sec. 18.56.125. Capital reserve fund. (a) For the purpose of securing any one or more issues of its obligations, the corporation may establish one or more special funds, called "capital reserve funds", and shall pay into those capital reserve funds (1) any money appropriated and made available by the state for the purpose of any of those funds, (2) any proceeds of the sale of its obligations, to the extent provided in the resolution or resolutions of the corporation authorizing their issuance, and (3) any other money which may be made available to the corporation for the purposes of those funds from any other source. All money held in a capital reserve fund, except as provided in this section, shall be used as required, solely for (1) the payment of the principal of obligations or of the sinking fund payments with respect to those obligations, (2) the purchase or redemption of obligations, (3) the payment of interest on obligations, or (4) the payment of any redemption premium required to be paid when those obligations are redeemed before maturity; however, money in any fund may not be withdrawn from it at any time in an amount which would reduce the amount of that fund to less than the capital reserve requirement set out in (b) of this section, except for the purpose of making, with respect to those obligations, payment, when due, of principal, interest, redemption premiums and the sinking fund payments for the payment of which other money of the corporation is not available. Any income or interest earned by, or increment to, a capital reserve fund, due to the investment of the fund

or any other other funds fer does not capital rese

(b) If the capital rese in such capi 10 per cent by that capi accordance corporation corporation capital rese or from oth then in the ment.

(c) In com of this secti invested sha amortized co authorizing method esta particular d accrued to t

(d) To ass tion for the c (a) of this se amount equ

(e) The ch January 2, m and senate f required to r requirement sums approp ture for such proper capit liability of t

(f) Repeal § 77 ch 106

Effect of an amendment rep

Sec. 18.56 attached to trustee unde ance of the c

A Report on Housing Financing
and Related Issues, Phase I
for
Governor William Sheffield

STATE OF ALASKA
TASK FORCE ON HOUSING

A Report on Housing Financing
and Related Issues, Phase I
for
Governor William Sheffield

December 1982 - January 1983

January 14, 1983

The Honorable William J. Sheffield
Governor
State of Alaska
Pouch A
Juneau, Alaska 99811

Dear Governor Sheffield:

It is my pleasure to present to you the following report of the Task Force on Housing. We have evaluated the issues and problem areas of providing affordable housing to Alaskans. The enclosed report represents Phase I of the Task Force's recommendations. A Phase II report which will include an investigation of low and/or special incomes, elderly and disabled handicapped programs will be forwarded when further research is concluded.

We are hopeful you will find the Task Force policy recommendations useful to develop a sound housing program. The Task Force is committed to the need to enact legislation to create a housing revolving loan fund. We are also in favor of the Permanent Fund becoming a major source of funds for the revolving fund. Many other specific recommendations have been made, but the above two issues were unanimously supported by Task Force members as being a key to establishing a long term solution to the problems in financing homes for Alaskans.

The work of the Task Force has been challenging, educational and complex, but ultimately a rewarding opportunity to explore solutions to the housing needs throughout the state of Alaska for people of every economic and sociological status.

It is our hope that you will find this report of the Task Force and its policy recommendations useful in promulgating a "Housing Plan" to serve all Alaskans.

Governor William Sheffield
January 14, 1983
Page 2

We, on the Task Force, wish to thank you for the opportunity to serve you and the citizens of the State. It has been a satisfying experience.

Sincerely yours,



Rob Gamel
Chairman
Task Force on Housing

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TASK FORCE MEMBERSHIP

GOVERNOR'S TASK FORCE ON HOUSING

December 1982 - January 1983

Mr. Rob Gamel, Chairman
Alaska State Association of Home Builders
Anchorage, Alaska

Mr. Jess L. Hall

Mr. Dave Ribacchi

Ms. Laurie Terrall

Mr. Charles Homan

Mr. Richard Hall

Mr. Andy Edge

Mr. Jess Arrington

Mr. Dave Rose

Acting Commissioner Joe Donahoe

Commissioner Mark Lewis

Mr. Clark Gruening

Commissioner Dick Lyon

Mr. Frank Roppel

Ms. Lennie Boston, Liaison

Task Force Staff:

Ms. Barbara Horse-Quinn

Mr. Joel Diganghi

Assisting Staff:

Mr. Harry Goldbar

Mr. Eric Wohlforth

Ms. Denna Cline

Mr. Ray Price

Assisting Staff (Continued):

Mr. Mark Cameron

Mr. Dick Pryor

Mr. Leroy Rothe

Ms. Lucille Steitz

Mr. Pete Bushre

Mr. Jim Kelly

INTRODUCTION

GOVERNOR'S CHARGE

INTRODUCTION

GOVERNOR'S CHARGE

Governor Sheffield created a Task Force to consider housing in the State of Alaska.

On December 21, 1982 the Governor met with the Task Force and charged them with development of a "sound housing program." In elaboration Governor Sheffield directed that the Task Force consider all forms of housing to include rental, single family, special needs and programs that would reach more Alaskans, rural and urban. Special concern was to be given to providing stable and predictable programs that would promote long-term well being, opportunity and benefit the populace. The Governor directed the Housing Task Force to consider interest rates, costs, use of the Permanent Fund, public access to agencies and corporations providing for housing and the methods by which loans are made.

The Task Force accepted the charge and committed itself to finding workable solutions to provide Alaskans with affordable housing, to benefit the economy in general and to provide for real social concerns.

SUMMARY OF RECOMMENDATIONS

SUMMARY OF RECOMMENDATIONS

The following statements represent summarized recommendations of the Task Force on Housing as discussed in this report. They are offered only as a capsule of comprehensive issues presented in later sections and should be reviewed only in context of those discussions.

1. The Governor and the Legislature should create a revolving loan fund entitled the Alaska Housing Finance Fund (AHFF). This fund should be administered by the Department of Revenue.

2. The Governor should appoint an Alaska Housing Finance Fund Policy Board to be comprised of five to seven members representing all existing State housing agencies and the Alaska Permanent Fund.

3. The Governor shall direct the purpose of the Alaska Housing Finance Fund to make loans for all State housing loan programs. This fund will finance programs currently being administered by AHFC, CRA/HAD, AIDA, ASHA, Commerce or any other vehicle delivering housing loan services for the State.

4. The funding sources for creation of the Alaska Housing Finance Fund are recommended to be principal repayment and interest earned from:

- (a.) Annual General Fund appropriations;
- (b.) Mortgage bond sales;
- (c.) Blended portfolio income from existing State housing agencies;
- (d.) Federal housing loan funds dedicated to Alaska; and
- (e.) Alaska Permanent Fund investments.

5. The Task Force recommends meeting an FY'84 funding demand of \$1.3 billion for statewide housing programs and presumes no absorption of currently funded federal programs. A further recommendation is to institute an 18 month funding cycle for all housing loan programs.

6. The Governor should direct the AHFF to annually determine and publish the rates of interest to be charged on housing loan programs administered by any state agency. The Legislature shall have the power to adjust rates and vary features of the various loan programs administered by each agency through fund appropriations. The Task Force recommends an irrevocable rate schedule for all programs be published annually for the following calendar year. Further, the Task Force recommends the FY'84 Legislature seek maximum rates on the first \$90,000 at 10% for Conventional Financing, 9% for Veteran's Preference Financing. A 6% rate for HOF Programs, and 5% rate for energy renovation programs is also recommended. In the event the Legislature does not see fit to establish a fixed rate annually, then the interest rate spread between the cost of funds and the mortgage rate made available to borrowers should be increased to 4% to reduce the impact of accelerating interest rates.

7. Permanent Fund contributions to the AHFF should begin immediately with an FY'84 investment of not less than 3% of the body of the Fund, up to the current allowable maximum for real estate mortgages of 15%. The Task Force further recommends new legislation and/or a constitutional amendment be originated by the Governor to allow for real estate investment by the Permanent Fund of up to 25% of the corpus.

8. The Task Force recommends legislation be introduced to create a Home Ownership Fund (HOF) Program within Community and Regional Affairs, Housing Assistance Division, for specific application in rural communities. Other legislation should be introduced to remove rural or urban distinctions from Nonconforming Loan Funds for FY'82 and thereafter as administered through this agency.

9. The Task Force encourages the Alaska Housing Finance Corporation to consider a program of delegated underwriting as described in a staff paper submitted to the Task Force. A recommendation is offered for the AHFC Board to prepare such a program after receiving suggestions from mortgage bankers, home builders, and other affected members of the public.

10. The Task Force recommends regional housing information offices be opened in Fairbanks and Juneau as well as maintenance of rural field offices in Bethel, Nome, Kotzebue, and Dillingham within Community and Regional Affairs, Housing Assistance Division.

11. The Task Force has identified the following housing related issues for further consideration and in need of in-depth investigation by another group charged with more specific responsibilities: forward commitments; reservation system for funding; shared appreciation mortgages; third party programs for participation, bridging sales and interest rate buy-downs; discount points; conventional and uniform underwriting standards; clear and concise lending and approval procedures; apportionment and restructuring of the various housing related boards; development of a housing interagency liaison; masterplan for rental, low-income and special needs housing; develop incentive programs for low-income housing projects.

12. The Task Force recommends publication and distribution of existing housing programs information in all public agency locations in Alaska.

13. The Task Force concludes that a comprehensive report on housing issues must include an investigation of low and/or special incomes, elderly and disabled handicapped programs. It was also concluded that further investigation of these complex subjects was necessary. A special committee charged with publication of a Phase II Report has been created by the Task Force to accomplish this further investigation.

14. The Task Force recommends extension of the sunset provision on tax exempt revenue housing bonds known as the Ullman Act. The Governor and the Legislature are asked to convey this recommendation to our Congressional Delegation in Washington, D.C.

RECOMMENDATIONS AND NARRATIVE STATEMENTS

ALASKA HOUSING FINANCE FUND

Recommendation #1: The Governor and the Legislature should create a revolving loan fund entitled the Alaska Housing Finance Fund (AHFF). This fund should be administered by the Department of Revenue.

Narrative: The Task Force has concurred in recommending the establishment of Alaska Housing Finance Fund, a revolving loan fund to be established within the confines of the Department of Revenue. It is our recommendation that Alaska Housing Finance Fund (AHFF) be the source of funding for all housing programs including those of Alaska Housing Finance Corporation, Alaska Industrial Development Authority, Housing Assistance Division of Community and Regional Affairs, Alaska State Housing Authority, Division of Business Loans of the Department of Commerce and such other appropriate agencies. We believe the most effective use of the funds for housing could be obtained by having AHFF established as the central source and depository for funding of all of the housing programs in the state of Alaska.

Administration of AHFF would be by the Department of Revenue under the direction of the Commissioners of Revenue, Community and Regional Affairs, and Commerce, together with the Directors of the various agencies directly involved in the funding of housing plus appropriate public members. This policy board would meet on a regular basis to establish the priorities for investment of housing funds by AHFF. Hands-on management would be accomplished by the Department of Revenue.

AHFF would be a revolving fund to receive mortgage principal repayments, mortgage interest and other receipts not pledged to pay bond debt service of all the above agencies. Money so received and held by the Fund could be spent for any of its authorized purposes including, of course, the making of additional mortgage loans. All appropriations for the financing of housing would be deposited with the Fund and the Fund would reserve any excess subsidy appropriations not spent in a particular fiscal year which might otherwise lapse.

The Fund would be authorized to borrow, pledge its assets, issue bonds, notes of indebtedness, collect funds, invest monies and do whatever else is necessary to enhance the growth and development of the Fund. Its purpose would be simply to provide a vehicle for

furnishing monies necessary for each finance agency on an on-going basis. It is contemplated the fund would be authorized by statute to borrow from or receive monies directly from the Permanent Fund.

Questions of constitutionality of a revolving loan fund receiving and retaining all earnings from its assets have been raised. The Task Force recommends steps be immediately taken to clarify the status of earnings of such a Fund and if it is determined such action may be unconstitutional, then the necessary legal steps be taken to place the matter before the voters to change the State's constitution. It is paramount that the principal and interest payments remain in the AHFF if it is ever to become self-perpetuating.

AHFF could be the vehicle with adequate state appropriations, investment from the Permanent Fund and by reinvesting mortgage prepayments and interest to effectively develop a self-perpetuating, revolving loan fund that would free the state housing industry from the vagaries of world money markets.

AHFF POLICY BOARD

Recommendation #2: The Governor should appoint an Alaska Housing Finance Fund Policy Board to be comprised of five to seven members representing all existing State housing agencies and the Alaska Permanent Fund.

Narrative: The agencies that presently participate in housing programs may or may not currently benefit from unified policy making. Many of them have their own governing bodies or oversight committee. An Alaska Housing Finance Fund Policy Board could serve to reduce the number of like panels while promoting a consistent policy throughout each agency.

AIDA, ASIHA, CRA, AHFC, Commerce, and the Alaska Permanent Fund could each be represented along with public members. Financial policy and administrative policy would originate, be controlled and evaluated from the same board. The Policy Board could also be the single point of contact for legislative and administrative action.

Our present system may not be subject to recomposition. The Permanent Fund Trustees have a different charter than the governing bodies of ASHA or AHFC. However, the special nature of each housing agency is not a defense for independence and the absence of common goals. Managerial tasks will provide independence under a common policy established by the Board.

A Policy Board could contribute to better definition of housing programs in the public's perception. One clearly defined source of information would certainly provide for better understanding of public policy.

Legislative funding and clarity in the budget process are other benefits. The Policy Board might receive and disburse the funds designated for the separate entities. The Policy Board then becomes the clearing house for the state housing agencies. Existing boards would then be reduced and a simplified, more efficient system evolve.

This Policy Board proposal does not create a panacea. It does, however, provide for an immediate improvement in the achievement of the housing program goal. In its simplest form it would insure that all state housing programs would be coordinated, clear in their missions and with suitable interagency distinctions to provide attainment of objectives.

PURPOSE OF AHFF

Recommendation #3: The Governor shall direct the purpose of the Alaska Housing Finance Fund to make loans for all State housing loan programs. This fund will finance programs currently being administered by AHFC, CRA/HAD, AIDA, ASHA, Commerce or any other vehicle delivering housing loan services for the State.

Narrative: The Alaska Housing Finance Fund is recommended as an oversight fund for delivery of all housing services in Alaska. While like item agency requests would be maintained, appropriations (exclusive of grant funds) to meet those requests would go into the AHFF for annual allocation to each agency and program. Annual agency performance would be evaluated by AHFF managers and incorporate review of all state housing loan programs. Further, all new requests would be reviewed by AHFF. No direct appropriations to any individual, group or community for housing or housing related development should be funded without concurrence of AHFF managers. Finally, Fund managers are encouraged to contact any state agency currently providing employee housing and bring all future employee housing development under its review.

FUNDING SOURCES

Recommendation #4: The funding sources for creation of the Alaska Housing Finance Fund are recommended to be principal repayment and interest earned from:

- a. Annual General Fund appropriations;
- b. Mortgage bond sales;
- c. Blended portfolio income from existing State housing agencies;
- d. Federal housing loan funds dedicated to Alaska; and
- e. Alaska Permanent Fund investments.

Narrative: The table below outlines current housing loan programs available in Alaska. Funding sources for FY'84 are presumed to be a continuation of the FY'83 levels described in this table. It should be noted that existing grant programs for housing are not included in financing of the AHFF in this report. It would be desirable, however, to have all housing grant funding reviewed by the AHFF Policy Board to avoid duplication of service for any one location or to any particular interest group.