

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

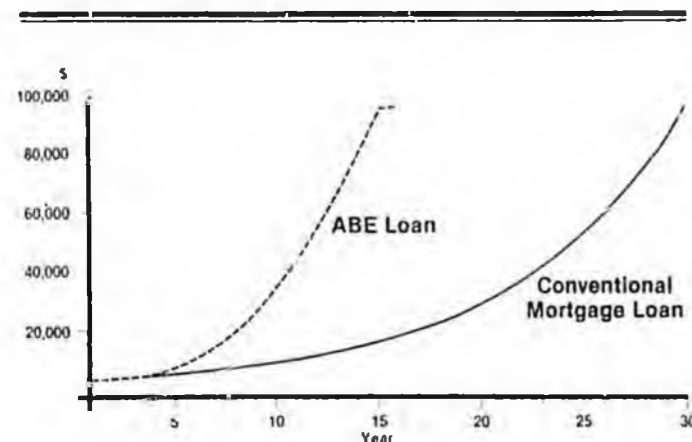
2722 SLC HB 315 - HB 426

2722

**INCREASED RATE**

**OF EQUITY OWNERSHIP:** Since the increased portion of the monthly payment is applied to principal, the borrower's equity in the residence increases far more quickly than with a conventional mortgage.

**Comparison of Cumulative Equity Balance**



six times during the life of the mortgage. The maximum increase for a \$90,000 loan will be \$60.74 which will occur at the beginning of the 9th year. No subsequent increases will be required.

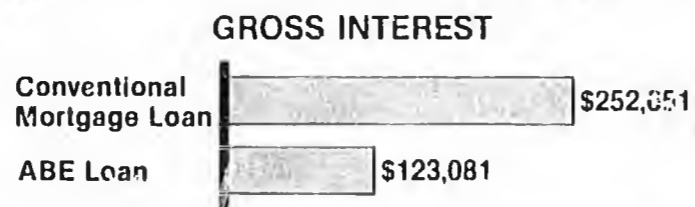
**LOWER MORTGAGE**

**INSURANCE PREMIUM:** Private mortgage insurance is currently required to be carried until the loan-to-value ratio reaches 80%. This same insurance will be necessary for the ABE mortgages. The cost of insurance premium renewals is 1/4 of 1% annually which is paid by the borrower. With an initial loan-to-value ratio of 95%, the ABE loan decreases to the 80% level in approximately half the time required for a 30 year conventional mortgage.

**COMPARISON OF ANNUAL PRINCIPAL AND GROSS INTEREST PAYMENTS:**

On a loan amount of \$90,000, amortized over a 30 year period, the borrower pays four times the original cost of the dwelling with 14% of this amount in interest payments. Because the ABE loan is completely paid off in the 16th year, the borrower will pay approximately one-half the interest costs of the standard 30 year term mortgage.

**Comparison of Annual Principal and Gross Interest Payments**



**FIXED PAYMENT SCHEDULE:** Unlike the majority of alternative mortgages currently offered elsewhere, the borrower knows exactly what the monthly payments will be over the life of the mortgage. Even though increases are made to the required monthly payments, they are known well in advance. This allows the borrower the opportunity for accurate financial planning.

**INCREASES ARE**

**GRADUAL AND MODERATE:** There are no increases until the beginning of the 4th year. The required increase of 5% in that year's monthly payments for a \$90,000 loan would amount to \$47.59. Payments are increased only

**Analysis of Effect of Increases in Borrower's Income Relative to Increased Monthly Payments Required With An Alaska Building Equity (ABE) Mortgage (5% Increases in Years 4 through 9)**

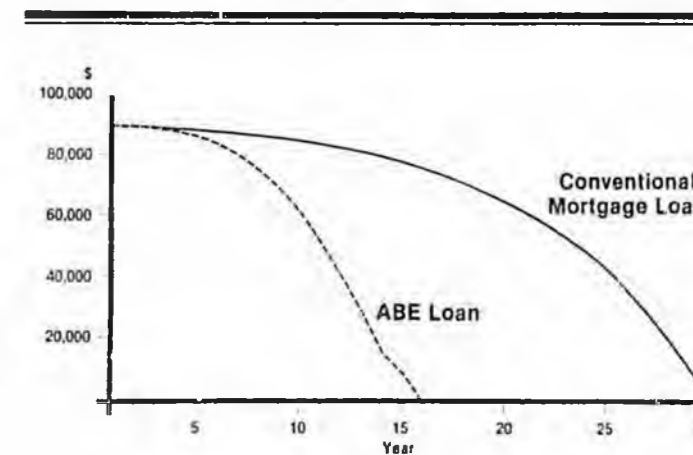
	Principal and Interest Payment	Total Mortgage Payment*	6% Annual Increase		10% Annual Increase	
			Income	Ratio	Income	Ratio
Year 1	\$ 951.81	\$ 1,081.81	\$ 3,864.00	28%	\$ 3,864.00	28%
Year 2	951.81	1,081.81	4,096.00	26%	4,250.00	25%
Year 3	951.81	1,081.81	4,342.00	25%	4,675.00	23%
Year 4	999.40	1,129.40	4,602.00	25%	5,143.00	22%
Year 5	1,049.37	1,179.37	4,878.00	24%	5,657.00	21%
Year 6	1,101.84	1,231.84	5,171.00	24%	6,223.00	20%
Year 7	1,156.93	1,286.93	5,481.00	23%	6,845.00	19%
Year 8	1,214.78	1,344.78	5,810.00	23%	7,530.00	18%
Year 9	1,275.52	1,405.52	6,159.00	23%	8,283.00	17%
Year 10	1,275.52	1,405.52 +	6,528.00	22%	9,111.00	15%

\* Includes \$.50 for reserves.

+ The payment remains unchanged for the duration of the mortgage.

Figures based on a \$90,000 loan amount with an interest rate of 12.375%.

**Comparison of Annual Outstanding Loan Balance**



**COMPARISON OF ANNUAL OUTSTANDING LOAN BALANCE:**

Because the ABE structure carries a fixed interest rate, the amount of the increases beginning in year four and ending in year nine are applied directly to the principal balance. Thus, the borrower realizes a rapid growth in the equity and complete repayment of the loan during the 16th year.

**ADVANTAGES TO THE STATE OF ALASKA AND AHFC**

**CONTINUED AVAILABILITY OF FUNDS:**

With the more rapid payment and shortened life of the mortgage, AHFC's efforts to access shorter-term capital markets are enhanced. The long-term markets require higher yields, generally reflecting the lack of demand for this type of security by investors. With a shorter-term bond, a larger portion of the initial subsidy AHFC must contribute to a bond issue is returned at a much earlier date. Approximately 40% of the initial assets pledged to a ten-year bond issue would return to AHFC free of any obligation upon repayment of the bonds in the 10th year. The return of these assets will have a positive effect by reducing the amount of funds AHFC must request from the State in the future to keep the program operational.

**LOWER BORROWING COSTS:**

AHFC will be able to sell a single-term ten-year bond issue which will result in an approximate 1% savings in interest costs compared to the method of financing currently utilized.

**DECREASED SUBSIDY COST:**

Utilizing the shorter-term bond will reduce subsidy costs by more than 25% over that expected to be incurred employing the methods of financing available with 30 year mortgages. Further, because the current bond structure requires such a large amount of State subsidy, continued operation of the programs could be financially restricted.



## Here are some of the most frequently asked questions about the Alaska Building Equity Mortgage.

- Q.** Why has AHFC changed its present method of mortgage loan financing?
- A.** AHFC receives the majority of its funds by selling bonds in the capital markets. In the past AHFC has sold bonds that mature after a twenty-year period. The ABE program allows AHFC to sell 10-year bonds which have a lower interest cost and broader market acceptance.
- Q.** Does the ABE mortgage change the current eligibility requirements?
- A.** No. The increase in payment does not occur until the fourth year of the loan. AHFC's analysis for eligibility will be based upon current income in relation to the monthly payments to be made in the first year. The first year's payment is the same as if the loan were amortized over a thirty-year period. However, in light of the moderate increases beginning in year four, the analysis will examine the borrower's stability and/or upward mobility of employment.
- Q.** Does the interest rate increase at any time during the life of the mortgage?
- A.** No. The ABE mortgage provides for a fixed interest rate. The increases in payments are strictly for the purpose of reducing the principal balance.
- Q.** Does the ABE structure apply to all AHFC programs?
- A.** Yes. The ABE structure applies to all existing first mortgage programs financed through the sale of bonds. The ABE structure *does not* apply to the Corporation's Second Mortgage Loan Program.
- Q.** Does the ABE program have any effect on my existing AHFC loan?
- A.** No. The ABE program is not retroactive to existing AHFC loans.
- Q.** If I have an existing AHFC 30 year term mortgage may I refinance that loan with the ABE mortgage?
- A.** No. AHFC does not have the authority to refinance a loan whether the loan is held by the Corporation or another investor. AHFC is limited to purchasing newly originated first and second deeds of trust.
- Q.** If I am applying for a Homeownership Assistance Loan (HOF), how will the ABE mortgage effect me?
- A.** Since the ABE structure applies to all AHFC first mortgage programs, individuals under the Homeownership Assistance Program will also be required to increase their payments. It is important to remember, however, that the increases are gradual and moderate and they *do not begin until the 4th year of the loan.*
- Q.** Will my subsidy under the Homeownership Assistance Program increase as my payments increase?
- A.** No. If you are still under the program at the beginning of the fourth year, then the subsidy calculation will take into consideration the increase in payments as well as your increases in salary. However, the amount of subsidy that you receive will not increase.
- Q.** How are the additional increases in payments applied?
- A.** The amount of the increase is applied directly to the principal, thus, increasing your equity and reducing the term of the loan.
- Q.** What happens if I make additional payments on my principal balance during the first year? Do these payments reduce future payments?
- A.** No. The ABE mortgage allows the borrower to make "lump-sum" payments that are applied to the principal. Additional payments reduce the life of the mortgage, however, they do not effect the required monthly payments.
- Q.** How am I notified of the increase in payments each year?
- A.** Your lender will notify you of the date and the amount of any increase.



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# The Home Buying Process

EXHIBIT G.8



**Your home may be the most important investment of your lifetime. So before you decide to purchase, you will want to investigate all possible aspects. This pamphlet is designed to aid you in understanding the steps involved in buying a home.**

## 1. What Can You Afford

Once you have made the decision to buy a home, the first question most people ask is, "What can I afford?" You've probably heard various rules-of-thumb for estimating what you can afford and such rules are useful in arriving at a ballpark figure. When determining the individual's ability to pay the monthly mortgage debt, AHFC, as a guideline, uses ratios of 28/36. This means that the monthly mortgage payment (which includes principal, interest, taxes, insurance, and homeowner association dues) should not exceed 28% of the borrower's gross stable monthly income. The 36% ratio applies to the overall debt obligation: mortgage payment plus all other obligations i.e. charge cards, automobile loan, child support, etc., and should not exceed 36% of the borrower's gross stable monthly income.

Now that you have a general idea of what you can afford on a monthly basis, the next question is "In what price range of homes should I be looking?" Depending on the interest rate, the term of the loan, and how much money you're willing to put down, your monthly house payment can vary greatly. The following chart should, however, give you some indication of your price range. (See Page 2)

With the purchase of a home comes many unexpected expenses. It is wise to remember that in addition to loan payments, your monthly costs will include payments for taxes, insurance, maintenance and utilities. Utilities alone, such as water, sewage, refuse, gas and electricity can increase your



costs substantially. Therefore, before you purchase a home, it is wise to ask the seller to provide you with past monthly statements of these costs. Or, if it is new construction, you may wish to contact the utility companies in the area. Unless you are willing to adhere to a very strict budget, you will probably be more comfortable with a home loan payment that is less than the maximum amount you can afford.

## 2. Cash Needed

Along with determining what your monthly payment will be, you will need to consider the amount required for settlement costs. Settlement costs, in addition to the down payment, include fees charged by the lender, appraiser, title company, etc. for services and can range from several hundred to several

thousand of dollars. The lender is required to send you an estimate of these settlement costs within three days after you have applied for the loan.

Although local custom usually determines who pays for what costs, you or the seller, you may be able to negotiate some of these fees. The results of any negotiations should be included in your written purchase agreement.

For a full explanation of different types of settlement fees, get a copy of the booklet on settlement costs, prepared by U.S. Department of Housing and Urban Development (HUD). This booklet is available free from lenders and HUD offices.

## \*Approximate Monthly Principal Interest

Loan Amount	9%	10%	11%	12%	13%	14%	15%	16%
\$ 70,000	\$ 563.50	\$ 614.60	\$ 667.10	\$ 720.30	\$ 774.90	\$ 829.50	\$ 885.50	\$ 941.50
80,000	644.00	702.40	762.40	823.20	885.60	948.00	1,012.00	1,076.00
90,000	724.50	790.20	857.70	926.10	996.30	1,066.50	1,138.50	1,210.50
100,000	805.00	878.00	953.00	1,029.00	1,107.00	1,185.00	1,265.00	1,345.00
110,000	885.50	965.80	1,048.30	1,131.90	1,217.70	1,303.50	1,391.50	1,479.50
120,000	966.00	1,053.60	1,143.60	1,234.80	1,328.40	1,422.00	1,518.00	1,614.00
130,000	1,046.50	1,141.40	1,238.90	1,337.70	1,439.10	1,540.50	1,644.50	1,748.50
140,000	1,127.00	1,229.20	1,334.20	1,440.60	1,549.80	1,659.00	1,771.00	1,883.00

\*The amounts shown above are for principal and interest only. They do not include payment for taxes, insurance or homeowner's association dues, if applicable. The monthly principal and interest has been calculated by amortizing the loan over a 30 year period. It is important to remember that AHFC utilizes the ABE mortgage structure and these payments will realize a 5% increase in years four through nine. A detailed description of the ABE mortgage is available in AHFC's pamphlet entitled "Buying A Home In The Future?"

Generally, under all AHFC programs, you will be required to make a down payment of not less than 5% of the sales price or appraised value of the dwelling, whichever is less. Your lender will charge a fee for originating the loan and, in addition, you will be required to pay a commitment fee which is one-half of one percent of the loan amount. Other costs may include such items as: fees for title insurance; the appraisal; the credit report; reimbursement to the seller for pre-paid assessments or taxes; etc. Although it is difficult to estimate, if you plan to put 5% down, your total settlement cost should generally not exceed 10% of the sales price of the dwelling.

### 3. How to Find the Right House

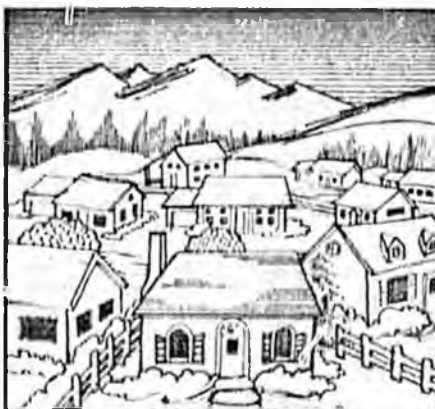
Before you begin looking for the house which best meet your needs, you should consider the various neighborhoods and the types of ownerships.

#### Selecting An Area

Your financial status, as well as your personal happiness, can be greatly affected by your choice of neighborhood. For instance, a neighborhood where there is no road maintenance may not only cause you access problems in the winter, but may also affect resale at a later date.

Distance from your job is also important. Initially, it may sound exciting

to live in a secluded, unpopulated environment. However, you should consider how far you are willing to commute and the cost of commuting each day to your job. Before you buy that home in the woods, drive back and forth during peak traffic hours and determine how long the commute will take.



#### Type of Ownership

Do you want to live in a house, condominium or a planned unit development (PUD) project? Owning either a condominium or a unit in a PUD is significantly different from owning a house. If you buy either of these two dwellings, you will be required to pay monthly dues to the Home Owners Association. These dues cover the cost of maintenance for common areas such as lawn or recreation facilities. In some instances, the dues also include certain utility costs and road

maintenance. Before buying a condominium or a unit in a PUD project, check with the Association and find out exactly how much your monthly fees will be and what services are provided by the Home Owners Association.

#### Where To Look

There are various ways to shop for the house that is right for your family. You can find out about homes for sale by reading the advertisement in the real estate section of the local newspapers; taking a drive through neighborhoods you find attractive; or by consulting a real estate agent in your area. Real estate agents are customarily paid by the seller of the home, so you won't be required to pay the agent directly. However, bear in mind, that the agent's fee might be added to the price of the home.



#### 4. Making an Offer

When you have found the home you want to purchase, you must then decide what price to offer the seller. The contract is drawn up, stating the terms of the sale, and is submitted to the seller who either accepts, rejects or amends the offer and sends it back to you. It will go back and forth as many times as necessary to reach agreement. Only when it is satisfactory to each of you, should both of you sign it.

At the time you sign the contract, you will be asked to make a deposit, called the "earnest money." The amount will vary depending on what you are willing to give and the seller is willing to accept. The deposit is usually applied to the down payment or your share of the settlement costs. If the sale falls through, the deposit will either be kept by the seller or returned to you, depending on the terms of your purchase contract.

#### 5. Arranging Financing

There are a number of ways to finance the purchase of a home. One, of course, is payment of the whole price in cash. However, most people purchase by making a down payment and then obtaining financing through a mortgage loan. In very simple terms, a mortgage loan is a special loan for purchasing a piece of property. The lender supplies the cash to buy the home. You, the borrower, sign a legal document which obligates you to repay the lender. The house and lot are pledged as security. If the borrower fails to make payments (defaults), the lender has the legal right to take over the property and the borrower may lose any equity he has acquired.

For your convenience a list of the AHFC approved mortgage lenders is provided at the end of this pamphlet.

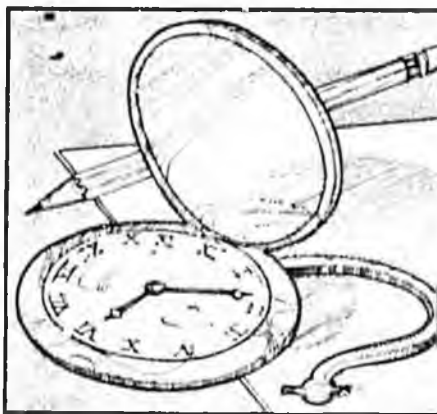
#### 6. The Application Process

Once you have found acceptable financing, make an appointment with the lender to formally apply for the loan. During the meeting, you will be asked to provide information regarding your income, cash and/or assets available to close the loan, job history, terms and amount of other debt obligations, information on the dwelling you plan to purchase, etc. You will also

be asked to sign several documents which will enable the lending institution to verify the statements you have given.

Depending on your particular circumstances or the type of home loan, you may also be asked to provide:

- Tax returns for the past three years
- Divorce Decree
- Child support or alimony settlement
- Two years tax returns and current financial statements (for self-employed)
- Two years tax returns and current year-to-date income figures (professions where income may fluctuate)



#### The Time Element

You can expect the lending institutions to complete your package and have it submitted to AHFC within about three or four weeks. However, if you have held various jobs within the past two years; the majority of your credit references are out-of-state; or there are extenuating circumstances, the process will take longer: up to six or eight weeks.

Once the complete loan package is submitted to AHFC, experience has shown that the "turnaround" time (time it takes AHFC to review the submission and send it back to the lender) can be as many as twenty-one (21) days to as few as three (3) days. The range can be attributed to peak buying periods which normally run from June through November.

A detailed review of the application process, is available in AHFC's booklet entitled "Preparing for Homeownership". This booklet is available free from participating lenders and the AHFC office.

#### 7. Closing the Deal

Closing is the final step and concludes the mortgage loan transaction. At this time, you will be required to pay the remaining settlement costs to effect the closing of the mortgage loan. The escrow agent or lender disburses the funds from the mortgage loan to the seller of the property and you sign a note which obligates you to repay the funds. The deed for the property is recorded after the closing and then mailed to you.

#### The Time Element

Depending on the paperwork involved and the volume of loans at your lending institution, you can expect to close on the loan anywhere from three days to three weeks after the loan has been approved.

#### Approved Alaska Housing Seller/Serviceers

- Alaska Bank of Commerce
- Alaska Continental Bank
- Alaska Federal Savings & Loan Association
- Alaska Mutual Bank
- Alaska National Bank of the North
- Alaska Pacific Bank
- Alaska School Employees Federal Credit Union
- Alaska State Bank
- Alaska Teamsters Federal Credit Union
- Alaska USA Federal Credit Union
- Arctic First Federal Savings
- B.M. Behrends Bank
- City Deposit Corporation
- Colonial Mortgage Services Co.
- First Alaska Mortgage & Escrow First Bank
- First Federal Savings & Loan
- First National Bank of Anchorage
- First National Bank of Fairbanks
- Frontier Saving & Loan Association
- General Electric Mortgage Corporation
- Home Savings & Loan Association
- Lomas & Nettleton
- Mt. McKinley Mutual Savings Bank
- National Bank of Alaska
- Peninsula Savings & Loan
- Peoples Bank & Trust
- Rainier Mortgage Company
- Security National Bank
- Security Pacific Mortgage
- Spokane Mortgage Company
- Suburban Mortgage Trust
- United Bank of Alaska

## ALASKA HOUSING FINANCE CORPORATION

FY 84 Capital Budget Request  
Home Ownership Fund/Mobile Home Loan Program

The Corporation's original capital budget submission requested a \$50 million appropriation to the Home Ownership Fund to be invested in mobile home loans. The earnings of the Home Ownership Fund are used to provide mortgage payment assistance under the Home Ownership Assistance Program, which effectively takes a borrowers monthly mortgage payments down as low as that amount which would be required were the loan to have been made at a 6 percent interest rate. The budget submission acknowledged that the existing assets of the Home Ownership Fund would be sufficient to meet anticipated demand for mortgage assistance for FY 84 without additional funding. The Mobile Home Loan Program, however, was determined to require a \$50 million appropriation for FY 84 and the Corporation recommended it technically go to the Home Ownership Fund with a requirement that it be used to originate mobile home loans.

The \$50 million appropriation request for the Mobile Home Loan Program anticipated a total demand of \$60 million with the \$10 million difference made up from net earnings of the HOF Fund and anticipated loan prepayments. The Corporation has reviewed both the estimated demand and required appropriation and recommends no change in the request.

The estimated demand for mobile home loan financing has been revised to \$75 million. This projection is based upon recent activity experienced by the Corporation and anticipated increases for FY 84 resulting from normal appreciation and program growth. As a result of net earnings and loan prepayments, now expected in excess of the levels reflected in the original budget request, the projected \$15 million increase in loan demand can be accommodated by internally generated cash flow.

The following exhibits are attached as a background information on the Mobile Home Loan Program and its activity:

Summary of Program Criteria	Exhibit A
Summary of Mobile Home Loan Applications	Exhibit B
Loan Summary - Mortgage Purchaed Mobile Home	Exhibit C
Summary of Projected Demand and Proposed Sources of Funding	Exhibit D

# Home Ownership Assistance Program (HOF)

EXHIBIT I

Alaska  
HOUSING  
FINANCE  
CORPORATION

*The Home Ownership Assistance Program was designed specifically to meet the needs of the low to moderate income family.*

## Features

### Maximum Loan Amount

The purchase price and appraised value shall not exceed:

- \$ 80,000 - 1 & 2 member family
- \$ 85,000 - 3 member family
- \$ 90,000 - 4 member family
- \$100,000 - 5 or more member family

Family, for these purposes, is defined as: Any individual executing the note and Deed of Trust, and their dependents who reside in the dwelling on a permanent basis.

Minimum Down Payment 5%

### Eligible Property

Owner-occupied single-family residences. This would include condominiums or units in PUD projects. Mobile homes and multi-family units are not permitted.



## Type of Loan

The ABE mortgage payment structure applies to the HOF Program. Refer to AHFC's pamphlet entitled "Buying A Home In the Future?" for a detailed description of the ABE Mortgage. All applications for the HOF Program must be submitted under the Tax-Exempt Program. For details on the Tax-Exempt Program refer to AHFC's pamphlet entitled "Mortgage Subsidy Tax Act, Tax-Exempt Program."

### Borrower's Requirement

Since the program provides an additional subsidy payment, there are several requirements that an individual must meet.

#### 1. Maximum Annual Income:

Low to moderate borrowers are defined to be persons with gross household

incomes not to exceed the following:

Base Income Limitation	\$26,000
Each Additional Adult	1,000
One Child	5,000
Two Children	7,500
Each Additional Child (over the number 2)	1,000

*Example: The income limitation for a household consisting of two (2) adults and three (3) children is \$35,500:*

Base Limitation (1 adult)	\$26,000
Additional Adult	1,000
Two Children	7,500
1 Additional Child	1,000
	<hr/>
	\$35,500

Household, for these purposes, is defined as: All persons who occupy

the home on a permanent basis, as a full or part time resident.

#### 2. Maximum Assets

To be eligible for the HOF program the household may not own assets at the time of application which exceed twice the maximum household income limit. If a borrower is over 65, this amount is raised to three times the maximum income figure.

#### What Constitutes An Asset?

When reviewing a loan application, AHFC will consider the gross value of all assets belonging to the applicant. Therefore, even if you do not own property free and clear, you will be required to report the gross market value of that property regardless of any outstanding loan.

### Calculation of Subsidy

The HOF Program assists the borrower by subsidizing a portion of the monthly payment. The amount of subsidy a borrower receives is based on the lesser of the following:

Formula 1: Principal and interest (P & I) calculated at the current interest rate, less the P & I at 6%.

Formula 2: P & I calculated at the current rate, less 20% of the gross monthly household income.

In addition, the subsidy may not reduce the total monthly payment (P & I plus taxes and insurance) to less than 28% of the gross monthly household income. If the subsidy is less than \$50.00 per month, the borrower may not apply under the HOF Program.

An example of the subsidy calculation is shown below.

### Recertification

Borrowers under the HOF Program are recertified on an annual basis to determine how much assistance they are to receive. The borrower enters into an Assistance Agreement with AHFC in which they agree to furnish information regarding their income so the amount of subsidy can be correctly figured. The agreement expires on December 31 of each year and the borrower must recertify by April 15 of the following year. AHFC will

automatically extend the agreement until the April 15 date.

Using the same calculation as in the example, the new subsidy is determined based on current income. At this point, the subsidy may be decreased, remain the same or eliminated, but at no time will the subsidy be increased. In addition, based on all income received during the past year, AHFC determines if any excess subsidy was paid. Any excess subsidy must be repaid to AHFC. Therefore, while the recertification is only performed annually, you may want to report increases in income immediately to the lender to avoid receiving excess subsidy.

### Frequently Asked Questions

**Q.** Once my income reaches the maximum income limit, do I no longer receive a subsidy?

**A.** No. The income limits only apply when you first enter the program.

**Q.** At what point do I no longer receive the subsidy?

**A.** Other than for the reasons in your Assistance Agreement (i.e., no longer occupying the property), the subsidy ends when:

(a) 20% of your gross monthly household income makes the principal and interest payment; or

(b) 28% of your gross monthly household income makes the principal and interest payment plus pays the taxes and insurance; or

(c) the subsidy is less than \$50.00.

**Q.** Will I be notified when it is time to recertify and what documents will I have to provide?

**A.** Yes, you will be notified by the lender. You must provide a complete copy of your income tax return, sign a verification of employment (so the lender can verify your past and current earnings), and provide any other documents that may be requested regarding your income for such things as child support and unemployment compensation.

**Q.** Can the April 15 date be extended?

**A.** Yes. You must request the extension through your lender in writing and the request must include a copy of the request to extend the filing of your federal tax return.

**Q.** What happens if I don't recertify?

**A.** If you fail to recertify, all subsidy paid by AHFC during the previous year and to-date must be repaid to AHFC.

**Q.** How am I notified about excess subsidy I might owe and how long do I have to repay it?

**A.** You will be notified in writing by the lender. The repayment schedule will be based on the amount you owe. If you disagree with the amount or need additional time to repay the excess subsidy, you have ten (10) days in which to notify the lender in writing.

**Q.** Once I'm no longer receiving a subsidy, can I go back on subsidy if my income decreases?

**A.** No. Once the subsidy has ended, you may not go back on subsidy.

### EXAMPLE:

A. Loan Amount	\$80,750
B. Gross Monthly Income (GMI)	\$ 2,500
C. 28% of GMI	\$700
D. Taxes, Insurance, PMI, Homeowners Association Dues	\$100
1. P&I @ current rate (10%)	\$708.66
2. P&I @ 6%	484.50
3. Formula 1 (1 minus 2)	\$224.16
4. P&I @ current rate (10%)	\$708.66
5. Less 20% GMI	500.00
6. Formula 2 (4 minus 5)	\$208.66
7. Subsidy (lesser of 3 or 6)	\$208.66
8. Borrower's monthly P&I (1 minus 7)	\$500.00
9. Other Housing Expenses (D)	100.00
10. Total Payment	\$600.00

\* 11. Ratio (10 divided by B) . . . . . 24%

\* This figure is less than 28%, thus the subsidy is reduced by \$100 (C minus 10). The amount of subsidy is \$108.60.

## MOBILE HOME PROGRAM

UNLIKE OTHER PROGRAMS OFFERED BY AHFC, THE MOBILE HOME PROGRAM IS FINANCED DIRECTLY THROUGH APPROPRIATIONS FROM THE STATE OF ALASKA. OTHER THAN THE SALE OF BONDS, THEREFORE, THE MOBILE HOME PROGRAM IS NOT INCLUDED IN THE ABE MORTGAGE STRUCTURE.

FEATURES

Maximum Loan Amount           \$ 72,500

Minimum Down Payment           5%

Maximum Term

The maximum term is 20 years or the remaining economic life of the dwelling, whichever is less.

Eligible Property

Owner-occupied mobile homes containing not less than 600 square feet of gross living area.

VA Guaranteed or FHA insured loans are allowable. However, down payments and maximum loan amounts will vary. Check with your lender for details.

OTHER CRITERIA

1. AHFC will not consider the purchase of a mobile home loan for a borrower who currently owns a residence within the State of Alaska.
2. Personal property (furniture and appliances) that may be included in the sale of the mobile home is limited to \$1,500.00. The mobile home may contain personal property valued at more than \$1,500.00, however, AHFC will

not consider the amount over \$1,500.00 in the value of the mobile home. Other personal property such as lean-tos, wanigans, storage sheds, etc. shall not be a part of the appraised value but will be taken as part of the collateral.

3. The mobile home may be located in a mobile home park that has been approved by AHFC, on leased land or on an individual lot. You should consult your lender for specific details if you plan on placing the mobile home on leased land or on a lot.
4. No secondary financing is permitted.

INTEREST RATES

The interest rate under this program follows those established under the Special Mortgage Loan Purchase Program and will vary from time to time. Interest rates are SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. As of the date of printing of this pamphlet, the interest rate under the Mobile Home Program is 12 3/8% (11 3/8% for eligible State veterans). Consult your lender for the current interest rate for this program.

ALASKA HOUSING FINANCE CORPORATION  
SUMMARY OF APPLICATIONS - MONTHLY  
MOBILE HOMES

	Received		Approved		%	Denied		%
	No.	AMT.	No.	AMT.		No.	AMT.	
January 1982	126	3,318,800	110	2,969,750	87.30	16	349,050	12.70
February 1982	100	2,562,600	85	2,146,500	85.00	15	416,100	15.00
March 1982	132	3,766,900	118	3,244,750	89.39	14	522,150	10.61
April 1982	183	5,401,450	161	4,706,250	87.98	22	695,200	12.02
May 1982	180	5,278,850	150	4,436,650	83.33	30	842,200	16.67
June 1982	216	6,617,800	188	5,752,400	87.04	28	865,400	12.96
July 1982	158	5,027,100	131	4,078,300	82.91	27	948,800	17.09
August 1982	201	5,979,700	163	4,819,250	81.09	38	1,160,450	18.91
September 1982	227	7,290,900	203	6,367,250	89.43	24	923,650	10.57
October 1982	211	6,749,750	192	6,082,700	91.00	19	667,050	9.00
November 1982	190	6,018,850	155	4,747,550	81.58	35	1,271,300	13.42
December 1982	173	5,746,400	157	5,114,600	90.75	16	631,800	9.25
January 1983	133	4,392,350	120	3,965,150	90.23	13	427,200	9.77
February 1983	129	4,527,850	112	3,889,450	86.82	17	638,400	13.18
March 1983	181	5,740,550	167	5,359,200	92.27	14	381,350	7.73
April 1983	74	2,405,200	47	1,554,850	63.52	2	67,900	2.70

Month Appl. Rec.	Pending			In Process		
	No.	AMT.	%	No.	AMT.	%
April	2	56,250	2.70	23	726,200	31.08

## ALASKA HOUSING FINANCE CORPORATION

LOAN SUMMARY - MORTGAGES PURCHASED  
RECEIVING HOME OWNERSHIP SUBSIDY

	<u>FY '81</u>	<u>%</u>	<u>FY '82</u>	<u>%</u>	<u>JULY - MARCH FY '83</u>	<u>%</u>
Sales Price	67,142		68,684		74,217	
Appraised Value	68,318		69,568		75,119	
Note Amount	63,183		64,381		69,671	
Monthly Income	1,905		1,932		1,990	
Age of Borrower	29.6		30.0		29.7	
Size of Household	1.8		1.9		1.9	
Loan to Sales Price Ratio	94.10		93.74		93.87	
Weighted Average Int. Rate	9.98		11.12		10.49	
Monthly P & I Payment			620.18		636.79	
Dwelling Type						
SFR	227	59.58	398	44.08	302	42.00
Condo	141	37.01	487	53.93	412	57.30
PUD	13	3.41	18	1.99	5	.70
	<u>381</u>	<u>100.00</u>	<u>903</u>	<u>100.00</u>	<u>719</u>	<u>100.00</u>
New/Existing						
New	57	14.96	272	30.12	497	69.12
Existing	324	85.04	631	69.88	222	30.88
	<u>381</u>	<u>100.00</u>	<u>903</u>	<u>100.00</u>	<u>719</u>	<u>100.00</u>
First Time Homeowner						
Yes	289	75.85	639	70.76	549	76.36
No	92	24.15	264	29.24	170	23.64
	<u>381</u>	<u>100.00</u>	<u>903</u>	<u>100.00</u>	<u>719</u>	<u>100.00</u>
Insurance Type						
FHA	-	-	-	-	-	-
VA	-	-	-	-	-	-
CONV	381	100.00	903	100.00	719	100.00
	<u>381</u>	<u>100.00</u>	<u>903</u>	<u>100.00</u>	<u>719</u>	<u>100.00</u>
Eligible State Veteran	7	1.84	11	1.22	54	7.51
Non-Eligible State Veteran	374	98.16	892	98.78	665	92.49
	<u>381</u>	<u>100.00</u>	<u>903</u>	<u>100.00</u>	<u>719</u>	<u>100.00</u>

Original Balance                      24,072,600.00                      58,136,000.00                      50,093,400.00

## ALASKA HOUSING FINANCE CORPORATION

LOAN SUMMARY - MORTGAGES PURCHASED  
MOBILE HOMES

	<u>FY '81</u>	<u>%</u>	<u>FY '82</u>	<u>%</u>	<u>JULY - MARCH FY' 83</u>	<u>%</u>
Sales Price	25,971		27,966		34,016	
Appraised Value	26,553		29,160		34,953	
Note Amount	23,558		25,878		31,067	
Monthly Income	2,450		2,710		2,894	
Age of Borrower	32.0		32.9		32.1	
Size of Household	2.5		2.6		2.6	
Loan to Sales Price Ratio	90.71		92.54		91.33	
Weighted Average Int. Rate	10.71		11.34		11.85	
Monthly P & I Payment			285.20		349.42	
Dwelling Type						
Mobile Homes	<u>558</u>	<u>100.00</u>	<u>1,324</u>	<u>100.00</u>	<u>1,426</u>	<u>100.00</u>
New/Existing						
New	36	6.45	132	9.97	331	23.21
Existing	<u>522</u>	<u>93.55</u>	<u>1,192</u>	<u>90.03</u>	<u>1,095</u>	<u>76.79</u>
	<u>558</u>	<u>100.00</u>	<u>1,324</u>	<u>100.00</u>	<u>1,426</u>	<u>100.00</u>
First Time Homeowner						
Yes	364	65.23	840	63.44	941	65.99
No	<u>194</u>	<u>34.77</u>	<u>484</u>	<u>36.56</u>	<u>485</u>	<u>34.01</u>
	<u>558</u>	<u>100.00</u>	<u>1,324</u>	<u>100.00</u>	<u>1,426</u>	<u>100.00</u>
Insurance Type						
FHA	-	-	-	-	-	-
VA	4	.72	74	5.59	176	12.34
CONV	<u>554</u>	<u>99.28</u>	<u>1,250</u>	<u>94.41</u>	<u>1,250</u>	<u>87.66</u>
	<u>558</u>	<u>100.00</u>	<u>1,324</u>	<u>100.00</u>	<u>1,426</u>	<u>100.00</u>
Eligible State Veteran	1	.18	71	5.36	172	12.06
Non-Eligible State Veteran	<u>557</u>	<u>99.82</u>	<u>1,253</u>	<u>94.64</u>	<u>1,254</u>	<u>87.94</u>
	<u>558</u>	<u>100.00</u>	<u>1,324</u>	<u>100.00</u>	<u>1,426</u>	<u>100.00</u>
Original Balance			13,145,460.00		34,263,450.00	
					44,301,200.00	

cf19

## ALASKA HOUSING FINANCE CORPORATION

Summary of Projected Demand and Proposed Sources of Funding  
Mobile Home Loan ProgramSummary of Projected Demand

Mobile home loan approvals April 1, 1982 through March 31, 1983	\$59,318,750
Appreciation and growth adjustment (1)	<u>14,829,608</u>
CALCULATED DEMAND	<u>\$74,148,438</u>
ROUNDED TO	<u>\$75,000,000</u>

Summary of Proposed Sources of Funding

Appropriation Request	\$50,000,000
Estimated amounts in the Home Ownership Fund available for mobile home loan originations:	
As of June 30, 1983 (2)	4,000,000
FY 84 Net earnings (\$8,000,000) and prepayments (\$11,000,000)	19,000,000
Estimated Mortgage repayments in the State Appropriated Loan Fund available for mobile home loan originations:	
Through June 30, 1983 (3)	<u>2,000,000</u>
	<u>\$75,000,000</u>

- (1) Assumes 15 percent appreciation and 5 percent program growth applied to the April 1982 - March 1983 approvals, adjusted to reflect the 3 month period discrepancy.
- (2) Approximately \$16 million of the FY 83 mobile home loan program activity is expected to be financed from the earnings of, and mortgage repayments received in the Home Ownership Fund through June 30, 1983.
- (3) Anticipates consolidation of State Appropriated Loan Fund into the Corporation's Operating Fund with loan prepayments held in short term investments and available for application to debt service requirements applicable to outstanding obligations if necessary.

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

RENDED TITLE: CSRS 315(FIN)  
AN ACT MAKING SPECIAL APPROPRIATIONS FOR CERTAIN STATE  
LOAN AND GRANT PROGRAMS,  
AND PROVIDING FOR AN EFFECTIVE DATE

GENERAL DOLLARS: \$228,964,000 (APPROX)  
OTHER DOLLARS: 4050,000

THE SPONSOR: HOUSE SPECIAL COMMITTEE.

CO-SPONSORS:  
CURRENT STATUS: 6/03/83 IN (S) FINANCE

DATE	SEQ	PAGE	LEGISLATIVE ACTION
4/04/83	01	0713	FIRST READING -- COMMITTEE REPORTS
4/20/83	02	0943	CSRS -- CS05, NR02
5/05/83	03	1191	LOAN -- CS04
5/20/83	04	1444	FIN -- CS10
			TAKEN UP IMMEDIATELY
5/20/83	05	1454	SECOND READING
5/20/83	06	1454	FIN CS ADOPTED BY UNAN CONSENT
5/20/83	07	1454	ADVANCED TO 3RD READING BY UNAN CONSENT
5/20/83	08	1454	THIRD READING
5/20/83	09	1455	PASSED BY DIV 38-01-01
5/20/83	10	1455	EFFECTIVE DATE VOTE SAME AS PASSAGE
5/20/83	11	1455	NOTICE OF RECONSIDERATION GIVEN
5/21/83	12	1481	RECONSIDERATION NOT TAKEN UP
***	**	**	*** *** ***

DATE	SEQ	PAGE	LEGISLATIVE ACTION
6/23/83	13	1078	FIRST READING -- COMMITTEE REPORTS
6/03/83	14	1125	L&C -- DP(AM)03
			FINANCE
			RULES
***	**	**	*** *** ***

COMMITTEE REPORT

SENATE

FURTHER:

FINANCE

5/27/43

Date: 6-2-43

Mr. President:

The Committee on LABOR & COMMERCE has had CHIEF CLERK

Special Appropriations for certain state loan and grant programs.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- 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
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

\_\_\_\_\_

*[Signature]*

\_\_\_\_\_

*[Signature]*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*[Signature]*

\_\_\_\_\_

CHAIRMAN

SENATE AMENDMENT

By Senate Labor and Commerce Committee

To: AMEND SENATE BILL No. \_\_\_\_\_

To: AMEND HOUSE BILL No. CSHD 315(F15)

PAGE: 1      LINE: 13

After "and" insert the following:

"for senior citizen housing facilities and  
for nonhousing facilities that are incidental or  
appurtenant to senior citizen housing".



ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
 Prepared by the House Special Committee on State Loans

PLEASE NOTE INTERIOR PAGES CORRESPOND WITH BILL SECTION NUMBERS. SEE APPROPRIATE PAGE FOR MORE DETAIL.

Bill Sec	Program	Amount requested in CSHB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
01	AHFC Special Mortgage Loan Purchase	\$6,801,000	\$105,000,000	\$100,000,000
02	AHFC Home Ownership Assistance	\$45,000,000	\$45,000,000	\$50,000,000
03	C&RA Senior Citizens Housing Development	\$19,530,000	\$10,000,000	\$2,500,000
04	C&RA Supplemental Housing Development	\$3,500,000	Ø	Ø
05	C&RA Housing Assistance Loan Fund (for existing programs)	\$45,000,000	\$45,000,000	\$45,000,000
06	C&RA Housing Assistance Loan Fund (for implementation of HOAF; see CSHB 302 (Fin), section 9)	\$15,000,000	n/a	n/a
07	C&RA Home Ownership Assistance Fund (for capitalization of new program; see CSHB 302 (Fin), section 9)	\$650,000	n/a	n/a
08	C&ED Division of Investments	\$22,483,900	\$51,800,000	\$28,508,900
09	DNR Agricultural Loan	\$10,000,000	\$10,000,000	\$10,000,000
10	Scholarship Loan	\$60,000,000	\$52,000,000	\$60,000,000
11	Scholarship Loan (federal receipts)	\$850,000	\$986,100	\$850,000
12	APA Rural Electrification Loan	\$1,000,000	Ø	\$1,000,000

\* Amounts taken from CCSSB 322, Appropriation to various state loan and grant programs, (1982)

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ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSHB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
01	NHFC Special Mortgage Loan Purchase	\$6,801,000	\$105,000,000	\$100,000,000

Supervisory/Administrative Agency: Department of Revenue

Statutory Authority: AS 18.56.010 - AS 18.56.210      Reference: page 81, State Loan Programs

Program Description: The Special Mortgage Loan Purchase Program is intended to assist in the acquisition and development of land and in the construction, rehabilitation, and refinancing of housing for people of lower income, as well as for all Alaskans. The Special Mortgage Loan Purchase Program is NHFC's principal financing program, accounting for approximately 90 percent of the agency's lending activities.

Funding breakdown:

Continuation funding.....6,801,000  
6,801,000

Comments:

\* Amounts taken from CCSSB 322, Appropriation for various state loan and grant programs (1982)

ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
 Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSIB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
02	AHFC Home Ownership Assistance	\$45,000,000	\$45,000,000	\$50,000,000

Supervisory/Administrative Agency: Department of Revenue

Statutory Authority: AS 18.56.091

Reference: page 65, State Loan Programs

Program Description: The Home Ownership Assistance Program is intended to provide mortgage subsidies to people of low and moderate income. By a corporation funding mechanism, the appropriation to the Home Ownership Assistance Program is invested in Alaskan mobile home loans purchased under the mobile home loan purchase program; the subsequent income stream, both principal and accrued interest, is then used to subsidize actual HOAP loans.

Funding breakdown:

Continuation funding.....	45,000,000
	45,000,000

Comments:

\* Amounts taken from CCSSB 322, Appropriation for various state loan and grant programs (1982)

ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
 Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSHB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
03	C&RA Senior Citizens Housing Development	\$19,530,000	\$10,000,000	\$2,500,000

Supervisory/Administrative Agency: Department of Community and Regional Affairs, Housing Assistance Div.

Statutory Authority: AS 44.47.610 - AS 44.47.620

Reference: Letter from C&RA

Program Description: The Senior Citizens Housing Development Fund is intended to alleviate the shortage of decent, safe, and sanitary residential housing available at low or moderate prices or rentals to persons 60 years of age or older.

Funding breakdown:

Continuation funding.....	2,500,000
Additional funding to.....	17,030,000
meet projected shortfall	
	19,530,000

Comments:

\* Amounts taken from CCSSB 322, Appropriation for various state loan and grant programs (1982)

ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
 Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSMB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
04	C&RA Supplemental Housing Development	\$3,500,000	Ø	Ø

Supervisory/Administrative Agency: Department of Community and Regional Affairs, Housing Assistance Div.

Statutory Authority: AS 18.55.998

Reference: see statutes

Program Description: The Supplemental Housing Development Fund is intended to finance grants to regional housing authorities established under AS 18.55.996 for the cost of on-site sewer and water facilities, road construction to project sites, and extension of electrical distribution facilities to individual residences. Appropriations to this grant program are eligible for federal matching funds.

Funding breakdown:

Continuation funding.....3,500,000

3,500,000

Comments:

\* Amounts taken from CCSSB 322, Appropriation for various state loan and grant programs (1982)

ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
 Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSHB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
05	C&RA Housing Assistance Loan Fund (for existing programs)	\$45,000,000	\$45,000,000	\$45,000,000

Supervisory/Administrative Agency: Department of Community and Regional Affairs, Housing Assistance Div.

Statutory Authority: AS 44.47.380 - AS 44.57.560

Reference: page 87, State Loan Programs

Program Description: The Housing Assistance Loan Fund is intended to provide funding for mortgages, building materials, renovations, and improvements for nonconforming and rural housing.

Funding breakdown:

Continuation: funding.....	45,000,000
	45,000,000

Comments:

\* Amounts taken from CCSSB 322, Appropriation for various state loan and grant programs (1982)

ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSHB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
06	C&RA Housing Assistance Loan Fund (for implementation of HOAF; see below)	\$15,000,000	n/a	n/a

Supervisory/Administrative Agency: Department of Community and Regional Affairs, Housing Assistance Div.

Statutory Authority: (HALF) AS 44.47.380 - AS 44.47.560      Reference: Section 9, CSHB 302 (Fin) also

Program Description: The proposed Home Ownership Assistance Fund is intended to subsidize mortgage loans for people with low or moderate income, subject to the definitions and restrictions in section 9 of the Finance Committee Substitute for House Bill 302. C&RA projects that the new subsidy program will result in substantially higher demand for loans made from the Housing Assistance Loan Fund.

Funding breakdown:

Funding for increased.....	15,000,000
demand due to new loan program, Home Ownership Assistance Fund, in HB 302 (see bill for details)	
	15,000,000

Comments:

\* Amounts taken from CCSSB 322, Appropriation for various state loan and grant programs (1982)

ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
 Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSIB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
07	C&RA Home Ownership Assistance Fund (for capitalization of new program; see below)	\$650,000	n/a	n/a

Supervisory/Administrative Agency: Department of Community and Regional Affairs, Housing Assistance Div.

Statutory Authority: n/a, see Section 9, CSIB 302 (Fin)      Reference: Section 9, CSIB 302 (Fin)

Program Description: The proposed Home Ownership Assistance Fund is intended to subsidize mortgage loans for people with low or moderate income, subject to the definitions and restrictions in section 9 of the Finance Committee Substitute for House Bill 302.

Funding breakdown:

Funding for new loan.....	650,000
program, Home Ownership Assistance Fund, in HB 302 (see bill for details)	650,000

Comments:

\* Amounts taken from CCSSB 322, Appropriation for various state loan and grant programs (1982)

ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSIB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
08	C&ED Division of Investments	\$22,483,900	\$51,800,000	\$28,508,900

Supervisory/Administrative Agency: Department of Commerce and Economic Development, Div. of Investments

Statutory Authority: see specific programs below

Reference: see specific programs below

Program Descriptions:	<u>Loan Program</u>	<u>Statute</u>	<u>Allocation</u>	<u>Reference</u>
	alternative technology and energy loans	AS 45.88	2,400,000	p.57
	commercial fishing loans	AS 16.10.300- AS 16.10.370	9,091,000	p.29
	child care facility loans	AS 44.30.240	869,500	p.97
	historical district loans	AS 45.98	500,000	p.113
	fisheries enhancement loans	AS 16.10.500	6,500,000	p.33
	residential energy conservation loans	AS 45.89	3,123,400	p.59

Funding breakdown:

See above for individual programs

Comments:

\* Amounts taken from CSSB 322, Appropriation for various state loan and grant programs (1982)

ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
 Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSIB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
09	DNR Agricultural Loan	\$10,000,000	\$10,000,000	\$10,000,000

Supervisory/Administrative Agency: Department of Natural Resources

Statutory Authority: AS 03.10.020 - AS 03.10.060      Reference: page 13, State Loan Programs

Program Description: The Agricultural Revolving Loan Fund is intended to promote the more rapid and effective development of agriculture as an industry throughout the state through long term, low interest loans.

Funding breakdown:

Continuation funding.....	10,000,000
	10,000,000

Comments:

\* Amounts taken from CCSSB 322, Appropriation for various state loan and grant programs (1982)

ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
 Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSIB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
10	Scholarship Loan	\$60,000,000	\$52,000,000	\$60,000,000

Supervisory/Administrative Agency: Commission on Postsecondary Education

Statutory Authority: AS 14.43.090 - AS 14.43.160      Reference: page 45, State Loan Programs

Program Description: The Scholarship Revolving Loan Fund is intended to provide educational loans at a low cost to Alaskan students enrolled in undergraduate, graduate, or career degree programs.

Funding breakdown:

Continuation funding.....60,000,000  
60,000,000

Comments:

\* Amounts taken from CCSSB 322, Appropriation for various state loan and grant programs (1982)

ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
 Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSIB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
11	Scholarship Loan (federal receipts)	\$850,000	\$986,100	\$850,000

Supervisory/Administrative Agency: Commission on Postsecondary Education

Statutory Authority: AS 14.43.090 - AS 14.43.160      Reference: page 45, State Loan Programs

Program Description: The Scholarship Revolving Loan Fund is intended to provide educational loans at a low cost to Alaskan students enrolled in undergraduate, graduate, or career degree programs.

Funding breakdown:

Continuation funding.....	850,000
	850,000

Comments:

\* Amounts taken from CCSSB 322, Appropriation for various state loan and grant programs (1982)

ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
 Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSHB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
11	Scholarship Loan (federal receipts)	\$850,000	\$986,100	\$850,000

Supervisory/Administrative Agency: Commission on Postsecondary Education

Statutory Authority: AS 14.43.090 - AS 14.43.160      Reference: page 45, State Loan Programs

Program Description: The Scholarship Revolving Loan Fund is intended to provide educational loans at a low cost to Alaskan students enrolled in undergraduate, graduate, or career degree programs.

Funding breakdown:

Continuation funding.....	850,000
	850,000

Comments:

\* Amounts taken from CCSSB 322, Appropriation for various state loan and grant programs (1982)

ANALYSIS OF STATE LOAN AND GRANT PROGRAM FUNDING  
 Prepared by the House Special Committee on State Loans

Bill Sec	Program	Amount requested in CSMB 315 (Fin)	Amount requested last year*	Amount requested in Gov's Capital Budget (1-11-83)
12	APA Rural Electrification Loan	\$1,000,000	Ø	\$1,000,000

Supervisory/Administrative Agency: Alaska Power Authority

Statutory Authority: AS 45.88.010 - AS 45.88.040      Reference: page 59, State Loan Programs

Program Description: The Rural Electrification Revolving Loan Fund is intended to make loans to electric utilities to extend electric service into rural areas of the state.

Funding breakdown:

Continuation funding.....	1,000,000
	<u>1,000,000</u>

Comments:

\* Amounts taken from CCSSB 322, Appropriation for various state loan and grant programs (1982)

H B

347

RENDED TITLE: CSNS 347/PTNYAN

EFFECT RELATING TO THE LICENSING OF NATUROPATHS

GENERAL DOLLARS: \$0 (F. NOTE)

PRIME SPONSOR: MARTIN.

OTHER DOLLARS: \$0

CO-SPONSORS: FISCHER.

CURRENT STATUS: 6/01/84 POSTPND 6/02/84(2)

DATE SEQ PAGE

LEGISLATIVE ACTION

12/83	01	0823	FIRST READING -- COMMITTEE REPORTS
1/23/84	02	2641	HESC -- CS02, OTHER05
2/20/84	03	2642	HESC PAROTE EQUALS HESC
3/29/84	04	3098	LAC -- CS65, NR02
3/29/84	05	3098	LAC PAROTE HSE SUPPL #117
4/25/84	06	3454	FIN -- CS06, NR02
4/25/84	07	3454	FIN PAROTE EQUALS ZERO
5/02/84	08	3594	SECOND READING
5/02/84	09	3594	FIN CS ADOPTED BY UNAN CONSENT
5/02/84	10	3595	NR01 ADOPTED BY DIV 31-02-07
5/02/84	11	3596	NR02 NOT ADOPTED BY DIV 13-19-08
5/02/84	12	3596	ADVANCED TO 3RD READING BY UNAN CONSENT
5/02/84	13	3596	THIRD READING
5/02/84	14	3596	PASSED BY DIV 24-07 09
5/02/84	15	3597	EFFECTIVE DATE FAILED BY DIV 24 11 00
5/02/84	16	3597	NOTICE OF RECONSIDERATION GIVEN
5/03/84	17	3635	PASSED ON RECONSIDERATION BY DIV 26 06-04
5/03/84	18	3635	EFFECTIVE DATE FAILED BY DIV 21-15-04

DATE SEQ PAGE

LEGISLATIVE ACTION

5/04/84	19	3712	FIRST READING -- COMMITTEE REPORTS
5/04/84	20	3733	LAC CSNM REFERRAL ADOPT BY UNAN CONSENT
5/30/84	21	3377	HESC -- CS02, NR02
5/30/84	22	3377	MOVED FROM LAC TO RLS BY UNAN CONSENT
5/31/84	23	3430	POSTPONED UNTIL 06/01/84 BY UNAN CONSENT
6/01/84	24	3450	POSTPONED UNTIL 06/02/84 BY UNAN CONSENT

Referred to L+C

5/30/84

Waived to Rules

5/30/84



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Ponch Y, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

March 5, 1984

MEMORANDUM

TO: Representative Furnace

FROM: Jay Livey *2*  
Legislative Analyst

RE: Regulation of Naturopaths in Other States  
Research Request 84-055

Steve Levi of your staff asked that we compare the regulation and licensure of naturopaths in other states with the approach proposed by CSHB 374. There are currently six states, Washington, Arizona, Oregon, Hawaii, Nevada, and Connecticut, that license naturopaths. We were able to contact or obtain licensing laws for all of these states. The comparisons of the laws includes the following information:

- the entity responsible for the regulation;
- requirements for licensure as a naturopath;
- scope of naturopathic practice; and
- reciprocity arrangements with other states.

Responsibility for Naturopathic Regulation

CSHB 347 puts the responsibility for the regulation of naturopaths in Alaska within the authority of the Department of Commerce and Economic Development. The department would have the authority to evaluate the qualifications of applicants, prepare and administer examinations to applicants and revoke and suspend licenses for cause. The State of Washington uses a similar structure, giving these powers to the Department of Licensing.

In four states, Hawaii, Oregon, Nevada and Arizona, the authority to administer the licensure law is given to a Board of Naturopathic Examiners. These boards may discipline licensed naturopaths through revocation or suspension of licenses, establish and administer licensure examinations, evaluate the qualifications of applicants and generally administer the licensure law. Three of these states, Hawaii, Arizona

and Oregon, have a three-member board composed of licensed naturopaths. Nevada has a five-member Board of Examiners of which three members are required to be naturopaths; one member is required to be a physician and one member must be a layperson.

Connecticut has a structure that divides the licensing authority between a Board of Examiners and the Department of Health Services. The board, composed of 2 licensed naturopaths and one layperson, has the authority to discipline licensed naturopaths according to procedures established by the law and administrative code. The board is also responsible for developing the licensure examination. The Department of Health Services administers the licensure statute, and has final responsibility for licensing naturopaths under the statute.

#### Requirements for Licensure

In summary, to be licensed as a naturopathic physician in any of these states, the applicant must be a high school graduate, have graduated from an approved school of Naturopathy and pass an examination administered by either a state department or state board of examiners. As proposed in the Alaska law, Hawaii, Oregon and Connecticut require that applicants complete additional college work at an approved school. We also found the standards used by the states to define approved schools of naturopathy were fairly similar to those proposed in the Alaska law. All states require a mix of classroom and clinical study, a course of study that occurs over four years and a minimum number of hours required for graduation. Each state's requirements are summarized below.

Alaska. To be eligible for a license as a naturopath in Alaska, CSHB 347 would require the applicant to be a high school graduate or equivalent, and to have completed two years of postsecondary education at an accredited college of liberal arts and sciences, have successfully completed an examination given by the Department of Commerce and Economic Development and not to have been licensed to practice naturopathic medicine in another state if the license has been revoked or suspended for disciplinary reasons. In addition, the applicant must have graduated from a legally chartered school of naturopathic medicine or a school of naturopathic medicine that meets specific curriculum requirements including a course of study of at least 4,000 hours of which 1,500 must be clinical.

Hawaii. In Hawaii, to be licensed as a naturopathic physician, an applicant must reside in the state for one year prior to application, be a high school graduate, have had two years liberal arts education at an accredited college and be a graduate of a legally chartered school of naturopathic medicine that meets specific curriculum requirements found in the law. In addition, the applicant must pass an examination prepared and administered by the Board of Naturopathic Examiners.

Representative Furnace

March 5, 1984

Page 3

Arizona. Arizona law requires an applicant for a naturopathic license to be a high school graduate or the equivalent and to have graduated from a school of drugless therapeutics, approved by the Board of Naturopathic Examiners. The school must meet specific curriculum requirements specified in the law and provide a total of at least 4,500 hours of instruction. The applicant must also pass an examination prepared by the Board of Examiners.

Connecticut. Connecticut law requires an applicant for a naturopathic license to be a high school graduate, to have completed 64 weeks of study at a college or scientific school approved by the Board of Naturopathic Examiners and to have graduated from a legally chartered, reputable school or college of naturopathy approved by the board. To be approved, the school of naturopathy, must require a course of resident instruction of at least four years, with each year consisting of thirty-six weeks of actual attendance. The applicant must also successfully pass an examination given by the Department of Health Services.

Oregon. Minimum requirements to be eligible for a license of naturopathy in Oregon include a high school diploma, two years satisfactory study in an accredited college of liberal arts and sciences and graduation from a college of naturopathy approved by the Board of Naturopathic Examiners. To be accredited, the college of Naturopathy must provide at least 4,000 lecture or recitation hours. Applicants are also required to pass an examination administered by the board.

Washington. Washington requires applicants for a naturopathic license to be graduates of a school of naturopathic medicine approved by the Director of Licensing and to pass an examination prepared and administered by the Director of Licensing. To be approved, the school must require a high school diploma as a condition of admission.

Nevada. To be licensed as a naturopath in Nevada, the applicant must be 21 years of age or older, a citizen of the United States or be legally entitled to work and live here, a graduate of a school of naturopathic medicine that is approved by the Board of Naturopathic Examiners and must have successfully completed an examination administered by the board.

#### Scope of Practice

The scope of naturopathic practice allowed by the proposed Alaska law is similar to the scope of practice allowed in Oregon, Arizona, and Connecticut. These states all allow naturopaths to perform childbirth, draw blood for diagnosis purposes, sign birth and death certificates and perform minor surgeries.

However, the states of Washington and Nevada restrict the scope of naturopathic practice more than the proposed Alaska law. These states do not allow naturopaths to perform surgeries of any kind or perform natural childbirth (except in Washington if a licensed midwife is present). Naturopaths in Nevada must work under the supervision of a physician; however, they are allowed to draw blood for diagnosis.

Alaska. The proposed Alaska law would allow naturopaths to perform physical exams, write prescriptions for noncontrolled substances, sign birth and death certificates, diagnose disease according to training, treat patients by stimulating normal functions of tissues and organs sensitized by disease, draw blood for laboratory purposes, use electrical or other methods for repair and care of superficial lacerations and abrasions, and practice natural childbirth in obstetrics. According to the proposed law, a naturopath may not perform surgery except as related to childbirth, use controlled substances, use radiation therapy or use drugs except antiseptics, local anesthetics, minerals and extracts, compounds or concentrates obtained from plants or animals.

Hawaii. Hawaii's naturopathic licensing law does not specify a scope of allowable practice. However, it does state that "naturopathic physicians licensed under this chapter shall observe and be subject to all state regulations relative to reporting births and deaths and all matters pertaining to the public health with equal rights and obligations as physicians, surgeons, and practitioners of other schools of medicine." Because we were unable to contact representatives of the Hawaii Board of Naturopathic Examiners, we were unable to make specific comparisons to the proposed Alaska law.

Arizona. The Arizona law does not specifically include the scope of services naturopaths can offer. According to Dr. Milburn Shelton, President of the State Naturopathic Licensing Board, the scope of services is determined by the definitions found in the statute.<sup>1</sup> For example, naturopathy means "a system for treating the abnormalities of the human mind and body by the use of drugless and nonsurgical methods including the use of physical, electrical, hygienic, and sanitary measures and all form of physiotherapy."

Nonsurgical is defined to be "a system of treating the abnormalities of the human mind and body without surgical invasion of the human body, but does not preclude the use of acupuncture, electrical or other methods for the repair and care of incident and superficial lacerations and abrasions, benign superficial lesions and the removal of foreign bodies

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<sup>1</sup>Dr. Milburne Shelton, President of the Arizona Board of Naturopathic Examiners, (602) 937-9125.

located in superficial structures, and the use of standard clinical procedures in connection therewith." This definition allows procedures that are similar to ones allowed in the proposed Alaska law.

Dr. Shelton stated that naturopaths in Arizona could also perform physical examinations, prescribe substances authorized in the statutes, sign both birth and death certificates, treat patients with acupuncture, draw blood for laboratory purposes and practice natural childbirth. He also noted that naturopaths in Arizona are prohibited from performing the activities also prohibited in CSHB 347.

Connecticut. As with Arizona, the Connecticut law is not very specific concerning the scope of practice naturopaths are allowed to perform. However, according to Dr. Charles Soderstrom, President of the Board of Naturopathic Examiners, the scope of practice is very similar to the proposed Alaska law.<sup>2</sup> He noted that Connecticut naturopaths can perform minor surgery, practice natural childbirth, sign both birth and death certificates, draw blood for laboratory tests, and perform diagnosis. However, as in the proposed Alaska law, naturopaths may not perform major surgery, use controlled substances, or use radiation therapy.

Oregon. The Oregon statutes allow naturopaths to "treat the human body by use of drugless methods, which has for its object the maintaining of the body in, or of restoring it to, a state of normal health." Although the full scope of allowed services is not detailed in the statute, it does specifically mention that antiseptics and anesthetics can be administered, birth and death certificates can be signed and minor surgery (as defined in the statute) can be performed.<sup>3</sup> Specific prohibitions mentioned in the law include the practice of optometry, performing chiropractic adjustments and prescribing drugs.

Washington. The Washington licensing law does not specifically detail the scope of naturopathic practice. According to Yvonne Braeme, Executive Secretary to the Drugless Examining Committee, the existing law in Washington, which was adopted in 1919, is outdated.<sup>4</sup> However, she did note that naturopathic practice in Washington may be more restricted than that proposed by the Alaska law. In Washington, naturopaths are

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<sup>2</sup>Dr. Charles Soderstrom, President, Connecticut Board of Naturopathic Examiners, (203) 633-5330.

<sup>3</sup>Minor surgery as defined in the Oregon law is very similar to the scope of services detailed in the proposed Alaska statute.

<sup>4</sup>Ms. Yvonne Braeme, Executive Secretary, Washington State Board of Drugless Medicine, (206) 753-3576.

May 8, 1984  
Anchorage Alaska

Labor & Commerce Committee of Senate  
and Kirtula;  
Juneau, Alaska  
Dear Sirs;

I am very disappointed in  
the way the bill 347 has  
been handled - Licensing of  
Naturopathic Physicians -  
I have been a patient of  
this type of Physician for  
many years and feel the Com-  
mittee's have great need of  
the knowledge of these Physicians.  
Please see that this bill is  
passed -

Sincerely,  
Margaret B. Johnson

FILE 34-000000000 PPT 1 07/13/81 11:42:27 ORIG: LK00 IN= 0002 OUT= 0041  
FROM: WIDE R. WITCHHEAD TO: JUNEAD INFO  
TARGET: LJKR SUB: 000

TO: SENATE HESS COMMITTEE MEMBERS JOSEPHSON, V. FISCHER, P. FISCHER,  
HILFORD, AND ROSS

SENATE LABOR & COMMERCE COMMITTEE MEMBERS ELIACON, HULOHAY, PETTY JOHN,  
POOPY, AND SACKETT

FROM: GLENN G. SCHLICHT, M.D.  
213 CARLETON  
KETCHIKAN, ALASKA 99901 225-4604 (H) 225-4104 (H)

RE: THE STATE LICENSURE OF CHIROPRACTORS

MODERN HEALTH CARE DEMANDS A HIGH DEGREE OF SPECIALIZED TRAINING TO GUARANTEE  
SAFE AND EFFECTIVE CARE FOR THE CONSEQUENCES OF MEDICAL AND SURGICAL THERAPY.  
I FEEL THAT IT WOULD BE A DISERVICE TO SOCIETY TO GIVE A MEDICAL OR SURGICAL  
LICENSE TO INDIVIDUALS WHO HAVE NOT HAD SUPERVISED EDUCATION, I.E., THE  
"NATUROPATHIC PHYSICIANS."

\*\*\*\*\*





MSG 84-00045453 PETTY 1 (5/17/84 13:57:15 ORIG: LK00 IN= 0003 OUT= 0080  
FROM: BOBHEL/LECHIKAN TO: BUREAU INFORMATION  
TARGET: LMK SUBJ: POM *12*

TO: MEMBERS OF THE SENATE H.E.S.C. COMMITTEE: JOSEPHSON, V. FISCHER,  
HALFORD, P. FISCHER, ROSS  
MEMBERS OF THE SENATE L. & C. COMMITTEE: ELIASON, DULCANY, PETTY, BOB,  
SACKETT, ROBEY  
SENATOR ZIEGLER

FROM: JAMES A. WELSON, M.D.  
803 3678  
KETCHIKAN, BLAZEK 5296  
(907) 225-4100 (WORK) AND (907) 225-5231 (HOME)

RE: HOUSE BILL 547, LICENSING OF NATUROPATHS

I OBJECT STRONGLY TO ALLOWING NATUROPATHS OBTAINING SURGICAL AND OTHER  
SURGICAL PRIVILEGES, AS WELL AS EMERGENCY MEDICAL PRIVILEGES. THIS  
CONSTITUTES A GREAT STEP BACKWARDS IN HEALTH CARE. THEY HAVE NO QUALIFICATIONS  
FOR THIS AND WOULD BE A FURTHER SOURCE OF DANGER TO THE UNSUSPECTING PUBLIC.

END/SGP

MSNG 43660

MARY/MATSU5/3

TO: SENATORS ELIASON, MULCAHY, PETTYJOHN, RODEY, SACKETT

FR: LIZA SANDVIK  
SR B BOX 7480  
PALMER 99645

RE: HB 347 - LICENSING NATUROPATH PHYSICIANS

I SUPPORT THE PASSAGE OF THIS LEGISLATION. URGE YOU TO SCHEDULE IMMEDIATELY  
AND VOTE FOR PASSAGE FROM YOUR COMMITTEE.

MSG 43660

MARY/MATSU

5/8

TO: SENATORS ELIASON, MULCAHY, PETTYJOHN, RODEY, SACKETT

FR: DEBRA LUCAS  
P O BOX 871481  
MARIETTA 99687

RE: HB347- LICENSING OF NATUROPATH PHYSICIANS

I OPPOSE THE DELAY OR KILLING OF HB347. I WANT PASSAGE THROUGH YOUR COMMITTEE.

\*\*\*\*\*

MSG 84-00043342 PRTY 1 05/08/84 15:21:11 ORIG: LA18 IN= 0015 OUT= 0118  
FROM: MARCIE, ANC INFO TO: POM, JUNEAU INFO  
TARGET: LJKH SUBJ: P O M

---

TO: ALL MEMBERS OF THE SENATE

FROM: KATIE FULLER  
BOX 670946  
CHUGLEAK 99567  
H 688-4092

RE: HB 347 NATURPATHS

PLEASE VOTE IN FAVOR OF LICENSING NATUROPATHIC PHYSICIANS. PEOPLE WHO CHOOSE NATUROPATHIC HEALING DESERVE THE RIGHT TO KNOW THEIR PHYSICIANS ARE QUALIFIED AND ALSO GET THE MEDICAL INSURANCE COVERAGE NOT AVAILABLE NOW THROUGH MOST MAJOR COMPANIES. THANK YOU.

EOK

MSG 84-00043328 PRTY 1 05/08/84 15:04:40 ORIG: LA18 IN= 0013 OUT= 0114  
FROM: MARCIE, ANC INFO TO: POM, BUREAU INFO  
TARGET: LJHK SUBJ: P O M

---

TO: ALL MEMBERS OF THE SENATE  
FROM: DIANA CASEY  
1802 BOOTLEGGERS COVER  
ANCHORAGE 99501  
H 272-6735

RE: HB 347 NATUROPATHS

PLEASE GIVE THE PEOPLE OF ALASKA THE OPPORTUNITY TO HAVE THEIR  
CHOICE OF HEALTH CARE BY LICENSING THE NATUROPATHIC PHYSICIANS.

COM

\*\*\*\*\*

MESSAGE PORT SIT ON HR 347, PASS IT.

RE: HR 347

FROM: RICHARD DAWSON  
BOX 3134 ECB  
ANCHORAGE, AK 99501  
243-3537

TO: THE SENATE LABOR & COMMERCE COMMITTEE: SENATORS ELIASON, MURKIN,  
PETTYJOHN, ROBERT AND SACKETT.

MSG 84-00043391 PRTY 4 05/08/84 16:02:53 ORIG: L432 IN=0005 OUT=0134  
FROM: DAVE/ANC LIO  
TARGET: LINK SUBJ: POM  
TO: POM - JND LIO

MSG 84-00043366 PRTY 1 05/08/84 15:56:57 ORIG: LA32 IN= 0003 OUT= 0130  
FROM: DAVE/AND LIO TO: POM - JHO LIO  
TARGET: LJK SURF POM

---

TO: SENATOR KEPTULLA AND THE SENATE LABOR & COMMERCE COMMITTEE: SENATORS  
ELIASON, BULCAMP, PETTYBOND, FODDY AND SACKETT.

FROM: GINGER PETTLEJOHN  
2RA BOX 7408  
ANCHORAGE, AK 99516  
279-5077

RE: HB 347

MESSAGE: I UNDERSTAND THAT SENATOR ELIASON REQUESTED HB 347 BE REFERRED TO  
THE SENATE LABOR & COMMERCE COMMITTEE AS HE DID LAST YEAR. I AM OPPOSED TO  
YOUR DELAYING THIS BILL TO DEFEAT IT. I WANT IT PASSED THIS SESSION.

END \*\*\*\*\*

MSG 34-00043333 PRTY 1 05/03/84 15:11:56 ORIG: LA18 IN= 0014 OUT= 0117  
FROM: MARCIE, ANC INFO TO: POM, JUNEAU INFO  
TARGET: LJHK SUBJ: P O H

---

TO: ALL MEMBERS OF THE LEGISLATURE  
FROM: ELIZABETH ALLARD  
14800 ZIRCON CIRCLE  
ANCHORAGE 99516  
H 345-7165  
RE: HB 347 NATUROPATHS

PLEASE EXPEDITE HB 347 INSTEAD OF DELAYING IT. IT SHOULD GO STRAIGHT TO THE HESS COMMITTEE AND ON TO THE SENATE. SENATOR'S ELIASON AND KERTTOLA SEEM TO BE DELAYING THE BILL SO IT WILL NOT PASS THIS SESSION. I WOULD LIKE TO SEE THE PASSAGE OF HB 347 THIS YEAR.

EDM

H B

373

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: CSHB 373 (L&C)  
 Title: Nonforfeiture benefits of life insurance policies  
 Sponsor: Labor & Commerce  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Commerce & Econ. Development  
 Program Category Affected: Public protection  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
 Division of Insurance \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Kenneth C. Moore, Director  
 Division: Insurance

Phone: 465-2515

Date: \_\_\_\_\_

Approved by Commissioner: Richard A. Lyon  
 Agency: Commerce and Economic Development

Date: 12/29/83

Distribution (by Agency preparing fiscal note):

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

12/1/83

CS HOUSE BILL 373, INTRODUCED BY THE HOUSE LABOR AND COMMERCE COMMITTEE, TRACTS MODEL LEGISLATION ADOPTED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS IN 1980. THIS LEGISLATION REPRESENTS A COMPREHENSIVE REVISION OF THE STATUTES WHICH WERE FIRST ADOPTED DURING ALASKA'S TERRITORIAL DAYS. CS HB 373 WILL ALLOW THE INSURANCE INDUSTRY MORE FLEXIBILITY IN RESPONDING TO THE EVER-CHANGING LIFE INSURANCE MARKETPLACE.

THE POSITIVE OUTCOME OF THIS LEGISLATION WILL RESULT IN A REDUCTION OF LIFE INSURANCE PREMIUMS. FOR EXAMPLE, FOR AN ALASKAN MALE, AGE 35, A WHOLE LIFE INSURANCE POLICY NOW COSTS \$16.23 PER THOUSAND DOLLARS OF COVERAGE PER YEAR. IF <sup>CS</sup> HB 373 IS IN EFFECT THE SAME POLICY WOULD COST \$12.64. THESE FIGURES WERE PROVIDED BY THE PRUDENTIAL INSURANCE COMPANY.

ALASKA IS THE ONLY STATE WHICH HAS NOT ADOPTED SIMILAR LEGISLATION. <sup>CS</sup> HB 373 PASSED 37 - 0 IN THE HOUSE AND WAS FAVORABLY REVIEWED IN THE SENATE LABOR AND COMMERCE AND JUDICIARY COMMITTEES. I RECOMMEND THE PASSAGE OF HB 373.

*KEN MOORE - DIRECTOR OF DIV of Insurance  
SUPPLIED BY THE INSURANCE INDUSTRY  
~~W/for~~ FISCAL NOTE - ZERO  
38 page - Terminal change*

# ALASKA STATE LEGISLATURE - SENATE

SENATOR RICHARD I. ELIASON

LABOR AND COMMERCE COMMITTEE, CHAIRMAN  
REJOURCES COMMITTEE  
JUDICIARY COMMITTEE  
FISHERIES SUB-COMMITTEE



P O BOX 143  
SITKA, ALASKA 99835  
POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4910

## MEMORANDUM

TO: Senator Bill Ray, Chair  
Senate Judiciary Committee

FROM: Senator Dick Eliason

DATE: February 27, 1984

RE: CS HB 373 (L&C) - "An Act relating to nonforfeiture benefits of life insurance policies and reserve valuation standards for life insurance policies and annuity contracts."

As chairman of the Senate Labor & Commerce Committee, I had the opportunity to review the merits of the above-mentioned legislation and I recommend that HB 373 pass out of the Judiciary Committee with a "do pass".

HB 373, introduced by the House Labor & Commerce Committee, tracks model legislation adopted by the National Association of Insurance Commissioners (NAIC) in 1980. To date, Alaska is the only state which has not adopted this legislation.

HB 373 represents a comprehensive revision of the Standard Valuation Law and the Standard Nonforfeiture Law for Life Insurance. It would allow the insurance industry more flexibility in responding to the ever-changing life insurance marketplace.

However, this legislation will not only benefit the insurance industry, but will also help reduce the cost of insurance to the consumer. For example, for an Alaskan male, age 35, a whole life insurance policy now costs \$16.23 per thousand dollars of coverage per year. If HB 373 is in effect the same policy would cost \$12.64. (These figures were provided by the Prudential Insurance Company).

Attached is further back-up information regarding this legislation.

Faint, illegible text, possibly a document header or list of items, with some recognizable words like "UNITED STATES" and "DEPARTMENT OF" scattered throughout.

# WHILE YOU WERE AWAY

FOR Sheila DATE 2-13 TIME 3:50 ~~AM~~ PM

BY Steve Silver

OF (informed of 2/21/84 mtg) TELEPHONED

PHONE 586-3340 RETURNED YOUR CALL

AREA CODE NUMBER EXTENSION

MESSAGE  PLEASE CALL

Scheduled HB373 WILL CALL AGAIN

for 3/1/84 - No need CAME TO SEE YOU

for eyepatches WANTS TO SEE YOU

SIGNED Steve Silver TOPS FORM 4002

# COMMITTEE REPORT

## SENATE

FURTHER:

2/7/85

Date

1-21/89

Mr. President

The Committee on LABOR & COMMERCE considered CSHB 373 (LAC)

non-qualified benefits of life insurance policies and reserve valuation standards for life insurance policies and annuity contracts; and.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Chairman

Chairman recommendation



Life Insurance  
(standard  
nonforfeiture/  
valuation)

HOUSE BILL NO. 373, by the Labor & Commerce Committee.

Represents a comprehensive revision of the standard valuation and standard nonforfeiture law for life insurance, based on model amendments proposed by a number of groups and organizations, including the National Association of Insurance Commissioners, the American Council of Life Insurance, and the Society of Actuaries. The standard laws have not been revised since they were originally enacted in the 1940's, and the changes proposed have been adopted in 39 states to date. Similar measures have been introduced in other state legislatures.

The bill amends the existing section of state law relating to the standard valuation law for life insurance (AS 21.18.110(b)). The standard valuation law establishes minimum reserving standards to provide for the solvency of life insurance policies, guaranteeing future benefits provided for by the policies. The current basis for reserving is based on mortality tables and interest rates. In general, HB 373 does not change the method of reserving, but would change the mortality tables, reflecting increased longevity, based on the 1980 Standard Ordinary Mortality Table.

The bill would also change the method of determining valuation interest rates. Currently the interest factor allowed is statically fixed in law. Each time economic conditions warrant change in rates, the law must be changed. HB 373 would take a dynamic approach to interest rates, linking the interest rate to Moody's Corporate Bond Yield Average -- Monthly Average Corporates, as published by Moody's Investors Service, Inc., and would allow the interest rate to change, based on the index.

page 581

The bill would also allow new mortality tables to be adopted by regulation, although the tables would first have to be adopted by the National Association of Insurance Commissioners, and the regulation process would have to be observed.

The standard nonforfeiture law for life insurance determines how benefits are paid to defaulting or surrendering policyholders, depending on the number of years the premiums were paid, and the payment provisions stipulated in the insurance policy. In determining the benefits of a defaulting or surrendering policyholder the interest rates and mortality factors are taken into account. Life insurance policies issued in the state must contain provisions for payment of nonforfeiture benefits, and cash surrender values. A statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available may be used in some types of policies. The standard nonforfeiture law and the standard valuation law are linked on the basis of interest rates and mortality tables.

The bill lists the methods of payment of benefits to terminating policyholders, language to be contained in insurance policies guaranteeing payment of benefits, calculation of and value of the policy, and calculation of adjusted premiums and present values of life insurance policies.

Provides Act takes effect immediately.

Brief Summary

TECHNICAL NOTES  
Proposed Amendments to the Standard Valuation Law  
and  
Standard Nonforfeiture Law for Life Insurance

The proposed amendments were adopted by the National Association of Insurance Commissioners (NAIC) in December, 1980. Instrumental in their development were the NAIC, the American Council of Life Insurance (ACLI), and the Society of Actuaries. This cooperative effort resulted in these amendments which are the most encompassing changes since these laws were first adopted.

To date, at least 39 states have enacted the 1980 amendments, including most of the western states. The uniform enactment of the standard valuation and nonforfeiture laws by the various states obviates an insurer from establishing its reserves on different bases for different states with varying minimum valuation standards. Such an approach would only result in increased insurance costs with no greater assurance of insurer solvency.

Interest and mortality are the prime factors in establishing reserves and in the determination of nonforfeiture values. Currently, the minimum standards for these factors are statically established in law. So, any changes in these factors needs to be accomplished by legislative action.

The proposed amendments establish a dynamic approach to the interest factor. The interest rate is pegged to an outside index (Moody's Corporate Bond Yield Average - Monthly Average Corporates) and automatically responds to the movement of that index. Therefore, the necessity of legislative action each time a change in interest rate is called for is eliminated. This index has historically tracked the long term interest trends without undue fluctuations. The variable policy loan interest rate utilizes this same index. Additionally, formula weightings also further insulate the interest factor from chance fluctuation. Current economic conditions require the interest factor be more reflective of the current economic state in a more timely manner. An indication of the magnitude of the impact of the interest factor is that for each 1% change in the valuation interest rate, the value of the reserves changes by approximately 10% (e.g. a 1% increase in valuation interest rates causes the reserves to decrease by approximately 10%).

The proposed amendments change the mortality basis through the adoption of the Commissioners 1980 Standard Ordinary Mortality Table (1980 CSO) and the Commissioners 1980 Extended Term Insurance Table. The current mortality basis is the Commissioners 1958 Standard Ordinary Mortality Table (1958 CSO). The 1980 CSO reflects the better mortality (increased longevity) experienced in more recent years. Generally, increased longevity results in decreased amounts of reserves similar to the impact created by changes in the valuation interest rates. Additionally, the proposed amendments allow for the director of insurance to adopt by

regulation new mortality tables for valuation and nonforfeiture determinations once they have been adopted by the NAIC.

The Standard Valuation Law establishes the minimum standards (interest, mortality, and valuation method) for a life insurer in establishing its required reserves. The regulatory interest is to assure the solvency of an insurer so that it may meet its current contractual obligations and those which extend many years into the future. The proposed amendments establish a conservative but more realistic basis for the required reserves. An ancillary effect will be a greater array of new life insurance contracts being offered to the public by a wider range of insurers at a lower cost.

The Standard Nonforfeiture Law establishes the minimum standards for determining what share of the insurer's assets a terminating policyholder is due. The regulatory intent is to provide equity to the terminating policyholder as well as to those policyholders whose coverage remains in force. A more realistic determination of surrender values is provided for by the proposed amendments. Also, appropriate patterns for nonforfeiture values are established which prevents manipulations of these values for certain periods of time commonly used in comparing the values of similar life insurance contracts offered by different insurers.

Due to the financial integration which is currently taking place, a proliferation of new and innovative life insurance and annuity contracts has taken place. No standard valuation or nonforfeiture law can accommodate or anticipate all possible kinds of life insurance and annuity contracts. Therefore, the proposed amendments provide the director of insurance with the authority to promulgate regulations to establish the valuation and nonforfeiture standards for such products.

The above represents an overview of the proposed amendments to the Standard Valuation and Standard Valuation Laws. The materials provided by the ACLI presents a more detailed and technical discussion of these proposed amendments, presented in an equitable manner. The division of insurance feels that such information can be relied upon.

The Division of Insurance recommends enactment of the proposed amendments.

Testimony notes. HB 373

Administration favors bill.

Bill tracks model legislation adopted by the NAIC (National Association of Insurance Commissioners) in 1980.

Bill amends the Standard Valuation Law and the Standard Nonforfeiture Law for life insurance.

Allows for a more dynamic approach to determining values in the two laws. Allows more flexibility in responding to change in the life insurance marketplace.

Approach to establishing reserves is conservative but realistic.

Will make available a much wider range of products.

By Div of Insurance

SUMMARY OF 1980 AMENDMENTS TO STANDARD  
VALUATION LAW AND STANDARD NONFORFEITURE  
LAW FOR LIFE INSURANCE

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These amendments adopted by the National Association of Insurance Commissioners in December, 1980 are the most significant and comprehensive changes to the Standard Laws since these laws were originally enacted in the 1940's. They represent the culmination of years of effort in a cooperative project involving a number of organizations and groups.

Purposes of Amendments

1. Update the minimum standards for reserves and nonforfeiture benefits and provide for future automatic updating of these standards in order to permit company operations and the products offered to the consumer to keep pace with changes in the economy and in longevity.
2. Accommodate more effectively products that have been introduced since the laws were first enacted.
3. Accommodate new products that may be developed in the future, thereby increasing company flexibility to offer, and insurance department flexibility to regulate, products that meet new public needs and expectations.

Principal Features of Amendments

1. A system for the automatic annual updating of the statutory valuation and nonforfeiture interest rate standards applicable to new business.
2. New mortality tables for ordinary life insurance and authority for the insurance commissioner to promulgate more modern life insurance, annuity, and disability tables.
3. Changes in the allowance for company excess initial expenses that is used in calculating minimum nonforfeiture benefits for life insurance.
4. Provisions to require appropriate patterns of nonforfeiture benefits.
5. Provisions that take account of special features of products not contemplated in the original versions of these laws, such as family policies, policies that provide for changes in benefits and premiums after issue at the option of the policyholder, and policies that provide for the payment of an additional premium in the first policy year.
6. Provisions to authorize the insurance commissioner to promulgate valuation and nonforfeiture regulations to accommodate life insurance plans providing for future premium determination by the company and plans for which minimum reserves or nonforfeiture values cannot be determined by the other provisions of the laws.



**ERICKSON  
INSURANCE  
AGENCY**

February 13, 1984

Senator Dick Eliason, Chairman  
Senate Labor & Commerce Committee  
Pouch V  
Juneau, Alaska 99811.

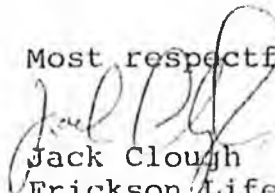
Re: H.B.373

Dear Senator Eliason:

I am writing to express my full support in passage of H.B.373. I believe that Alaska is the only state not to have such a law but that the bill has passed the House (37-0) and now lies in the Senate Labor & Commerce Committee. Truly, this bill is in the best interest of the consumer and can only benefit everyone.

It is my hope, Senator, that you feel as I do and will urge the committee, as well as the Senate, to pass this legislation into law as soon as possible. Your comments will be most appreciated.

Most respectfully,

  
Jack Clough  
Erickson Life  
President

JC:lb

RECEIVED JAN 31 1984

Richard Scott/Financial Plans  
P. O. BOX 80845 - COLLEGE STATION - FAIRBANKS, AK 99708  
(907) 479-6778

January 28, 1984

Rep. Bob Bettisworth  
Juneau, AK

Dear Bob,

HB 373 includes a proposal to authorize use of the latest mortality table in computing premiums and cash values for life insurance. Since the insurance commissioners of all the states create a committee to approve proposed new tables, they are generally referred to by the date approved, and called the Commissioners Standard Ordinary mortality table, or "CSO" for short. The latest table is the "1980 CSO" and at last count had been approved by 31 states so far. The last one before that one, I think, was the 1958 CSO.

Since premiums are based on projected life spans starting at various ages, and since life expectancy in general has changed considerably since the 1958 table, it appears valid to adopt the 1980 CSO table as soon as it can be arranged. From a premium standpoint, the change reduces most rates and resulting cash values slightly and at some ages may increase them slightly. The reason that adoption of a new table doesn't make major changes is that the companies constantly monitor mortality statistics and adjust the premiums from time to time.

I was told that HB 373 was sponsored by the Labor and Commerce committee and is presently in the Rules Committee, Rep. Cowdery, Chairman. Mark Ringstad and Niilo Koponen are also on the Committee.

Now that the 1980 CSO has been out long enough to become generally adopted across the country, I notice a trend for life insurance companies to issue their new policy forms only in those states which have approved the 1980 CSO table. Since the newer policy constructions include current-interest-assumption plans with what appear to be substantial buyer advantages, adoption of the new table will broaden the choices available to Alaskan buyers and sellers of life insurance.

If past history repeats, this shouldn't come up again for another 22 years. Anything you can do or advice you may have in this matter will be most appreciated.

Best wishes to you and your colleagues as you work to develop plans for the future of this state.

Sincerely,

Richard Scott

cc:  
Mark Ringstad  
Niilo Koponen  
Rep. Cowdery

HB 373 FLOOR SPEECH by Rep Cowdry, Chair of  
House Labor + Commerce

HOUSE BILL 373 I'M GLAD TO SAY IS A PIECE OF LEGISLATION WHICH WILL BENEFIT NOT ONLY THE INSURANCE INDUSTRY -- BUT ALSO WILL HELP REDUCE THE COST OF INSURANCE TO CONSUMER.

THIS BILL IS THE PRODUCT OF MANY YEARS OF WORK. IT WAS WRITTEN BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS OF WHICH KEN MOORE, DIRECTOR OF THE DIVISION OF INSURANCE IN ALASKA, IS A MEMBER. HOUSE BILL 373 WOULD REVISE STATUTES WHICH WERE FIRST ADOPTED DURING ALASKA'S TERRITORIAL DAYS.

IT IS A MODEL PIECE OF LEGISLATION, PASSED IN STATES WHERE INSURANCE IS SUCH A MAJOR INDUSTRY THAT STANDING COMMITTEES ON INSURANCE HAVE BEEN CREATED BY THEIR LEGISLATURES TO DEAL WITH THE HIGH VOLUME OF INSURANCE LEGISLATION. STATES SUCH AS CALIFORNIA, NEW YORK, ILLINOIS, CONNECTICUT, AND MASSACHUSETTS. IN FACT 49 OF 50 STATES HAVE ADOPTED ALMOST IDENTICAL LEGISLATION.

HOUSE BILL 373 HAS BEEN SCRUTINIZED LINE BY LINE WITH A FINE TOOTH COMB, BY THE LEGAL SERVICES DIVISION OF THE LEGISLATIVE AFFAIRS AGENCY. AFTER EXHAUSTIVE REVIEW, THIS

LEGISLATION HAS FINALLY REACHED THE FLOOR FOR OUR CONSIDERATION.

HOUSE BILL 373 IS SUPPORTED BY THE ADMINISTRATION. AS I MENTIONED, KEN MOORE THE DIRECTOR OF THE DIVISION OF INSURANCE IN THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT HELPED PEN THIS LEGISLATION.

HOUSE BILL 373 IS STRONGLY SUPPORTED BY THE INSURANCE INDUSTRY AS WELL. IT WILL ALLOW FOR NEW PRODUCT LINES OF LIFE INSURANCE AND ANNUITY WHICH WILL RESULT IN CONSIDERABLE COST SAVINGS FOR THE CONSUMER.

IN CONCLUSION, I WOULD URGE EACH MEMBER OF THIS BODY TO VOTE IN FAVOR OF THE PASSAGE OF HOUSE BILL 373.

---

~~RECEIVED~~

FIRST OF ALL I DO NOT CLAIM TO BE AN EXPERT ON NON-FORFEITURE BENEFITS OR ANNUITY CONTRACTS. ONLY AN INSURANCE INDUSTRY EXPERT COULD EXPLAIN THIS BILL LINE BY LINE--PARAGRAPH BY PARAGRAPH.

WHAT I DO KNOW IS WE HAVE A BILL HERE WHICH HAS BEEN ADOPTED BY THE 49 OTHER STATES.

IT HAS THE SUPPORT OF THE INDUSTRY AND THE ADMINISTRATION AND LEGAL SERVICES SPENT WEEKS GOING OVER THE BILL.

BEYOND THAT IT WILL SAVE ALASKANS MONEY ON LIFE INSURANCE POLICY'S.

FOR EXAMPLE:

FOR AN ALASKAN MALE, AGE 35, A WHOLE LIFE POLICY NOW COSTS \$16.23 PER THOUSAND DOLLARS OF COVERAGE-PER YEAR.  
IF THIS BILL IS PASSED THE SAME POLICY WOULD COST \$12.64.

THESE FIGURES CAME FROM PRUDENTIAL INSURANCE. PRUDENTIAL LIKE MANY OTHER INSURANCE COMPANIES HAVE POLICY'S THEY MARKET NATIONWIDE BECAUSE ALL OTHER STATES HAVE ADOPTED A UNIFIED LAW. FOR THE BETTERMENT OF ITS PEOPLE--ALASKA SHOULD TOO.

H B

426

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: HB 426  
Title: Group Life Insurance

FISCAL DETAIL

Agency Affected: Commerce & Econ. Development  
Program Category Affected: Public protection

Sponsor: Labor & Commerce  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Division of Insurance \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Kenneth C. Moore, Director  
Division: Insurance

Phone: 465-2515  
Date: \_\_\_\_\_

Approved by Commissioner: Richard A. Lyon  
Agency: Commerce and Economic Development

Date: 12/29/83

Distribution (by Agency preparing fiscal note):

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

12/1/83

*Supports this B.Y.*

THE SENATE LABOR AND COMMERCE COMMITTEE REVIEWED CSHB 426 AND FOUND THIS LEGISLATION VERY WORTHWHILE. CSHB 426 WOULD LIBERALIZE THE GROUP LIFE INSURANCE CODE. CURRENTLY THE CODE IS HIGHLY RESTRICTIVE TO WHOM MAY APPLY FOR GROUP LIFE BENEFITS. CSHB 426 WOULD ALLOW ANY ORGANIZATION TO APPLY FOR GROUP LIFE INSURANCE AS LONG AS THAT ORGANIZATION DID NOT FORM SOLELY FOR THE PURPOSE OF PROVIDING THIS BENEFIT.

THE DIVISION OF INSURANCE STRONGLY SUPPORTS THESE PROPOSED CHANGES. CSHB 426 WOULD ALLOW A BROADER SECTION OF ALASKAN CITIZENS TO ENJOY THE BENEFITS OF GROUP LIFE INSURANCE WITHOUT ANY LOSS OF REGULATORY PROTECTION. EXAMPLES OF GROUPS WHICH UNDER CSHB 426 WOULD BE ELIGIBLE FOR GROUP LIFE INSURANCE ARE BAR ASSOCIATIONS, MEDICAL ASSOCIATIONS, COMMERCIAL FISHERMEN'S ASSOCIATIONS, OR PILOT ASSOCIATIONS. I RECOMMEND PASSAGE OF THIS BILL.

*Strongly Supported By Div of INS.  
LETTERS OF SUPPORT -*

FURTHER INFORMATION

- 1) CSHB 426 PASSED THE HOUSE 36 - 0.
- 2) CURRENTLY IT IS POSSIBLE FOR SOME TYPES OF GROUPS TO BE ELIGIBLE FOR GROUP ACCIDENT AND HEALTH INSURANCE BUT ARE NOT ELIGIBLE FOR GROUP LIFE INSURANCE. THIS MAKES IT MORE EXPENSIVE FOR THE GROUPS TO PURCHASE GROUP ACCIDENT AND HEALTH INSURANCE AS OFTEN AS INSURANCE IS PURCHASED AS A PACKAGE (HEALTH/ACCIDENT AND GROUP LIFE INSURANCE ARE SOLD TOGETHER). THESE STATUTES ARE REPEALED TO ALLOW MORE FLEXIBILITY.

3) AS 21.48.090 WHICH IMPOSES MAXIMUM AMOUNTS OF GROUP LIFE INSURANCE WHICH MAY BE EXTENDED TO THE DEPENDENTS OF COVERED EMPLOYEES OR MEMBERS OF A GROUP IS REPEALED. REASON FOR REPEAL - GROUP INSURANCE IS PRIMARILY AN EMPLOYEE BENEFIT AND MAY BE SUBJECT TO COLLECTIVE BARGAINING. THE STATE SHOULD NOT IMPOSE ANY ARTIFICIAL BARRIERS IN THE NEGOTIATION OF EMPLOYEE BENEFITS.

4) IN GENERAL, AS 21.48 REQUIRES THAT THE PREMIUM CANNOT BE ENTIRELY PAID BY EMPLOYEE CONTRIBUTIONS. THE PROPOSED LANGUAGE REMOVES THIS REQUIREMENT AS THIS RESTRICTION CAN IN EFFECT BE MADE MEANINGLESS IF THE EMPLOYER CONTRIBUTES ONLY 1¢ TOWARD PREMIUM COST FOR EACH EMPLOYEE.

RENDED TITLE: CSHE 426(L&C)  
 ACT RELATING TO GROUP LIFE INSURANCE, AND PROVIDING  
 FOR AN EFFECTIVE DATE  
 PRIME SPONSOR: HAYES.

COSPONSORS:  
 CURRENT STATUS: 4/12/04 CHAPTER 0032 SLA 04

DATE	SEQ	PAGE	LEGISLATIVE ACTION
05/25/83	01	1528	FIRST READING -- COMMITTEE REPORTS
06/11/83	02	1668	L&C -- 0302, NR05
06/11/83	03	1668	L&C F/NOTE EQUALS ZERO
01/16/84	04	2271	SECOND READING
01/16/84	05	2271	L&C CS ADOPTED BY UNAN CONSENT
01/16/84	06	2271	ADVANCED TO 3RD READING BY UNAN CONSENT
01/16/84	07	2271	THIRD READING
01/16/84	08	2271	PASSED BY DIV 36-00-04
01/16/84	09	2272	EFFECTIVE DATE VOTE SAME AS PASSAGE
01/16/84	10	2272	NOYCE OF RECONSIDERATION GIVEN
01/18/84	11	2301	RECONSIDERATION NOT TAKEN UP
03/27/84	20	3071	TRANSMITTED TO GOVERNOR
04.12/04	21	3310	SIGNED BY GOVERNOR-CHOCOS, EFF 04/12/04

DATE	SEQ	PAGE	LEGISLATIVE ACTION
01/19/84	12	1793	FIRST READING COMMITTEE REPORTS
03/02/84	13	2230	L&C -- 0P03
01/26/84	14	2464	RLC - OTHERS
01/26/84	15	2464	TAKEN UP IMMEDIATELY
01/26/84	16	2464	SECOND READING
03/26/84	17	2464	ADVANCED TO 3RD READING BY UNAN CONSENT
03/26/84	18	2464	THIRD READING
03/26/84	19	2464	PASSED BY DIV 17-00-04
03/26/84	19	2465	EFFECTIVE DATE VOTE SAME AS PASSAGE

COMMITTEE REPORT

SENATE

FURTHER:

Date: \_\_\_\_\_

Mr. President:

The Committee on \_\_\_\_\_ has had \_\_\_\_\_

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- 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
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

CHAIRMAN



Lance Wells & Associates  
National Bank of Alaska Building  
301 West Northern Lights Blvd., Suite 600  
Pouch 6273  
Anchorage, Alaska 99502

Lance Wells  
Paul Barton

APR 8 1983

(907) 279-7684

March 29, 1983

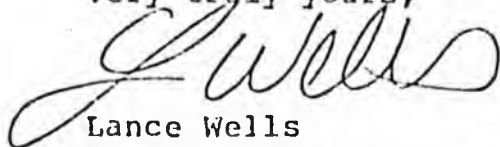
Representative Joe Hayes  
c/o Wally Kubley  
Baranof Hotel Room 206  
Juneau, AK 99801

RE: GROUP LIFE INSURANCE BILL OVERVIEW

Dear Representative Hayes:

At the present time, Alaska law prohibits associations from entering into group life insurance programs. As you probably know, significant advantages can be gained by grouping individuals associated through common work or other common groups in order to increase the volume and obtain volume discounts in the purchase of insurance. The bill with which you have been presented was prepared by the Department of Insurance and they are supportive of the measure. If this bill becomes law it will allow the pilots and other associations in the state to participate in group life insurance programs which will result in significant decrease in premiums for their respective members.

Very truly yours,



Lance Wells  
Executive Director

LW:cs

cc: Kent Lee Woodman  
Board Members of AACAA