

LOAN PARTICIPATION PROGRAM REGULATIONS

Emergency regulations made permanent at the January 13, 2011 AIDEA Board Meeting

3 AAC 99.250(d) is amended to read:

(d) In this section

(1) "true interest cost rate" means

(A) if the authority issues bonds to fund a participation in a loan, the rate on the bonds of the authority, or

(B) if the authority uses authority assets to fund a participation in a loan, 65 percent of the rate identified on the daily Federal Home Loan Bank of Seattle's Fixed-Rate Advances Index which most closely matches the term of the loan, and whether the type of loan has a fixed or variable interest rate, as determined by the authority, with the following adjustments:

(i) for a fixed rate loan, the rate during any fiscal year may not be lower than the five year return on the investment funds of the authority, expressed as an annual interest rate, as determined in the authority's review of its investments at the end of the third quarter of the prior fiscal year and, for a variable rate loan, the rate during any fiscal year will not be lower than 290 basis points;

(ii) for a variable rate loan, one hundred (100) basis points will be added to the rate;

(2) "authority cost amount" means an amount, determined by the authority and expressed as an annual rate of interest, that is necessary to pay for the allocable expenses of operation, costs of issuance, not subject to a loan participation bond issuance fee under 3 AAC 99.220(e), and loan servicing with respect to loans for which interest rates are determined under this section, if, however, that the annual rate of interest does not exceed the maximum amount above the yield on the tax-exempt bonds described in (1)(A) of this subsection that would be permitted under section 148 of the Internal Revenue Code of 1986, as amended, without causing the bonds to lose their tax-exempt status.

Authority: AS 44.88.085 AS 44.88.159

3 AAC 99.350(e) is amended to read:

(e) In this section

(1) "true interest cost rate" means

(A) if the authority issues bonds to fund a participation in a loan, the rate on the bonds of the authority, or

(B) if the authority uses authority assets to fund a participation in a loan, the rate identified on the daily Federal Home Loan Bank of Seattle's Fixed-Rate Advances Index which most closely matches the term of the loan, and whether the type of loan has a fixed or variable interest rate, as determined by the authority, [HOWEVER,] with the following adjustments:

(i) for a fixed rate loan, the rate during any fiscal year may not be lower than the five year return on the investment funds of the authority, expressed as an annual interest rate, as determined in the authority's review of its investments at the end of the third quarter of the prior fiscal year and, for a variable rate loan, the rate during any fiscal year will not be lower than 290 basis points;

(ii) for a variable rate loan, one hundred (100) basis points will be added to the rate;

(2) "authority cost amount" means an amount, determined by the authority and expressed as an annual rate of interest, that is necessary to pay for the allocable expenses of operation, costs of issuance, not subject to a loan participation bond issuance fee under 3 AAC 99.320(3), and loan servicing with respect to loans for which interest rates are determined under this section.

Authority: AS 44.88.085 AS 44.88.159