

SCOMM

#50:30

(Oct. 1988) (2-7) 10 7/8 %
30-year (7-10) 13%

Introduced: 4/15/85
Referred: House Special Committee
on State Loans and Finance

1 IN THE HOUSE

BY ADAMS AND BINKLEY

2

HOUSE BILL NO. 378

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the interest rate on state loan programs; and providing for an effective date."

7

8

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

9

* Section 1. AS 37.05.035 is amended by adding a new subsection to read:

10

11

(b) Notwithstanding any other provision of law, the interest

12

rate for loan programs administered by the state or an instrumentality

13

of the state shall increase by one-half percent October 1 of each year

14

until the interest rate is equal to

15

(1) the prevailing market rate for each type of loan; or

16

(2) the cost of funds, if the loan program is financed by

17

the sale of bonds or other indebtedness.

18

* Sec 2. This Act takes effect October 1, 1985.

(Ag REVOCABLE LOAN FUND)



HOAF. LOAN PROGRAM - LOW -

END OF MARKET

STUDENT LOAN

4-BILLION

CONCOT - PRI

Buy Down 5% INCREASE/REDUCE/ FUNDANCES

TO INCREASE Buy Down PROGRAM/PAY OFF

HB 378

BONDS LIMITED \$90,000 22 LOAN - 5TH YEAR -

Best Interest Rate when they are determined Application

Alaska HOUSING FINANCE CORPORATION



April 24, 1985

— RESEARCH / QUESTION / MAT SW

The Honorable Rick Halford
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Halford:

The enclosed packet, Exhibit I, is presented in response to your request that the effect of modifications to the current level of subsidy be reviewed. The two alternatives chosen to be analyzed were as follows:

Case A: Subsidy reduced to 2-1/2% effective October 1, 1985.

Case B: Subsidy initially reduced to 2-1/2% effective October 1, 1985 and further reduced to 2% beginning October 1, 1986.

The summary on Page 1 of Exhibit I demonstrates the estimated effect of the changes on subsidy requirements and Revolving Fund balances.

You made a second request related to ways the program might be modified to assist the Corporation in being able to accommodate future loan financing activity with existing resources of the Revolving Fund. One proposal would be to provide a substitute for the existing subsidy structure used in the taxable bond funded program. Currently the mortgage note rate is written based upon a 3% rate reduction from the "cost of funds" for the first \$90,000 of a loan. This results in a 3% subsidy for the life of the loan. The proposal calls for the same effective initial note rate with payments increased annually until they are at a level sufficient to pay the principal and interest due on the loan at the unsubsidized rate. This type of a loan is generally referred to in the mortgage lending industry as a "buy-down loan".

The stated note rate would be "bought down" to a subsidized effective rate through an allocation of funds in a pledged account. As the borrower's payments are increased, the required subsidy draws out of the pledged account are reduced until eventually no further draws are required. The borrower would be signing up for a 30 year fixed rate loan with gradually reducing payment assistance provided by AHFC.

This type of a loan would be similar to loans assisted under our Home Ownership Assistance ("HOF") Program. Under the HOF program, the borrower signs a note at the standard AHFC interest rate with additional monthly payment assistance provided to reduce the effective rate to as low as 6%. The HOF assistance is reduced as the borrower's income increases. The buy-down mortgage will have annual increases in the monthly payments beginning in the second year and continuing until the borrower's payments equal those required on an unsubsidized basis.

The following compares the buy-down mortgage with the current ABE structure. Also enclosed are two graphs which demonstrate the difference in payments and subsidies:

	<u>ABE Mortgage</u>	<u>Buy-Down Mortgage Proposal</u>
Effective mortgage rate	10% for life of loan.	10% first year increasing to 13%.
Stated note rate	10%	13%
Borrower's mortgage payment terms	Initial payments based upon 30 yr. fixed rate loan with annual monthly payment increases of 5% beginning in years 4 through 9.	Initial payments based upon 30 yr. fixed rate loan with annual monthly payment increases of 5% beginning in years 2 through 5*.
Gross AHFC subsidy (assuming loan goes to term)	\$32,246	\$7,320
Present value of subsidy discounted at 10%	\$17,992	\$6,092

* Period of increasing payments may vary depending upon loan amounts and interest rate levels.

Standard underwriting guidelines allow for qualification of the borrower at the initial bought-down rate provided that the annual increases in mortgage payments do not exceed 7-1/2%. In our examples we have assumed only 5% annual increases.

The buy-down mortgage has the advantage of reducing the amount of subsidy for loans purchased under the taxable program by approximately two-thirds. This would be accomplished without precluding anyone from the benefits of home ownership who is currently qualified under the existing program.

The Honorable Rick Halford
April 24, 1985
Page 3

In connection with the implementation of the buy-down program, consideration may be given to relaxing the Corporation's requirements of continued owner occupancy. Since the loan will be unsubsidized in approximately 5 years, it is possible the program could look at initial owner occupancy and the "one loan per resident" criteria as being sufficient. Since conventional long term fixed rate financing now imposes a "due on sale" clause, the buy-down loans would have to remain non-assumable.

I hope the above is useful in your review of AHFC's mortgage loan financing program. If I can be of further assistance, please let me know.

Sincerely,



Mark K. Cameron
Acting Executive Director

MKC:lmg

Enclosures

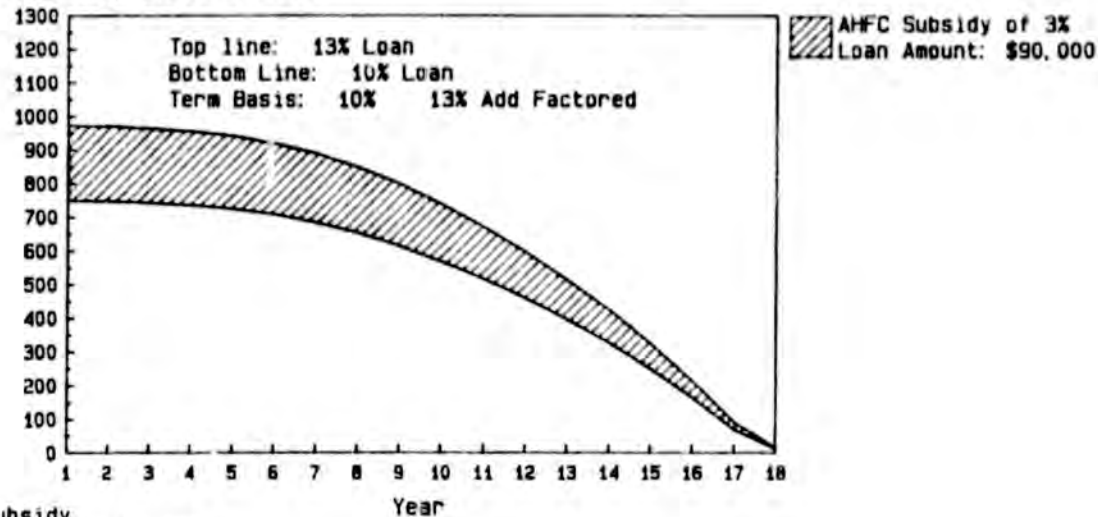
ALASKA HOUSING FINANCE CORPORATION

ABE Mortgage Subsidy

Monthly Interest Difference @ 10% & 13%

Graph A

Average Monthly Interest Paid



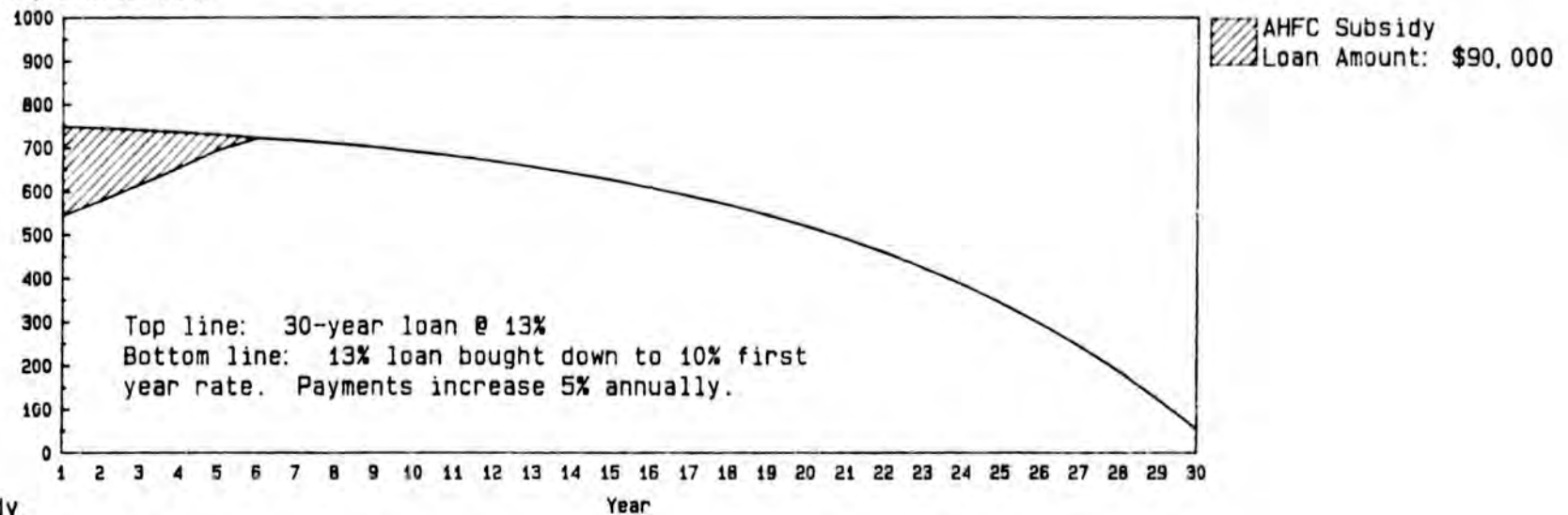
AHFC Subsidy

Gross Amount: \$32,246

Present Value @ 10%: \$17,992

PROPOSED BUY-DOWN MORTGAGE SUBSIDY 13% Loan Bought Down to an Effective 10% First Year Rate

Average Monthly Interest Paid



AHFC Subsidy

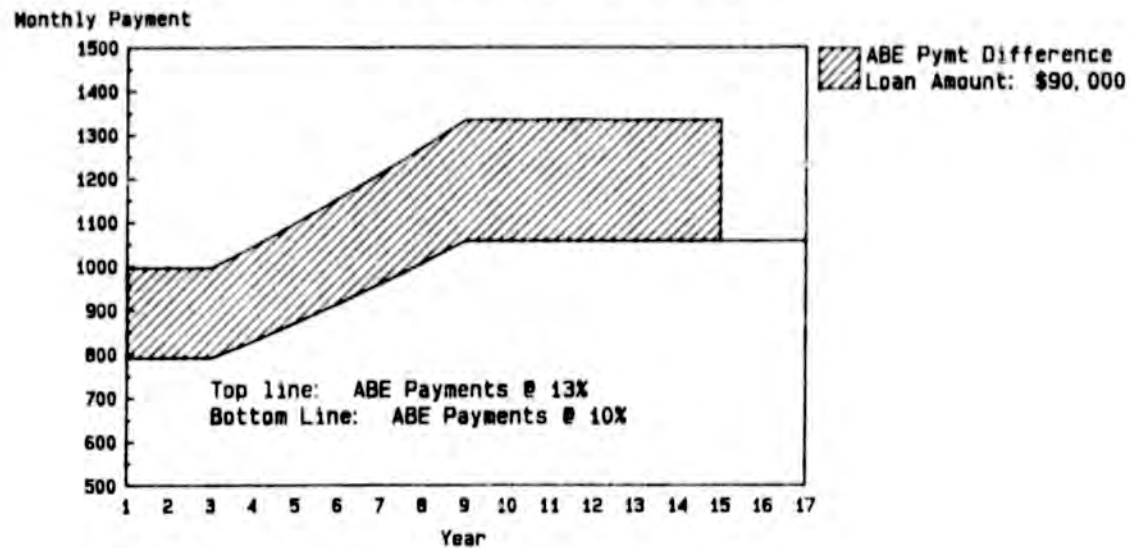
Gross Amount: \$7,320

Present Value @ 10%: \$6,092

ALASKA HOUSING FINANCE CORPORATION

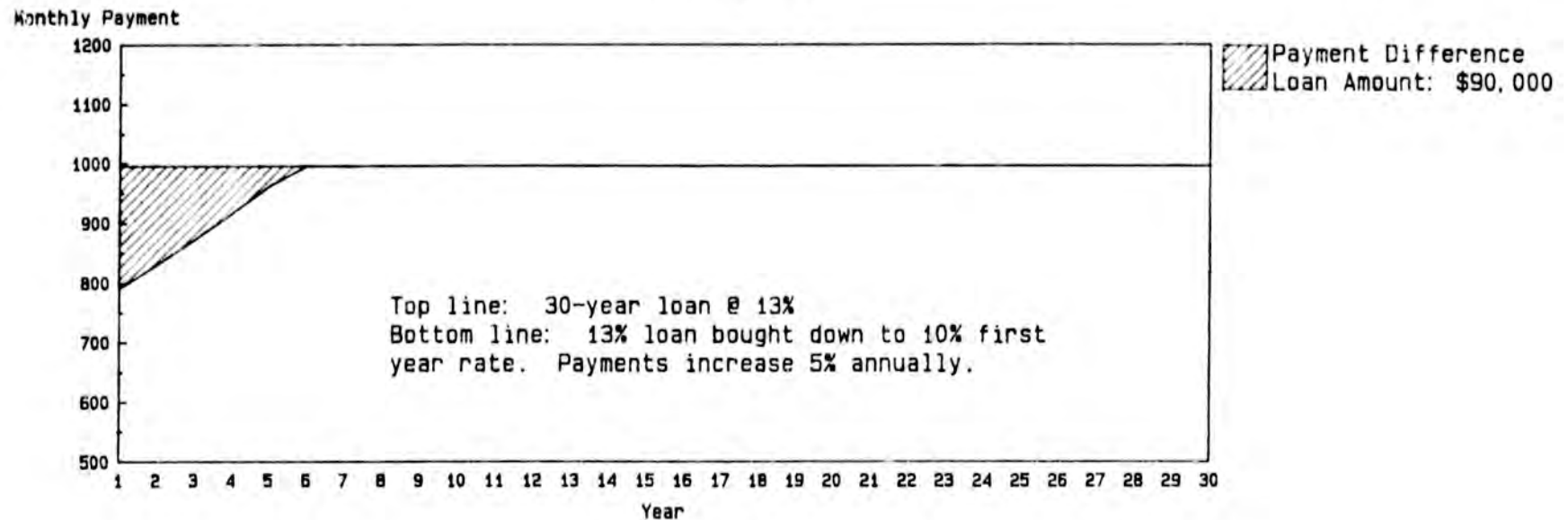
ABE Mortgage Payment Comparison
Subsidized for the life of the loan

Graph B



PROPOSED BUY-DOWN MORTGAGE PAYMENT COMPARISON

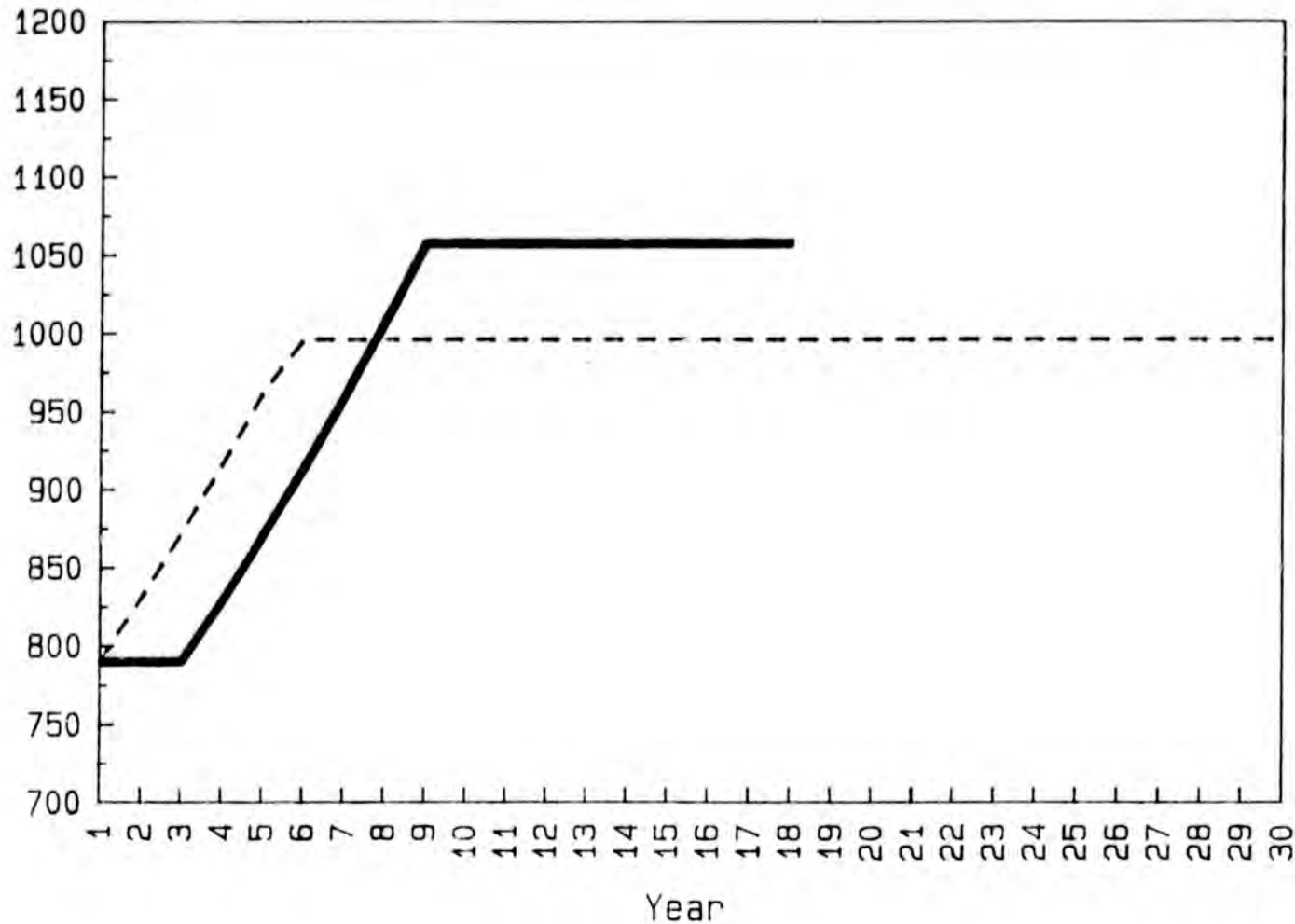
13% Loan Bought Down to an Effective 10%
First Year Rate



ALASKA HOUSING FINANCE CORPORATION

Comparison of Monthly Payments
ABE Mortgage - vs - Buy-Down Loan

Monthly Payment



ABE Loan
\$90,000 @ 10%

Buy-Down Loan
\$90,000 @ 13%

Alaska HOUSING FINANCE CORPORATION



April 16, 1985

The Honorable Jan Faiks
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Faiks:

Enclosed please find a booklet containing lending and financing activity projections along with an analysis of Revolving Fund activity and balance estimates. The first section of the booklet contains projections based upon existing programs, while the second section presents the same information adjusted to reflect the changes expected should legislation in the form of that contained in SB 281 be implemented.

The projections are extremely sensitive to fluctuations in mortgage demand. Fairly low levels of mortgage activity are reflected in the analysis. Recent activity which has been at record lows provided the base for the estimates.

Total mortgage demand for FY 89 is projected to be reduced from \$870 to \$480 million under the provisions of SB 281. Subsequent to FY 89, the only program which would continue would be the tax-exempt financed Veterans Mortgage Program with annual activity of \$175 to \$225 million per year. These bonds would be issued on a non-subsidized basis.

The effect of SB 281 on Revolving Fund balances is dramatic. At the end of FY 89 without changing the program, \$27 million in liquid assets would be in the General Account of the Revolving Fund after receiving an additional appropriation of \$100 million. This compares to a projected liquid asset balance without any future appropriations of \$287 million if SB 281 is effected, representing a net difference of \$360 million.

You have asked whether the Corporation would need future legislative appropriations were SB 281 to become law and \$50 million reappropriated to the State General Fund. As demonstrated in the summary of Exhibit A, projected liquid assets of the Revolving Fund are substantially in excess of \$50 million. Accordingly, such a reappropriation in connection with a phasing out of the Corporation's loan programs is not expected to result in future appropriation requests.

If I can be of further assistance in any way, please let me know.

Sincerely,

Mark K. Cameron

Mark K. Cameron
Acting Executive Director

MKC:lmg

Enclosure

*Note:
Complete packet
with booklet will
be LHL's folder.*

235 East 8th Avenue
Third Floor

P.O. Box 101020
Anchorage, Alaska 99510

(907) 276-5500

EXHIBIT A

Senate Finance Committee Hearing

SB 281

April 18, 1985

ALASKA HOUSING FINANCE CORPORATION

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NOTE: Projections have been based upon recent mortgage application volume. Bonding and subsidy projections are extremely sensitive to fluctuations in mortgage demand.

ALASKA HOUSING FINANCE CORPORATION

Summary of Exhibit A

<u>Current Programs</u>	<u>Bonds Issued</u>	<u>Est. Mtg. Demand All Programs</u>	<u>Related Subsidy Transfers</u>	<u>Revolving Fund Liquid Assets (General Account) End of FY</u>	<u>Level of Subsidy</u>
FY 86	800	785	152	172	3%
FY 87	500	792	92	104	3%
FY 88	550	824	98	28	3%
FY 89	550	870	122	27*	3%

<u>As Modified By SB 281</u>	<u>Bonds Issued</u>	<u>Est. Mtg. Demand All Programs</u>	<u>Related Subsidy Transfers</u>	<u>Revolving Fund Liquid Assets (General Account) End of FY</u>	<u>Level of Subsidy</u>
FY 86	750	726	126	205	2-1/2% eff. 10-1-85
FY 87	425	634	45	198	2% eff. 10-8-86
FY 88	400	527	14	231	1-1/2% eff. 10-1-87
FY 89	150	480	-0-	287	1% eff. 10-1-88

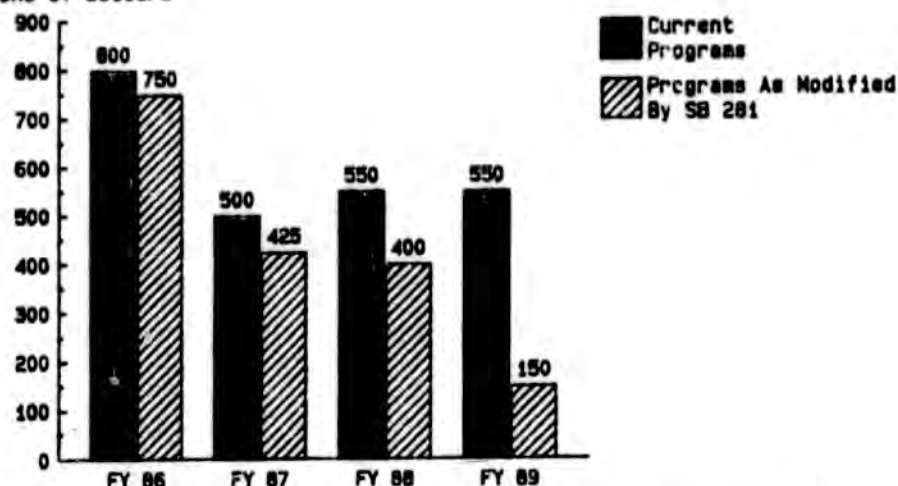
NOTE: Above projections anticipate receipt of \$16 million FY 84 appropriation and retention of all assets of the Alaska Housing Finance Revolving Fund.

* Anticipates receipt of \$100 million appropriation in FY 89.

ALASKA HOUSING FINANCE CORPORATION
Analysis of the Projected Effects of SB 281

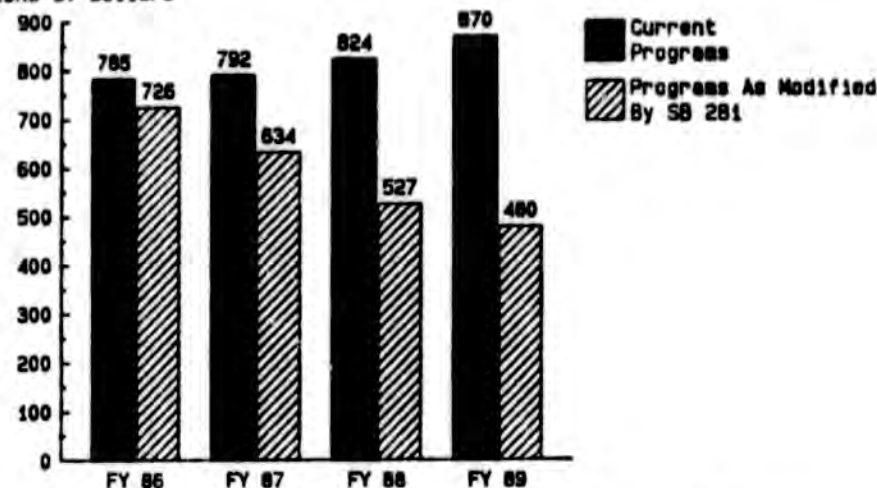
BONDS ISSUED

Millions of Dollars



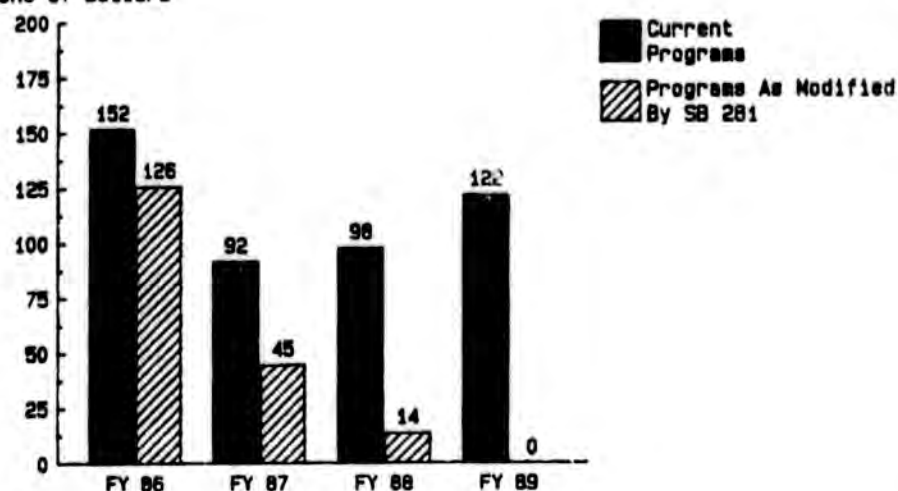
**ESTIMATED MORTGAGE DEMAND
ALL PROGRAMS**

Millions of Dollars



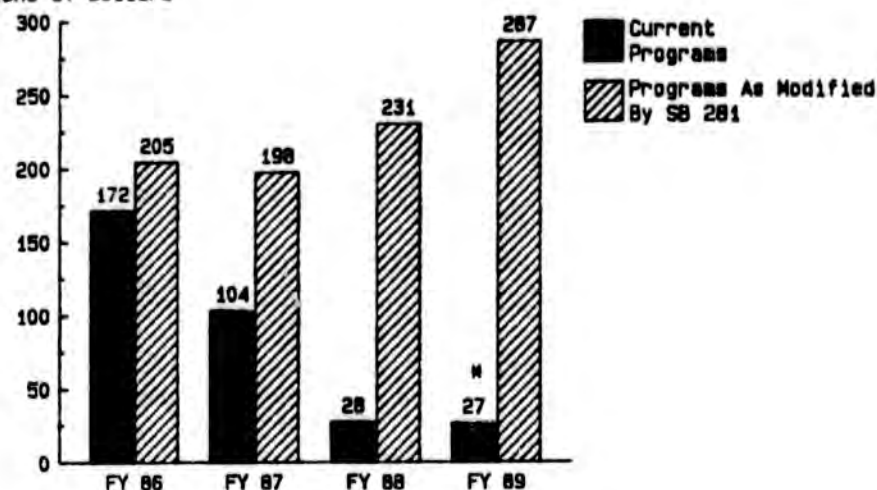
RELATED SUBSIDY TRANSFERS

Millions of Dollars



**REVOLVING FUND LIQUID ASSETS
GENERAL ACCOUNT END OF FISCAL YEAR**

Millions of Dollars



NOTE: Above projections anticipate receipt of \$16 million FY 84 appropriation and retention of all assets of the Alaska Housing Finance Revolving Fund.

* Anticipates receipt of \$100 million appropriation in FY 89.

2

SECTION 1

Current Programs

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1986
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities Conforming	Non-Conforming	Investments	
Balance: July 1, 1985	\$110	-0-	\$202	\$142	\$ 93	\$547
Prepayments and principal reductions	(8)	\$ 8		(13)	13	-0-
Earnings		11			38	49
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					16	16
Non-bonded mortgage programs						
Second mortgages				10	(10)	-0-
Mobile home loans	12	(12)		28	(28)	-0-
Reduction in loans warehoused			(50)		50	-0-
Increase in HOF account	30			(30)		-0-
Required subsidy transfers	—	—	—	—	(152)	(152)
Balance: June 30, 1986	<u>\$144</u>	<u>-0-</u>	<u>\$152</u>	<u>\$137</u>	<u>\$ 20</u>	<u>\$453</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

04/15/85

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond FinancingFiscal Year 1986

(In Millions)

	Mortgage Loan Funds Available 7-1-85	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 86	Mortgage Loan Funds Available 6-30-86
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 62 ⁽⁴⁾	\$ 60 ⁽¹⁾	\$150	\$ (2)	\$ 42	\$ 40	\$280	\$ 72
First Mortgage Veterans Program State Guaranteed Bonds	209	17 ⁽²⁾	150	(4)	18	(14)	250	126
First Time Homebuyers Program Home Mortgage Bonds	75	5 ⁽²⁾	200	(6)	32	(26)	205	75
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	10 ⁽³⁾					10	
Mobile Home Loan Program	-0-	40 ⁽³⁾					40	
	<u>\$346</u>	<u>\$132</u>	500	<u>\$(12)</u>	92	<u>-0-</u>	<u>\$785</u>	<u>\$273</u>
Deferred FNMA Note Closings			<u>300</u>		<u>60</u>			
			<u>\$800</u>		<u>\$152</u>			

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

(4) Includes amounts related to subsequent issuance of \$300 million collateral notes to be sold directly to FNMA.

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1987
(In Millions)

	HOF Account		General Account			Total
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u> <u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1986	\$144	-0-	\$152	\$137	\$ 20	\$453
Prepayments and principal reductions	(10)	\$ 10		(10)	10	-0-
Earnings		14			28	42
Home ownership assistance subsidies		(9)				(9)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				7	(7)	-0-
Mobile home loans	15	(15)		20	(20)	-0-
Reduction in loans warehoused			(50)		50	-0-
Required subsidy transfers	—	—	—	—	(92)	(92)
Balance: June 30, 1987	<u>\$149</u>	<u>-0-</u>	<u>\$102</u>	<u>\$154</u>	<u>\$ 2</u>	<u>\$407</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

04/15/85

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary Based Upon Subsidy Restructure ProposalMortgage Demand and Proposed Bond FinancingFiscal Year 1987

(In Millions)

	<u>Mortgage Loan Funds Available 7-1-86</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 87</u>	<u>Mortgage Loan Funds Available 6-30-87</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 72	\$ 65 ⁽¹⁾	\$150	\$ (3)	\$ 42	\$ 40	\$295	\$ 71
First Mortgage Veterans Program								
State Guaranteed Bonds	126	20 ⁽²⁾	150	(4)	18	(14)	240	56
First Time Homebuyers Program								
Home Mortgage Bonds	75	7	200	(6)	32	(26)	215	67
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	7 ⁽³⁾					7	
Mobile Home Loan Program	-0-	35 ⁽³⁾					35	
	<u>\$273</u>	<u>\$134</u>	<u>\$500</u>	<u>\$ (13)</u>	<u>\$ 92</u>	<u>-0-</u>	<u>\$792</u>	<u>\$194</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund ActivityFiscal Year 1988

(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1987	\$149	-0-	\$102	\$154	\$ 2	\$407
Prepayments and principal reductions	(12)	\$ 12		(13)	13	-0-
Earnings		14			20	34
Home ownership assistance subsidies		(10)				(10)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				5	(5)	-0-
Mobile home loans	16	(16)		19	(19)	-0-
Reduction in loans warehoused			(75)		75	-0-
Required subsidy transfers	—	—	—	—	(98)	(98)
Balance: June 30, 1988	<u>\$153</u>	<u>-0-</u>	<u>\$ 27</u>	<u>\$165</u>	<u>\$ 1</u>	<u>\$346</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

04/15/85

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing
Fiscal Year 1988
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-87</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 88</u>	<u>Mortgage Loan Funds Available 6-30-88</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 71	\$ 65 ⁽¹⁾	\$150	\$ (3)	\$ 42	\$ 44	\$319	\$ 50
First Mortgage Veterans Program State Guaranteed Bonds	56	27 ⁽²⁾	200	(6)	24	(18)	230	53
First Time Homebuyers Program Home Mortgage Bonds	67	11 ⁽²⁾	200	(6)	32	(26)	235	43
<u>Internally Funded Programs</u>								
Second Mortgage Program		5 ⁽³⁾					5	
Mobile Home Loan Program		35 ⁽³⁾					35	
	<u>\$194</u>	<u>\$143</u>	<u>\$550</u>	<u>\$ (15)</u>	<u>\$ 98</u>	<u>-0-</u>	<u>\$824</u>	<u>\$146</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1989
(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u> <u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1988	\$153	-0-	\$ 27	\$165	\$ 1	\$346
Prepayments and principal reductions	(12)	\$ 12		(15)	15	-0-
Earnings		14			18	32
Home ownership assistance subsidies		(11)				(11)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				5	(5)	-0-
Mobile home loans	15	(15)		20	(20)	-0-
Reduction in loans warehoused						-0-
FY 89 legislative appropriation					100	100
Required subsidy transfers	—	—	—	—	(122)	(122)
Balance: June 30, 1989	<u>\$156</u>	<u>-0-</u>	<u>\$ 27</u>	<u>\$175</u>	<u>-0-</u>	<u>\$358</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

04/15/85

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing
Fiscal Year 1989
(In Millions)

	Mortgage Loan Funds Available 7-1-88	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 89	Mortgage Loan Funds Available 6-30-89
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 50	\$ 65 ⁽¹⁾	\$350	\$ (6)	\$ 98	\$ 18	\$544	\$ 31
First Mortgage Veterans Program State Guaranteed Bonds	53	35 ⁽²⁾	200	(6)	24	(18)	220	68
First Time Homebuyers Program Home Mortgage Bonds	43	23 ⁽²⁾					66	-0-
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	5 ⁽³⁾					5	
Mobile Home Loan Program	-0-	35 ⁽³⁾					35	
	<u>\$146</u>	<u>\$163</u>	<u>\$550</u>	<u>\$ (12)</u>	<u>\$122</u>	<u>-0-</u>	<u>\$870</u>	<u>\$ 99</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

SECTION 2

As Modified by SB 281

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1986
(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u>			
			<u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1985	\$110	-0-	\$202	\$142	\$ 93	\$547
Prepayments and principal reductions	(8)	\$ 8		(13)	13	-0-
Earnings		11			41	52
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					16	16
Non-bonded mortgage programs						
Second mortgages				9	(9)	-0-
Mobile home loans	12	(12)		25	(25)	-0-
Reduction in loans warehoused						-0-
Increase in HOF account	30			(30)		-0-
Required subsidy transfers	—	—	—	—	(126)	(126)
Balance: June 30, 1986	<u>\$144</u>	<u>-0-</u>	<u>\$202</u>	<u>\$133</u>	<u>\$ 3</u>	<u>\$482</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing
Fiscal Year 1986
(In Millions)

	Mortgage Loan Funds Available 7-1-85	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 86	Mortgage Loan Funds Available 6-30-86
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 62 ⁽⁴⁾	\$ 60 ⁽¹⁾	\$125	\$ (2)	\$ 30	\$ 27	\$259	\$ 43
First Mortgage Veterans Program State Guaranteed Bonds	209	17 ⁽²⁾	125	(3)	12	(9)	231	120
First Time Homebuyers Program Home Mortgage Bonds	75	5 ⁽²⁾	200	(6)	24	(18)	190	90
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	9 ⁽³⁾					9	
Mobile Home Loan Program	-0-	37 ⁽³⁾					37	
	<u>\$346</u>	<u>\$128</u>	450	<u>\$(11)</u>	66	<u>-0-</u>	<u>\$726</u>	<u>\$253</u>
Deferred FNMA Note Closings			<u>300</u>		<u>60</u>			
			<u>\$750</u>		<u>\$126</u>			

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

(4) Includes amounts related to subsequent issuance of \$300 million collateral notes to be sold directly to FNMA.

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1987
(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u>			
			<u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1986	\$144	-0-	\$202	\$133	\$ 3	\$482
Prepayments and principal reductions	(10)	\$ 10		(10)	10	-0-
Earnings		14			33	47
Home ownership assistance subsidies		(8)				(8)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				6	(6)	-0-
Mobile home loans	16	(16)		12	(12)	-0-
Reduction in loans warehoused			(25)		25	-0-
Required subsidy transfers	—	—	—	—	(45)	(45)
Balance: June 30, 1987	<u>\$150</u>	<u>-0-</u>	<u>\$177</u>	<u>\$141</u>	<u>\$ 21</u>	<u>\$489</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary Based Upon Subsidy Restructure ProposalMortgage Demand and Proposed Bond FinancingFiscal Year 1987

(In Millions)

	<u>Mortgage Loan Funds Available 7-1-86</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 87</u>	<u>Mortgage Loan Funds Available 6-30-87</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 43	\$ 65 ⁽¹⁾	\$125	\$ (3)	\$ 25	\$ 12	\$236	\$ 31
First Mortgage Veterans Program State Guaranteed Bonds	120	20 ⁽²⁾	100	(2)	4	(2)	192	48
First Time Homebuyers Program Home Mortgage Bonds	90	7	200	(6)	16	(10)	172	125
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	6 ⁽³⁾					6	
Mobile Home Loan Program	-0-	28 ⁽³⁾					28	
	<u>\$253</u>	<u>\$126</u>	<u>\$425</u>	<u>\$(11)</u>	<u>\$ 45</u>	<u>-0-</u>	<u>\$634</u>	<u>\$204</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund ActivityFiscal Year 1988

(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u> <u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1987	\$150	-0-	\$177	\$141	\$ 21	\$489
Prepayments and principal reductions	(12)	\$ 12		(13)	13	-0-
Earnings		14			35	49
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				3	(3)	-0-
Mobile home loans	19	(19)		11	(11)	-0-
Reduction in loans warehoused			(35)		35	-0-
Required subsidy transfers	—	—	—	—	(14)	(14)
Balance: June 30, 1988	<u>\$157</u>	<u>-0-</u>	<u>\$142</u>	<u>\$142</u>	<u>\$ 89</u>	<u>\$530</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond FinancingFiscal Year 1988

(In Millions)

	<u>Mortgage Loan Funds Available 7-1-87</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 88</u>	<u>Mortgage Loan Funds Available 6-30-88</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 31	\$.)	\$ 50	\$ (1)	\$ 8		\$119	\$ 34
First Mortgage Veterans Program State Guaranteed Bonds	48	27 ⁽²⁾	150	(4)			185	36
First Time Homebuyers Program Home Mortgage Bonds	125	11 ⁽²⁾	200	(6)	6		190	146
<u>Internally Funded Programs</u>								
Second Mortgage Program		3 ⁽³⁾					3	
Mobile Home Loan Program	—	30 ⁽³⁾	—	—	—	—	30	—
	<u>\$204</u>	<u>\$136</u>	<u>\$400</u>	<u>\$ (11)</u>	<u>\$ 14</u>	<u>-0-</u>	<u>\$527</u>	<u>\$216</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1989
(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u>			
			<u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1988	\$157	-0-	\$142	\$142	\$ 89	\$530
Prepayments and principal reductions	(12)	\$ 12		(15)	15	-0-
Earnings		15			40	55
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				2	(2)	-0-
Mobile home loans	20	(20)		10	(10)	-0-
Reduction in loans warehoused			(92)		92	-0-
Transfer of HOF Account excess	(35)			35		-0-
Required subsidy transfers	—	—	—	—	-0-	-0-
Balance: June 30, 1989	<u>\$130</u>	<u>-0-</u>	<u>\$ 50</u>	<u>\$174</u>	<u>\$237</u>	<u>\$591</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond FinancingFiscal Year 1989

(In Millions)

	<u>Mortgage Loan Funds Available 7-1-88</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 89</u>	<u>Mortgage Loan Funds Available 6-30-89</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 34	\$ 65 ⁽¹⁾					\$ 99	-0-
First Mortgage Veterans Program State Guaranteed Bonds	36	35 ⁽²⁾	\$150	\$ (4)			180	\$ 37
First Time Homebuyers Program Home Mortgage Bonds	146	23 ⁽²⁾					169	-0-
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	2 ⁽³⁾					2	
Mobile Home Loan Program	-0-	30 ⁽³⁾					30	
	<u>\$216</u>	<u>\$155</u>	<u>\$150</u>	<u>\$ (4)</u>	<u>-0-</u>	<u>-0-</u>	<u>\$480</u>	<u>\$ 37</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

ALASKA HOUSING FINANCE CORPORATION

Testimony Regarding SB 281

"An Act Relating to the Interest Rate on State Loan Programs;
and Providing for an Effective Date"

General Comments

The Alaska Housing Finance Revolving Fund is doing what it was intended to accomplish. Projections based upon recent lending activity indicate that additional appropriations will not be necessary until FY 89. While the request in FY 89 could be approximately \$100 million, the return of assets pledged to initial taxable bond offerings could fund FY 90, 91, 92 and a portion of FY 93's activity. The \$100 million needed in FY 89 would represent an annual average of less than \$17 million for the six years ending in FY 92.

The Corporation maximizes the utilization of State capital through leveraging. The annual subsidy transfers from the Revolving Fund average 12% to 15% of the actual amount of mortgages purchased.

The leveraging effect is even greater when consideration is given to the multiple benefits of the program. Residents are afforded the opportunity to purchase a home who would not have the benefits of homeownership without AHFC and those who find themselves in need of a larger home to accommodate a growing family have reasonable rate financing available in both the sale of their smaller home and the acquisition of the new home. In addition to these benefits to the homebuyer and seller, the economic base of the State is diversified through stimulation of the housing market. Over half the loans the Corporation purchases are for newly constructed residences.

Effects of SB 281 on AHFC

On October 1, 1988 the level of subsidy will be reduced to 1% and the Corporation will in all likelihood cease operating all but the tax-exempt bond funded Veterans Mortgage Program with annual activity in the range of \$175 to \$225 million. The federal authorization for the tax-exempt bond funded first time homebuyers program ceases in 1987. With only a 1% difference in rates on the first \$90,000 of a loan, it is questionable whether the Corporation would be able to compete with the conventional markets which have much more flexibility in accessing the capital markets and arranging financing facilities than a public corporation. The Corporation is probably the only provider of secondary mortgage financing which makes commitments to purchase individual loans from lending institutions. These commitments are binding only upon AHFC and are valid for an initial 4 month period. Should conventional mortgage rates fall below AHFC's at any time during that commitment period, borrowers may opt to cancel their commitment. The applicant's exposure is limited to the 1/2 of 1% commitment fee charged by AHFC. The risk to the Corporation is that it will not be able to acquire mortgage loans necessary to pledge to the bonds. With only a 1% difference between AHFC rates and conventional sources of financing, the risk to the Corporation and the bondholders that loans will not be originated and the bonds required to be retired ("called") early is fairly high. Accordingly, it is extremely questionable whether the Corporation will determine the issuance of the bonds at a 1% subsidy level is worth the risks.

The Revolving Fund is expected to have liquid assets of \$287 million at the end of FY 89 if the programs are phased out pursuant to SB 281. This projection is based upon receipt of the \$16 million FY 85 appropriation and no reappropriation of current assets.

The bill could have a significant impact on housing activity. Uncertainty over continuity of loan programs has historically resulted in stimulation of the housing market accompanied by rising values. The flurry of activity to obtain the last of the subsidized loans could be followed by a major depression in both activity and residential values. The situation could be further aggravated by zero or negative economic growth in the State, resulting in part from a diminishing level of local government and capital project support from the State and reduction in oil related activity as increasing exploration costs face off against lower oil prices.

To protect the security for future loan originations, imposition of a 10% or 15% minimum down payment may be required. This would replace the current terms of 0% down veterans financing and 5% down conventional program loan terms.

To protect the security for bonds previously issued which are collateralized by residential loans, a restriction against financing of new construction may be necessary. Fewer homes would be constructed, thereby reducing the inventory of homes on the market. This would assist in maintaining the value of the existing residential housing stock, a large portion of which are financed with loans pledged as security to in excess of \$4 billion in Corporation bonds outstanding.

The hardest hit by increasing interest rates will be the low to moderate income resident. Those of modest means generally do not have the same number of financing alternatives available as those who are doing fairly well and desiring to trade up to a larger house, often extracting equity in the process.

Questions Related to SB 281

The bill is unclear whether the 1/2% increase is to apply to the entire loan amount or just the subsidized portion. AHFC statutes provide for a "blended" mortgage rate with only the first \$90,000 of a mortgage loan subsidized. The borrower is charged the Corporation's "cost of funds" on the excess of the loan over \$90,000. If the 1/2% increase is to apply to the entire loan amount, we will be charging more than our cost of funds on the portion of a loan in excess of \$90,000.

Is it possible to have the 1/2% annual increase spread out such that each quarter the rate would rise 1/8 of 1%? The October 1 effective date for the increases comes at the down cycle of the housing market. While this may be beneficial for the construction industry, the mortgage lenders and AHFC will be faced with a rush of activity each summer followed by several months with virtually no mortgage demand. While the 1/2% increases may mean only \$30 to \$35 more in payments each month, the buyer psychology will be such that all of

Testimony Regarding SB 281

Page 3

the activity which would have normally occurred in October, November and December will be accelerated into the months of August and September. This will have two adverse consequences. It will be extremely difficult for AHFC and the mortgage lenders to provide timely service to the borrowers. The potential for a boom/bust situation will also be aggravated as each January we wait to see if buyers will go back to the real estate market after the last 1/2% rate increase.

More legislative direction is necessary in determining the desired effect of the changes on the Home Ownership Assistance (HOF) Program. On October 1, 1988 when AHFC shuts down all but the tax-exempt Veterans Mortgage Program, the rate to a HOF recipient will have been increased from its current effective rate of 6% to only 8%. While the non-HOF home purchaser will only have a 1% difference in rates, those who would have otherwise qualified for 8% financing will have to obtain conventional financing which is currently in the area of 13-1/4% to 13-1/2%. The low-end of the housing market will be devastated since the number of those qualifying to purchase homes in that price range will be drastically reduced. The buy versus rent equation now generally comes up with an answer that buying is more advantageous. If the financing is at 13.5%, the answer will not be the same unless rents also escalate by the same degree.

Summary

The funds are in place to allow the Corporation to continue to leverage the financing of residential real estate at below market rates several years into the future.

SB 281 will effectively kill all but the tax-exempt Veterans Mortgage Program by October 1, 1988. In the process of increasing interest rates, low to moderate income families who are either desiring to purchase a home or sell one will be adversely impacted. The Corporation has a lengthy history of assisting low to moderate income residents. This assistance, provided since 1973, would also be phased out.

The impact of SB 281 on the housing market could be severe. This would particularly be the case if the State economy is also struggling and conventional interest rates rising. Program changes would be considered to assist in reducing the Corporation's exposure to increased foreclosures and delinquencies.

EXHIBIT B

Senate Finance Committee Hearing

SB 281

April 18, 1985

ALASKA HOUSING FINANCE CORPORATION

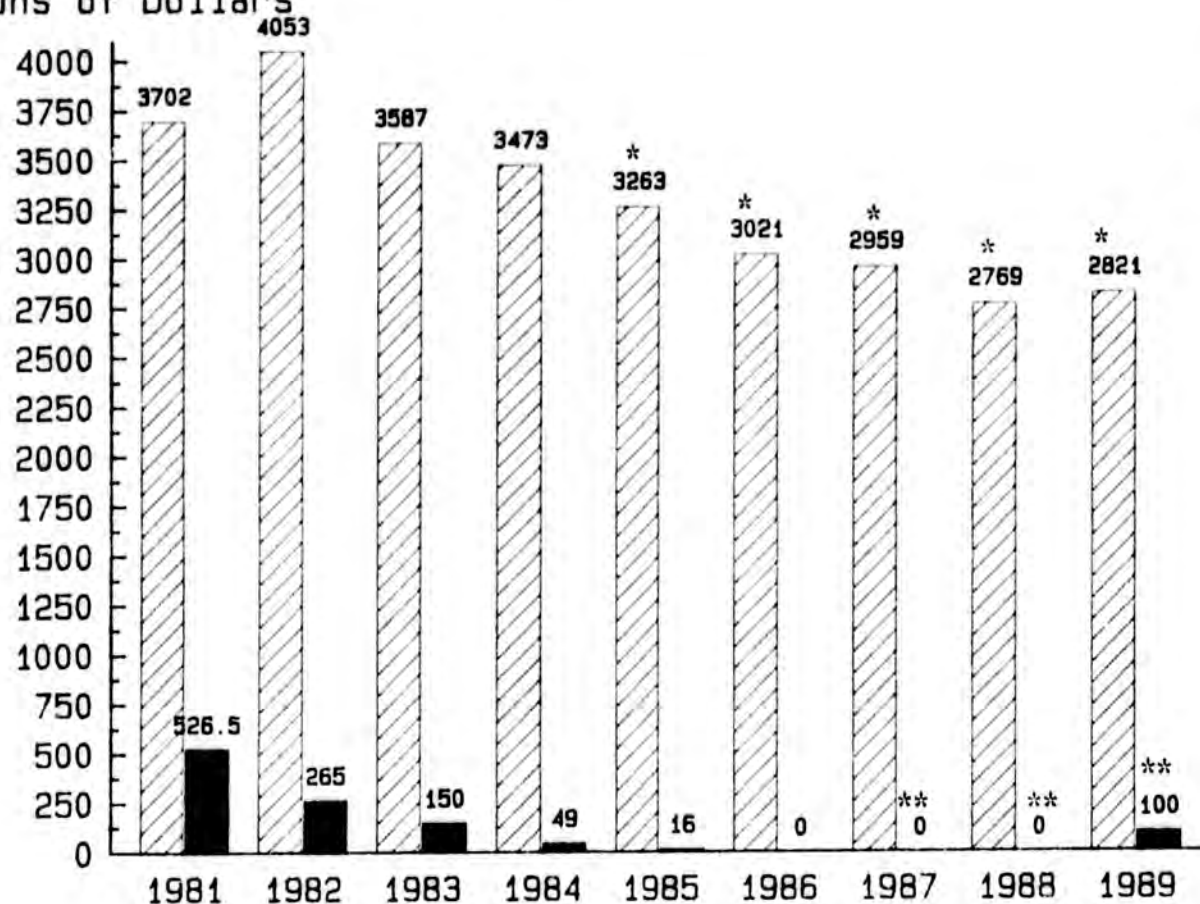
PROGRAM OVERVIEW

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STATE GENERAL FUND UNRESTRICTED REVENUES - VS - TOTAL AHFC APPROPRIATIONS

Millions of Dollars



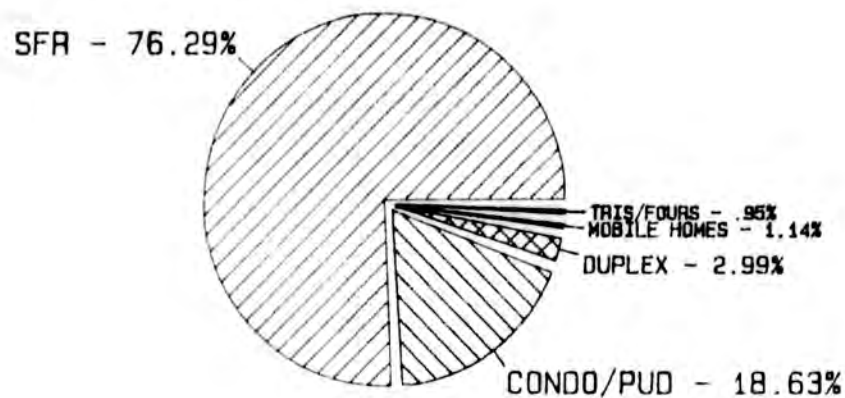
State General Fund
Unrestricted Revenue

Total AHFC
Appropriations

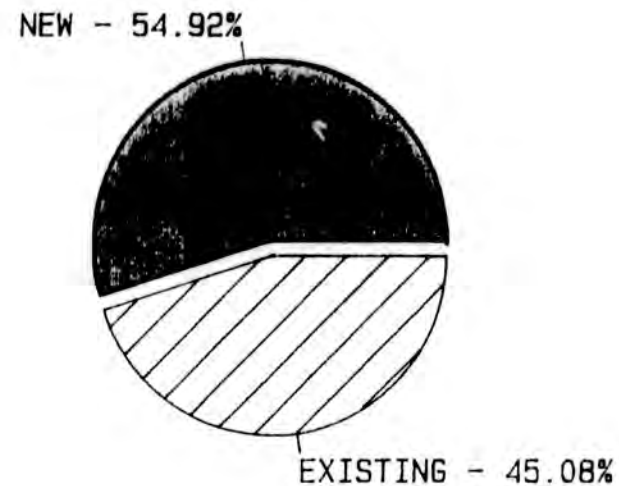
* Dept of Revenue Mean
Average Projection
** AHFC 4-15-85 Estimate

State Fiscal Year

ALASKA HOUSING FINANCE CORPORATION
SUMMARY OF ALL FIRST MORTGAGES PURCHASED
Fiscal Year 1985 Thru 3/31/85

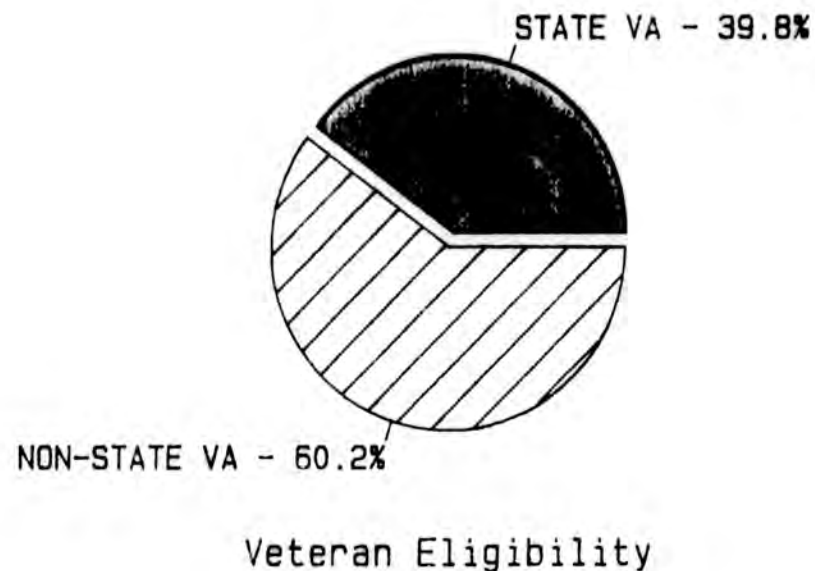
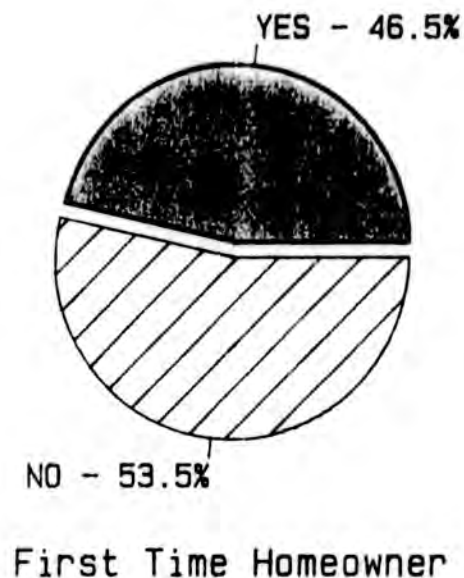


Dwelling Type



New or Existing Dwelling

ALASKA HOUSING FINANCE CORPORATION
SUMMARY OF ALL FIRST MORTGAGES PURCHASED
Fiscal Year 1985 Thru 3/31/85



DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION
ALL FIRST MORTGAGES
LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983	%	FY 1984	%	FY 1985 THRU(3/31/85)	%
	-----		-----		-----	
SALES PRICE	105,807		120,754		123,545	
APPRAISED VALUE	108,430		123,572		126,371	
NOTE AMOUNT	93,012		106,003		106,912	
MONTHLY INCOME	4,059		4,536		4,490	
AGE OF BORROWER	33.7		34.7		35.1	
SIZE OF HOUSEHOLD	2.5		2.7		2.7	
LOAN TO SALES PRICE RATIO	87.91%		87.78%		86.54%	
WEIGHTED AVG INT. RATE	10.73%		10.09%		11.22%	
MONTHLY P&I	877.14		943.72		1,036.98	
DWELLING TYPE..SFR	5,989	69.72	8,821	74.13	4,624	76.29
CONDO	2,036	23.70	2,083	17.50	924	15.25
DUPLX	287	3.34	476	4.00	181	2.99
PUD	268	3.12	361	3.03	205	3.38
MOHM			5	.04	69	1.14
TRI-PLEX	4	.05	40	.34	20	.33
FOUR PLEX	6	.07	114	.96	38	.63
NEW/EXISTING....NEW	5,382	62.65	6,814	57.26	3,329	54.92
EXISTING	3,208	37.35	5,086	42.74	2,732	45.08
1ST TIME HOMEOWNER..YES	4,461	51.93	5,445	45.76	2,816	46.46
NO	4,129	48.07	8,455	54.24	3,245	53.54
INSURANCE TYPE.....FHA					0	.00
VA	814	9.48	2,073	17.42	1,161	19.16
CONVA	7,776	90.52	9,827	82.58	4,900	80.84
ELIGIBILITY.....STVA	2,391	27.83	4,915	41.30	2,414	39.83
NON-STVA	6,199	72.17	6,985	58.70	3,647	60.17
					0	.00
ORIG. PRINCIPAL BALANCE	798,968,900.00		1,261,435,600.00		647,996,650.00	
ORIG. NUMBER OF LOANS	8,590		11,900		6,061	

DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION
TAXABLE FIRST MORTGAGES
LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983	%	FY 1984	%	FY 1985 THRU(3/31/85)	%
	-----		-----		-----	
SALES PRICE	117,418		135,722		123,399	
APPRAISED VALUE	120,477		139,275		126,531	
NOTE AMOUNT	99,764		113,460		104,768	
MONTHLY INCOME	4,614		5,174		4,455	
AGE OF BORROWER	35.5		34.6		33.4	
SIZE OF HOUSEHOLD	2.7		2.7		2.5	
LOAN TO SALES PRICE RATIO	84.96%		83.60%		84.90%	
WEIGHTED AVG INT. RATE	11.53%		10.72%		11.73%	
MONTHLY P&I	999.53		1,068.85		1,056.23	
DWELLING TYPE..SFR	3,408	74.64	3,368	73.03	2,544	71.97
CONDO	755	16.54	548	11.88	612	17.31
DUPLX	207	4.53	359	7.78	157	4.44
PUD	186	4.07	183	3.97	120	3.39
MOHM					48	1.36
TRI-PLEX	4	.09	40	.87	16	.45
FOUR PLEX	6	.13	114	2.47	38	1.07
NEW/EXISTING....NEW	2,640	57.82	2,542	55.12	2,021	57.17
EXISTING	1,926	42.18	2,070	44.88	1,514	42.83
1ST TIME HOMEOWNER..YES	1,372	30.05	1,187	25.74	1,653	46.76
NO	3,194	69.95	3,425	74.26	1,882	53.24
INSURANCE TYPE.....FHA					0	.00
VA	314	6.88	114	2.47	154	4.36
CONVA	4,252	93.12	4,498	97.53	3,381	95.64
ELIGIBILITY.....STVA	1,274	27.90	451	9.78	262	7.41
NON-STVA	3,292	72.10	4,161	90.22	3,273	92.59
					0	.00
ORIG. PRINCIPAL BALANCE	455,521,850.00		523,278,050.00		370,353,950.00	
ORIG. NUMBER OF LOANS	4,566		4,612		3,535	

DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION
TAX EXEMPT MSBTA FIRST MORTGAGES
LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983	%	FY 1984	%	FY 1985 THRU(3/31/85) %
	-----		-----		-----

SALES PRICE	85,059		88,458		90,041
APPRAISED VALUE	87,153		90,846		92,483
NOTE AMOUNT	79,654		82,777		84,415
MONTHLY INCOME	3,074		3,055		3,102
AGE OF BORROWER	30.3		30.4		30.7
SIZE OF HOUSEHOLD	2.2		2.3		2.3
LOAN TO SALES PRICE RATIO	93.65%		93.58%		93.75%
WEIGHTED AVG INT. RATE	9.88%		9.89%		10.58%
MONTHLY P&I	692.83		720.35		777.78
DWELLING TYPE..SFR	1,882	59.24	2,020	61.74	284 65.44
CONDO	1,200	37.77	1,173	35.85	139 32.03
DUPLX	33	1.04	26	.79	3 .69
PUD	62	1.95	50	1.53	4 .92
MOHM			3	.09	4 .92
TRI-PLEX					0 .00
FOUR PLEX					0 .00
NEW/EXISTING....NEW	2,294	72.21	2,226	68.03	259 59.68
EXISTING	883	27.79	1,046	31.97	175 40.32
1ST TIME HOMEOWNER..YES	2,814	88.57	2,873	87.81	379 87.33
NO	363	11.43	399	12.19	55 12.67
INSURANCE TYPE.....FHA					0 .00
VA	251	7.90	363	11.09	81 18.66
CONVA	2,926	92.10	2,909	88.91	353 81.34
ELIGIBILITY.....STVA	546	17.19	448	13.69	61 14.06
NON-STVA	2,631	82.81	2,824	86.31	373 85.94
					0 .00
ORIG. PRINCIPAL BALANCE	253,061,600.00		270,847,450.00		36,636,000.00
ORIG. NUMBER OF LOANS	3,177		3,272		434

DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION
STATE GUARANTEED BONDS - VETERANS MORT.
LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983	%	FY 1984	%	FY 1985 THRU(3/31/85)	%
	-----		-----		-----	
SALES PRICE	122,747		129,877		130,743	
APPRAISED VALUE	125,123		132,573		133,132	
NOTE AMOUNT	112,348		116,362		115,204	
MONTHLY INCOME	4,823		5,009		4,837	
AGE OF BORROWER	37.8		38.4		38.7	
SIZE OF HOUSEHOLD	3.0		3.1		3.1	
LOAN TO SALES PRICE RATIO	91.53%		89.59%		86.11%	
WEIGHTED AVG INT. RATE	9.06%		9.51%		10.54%	
MONTHLY P&I	909.44		982.01		1,058.24	
DWELLING TYPE..SFR	391	81.20	3,433	85.48	1,796	85.85
CONDO	65	13.43	362	9.01	173	8.27
DUPLX	10	2.07	91	2.27	21	1.00
PUD	18	3.31	128	3.19	81	3.87
MOHM			2	.05	17	.81
TRI-PLEX					4	.19
FOUR PLEX					0	.00
NEW/EXISTING....NEW	247	51.03	2,046	50.95	1,049	50.14
EXISTING	237	48.97	1,970	49.05	1,043	49.86
1ST TIME HOMEOWNER..YES	200	41.32	1,385	34.49	784	37.48
NO	284	56.68	2,631	65.51	1,308	62.52
INSURANCE TYPE.....FHA					0	.00
VA	210	43.39	1,596	39.74	926	44.26
CONVA	274	56.61	2,420	60.26	1,166	55.74
ELIGIBILITY.....STVA	484	100.00	4,016	100.00	2,091	99.95
NON-STVA					1	.05
					0	.00
ORIG. PRINCIPAL BALANCE	54,376,200.00		467,310,100.00		241,006,700.00	
ORIG. NUMBER OF LOANS	484		4,016		2,092	

RINT

DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION
MOBILE HOMES
LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983	%	FY 1984	%	FY 1985 THRU(3/31/85) %
	-----		-----		-----
SALES PRICE	33,864		38,433		40,775
APPRAISED VALUE	35,041		40,425		42,631
NOTE AMOUNT	31,376		36,861		41,648
MONTHLY INCOME	2,864		2,885		2,848
AGE OF BORROWER	31.9		32.1		31.8
SIZE OF HOUSEHOLD	2.5		2.5		2.4
LOAN TO SALES PRICE RATIO	92.65%		95.91%		102.14%
WEIGHTED AVG INT. RATE	11.39%		10.22%		10.96%
MONTHLY P&I	343.30		372.50		444.82
DWELLING TYPE..SFR					0 .00
CONDO					0 .00
DUPLX					0 .00
PUD					0 .00
MOHM	1,872	100.00	1,619	100.00	593 100.00
TRI-PLEX					0 .00
FOUR PLEX					0 .00
NEW/EXISTING....NEW	390	20.83	312	19.27	84 14.17
EXISTING	1,482	79.17	1,307	80.73	509 85.83
1ST TIME HOMEOWNER..YES	1,249	66.72	1,142	70.54	453 76.39
NO	623	33.28	477	29.46	140 23.61
INSURANCE TYPE.....FHA					0 .00
VA	4	.21	10	.62	22 3.71
CONVA	1,868	99.79	1,609	99.38	526 88.70
ELIGIBILITY.....STVA	263	14.05	333	20.57	74 12.48
NON-STVA	1,609	85.95	1,286	79.43	474 79.93
					0 .00
ORIG. PRINCIPAL BALANCE	58,735,850.00		59,677,888.00		24,697,547.00
ORIG. NUMBER OF LOANS	1,872		1,619		593

DATE 3/31/85

ALASKA HOUSING FINANCE CORPORATION
RECEIVING HOME OWNERSHIP SUBSIDY
LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983	%	FY 1984	%	FY 1985 THRU(3/31/85) %	
	-----		-----		-----	
SALES PRICE	74,320		77,505		74,792	
APPRAISED VALUE	75,258		78,345		75,759	
NOTE AMOUNT	69,798		73,177		71,982	
MONTHLY INCOME	1,993		2,116		2,276	
AGE OF BORROWER	29.5		30.0		30.4	
SIZE OF HOUSEHOLD	1.8		2.2		2.2	
LOAN TO SALES PRICE RATIO	93.92%		94.42%		96.24%	
WEIGHTED AVG INT. RATE	10.31%		9.93%		11.16%	
MONTHLY P&I	628.66		639.55		702.03	
DWELLING TYPE..SFR	433	39.98	580	47.62	470	42.34
CONDO	641	59.19	586	48.11	427	38.47
DUPLX					0	.00
PUD	9	.83	7	.58	14	1.26
MOHM			45	3.69	199	17.93
TRI-PLEX					0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	735	67.87	832	68.31	601	54.14
EXISTING	348	32.13	386	31.69	509	45.86
1ST TIME HOMEOWNER..YES	846	78.12	976	80.13	921	82.97
NO	237	21.88	242	19.87	189	17.03
INSURANCE TYPE.....FHA					0	.00
VA			20	1.64	196	17.66
CONVA	1,083	100.00	1,198	90.36	897	80.81
ELIGIBILITY.....STVA	77	7.11	96	7.88	166	14.95
NON-STVA	1,006	92.89	1,122	92.12	927	83.51
					0	.00
ORIG. PRINCIPAL BALANCE	75,590,900.00		89,130,193.00		79,900,516.00	
ORIG. NUMBER OF LOANS	1,083		1,218		1,110	

DATE 3/31/85

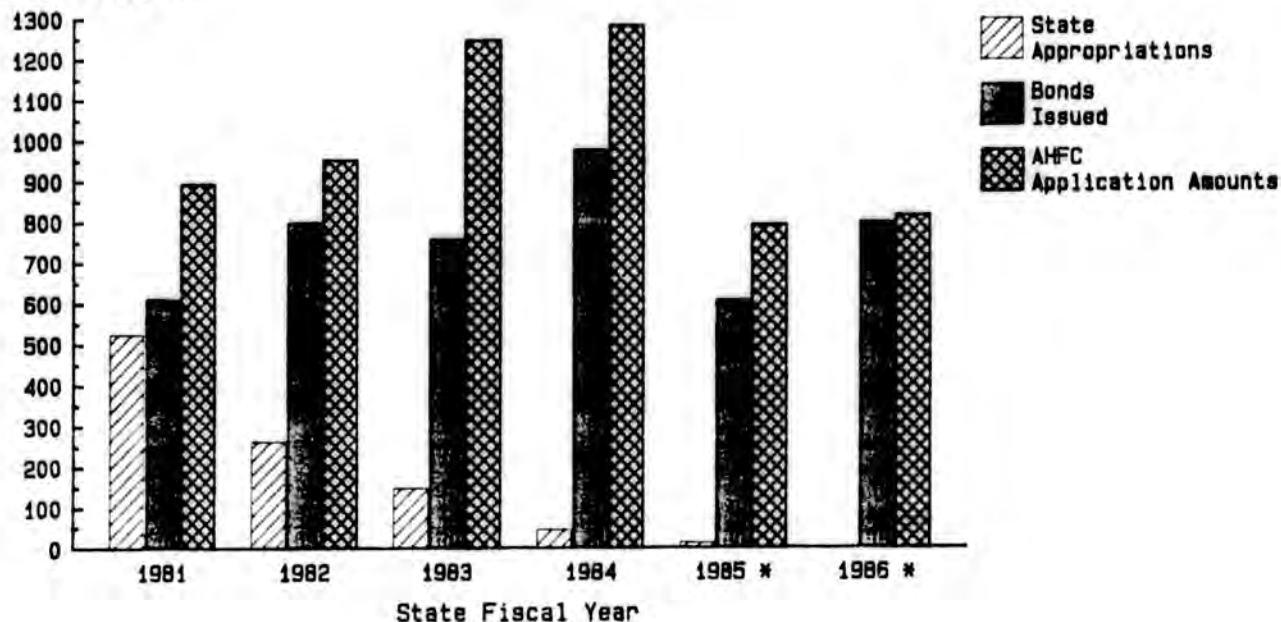
ALASKA HOUSING FINANCE CORPORATION
 PLEDGED ACCOUNT MORTGAGES
 LOAN SUMMARY MORTGAGES PURCHASED

	FY 1983	%	FY 1984	%	FY 1985 THRU(3/31/85) %

SALES PRICE	106,938		121,863		128,948
APPRAISED VALUE	109,776		124,969		132,550
NOTE AMOUNT	96,656		107,572		114,523
MONTHLY INCOME	3,438		3,489		3,922
AGE OF BORROWER	31.8		34.0		34.6
SIZE OF HOUSEHOLD	2.4		2.5		2.6
LOAN TO SALES PRICE RATIO	90.39%		88.27%		88.81%
WEIGHTED AVG INT. RATE	11.49%		10.41%		11.62%
MONTHLY P&I	969.97		983.00		1,144.86
DWELLING TYPE..SFR	165	69.33	181	69.88	221 77.00
CONDO	56	23.53	52	20.08	36 12.54
DUPLX	3	1.26	13	5.02	16 5.57
PUD	14	5.88	13	5.02	14 4.88
MOHM					0 .00
TRI-PLEX					0 .00
FOUR PLEX					0 .00
NEW/EXISTING....NEW	161	67.85	147	56.76	148 51.57
EXISTING	77	32.35	112	43.24	139 48.43
1ST TIME HOMEOWNER..YES	98	41.18	103	39.77	95 33.10
NO	140	58.82	156	60.23	192 66.90
INSURANCE TYPE.....FHA					0 .00
VA					1 .35
CONVA	238	100.00	259	100.00	286 99.65
ELIGIBILITY.....STVA	23	10.50	64	24.71	81 28.22
NON-STVA	215	89.50	195	75.29	206 71.78
					0 .00
ORIG. PRINCIPAL BALANCE	23,004,150.00		27,861,250.00		32,868,050.00
ORIG. NUMBER OF LOANS	238		259		287

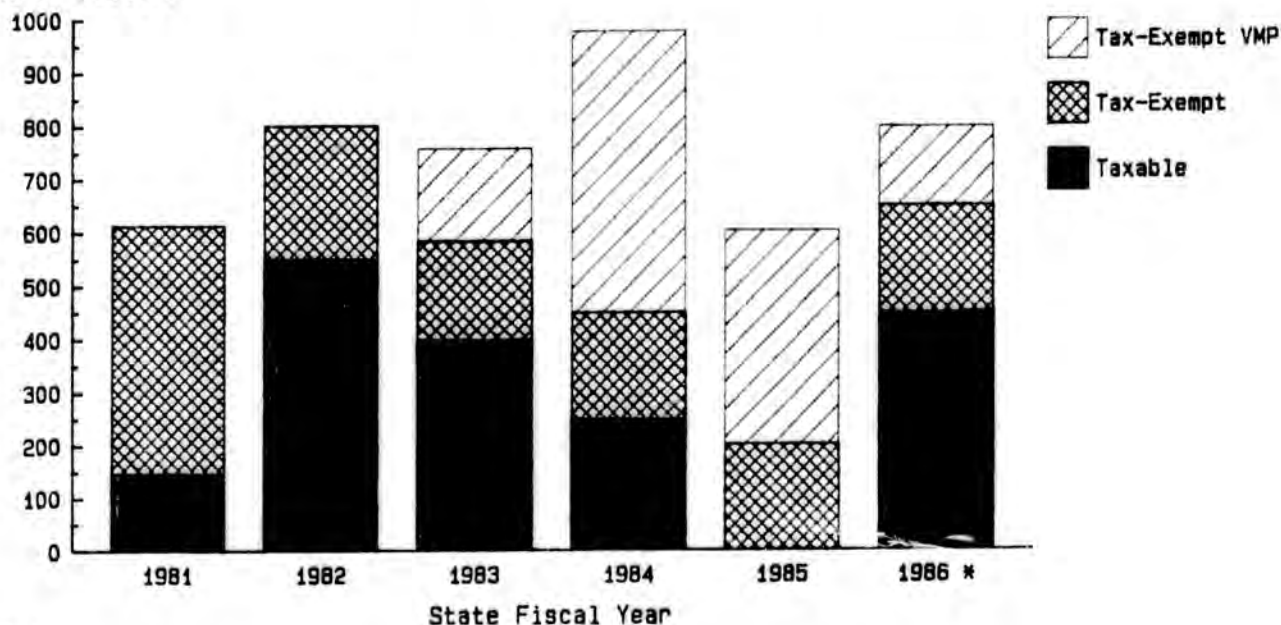
ALASKA HOUSING FINANCE CORPORATION **SUBSIDY, BONDING & MORTGAGE LEVELS**

Millions of Dollars



ALASKA HOUSING FINANCE CORPORATION **SUMMARY OF BONDS ISSUED BY TYPE**

Millions of Dollars



* Projected

FY 1984 does not include \$ 175 million of financing arranged under agreements to deliver collateralized notes to FNMA.

FY 1985 does not include \$ 75 million of financing arranged under an agreement to deliver collateralized notes to FNMA.



ALASKA HOUSING FINANCE CORPORATION

EXHIBIT I

Effect of Subsidy Modifications

Presented at the Request of
The Honorable Rick Halford

April 24, 1985

ALASKA HOUSING FINANCE CORPORATION

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ALASKA HOUSING FINANCE CORPORATION

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NOTE: Projections have been based upon recent mortgage application volume.
Bonding and subsidy projections are extremely sensitive to fluctuations
in mortgage demand.

ALASKA HOUSING FINANCE CORPORATION

Analysis of Subsidy Reduction Alternatives
(in Millions)

				<u>Revolving Fund</u>		<u>Future Value at End of FY</u>			
		<u>Est. Mtg.</u>	<u>Related</u>	<u>Liquid Assets</u>	<u>All Assets</u>	<u>Compounded at 10% Annually</u>			
	<u>Bonds Issued</u>	<u>Demand</u>	<u>Subsidy</u>	<u>(General Account)</u>					
		<u>All Programs</u>	<u>Transfers</u>	<u>End of Year</u>		<u>\$16 Mill.</u>	<u>\$25 Mill.</u>	<u>\$34 Mill.</u>	<u>\$50 Mill.</u>
<u>Base Case (Current Program)</u>									
FY 86	800	785	152	172	453	17.6	27.5	37.4	55.0
FY 87	500	792	92	104	407	19.4	30.3	41.1	60.6
FY 88	550	824	98	28	346	21.3	33.3	45.3	66.6
FY 89	550	870	122	27*	358*	23.4	36.6	49.8	73.2
<u>Case A - 2-1/2% eff. from 10-1-85</u>									
FY 86	750	726	120	208	485	17.6	27.5	37.4	55.0
FY 87	475	756	66	174	471	19.4	30.3	41.1	60.6
FY 88	600	789	88	117	429	21.3	33.3	45.3	66.6
FY 89	500	826	92	52	378	23.4	36.6	49.8	73.2
<u>Case B - 2-1/2% eff. from 10-1-85</u>									
2% eff. from 10-1-86									
FY 86	750	726	120	208	485	17.6	27.5	37.4	55.0
FY 87	425	634	35	205	503	19.4	30.3	41.1	60.6
FY 88	525	660	43	199	514	21.3	33.3	45.3	66.6
FY 89	400	690	48	190	520	23.4	36.6	49.8	73.2

NOTE: The above Revolving Fund projections anticipate receipt of \$16 million FY 85 appropriation and retention of all assets of the Alaska Housing Finance Revolving Fund. To determine the effect of various levels of reappropriation, use the schedule of future values to reduce the indicated balance of liquid assets in the General Account and total of All Assets.

* Anticipates receipt of \$100 million appropriation in FY 89.

SECTION 1

Base Case (Current Program)

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund ActivityFiscal Year 1986

(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u>			
			<u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1985	\$110	-0-	\$202	\$142	\$ 93	\$547
Prepayments and principal reductions	(8)	\$ 8		(13)	13	-0-
Earnings		11			38	49
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					16	16
Non-bonded mortgage programs						
Second mortgages				10	(10)	-0-
Mobile home loans	12	(12)		28	(28)	-0-
Reduction in loans warehoused			(50)		50	-0-
Increase in HOF account	30			(30)		-0-
Required subsidy transfers	—	—	—	—	(152)	(152)
Balance: June 30, 1986	<u>\$144</u>	<u>-0-</u>	<u>\$152</u>	<u>\$137</u>	<u>\$ 20</u>	<u>\$453</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond FinancingFiscal Year 1986

(In Millions)

	<u>Mortgage Loan Funds Available 7-1-85</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 86</u>	<u>Mortgage Loan Funds Available 6-30-86</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 62 ⁽⁴⁾	\$ 60 ⁽¹⁾	\$150	\$ (2)	\$ 42	\$ 40	\$280	\$ 72
First Mortgage Veterans Program								
State Guaranteed Bonds	209	17 ⁽²⁾	150	(4)	18	(14)	250	126
First Time Homebuyers Program								
Home Mortgage Bonds	75	5 ⁽²⁾	200	(6)	32	(26)	205	75
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	10 ⁽³⁾					10	
Mobile Home Loan Program	-0-	40 ⁽³⁾					40	
	<u>\$346</u>	<u>\$132</u>	500	<u>\$ (12)</u>	92	<u>-0-</u>	<u>\$785</u>	<u>\$273</u>
Deferred FNMA Note Closings			<u>300</u>		<u>60</u>			
			<u>\$800</u>		<u>\$152</u>			

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

(4) Includes amounts related to subsequent issuance of \$300 million collateral notes to be sold directly to FNMA.

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund ActivityFiscal Year 1987
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities Conforming	Non-Conforming	Investments	
Balance: July 1, 1986	\$144	-0-	\$152	\$137	\$ 20	\$453
Prepayments and principal reductions	(10)	\$ 10		(10)	10	-0-
Earnings		14			28	42
Home ownership assistance subsidies		(9)				(9)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				7	(7)	-0-
Mobile home loans	15	(15)		20	(20)	-0-
Reduction in loans warehoused			(50)		50	-0-
Required subsidy transfers	—	—	—	—	(92)	(92)
Balance: June 30, 1987	<u>\$149</u>	<u>-0-</u>	<u>\$102</u>	<u>\$154</u>	<u>\$ 2</u>	<u>\$407</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

Base Case

04/15/85

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary Based Upon Subsidy Restructure Proposal

Mortgage Demand and Proposed Bond Financing

Fiscal Year 1987

(In Millions)

	<u>Mortgage Loan Funds Available 7-1-86</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 87</u>	<u>Mortgage Loan Funds Available 6-30-87</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 72	\$ 65 ⁽¹⁾	\$150	\$ (3)	\$ 42	\$ 40	\$295	\$ 71
First Mortgage Veterans Program State Guaranteed Bonds	126	20 ⁽²⁾	150	(4)	18	(14)	240	56
First Time Homebuyers Program Home Mortgage Bonds	75	7	200	(6)	32	(26)	215	67
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	7 ⁽³⁾					7	
Mobile Home Loan Program	-0-	35 ⁽³⁾					35	
	<u>\$273</u>	<u>\$134</u>	<u>\$500</u>	<u>\$ (13)</u>	<u>\$ 92</u>	<u>-0-</u>	<u>\$792</u>	<u>\$194</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HMF Account.

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund ActivityFiscal Year 1988

(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u>			
			<u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1987	\$149	-0-	\$102	\$154	\$ 2	\$407
Prepayments and principal reductions	(12)	\$ 12		(13)	13	-0-
Earnings		14			20	34
Home ownership assistance subsidies		(10)				(10)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				5	(5)	-0-
Mobile home loans	16	(16)		19	(19)	-0-
Reduction in loans warehoused			(75)		75	-0-
Required subsidy transfers	—	—	—	—	(98)	(98)
Balance: June 30, 1988	<u>\$153</u>	<u>-0-</u>	<u>\$ 27</u>	<u>\$165</u>	<u>\$ 1</u>	<u>\$346</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing
Fiscal Year 1988
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-87</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 88</u>	<u>Mortgage Loan Funds Available 6-30-88</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 71	\$ 65 ⁽¹⁾	\$150	\$ (3)	\$ 42	\$ 44	\$319	\$ 50
First Mortgage Veterans Program State Guaranteed Bonds	56	27 ⁽²⁾	200	(6)	24	(18)	230	53
First Time Homebuyers Program Home Mortgage Bonds	67	11 ⁽²⁾	200	(6)	32	(26)	235	43
<u>Internally Funded Programs</u>								
Second Mortgage Program		5 ⁽³⁾					5	
Mobile Home Loan Program		35 ⁽³⁾					35	
	<u>\$194</u>	<u>\$143</u>	<u>\$550</u>	<u>\$ (15)</u>	<u>\$ 98</u>	<u>-0-</u>	<u>\$824</u>	<u>\$146</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1989
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities Conforming	Non-Conforming	Investments	
Balance: July 1, 1988	\$153	-0-	\$ 27	\$165	\$ 1	\$346
Prepayments and principal reductions	(12)	\$ 12		(15)	15	-0-
Earnings		14			18	32
Home ownership assistance subsidies		(11)				(11)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				5	(5)	-0-
Mobile home loans	15	(15)		20	(20)	-0-
Reduction in loans warehoused						-0-
FY 89 legislative appropriation					100	100
Required subsidy transfers	—	—	—	—	(122)	(122)
Balance: June 30, 1989	<u>\$156</u>	<u>-0-</u>	<u>\$ 27</u>	<u>\$175</u>	<u>-0-</u>	<u>\$358</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing

Fiscal Year 1989

(In Millions)

	Mortgage Loan Funds Available 7-1-88	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 89	Mortgage Loan Funds Available 6-30-89
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 50	\$ 65 ⁽¹⁾	\$350	\$ (6)	\$ 98	\$ 18	\$544	\$ 31
First Mortgage Veterans Program State Guaranteed Bonds	53	35 ⁽²⁾	200	(6)	24	(18)	220	68
First Time Homebuyers Program Home Mortgage Bonds	43	23 ⁽²⁾					66	-0-
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	5 ⁽³⁾					5	
Mobile Home Loan Program	-0-	35 ⁽³⁾					35	
	<u>\$146</u>	<u>\$163</u>	<u>\$550</u>	<u>\$ (12)</u>	<u>\$122</u>	<u>-0-</u>	<u>\$870</u>	<u>\$ 99</u>

(1) Housing and Interest Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

SECTION 2

Case A

SECTION 2

Case A

Case A - 2-1/2% subsidy effective 10-1-85
No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1986
(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u> <u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1985	\$110	-0-	\$202	\$142	\$ 93	\$547
Prepayments and principal reductions	(8)	\$ 8		(13)	13	-0-
Earnings		11			38	49
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					16	16
Non-bonded mortgage programs						
Second mortgages				9	(9)	-0-
Mobile home loans	12	(12)		25	(25)	-0-
Reduction in loans warehoused						-0-
Increase in HOF account	30			(30)		-0-
Required subsidy transfers	—	—	—	—	(120)	(120)
Balance: June 30, 1986	<u>\$144</u>	<u>-0-</u>	<u>\$202</u>	<u>\$133</u>	<u>\$ 6</u>	<u>\$485</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

Case A - 2-1/2% level of subsidy effective 10-1-85
No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing
Fiscal Year 1986
(In Millions)

	Mortgage Loan Funds Available 7-1-85	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 86	Mortgage Loan Funds Available 6-30-86
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 62 ⁽⁴⁾	\$ 60 ⁽¹⁾	\$125	\$ (2)	\$ 30	\$ 21	\$259	\$ 37
First Mortgage Veterans Program								
State Guaranteed Bonds	209	17 ⁽²⁾	125	(3)	12	(9)	231	120
First Time Homebuyers Program								
Home Mortgage Bonds	75	5 ⁽²⁾	200	(6)	18	(12)	190	90
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	9 ⁽³⁾					9	
Mobile Home Loan Program	-0-	37 ⁽³⁾					37	
	<u>\$346</u>	<u>\$128</u>	450	<u>\$(11)</u>	60	<u>-0-</u>	<u>\$726</u>	<u>\$247</u>
Deferred FNMA Note Closings			<u>300</u>		<u>60</u>			
			<u>\$750</u>		<u>\$120</u>			

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

(4) Includes amounts related to subsequent issuance of \$300 million collateral notes to be sold directly to FNMA.

Case A - 2-1/2% subsidy effective 10-1-85
No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1987
(In Millions)

	HOF Account		General Account			Total
	Loans	Investments	Loans & Net Mtg. Securities Conforming	Non-Conforming	Investments	
Balance: July 1, 1986	\$144	-0-	\$202	\$133	\$ 6	\$485
Prepayments and principal reductions	(11)	\$ 11		(11)	11	-0-
Earnings		14			33	47
Home ownership assistance subsidies		(8)				(8)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				7	(7)	-0-
Mobile home loans	17	(17)		18	(18)	-0-
Reduction in loans warehoused			(35)		35	-0-
Required subsidy transfers	—	—	—	—	(66)	(66)
Balance: June 30, 1987	<u>\$150</u>	<u>-0-</u>	<u>\$167</u>	<u>\$147</u>	<u>\$ 7</u>	<u>\$471</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

Case A - 2-1/2% subsidy effective 10-1-85
No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary Based Upon Subsidy Restructure Proposal

Mortgage Demand and Proposed Bond Financing

Fiscal Year 1987

(In Millions)

	Mortgage Loan Funds Available 7-1-86	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 87	Mortgage Loan Funds Available 6-30-87
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 37	\$ 65 ⁽¹⁾	\$150	\$ (3)	\$ 36	\$ 21	\$280	\$ 26
First Mortgage Veterans Program State Guaranteed Bonds	120	20 ⁽²⁾	125	(3)	12	(9)	230	35
First Time Homebuyers Program Home Mortgage Bonds	90	7	200	(6)	18	(12)	204	93
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	7 ⁽³⁾					7	
Mobile Home Loan Program	-0-	35 ⁽³⁾					35	
	<u>\$247</u>	<u>\$134</u>	<u>\$475</u>	<u>\$ (12)</u>	<u>\$ 66</u>	<u>-0-</u>	<u>\$756</u>	<u>\$154</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

Case A - 2-1/2% subsidy effective 10-1-85
No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1988
(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u>			
			<u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1987	\$150	-0-	\$167	\$147	\$ 7	\$471
Prepayments and principal reductions	(12)	\$ 12		(13)	13	-0-
Earnings		14			28	42
Home ownership assistance subsidies		(9)				(9)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				5	(5)	-0-
Mobile home loans	17	(17)		18	(18)	-0-
Reduction in loans warehoused			(55)		55	-0-
Required subsidy transfers	—	—	—	—	(88)	(88)
Balance: June 30, 1988	<u>\$155</u>	<u>-0-</u>	<u>\$112</u>	<u>\$157</u>	<u>\$ 5</u>	<u>\$429</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

Case A - 2-1/2% subsidy effective 10-1-85
No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing
Fiscal Year 1988
(In Millions)

	Mortgage Loan Funds Available 7-1-87	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 88	Mortgage Loan Funds Available 6-30-88
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 15	\$ 65 ⁽¹⁾	\$200	\$ (2)	\$ 48	\$ 28	\$303	\$ 51
First Mortgage Veterans Program State Guaranteed Bonds	35	27 ⁽²⁾	200	(6)	20	(14)	223	39
First Time Homebuyers Program Home Mortgage Bonds	93	11 ⁽²⁾	200	(6)	20	(14)	223	81
<u>Internally Funded Programs</u>								
Second Mortgage Program		5 ⁽³⁾					5	
Mobile Home Loan Program		35 ⁽³⁾					35	
	<u>\$143</u>	<u>\$143</u>	<u>\$600</u>	<u>\$(14)</u>	<u>\$ 88</u>	<u>-0-</u>	<u>\$789</u>	<u>\$171</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1989
(In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u>			
			<u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1988	\$155	-0-	\$112	\$157	\$ 5	\$429
Prepayments and principal reductions	(12)	\$ 12		(14)	14	-0-
Earnings		14			24	38
Home ownership assistance subsidies		(10)				(10)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				5	(5)	-0-
Mobile home loans	16	(16)		19	(19)	-0-
Reduction in loans warehoused			(70)		70	-0-
FY 89 legislative appropriation						-0-
Required subsidy transfers	—	—	—	—	(92)	(92)
Balance: June 30, 1989	<u>\$159</u>	<u>-0-</u>	<u>\$ 42</u>	<u>\$167</u>	<u>\$ 10</u>	<u>\$378</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

Case A - 2-1/2% subsidy effective 10-1-85
No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing
Fiscal Year 1989
(In Millions)

	<u>Mortgage Loan Funds Available 7-1-88</u>	<u>Program Repayments and Earnings</u>	<u>Bond Proceeds</u>	<u>Sales Costs</u>	<u>Subsidy</u>	<u>Subsidy Allocation</u>	<u>Estimated Mortgage Demand FY 89</u>	<u>Mortgage Loan Funds Available 6-30-89</u>
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 37	\$ 65 ⁽¹⁾	\$300	\$ (5)	\$ 72	\$ 14	\$462	\$ 21
First Mortgage Veterans Program State Guaranteed Bonds	39	35 ⁽²⁾	200	(6)	20	(14)	220	54
First Time Homebuyers Program Home Mortgage Bonds	81	23 ⁽²⁾					104	-0-
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	5 ⁽³⁾					5	
Mobile Home Loan Program	-0-	35 ⁽³⁾					35	
	<u>\$157</u>	<u>\$163</u>	<u>\$500</u>	<u>\$ (11)</u>	<u>\$ 92</u>	<u>-0-</u>	<u>\$826</u>	<u>\$ 75</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

SECTION 3

Case B

Case B - 2-1/2% level of subsidy effective 10-1-85
 2% level of subsidy effective 10-1-86
 No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1986
 (In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u> <u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1985	\$110	-0-	\$202	\$142	\$ 93	\$547
Prepayments and principal reductions	(8)	\$ 8		(13)	13	-0-
Earnings		11			38	49
Home ownership assistance subsidies		(7)				(7)
IMB earnings released					16	16
Non-bonded mortgage programs						
Second mortgages				9	(9)	-0-
Mobile home loans	12	(12)		25	(25)	-0-
Reduction in loans warehoused						-0-
Increase in HOF account	30			(30)		-0-
Required subsidy transfers	—	—	—	—	(120)	(120)
Balance: June 30, 1986	<u>\$144</u>	<u>-0-</u>	<u>\$202</u>	<u>\$133</u>	<u>\$ 6</u>	<u>\$485</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

Case B - 2-1/2% level of subsidy effective 10-1-85
 2% level of subsidy effective 10-1-86
 No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION
 SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing
Fiscal Year 1986
 (In Millions)

	Mortgage Loan Funds Available 7-1-85	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 86	Mortgage Loan Funds Available 6-30-86
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 62 ⁽⁴⁾	\$ 60 ⁽¹⁾	\$125	\$ (2)	\$ 30	\$ 21	\$259	\$ 37
First Mortgage Veterans Program State Guaranteed Bonds	209	17 ⁽²⁾	125	(3)	12	(9)	231	120
First Time Homebuyers Program Home Mortgage Bonds	75	5 ⁽²⁾	200	(6)	18	(12)	190	90
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	9 ⁽³⁾					9	
Mobile Home Loan Program	-0-	37 ⁽³⁾					37	
	<u>\$346</u>	<u>\$128</u>	450	<u>\$(11)</u>	60	<u>-0-</u>	<u>\$726</u>	<u>\$247</u>
Deferred FNMA Note Closings			<u>300</u>		<u>60</u>			
			<u>\$750</u>		<u>\$120</u>			

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

(4) Includes amounts related to subsequent issuance of \$300 million collateral notes to be sold directly to FNMA.

Case B - 2-1/2% level of subsidy effective 10-1-85
 2% level of subsidy effective 10-1-86
 No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1987
 (In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u>			
			<u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1986	\$144	-0-	\$202	\$133	\$ 6	\$485
Prepayments and principal reductions	(10)	\$ 10		(10)	10	-0-
Earnings		14			34	48
Home ownership assistance subsidies		(8)				(8)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				6	(6)	-0-
Mobile home loans	16	(16)		19	(19)	-0-
Reduction in loans warehoused						-0-
Required subsidy transfers	—	—	—	—	(35)	(35)
Balance: June 30, 1987	<u>\$150</u>	<u>-0-</u>	<u>\$202</u>	<u>\$148</u>	<u>\$ 3</u>	<u>\$503</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

Case B - 2-1/2% level of subsidy effective 10-1-85
 2% level of subsidy effective 10-1-86
 No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary Based Upon Subsidy Restructure Proposal
Mortgage Demand and Proposed Bond Financing

Fiscal Year 1987
 (In Millions)

	Mortgage Loan Funds Available 7-1-86	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 87	Mortgage Loan Funds Available 6-30-87
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 37	\$ 65 ⁽¹⁾	\$125	\$ (3)	\$ 25	\$ 2	\$228	\$ 23
First Mortgage Veterans Program State Guaranteed Bonds	120	20 ⁽²⁾	100	(2)	4	(2)	200	40
First Time Homebuyers Program Home Mortgage Bonds	90	7	200	(6)	6		172	125
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	6 ⁽³⁾					6	
Mobile Home Loan Program	-0-	28 ⁽³⁾					28	
	<u>\$247</u>	<u>\$126</u>	<u>\$425</u>	<u>\$(11)</u>	<u>\$ 35</u>	<u>-0-</u>	<u>\$634</u>	<u>\$188</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

Case B - 2-1/2% level of subsidy effective 10-1-85
 2% level of subsidy effective 10-1-86
 No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1988
 (In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u>			
			<u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1987	\$150	-0-	\$202	\$148	\$ 3	\$503
Prepayments and principal reductions	(11)	\$ 11		(12)	12	-0-
Earnings		14			36	50
Home ownership assistance subsidies		(9)				(9)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				5	(5)	-0-
Mobile home loans	16	(16)		19	(19)	-0-
Reduction in loans warehoused			(10)		10	-0-
Required subsidy transfers	—	—	—	—	(43)	(43)
Balance: June 30, 1988	<u>\$155</u>	<u>-0-</u>	<u>\$192</u>	<u>\$160</u>	<u>\$ 7</u>	<u>\$514</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

Case B - 2-1/2% level of subsidy effective 10-1-85
 2% level of subsidy effective 10-1-86
 No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing

Fiscal Year 1988

(In Millions)

	Mortgage Loan Funds Available 7-1-87	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 88	Mortgage Loan Funds Available 6-30-88
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 23	\$ 65 ⁽¹⁾	\$150	\$ (3)	\$ 30	\$ 4	\$235	\$ 34
First Mortgage Veterans Program State Guaranteed Bonds	40	27 ⁽²⁾	175	(3)	7	(4)	200	42
First Time Homebuyers Program Home Mortgage Bonds	125	11 ⁽²⁾	200	(6)	6	-0-	185	151
<u>Internally Funded Programs</u>								
Second Mortgage Program		5 ⁽³⁾					5	
Mobile Home Loan Program		35 ⁽³⁾					35	
	<u>\$188</u>	<u>\$143</u>	<u>\$525</u>	<u>\$ (12)</u>	<u>\$ 43</u>	<u>-0-</u>	<u>\$660</u>	<u>\$227</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

Case B - 2-1/2% level of subsidy effective 10-1-85
 2% level of subsidy effective 10-1-86
 No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

Projected Revolving Fund Activity

Fiscal Year 1989
 (In Millions)

	<u>HOF Account</u>		<u>General Account</u>			<u>Total</u>
	<u>Loans</u>	<u>Investments</u>	<u>Loans & Net Mtg. Securities</u>			
			<u>Conforming</u>	<u>Non-Conforming</u>	<u>Investments</u>	
Balance: July 1, 1988	\$155	-0-	\$192	\$160	\$ 7	\$514
Prepayments and principal reductions	(12)	\$ 12		(13)	13	-0-
Earnings		14			37	51
Home ownership assistance subsidies		(10)				(10)
IMB earnings released					13	13
Non-bonded mortgage programs						
Second mortgages				5	(5)	-0-
Mobile home loans	16	(16)		19	(19)	-0-
Reduction in loans warehoused			(10)		10	-0-
FY 89 legislative appropriation						-0-
Required subsidy transfers	—	—	—	—	(48)	(48)
Balance: June 30, 1989	<u>\$159</u>	<u>-0-</u>	<u>\$182</u>	<u>\$171</u>	<u>\$ 8</u>	<u>\$520</u>

NOTE: The composition of the General Account will vary between conforming loans and investment securities depending upon the closing out of the recently sold issues. The current composition is felt to be reflective of the anticipated future mix.

Case B - 2-1/2% level of subsidy effective 10-1-85
 2% level of subsidy effective 10-1-86
 No reappropriation

04/23/85

ALASKA HOUSING FINANCE CORPORATION

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage Demand and Proposed Bond Financing

Fiscal Year 1989

(In Millions)

	Mortgage Loan Funds Available 7-1-88	Program Repayments and Earnings	Bond Proceeds	Sales Costs	Subsidy	Subsidy Allocation	Estimated Mortgage Demand FY 89	Mortgage Loan Funds Available 6-30-89
<u>Bonded Programs</u>								
Taxable First Mortgage Program	\$ 34	\$ 65 ⁽¹⁾	\$200	\$ (4)	\$ 40	\$ 2	\$276	\$ 61
First Mortgage Veterans Program State Guaranteed Bonds	42	35 ⁽²⁾	200	(6)	8	(2)	200	77
First Time Homebuyers Program Home Mortgage Bonds	151	23 ⁽²⁾					174	-0-
<u>Internally Funded Programs</u>								
Second Mortgage Program	-0-	5 ⁽³⁾					5	
Mobile Home Loan Program	-0-	35 ⁽³⁾					35	
	<u>\$227</u>	<u>\$163</u>	<u>\$400</u>	<u>\$ (10)</u>	<u>\$ 48</u>	<u>-0-</u>	<u>\$690</u>	<u>\$138</u>

(1) Housing and Insured Mortgage Bond prepayments.

(2) Represents amounts made available for recycling subject to federal restrictions as to borrower and residence.

(3) Portion of earnings and prepayments of Revolving Fund including HOF Account.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 378
Title: An act relating to the
interest rate on State loan programs
Sponsor: Adams and Binkley
Requestor: _____
Date of Request: April 19, 1985

FISCAL DETAIL

Agency Affected: Commerce & Economic Developm
Program Category Affected: _____
Economic Development
BRU, Program or Subprogram(s) Affected: _____
Accounting & Collections

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE		80.2	258.4	484.1	750.5	1,048.6

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS Attach a separate page if necessary

Data was provided by the Division of Investments for current market interest rates for the various loan programs and the resulting decreased loan demand.

The fiscal impact to revenue is the net interest rate increase of .5 percent per year, as proposed in HB 378. All active loan programs administered by DCED have been included.

Prepared By: Margaret I. Hamley, Director
Division: Accounting & Collections

Phone: 465-2555

Date: 4-23-85

Approved by Commissioner: Loren H. Lounsbury
Agency: Commerce & Economic Development

Date: 4/23/85

Distribution (by Agency preparing fiscal note):

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

7/1/84

HB 378
FISCAL NOTE - REVENUE ANALYSIS

ESTIMATED CHANGE IN LOAN DEMAND FOR EACH .5% INCREASE IN INTEREST RATE:

	CF	BF	CC	HD	M	AE	REC	FE
Statutory Rate	10.50	10.52	7.00	7.50	10.00	5.00 15.00	10.52	9.50
Market Rate	14.50	12.50	14.00	15.00	15.50	17.50	17.50	15.50
Decreased Loan Demand								
FY '86	none	none	none	none	none	none	none	none
FY '87	2%	none	none	none	5%	none	5%	none
FY '88	2%	none	none	none	5%	none	5%	none
FY '89	2%	none	none	none	5%	none	5%	none
FY '90	2%	none	none	none	5%	none	5%	none

Estimates provided by Division of Investments, Department of Commerce and Economic Development, as of April 16, 1985.

SUMMARY OF FISCAL IMPACT: REVENUE (based on Division of Investments' assumptions above)

	FY '86	FY '87	FY '88	FY '89	FY '90
Commercial Fish	\$38,010	\$132,525	\$264,749	\$431,176	\$ 627,707
Bulk Fuel	2,625	5,250	7,875	10,500	10,500
Child Care	1,504	6,006	13,493	22,758	36,076
Historical Districts	750	3,191	6,777	12,072	18,892
Mining ✓	24,000	63,624	92,309	108,876	110,855
Alternative Energy	10,307	40,025	87,885	152,524	232,394
Residential Energy Conservation	3,000	7,811	11,058	12,587	12,220
Fisheries Enhancement	0	0	0	0	0
TOTAL	<u>\$80,196</u>	<u>\$258,432</u>	<u>\$484,146</u>	<u>\$750,493</u>	<u>\$1,048,644</u>

Fiscal impact revenue analysis prepared by Division of Accounting and Collections

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 378

Title: _____

~~Rates on State loan programs.~~

Sponsor: Adams

Requestor: _____

Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.

Program Category Affected: _____

Development

BRU, Program or Subprogram(s) Affected: _____

Division of Investments

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		10.0	10.0	10.0	10.0	10.0
400 SUPPLIES		10.0				
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		20.0	10.0	10.0	10.0	10.0
CAPITAL		-0-	-0-	-0-	-0-	-0-
REVENUE		-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND		20.0	10.0	10.0	10.0	10.0
FEDERAL FUNDS						
OTHER						
TOTAL		20.0	10.0	10.0	10.0	10.0

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

\$10,000 is requested for a one-time charge to prepare and distribute copies of regulations for public comment relating to determination of the existing market rate for each program, and revision and reprinting of the State loan applications and pamphlets. A continuing cost of \$10,000 is required for a contractor to determine market rates for each program on a yearly basis in a manner that would be defensible in court.

Prepared By: Paul B. Arnoldt, Director

Division: Investments

Phone: 465-2510

Date: 4/17/85

Approved by Commissioner: Loren H. Lounsbury

Agency: Commerce and Economic Development

Date: 4/17/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 378

Title: RE: Interest Rates on
State Loans

Sponsor: Adams, Binkley

Requestor: Sund

Date of Request: _____

FISCAL DETAIL

Agency Affected: Education

Program Category Affected: Postsecondary
Education

BRU, Program or Subprogram(s) Affected:
Student Loan Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		20.0				
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	N.A.	20.0	-0-	-0-	-0-	-0-

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE	N.A.	N.A.	(85.6)	(295.4)	1,671.8	(1,297.0)
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FUNDING: (Thousands of Dollars)

GENERAL FUND		20.0	(85.6)	(295.4)	1,671.8	(1,297.0)
FEDERAL FUNDS						
OTHER						
TOTAL		20.0				

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Note there is a one year lag between attached chart and fiscal impact. This is due to the effective date of the Bill.

Prepared By: Kerry D. Romesburg Executive Director Phone: 465-2854

Division: Alaska Commission on Postsecondary Date: 4/22/85
Education

Approved by Commissioner: _____ Date: _____

Agency: _____

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

7/1/84

Increase loan interest rates by 1/2% per year, until it reaches 8%, retain other current terms.

(a) Fiscal Impact:

Year of Impact	BORROWING YEAR														Total Impact
	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98		
FY86	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
FY87	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
FY88	46.8	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	46.8	
FY89	91.2	85.6	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	176.8	
FY90	136.8	167.0	128.4	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	432.2	
FY91	204.2	250.2	250.5	171.1	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	876.0	
FY92	208.8	373.7	375.4	333.9	214.0	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,505.8	
FY93	208.8	382.1	560.5	500.5	417.4	256.7	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,326.0	
FY94	208.8	382.1	573.1	747.3	625.6	500.9	256.7	-0-	-0-	-0-	-0-	-0-	-0-	3,294.5	
FY95	208.8	382.1	573.1	764.1	934.1	750.7	500.9	256.7	-0-	-0-	-0-	-0-	-0-	4,370.5	
FY96	208.8	382.1	573.1	764.1	955.1	1,225.1	750.7	500.9	256.7	-0-	-0-	-0-	-0-	5,616.6	
FY97	208.8	382.1	573.1	764.1	955.1	1,146.2	1,225.1	750.7	500.9	256.7	-0-	-0-	-0-	6,762.8	
FY98	162.0	382.1	573.1	764.1	955.1	1,146.2	1,146.2	1,225.1	750.7	500.9	256.7	-0-	-0-	7,862.2	
FY99	117.6	296.5	573.1	764.1	955.1	1,146.2	1,146.2	1,146.2	1,225.1	750.7	500.9	256.7	-0-	8,878.4	
FY00	72.0	215.1	444.7	764.1	955.1	1,146.2	1,146.2	1,146.2	1,146.2	1,225.1	750.7	500.9	256.7	9,769.2	

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

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

☐ 949 E. 38TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

April 23, 1985

POSITION PAPER

RE: HOUSE BILL 378

SPONSOR: REPRESENTATIVES ADAMS AND BINKLEY

Program Effects of the Bill:

This bill seeks to raise the interest rates on loan programs administered by the state or an instrumentality of the state by one half percent annually until the rate charged equals the prevailing market rate. Neither this bill nor the other sections of this statute really define "prevailing market rate," although AS 37.05.035(a) gives each loan program agency the right to determine prevailing market rate if none exists.

For the purpose of determining the effects of this bill on our rural loan programs, we used the current FHA/VA rate of 13 percent, and tried to determine what effect this rate would have on our loan program activity if that rate were in effect today. Our average loan amount on our Rural Owner-Occupied Loan Program for FY 84 and FY 85 year to date is \$89,929. Using this figure and our current interest rate of 9.875 percent, a borrower must have a monthly income of at least \$2,311 to qualify for this loan amount. This is assuming the house payment is their only monthly obligation, which is often the case in rural Alaska. In FY 84 and year to date FY 85, 88.6 percent of our borrowers had incomes greater than or equal to this amount. Using the same loan amount and a 13 percent interest rate and the same assumption about the house payment being the sole monthly obligation of the borrower, it would require a monthly income of \$2,985 to qualify. Only 74 percent of our current borrowers could have met this monthly income amount.

We realize that this bill would not increase the interest rate overnight, however, with construction costs increasing approximately three percent per year, the eventual effects of this legislation on the Rural Housing Loan Program would be more devastating than even the current year figures demonstrated, since we assumed construction costs would remain constant and a larger loan amount would not be required to buy the same house in the future.

Position Paper
RE: HOUSE BILL 378
April 23, 1985
Page 2

The intent and purpose of this loan program, to upgrade and improve the housing stock in rural Alaska and make homeownership a reality for more rural Alaskans, would be seriously compromised.

The effects on the Rural Nonowner-Occupied Loan Program would virtually put the program out of business. Most of the projects we are financing today are just breaking even with a 10.5 percent interest rate and the high operating costs incurred in the rural areas. An interest rate any higher than this would make the vast majority of the projects economically nonviable.

To summarize, the increase in interest rates proposed by this bill would put homeownership out of the reach of most rural residents once again. We would see a run on the loan programs during the first few years by those seeking to own homes before the ideal is out of their reach. We would see people buying or building homes before they are financially stable or emotionally ready for homeownership. This will result in higher delinquency rates and more foreclosures.

One last item to be addressed is the effect of this bill on the Homeownership Assistance Fund. The demand on the fund would be significantly increased with the greater differential between the current program interest rate and the six percent rate to which we can subsidize the payments. A portion of any savings the state may realize by eliminating the subsidy in interest rates in whole would be consumed by the greater subsidies used by individual borrowers under the Homeownership Assistance Program.

Comments:

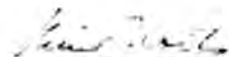
Another aspect that should be examined is the overall effect this bill would have on the state economy. The construction business and service industries constitute a large part of this state's economy. It is estimated that 20 people are employed by every real estate sales transaction that takes place on an existing structure. These would be people at the lending institutions, mortgage companies, credit unions, title insurance firms, real estate brokerage firms, appraisal firms, surveyors, mortgage insurance firms, tax service firms and firms dealing in fire, hazard, flood or homeowners insurance.

Position Paper
RE: HOUSE BILL 378
April 23, 1985
Page 3

The numbers can grow to as much as 60 - 75 jobs when you are dealing with new construction, depending on the size of the project and whether it is a contractor or an owner builder doing the construction. These figures were supplied to the Housing Assistance Division by Dave Ribachi, an Anchorage realtor at a HAD training workshop.

With the slowdown that would be brought about in the market due to the higher interest rates - and based on most economic projections, that is the direction interest rates are expected to go - the unemployment rates will probably increase, or at least not decrease. The state will incur greater costs in welfare and unemployment compensation as a result of this increase. The communities relying upon property taxes will see their tax base growth diminished due to the slowdown in development and market values.

If the intent of HB 378 is to take the State out of the lending business, the State should face this directly by not appropriating money for those loan programs. An across the board increase of interest rates, however, is not an equitable solution to phase out these programs. By increasing interest rates, the income level criteria is raised for loan recipients, making loans less accessible to lower income families. If the goal of HB 378 is to affect interest rates in themselves, we recommend that the committee defer to the Governor's bill HB 109--which establishes a fixed, market-tied interest rate that is based on the U.S. Treasury rate plus adjustments for administration and risk.



Emil Notti, Commissioner

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 378
Title: Interest Rates on State

loan programs

Sponsor: _____
Requestor: Rep. Adams & Binkley
Date of Request: _____

FISCAL DETAIL

Agency Affected: DCRA

Program Category Affected: _____

BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
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-		

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Clark Boston
Division: Housing Assistance Division

Phone: 561-0900

Date: 4/23/85

Approved by Commissioner: Emil Notti
Agency: Community & Regional Affairs

Date: 4/23/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 378
Title: An Act relating to the
interest rate on state loan programs
Sponsor: Adams, Binkley
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Revenue
Program Category Affected: _____
SRU, Program or Subprogram(s) Affected: _____
Alaska Housing Finance Corporation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

see attachment

Prepared by: Mark H. Cameron
Division: Alaska Housing Finance Corporation

Phone: _____
Date: _____

Approved by Commissioner: James P. H. [Signature]
Agency: Department of Revenue

Date: 7/29/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

7/1/84

HB 378 - Attachment

Please refer to Exhibit A prepared for SB 281 for a hearing before the Senate Finance Committee for an analysis of the fiscal impact of this bill. If HB 378/SB 281 were to pass in the present form AHFC would not expect to be in for a loans appropriation request in FY 1989 of \$100 million.

Exhibit B is a program overview of the Corporation's current activities.

Exhibit I contains alternatives that the Corporation was requested to look at by the Senate Finance Committee. Included is a letter to Senator Halford outlining a proposed mortgage "buy down" program which could reduce the amount of subsidy for the taxable mortgage program by as much as two-thirds.

FREE

Federation's Role in our Enterprise Economy

April 22, 1985

Representative John Sund, Chairman
House Special Committee on Loans
Pouch V
Juneau, Alaska 99811

Attention: John Hartle, Administrative Assistant

Re: HB 378

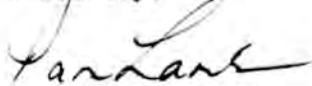
Dear Mr. Hartle,

The Anchorage Woman's Club FREE Committee is pleased to write this letter in support of HB 378. We understand that this bill is the companion to SB 281 and will raise interest rates on all State loan programs by one-half percent per year until they reach the going market rate or cost of funds.

I am enclosing for the House Special Committee on Loans members a copy of our written testimony presented to the Senate Finance Committee's hearing on SB 281, copies of our position paper on Alaska State Loan Programs and an announcement concerning our recently produced video on the loan programs.

Please feel free to contact me (349-6531) or my co-chairman Sarah Schierhorn (279-5305) if we can be of further assistance.

Sincerely,



Pamela Lambe, Co-Chairman
Tax & Economic Development Subcommittee
AWC FREE Committee

TESTIMONY REGARDING SB 281

A BILL RAISING INTEREST RATES ON STATE LOAN PROGRAMS
BY 1/2 PERCENT PER YEAR UNTIL THEY REACH MARKET RATES
OR COST OF FUNDS

TESTIMONY BY PAM LAMBE AND SARAH SCHIERHORN
AWC FREE COMMITTEE

The FREE Committee recommends passage of SB 281. We applaud the sponsors for recognizing the need for this legislation and for filing the bill. The action demonstrates to us the sponsors awareness of the gravity of the revenue decline and their desire to take action to bring State expenditures in line with current revenues.

To summarize the State's investment in loan programs as of June 30, 1984:

- 1 - The combined outstanding balance of State loan programs was approximately \$5 billion.
- 2 - Of that \$5 billion, \$3.8 billion has been funded by bonded indebtedness and the balance by State appropriation.
- 3 - Of the \$3.8 billion in bonded indebtedness, \$3.5 billion funds AHFC debt.

There are more than 40 loan programs and funds administered by various State agencies and State chartered public corporations.

From FY 81 to FY 85, the State appropriated \$2.6 billion to these programs.

Most programs were originated in response to a real need. You will remember market interest rates peaking in the 20% range not too long ago. Today we are experiencing lower, stable interest rates.

Three studies of loan programs published since 1981 generally conclude that government subsidy and competition with private enterprise is not wise. The most recent study by the FREE Committee specifically recommends that the State reduce and eventually eliminate dollar contributions to loan programs by making programs self-supporting and revolving and by eliminating interest subsidies.

SB 281 would accomplish this recommendation in a fair way by treating all programs equally and by using the stair-step mechanism of a one-half percent per year interest increase.

This approach enables consumers to plan financing. If the rules are set now, consumers can assess various finance options. As program interest rates approach market rates, competition among the various sources of financing should result in lower market interest rates.

SB 281 will assure a gradual phase out of interest subsidies providing for a soft landing for the consumer.