

**COMMITTEE REPORT**  
**SENATE**

FURTHER:

2/18/86

Date 3/4/86

Mr. President

The Committee on FINANCE considered CSHB 530 (Loans) am  
relating to refinancing loans under the special mortgage loan purchase  
program; efd.

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

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

MEMBERS SIGNING  
DO PASS

*John Sackett*  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

*Ken Fick* NO Rec  
*Paul Gible* NO Rec  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Jan Fick*  
Co-Chairman  
*do pass*  
Chairman recommendation

SENATE FINANCE COMMITTEE

LETTER OF INTENT

TO ACCOMPANY CSHB 530 (Loans)

It is the intent of the legislature that refinances permitted under this legislation meet the following conditions:

- (1) they must meet underwriting standards applicable at the time of the refinancing;
- (2) any refinancing loan must be based upon an appraisal that is current at the time of the refinancing; and
- (3) the loan to value ratio of the new loan cannot exceed standards acceptable to major national secondary lending programs, such as the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and the Federal Housing Administration.

02  
2/12

116

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: 2/11/86

## REQUEST

## FISCAL DETAIL

Bill/Resolution No.: CSHB 530 (Loans) Agency Affected: AHFC  
 Title: An Act relating to refinancing loans under the special mortgage loan purchase program. BRU: \_\_\_\_\_  
 Sponsor: Duncan, MM Miller, Sund, et Components: \_\_\_\_\_  
 Requestor: Rep. John Sund  
 Date of Request: 2/10/86

### EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

### FUNDING : (Thousands of Dollars)

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

### POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: Ron Lehr, Executive Director Phone: 276-5599  
 Division: Alaska Housing Finance Corp. Date: 2/11/86

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note) :

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

Offered: 2/12/86  
Referred: Finance

Original sponsors: Duncan, M.M.Miller,  
Sund, et al.

BY THE HOUSE SPECIAL  
COMMITTEE ON STATE LOANS

1 IN THE HOUSE

2

CS FOR HOUSE BILL NO. 530 (Loans) am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to refinancing loans under the  
7 special mortgage loan purchase program; and providing  
8 for an effective date."

9

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

10

\* Section 1. AS 18.56.098(a) is amended to read:

11

(a) The corporation shall establish a special mortgage loan  
12 purchase program. Under the special mortgage loan purchase program,  
13 the corporation may purchase refinancing loans or first or second  
14 mortgage loans, including graduated payment mortgage loans, made for  
15 the purchase, improvement, or rehabilitation of residences.

16

\* Sec. 2. AS 18.56.098(f) is amended to read:

17

(f) In this section and in AS 18.56.099,

18

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

21

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

25

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

29

(2) "mortgage loan" includes a beneficial interest or

1 participation in a mortgage loan;

2 [(3) REPEALED]

3 (3) "refinancing loan" means a loan refinancing one of the  
4 following loans through another mortgage loan the amount of which may  
5 not exceed the unpaid balance of the loan being refinanced plus clos-  
6 ing costs:

7 (A) a first or second mortgage loan purchased under  
8 (a) of this section;

9 (B) a loan for which the interest rate is established  
10 under AS 44.47.410(a); or

11 (C) a loan for which the interest rate is established  
12 under AS 44.47.410(b) other than a nonconforming housing loan or  
13 a nonowner occupied housing loan;

14 (4) "residence" means an owner-occupied, single family  
15 residence, including a mobile home, or an owner-occupied duplex,  
16 triplex or fourplex.

17 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
18 10.070(c).

SECTIONAL ANALYSIS FOR CS HOUSE BILL 530

An Act relating to refinancing loans under the special mortgage loan purchase program and providing for an effective date

SECTION 1

Amends current law having to do with the special mortgage loan purchase program by allowing AHFC to purchase refinancing loans.

SECTION 2

Defines a refinancing loan as obtaining another loan in which the amount may not exceed the unpaid balance of the first loan being refinanced plus closing costs. Only first or second AHFC mortgage loans may be refinanced including non-conforming loans.

SECTION 3

Immediate effective date.

There is no fiscal impact.

# Alaska State Legislature

CO-CHAIRMAN  
FINANCE COMMITTEE  
907-465-3740

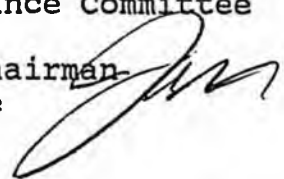
JAN FAIKS  
POUCH V  
CAPITOL BUILDING  
JUNEAU, ALASKA 99811

## Senate

February 27, 1986

### MEMORANDUM

TO: All Members, Senate Finance Committee

FROM: Senator Jan Faiks, Co-Chairman  
Senate Finance Committee 

SUBJECT: House Bill 530/AHFC

Attached is a copy of Dave Ribacchi's testimony from this morning's Senate Finance Committee meeting on House Bill 530.

OUT OF SESSION

1024 WEST SIXTH AVENUE, SUITE 302 ANCHORAGE, ALASKA 99501 907-274-6611

ALASKA STATE SENATE FINANCE COMMITTEE

LEGISLATION RELATING TO  
ALASKA HOUSING FINANCE CORPORATION

-TESTIMONY-

Senator Faiks, Senator Sackett. Thank you for this opportunity.

My name is Dave Ribacchi. I live in Anchorage and hold a Real Estate Brokers License and am a member of the Alaska Real Estate Commission. I have been involved in Alaska real estate brokerage and finance and have long been a supporter of AHFC and it's programs.

The question of AHFC refinancing it's loans leaves me questioning the wisdom of such a move in the present mortgage money market and in view of future needs that will be experienced if current economic trends continue.

Any conforming home in Alaska can presently be refinanced with existing loan programs. No further debt, actual or implied, will be charged to the State. AHFC will experience the same cash-out rate and long term mortgage holdings will be shifted from the State to national and international pool investors.

In testimony last Tuesday, I heard one banker comment that mortgage product to facilitate this refinance wasn't readily or widely available. A simple telephone survey will provide you the answer to that.

The proposal suggests selling \$100 million for this refinance provision, yet it appears that 6,000 to 10,000 borrowers have been identified. If those numbers are correct, \$585,000,000 to \$900,000,000 will be required..

That's assuming an average loan of \$90,000.

The argument continues - noting that AHFC can substitute \$100 million in debt at high interest for \$100 million in debt at a lower rate. The net result is now debt still at \$100 million. The conventional refinance market will replace the debt of AHFC entirely. No substitution.

When the national mortgage market worked against us, AHFC was the bright hope. Now mortgage financing works for us. To compete in the current mortgage market environment, without exhaustive research, could very well produce a disaster at AHFC, preventable only by the strength of the permanent fund.

I will offer some questions - that are of real concern to me.

Are consumers being shown unreal expectations in the hopes offered by this legislation?

Where will the mortgage insurance come from?

If AHFC is going to self insure, the liability, is 100% of the loan amount, plus holding and sales costs, ~~at default~~? Obligations that would total over 100% of the asset.

Should AHFC loans provide an income stream to the State? Maybe it's time to consider this idea. Even Robert Kuttner writing in the February 17, New Republic makes the point that ".....repayment of these loans (FHA) produces income for the Treasury. Selling a government loan (read Refinance by Bonding) does not really reduce the deficit, but only borrows from future income."

How does the consumer benefit? Attached is a reproduction of page 88 from Albert Santi's publication, "Questions and Answers for FHA, VA or conventional loans", copyright 1985 (ISBN: 0-9615886-0-8) second edition.

Completing this quick exercise will determine a real approach to a refinance.

Does the loan make sense? Here is my model.

Purchase date	<u>February 1983</u>		
Interest rate	12.75%		
Purchase price	\$160,000		
Down payment	\$ 8,000		\$8,000
① Loan amount	\$152,000		
Principal and interest		1,652	
② Remaining balance	<u>\$150,401</u>		
① Minus 2	1,596		<u>\$1,596</u>
Equity			<u>\$9,596</u>
New loan amount	\$150,404		
Plus 3.5% acquisition cost	X	<u>1.035</u>	
Adjusted new loan	\$155,668		
Equity calculation	\$155,668		
	-	<u>150,404</u>	
	\$ 5,264		\$9,596
			- 5,264
New Equity Amount			<u>\$4,332</u>

New Payment

Principal and interest @ 10.25	\$1,395
Minus old payment	<u>1,652</u>
Difference	\$ 257

Savings to Borrower	\$257 per month
Equity Adjustment	5,264 loss

The consumer must pay this out of pocket or refinance it. In either event, they've lost \$5,264 or it's beneficial use.

With this \$257 per month saving, it will take 20.48 months to recover the loss of \$5,264 in savings or equity.

However, this model borrower has already lived in this house for three years. It's now February of 1989 and they want to sell.

(Note: Assume the same appreciation since February of 1983, 3% in this case)

1989 Sales Price	\$164,800
(160,000 X 1.03 = \$164,800)	
Cost of sale 7.75%	<u>(12,772)</u>
Gross Proceeds	\$151,228

Remaining Balance	<u>\$152,948</u>
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Difference (Net Proceeds)	(1,720)
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This model buyer will pay \$1,720 out of pocket. If they are at a net loss, perhaps AHFC, in 1989, will allow that loss to be financed by an unsecured promissory note?

The reward to the consumer, in this model, over six years, is an equity or cash loss of \$6,984.

But, will this borrower qualify for the refinance in the first place?

With an appraisal of \$164,800 and a loan amount of \$155,668, a loan-to-value ratio of 94% exists. If the appraisal, at a cost of \$350, up front, supports the price. If that appraisal comes in less than \$163,861, every dollar under must come from the consumer's bank account.

W

Back to my first question:

Are consumers being shown unreal expectations...?

and will \$257 save a homeowner from a bankruptcy or foreclosure?

Is this legislation needed in 1986? Do we need to protect AHFC from the competitive market or throw them into it? Should the bond market access be preserved until the need is great?

Erer Rabbit begged to be thrown into the briar batch. But, he was born and raised there.

One final question.

If this proposal is as good as we think, will the permanent fund buy the \$100 million in bonds?

Thank you for this opportunity. I hope the questions posed and information given help to provide some of the solutions to the problems we are challenged with. Many significant triumphs evolved from debate, synthesis of ideas and critiques to test assumptions. This devil advocates a long hard look.

FIGURE 14

Q  
M. S.  
B. G.

**SHOULD YOU REFINANCE THAT COSTLY MORTGAGE?**

A rule of thumb is a 2% to 3% lower interest rate makes refinancing worthwhile. Eliminate guess work by using this formula for a more exact cost savings.

**REFINANCE WORKSHEET**

Present monthly payments ..... \$ \_\_\_\_\_  
Number of months to pay ..... x \_\_\_\_\_  
Total payments ..... \$ \_\_\_\_\_ A

Payments at alternative  
lower rate ..... \$ \_\_\_\_\_  
Number of months to pay ..... x \_\_\_\_\_  
Total payments ..... \$ \_\_\_\_\_ B

Difference in total payments  
(A minus B) ..... \$ \_\_\_\_\_ C

Refinancing costs:  
 Any prepayment penalty ..... \$ \_\_\_\_\_ D  
 Closing costs of new mortgage,  
including any "points" ..... \$ \_\_\_\_\_ E  
 Added income taxes over term  
of mortgage because of  
reduced deduction from  
lower interest ..... \$ \_\_\_\_\_ F  
Total (D plus E plus F) ..... \$ \_\_\_\_\_ G

Netsavings over life  
of mortgage (C minus G) ..... \$ \_\_\_\_\_

2/25/86

TESTIMONY TO SENATE FINANCE COMMITTEE  
TUESDAY, 25TH OF FEBRUARY, 1986

My name is Jim Crawford, President and Chairman of the Board of City Mortgage Corporation, an Alaskan owned and operated mortgage producer with offices in Anchorage, Eagle River, Homer, Wasilla, Fairbanks and Juneau. City Mortgage is an authorized lender for Alaska Housing Finance Corporation, as well as nine other secondary mortgage markets.

The purpose of my testimony today is to present a financial opportunity to the State of Alaska. Mortgage bankers, for the past 5 years, have come to this Legislature with an open hand. That hand out has taken the form of subsidized interest rates through Alaska Housing Finance Corporation. It's my feeling that now, mortgage bankers should give the State a hand by declining further subsidized mortgage interest rates.

The State of Alaska has a unique opportunity to bring mortgage banking back to the private sector and away from subsidy by amending this Bill to require market rates. The first question a mortgage banker asks regarding a loan, after judging quality and stability of the borrower, is, "What is the return on investment?" I am suggesting that the State of Alaska should adopt the same standard of the return of investment from the hundreds of millions of dollars appropriated for State housing loan mortgage programs. The unique opportunity for the State is to recover \$756,000,000 by allowing the private sector to refinance the Alaska Housing Finance Corporation mortgage portfolio.

The need for subsidy has passed as interest rates have dramatically fallen. Today, the private sector can offer interest rates of 10½, with no commitment fee, with no subsidy and with no risk to the State of Alaska. The private mortgage industry can provide adjustable rate mortgages down to 8 3/8ths by utilizing the flexibility and innovation of the private mortgage banking national marketing system. Five years ago, when AHFC was expanded to include all qualified borrowers, the mortgage-backed securities market did not exist. 90% of loans were made by institutions and either held in portfolio or sold to savings and loan associations or savings banks. Wall Street's active pursuit of the mortgage-backed securities business to pool investors for the purchase of mortgages creates a consistent demand for competitively priced 1-4 family dwelling mortgages. The primary purpose of the expansion of AHFC was access to investor dollars to fund the mortgage needs in Alaska.

With a national system of access to said investment, AHFC's role is duplicative, at excessive cost, of the national mortgage system. Rates and terms at or below AHFC rates and terms are available today and, in my estimation, will be available 6 months from now, a year from now, 5 years from now. In short, the mortgage banking business has gone through a funding revolution materially changing the requirements of the industry. In my view, the State of Alaska need no longer subsidize mortgage lending. A competitive marketplace can provide the innovation and flexibility and rate structure necessary to deliver quality mortgage loans, at acceptable prices. The unique opportunity for the State of Alaska is the recovery of funds appropriated in prior years to AHFC. By way of example, AHFC staff has indicated that, in the case of a \$90,000 loan, \$60,000 was bond funded and \$30,000 was funded through appropriations. If Alaska Housing does refunding bonds currently, to drop the rate of the \$60,000 portion, the State maintains the original cash investment. AHFC staff has indicated an average subsidy cost, per loan, of \$2,400, annually, on it's existing portfolio. If you start with a \$30,000 cash appropriation, deduct two years for average subsidy, at \$4,800, you net \$25,200 in cash invested by the State per \$90,000 loan. AHFC has estimated some 30,000 homeowners may qualify for refinancing. If the private sector funds the \$90,000, thereby recovering the unspent subsidy of \$25,200, the general fund of the State, or potentially the permanent fund of the State, could be enriched by \$756,000,000. Additionally, AHFC has over \$350,000,000 in cash. Adding this to the above-stated amount could present an opportunity to the State of Alaska to recover in excess of 1.1 billion dollars.

Would this recovery hurt the consumer? I think the answer is simply - no, given the availability of refinancing programs currently available, without AHFC assistance and without one dime of State subsidy at comparable rates.

Let me make it clear that I am not suggesting the demise of Alaska Housing Finance Corporation. There are appropriate mechanisms, utilizing tax-exempt bonding, which appropriately should be the realm of AHFC. Utilizing the federal tax mechanisms for Alaska Veterans or for first-time homebuyers is entirely appropriate. Subsidizing low and moderate income clientele, in my view, is a worthy, social purpose. Economic subsidy, however, should not be mixed with social subsidy, nor left for State agencies, rather than the Legislature, to determine the level of subsidy. If refunding bonds are sold by AHFC to recover the greater amount of cash that the private sector could supply, you run into the problem of the debt load of the State of Alaska. Governor Sheffield, as well he should, has stated a serious concern

about the overall debt load of the State. I share that concern and do not advocate refunding bond issuance by AHFC to recover the initial investment. If Alaska Housing Finance Corporation simply sent a letter to every borrower with an interest rate above 11%, suggesting that they seriously consider refinancing their mortgage through private, unsubsidized programs, AHFC would accomplish the correct governmental purpose of reducing the cost of housing to the Alaska consumer. The cost of the mailing would be negligible on a comparative basis to the enormous subsidy costs which are currently ongoing or, alternatively, the tremendous bond sales costs. The fiscal note to HB 530, in my view, is inaccurate and I think should be analyzed, not from the basis of merely current appropriated dollars, but what the real buried costs are of the program.

When Alaska Housing Finance Corporation was formed, it was for the purpose of reducing housing costs for Alaskans. I believe Alaska Housing has admirably fulfilled that duty. Continued expansion of Alaska Housing Finance Corporation, however, into refinances or into FHA, merely continues a government-sponsored monopoly within the State of Alaska. Frankly, the mortgage industry, over the last 5 years, has become lazy with easy State dollars. Two years ago, I determined that innovation and flexibility was not a long suit of government agencies and began to look for other competitive secondary markets. What I found was almost shocking. Literally hundreds of markets are available for over 300 different loan programs, not one of which requires the State of Alaska to subsidize. In my view, it is time for the mortgage banking industry to dig in it's <sup>own</sup> pocket, rather than the State's and rejoin the national mortgage banking market. Competitively, most commercial banks have endorsed the refinancing Bill. From a competitive viewpoint, I understand the reasoning. The current market shares, due to the availability of programs other than AHFC, should be of substantial concern to commercial banks.

Without AHFC's ability to refinance, the institutions who hold the majority of Alaska Housing Finance Corporation mortgages will then have to compete with the increasing number of private mortgage banking firms for each loan. In my view, it is not an appropriate role of government to continue to lock in for the benefit of a few financial institutions, the mortgage industry within this State, certainly not with subsidized lending. Open competition creates innovation, flexibility and an excellence of service for the Alaska consumer. What I request is open competition.

A number of difficulties have arisen over the last few years regarding AHFC's portfolio. To a great extent, these problems are due to the market dominance which,

at one time, was 90%, or better, of the Alaska mortgage market. It's plain to see that with the emergence of private sector programs and the different needs of the Alaskan consumer, AHFC's volume has dropped dramatically. Anti-competitive, monopolistic protection of AHFC's market share, by an increase back to a 90% market domination, exposes the State of Alaska to substantially increased risk, unnecessarily, I might add.

In summary, the State of Alaska has a unique opportunity to gain a return on investment of up to a billion dollars, with no damage to Alaska consumers, realtors, home-builders, or mortgage bankers.

I urge the Committee to return Alaska mortgage banking to unsubsidized rates and the national mortgage market. With oil revenue in decline, it is critical that each program of the State operate in a cost-effective manner. Simply put, subsidy is unnecessary in mortgage lending. - *efp*

**ALASKA MORTGAGE BANKERS ASSOCIATION**

P.O. BOX 4-2691/ANCHORAGE, ALASKA 99509

February 12, 1986

Honorable Al Adams, Chairman  
House Finance Committee  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Adams:

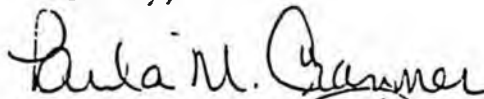
The Alaska Mortgage Bankers Association (AMBA) supports the enactment of House Bill 530 enabling Alaska Housing Finance Corporation (AHFC) to purchase refinances of AHFC mortgages.

The benefit of an AHFC refinance program are clear and far-reaching. A homeowner could reduce their monthly housing expense substantially under the new program in light of interest rate reductions over the past few years. The State of Alaska could greatly reduce the amount of subsidy dollars paid on existing AHFC loans. The general economy will be strengthened because consumers will be able to apply less of their income to housing expense and, therefore, put their money to work in other segments of the Alaskan economy. Consumers who are now experiencing difficulty making their payments because of increased house payments under an ABE structured mortgage or increases in other living expenses will now be able to better afford their home and keep their mortgages current. A reduced inventory of Real Estate Owned (REO) by institutional investors will assist in the recovery of the housing market, in general.

We strongly urge your passage of this bill as it truly represents a benefit to all citizens of the State of Alaska.

Thank you for your time.

Sincerely,



Paula M. Cranmer  
President

PMC:rm

## Alaska Pacific Mortgage

A KeyCorp Affiliate



Post Office Box 100420  
Anchorage, Alaska 99510-0420  
(907) 562-6100

February 11, 1986

Honorable Al Adams, Chairman  
House Finance Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99511

Re: HB 530

Dear Representative Adams:

Alaska Pacific Mortgage wishes to express support for HB 530. We feel that the immediate passage of this bill will allow the consumers to take advantage of the current market low interest rates.

In addition the consumer will benefit by lower payments, assumable loans and putting off for another three years the ABE (Alaska Building Equity) 5% increase that occurs in years four through nine.

Also this refinance could lower the cost of Alaska Housing Finance Corporation by paying off older and higher cost bond issues more quickly.

Lastly, this refinance program could help stimulate the Alaska real estate industry. The ripple effect throughout our economy would be very beneficial and could potentially impact other sectors. We wish to again stress the importance of a timely enactment of this bill to allow benefits from the current low interest rates.

Thank you for this opportunity.

Sincerely,

A handwritten signature in cursive script that reads "Jon R. Boyd".

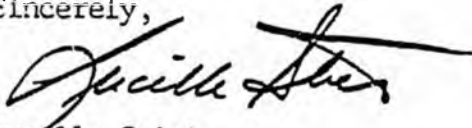
Jon R. Boyd  
President

JRB/mc

Honorable Al Adams, Chairman  
February 11, 1986  
Page 2

We applaud the efforts of the members of the Alaska Legislature in considering this bill and urge rapid action in order to provide refinancing while AHFC is able to obtain funds at low interest rates.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lucille Stietz". The signature is written in dark ink and is positioned above the typed name.

Lucille Stietz  
Vice President

ry



# National Bank of Alaska

Mortgage Loan Department: P.O. Box 7-025 • Anchorage, Alaska 99510-7025 • (907) 265-2856

February 11, 1986

Honorable Al Adams, Chairman  
House Finance Committee  
Alaska House of Representatives  
Pouch V  
Juneau, Alaska 99811

RE: House Bill 530 amending AS 18.56.098

Dear Representative Adams:

It is not often we have an opportunity to do something which is good for all Alaskans. House Bill 530 gives us this opportunity. By allowing refinancing of existing AHFC loans and allowing inclusion of closing costs in the new loan, we feel this bill would provide many benefits.

First, to the homeowners. Many homeowners obtained AHFC loans during times of high interest rates. Concurrent with those high rates, the ABE structure was created, as a way to keep the rates as low as possible. Therefore, there are many homeowners who not only have a loan with an interest rate higher than is available today, but in addition, a loan on which the 5% annual increase under the ABE structure either has or will soon take effect, further increasing monthly payments on their homes. House Bill 530, if enacted quickly while rates are down, would allow these homeowners to reduce monthly payments immediately because of reduced interest rates. By writing a new loan on a 30-year amortization, the homeowners would also benefit by lengthening the term of the loan and by deferring the 5% increase under the ABE structure until the 4th year of the new loan. The net result and immediate benefit to homeowners is to increase their spendable income. An additional and important benefit is that by reducing mortgage payments, homeowners will encounter less difficulty in meeting their mortgage payments, which should result in lowering the number of delinquencies and homes lost due to foreclosure. Finally, the homeowner would, in most instances, exchange a non-assumable loan for one which is assumable. The State of Alaska would also benefit by reduction of subsidy costs.

Another benefit would be infusion of these "saved" dollars into the Alaska economy, dollars which currently go to Investors outside the State. Passage of the bill would also result in increased activity in mortgage-related fields, which could increase employment in those fields.

# ALASKA MUTUAL BANK

February 12, 1986

Honorable Al Adams, Chairman  
House Finance Committee  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Adams:

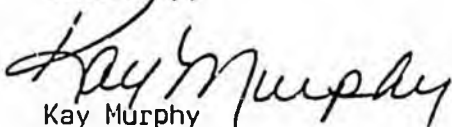
Alaska Mutual Bank strongly supports House Bill 530 giving Alaska Housing Finance Corporation (AHFC) the ability to refinance existing AHFC loans. We currently service 1358 loans totaling \$149,200,000 that have interest rates of 11% or higher. We service 3606 AHFC loans totaling \$371,891,000 which are ABE structured mortgages requiring payment increases that have either already gone into effect or will do so in the very near future.

This refinance program will enable homeowners to reduce their monthly housing expense and delay, for a period of time, the increases required under an ABE structured loan. A reduction in interest rate for the borrower will mean a reduction in subsidy dollars paid by the State.

We urge you to enact legislation authorizing AHFC to purchase refinance mortgages. A loan program designed to reduce the consumer's housing expense and, at the same time, reduce state expenditures can only serve to benefit all citizens of the State.

Thank you for your attention to this matter.

Sincerely,



Kay Murphy  
Vice President

KM:rm



0548 530 (Loans  
am)

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

PAGE

1

ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF ANCHORAGE, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	32	2,975,900
14.5% OR GREATER	101	10,620,664
14.0% OR GREATER	239	27,870,213
13.5% OR GREATER	471	56,998,145
13.0% OR GREATER	847	103,178,436
12.5% OR GREATER	1,475	177,806,601
12.0% OR GREATER	3,985	358,876,581
11.5% OR GREATER	5,241	498,739,041
11.0% OR GREATER	7,185	694,776,277

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

PAGE 2

ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF BETHEL, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	0	0
13.0% OR GREATER	0	0
12.5% OR GREATER	0	0
12.0% OR GREATER	10	260,157
11.5% OR GREATER	11	225,635
11.0% OR GREATER	14	364,897

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF CHUGIAK, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	2	3,776
14.0% OR GREATER	4	537,895
13.5% OR GREATER	16	1,993,704
13.0% OR GREATER	33	4,083,086
12.5% OR GREATER	61	7,427,133
12.0% OR GREATER	149	14,606,319
11.5% OR GREATER	198	20,262,736
11.0% OR GREATER	283	29,063,715

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

PAGE 4

ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF CORDOVA, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	0	0
13.0% OR GREATER	0	0
12.5% OR GREATER	0	0
12.0% OR GREATER	16	531,695
11.5% OR GREATER	17	649,959
11.0% OR GREATER	22	931,136

DATE 2/13/80

ALASKA HOUSING FINANCE CORPORATION

PAGE 5

ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF DELTA JUNCTION, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	0	0
13.0% OR GREATER	0	0
12.5% OR GREATER	2	191,093
12.0% OR GREATER	15	954,575
11.5% OR GREATER	19	1,302,512
11.0% OR GREATER	25	1,842,070

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF DOUGLAS, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	1	139,382
14.0% OR GREATER	1	139,382
13.5% OR GREATER	2	252,475
13.0% OR GREATER	4	519,315
12.5% OR GREATER	4	519,315
12.0% OR GREATER	15	1,401,620
11.5% OR GREATER	22	2,003,474
11.0% OR GREATER	32	3,126,689

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF EAGLE RIVER, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	5	377,873
14.5% OR GREATER	9	813,231
14.0% OR GREATER	23	2,544,520
13.5% OR GREATER	56	6,609,142
13.0% OR GREATER	132	15,669,969
12.5% OR GREATER	230	26,947,283
12.0% OR GREATER	415	44,551,585
11.5% OR GREATER	580	65,154,227
11.0% OR GREATER	851	96,598,325

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF FAIRBANKS, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	2	173,618
14.5% OR GREATER	3	305,307
14.0% OR GREATER	13	1,546,237
13.5% OR GREATER	46	5,523,798
13.0% OR GREATER	86	10,669,854
12.5% OR GREATER	181	22,604,309
12.0% OR GREATER	667	60,277,565
11.5% OR GREATER	932	86,675,760
11.0% OR GREATER	1,440	135,590,377

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF GIRDWOOD, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	2	48,022
14.5% OR GREATER	2	48,022
14.0% OR GREATER	2	48,022
13.5% OR GREATER	3	174,602
13.0% OR GREATER	9	347,797
12.5% OR GREATER	14	1,423,461
12.0% OR GREATER	37	3,233,433
11.5% OR GREATER	41	3,700,485
11.0% OR GREATER	43	4,231,409

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF HOMER, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	1	123,049
13.0% OR GREATER	1	123,049
12.5% OR GREATER	6	622,950
12.0% OR GREATER	21	1,783,553
11.5% OR GREATER	25	2,042,522
11.0% OR GREATER	45	3,572,624

DATE 2/13/85

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF JUNEAU, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	3	312,624
14.5% OR GREATER	4	458,522
14.0% OR GREATER	11	1,384,462
13.5% OR GREATER	43	5,653,702
13.0% OR GREATER	83	10,407,437
12.5% OR GREATER	143	17,572,610
12.0% OR GREATER	440	37,748,295
11.5% OR GREATER	611	56,285,050
11.0% OR GREATER	872	81,516,290

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF KENAI, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	8	917,342
13.0% OR GREATER	17	2,056,870
12.5% OR GREATER	30	3,631,511
12.0% OR GREATER	100	8,518,364
11.5% OR GREATER	140	12,287,458
11.0% OR GREATER	210	18,179,019

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF KETCHIKAN, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	2	148,748
14.0% OR GREATER	3	279,346
13.5% OR GREATER	5	344,240
13.0% OR GREATER	14	1,458,114
12.5% OR GREATER	27	2,732,127
12.0% OR GREATER	111	5,620,853
11.5% OR GREATER	147	12,164,028
11.0% OR GREATER	217	18,617,841

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF KODIAK, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	1	130,909
14.0% OR GREATER	2	239,643
13.5% OR GREATER	4	481,019
13.0% OR GREATER	9	1,057,657
12.5% OR GREATER	15	1,892,393
12.0% OR GREATER	61	4,403,153
11.5% OR GREATER	89	7,145,663
11.0% OR GREATER	124	10,157,357

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF NORTH POLE, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	1	146,134
13.5% OR GREATER	1	146,134
13.0% OR GREATER	1	146,134
12.5% OR GREATER	5	725,693
12.0% OR GREATER	31	2,734,916
11.5% OR GREATER	51	4,886,163
11.0% OR GREATER	94	9,339,447

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF PALMER, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	3	420,459
13.0% OR GREATER	9	1,199,594
12.5% OR GREATER	23	2,625,456
12.0% OR GREATER	126	10,319,793
11.5% OR GREATER	180	15,362,949
11.0% OR GREATER	255	22,463,257

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF PETERSBURG, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	0	0
13.0% OR GREATER	0	0
12.5% OR GREATER	0	0
12.0% OR GREATER	7	156,959
11.5% OR GREATER	3	218,587
11.0% OR GREATER	10	304,164

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF SEWARD, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	0	0
13.0% OR GREATER	2	211,430
12.5% OR GREATER	5	527,010
12.0% OR GREATER	20	1,424,162
11.5% OR GREATER	30	2,309,159
11.0% OR GREATER	38	2,654,785

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF SITKA, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	2	74,341
14.5% OR GREATER	3	220,617
14.0% OR GREATER	4	344,418
13.5% OR GREATER	7	687,066
13.0% OR GREATER	10	1,023,277
12.5% OR GREATER	19	2,002,931
12.0% OR GREATER	69	5,237,342
11.5% OR GREATER	93	7,863,976
11.0% OR GREATER	144	11,718,504

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF SLODINA, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	1	117,787
13.5% OR GREATER	3	362,185
13.0% OR GREATER	10	1,178,823
12.5% OR GREATER	13	2,048,116
12.0% OR GREATER	99	7,909,273
11.5% OR GREATER	136	11,644,987
11.0% OR GREATER	202	17,279,805

DATE 2/13/85

ALASKA HOUSING FINANCE CORPORATION

ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF STERLING, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	0	0
13.0% OR GREATER	1	110,482
12.5% OR GREATER	2	125,948
12.0% OR GREATER	17	1,253,350
11.5% OR GREATER	21	1,650,344
11.0% OR GREATER	35	2,244,493

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF VALDEZ, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	1	33,314
14.5% OR GREATER	4	454,900
14.0% OR GREATER	6	609,359
13.5% OR GREATER	14	1,536,497
13.0% OR GREATER	24	2,592,399
12.5% OR GREATER	34	3,691,512
12.0% OR GREATER	67	5,437,576
11.5% OR GREATER	79	6,476,231
11.0% OR GREATER	104	8,742,517

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF WASILLA, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	1	173,306
14.0% OR GREATER	6	869,773
13.5% OR GREATER	14	1,818,723
13.0% OR GREATER	43	5,236,748
12.5% OR GREATER	91	10,793,341
12.0% OR GREATER	386	33,927,947
11.5% OR GREATER	547	47,459,298
11.0% OR GREATER	779	70,053,486

Alaska Housing Finance Corporation's (the "Corporation") cost of funding mortgage loans has dropped substantially. Since May 17, 1985, the interest rate on the subsidized portion of mortgage loans purchased by the Corporation has been 10%, the lowest rate permitted by Statute unless the cost of funds is below 10%. When AHFC first accessed the taxable bond market in 1981 to continue to provide financing for the loan program initiated by the Legislature in the previous year, it did so at a total cost of 17.05%. Subsequent bond sales resulted in costs at rates as high as 19.4%. During this period of escalating interest rates, the interest rate on the subsidized portion of a mortgage loan rose to 12.375% with blended rates on loans in excess of \$90,000 reaching as high as 15-1/2%. The level of subsidy (difference between the Corporation's cost of funds and the subsidized rate) provided by AHFC during this period exceeded 7%.

The last taxable bond issue sold by the Corporation resulted in a total cost of 11.23% and a resultant level of subsidy of 1.23%. This significant reduction in interest rates has been a boon to the State and AHFC in that the cost to operate the loan program is greatly reduced. However, for those individuals who purchased their homes during the period of high interest rates, there does not currently exist a way for them to directly benefit from this rally short of selling their current home and purchasing another home with financing provided by AHFC. This unfortunate situation results from the Corporation's lack of statutory authority to purchase mortgage loans the purpose of which was to refinance an existing loan.

The Corporation is seeking statutory authority to purchase loans made to refinance existing higher rate debt. Implementation of such a program would obviously benefit a significant number of homeowners through a reduction in monthly mortgage payments and would additionally provide a number of economic benefits to AHFC and the State. As of January 1986, AHFC held 9,167 loans aggregating almost \$1 billion with an interest rate of 11.25% or greater. The lower interest rates combined with other borrower benefits listed below will result in a substantial portion of these borrowers refinancing their loans if such a program were to be made available through AHFC.

Benefit to the Borrower

- The average borrower under a refinance program should achieve a savings in their monthly payments of approximately \$150 to \$175 per month.
  
- The majority of the loans expected to be refinanced under the program would be of a type requiring increases in the payments beginning in the fourth year. While these increases will be applied to the principal balance of the loan, they will result in the borrowers having less funds available to meet other living expenses. The new loan provided the borrowers would also have the increasing payment structure; however, an additional 3 years "grace" period would be provided.

- Loans purchased by AHFC subsequent to August 1985 can be assumed. Virtually all of the loans likely to be refinanced are subject to a "due on sale" clause requiring the loan to be paid off if title is transferred. In addition to achieving a lower interest rate and reduced monthly payments, the borrowers would be "exchanging" a non-assumable loan for one permitting qualified assumptions.

#### Benefit to AHFC

- The mortgage loans owned by the Corporation with high interest rates were financed by AHFC bonds with even higher costs. The prepayment amounts can be used directly to retire the high cost bonds. These bonds are generally not able to be paid off with other than principal repayments on the loans pledged as collateral. The net result is the retirement of a loan subsidized at a minimum level of 3% and more likely 5% to 7% and substituting it with a loan with a subsidy level of 1.24%.
- A decrease in the interest rate and corresponding reduction in monthly payments will decrease the likelihood of borrower default. A borrower struggling with payments based upon a 13% loan will be more able, and psychologically more inclined, to keep their loan current.

Benefit to the State

- Assuming approximately one-half of those borrowers with an interest rate in excess of 11-1/4% refinance with an average savings in monthly payments of \$175, an extra \$10,500,000 each year will be available for injection directly into the Alaskan economy. Since this is cash in residents' pockets which would have otherwise been passed through to Wall Street investors, it will impact virtually all sectors of the economy at a time when it is needed most.

Program Criteria

- Refinancing would be restricted to existing AHFC loans.
- The new loan amount would be limited to the principal outstanding on the existing loan plus costs associated with the refinancing.
- Maximum loan-to-property value ratios applicable to the refinance loans will be as follows:

TYPES OF MORTGAGE INSURANCE

Conventional	90%
FHA	95% to 97%
VA	100%

- A complete loan package will be required in connection with obtaining a new loan. A new property appraisal will be necessary and the borrower's credit worthiness and ability to meet financial obligations will need to be documented.

ALASKA HOUSING FINANCE CORPORATION  
REFINANCING PROPOSAL  
ANALYSIS OF POTENTIAL INTEREST RATE SAVINGS

Estimated average level of subsidy prior to refinancing	4.50%
Estimated average level of subsidy subsequent to refinancing	<u>1.25%</u>
Estimated decrease in level of subsidy	<u>3.25%</u>

Based upon the above, for each \$100 million of refinancing activity, the reduction in the level of subsidy will result in an annual savings of \$3,250,000.

The savings to the Corporation, while accruing from the date of the refinance, becomes available to AHFC only upon complete retirement of a particular issue of bonds. This is the case since the mortgages, and the funds related to their earnings and prepayments, remain pledged to the bond issue until the last bondholder has been paid off.

While the refinancing activity will accelerate the date when the complete retirement of a particular high rate bond issue is accomplished, the financial benefit of the refinancing is "tied up" until then. Prior to the complete retirement of the issue, what essentially is occurring is a reinvestment of the mortgage loan principal prepayments received pursuant to the refinancing at the rate of interest being paid on the bonds.

For most of these bond issues, the final retirement date will be moved forward from 1990 or 1991 to 1988 or 1989. At that time, the Corporation will have paid off the bonds and the balance of the loans pledged to the issue will be released from their pledge to the bondholders and available to the Corporation for continuation of the Special Mortgage Loan Purchase Program.

It is important to note that while this effectively represents a return of the original up-front subsidy related to the pool of loans pledged to that particular bond issue, it is going to be received in the form of mortgage loans as opposed to cash or liquid investments. The Corporation would expect to use these mortgage loans to facilitate the financing of future loan production in much the same manner as they were originally utilized.

ALL Urban non-conforming

Information Provided  
by HAD

<u>INTEREST RATE</u>	<u>#</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPLE BALANCE</u>
11%	202	13,476,100.00	13,304,972.62
12%	111	7,115,500.00	6,958,989.40
13%	3	393,850.00	385,309.82
14%	2	265,050.00	262,508.32
15%	2	346,250.00	343,395.14
			<hr/>
			21,255,175.30

<u>INTEREST RATE</u>	<u>#</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPLE BALANCE</u>
12%	111	7,115,500.00	6,958,989.40
13%	3	393,850.00	385,309.82
14%	2	265,050.00	262,508.32
15%	2	346,250.00	343,395.14
			<hr/>
			7,950,202.68

→ Some of these  
may refinance

<u>INTEREST RATE</u>	<u>#</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPLE BALANCE</u>
13%	3	393,850.00	385,309.82
14%	2	265,050.00	262,508.32
15%	2	346,250.00	343,395.14
			<hr/>
			991,213.28

→ The ones  
expected  
to refinance

ALASKA HOUSING FINANCE CORPORATION  
 SAVINGS REALIZED FROM PROPOSED REFINANCE BILL  
 (HB 530)

MONTHLY PAYMENT SCHEDULE  
 ON  
 LOAN AMOUNTS  
 \$110,000 - \$130,000

<u>LOAN DATE</u>	<u>\$ 110,000</u>	<u>\$ 120,000</u>	<u>\$ 130,000</u>
<u>11/81 - 5/81</u>			
Principal & Interest	\$ 1,270.83	\$ 1,433.76	\$ 1,591.98
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
12 3/4% on First \$90,000 19.411% on balance	<u>1,420.83</u>	<u>1,583.76</u>	<u>1,741.98</u>
<u>Today's Rates</u>			
Principal & Interest	\$ 985.82	\$ 1,075.44	\$ 1,177.15
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
10% on First \$90,000 11.2% on balance	<u>1,135.82</u>	<u>1,225.44</u>	<u>1,327.15</u>
SAVINGS	\$ 285.01	\$ 358.32	\$ 414.83

ALASKA HOUSING FINANCE CORPORATION  
 SAVINGS REALIZED FROM PROPOSED REFINANCE BILL  
 (HB 530)

MONTHLY PAYMENT SCHEDULE  
 ON  
 LOAN AMOUNTS  
 \$110,000 - \$130,000

<u>LOAN DATE</u>	<u>\$ 110,000</u>	<u>\$ 120,000</u>	<u>\$ 130,000</u>
<u>10/20/82 - 2/83</u>			
Principal & Interest	\$ 1,227.60	\$ 1,362.72	\$ 1,501.89
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
12 3/4% on First \$90,000 16.59% on balance	<u>1,377.60</u>	<u>1,512.72</u>	<u>1,651.89</u>
<u>Today's Rates</u>			
Principal & Interest	\$ 985.82	\$ 1,075.44	\$ 1,177.15
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
10% on First \$90,000 11.2% on balance	<u>1,135.82</u>	<u>1,225.44</u>	<u>1,327.15</u>
SAVINGS	\$ 241.78	\$ 287.28	\$ 324.74

ALASKA HOUSING FINANCE CORPORATION  
 SAVINGS REALIZED FROM PROPOSED REFINANCE BILL  
 (HB 530)

MONTHLY PAYMENT SCHEDULE  
 ON  
 LOAN AMOUNTS  
 \$110,000 - \$130,000

<u>LOAN DATE</u>	<u>\$ 110,000</u>	<u>\$ 120,000</u>	<u>\$ 130,000</u>
<u>12/82 - 2/83</u>			
Principal & Interest	\$ 1,016.51	\$ 1,131.48	\$ 1,250.34
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
10.125% on First \$90,000 13.8% on balance	<u>1,166.51</u>	<u>1,281.48</u>	<u>1,400.34</u>
<u>Today's Rates</u>			
Principal & Interest	\$ 985.82	\$ 1,075.44	\$ 1,177.15
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
10% on First \$90,000 11.2% on balance	<u>1,135.82</u>	<u>1,225.44</u>	<u>1,327.15</u>
SAVINGS	\$ 30.69	\$ 56.04	\$ <del>223.19</del>

73-19-correction

## Applause loud for new-mortgage bill

By JOHN CREED  
Staff Writer

A bill allowing Alaskans to refinance state-backed home loans to take advantage of lower interest rates should also help Alaska Housing Finance Corp. battle its rising loan delinquency rate.

"This is one of those few bills where everybody benefits," said Ron Lehr, executive director of the Alaska Housing Finance Corp. "AHFC benefits, the homeowner benefits, and the state as a whole benefits. It's a win-win situation all the way around."

House Bill 530, introduced by Rep. Jim Duncan, D-Juneau, would allow as many as 10,000 homeowners to seek new financing on more than \$1 billion in loans issued by the Alaska Housing Finance Corp., the state's chief mortgage lender. The new loans could also be assumed by subsequent buyers of the property.

"I think it's a great idea, in terms of actual business created for the support people," said local appraiser E. Chilton Hines. "The banks, the engineers, the title companies, appraisers—all will benefit because of the fees involved."

The delinquency rate on Alaska Housing's loans has risen steadily over the past year to more than 6.5 percent, which now equals the national average, according to Lehr. That figure rises above 7 percent when actual foreclosures are added to the list, he said.

"The average homeowner could save up to \$200 a month in loan payments through this proposal," Lehr said.

That should help people statewide who may be struggling against default on their loans, he said, and those not struggling will have more dollars to spend in the local economy.

Alaska Housing lent Alaskans millions of dollars to buy houses while interest rates soared in the early 1980s. Today, in a slowed economy with much lower interest rates, Alaskans statewide seem to be pushing for the refinancing option.

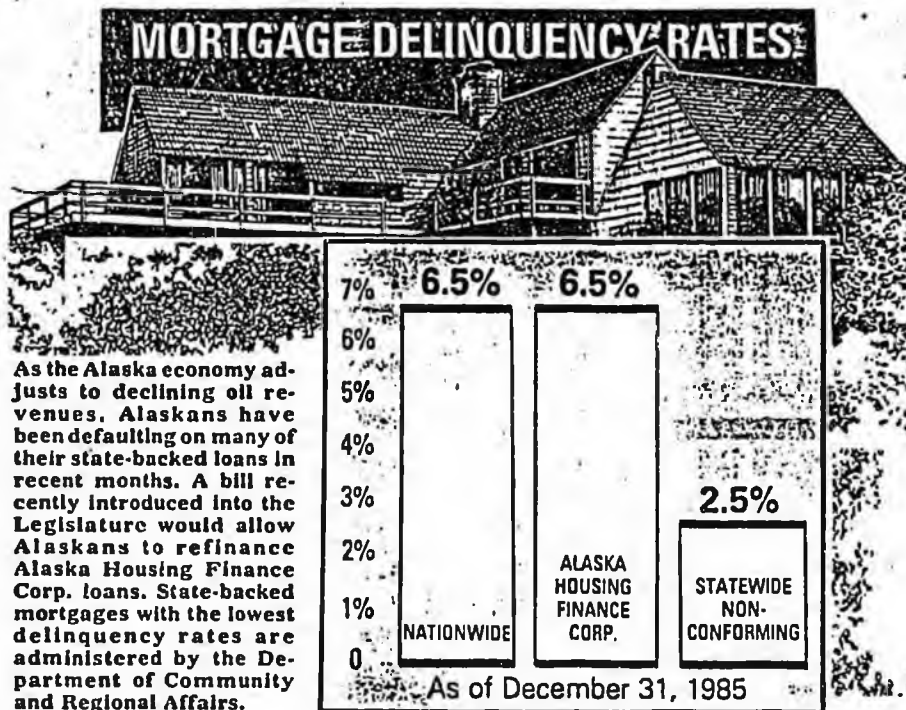
"It's definitely a positive development," said Rick Solie, a real estate agent in Fairbanks. "It means Alaska Housing is getting a lot more flexible. They are realizing to remain competitive to keep their lending level up because if they are too strict and inflexible, they won't be as attractive as some of the other loan programs."

The homeowner would benefit, Lehr said, because people who have financed their homes at 11 1/2 or more could see payments slashed by as much as \$200 a month with refinancing.

"It could help many homeowners hang onto their houses," he said.

The measure would also benefit Alaska Housing by helping it reduce the state subsidy on individual loans. Alaska Housing subsidizes the first \$90,000 of its home loans. The amount of subsidy depends on the interest garnered on the Wall Street bond market.

Rates have not always been the best. For example, when Alaska Housing first went into the taxable bond market on Wall Street in 1981, the state-owned corporation paid 17 percent interest. Later, the cost of some bond sales soared to more than 14 percent interest.



As the Alaska economy adjusts to declining oil revenues, Alaskans have been defaulting on many of their state-backed loans in recent months. A bill recently introduced into the Legislature would allow Alaskans to refinance Alaska Housing Finance Corp. loans. State-backed mortgages with the lowest delinquency rates are administered by the Department of Community and Regional Affairs.

Consequently, homebuyers were paying more than 12 percent interest on the (subsidized) first \$90,000 of their mortgages and as high as 15 1/2 percent for any money they needed above \$90,000, according to officials. That pushed loan subsidies by Alaska Housing as high as 7 percent, Lehr said.

Interest rates have since subsided. Alaska Housing's most recent taxable bond sale, for exam-

ple, came in at 11.23 percent interest. That means AHFC's current 10-percent interest rate reflects a subsidy of only 1.23 percent—far lower than the early 1980s.

Lower subsidies reduce Alaska Housing's operating costs significantly, Lehr said, and Alaska's economy should benefit because smaller payments "will give many Alaskans more money to save or spend for other purposes."

Economic times in Alaska have changed with the nation's falling interest rates. As oil revenues decline, Alaska's growth rate is cooling. Unemployment has increased and some homeowners have begun to lose their jobs.

Many Alaskans are also losing their homes. Mortgage delinquency rates have steadily crept up to the national average over the past year, with mobile home loan de-

faults climbing even higher. Alaska Housing refinancing is offered as one way of helping the economy, according to officials who estimate that an extra \$10.5 million a year could be injected into the state's economy.

"Since this is cash in residents' pockets that would otherwise be passed through to Wall Street investors, it will affect virtually all sectors of the economy when it is needed most," Lehr said.

As of last month, the state held \$1 billion worth of loans with interest rates higher than 11 1/4 percent, according to state officials. Overall, Alaska Housing holds 53,301 home loans worth some \$4.5 billion.

Refinancing would be available only on the unpaid balance plus the cost of refinancing.

Homeowners wanting to refinance their properties would be required to obtain a brand-new loan, meaning their property would have to be re-appraised with the borrower's credit worthiness scrutinized.

The local housing market has "stabilized" over the past 12 months, said local property appraiser Hines.

"Property values over the past year have been fairly stable," he said. "In some cases, there has been some decline. People in a hurry have to discount their price."

Hardest hit are the higher priced housing—\$150,000 to \$200,000, Hines said.

"Below \$100,000 seems to have held up pretty well," he said. "The largest number of people can qualify. There's no significant increase in value, but they are definitely in the highest demand. But I think Fairbanks definitely has a bright future in the housing market."

## Lawmakers seek to increase eligibility

A bill allowing Alaskans to refinance home loans at lower interest rates is restricted to existing Alaska Housing Finance Corp. loans; but some legislators may want to include more Alaskans.

"This is a perfect opportunity to make sure they don't neglect the constituents I represent," said Rep. Mike Davis, D-Fairbanks.

Davis and others would like to see House Bill 530 amended to include more homeowners in the 49th state.

The original bill, which is scheduled for hearings in Juneau Monday and Tuesday, would restrict refinancing to homeowners who have their homes financed through state-owned Alaska Housing.

Alaskans holding home loans secured from other sources, such as from the state Department of Community and Regional Affairs, would be ineligible to refinance through Alaska Housing.

DCRA bought about \$50 million in non-conforming housing loans in the state's urban areas in the early 1980s.

"They're not our loans," said AHFC spokeswoman Denna Cline. "Non-conforming loans would not be eligible. But the Legislature in the process could decide to include DCRA."

"We do look for fairness and try to insure that all Alaskans have

equal access to our oil wealth," said Senate President Don Bennett. "We'll have to make sure this bill is fair to everybody."

What is a non-conforming loan? One of the more common features includes a home with a water holding tank, which allows families to have running water without drilling an expensive well. Non-conforming homes are particularly popular in the Fairbanks area, but they exist in urban and rural areas throughout the state.

Rep. Nillo Koponen, D-Fairbanks, said "myths" about non-conforming housing abound around the state.

"It does not mean sub-standard housing," he said. "It doesn't mean it's unfinished. And it certainly doesn't mean it's unliveable. In many ways, it's just more Alaskan."

One of the most compelling reasons homeowners go non-conforming is cost. For example, wells in Fairbanks can cost more than \$20,000. As an alternative, a holding tank system can cost less than \$2,000, and the cost can be guaranteed before it is installed.

"Drilling a well is a crap shoot," said Bennett. "We have many people in the ridge country especially, who cannot afford a well."

Global Affairs still handles housing loans in the state's roadless areas, last year the Legislature moved the urban non-conforming housing portion from DCRA to AHFC.

Almost immediately, Interior Alaskans found non-conforming loan applications rejected because AHFC officials changed the guidelines.

"I've heard from constituents that there still is a problem getting non-conforming loans through Alaska Housing," said Davis. "This bill might be an opportunity to alleviate many problems with urban non-conforming loans throughout the state."

Alaska Housing has so far bought 25 non-conforming loans ranging from \$36,000 to \$96,000 since it took over the program seven months ago, Cline said. Seventeen additional loans were rejected, she said, for various reasons. Only two were unacceptable properties, Cline said.

Non-conforming housing is an excellent risk to the lender, said Koponen.

"The fact is, these houses are less expensive and in very high demand," he said. "And the people who buy them are some of the most stable, longtime Alaskans in the state."

The current interest rate for con-

Alaska Housing is 10 percent for the first \$90,000, and 11.2 percent for any money above \$90,000.

Before DCRA lost the program to AHFC last year, DCRA had issued more than 800 urban non-conforming house loans worth some \$51.6 million.

Alaska Housing officials discourage non-conforming housing loans for a variety of reasons, the main one being that non-conforming loans cannot be sold on the Wall Street bond market, so that the loans must be made from direct legislative appropriations.

Alaska Housing originally received a total of about a half-billion dollars in legislative appropriations to date and have secured about \$4.5 billion for in housing loans in the state.

According to Hank Hodge, loan manager in DCRA's housing division, DCRA loans are backed from direct legislative appropriations and not by bonds on Wall Street. But he said the program is a "revolving" fund, which means new loans are issued from payments coming in on existing loans.

As of Dec. 31, urban non-conforming housing's delinquency rate was less than 1 percent, according to DCRA's Hodge. Rural non-conforming rates are slightly

## EXCERPTS REGARDING INTEREST RATE PROJECTIONS

Economic Research, January 1986 from Goldman Sachs.

'With advance refunding activity cramped by potential tax reform, with long rates and the yield curve already discounting lower inflation and short-term rates than now exist, with negligible dealer short positions, with a discount rate cut unlikely soon, with economic activity picking up slowly but surely, and with implementation of Gramm-Rudman and substantially lower oil prices apparently taken for granted, there is little or no room in current yields to withstand contrary developments. Because such comfort shattering events seem unlikely in the next month or two, bond yields may fall and the yield curve flatten modestly further, with a difficult-to-time reversal now a more realistic prospect. Short-term (90-day dealer-placed commercial paper, now 7.60%) and long-term (20- to 30-year maturity Treasury issues, now around 9.40%) interest rates seem likely to rise 75-100 basis points above current levels this year, with increasing risk that this occurs sooner rather than later.'

Prospects for Financial Markets in 1986 from Salomon Brothers Inc

'As the U.S. economy gathers strength during the spring of next year, however, the decline in U.S. interest rates will come to a halt. This slide in rates, which began in May 1984, has occurred in the context of slow U.S. economic growth - 2.4% at an annual rate since the second quarter of 1984 - and moderating inflation. The Fed will continue to supply reserves liberally to the banking system, such that emerging upward pressure on interest rates will be modest. However, the pressure will become more pronounced in the second half of 1986, when U.S. economic growth is expected to average about 4% at an annual rate, and as the markets anticipate several additional developments: ' ...

'Under these circumstances, long-term bond yields are likely to climb by 75-125 basis points from their lows reached early in the year. Even though the Federal Reserve will eventually respond to these developments, it will be following market forces, rather than leading'

Presently the Alaska Housing Finance Corporation does not have a program that allows current AHFC borrowers the option of refinancing their existing home loans. This is an undesirable situation because interest rates have dropped substantially lately, and if refinancing of AHFC loans were permitted, both borrowers and AHFC could achieve considerable savings. For instance:

- Currently, AHFC has nearly 10,000 loans totaling over \$1 billion at an interest rate of 11-1/8% and above.
- In the current market, interest rates to borrowers under AHFC's taxable program would range from 10% to about 10-5/8%, depending upon the size of the loan.
- Although it will vary depending upon a borrower's current interest rate, we estimate that the average current borrower with a mortgage interest rate of 11-1/8% and above should save about \$200 a month in interest if they were able to refinance under AHFC's current loan programs.
- All new AHFC loans are assumable, so in most cases a borrower would be refinancing from a non-assumable loan to an assumable loan.
- The majority of the loans expected to be refinanced under the program would be of a type requiring increases in the payments beginning in the fourth year. While these increases will be applied to the principal balance of the loan, they will result in the borrowers having less funds available to meet other living expenses. The new loan provided the borrowers would also have the increasing payment structure; however, an additional 3 years "grace" period would be provided.
- AHFC also benefits in two significant ways. First, since its current cost of capital is lower than before, less subsidy is needed per loan. Second, a decrease in a borrower's monthly payment will make it easier for a borrower to pay and, hence, decrease the likelihood of borrower default.
- Finally, the entire Alaskan economy should benefit, since the reduced monthly payment would result in the borrowers having more money available to save or spend for other purposes.

# Alaska HOUSING FINANCE CORPORATION



February 6, 1986

The Honorable Jim Duncan  
 Alaska House of Representatives  
 P.O. Box V  
 Juneau, AK 99811

Dear Representative Duncan:

You requested an explanation of what effect the ability to refinance the Corporation's existing loans will have on AHFC. I am unable to give a very precise estimate, since I don't know how many AHFC borrowers will choose to refinance.

According to various lenders, it will cost about 3% to refinance. Current interest rates for non-veterans will range between 10% and 10-5/8%, depending upon the size of the loan (9% for the first \$90,000 for a qualified veteran). AHFC currently has approximately 10,000 loans totaling about \$1 billion in principal balance at an interest rate of 11-1/8% and above, with about half of these loans at 12% and above. Based upon this, it seems safe to assume that at a minimum, a few thousand loans totaling a few hundred million will choose to refinance. On balance, it also seems safe to assume that the average borrower who decides to refinance will save \$200 a month or more in mortgage payments.

Savings will, of course, also accrue to AHFC. The refinancing of an existing high rate mortgage loan will enable the Corporation to retire outstanding high rate bonds. The bond agreements generally allow early retirement of the bonds only from prepayments of the loans purchased with their original proceeds. The example below demonstrates the savings to the Corporation in what is expected to be a typical refinance:

	<u>Existing Bond Issue</u>	<u>New Bond Issue</u>
Total cost of funds	19.153	11.125
Mortgage rate (\$125,000 loan)*	<u>14.250</u>	<u>10.375</u>
Subsidy Level	4.903%	.75%
Savings to AHFC	4.153%	

\* Based upon a subsidized rate applicable to the first \$90,000 of the loan at 12.375% for the existing loan and 10% for the new loan.

The Honorable Jim Duncan  
February 6, 1986  
Page 2

The above example demonstrates that for the remaining term of the loan, the Corporation will be reducing the difference between the cost of its borrowing and the rate the mortgage is paying by 4.153%. This represents an annual savings to the Corporation as a result of the refinancing in excess of \$5,000. At the same time, the borrower has reduced their interest rate from 14.25% to 10.375%, representing an annual interest savings of over \$4,500.

The benefit of converting from high rate debt to current rates is being split between the borrower and AHFC. In the example above, the total savings is 8.028% (existing bond cost of 19.153% less estimated current cost of 11.125%). This savings is split as follows:

Reduced AHFC subsidy	4.153%
Reduced mortgage rate to borrower	<u>3.875%</u>
Total interest savings	<u>8.028%</u>

The savings to the Corporation, while accruing from the date of the refinance, becomes available to AHFC only upon complete retirement of a particular issue of bonds. This is the case since the mortgages, and the funds related to their earnings and prepayments, remain pledged to the bond issue until the last bondholder has been paid off.

While the refinancing activity will accelerate the date when the complete retirement of a particular high rate bond issue is accomplished, the financial benefit of the refinancing is "tied up" until then. Prior to the complete retirement of the issue, what essentially is occurring is a reinvestment of the mortgage loan principal prepayments received pursuant to the refinancing at the rate of interest being paid on the bonds. Since these bonds have a yield to the investor as high as 18.375%, this reinvestment process has significant economic benefit to the Corporation.

For most of these bond issues, the final retirement date will be moved forward from 1990 or 1991 to 1988 or 1989. At that time, the Corporation will have paid off the bonds and the balance of the loans pledged to the issue will be released from their pledge to the bondholders and available to the Corporation for continuation of the Special Mortgage Loan Purchase Program.

It is important to note that while this effectively represents a return of the original up-front subsidy related to the pool of loans pledged to that particular bond issue, it is going to be received in the form of mortgage loans as opposed to cash or liquid investments. The Corporation would expect to use these mortgage loans to facilitate the financing of future loan production in much the same manner as they were originally utilized.

The Honorable Jim Duncan  
February 6, 1986  
Page 3

I once again want to advise you of our strong support for your bill, HB530. In a time of some rather downbeat economic news, it's heartening to have legislation that will save Alaska's money, boost the economy, and save the State money all at the same time!

Please let me know if I can provide any additional information.

Sincerely,



Dr. Ronald D. Lehr  
Executive Director

RDL:lmg



WHOLE EARTH CATALOG

February 1986

ALASKA HOUSING FINANCE CORPORATION

Selected Corporation and Program Information

Revised February 1986

ALASKA HOUSING FINANCE CORPORATION

Selected Corporation and Program Information

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ALASKA HOUSING FINANCE CORPORATION

Selected Information

	<u>Number</u>	<u>Amount</u>
Loans owned at 1/31/86	53,380	\$ 4,488,874,381
Outstanding loan commitments at 1/31/86	750	\$ 75,457,410
Bonds outstanding at 2/19/86		\$4,499,145,585

Delinquency Rates

	<u>Mobile Homes</u>	<u>First Mortgage Loans</u>	
	<u>AHFC at 1/31/86</u>	<u>AHFC at 1/31/86</u>	<u>U.S. at 9/30/85 *</u>
30 days	7.63%	3.75%	3.89%
60 days	1.69%	1.10%	1.00%
90 days or more and loans in foreclosure	<u>2.03%</u>	<u>1.86%</u>	<u>1.67%</u>
Total Delinquent and in Foreclosure	<u>11.35%</u>	<u>6.72%</u>	<u>6.56%</u>
Real Estate Owned	<u>4.50%</u>	<u>.76%</u>	<u>**</u>

Budget Information

	<u>Operating</u>	<u>Capital</u>
Actual amounts Fiscal Year 1982	\$2,276,200	\$265,000,000
Actual amounts Fiscal Year 1983	3,441,000	150,000,000
Actual amounts Fiscal Year 1984	2,713,000(1)	49,051,000
Actual amounts Fiscal Year 1985	2,913,900(1)	
Approved budget Fiscal Year 1986	3,311,900(1)	

(1) Excludes trustee fees which are included in the capital budget.

\* Delinquency statistics from the National Delinquency Survey published by the Mortgage Bankers Association.

\*\* Statistics on real estate owned are not provided by the Mortgage Bankers Association.

## INTRODUCTION

The implementation of the Special Mortgage Loan Purchase Program had a dramatic and profound effect upon the economy and housing markets of the State of Alaska. Pursuant to the 1980 Legislation, the program offers interest rates below current interest rates offered in the traditional secondary mortgage markets.

Through the varied programs offered by AHFC, a large segment of the population's housing needs are being met. Not only is AHFC providing affordable housing for the citizens of the State of Alaska, the benefits are disbursed to a much larger segment of the population. The tradesmen, suppliers, realtors, builders, appraisers, bankers and retailers benefit either directly or indirectly from AHFC's participation in the mortgage market of the State of Alaska.

Although the Corporation's activities now constitute a significant portion of the Alaskan residential mortgage market, AHFC does not lend funds directly. Rather, the Corporation is a secondary market for mortgage loans originated by private lenders. The majority of the funds used to purchase the mortgage loans are generated through the issuance of taxable and tax-exempt bonds. Additionally, the Corporation has received direct appropriation from the Legislature that has allowed AHFC to purchase mortgages that bear interest rates below the national average.

The Corporation purchased \$836.2 million in loans in FY '85 and received bond authorization for up to \$1.5 billion of which \$605 million was utilized. The Capital Budget for FY '85 appropriated \$16 million in cash to the Alaska Housing Finance Revolving Fund. This appropriation was recinded during the 1985 legislative session. The Corporation has not requested an appropriation for FY '86 but will fund the operations of its programs from amounts available in the Revolving Fund.

The Corporation enjoys substantial financial support from the State of Alaska which, to date, has appropriated \$747,871,000 in cash (exclusive of \$16,000,000 FY '85 appropriation subsequently recinded) and \$286,000,000 in mortgage loans to the Corporation to support its various programs. AHFC has also borrowed \$45,070,000 from the State for various purposes. Through December 31, 1985, the Corporation has issued \$1,752,000,000 taxable bonds and notes and \$3,365,505,000 tax-exempt bonds.

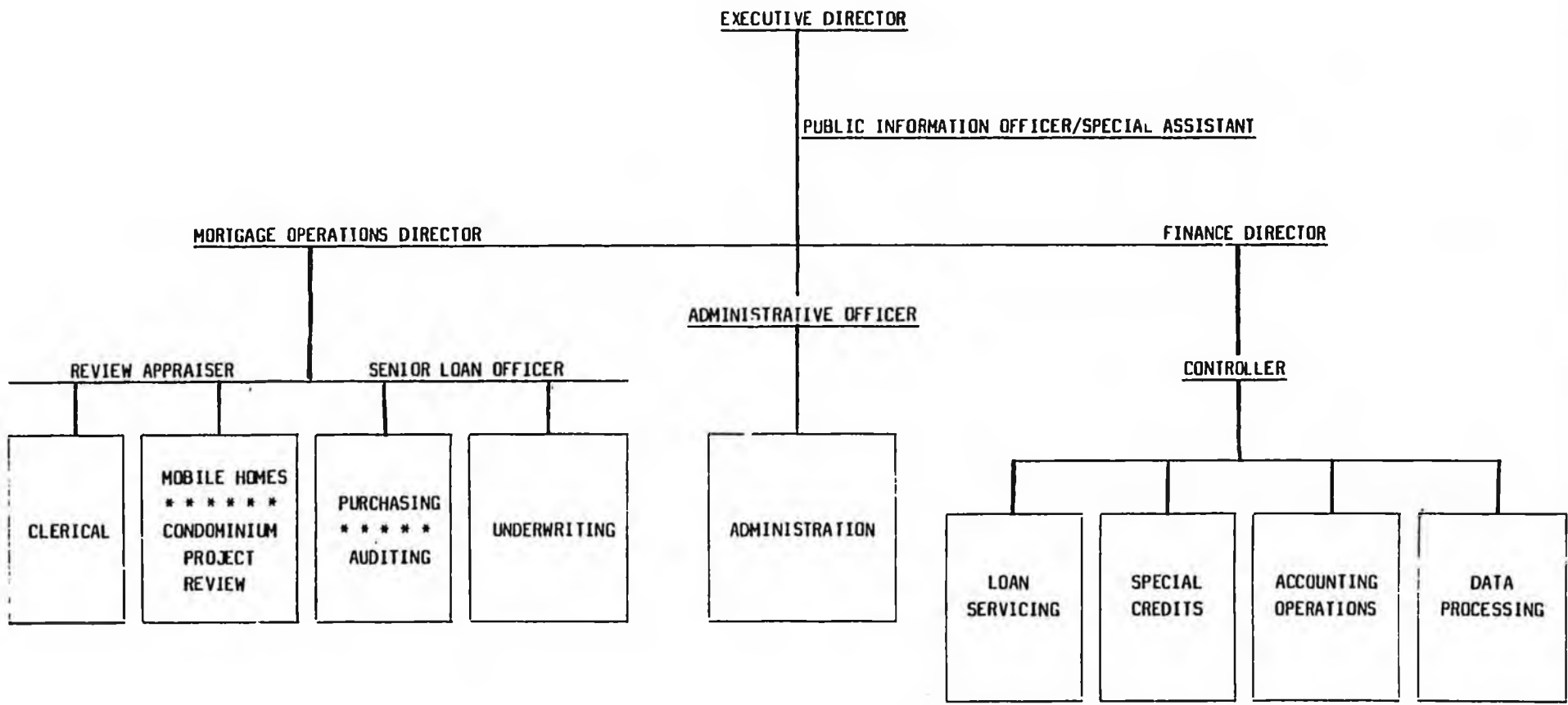
In 1981, legislation was enacted which significantly impacted the method of determining mortgage interest rates. The legislation eliminated the previously "fixed" interest rates of 10 percent on the first \$90,000 of the mortgage loan (9 percent if the loan was made to an eligible State veteran) and replaced it with a "sliding" rate to reflect the increased cost of funds to the Corporation. The "sliding" rate is designed to keep the interest rate on the first \$90,000, the amount subsidized by the State, to within 3 percent of the cost of funds to the Corporation.

Disruption and volatility in the capital markets during 1981 and 1982 caused mortgage interest rates to increase from the previously fixed rate of 10 percent to 12-3/8 percent on the first \$90,000 of the loan and from 12.29 percent to 19.411 percent on the balance of the loan in excess of \$90,000. In response to the increasing rates, AHFC implemented the Alaska Building Equity (ABE) Mortgages on June 1, 1982. The ABE Mortgage enhanced the Corporation's ability to access the shorter-term and less expensive capital markets.

The interest rate on an ABE mortgage remains fixed for the entire life of the mortgage, and the monthly payments are amortized on a 30-year level payment basis. However, beginning in years four through nine, the monthly payment is increased by 5 percent each year with the increased portion of the monthly payment applied directly to the outstanding principal of the mortgage loan. As a result, the loan is fully repaid within 16 to 18 years, depending on the interest rate, and the amount of total interest paid during the life of the mortgage is approximately half of that paid if the same loan was repaid over a 30-year period.

The ABE structured mortgage applies to all of the Corporation's programs, with the exception of the Mobile Home Loan Purchase Program and the Second Mortgage Loan Program.

Due to AHFC's significant role in providing affordable housing to the citizens of the State of Alaska and AHFC's commitment to keep the public and elected officials informed, we offer this guide as a reference for your use in reviewing AHFC's programs and activities.



ALASKA HOUSING FINANCE CORPORATION

SUMMARY OF STATE FINANCIAL SUPPORT

Alaska Housing Finance Revolving Fund\*

FY 85 \$ \*\*

Special Mortgage Loan Purchase Program - SAM Fund\*

FY 81		
Appropriation		
Mortgage Loans		236,000,000
Cash		238,000,000
FY 82		222,000,000
FY 83		105,000,000
FY 84		6,801,000

Mobile Home Loan Purchase Program

See Notes 1 and 2 for additional funds appropriated to purchase loans under this program.

FY 80		
Loans through Department of Revenue	(\$10,000,000 at 9.5%)	
FY 81		
Appropriation		12,500,000*

Rural Non-Owner Occupied Mortgage Purchase Program

See Note 1 for additional funds appropriated to purchase loans under this program.

FY 79		
Loans through Department of Revenue	(\$2,600,000 at 8.5%)	
FY 81		
Appropriation		4,500,000*

Rural Mortgage Loan Purchase Program

See Note 1 for additional funds appropriated to purchase loans under this program.

FY 79		
Appropriation - Training Costs		100,000
Hazard Insurance Fund		250,000
Title Insurance Fund		250,000
Mortgage Insurance Account		500,000
FY 80		
Bond Sale to State of Alaska	(\$5,600,000 at 7-1/2%)	
FY 81		
Bond Sale to State of Alaska	(\$4,400,000 at 7-1/2%)	
Appropriations		
Mortgage Purchases		6,500,000*
Title Insurance Fund		130,000
Mortgage Insurance Fund		325,000

\*\*In FY 85 the legislature appropriated \$16 million to the Alaska Housing Finance Revolving Fund. This appropriation was rescinded the following year.

(continued on Page 2)

ALASKA HOUSING FINANCE CORPORATION

SUMMARY OF STATE FINANCIAL SUPPORT  
(continued)

Home Ownership Assistance Program ("HOF" Fund)\*

FY 81		
Appropriation		
Mortgage Loans		\$ 50,000,000
Cash		2,500,000
FY 82		43,000,000 (1)
FY 83		45,000,000 (2)
FY 84		42,250,000 (2)

<u>State Mortgage Insurance Fund</u>	<u>Total Appropriated</u>	<u>Appropriation Requested and Received</u>
Prior to FY 80	7,100,000	7,125,000
FY 80	6,000,000**	3,000,000
FY 81	12,500,000	6,640,000

** Total Appropriation	\$ 6,000,000
Less Amount Unavailable from Veterans Revolving Loan Fund	2,000,000
Less Amount for Mobile Home Insurance Funds Only	1,000,000
	<u>\$ 3,000,000</u>

Other State Loans

Loan for Multi-Family Project	(\$4,420,000 at 3.47%)
Loan for Rural Mortgages	(\$5,250,000 at 6.00%)
Loans to Fund Capital Reserve Requirement for Insured Mortgage Bond Program	(\$12,800,000) (3)

(1) Home Ownership Assistance Program appropriation to be utilized to purchase mortgages as follows:

Mobile Home Loans	\$18,000,000
Rural	20,000,000
Rural Non-Owner Occupied	5,000,000

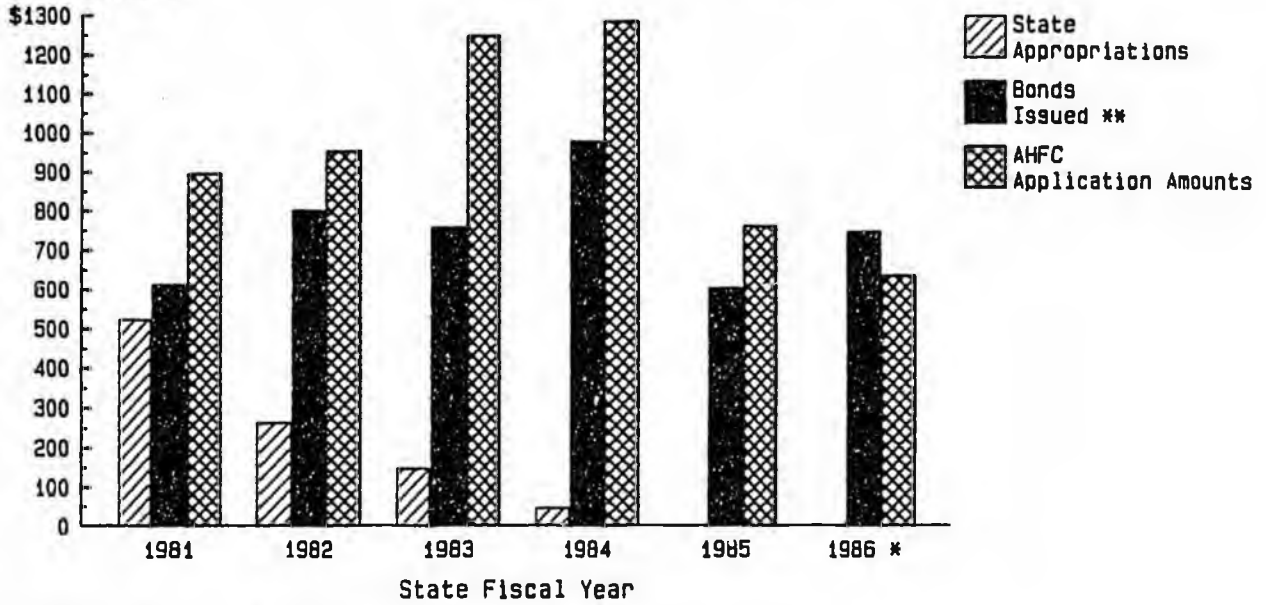
(2) To be utilized to purchase Mobile Home loans.

(3) Interest rates on loans are equal to the earnings of the investments made with the loans.

\* On June 30, 1984 the SAM Fund, HOF Fund and direct appropriated mortgage loan program amounts were consolidated into the Alaska Housing Finance Revolving Fund.

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

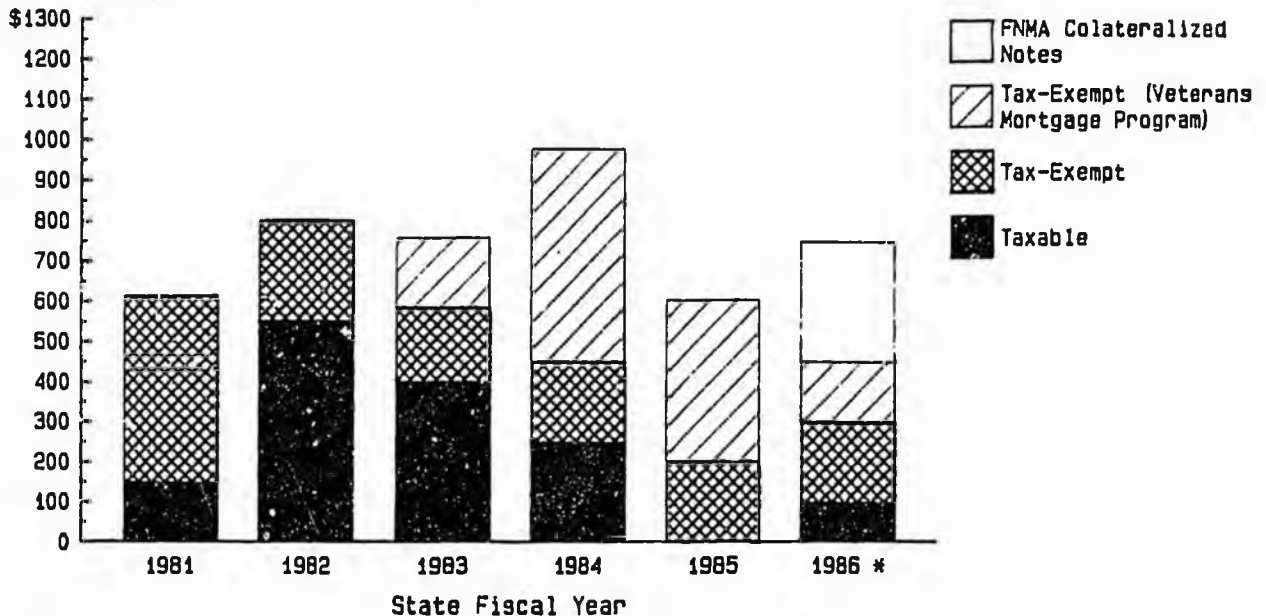
Millions of Dollars



\*\* FY 1986 includes \$300 million in closings on FNMA Collateralized Notes.  
AKFUNDS

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

Millions of Dollars



\* Projected

BONDSOLD

ALASKA HOUSING FINANCE CORPORATION  
MORTGAGE INVESTMENT, STATE APPROPRIATION AND FINANCING LEVELS

Year Ending June 30, 1985

Loan Commitments - Actual	\$ 674.8
Loan Purchases - Actual	836.2
State Appropriations	0.
Bonds - Authorized	1,500.0
- Issued	604.935

Year Ending June 30, 1984

Loan Commitments - Actual	\$1,217.8
Loan Purchases - Actual	1,326.8
- Estimated Previous Year	1,228.0
State Appropriations	49.1
Net Subsidy Utilized	89.4
Bonds - Authorized	980.0
- Issued	980.0

ALASKA HOUSING FINANCE CORPORATION

Summary of Program Information

<u>State Fiscal Year</u>	<u>Bonds Issued</u>	<u>Bond Authorization</u>	<u>Appropriations</u>	<u>Mortgage Commitments (All Programs)</u>	<u>Operating Budget</u>	<u>Full-Time Staff Positions</u>
FY 81	\$614,400,000	N/A	\$562,955,000	\$ 755,258,150	\$1,800,000 <sup>(1)(3)</sup>	31
FY 82	\$802,000,000	\$ 802,000,000	\$265,000,000	\$ 765,189,300	\$2,276,200 <sup>(3)</sup>	43
FY 83	\$760,000,000	\$ 980,000,000	\$150,000,000	\$1,137,970,700	\$3,441,000 <sup>(3)</sup>	45
FY 84	\$980,000,000*	\$ 980,000,000	\$ 49,051,000	\$1,239,963,225	\$2,713,000 <sup>(2)(3)</sup>	45
FY 85	\$604,935,000*	\$1,500,000,000	-0-	\$ 674,750,343	\$2,913,900 <sup>(2)</sup>	46

(1) AHFC was not under the Executive Budget Act for the State's fiscal year. The Corporation's fiscal year did not coincide with that of the State. The \$1.8 million is an estimate based upon actual expenses for the period 7-1-80 through 6-30-81.

(2) Does not include Trustee fees previously included in operating budget. Beginning in FY 84 these fees are included in the Capital Budget.

(3) Actual annual operating expense amounts.

\* Does not include \$175 million and \$125 million collateral notes committed sold directly to FNMA during FY 87.

ALASKA HOUSING FINANCE CORPORATION

BOND ISSUE RATINGS

	Issue Size (Thousands)	Ratings		
		Standard & Poors	Moody's	Fitch
<u>Housing Mortgage Bonds</u>				
1972 Series A	\$ 13,500	AA	Aa	
1973 Series A	13,000	AA	Aa	
1973 Series B	36,000	AA	Aa	
1975 Series A	35,000	AA	Aa	
1975 Series B	12,000	AA	Aa	
<u>Insured Rural Mortgage Bonds</u>				
1979 First	5,600			
1980 First	4,400			
<u>Home Mortgage Bonds</u>				
1981 First	100,000	AA-*	Aa	
1981 Second	100,000	AA-**	Aa	
1982 First	85,000	AA-	Aa	
1982 Second	100,000	AA-	Aa	
1983 First	75,000	AA-	Aa	
1983 Second	125,000	AA-	Aa	
<u>Insured Mortgage Program Bonds</u>				
1975 First	5,000	A	A	
1976 First	20,000	A	A	
1976 Second	25,000	A	A	
1977 First	35,000	A	A	
1977 Second	48,000	A	A	
1977 Third	40,000	A	A	
1978 First	47,225	A	A	
1978 Second	55,000	A	A	
1978 Third	44,000	A	A	
1979 First	60,000	A	A	
1979 Second	105,000	A	A	
1980 First	39,400	A	A	
1980 Second	230,000	A	A	
1980 Third	230,000	A	A	
<u>State Assisted Mortgage Bonds</u>				
Series A	150,000	A	A	
Series B & C	150,000	AA		
Series D & E	150,000	AA*		AA
Series F	225,000	AA		AA

\* Subsequently downgraded to A- as a result of a reduction in the rating of Bank of America which provided backup credit support.

\*\* Subsequently downgraded to A as a result of a reduction in the rating of Crocker Bank which provided a backup credit support.

(continued on Page 2)

## ALASKA HOUSING FINANCE CORPORATION

BOND ISSUE RATINGS  
(continued)

	Issue Size (Thousands)	Ratings		
		Standard & Poors	Moody's	Fitch
<u>State Assisted Mortgage Bonds</u>				
Series G	100,000	AA	Aa	AA
Series H	50,000	AA	Aa	AA
Series I	50,000	AA	Aa	AA
Series J	50,000	AA	Aa	
Series K	75,000	AA	Aa	
Series L	75,000	AA	Aa	
Series M	75,000	AA	Aa	
Series N	75,000	AA	Aa	
Series O	50,000	AAA	Aaa	
Series P	50,000	AAA	Aaa	
<u>Home Improvement Loan Bonds</u>				
1982 Series A**	15,000	A-	A	
<u>Second Mortgage Bonds</u>				
Series A	27,000	AA		
<u>State Guaranteed Bonds</u>				
1983 First Series	50,000	AA	Aa	
1983 Second Series	125,000	AA	Aa	
1983 Third Series	75,000	AA	Aa	
1983 Fourth Series	100,000	AA	Aa	
1983 Fifth Series	50,000	AA	Aa	
1983 Sixth Series	75,000	AA	Aa	
1984 First Series	130,000	AA	Aa	
1984 Second Series	100,000	AA	Aa	
<u>Collateralized Bonds</u>				
1984 First Series	100,000	AAA	Aaa	
1984 Second Series	302,500	AAA	Aaa	
1985 First Series	150,000	AAA	Aaa	
<u>Collateralized Home Mortgage Bonds</u>				
1984 Series A	75,000	AAA	Aaa	
1984 Series B	127,435	AAA	Aaa	
1985 Series A	100,000	AAA	Aaa	
1985 Series B	102,445	AAA	Aaa	
<u>AHFC Overseas Finance NV</u>	100,000	AAA	Aaa	
<u>Fairbanks North Star Borough</u>	35,000	AA*	Aa	

\* Subsequently downgraded to A- as a result of a reduction in the rating of Bank of America which provided backup credit support.

\*\* Bonds redeemed in their entirety on June 1, 1983.

ALASKA HOUSING FINANCE CORPORATION

Bonds and Notes Outstanding at February 19, 1986

	<u>Bonds Issued</u>	<u>NIC (TIC)</u>	<u>Mortgage Interest Rates</u>	<u>Bonds Outstanding</u>
Insured Mortgage Program Bonds, 1975 First, dated 12/1/75; Due: 1976-2006	5,000,000	8.5361% (8.5998%)	9.280%	4,465,000
Insured Mortgage Program Bonds, 1976 First, dated 8/1/76; Due: 1977-2006	20,000,000	7.517% (7.579%)	8.911%	17,955,000
Insured Mortgage Program Bonds, 1976 Second, dated 11/1/76; Due: 1977-2006	25,000,000	7.16% (7.23%)	8.816%	22,545,000
Insured Mortgage Program Bonds, 1977 First, dated 4/1/77; Due: 1978-2007	35,000,000	6.632% (6.69%)	8.254%	30,445,000
Insured Mortgage Program Bonds, 1977 Second, dated 7/1/77; Due: 1978-2007	48,000,000	6.38% (6.42%)	7.998%	42,015,000
Insured Mortgage Program Bonds, 1977 Third, dated 10/1/77; Due: 1978-2007	40,000,000	6.09% (6.12%)	7.646%	34,675,000
Insured Mortgage Program Bonds, 1978 First, dated 3/1/78; Due: 1978-2007	47,225,000	6.365% (6.40%)	7.843%	42,475,000
Insured Mortgage Program Bonds, 1978 Second, dated 7/1/78; Due: 1979-2008	55,000,000	7.465% (7.53%)	8.828%	49,730,000
Insured Mortgage Program Bonds, 1978 Third, dated 12/1/78; Due: 1980-2008	44,000,000	7.062% (7.10%)	8.688%	40,240,000
Insured Mortgage Program Bonds, 1979 First, dated 3/1/79; Due: 1980-2008	60,000,000	7.247% (7.29%)	8.849%	55,650,000
Insured Mortgage Program Bonds, 1979 Second, dated 7/1/79; Due: 1980-2009	105,000,000	7.086% (7.14%)	8.702%	96,500,000
Insured Mortgage Program Bonds, 1980 First, dated 1/1/80; Due: 1981-2009	39,400,000	8.748% (8.85%)	10.370%	37,525,000
Insured Mortgage Program Bonds, 1980 Second, dated 7/1/80; Due: 1981-2010	230,000,000	9.171% (9.248%)	*	218,615,000
Insured Mortgage Program Bonds, 1980 Third, dated 12/1/80; Due: 1982-2011	<u>230,000,000</u>	11.066% (11.29%)	*	<u>223,625,000</u>
<u>TOTAL INSURED MORTGAGE BONDS</u>	<u>\$983,625,000</u>			<u>\$916,460,000</u>

	<u>On First \$90,000</u>	<u>On Balance</u>
* 1980 Second Series	9% & 10%	10.25%
1980 Third Series	9% & 10%	12.29%

ALASKA HOUSING FINANCE CORPORATION

Bonds and Notes Outstanding at February 19, 1986

	<u>Bonds Issued</u>	<u>NIC (TIC)</u>	<u>Mortgage Interest Rates</u>	<u>Bonds Outstanding</u>
Housing Mortgage Bonds, 1972 Series A dated 10/1/72; Due: 1973-2002	\$ 13,500,000	5.68%	7.712%	\$ 10,280,000
Housing Mortgage Bonds, 1973 Series A dated 6/1/73; Due: 1974-2002	13,000,000	5.716%	7.398%	9,955,000
Housing Mortgage Bonds, 1973 Series B dated 10/3/73; Due: 1974-2003	36,000,000	6.0336%	7.491%	28,740,000
Housing Mortgage Bonds, 1975 Series A dated 3/1/75; Due: 1975-2005	35,000,000	7.6789%	8.454%	29,930,000
Housing Mortgage Bonds, 1975 Series B dated 6/1/75; Due: 1976-2005	<u>12,000,000</u>	7.735%	8.572%	<u>10,260,000</u>
<u>TOTAL HOUSING MORTGAGE BONDS</u>	<u>\$109,500,000</u>			<u>\$ 89,165,000</u>
Insured Rural Mortgage Program Bonds 1979 First, dated 9/1/79; Due: 1980-2009	\$ 5,600,000	7.50%	8.75%	\$ 2,779,000
Insured Rural Mortgage Program Bonds 1980 First, dated 12/2/80; Due: 1981-2010	<u>4,400,000</u>	7.50%	8.75%	<u>2,787,000</u>
<u>TOTAL INSURED RURAL MORTGAGE BONDS</u>	<u>\$ 10,000,000</u>			<u>\$ 5,566,000</u>
<u>HOME MORTGAGE BONDS</u>			<u>First \$90,000 Balance</u>	
1981 First Series, dated 11/1/81; Due: 1983-2001	\$100,000,000	12.50% (12.54%)	<u>10%</u> 13.158%	\$ 67,255,000
1981 Second Series, dated 12/1/81; Due: 1983-2012	100,000,000	(11.8228%)	<u>10%</u> 13.19%	80,785,000
1982 First Series, dated 9/1/82; Due: 1984-2001	85,000,000	(11.45%)	<u>10%</u> 12.12%	73,300,000
1982 Second Series, dated 11/1/82; Due: 1984-2000	100,000,000	(10.55%)	<u>10%</u> 11.22%	89,135,025
1983 First Series, dated 8/15/83; Due: 1985-2010	75,000,000	(10.386%)	<u>10%</u> 11.21%	69,062,560
1983 Second Series, dated 10/15/83; Due: 1985-2010	<u>125,000,000</u>	(10.0874%)	<u>10%</u> 10.93%	<u>115,700,000</u>
<u>TOTAL HOME MORTGAGE BONDS</u>	<u>\$585,000,000</u>			<u>\$495,237,585</u>

## ALASKA HOUSING FINANCE CORPORATION

Bonds and Notes Outstanding at February 19, 1986

	<u>Bonds Issued</u>	<u>NIC (TIC)</u>	<u>Mortgage Interest Rates</u>	<u>Bonds Outstanding</u>
			<u>First \$90,000 Balance</u>	
<u>STATE ASSISTED MORTGAGE BONDS</u>				
State Assisted Mortgage Bonds, 1981 Series A, dated 6/1/81; Due: 1994 and 1999	\$ 150,000,000	16.3872% (16.5742%)	10% 17.05%	\$ 95,818,000
State Assisted Mortgage Bonds, 1981 Series B and C, dated 10/1/81; Due: 1991 and 2001	150,000,000	(18.465%)	12.125% 19.153%	63,328,000
State Assisted Mortgage Bonds, 1981 Series D and E, dated 11/1/81; Due: 1991 and 2001	150,000,000	(18.793%)	12.375% 19.411%	76,853,000
State Assisted Mortgage Bonds, 1982 Series F, dated 6/1/82; Due: 1992	225,000,000	(15.57%)	12.375% 16.590%	150,759,000
State Assisted Mortgage Bonds, 1982 Series G, dated 8/19/82; Due: 1992	100,000,000	(15.33%)	12.375% 16.36%	-0-
State Assisted Mortgage Bonds, 1982 Series H, dated 12/1/82; Due: 1992	50,000,000	(12.182%)	10.125% 13.18%	40,393,000
State Assisted Mortgage Bonds, 1983 Series I, dated 2/1/83; Due: 1993	50,000,000	(11.675%)	10% 12.67%	50,000,000
State Assisted Mortgage Bonds, 1983 Series J, dated 3/30/83; Due: 1993	50,000,000	(11.51%)	10% 12.56%	50,000,000
State Assisted Mortgage Bonds, 1983 Series K, dated 5/25/83; Due: 1993	75,000,000	(11.05%)	10% 12.106%	75,000,000
State Assisted Mortgage Bonds, 1983 Series L, dated 6/29/83; Due: 1993	75,000,000	(11.745%)	10% 12.801%	75,000,000
State Assisted Mortgage Bonds, 1983 Series M, dated 8/24/83; Due: 1993	75,000,000	(13.13818%)	11.25% 14.193%	75,000,000

ALASKA HOUSING FINANCE CORPORATION

Bonds and notes Outstanding at February 19, 1986

	<u>Bonds Issued</u>	<u>NIC (TIC)</u>	<u>Mortgage Interest Rates</u>	<u>Bonds Outstanding</u>
STATE ASSISTED MORTGAGE BONDS (continued)				
			<u>First \$90,000 Balance</u>	
State Assisted Mortgage Bonds, 1983 Series N, dated 11/9/83; Due: 1993	\$ 75,000,000	(12.46%)	10.5% 13.516%	\$ 75,000,000
State Assisted Mortgage Bonds, 1985 Series O, dated 9/5/85; Due: 1997	50,000,000	(10.992%)	10% 12.00	50,000,000
State Assisted Mortgage Bonds, 1985 Series P, dated 12/10/85; Due: 1998	<u>50,000,000</u>	(10.2088%)	10% 11.23%	<u>50,000,000</u>
<u>TOTAL STATE ASSISTED MORTGAGE BONDS</u>	<u>\$1,325,000,000</u>			<u>\$ 927,151,000</u>
<u>STATE GUARANTEED BONDS</u>				
State Guaranteed Bonds, 1983 First Series, dated 2/1/83; Due: 2002	\$ 50,000,000	(8.7273%)	* 9.4%	\$ 44,025,000
State Guaranteed Bonds, 1983 Second Series, dated 5/1/83; Due: 2001	125,000,000	(8.200%)	* 9.034%	112,055,000
State Guaranteed Bonds, 1983 Third Series, dated 7/1/83; Due: 2001	75,000,000	(9.1877%)	* 10.014%	69,720,000
State Guaranteed Bonds, 1983 Fourth Series, dated 8/1/83; Due: 2001	100,000,000	(9.8991%)	* 10.725%	90,175,000
State Guaranteed Bonds, 1983 Fifth Series, dated 9/1/83; Due: 2001	50,000,000	(9.525%)	* 10.35%	45,510,000
State Guaranteed Bonds, 1983 Sixth Series, dated 12/1/83; Due: 2001	75,000,000	(9.9648%)	* 10.791%	68,830,000
State Guaranteed Bonds, 1984 First Series, dated 2/15/84; Due: 2014	130,000,000	(9.802%)	* 10.628%	129,585,000
State Guaranteed Bonds, 1984 Second Series, dated 5/15/84; Due: 2014	<u>100,000,000</u>	(11.8419%)	* 12.67%	<u>98,505,000</u>
<u>TOTAL STATE GUARANTEED BONDS</u>	<u>\$ 705,000,000</u>			<u>\$ 658,100,000</u>

\* Mortgage rate on first \$90,000 based upon the then current rate under the taxable program

## ALASKA HOUSING FINANCE CORPORATION

Bonds and Notes Outstanding at February 19, 1986

	<u>Bonds Issued</u>	<u>NIC (TIC)</u>	<u>Mortgage Interest Rates</u>	<u>Bonds Outstanding</u>
<u>COLLATERALIZED BONDS (Veterans Program)</u>				
			<u>First \$90,000 Balance</u>	
1984 First Series Dated 9/15/84; Due: 2015	\$ 100,000,000	(10.355%)	* 11.135%	\$ 100,000,000
1984 Second Series Dated 12/15/84; Due: 2019	302,500,000	(10.57%)	* 11.35%	302,500,000
1985 First Series Dated 9/15/85; Due: 2020	<u>150,000,000</u>	(9.888%)	* 10.67%	<u>150,000,000</u>
<u>TOTAL COLLATERALIZED BONDS</u>	<u>\$ 552,500,000</u>			<u>\$ 552,500,000</u>
<u>COLLATERALIZED HOME MORTGAGE BONDS</u>				
1984 Series A, dated 11/1/84; Due: 2003-2019	\$ 75,000,000	(10.95%)	* 11.728%	\$ 75,000,000
1984 Series B, dated 12/1/84; Due: 2003-2019	127,435,000	(10.9036%)	* 11.68%	127,435,000
1985 Series A, dated 9/1/85; Due: 2004-2020	100,000,000	(9.784%)	* 10.564%	100,000,000
1985 Series B, dated 12/1/85; Due 2004-2021	<u>102,445,000</u>	(9.3141%)	* 10.094%	<u>102,445,000</u>
<u>TOTAL COLLATERALIZED HOME MORTGAGE BONDS</u>	<u>\$ 404,880,000</u>			<u>\$ 404,880,000</u>
Home Improvement Loan Bonds, 1982 Series A, dated 2/15/82; Due: 1988	<u>\$ 15,000,000</u>	(13.533%)	10.00% 14.75%	<u>\$ -0-</u>
Second Mortgage Bonds, Dated February 1982; Due: 1997	<u>\$ 27,000,000</u>	(16.97%)	12.375% 18.50%	<u>\$ 8,138,000</u>
Fairbanks North Star Borough (AHFC Administered Program)	<u>\$ 35,000,000</u>	12.41% (12.47%)	9.00% 13.25%	<u>\$ 24,665,000</u>
AHFC Overseas Finance, NV, Dated 2/15/84; Due: 1994	<u>\$ 100,000,000</u>	(12.11226%)	10.00% 12.976%	<u>\$ 100,000,000</u>

ALASKA HOUSING FINANCE CORPORATION

Bonds and Notes Outstanding at February 19, 1986

	<u>Bonds Issued</u>	<u>NIC (TIC)</u>	<u>Mortgage Interest Rates</u>	<u>Bonds Outstanding</u>
<u>FNMA COLLATERALIZED NOTES</u>				
1985 First Series Delivery Date 7/10/85	\$ 50,000,000	(13.99%)	11.75% 14.72%	\$ 47,902,000
1985 Second Series Delivery Date 7/26/85	50,000,000	(14.33%)	12.00% 15.056%	48,674,000
1985 Third Series Delivery Date 8/26/85	75,000,000	(13.93%)	11.625% 14.66%	73,081,000
1985 Fourth Series Delivery Date 8/26/85	75,000,000	(13.15%)	10.875% 13.880%	74,234,000
1985 Fifth Series Delivery Date 8/26/85	<u>\$ 50,000,000</u>	(12.27%)	10.00% 13.00%	<u>\$ 49,686,000</u>
<u>TOTAL FNMA NOTES</u>	<u>\$ 300,000,000</u>			<u>\$ 293,577,000</u>
<u>HOUSING DEVELOPMENT FUND NOTES</u>				
		<u>Note Rate</u>		
Housing Development Fund Note Dated 1/5, 79	\$ 4,420,000	3.47%		\$ 3,744,000
Housing Fund Note 1976 A dated 6/27/73	5,250,000	6.00%		2,181,000
Housing Fund Note 1978 Loan dated 12/31/78	2,600,000	8.5%		2,198,000
Housing Fund Note Dated 8/22/80	<u>10,000,000</u>	9.5%		<u>4,118,000</u>
<u>TOTAL HOUSING DEVELOPMENT FUND NOTES</u>	<u>\$ 22,270,000</u>			<u>\$ 12,241,000</u>
<u>PROMISSORY NOTES CAPITAL RESERVE FUND</u>	<u>\$ 12,800,000</u>			<u>\$ 11,160,000</u>
<u>TOTAL ALL BONDS AND NOTES</u>	<u>\$5,187,575,000</u>			<u>\$4,499,145,585</u>
Short Term Obligations Outstanding Commercial Paper				\$ 34,000,000

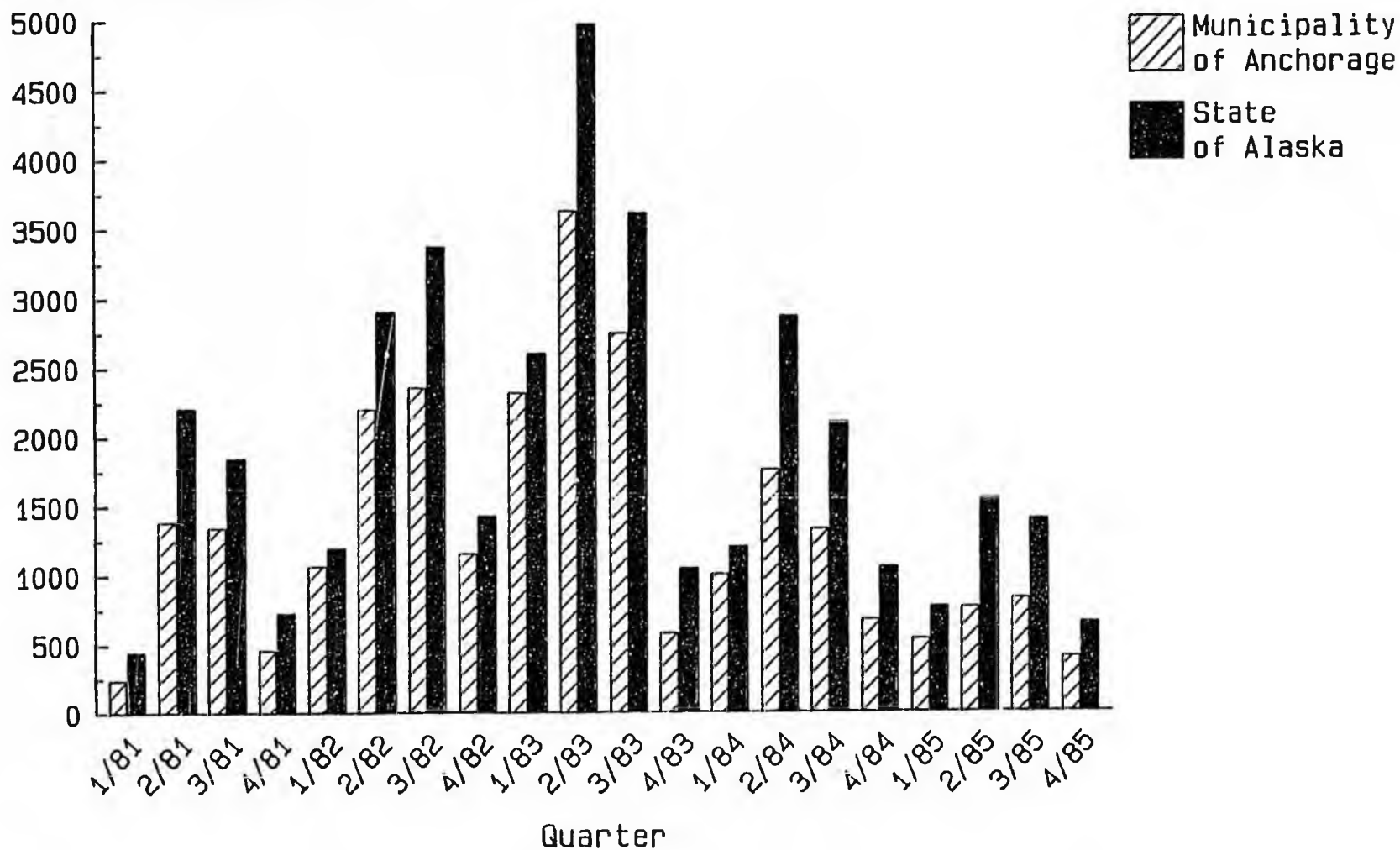
\* Mortgage rate on first \$90,000 based upon the then current rate under the taxable program.

# ALASKA RESIDENTIAL BUILDING PERMITS

## Quarterly Permit Activity

Source: HUD

Number of Units Authorized



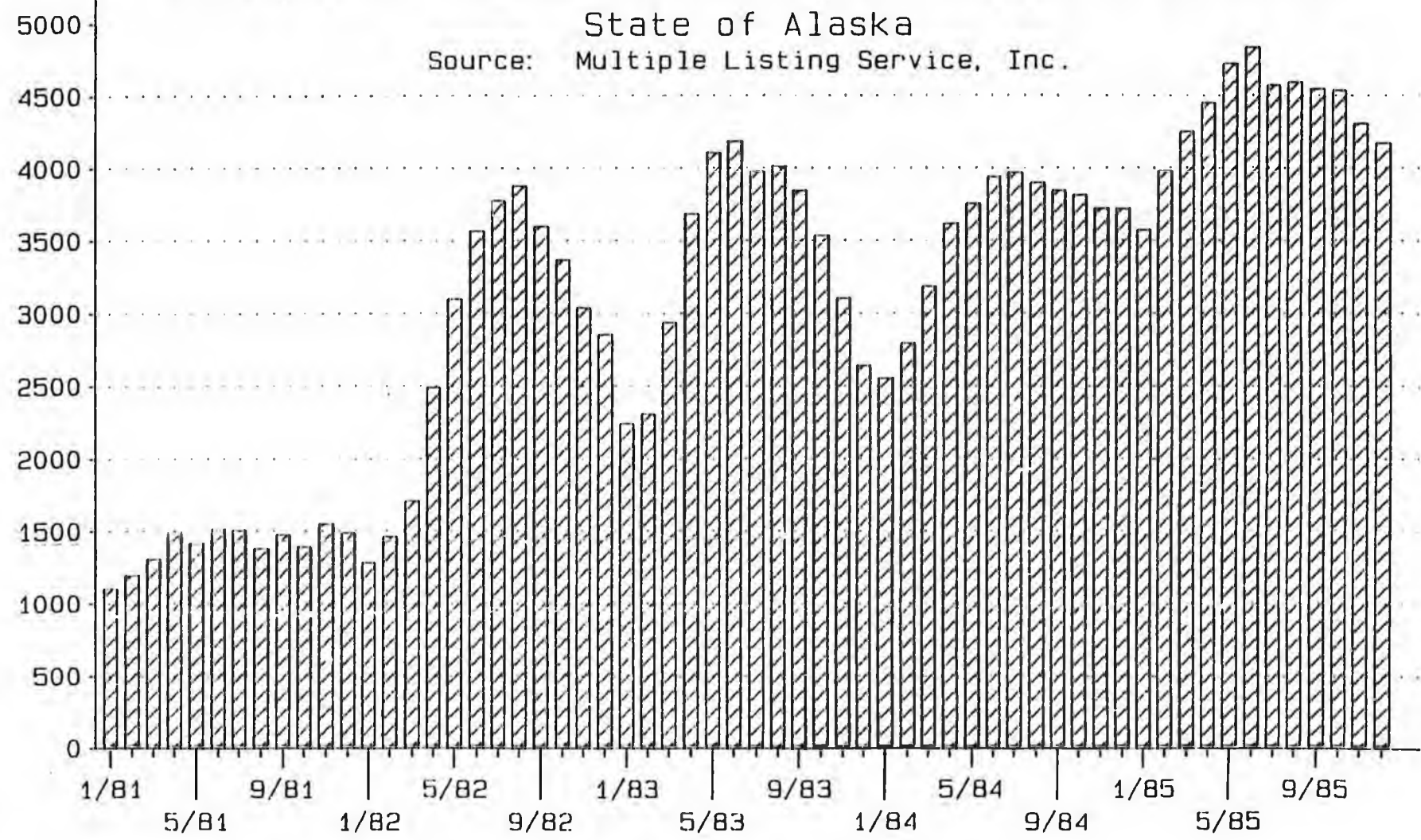
-17-

-81-  
Number of Residential Listings Outstanding

# NUMBER OF RESIDENTIAL LISTINGS OUTSTANDING

State of Alaska

Source: Multiple Listing Service, Inc.



MLS member offices located in: Wasilla, Palmer  
Chugiak, Alyeska, Anchorage, Eagle River &  
Soldotna.

End of the Month Statistics

MORTGAGES HELD BY TYPE

AS OF JANUARY 31, 1986

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<u>Type</u>	<u>Number</u>	<u>Amount</u>
Mobile Homes	3,992	\$ 124,747,351
Rural Non Owner--Occupied	54	8,129,879
Conventional	30,148	2,630,913,737
State Veteran	15,766 <sup>(1)</sup>	1,503,926,694
FHA Guaranteed	507	25,470,417
V/A Guaranteed	<u>2,913<sup>(2)</sup></u>	<u>195,686,301</u>
Total	<u>53,380</u>	<u>\$4,488,874,381</u>

(1) Includes 666 mobile home loans totalling \$25,512,159.

(2) Includes 24 mobile home loans totalling \$990,095.

ALASKA HOUSING FINANCE CORPORATION  
 SUMMARY OF MORTGAGES HELD BY FUNDING SOURCE  
 AS OF JANUARY 31, 1986

	<u>Number</u>	<u>Amount</u>
Insured Mortgage Bonds	10,806	\$ 841,241,400
Housing Mortgage Bonds	1,762	95,625,995
Housing Development Fund	28	2,132,810
State Assisted Mortgage Bonds	11,162	1,081,814,906
Non Owner-Occupied Rural	54	8,129,879
Housing Development Fund - Mobile Home	182	4,053,411
Insured Rural Mortgage Bonds	85	5,196,664
State Assisted Mortgage (SAM) Fund	2,138	173,111,363
Home Assisted Program (HAP) Fund	5,184	191,874,809
Appropriated Funds - Rural	66	4,718,996
Appropriated Funds - Mobile Home	534	16,305,884
Tax-Exempt MSBTA First Mortgage Bonds	6,954	560,371,957
Taxable Seconds/Home Improvements	463	16,810,495
Home Improvement (Tax-Exempt Funds)	78	928,336
Fairbanks	309	29,895,720
Overseas Finance	1,041	110,160,656
State Guaranteed Bonds (Veterans Mortgage Program)	5,896	666,977,324
Collateralized Bonds (Veterans Mortgage Program)	1,710	194,062,094
Collateralized Bonds (HMB)	1,499	134,416,595
Fannie Mae	3,338	343,472,789
Nonconforming	<u>91</u>	<u>7,572,296</u>
TOTAL	<u>53,380</u>	<u>4,488,874,379</u>

## ALASKA HOUSING FINANCE CORPORATION

MORTGAGES HELD BY CITY AND DISTRICT  
JANUARY 31, 1988

CITY	ACTIVE MORTGAGES	% OF MORTGAGES	PRINCIPAL BALANCES	% OF DOLLARS
***** ZERO ZIPCODE			.00	
ANCHOR POINT, AK	28	.048	1,557,810.41	.036
ANCHORAGE, AK	27,234	51.018	2,325,737,175.47	51.811
ANIAK, AK	8	.011	589,277.04	.013
AUKE BAY, AK	38	.087	2,887,984.33	.060
BARROW, AK	22	.041	1,016,957.65	.023
BETHEL, AK	171	.320	12,330,372.07	.275
BETTLES FIELD, AK	1	.002	40,024.50	.001
CANTWELL, AK	1	.002	55,708.91	.001
CENTRAL, ALASKA	1	.002	82,781.35	.002
CHEVY CHASE MARYLAND	1	.002	177,833.90	.004
CHITNA, AK	3	.006	100,907.78	.002
CHUGIAK, AK	924	1.731	88,688,735.84	1.975
CLAM GULCH, AK	10	.018	921,389.78	.021
COOPER LANDING, AK	5	.008	411,274.07	.008
COPPER CENTER, AK	17	.032	1,004,134.29	.022
CORDOVA, AK	137	.257	7,287,847.07	.182
CRAIG, AK	11	.021	547,409.10	.012
DELTA JUNCTION, AK	154	.288	11,082,298.33	.247
DILLINGHAM, AK	38	.071	2,845,425.97	.063
DOUGLAS, AK	145	.272	11,481,441.98	.258
EAGLE RIVER, AK	3,105	5.817	322,190,751.53	7.178
ELFIN COVE, AK	1	.002	50,983.83	.001
ESTER, AK	9	.017	882,150.08	.015
FAIRBANKS, AK	6,244	11.897	502,878,042.30	11.203
FORT YUKON, AK	2	.004	76,059.12	.002
GAKONA, AK	3	.006	381,801.02	.008
GALENA, AK	8	.011	278,991.82	.006
GIRDWOOD, AK	122	.229	10,728,987.07	.239
GLENNALLEN, AK	34	.084	2,325,323.26	.052
HAINES, AK	33	.082	1,457,808.32	.032
HEALY, AK	18	.034	1,512,708.94	.034
HOMER, AK	322	.603	22,159,150.15	.494
HOONAK, AK	13	.024	589,488.58	.013
HOPE, AK	3	.006	225,041.37	.005
HOUSTON, AK	13	.024	975,383.95	.022
HYDABURG, AK	1	.002	19,183.85	.000
ILIAMNA, AK	2	.004	48,498.58	.001
INDIAN, AK	8	.011	421,937.34	.008
JUNEAU, AK	3,283	6.189	272,827,802.84	6.078
KAKE, AK	2	.004	147,107.75	.003
KASILOF, AK	55	.103	4,526,872.31	.101
KENAI, AK	1,075	2.014	80,364,700.75	1.790
KETCHIKAN, AK	1,138	2.128	87,822,207.23	1.958
KIANA, AK	1	.002	1,583.10	.000
KING COVE, AK	1	.002	25,786.98	.001
KING SALMON, AK	8	.011	563,840.59	.013
KLAWOK, AK	1	.002	18,004.77	.000
KODIAK C.G., AK	8	.017	818,708.48	.018
KODIAK, AK	710	1.330	53,428,257.32	1.190
KOTZEBUE, AK	59	.111	4,842,717.85	.10
MANLEY HOT SPR, AK	1	.002	34,888.38	.000
MANOKOTAK, AK	1	.002	63,058.23	.000

## ALASKA HOUSING FINANCE CORPORATION

MORTGAGES HELD BY CITY AND DISTRICT  
JANUARY 31, 1988

CITY	ACTIVE MORTGAGES	% OF MORTGAGES	PRINCIPAL BALANCES	% OF DOLLARS
MCGRATH, AK	3	.008	179,131.51	.004
METLAKATLA, AK	4	.007	244,504.30	.005
MOOSE PASS, AK	6	.011	357,881.44	.008
MOUNTAIN VILLAGE, AK	1	.002	54,789.21	.001
NAKNEK, AK	4	.007	241,098.88	.005
NENANA, AK	27	.051	1,533,341.20	.034
NIKISHKA, AK	83	.155	7,873,109.75	.171
NIKOLAI, AK	1	.002	57,031.05	.001
NINILCHIK, AK	25	.047	1,718,255.87	.038
NOME, AK	62	.118	6,042,003.13	.135
NORTH POLE, AK	522	.978	47,072,005.49	1.046
NUNAPITCHUK, AK	1	.002	33,226.22	.001
OUZINKIE, AK	2	.004	185,194.72	.004
PALMER, AK	1,268	2.372	99,398,909.74	2.214
PELICAN, AK	2	.004	89,750.58	.002
PETERSBURG, AK	141	.284	7,762,172.34	.173
PORT ALEXANDER, AK	1	.002	24,987.24	.001
PORT LIONS, AK	1	.002	28,737.43	.001
RUSSIAN MISSION, AK	7	.013	715,612.83	.016
SAND POINT, AK	18	.030	982,758.07	.022
SELDOVIA, AK	9	.017	368,319.11	.008
SEWARD, AK	167	.313	10,945,008.35	.244
SITKA, AK	681	1.238	51,339,431.71	1.144
SKAGWAY, AK	28	.049	1,129,753.45	.025
SKWENTNA, AK	3	.008	198,940.40	.004
SOLDOTNA, AK	1,010	1.892	77,734,455.97	1.732
ST. MARY'S, AK	6	.011	915,040.84	.020
ST. MICHAEL'S, AK	1	.002	38,787.95	.001
ST. PAUL ISLAND, AK	1	.002	19,012.47	.000
STERLING, AK	148	.277	11,315,799.55	.252
SUTTON, AK	10	.019	595,387.53	.013
TALKEETNA, AK	17	.032	959,761.78	.021
TANANA, AK	2	.004	91,192.33	.002
TATITLEK, AK	7	.013	668,510.81	.015
TENAKEE, AK	1	.002	37,341.96	.001
TOK, AK	17	.032	971,640.00	.022
UNALASKA, AK	12	.022	1,124,654.73	.025
USIBELLI, AK	6	.011	444,486.10	.010
VALDEZ, AK	367	.688	28,082,224.79	.626
WARD COVE, AK	4	.007	183,691.89	.004
WASHINGTON D.C.	1	.002	192,554.41	.004
WASILLA, AK	3,375	6.323	278,386,702.16	6.202
WILLOW, AK	70	.131	4,989,108.48	.111
WRANGELL, AK	50	.094	2,519,849.23	.058
YAKUTAT, AK	4	.007	215,604.96	.005

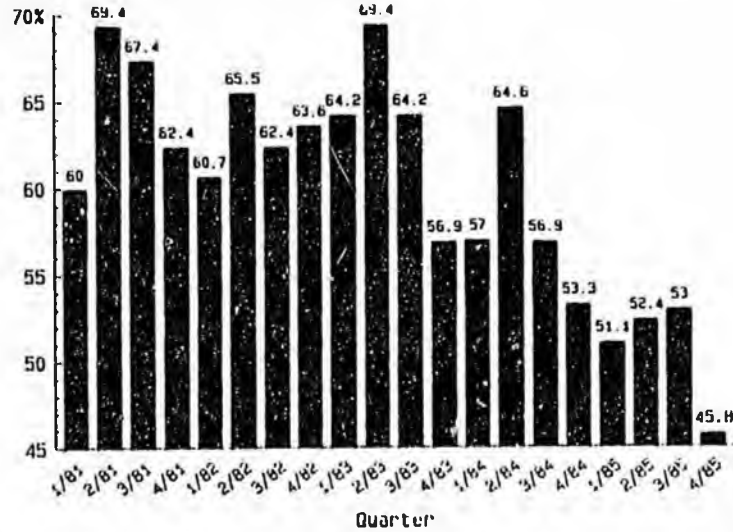
ALASKA HOUSING FINANCE CORPORATION  
MORTGAGES HELD BY CITY AND DISTRICT  
JANUARY 31, 1988

CITY	ACTIVE MORTGAGES	% OF MORTGAGES	PRINCIPAL BALANCES	% OF DOLLARS
*****				
		<b>DISTRICT TOTALS</b>		
			*****	
	CRAIG 1,158	2.169	89,187,384.88	1.987
	HOONAH 207	.388	11,018,822.85	.245
	ELFIN COVE 669	1.253	51,700,758.12	1.152
	AUKE BAY 3,534	6.820	289,828,912.86	8.452
	CHITINA 738	1.383	50,771,837.79	1.131
	PALMER 4,768	8.910	385,593,388.37	8.590
	ANCHORAGE 31,391	58.807	2,747,748,587.25	81.212
	ANCHOR POINT 2,772	5.193	208,892,301.56	4.856
	KODIAK 722	1.353	54,457,898.95	1.213
	SAND POINT 28	.052	2,107,412.80	.047
	DILLINGHAM 52	.097	3,787,790.01	.084
	ANIAK 178	.333	12,932,875.33	.288
	GALENA 24	.045	2,200,597.36	.049
	BETTLES AFB 229	.429	18,072,511.97	.358
	ESTER 6,777	12.896	550,734,983.72	12.269
	BARROW 82	.154	5,881,238.80	.131
	NOME 63	.118	8,080,791.08	.135
*****				
		<b>AREA TOTALS</b>		
			*****	
	ANCHORAGE MUNICIPALITY 31,391	58.8066	\$2,747,748,587.25	81.2124
	MAT-SU VALLEY BOROUGH 4,721	8.8441	\$383,388,107.91	8.5404
	SOUTH CENTRAL ALASKA			
	(EXCLUDING ANCHORAGE/MAT-SU) 4,549	8.5219	\$327,478,502.26	7.5180
	TOTAL SOUTH CENTRAL 40,661	76.17300	\$3,468,593,177.42	77.27000
	FAIRBANKS NORTH STAR BOROUGH 6,775	12.6920	\$550,612,197.87	12.2881
	NORTHERN ALASKA			
	(EXCLUDING FAIRBANKS) 378	.7043	\$28,137,327.70	.8288
	TOTAL NORTHERN ALASKA 7,151	13.39700	\$578,749,525.57	12.89300
	JUNEAU BOROUGH 3,474	6.5080	\$287,007,009.13	8.3837
	SOUTHEAST ALASKA			
	(EXCLUDING JUNEAU) 2,094	3.9228	\$154,524,669.18	3.4423
	TOTAL SOUTHEAST 5,568	10.43000	\$441,531,878.31	9.83600
*****				
		<b>TOTAL ALL LOANS</b>		
			*****	
	<b>TOTALS 53,380</b>	<b>100.000</b>	<b>\$4,488,874,381.30</b>	<b>100.000</b>

**ALASKA HOUSING FINANCE CORPORATION**  
**Loans Purchased as a Percent of all Purchases**  
**-By Region-**

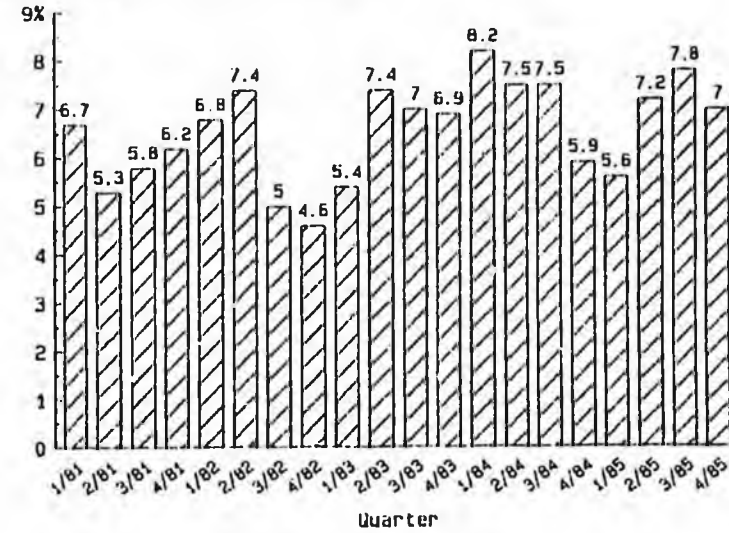
*MUNICIPALITY of ANCHORAGE*

Percent of all Loans Purchased



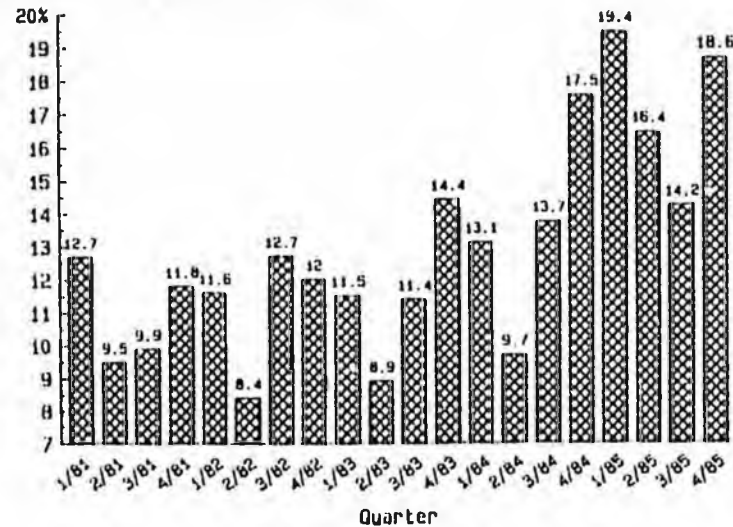
*CITY and BOROUGH of JUNEAU*

Percent of all Loans Purchased



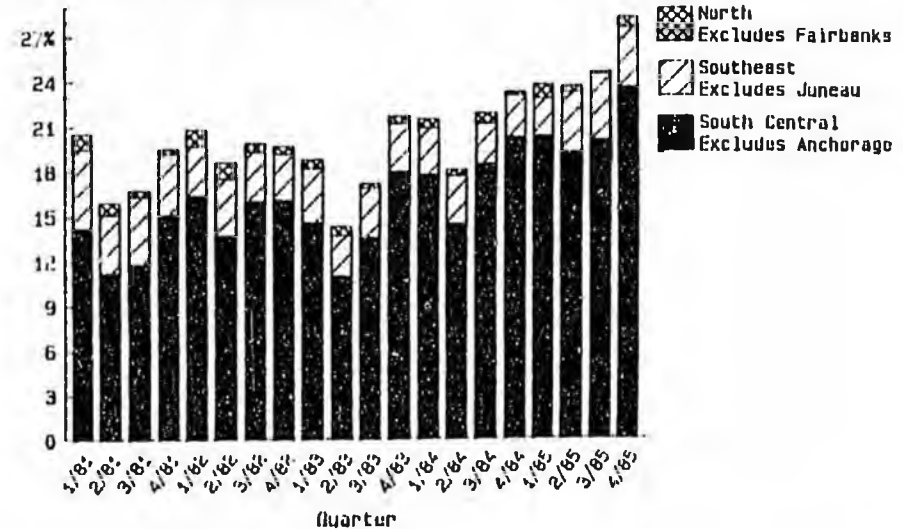
*FAIRBANKS NORTH STAR BOROUGH*

Percent of all Loans Purchased



*OTHER REGIONS of ALASKA*

Percent of all Loans Purchased



DATE 1/31/86

## ALASKA HOUSING FINANCE CORPORATION

## ALL FIRST MORTGAGES

## LOAN SUMMARY MORTGAGES PURCHASED

	FY 1984		FY 1985		FY 1986 THRU( 1/31/86)	
		%		%		%
SALES PRICE	120,754		123,069		124,969	
APPRAISED VALUE	123,572		125,968		130,186	
NOTE AMOUNT	108,003		108,791		109,774	
MONTHLY INCOME	4,538		4,501		4,828	
AGE OF BORROWER	34.7		35.1		35.5	
SIZE OF HOUSEHOLD	2.7		2.7		2.9	
LOAN TO SALES PRICE RATIO	87.78%		85.30%		87.84%	
WEIGHTED AVG INT. RATE	10.09%		11.16%		10.23%	
MONTHLY P&I	943.72		1,030.44		982.44	
DWELLING TYPE..SFR	8,821	74.13	5,889	77.10	2,507	82.85
CONDO	2,083	17.50	1,109	15.00	253	8.38
DUPLX	478	4.00	194	2.62	59	1.96
PUD	361	3.03	248	3.35	167	5.52
MOHM	5	.04	78	1.06	36	1.19
TRI-PLEX	40	.34	25	.34	2	.07
FOUR PLEX	114	.96	39	.53	2	.07
NEW/EXISTING....NEW	6,814	57.26	3,931	53.18	1,397	46.17
EXISTING	5,086	42.74	3,461	46.82	1,629	53.83
1ST TIME HOMEOWNER..YES	5,446	45.76	3,445	46.80	1,380	45.60
NO	6,455	54.24	3,947	53.40	1,646	54.40
INSURANCE TYPE.....FHA					0	.00
VA	2,073	17.42	1,470	19.89	624	20.62
CONVA	9,827	82.58	5,922	80.11	2,402	79.38
ELIGIBILITY.....STVA	4,816	41.30	2,956	39.99	1,215	40.15
NON-STVA	8,985	58.70	4,436	60.01	1,811	59.85
ORIG. PRINCIPAL BALANCE	1,261,435,600.00		789,402,400.00		332,175,900.00	
ORIG. NUMBER OF LOANS	11,800		7,382		3,026	

DATE 1/31/86

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

	FY 1984 -----	%	FY 1985 -----	%	FY 1986 THRU( 1/31/86) % -----	
SALES PRICE	88,458		92,158		96,835	
APPRAISED VALUE	90,846		94,517		99,540	
NOTE AMOUNT	82,777		86,190		89,200	
MONTHLY INCOME	3,055		3,270		3,527	
AGE OF BORROWER	30.4		30.8		31.0	
SIZE OF HOUSEHOLD	2.3		2.3		2.4	
LOAN TO SALES PRICE RATIO	93.58%		93.53%		92.12%	
WEIGHTED AVG INT. RATE	9.89%		10.89%		10.14%	
MONTHLY P&I	720.35		800.88		792.31	
DWELLING TYPE..SFR	2,020	61.74	627	68.87	626	77.12
CONDO	1,173	35.85	255	27.93	165	12.41
DUPLX	26	.79	7	.77	15	1.40
PUD	50	1.53	14	1.53	48	4.48
MOHM	3	.09	10	1.10	17	1.59
TRI-PLEX					0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	2,228	68.03	478	52.35	222	48.74
EXISTING	1,048	31.97	435	47.85	549	51.28
1ST TIME HOMEOWNER..YES	2,873	87.81	798	87.40	942	87.98
NO	399	12.19	115	12.80	129	12.04
INSURANCE TYPE.....FHA					0	.00
VA	363	11.09	178	19.50	179	18.71
CONVA	2,909	88.91	735	80.50	892	83.23
ELIGIBILITY.....STVA	448	13.89	127	13.91	148	13.82
NON-STVA	2,824	86.31	786	86.09	923	86.18
ORIG. PRINCIPAL BALANCE	270,847,450.00		78,891,800.00		95,533,500.00	
ORIG. NUMBER OF LOANS	3,272		913		1,071	

DATE 1/31/86

ALASKA HOUSING FINANCE CORPORATION  
 TAXABLE FIRST MORTGAGES  
 LOAN SUMMARY MORTGAGES PURCHASED

	FY 1984	%	FY 1985	%	FY 1986 THRU( 1/31/88)	%
	-----		-----		-----	
SALES PRICE	135,722		125,303		145,404	
APPRAISED VALUE	139,275		128,547		152,714	
NOTE AMOUNT	113,480		106,043		121,288	
MONTHLY INCOME	5,174		4,548		5,425	
AGE OF BORROWER	34.8		33.8		37.0	
SIZE OF HOUSEHOLD	2.7		2.6		3.0	
LOAN TO SALES PRICE RATIO	83.60%		84.63%		83.40%	
WEIGHTED AVG INT. RATE	10.72%		11.70%		10.77%	
MONTHLY P&I	1,088.85		1,087.16		1,134.70	
DWELLING TYPE..SFR	3,388	73.03	2,893	72.83	859	84.30
CONDO	548	11.98	861	18.84	58	5.50
DUPLX	358	7.78	165	4.15	37	3.83
PUD	183	3.97	142	3.58	59	5.79
MOHM			51	1.28	4	.39
TRI-PLEX	40	.87	21	.53	2	.20
FOUR PLEX	114	2.47	39	.98	2	.20
NEW/EXISTING....NEW	2,542	55.12	2,243	56.47	488	47.89
EXISTING	2,070	44.88	1,729	43.53	531	52.11
1ST TIME HOMEOWNER..YES	1,187	25.74	1,728	43.45	117	11.48
NO	3,425	74.26	2,246	56.55	902	88.52
INSURANCE TYPE.....FHA					0	.00
VA	114	2.47	170	4.28	33	3.24
CONVA	4,498	97.53	3,802	96.72	986	96.76
ELIGIBILITY.....STVA	451	9.78	325	8.18	131	12.86
NON-STVA	4,161	90.22	3,647	91.82	888	87.14
ORIG. PRINCIPAL BALANCE	523,278,050.00		421,203,000.00		123,570,150.00	
ORIG. NUMBER OF LOANS	4,812		3,972		1,019	

DATE 1/31/86

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

	FY 1984		FY 1985		FY 1986 THRU( 1/31/86) %	
		%		%		%
SALES PRICE	129,877		130,774		134,913	
APPRAISED VALUE	132,573		133,338		140,725	
NOTE AMOUNT	116,382		115,480		120,804	
MONTHLY INCOME	5,009		4,874		5,021	
AGE OF BORROWER	38.4		38.7		39.1	
SIZE OF HOUSEHOLD	3.1		3.1		3.3	
LOAN TO SALES PRICE RATIO	89.58%		88.31%		89.54%	
WEIGHTED AVG INT. RATE	9.51%		10.49%		9.71%	
MONTHLY P&I	982.01		1,055.88		1,034.25	
DWELLING TYPE..SFR	3,433	85.48	2,179	86.92	826	87.82
CONDO	382	9.01	193	7.70	32	3.42
DUPLX	91	2.27	22	.88	7	.75
PUD	128	3.19	92	3.87	60	6.41
MOHM	2	.05	17	.68	15	1.60
TRI-PLEX			4	.18	0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	2,046	50.95	1,210	48.26	387	41.35
EXISTING	1,970	49.05	1,297	51.74	548	58.85
1ST TIME HOMEOWNER..YES	1,385	34.49	921	36.74	321	34.29
NO	2,631	65.51	1,586	63.26	615	65.71
INSURANCE TYPE.....FHA					0	.00
VA	1,596	39.74	1,122	44.75	412	44.02
CONVA	2,420	60.26	1,385	55.25	524	55.98
ELIGIBILITY.....STVA	4,018	100.00	2,507	100.00	936	100.00
NON-STVA					0	.00
ORIG. PRINCIPAL BALANCE	467,310,100.00		289,507,600.00		113,072,250.00	
ORIG. NUMBER OF LOANS	4,018		2,507		936	

DATE 1/31/86

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

	FY 1984	%	FY 1985	%	FY 1986 THRU( 1/31/86)	%
	-----		-----		-----	
SALES PRICE	77,505		75,138		78,504	
APPRAISED VALUE	78,345		76,111		79,424	
NOTE AMOUNT	73,177		72,358		74,947	
MONTHLY INCOME	2,116		2,279		2,300	
AGE OF BORROWER	30.0		30.3		30.6	
SIZE OF HOUSEHOLD	2.2		2.2		2.5	
LOAN TO SALES PRICE RATIO	94.42%		96.30%		95.47%	
WEIGHTED AVG INT. RATE	9.93%		11.08%		10.05%	
MONTHLY P&I	639.55		701.25		864.35	
DWELLING TYPE..SFR	580	47.62	575	43.76	184	81.13
CONDO	588	48.11	502	38.20	78	25.91
DUPLX					0	.00
PUD	7	.58	17	1.29	13	4.32
MOHM	45	3.68	220	16.74	26	8.64
TRI-PLEX					0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	832	68.31	704	53.58	140	48.51
EXISTING	386	31.89	610	48.42	161	53.49
1ST TIME HOMEOWNER..YES	978	80.13	1,085	82.57	248	82.39
NO	242	19.87	229	17.43	53	17.61
INSURANCE TYPE.....FHA					0	.00
VA	20	1.64	261	19.88	52	17.28
CONVA	1,198	98.36	1,053	80.14	249	82.72
ELIGIBILITY.....STVA	98	7.88	215	16.38	36	11.96
NON-STVA	1,122	92.12	1,099	83.64	265	88.04
ORIG. PRINCIPAL BALANCE	89,130,193.00		95,079,887.00		22,559,138.00	
ORIG. NUMBER OF LOANS	1,218		1,314		301	

DATE 1/31/88

ALASKA HOUSING FINANCE CORPORATION  
 PLEDGED ACCOUNT MORTGAGES  
 LOAN SUMMARY MORTGAGES PURCHASED

	FY 1984		FY 1985		FY 1988 THRU( 1/31/88) %	
	-----	%	-----	%	-----	%
SALES PRICE	121,863		128,274		128,822	
APPRAISED VALUE	124,969		131,809		133,117	
NOTE AMOUNT	107,572		113,681		116,818	
MONTHLY INCOME	3,489		3,881		3,857	
AGE OF BORROWER	34.0		34.4		34.4	
SIZE OF HOUSEHOLD	2.5		2.6		3.0	
LOAN TO SALES PRICE RATIO	88.27%		88.63%		90.67%	
WEIGHTED AVG INT. RATE	10.41%		11.52%		10.53%	
MONTHLY P&I	983.00		1,128.25		1,070.14	
DWELLING TYPE..SFR	181	69.88	285	78.87	61	79.22
CONDO	52	20.08	40	11.90	11	14.28
DUPLX	13	5.02	18	4.78	0	.00
PUD	13	5.02	15	4.48	5	6.49
MOHM					0	.00
TRI-PLEX					0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	147	56.76	170	50.80	36	48.75
EXISTING	112	43.24	188	49.40	41	53.25
1ST TIME HOMEOWNER..YES	103	39.77	120	35.71	25	32.47
NO	156	60.23	218	64.29	52	67.53
INSURANCE TYPE.....FHA					0	.00
VA			1	.30	0	.00
CONVA	259	100.00	335	99.70	77	100.00
ELIGIBILITY.....STVA	64	24.71	95	28.27	15	19.48
NON-STVA	195	75.29	241	71.73	82	80.52
ORIG. PRINCIPAL BALANCE	27,861,250.00		38,200,050.00		8,979,400.00	
ORIG. NUMBER OF LOANS	259		338		77	

DATE 1/31/86

A L A S K A   H O U S I N G   F I N A N C E   C O R P O R A T I O N  
 M O B I L E   H O M E S  
 L O A N   S U M M A R Y   M O R T G A G E S   P U R C H A S E D

	FY 1984 -----	%	FY 1985 -----	%	FY 1986 THRU( 1/31/86) -----	%
SALES PRICE	38,433		40,854		41,550	
APPRAISED VALUE	40,425		42,891		44,289	
NOTE AMOUNT	36,861		41,755		39,762	
MONTHLY INCOME	2,895		2,887		3,173	
AGE OF BORROWER	32.1		31.8		32.5	
SIZE OF HOUSEHOLD	2.5		2.4		2.4	
LOAN TO SALES PRICE RATIO	95.91%		102.21%		95.70%	
WEIGHTED AVG INT. RATE	10.22%		10.90%		9.94%	
MONTHLY P&I	372.50		444.89		398.05	
DWELLING TYPE..SFR					0	.00
CONDO					0	.00
DUPLX					0	.00
PUD					0	.00
MOHM	1,619	100.00	696	100.00	217	100.00
TRI-PLEX					0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	312	19.27	91	13.07	15	6.91
EXISTING	1,307	80.73	605	86.93	202	93.09
1ST TIME HOMEOWNER..YES	1,142	70.54	527	75.72	158	72.81
NO	477	29.46	169	24.28	59	27.19
INSURANCE TYPE.....FHA					0	.00
VA	10	.62	78	11.21	19	8.76
CONVA	1,609	99.38	618	88.79	198	91.24
ELIGIBILITY.....STVA	333	20.57	143	20.55	41	18.89
NON-STVA	1,286	79.43	563	79.45	176	81.11
ORIG. PRINCIPAL BALANCE	59,877,888.00		29,061,787.00		8,828,439.00	
ORIG. NUMBER OF LOANS	1,619		688		217	

DATE 1/31/88

ALASKA HOUSING FINANCE CORPORATION  
 NON CONFORMING LOANS  
 LOAN SUMMARY MORTGAGES PURCHASED

	FY 1984 -----	%	FY 1985 -----	%	FY 1986 THRU( 1/31/88) % -----
SALES PRICE					72,875
APPRAISED VALUE					74,850
NOTE AMOUNT					68,897
MONTHLY INCOME					3,145
AGE OF BORROWER					33.6
SIZE OF HOUSEHOLD					1.8
LOAN TO SALES PRICE RATIO					91.40%
WEIGHT AVG INT. RATE					10.17%
MONTHLY P&I					593.87
DEWLLING TYPE..SFR				13	81.25
CONDO				0	.00
DUPLX				3	18.75
PUD				0	.00
MOHM				0	.00
TRI-PLEX				0	.00
FOUR- PLEX				0	.00
NEW/EXISTING...NEW				1	6.25
EXISTING				15	93.75
1ST TIME HOMEOWNER..YES				13	81.25
NO				3	18.75
INSURANCE TYPE.....FHA				0	.00
VA				0	.00
CONVA				16	100.00
ELIGIBILITY.....STVA				3	18.75
NON-STVA				13	81.25
ORIG. PRINCIPAL BALANCE					1,067,150.00
ORIG. NUMBER OF LOANS					18

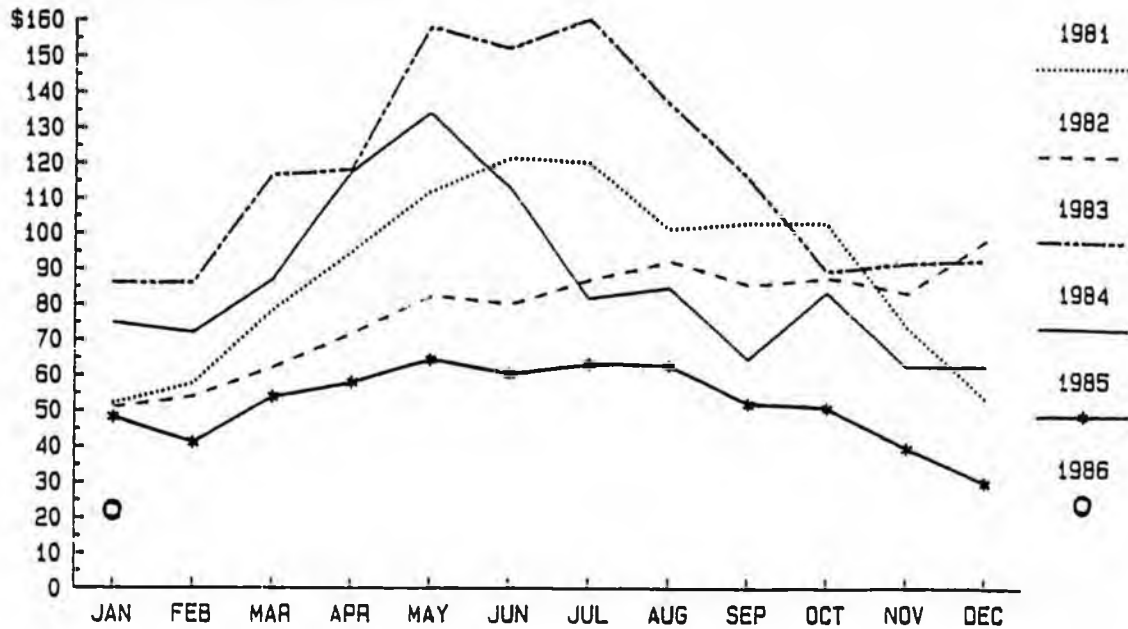
ALASKA CONTINENTAL BANK	26	1,530,347.51	*
ALASKA FEDERAL SAVINGS & LOAN	985	78,539,374.57	*
ALASKA MUTUAL BANK	5533	516,652,818.77	*
ALASKA NAT'L BANK OF THE NORTH	215	18,467,494.50	*
ALASKA PACIFIC BANK	833	71,810,563.52	*
ALASKA PACIFIC MORTGAGE CO.	1288	146,934,511.76	*
ALASKA STATEBANK	1044	100,380,440.22	*
ALASKA STATEBANK - MHMC	1348	118,104,245.88	*
ALASKA TEAMSTERS FED CREDIT UN	180	15,261,037.13	*
ALASKA USA FEDERAL CR. UNION	1481	122,237,334.31	*
AVCP HOUSING AUTHCRITY	87	7,092,740.89	*
B. M. BEHREND'S BANK	436	42,856,270.84	*
CITY MORTGAGE CORPORATION	1344	46,051,655.01	*
COMMONWEALTH WESTERN MTG. CORP.	880	78,949,897.11	*
FEDALASKA FEDERAL CREDIT UNION	316	27,856,985.49	*
FIRST ALASKAN MORTGAGE/ESCROW	66	2,255,117.99	*
FIRST BANK	79	5,011,783.90	*
FIRST FEDERAL BANK - MHMC	780	74,793,385.80	*
FIRST FEDERAL BANK OF ALASKA	192	12,048,403.34	*
FIRST FEDERAL DVA ONLY	1710	84,323,728.28	*
FIRST GUARANTY MORT. CO OF AK	197	18,766,620.20	*
FIRST INTERSTATE BANK ALASKA	1628	144,188,230.92	*
FIRST NATIONAL BANK OF ANCH	8458	663,066,480.51	*
FIRST NATIONAL BANK OF FBKS	1543	134,808,548.78	*
FRONTIER ALASKA STATE C. U.	364	31,725,083.33	*
FRONTIER MORTGAGE CORPORATION	1	93,521.41	*
FRONTIER SAVINGS & LOAN	87	9,104,232.15	*
G.M.A.C. MORTGAGE CORP. OF PA	420	44,116,790.76	*
HOME SAVINGS & LOAN	1528	150,070,909.17	*
INTERIOR REGIONAL HSG. AUTH.	7	490,066.03	*
KISSELL - ALASKA INC.	80	8,608,718.78	*
KODIAK ISLAND HOUSING AUTH.	60	5,176,775.94	*
LOMAS & NETTLETON CO	92	8,454,511.20	*
MANUFACTURERS HANOVER MTG CORP	2153	190,024,317.83	*
MT. MCKINLEY MUTUAL SAVINGS	667	58,509,749.44	*
NANA REGIONAL HSG. AUTHORITY	25	2,193,509.25	*
NATIONAL BANK OF ALASKA	6602	536,155,185.26	*
PENINSULA SAVINGS & LOAN	99	6,858,242.82	*
RAINIER BANK ALASKA, N. A.	1055	94,521,029.35	*
RAINIER FINANCIAL SERVICES CO.	3317	265,912,888.95	*
SEAFIRST MORTGAGE CORPORATION	1011	80,489,379.25	*
SECURITY NATIONAL BANK	169	10,673,857.48	*
SECURITY PACIFIC MORTGAGE CO	772	62,821,666.25	*
SPOKANE MORTGAGE COMPANY	1155	90,519,576.41	*
SUBURBAN MORTGAGE TRUST	121	9,373,923.01	*
TLINGIT-HAIDA REG. HOUS. AUTH	60	4,121,222.12	*
UNITED BANK ALASKA	2636	254,795,516.61	*
WASHINGTON MORTGAGE CO., INC	5	5,994,766.26	*
WESTLAND MORTGAGE	245	26,080,915.01	*
	53380	4,488,874,381.30	**

TOTAL NUMBER OF RECORDS PROCESSED 53380

how many AHFC Loans have been refinanced out.

**ALASKA HOUSING FINANCE CORPORATION**  
 Monthly Applications - Amount Received  
 All First Mortgages

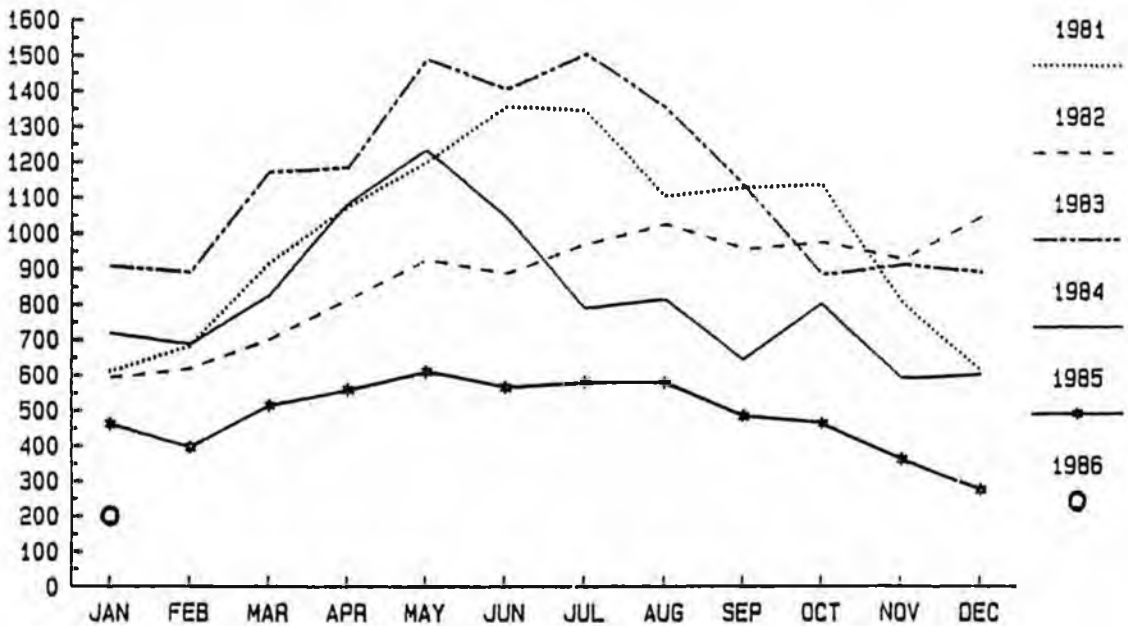
Millions of Dollars Applied For



APPS

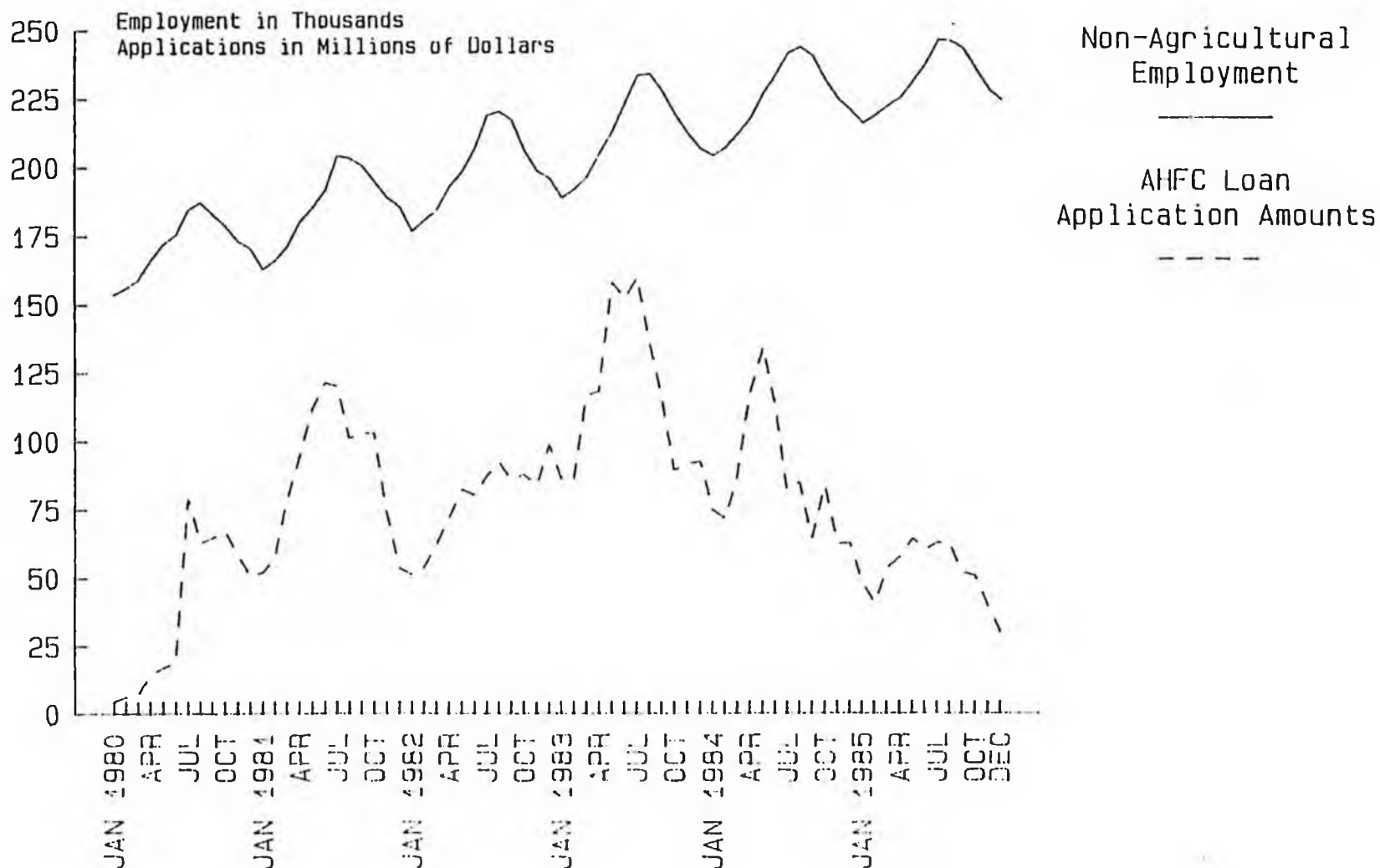
**ALASKA HOUSING FINANCE CORPORATION**  
 Monthly Applications - Number Received  
 All First Mortgages

Number of Applications Received



APPSNUM

ALASKA NON-AGRICULTURAL EMPLOYMENT  
 -- VS --  
 AHFC LOAN APPLICATION AMOUNTS



-35-

ALASKA HOUSING FINANCE CORPORATION

MONTHLY SUMMARY OF APPLICATIONS  
 FEBRUARY, 1986 UPDATE  
 ALL CONVENTIONAL AND FHA VA FIRST MORTGAGES  
 [EXCLUDING RURAL PROGRAMS]

RUN DATE 2/14/86

TIME 1:22:62

	RECEIVED			APPROVED			DENIED			PENDING/ IN PROCESS	
	NO.	AMT.	NO.	AMT.	%	NO.	AMT.	%	NO.	AMT.	%
JANUARY 86	198	\$21,838,400	180	\$20,176,460	90.45	11	\$947,800	5.53	0	\$714,160	4.02
DECEMBER 85	274	\$29,777,450	248	\$26,943,660	90.61	24	\$2,855,000	8.78	2	\$178,800	.73
NOVEMBER 85	361	\$39,263,460	328	\$35,833,160	90.31	32	\$3,055,760	8.88	3	\$284,650	.83
OCTOBER 85	461	\$60,436,480	422	\$48,828,700	81.54	38	\$3,708,060	8.24	1	\$100,700	.22
SEPTEMBER 85	481	\$61,896,740	391	\$43,347,860	81.29	90	\$8,347,890	18.71	0	\$0	.00
AUGUST 85	576	\$82,386,310	478	\$62,667,100	82.99	98	\$9,728,210	17.01	0	\$0	.00
JULY 85	578	\$82,868,860	492	\$64,692,060	86.12	86	\$8,281,800	14.71	1	\$85,000	.17
JUNE 85	563	\$60,082,300	484	\$60,384,300	82.42	99	\$9,878,000	17.58	0	\$0	.00
MAY 85	607	\$64,176,800	610	\$64,621,800	84.02	97	\$8,864,200	16.88	0	\$0	.00
APRIL 85	568	\$67,717,000	474	\$49,809,260	85.26	82	\$7,807,760	14.76	0	\$0	.00
MARCH 85	511	\$63,868,600	437	\$48,060,760	86.52	74	\$7,696,760	14.48	0	\$0	.00
FEBRUARY 85	392	\$40,688,860	328	\$34,128,000	83.18	66	\$8,660,860	18.84	0	\$0	.00
JANUARY 85	459	\$47,949,900	359	\$38,116,600	78.21	100	\$8,834,300	21.78	0	\$0	.00
DECEMBER 84	538	\$66,339,800	477	\$51,060,060	88.18	57	\$6,178,460	10.86	1	\$111,100	.19
NOVEMBER 84	477	\$50,919,100	448	\$47,993,060	93.92	29	\$2,926,060	6.08	0	\$0	.00
OCTOBER 84	726	\$76,892,260	709	\$73,824,260	97.88	17	\$1,867,700	2.34	0	\$0	.00
SEPTEMBER 84	584	\$68,433,800	564	\$65,462,660	94.86	30	\$2,970,960	6.14	0	\$0	.00
AUGUST 84	704	\$73,088,800	677	\$70,140,860	98.17	27	\$2,966,860	3.84	0	\$0	.00
JULY 84	678	\$70,829,160	648	\$67,136,800	95.28	32	\$3,893,960	4.72	0	\$0	.00
JUNE 84	890	\$88,021,360	864	\$83,247,600	97.08	26	\$2,773,860	2.92	0	\$0	.00
MAY 84	1,062	\$114,479,100	1,045	\$113,801,360	99.34	7	\$677,760	.67	0	\$0	.00
APRIL 84	962	\$104,041,060	949	\$103,876,300	93.89	3	\$386,760	.32	0	\$0	.00
MARCH 84	738	\$78,867,660	738	\$78,867,660	.00	0	\$0	.00	0	\$0	.00
FEBRUARY 84	603	\$63,800,800	603	\$63,800,800	.00	0	\$0	.00	0	\$0	.00
JANUARY 84	622	\$66,766,800	622	\$66,766,800	.00	0	\$0	.00	0	\$0	.00
DECEMBER 83	788	\$82,784,760	788	\$82,784,760	.00	0	\$0	.00	0	\$0	.00
NOVEMBER 83	786	\$78,916,960	786	\$78,846,960	99.87	1	\$70,000	.13	0	\$0	.00
OCTOBER 83	760	\$77,208,100	760	\$77,208,100	.00	0	\$0	.00	0	\$0	.00
SEPTEMBER 83	972	\$99,868,480	972	\$99,868,450	.00	0	\$0	.00	0	\$0	.00
AUGUST 83	1,148	\$116,919,260	1,148	\$116,919,260	.00	0	\$0	.00	0	\$0	.00
JULY 83	1,331	\$142,360,460	1,331	\$142,360,460	.00	0	\$0	.00	0	\$0	.00
JUNE 83	1,218	\$132,629,300	1,218	\$132,629,300	.00	0	\$0	.00	0	\$0	.00
MAY 83	1,308	\$139,608,800	1,308	\$139,608,600	.00	0	\$0	.00	0	\$0	.00
APRIL 83	976	\$88,389,400	976	\$88,389,400	.00	0	\$0	.00	0	\$0	.00
MARCH 83	988	\$100,263,660	988	\$100,263,660	.00	0	\$0	.00	0	\$0	.00
FEBRUARY 83	718	\$88,917,400	718	\$88,917,400	.00	0	\$0	.00	0	\$0	.00

ALASKA HOUSING FINANCE CORPORATION

MONTHLY SUMMARY OF APPLICATIONS  
 FEBRUARY, 1986 UPDATE  
 FIRST MORTGAGES UNDER THE MORTGAGE BOND SUBSIDY TAX ACT LOAN PROGRAM

RUN DATE 2/14/86

TIME 1:22:52

	RECEIVED			APPROVED			DENIED			PENDING/ IN PROCESS	
	NO.	AMT.	NO.	AMT.	%	NO.	AMT.	%	NO.	AMT.	%
JANUARY 88	63	\$5,340,700	53	\$4,528,050	84.13	8	\$478,400	9.52	4	\$334,250	6.35
DECEMBER 85	95	\$8,700,750	85	\$7,797,750	89.47	8	\$724,200	8.42	2	\$178,800	2.11
NOVEMBER 85	125	\$11,248,850	112	\$10,088,150	89.80	13	\$1,158,700	10.40	0	\$0	.00
OCTOBER 85	181	\$14,851,200	145	\$13,439,000	90.06	16	\$1,412,200	9.84	0	\$0	.00
SEPTEMBER 85	176	\$16,783,600	128	\$11,731,350	72.73	48	\$4,052,250	27.27	0	\$0	.00
AUGUST 85	181	\$18,823,400	148	\$13,012,150	77.49	43	\$3,911,250	22.51	0	\$0	.00
JULY 85	197	\$17,318,600	158	\$14,044,100	80.20	38	\$3,180,500	18.29	1	\$85,000	.61
JUNE 85	207	\$18,338,200	181	\$14,459,500	77.78	46	\$3,878,700	22.22	0	\$0	.00
MAY 85	239	\$20,830,800	194	\$17,085,050	81.17	45	\$3,745,750	18.83	0	\$0	.00
APRIL 85	228	\$19,380,800	188	\$18,300,800	83.19	38	\$3,080,000	18.81	0	\$0	.00
MARCH 85	217	\$18,790,800	181	\$15,771,400	83.41	36	\$3,019,400	18.59	0	\$0	.00
FEBRUARY 85	180	\$13,700,850	128	\$10,854,400	78.75	34	\$2,846,550	21.25	0	\$0	.00
JANUARY 85	175	\$15,426,350	125	\$11,085,050	71.43	50	\$4,381,300	28.57	0	\$0	.00
DECEMBER 84	207	\$18,037,350	175	\$15,305,750	84.54	32	\$2,731,800	15.46	0	\$0	.00
NOVEMBER 84	33	\$2,783,000	32	\$2,717,000	96.97	1	\$66,000	3.03	0	\$0	.00
OCTOBER 84	0	\$0	0	\$0	.00	0	\$0	.00	0	\$0	.00
SEPTEMBER 84	0	\$0	0	\$0	.00	0	\$0	.00	0	\$0	.00
AUGUST 84	1	\$85,500	1	\$85,500	.00	0	\$0	.00	0	\$0	.00
JULY 84	7	\$536,750	7	\$536,750	.00	0	\$0	.00	0	\$0	.00
JUNE 84	20	\$1,518,550	20	\$1,518,550	.00	0	\$0	.00	0	\$0	.00
MAY 84	34	\$2,801,250	34	\$2,801,250	.00	0	\$0	.00	0	\$0	.00
APRIL 84	207	\$17,210,200	207	\$17,210,200	.00	0	\$0	.00	0	\$0	.00
MARCH 84	224	\$18,821,000	224	\$18,821,000	.00	0	\$0	.00	0	\$0	.00
FEBRUARY 84	202	\$17,199,000	202	\$17,199,000	.00	0	\$0	.00	0	\$0	.00
JANUARY 84	217	\$18,180,150	217	\$18,180,150	.00	0	\$0	.00	0	\$0	.00
DECEMBER 83	302	\$25,868,250	302	\$25,868,250	.00	0	\$0	.00	0	\$0	.00
NOVEMBER 83	342	\$28,547,850	342	\$28,547,850	.00	0	\$0	.00	0	\$0	.00
OCTOBER 83	310	\$26,351,550	310	\$26,351,550	.00	0	\$0	.00	0	\$0	.00
SEPTEMBER 83	356	\$28,864,950	356	\$28,864,950	.00	0	\$0	.00	0	\$0	.00
AUGUST 83	424	\$35,119,050	424	\$35,119,050	.00	0	\$0	.00	0	\$0	.00
JULY 83	320	\$25,781,250	320	\$25,781,250	.00	0	\$0	.00	0	\$0	.00
JUNE 83	214	\$17,070,200	214	\$17,070,200	.00	0	\$0	.00	0	\$0	.00
MAY 83	121	\$8,172,450	121	\$8,172,450	.00	0	\$0	.00	0	\$0	.00
APRIL 83	142	\$10,483,800	142	\$10,483,800	.00	0	\$0	.00	0	\$0	.00
MARCH 83	139	\$10,243,350	139	\$10,243,350	.00	0	\$0	.00	0	\$0	.00
FEBRUARY 83	199	\$15,483,250	199	\$15,483,250	.00	0	\$0	.00	0	\$0	.00

ALASKA HOUSING FINANCE CORPORATION

MONTHLY SUMMARY OF APPLICATIONS  
 FEBRUARY, 1986 UPDATE  
 NON-QUALIFIED FIRST MORTGAGES UNDER THE  
 STATE ASSISTED MORTGAGE LOAN PROGRAM

RUN DATE 2/14/86

TIME 1:22:52

	RECEIVED			APPROVED			DENIED			PENDING/ IN PROCESS	
	NO.	AMT.	NO.	AMT.	%	NO.	AMT.	%	NO.	AMT.	%
JANUARY 86	87	\$8,467,100	82	\$7,985,550	92.54	4	\$373,550	5.97	1	\$108,000	1.49
DECEMBER 85	81	\$10,724,950	83	\$9,642,000	91.21	8	\$1,082,950	8.79	0	\$0	.00
NOVEMBER 85	124	\$14,812,500	115	\$14,013,250	92.74	8	\$799,250	8.45	1	\$113,600	.81
OCTOBER 85	183	\$18,260,810	152	\$18,148,000	83.25	11	\$1,102,810	8.75	0	\$0	.00
SEPTEMBER 85	188	\$19,428,850	139	\$18,819,150	83.73	27	\$2,807,500	18.27	0	\$0	.00
AUGUST 85	208	\$24,276,980	171	\$20,302,400	82.21	37	\$3,973,580	17.78	0	\$0	.00
JULY 85	207	\$24,061,250	178	\$20,929,450	85.02	31	\$3,121,800	14.98	0	\$0	.00
JUNE 85	181	\$22,139,400	155	\$18,279,100	81.15	36	\$3,860,300	18.85	0	\$0	.00
MAY 85	185	\$22,849,050	160	\$18,879,300	82.05	35	\$3,969,750	17.95	0	\$0	.00
APRIL 85	175	\$20,347,800	155	\$18,116,450	88.57	20	\$2,232,150	11.43	0	\$0	.00
MARCH 85	180	\$18,887,050	139	\$16,441,800	86.88	21	\$2,455,450	13.13	0	\$0	.00
FEBRUARY 85	03	\$12,081,350	84	\$9,880,850	81.55	19	\$2,220,500	18.45	0	\$0	.00
JANUARY 85	133	\$15,533,200	105	\$12,410,150	78.95	28	\$3,123,050	21.05	0	\$0	.00
DECEMBER 84	160	\$19,164,350	143	\$17,541,800	89.38	16	\$1,511,450	10.00	1	\$111,100	.63
NOVEMBER 84	279	\$29,494,850	259	\$27,440,800	92.83	20	\$2,053,850	7.17	0	\$0	.00
OCTOBER 84	510	\$51,262,450	495	\$49,829,250	97.08	15	\$1,823,200	2.94	0	\$0	.00
SEPTEMBER 84	415	\$39,775,300	393	\$37,898,900	94.70	22	\$2,078,400	5.30	0	\$0	.00
AUGUST 84	468	\$45,289,550	440	\$43,650,500	96.49	18	\$1,618,050	3.51	0	\$0	.00
JULY 84	430	\$43,427,750	408	\$40,806,450	94.42	24	\$2,621,300	5.58	0	\$0	.00
JUNE 84	567	\$59,010,400	536	\$55,785,600	96.23	21	\$2,224,800	3.77	0	\$0	.00
MAY 84	621	\$63,808,550	616	\$63,193,350	99.18	5	\$413,200	.81	0	\$0	.00
APRIL 84	403	\$48,029,850	401	\$45,818,800	99.50	2	\$210,750	.50	0	\$0	.00
MARCH 84	285	\$31,218,000	285	\$31,216,000	.00	0	\$0	.00	0	\$0	.00
FEBRUARY 84	211	\$24,145,300	211	\$24,145,300	.00	0	\$0	.00	0	\$0	.00
JANUARY 84	205	\$23,898,100	205	\$23,898,100	.00	0	\$0	.00	0	\$0	.00
DECEMBER 83	223	\$28,180,100	223	\$28,160,100	.00	0	\$0	.00	0	\$0	.00
NOVEMBER 83	224	\$24,353,500	223	\$24,283,500	98.55	1	\$70,000	.45	0	\$0	.00
OCTOBER 83	213	\$24,048,250	213	\$24,048,250	.00	0	\$0	.00	0	\$0	.00
SEPTEMBER 83	277	\$30,880,400	277	\$30,880,400	.00	0	\$0	.00	0	\$0	.00
AUGUST 83	374	\$41,832,750	374	\$41,832,750	.00	0	\$0	.00	0	\$0	.00
JULY 83	483	\$55,244,600	483	\$55,244,600	.00	0	\$0	.00	0	\$0	.00
JUNE 83	474	\$53,818,000	474	\$53,818,000	.00	0	\$0	.00	0	\$0	.00
MAY 83	848	\$68,874,700	848	\$68,874,700	.00	0	\$0	.00	0	\$0	.00
APRIL 83	859	\$67,882,550	859	\$67,882,550	.00	0	\$0	.00	0	\$0	.00
MARCH 83	543	\$54,813,650	543	\$54,813,650	.00	0	\$0	.00	0	\$0	.00
FEBRUARY 83	325	\$33,232,500	325	\$33,232,500	.00	0	\$0	.00	0	\$0	.00

ALASKA HOUSING FINANCE CORPORATION

MONTHLY SUMMARY OF APPLICATIONS  
FEBRUARY, 1986 UPDATE  
VA GENERAL OBLIGATION

RUN DATE 2/14/86

TIME 1:22:52

	RECEIVED		APPROVED			DENIED			PENDING/ IN PROCESS		
	NO.	AMT.	NO.	AMT.	%	NO.	AMT.	%	NO.	AMT.	%
JANUARY 86	69	\$8,030,800	65	\$7,662,880	94.20	1	\$95,860	1.45	3	\$271,800	4.35
DECEMBER 85	88	\$10,361,750	80	\$9,503,900	90.91	8	\$847,850	8.09	0	\$0	.00
NOVEMBER 85	112	\$13,084,100	99	\$11,831,750	88.39	11	\$1,111,400	8.82	2	\$150,950	1.79
OCTOBER 85	137	\$18,333,850	125	\$15,039,700	91.24	11	\$1,193,250	8.03	1	\$100,700	.73
SEPTEMBER 85	138	\$18,485,490	124	\$14,787,350	89.21	15	\$1,888,140	10.79	0	\$0	.00
AUGUST 85	177	\$21,185,950	159	\$19,342,550	89.83	18	\$1,843,400	10.17	0	\$0	.00
JULY 85	174	\$21,587,800	158	\$18,818,500	88.80	16	\$1,979,300	9.20	0	\$0	.00
JUNE 85	165	\$19,584,700	148	\$17,645,700	89.70	17	\$1,939,000	10.30	0	\$0	.00
MAY 85	173	\$20,485,950	158	\$18,557,250	80.17	17	\$1,938,700	8.83	0	\$0	.00
APRIL 85	155	\$18,008,800	131	\$15,483,000	84.52	24	\$2,515,800	16.48	0	\$0	.00
MARCH 85	134	\$15,988,850	117	\$13,847,750	87.31	17	\$2,120,900	12.89	0	\$0	.00
FEBRUARY 85	129	\$14,904,550	118	\$13,410,750	89.92	13	\$1,493,800	10.08	0	\$0	.00
JANUARY 85	151	\$18,990,350	129	\$14,840,400	85.43	22	\$2,349,950	14.57	0	\$0	.00
DECEMBER 84	168	\$19,137,900	159	\$18,202,500	94.84	9	\$935,400	6.36	0	\$0	.00
NOVEMBER 84	165	\$18,840,450	157	\$17,835,250	95.15	8	\$805,200	4.85	0	\$0	.00
OCTOBER 84	216	\$24,439,800	214	\$24,195,300	99.07	2	\$244,500	.93	0	\$0	.00
SEPTEMBER 84	188	\$18,858,300	161	\$17,785,750	95.27	8	\$882,550	4.73	0	\$0	.00
AUGUST 84	247	\$27,742,850	238	\$26,404,950	95.55	11	\$1,337,900	4.45	0	\$0	.00
JULY 84	241	\$28,884,850	233	\$25,792,600	96.88	8	\$1,072,050	3.32	0	\$0	.00
JUNE 84	313	\$38,482,400	308	\$35,843,350	98.40	5	\$549,050	1.80	0	\$0	.00
MAY 84	397	\$48,271,300	395	\$48,008,750	99.50	2	\$264,550	.50	0	\$0	.00
APRIL 84	342	\$40,801,200	341	\$40,648,200	98.71	1	\$155,000	.29	0	\$0	.00
MARCH 84	249	\$28,530,550	249	\$28,530,550	.00	0	\$0	.00	0	\$0	.00
FEBRUARY 84	190	\$22,258,300	190	\$22,258,300	.00	0	\$0	.00	0	\$0	.00
JANUARY 84	200	\$23,888,850	200	\$23,828,650	.00	0	\$0	.00	0	\$0	.00
DECEMBER 83	283	\$30,986,400	283	\$30,886,400	.00	0	\$0	.00	0	\$0	.00
NOVEMBER 83	220	\$26,014,800	220	\$26,014,600	.00	0	\$0	.00	0	\$0	.00
OCTOBER 83	237	\$28,808,300	237	\$28,808,300	.00	0	\$0	.00	0	\$0	.00
SEPTEMBER 83	339	\$39,241,100	339	\$39,241,100	.00	0	\$0	.00	0	\$0	.00
AUGUST 83	348	\$40,187,450	348	\$40,187,450	.00	0	\$0	.00	0	\$0	.00
JULY 83	528	\$61,344,800	528	\$61,344,800	.00	0	\$0	.00	0	\$0	.00
JUNE 83	530	\$61,841,100	530	\$61,841,100	.00	0	\$0	.00	0	\$0	.00
MAY 83	541	\$63,561,450	541	\$63,561,450	.00	0	\$0	.00	0	\$0	.00
APRIL 83	174	\$20,223,050	174	\$20,223,050	.00	0	\$0	.00	0	\$0	.00
MARCH 83	314	\$35,408,550	314	\$35,408,550	.00	0	\$0	.00	0	\$0	.00
FEBRUARY 83	194	\$21,191,850	194	\$21,191,650	.00	0	\$0	.00	0	\$0	.00

ALASKA HOUSING FINANCE CORPORATION

MONTHLY SUMMARY OF APPLICATIONS  
FEBRUARY, 1986 UPDATE  
MOBILE HOMES

RUN DATE 2/14/86

TIME 1:22:52

	RECEIVED			APPROVED			DENIED			PENDING/ IN PROCESS	
	NO.	AMT.	NO.	AMT.	%	NO.	AMT.	%	NO.	AMT.	%
JANUARY 88	24	\$848,721	14	\$617,476	58.33	10	\$328,245	41.67	0	\$0	.00
DECEMBER 85	32	\$1,258,234	26	\$1,043,781	81.25	6	\$214,453	18.75	0	\$0	.00
NOVEMBER 85	28	\$1,015,817	21	\$837,038	80.77	5	\$178,778	18.23	0	\$0	.00
OCTOBER 85	32	\$1,340,388	24	\$820,744	75.00	7	\$378,888	21.88	1	\$42,949	3.13
SEPTEMBER 85	45	\$2,086,770	34	\$1,585,335	75.58	11	\$501,435	24.44	0	\$0	.00
AUGUST 85	61	\$2,458,842	43	\$1,823,916	70.49	18	\$836,028	28.61	0	\$0	.00
JULY 86	38	\$1,385,171	31	\$1,124,784	81.58	7	\$260,377	18.42	0	\$0	.00
JUNE 85	48	\$1,908,717	38	\$1,471,188	78.28	10	\$438,628	21.74	0	\$0	.00
MAY 85	48	\$1,806,881	38	\$1,512,818	84.78	7	\$293,163	15.22	0	\$0	.00
APRIL 85	53	\$2,331,088	38	\$1,754,810	73.58	14	\$578,488	28.42	0	\$0	.00
MARCH 86	39	\$1,648,404	30	\$1,205,848	78.92	9	\$443,658	23.08	0	\$0	.00
FEBRUARY 85	40	\$1,772,800	26	\$1,183,878	65.00	14	\$588,122	36.00	0	\$0	.00
JANUARY 85	61	\$2,223,425	38	\$1,517,718	74.51	13	\$705,707	25.49	0	\$0	.00
DECEMBER 84	34	\$1,432,157	30	\$1,307,765	88.24	4	\$124,382	11.76	0	\$0	.00
NOVEMBER 84	50	\$2,050,882	48	\$2,023,438	98.00	1	\$27,664	2.00	0	\$0	.00
OCTOBER 84	86	\$3,820,871	88	\$3,820,871	.00	0	\$0	.00	0	\$0	.00
SEPTEMBER 84	58	\$2,478,358	57	\$2,417,088	88.81	2	\$68,273	3.38	0	\$0	.00
AUGUST 84	61	\$2,753,470	58	\$2,640,318	98.72	2	\$113,152	3.28	0	\$0	.00
JULY 84	58	\$2,200,080	56	\$2,104,682	86.55	2	\$85,408	3.45	0	\$0	.00
JUNE 84	104	\$4,313,885	102	\$4,221,852	88.08	2	\$82,033	1.82	0	\$0	.00
MAY 84	93	\$3,832,881	83	\$3,832,881	.00	0	\$0	.00	0	\$0	.00
APRIL 84	120	\$4,856,367	120	\$4,856,367	.00	0	\$0	.00	0	\$0	.00
MARCH 84	89	\$4,178,858	89	\$4,178,858	.00	0	\$0	.00	0	\$0	.00
FEBRUARY 84	54	\$2,045,384	64	\$2,045,384	.00	0	\$0	.00	0	\$0	.00
JANUARY 84	77	\$2,818,682	77	\$2,818,682	.00	0	\$0	.00	0	\$0	.00
DECEMBER 83	104	\$4,224,438	104	\$4,224,438	.00	0	\$0	.00	0	\$0	.00
NOVEMBER 83	74	\$2,848,585	74	\$2,848,585	.00	0	\$0	.00	0	\$0	.00
OCTOBER 83	184	\$8,827,350	184	\$8,827,350	.00	0	\$0	.00	0	\$0	.00
SEPTEMBER 83	157	\$5,828,500	157	\$5,828,500	.00	0	\$0	.00	0	\$0	.00
AUGUST 83	166	\$8,264,813	166	\$8,264,813	.00	0	\$0	.00	0	\$0	.00
JULY 83	173	\$8,420,650	173	\$8,420,650	.00	0	\$0	.00	0	\$0	.00
JUNE 83	178	\$8,238,876	178	\$8,238,876	.00	0	\$0	.00	0	\$0	.00
MAY 83	170	\$5,470,050	170	\$5,470,050	.00	0	\$0	.00	0	\$0	.00
APRIL 83	184	\$6,544,250	184	\$6,544,250	.00	0	\$0	.00	0	\$0	.00
MARCH 83	164	\$5,278,450	164	\$5,278,450	.00	0	\$0	.00	0	\$0	.00
FEBRUARY 83	111	\$3,873,300	111	\$3,873,300	.00	0	\$0	.00	0	\$0	.00

ALASKA HOUSING FINANCE CORPORATION

MONTHLY SUMMARY OF APPLICATIONS  
FEBRUARY, 1986 UPDATE  
TAXABLE SECOND MORTGAGE PROGRAM

RUN DATE 2/14/86

TIME 1:22:52

	RECEIVED			APPROVED			DENIED			PENDING/ IN PROCESS	
	NO.	AMT.	NO.	AMT.	%	NO.	AMT.	%	NO.	AMT.	%
JANUARY 86	4	\$180,800	4	\$180,800	.00	0	\$0	.00	0	\$0	.00
DECEMBER 85	4	\$122,100	2	\$81,800	50.00	1	\$7,600	25.00	1	\$33,000	25.00
NOVEMBER 85	17	\$808,960	14	\$748,050	82.35	3	\$180,800	17.65	0	\$0	.00
OCTOBER 85	8	\$283,600	7	\$227,500	87.50	1	\$38,000	12.50	0	\$0	.00
SEPTEMBER 85	11	\$614,660	10	\$604,550	90.91	1	\$10,000	8.09	0	\$0	.00
AUGUST 85	26	\$1,160,000	23	\$1,005,000	88.48	3	\$165,000	11.54	0	\$0	.00
JULY 85	23	\$1,178,800	17	\$842,200	73.91	8	\$337,600	28.08	0	\$0	.00
JUNE 85	22	\$1,053,800	18	\$824,800	86.36	3	\$128,100	13.64	0	\$0	.00
MAY 85	27	\$1,438,050	24	\$1,248,050	88.89	3	\$181,000	11.11	0	\$0	.00
APRIL 85	11	\$618,050	10	\$482,600	80.81	1	\$28,460	8.08	0	\$0	.00
MARCH 85	12	\$474,800	10	\$381,400	83.33	2	\$113,600	16.87	0	\$0	.00
FEBRUARY 85	6	\$287,000	4	\$187,000	80.00	1	\$70,000	20.00	0	\$0	.00
JANUARY 86	11	\$612,860	8	\$433,300	81.82	2	\$78,660	18.18	0	\$0	.00
DECEMBER 84	15	\$607,660	15	\$607,660	.00	0	\$0	.00	0	\$0	.00
NOVEMBER 84	22	\$844,160	18	\$780,450	86.38	3	\$153,700	13.84	0	\$0	.00
OCTOBER 84	36	\$1,886,400	36	\$1,888,400	97.22	1	\$28,000	2.78	0	\$0	.00
SEPTEMBER 84	23	\$1,104,860	22	\$1,072,800	86.86	1	\$31,860	4.36	0	\$0	.00
AUGUST 84	38	\$1,486,850	34	\$1,453,350	84.44	2	\$33,600	6.58	0	\$0	.00
JULY 84	29	\$1,421,160	28	\$1,421,160	.00	0	\$0	.00	0	\$0	.00
JUNE 84	31	\$1,468,800	31	\$1,468,800	.00	0	\$0	.00	0	\$0	.00
MAY 84	20	\$1,001,300	18	\$871,900	80.00	2	\$128,400	10.00	0	\$0	.00
APRIL 84	3	\$158,400	3	\$159,400	.00	0	\$0	.00	0	\$0	.00
MARCH 84	6	\$188,660	5	\$188,660	.00	0	\$0	.00	0	\$0	.00
FEBRUARY 84	5	\$208,800	5	\$208,800	.00	0	\$0	.00	0	\$0	.00
JANUARY 84	1	\$78,800	1	\$78,800	.00	0	\$0	.00	0	\$0	.00
DECEMBER 83	6	\$286,860	6	\$286,860	.00	0	\$0	.00	0	\$0	.00
NOVEMBER 83	7	\$364,400	7	\$384,400	.00	0	\$0	.00	0	\$0	.00
OCTOBER 83	11	\$472,750	11	\$472,750	.00	0	\$0	.00	0	\$0	.00
SEPTEMBER 83	12	\$688,050	12	\$668,050	.00	0	\$0	.00	0	\$0	.00
AUGUST 83	16	\$780,600	15	\$780,600	.00	0	\$0	.00	0	\$0	.00
JULY 83	11	\$410,100	11	\$410,100	.00	0	\$0	.00	0	\$0	.00
JUNE 83	12	\$638,450	12	\$638,450	.00	0	\$0	.00	0	\$0	.00
MAY 83	11	\$350,400	11	\$360,400	.00	0	\$0	.00	0	\$0	.00
APRIL 83	8	\$348,360	8	\$348,360	.00	0	\$0	.00	0	\$0	.00
MARCH 83	11	\$428,100	11	\$428,100	.00	0	\$0	.00	0	\$0	.00
FEBRUARY 83	8	\$344,700	8	\$344,700	.00	0	\$0	.00	0	\$0	.00

ALASKA HOUSING FINANCE CORPORATION

Approved Commitments

All FHA/VA and Conventional First Mortgages  
(Excluding Rural Programs)

Fiscal Year Ending June 30

MONTH	1978	1979	1980	1981	1982	1983	1984	1985	1986
July	13,983,050	14,113,250	19,871,600	68,128,100	99,597,000	66,722,900	142,350,450	67,135,800	*54,592,050
Aug.	14,385,075	18,674,250	52,624,500	54,546,900	88,051,200	75,702,950	116,919,250	70,140,950	52,657,100
Sept.	6,325,750	13,797,250	-0-	56,793,150	83,430,250	68,201,100	99,866,450	55,462,650	43,347,850
Oct.	9,583,450	15,891,950	480,300	60,063,100	84,814,350	67,316,150	77,208,100	73,824,550	*46,626,700
Nov.	10,019,305	12,781,250	5,214,450	49,711,950	62,460,700	67,733,000	78,845,950	47,993,050	*35,933,150
Dec.	8,010,870	9,918,300	5,857,350	40,700,650	42,509,700	80,033,000	82,794,750	*51,050,050	*26,943,650
Jan.	6,514,200	8,267,400	6,706,350	41,926,550	38,791,500	69,781,250	65,756,900	38,115,600	*20,176,450
Feb.	5,446,950	11,575,550	7,001,250	48,181,150	36,773,300	69,917,400	63,600,600	34,126,000	
March	9,123,100	10,651,350	7,866,150	64,754,050	43,885,950	100,263,550	78,667,550	46,060,750	
April	9,971,650	15,562,500	14,571,700	76,606,200	52,651,550	98,389,400	103,675,300	49,909,250	
May	9,155,000	23,108,200	18,381,350	92,068,200	62,095,600	139,608,600	113,801,350	54,521,600	
June	14,867,180	32,271,400	18,158,750	101,778,150	62,354,600	132,629,300	93,247,500	50,384,300	
TOTAL:	<u>\$117,385,580</u>	<u>\$186,612,650</u>	<u>\$157,733,750</u>	<u>\$755,258,150</u>	<u>\$757,415,700</u>	<u>\$1,036,298,600</u>	<u>\$1,116,734,150</u>	<u>\$438,724,550</u>	<u>\$280,276,950</u>
AVERAGE (Monthly)	\$ 9,782,132	\$ 15,551,054	\$ 13,061,145	\$ 62,938,179	\$ 63,117,975	\$ 86,358,217	\$ 93,061,179	\$ 53,227,046	\$ 43,039,564

\* Does not include applications in process or pending.

Date of Report 1/31/86

ALASKA HOUSING FINANCE CORPORATION

Mortgage Purchases at Cost (Price Paid)

Fiscal Year Ending June 30

MONTH	1979	1980	1981	1982	1983	1984	1985	1986
July	\$ 8,462,021	\$ 12,436,331	\$ 9,712,344	\$ 42,056,835	\$ 51,817,254	\$ 90,200,323	\$ 89,846,623	\$ 52,527,635
Aug.	10,102,995	15,751,694	19,072,754	83,745,880	49,763,889	134,199,925	93,718,618	41,152,600
Sept.	10,397,080	21,645,319	40,170,231	95,384,748	55,894,507	139,757,633	80,047,763	38,821,109
Oct.	14,562,803	21,934,840	56,046,534	91,843,964	77,117,161	130,424,085	87,178,963	57,702,452
Nov.	17,083,180	23,450,611	61,886,908	96,359,665	77,829,973	128,060,256	83,961,135	66,071,499
Dec.	17,387,835	16,776,884	55,216,277	87,453,537	74,335,485	135,282,980	71,625,578	50,368,222
Jan.	13,348,638	10,941,379	49,702,770	73,019,196	68,860,512	112,453,982	64,177,406	35,206,001
Feb.	14,221,170	10,151,747	54,660,508	58,554,817	88,746,847	117,786,301	65,175,812	32,665,819
Mar.	12,321,124	6,718,413	53,310,557	41,569,496	68,938,271	90,708,530	50,201,231	
April	13,236,617	10,774,935	56,545,093	53,590,813	73,887,664	87,153,174	50,705,437	
May	11,763,355	8,144,442	56,690,714	45,654,555	105,204,375	86,958,475	51,458,858	
June	<u>12,470,412</u>	<u>10,290,179</u>	<u>90,094,606</u>	<u>53,204,319</u>	<u>103,052,264</u>	<u>77,784,404</u>	<u>48,065,580</u>	
TOTAL:	<u>\$155,357,230</u>	<u>\$169,016,774</u>	<u>\$603,109,296</u>	<u>\$822,437,825</u>	<u>\$895,448,202</u>	<u>\$1,554,770,068</u>	<u>\$ 836,163,004</u>	<u>\$374,515,337</u>
AVERAGE	\$ 12,946,436	\$ 14,084,731	\$ 50,259,108	\$ 68,536,485	\$ 74,620,684	\$ 111,230,839	\$ 69,680,250	\$ 46,814,417

All Programs

Date of Report 2/20/86



LEGISLATIVE BRIEFING

February 25, 1986

ALASKA HOUSING FINANCE CORPORATION

Legislative Briefing

February 25, 1986

T A B L E O F C O N T E N T S

TAB I

Alaska Housing Finance Corporation Program Brochures

Loan Qualification Table

Personnel Chart - 1985  
- 1986

Copy of Memo to Board of Directors Regarding AHFC Rental Program

Copy of Memo to Ronald Lehr Regarding Financing and Insurance  
Aspects of the Proposed Rental Program

Copy of Seller/Service Memo Regarding Unsecured Note Option for  
Mobile Homes

TAB II

Copy of Memo to Ronald Lehr Regarding Delinquencies, Foreclosures  
and Real Estate Owned

Loan Delinquency Graphs

Summary of Recent Loan Underwriting Changes

TAB III

Summary of Residential Finance Related Activity

TAB IV

Pending AHFC Legislation - Veterans Bond Authorization (HB 533)

- Veterans Mortgage Program Information as of December 31, 1985
- Loan Summary of Mortgages Purchased - Veterans Mortgage Bonds  
as of January 31, 1986
- Copy of Letter from Governor Sheffield to Senator Ted Stevens  
Regarding H.R. 3838 (with attachments)

TAB V

Pending AHFC Legislation - Refinancing of Existing AHFC Loans (HB 530)

- Summary of Refinancing Program Benefits
- Copy of Letter to Representative Duncan Regarding Refinancing Program
- Excerpts Regarding Interest Rate Projections



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

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

P.O. Box 1020  
Anchorage, Alaska 99510  
(907) 276-5599



Alaska HOUSING FINANCE CORPORATION



# BUYING A HOME IN THE FUTURE?

**Alaska Housing Finance Corporation wants you to know the facts about the Alaska Building Equity (ABE) Mortgage.**

**This pamphlet explains how the ABE mortgage works and how you, the home buyer, will benefit from this financing method.**

## FEATURES

The interest rate remains fixed for the entire life of the mortgage. The initial monthly payments are the same as those which would be required for a 30 year level monthly payment fixed rate mortgage. The monthly payments are increased by 5% for each year at the beginning of years four through nine. Since the interest rate is fixed, the increased portion of the monthly payment is applied to the outstanding principal of the mortgage loan. As a result, the loan is fully repaid within 16 years. Additionally, the amount of total interest paid during the life of the mortgage is approximately half of that paid were the same loan to be repaid over a 30 year period.

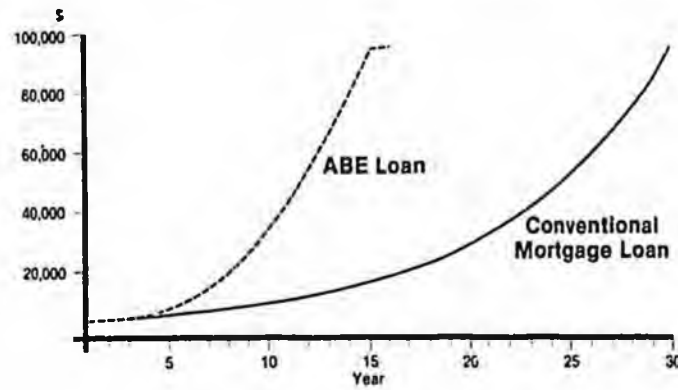
## ADVANTAGES TO THE BORROWER

**LOWER MORTGAGE RATE:** Mortgages in excess of \$90,000 will immediately benefit from the reduction in the borrowing costs of AHFC. When AHFC's costs of funds are reduced to a level within 3% of the interest rate previously in effect for the first \$90,000 of a mortgage loan, all borrowers will benefit from the reduction.

**INCREASED RATE**

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

**Comparison of Cumulative Equity Balance**



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

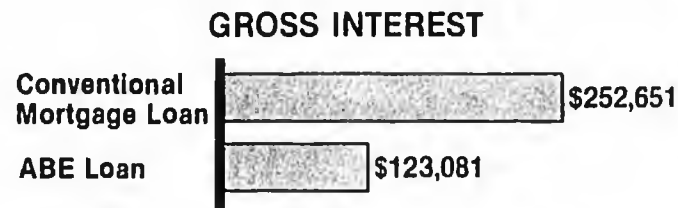
**LOWER MORTGAGE**

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

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

On a loan amount of \$90,000, amortized over a 30 year period, the borrower pays four times the original cost of the dwelling with 74% of this amount in interest payments. Because the ABE loan is completely paid off in the 16th year, the borrower will pay approximately one-half the interest costs of the standard 30 year term mortgage.

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



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

**INCREASES ARE**

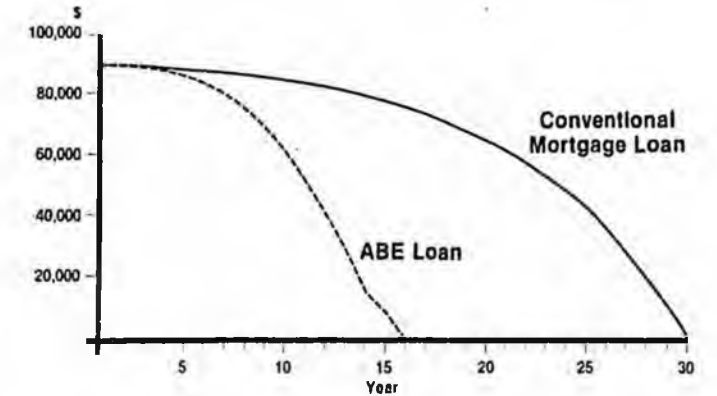
**GRADUAL AND MODERATE:** There are no increases until the beginning of the 4th year. The required increase of 5% in that year's monthly payments for a \$90,000 loan would amount to \$47.59. Payments are increased only

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

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

\* Includes \$130 for reserves.  
+ The payment remains unchanged for the duration of the mortgage.  
Figures based on a \$90,000 loan amount with an interest rate of 12.375%.

**Comparison of Annual Outstanding Loan Balance**



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

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

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

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

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



# The Home Buying Process



Alaska  
HOUSING  
FINANCE  
CORPORATION

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

## 1. What Can You Afford

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

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

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



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

## 2. Cash Needed

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

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

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

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

**\*Approximate Monthly Principal Interest**

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

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

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

**3. How to Find the Right House**

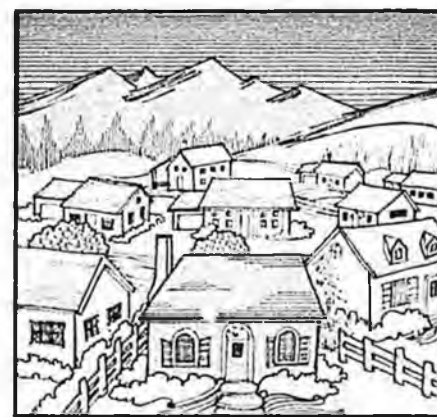
Before you begin looking for the house which best meet your needs, you should consider the various neighborhoods and the types of ownerships.

**Selecting An Area**

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

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

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



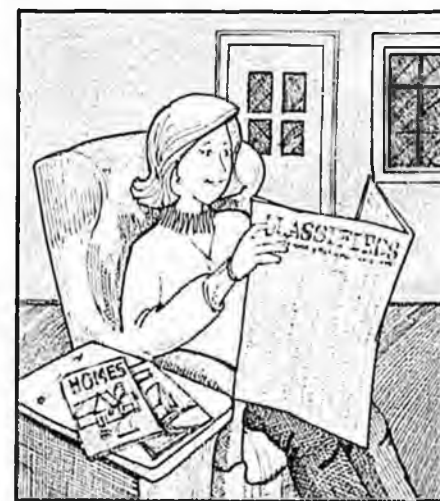
**Type of Ownership**

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

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

**Where To Look**

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



**4. Making an Offer**

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

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

**5. Arranging Financing**

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

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

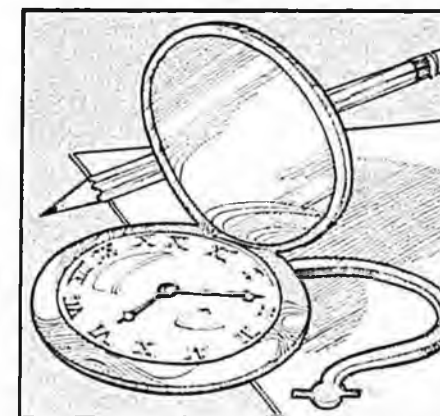
**6. The Application Process**

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

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

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

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



**The Time Element**

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

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

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

**7. Closing the Deal**

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

**The Time Element**

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

**Approved Alaska Housing Seller/Service**

- Alaska Continental Bank
- Alaska Federal Savings & Loan
- Alaska Mutual Bank
- Alaska National Bank of the North
- Alaska Pacific Mortgage Company
- Alaska Statebank
- Alaska Teamsters Federal Credit Union
- Alaska USA Federal Credit Union
- B.M. Behrends Bank
- City Mortgage Corporation
- Colonial Mortgage Services Co.
- Columbia Services
- Fedaska Federal Credit Union
- First Alaskan Mortgage & Escrow
- First Bank
- First Federal Bank of Alaska
- First Guaranty Mortgage Co.
- First Interstate Bank of Alaska
- First National Bank of Anchorage
- First National Bank of Fairbanks
- Frontier Alaska State Credit Union
- Frontier Mortgage Corporation
- Frontier Savings & Loan
- General Electric Mortgage Corporation
- Home Savings & Loan
- Kissell-Alaska Inc.
- Lomas & Nettleton
- Mt. McKinley Mutual Savings Bank
- National Bank of Alaska
- Peninsula Savings & Loan
- Rainier Bank Alaska
- Rainier Financial Services Co.
- Security National Bank
- Security Pacific Mortgage
- Spokane Mortgage Company
- Suburban Mortgage Trust
- United Bank Alaska
- Westland Mortgage

# What's Available To The Veteran

*Alaska*  
HOUSING  
FINANCE  
CORPORATION

**There are three basic options available to the veteran through AHFC:**

- 1. An AHFC Loan combined with a Federal Veterans Administration Loan;**
- 2. The Veterans Mortgage Program; and**
- 3. The State Veterans Interest Rate Preference.**

## 1. AHFC/Federal VA

### Benefit:

The major benefit of combining an AHFC loan with a Federal VA guaranteed loan is the lower down payment.

**Maximum Loan Amount:** \$135,000

### Minimum Down Payment:

Up to \$110,000	Zero down
\$110,000-\$135,000	25% on the amount over \$110,000

### \*Qualification:

Eligibility for the Veteran benefit is determined by the Federal Veterans Administration. This program may be combined with AHFC's Regular Program, Veterans Mortgage Program, Tax-Exempt Program, HOF Program and Mobile Home Program.

## 2. Veteran's Mortgage Program (VMP)

### Benefit:

A lower interest rate than under AHFC's other programs, on the entire loan amount.

### Maximum Loan Amount:

Single Family Residence	\$190,150
Duplex	\$221,200
Triplex	\$267,300
Four-plex	\$332,200

If the residence is a multi-family dwelling (duplex - four-plex) then all units must have been occupied as such for at least 5 years.

### Minimum Down:

Single-Family and Duplex	5%
Triplex and Four-plex	10%

### \*Qualification:

Federal restrictions require that in-



dividuals applying under this program be "qualified veterans" as defined under Title 38, United States Code 101(2) and have been on active duty prior to January 1, 1977, and cannot have been out of the service for more than 30 years.

Documentation that is accepted by AHFC as evidence of meeting the code is the Veterans Certificate of Eligibility, or a letter from the Federal Veterans Administration and a DD-214, or, for Commissioned Officers, a letter from Personnel stating the entry date of service. Basically, an individual must have served in the Armed Forces and have been discharged other than dishonorably. In addition, active military who have completed their initial period of duty may qualify. The code also includes certain individuals in the Public Health Service but severely limits National Guard and Reservist. You may combine this program with Number 1 to receive the benefit of both the lower interest rate and the down payment.

## 3. State Veterans Interest Rate Preference

### Benefit:

The State Veteran receives a 1 percent lower interest rate on the first \$90,000 of the loan. The important thing to remember is that this is not a program but an interest rate differential that must be applied to a program. It may be applied to all of the programs offered by AHFC but it may not be combined with Number 2, the Veterans Mortgage Program.

### \*Qualification:

Determination for the State Veterans Interest Rate preference is made by AHFC. To qualify for the lower rate, the borrower may not currently be on active duty. An individual must have served in the Armed Forces for 90 days or more (unless discharged due to a service connected injury) and have been discharged other than dishonorably. Active duty for the purpose of training will not be counted toward the 90 day requirement. Members of

the Reserve (if the unit is a troop program unit) and Alaska National Guard with a minimum of 5 years service may also qualify. In addition, a widow or widower may qualify if the Veteran was inducted from Alaska.

#### **Type of Loan**

AHFC utilizes an Alaska Building Equity (ABE) mortgage. Under this type of mortgage, the interest rate is fixed, however, there are moderate increases to the monthly payments in

years four through nine. These increases are applied directly to the outstanding principal balance on the loan. Therefore, the loan is repaid in approximately 18 years. A detailed description of the ABE mortgages is available in AHFC's pamphlet "Buying a Home in the Future."

#### **Interest Rates**

Mortgage interest rates are based on the interest rate for AHFC bonds plus the Corporation's operating costs and

will vary from time to time. INTEREST RATES ARE SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. Consult your lender for the current AHFC rate.

*\*The qualifications given for the three options are not intended to be inclusive but to provide only the basic guidelines.*

# Taxable Mortgage Program Conventional Loan



*The largest and most commonly utilized program is AHFC's Conventional or Regular Program.*

## Features

### Maximum Loan Amount

Single-Family Residence . . . . . \$190,150  
Two-Family Residence . \$221,200

Minimum Down Payment . . . . . 5%

### Eligible Property

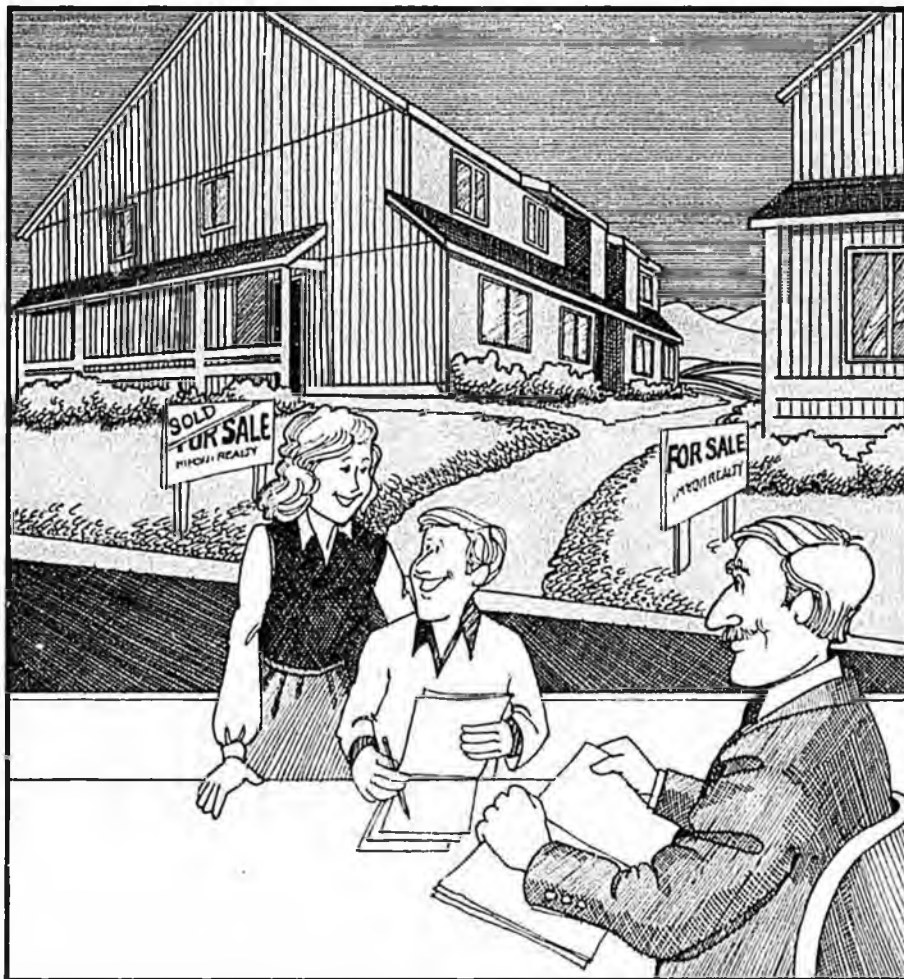
Owner-occupied single-family or duplex dwellings, including owner-occupied condominium units, units in a planned unit development (PUD), and Type I mobile homes.

VA guaranteed loans are allowed; however, down payments and maximum loan amounts will vary. The current maximum loan amount is \$135,000. Check with your lender for details.

## Type of Loan

Alaska Housing Finance Corporation utilizes a mortgage loan referred to as the Alaska Building Equity (ABE) Mortgage. There are many positive features to the ABE mortgage. The interest rate remains fixed for the entire life of the mortgage. Although there are moderate increases to the mortgage payment during the years four through nine, the borrower knows exactly what the monthly payments will be for the entire life of the mortgage. Since the interest rate remains fixed, all increases are applied to the principal balance, thus increasing the borrower's equity and repaying the loan within approximately sixteen years.

A detailed description of the ABE mortgage is available in AHFC's pamphlet entitled "Buying A Home In The Future?"



## Interest Rates

Interest rates charged by AHFC have been established by the Legislature and these rates will fluctuate according to the cost AHFC pays to obtain its funds. By law, AHFC is required to provide below market or subsidized rates to eligible borrowers on the first \$90,000 of the mortgage loan. For any portion above \$90,000, the borrower

is required to pay the cost AHFC pays to obtain its funds. Since AHFC interest rates are directly tied to the cost the Corporation must pay to obtain the funds, interest rates are SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. Consult your lender for the current AHFC interest rate for this program.

# Mobile Home Program



*Offering an alternative to the high cost of stick built dwellings, mobile homes have played a significant role in providing housing in Alaska.*

## Features

### Maximum Loan Amount:

Type I - \$190,150

Type II - \$ 75,000

### Minimum Down: 5%

### Maximum Term:

Type I - ABE Structured Mortgage  
(See brochure "Buying a Home in the Future")

Type II - Lesser of 20 years or remaining economic life.

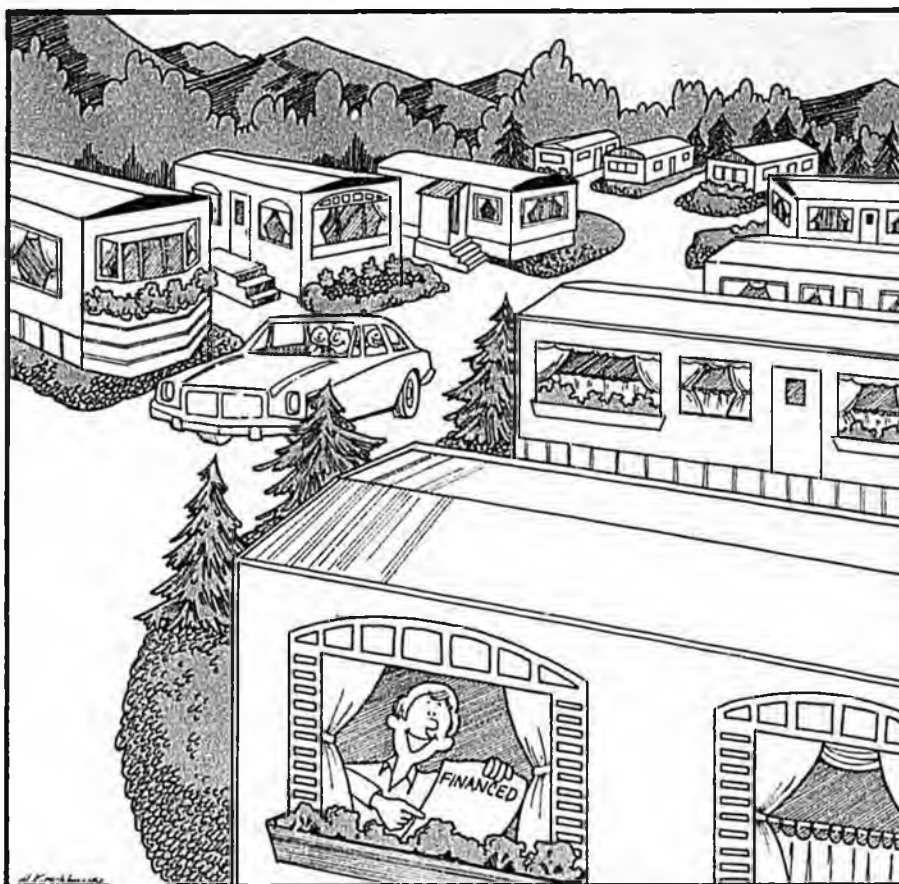
VA guaranteed loans are allowed, however, down payments and maximum loan amounts will vary.

## Type I Mobile Home Criteria

Type I mobile homes will be financed with the proceeds from bond sales and may be financed under our Taxable Program, Veterans Mortgage Program, Tax-Exempt Program, Home Ownership Assistance Program, and Pledged Account Program (brochures for these Programs are available through your lender or AHFC).

Based on our current Pool Insurers' requirements, to be eligible for financing as a Type I Mobile Home the following requirements must be met:

1. Units must have been constructed after 6/15/76.
2. Units must be set up on permanent foundation and situated on fee simple lot or accepted leasehold estate.
3. Units must contain a minimum of 700 square feet, exclusive of lean-tos, wanigans, etc.
4. Units must have a pitched roof (for every 12 inches, the rise must be 2 inches), and have a roof overhang of no less than 5 inches.
5. Units must have a minimum ceiling height of 7' 6".
6. Units must be taxed as real property.



7. Units must meet the Federal Mobile Home Construction and Safety Standards (Title VI, Housing and Community Development Act of 1974).

## Type II Mobile Home Criteria

Type II mobile homes must contain a minimum of 600 square feet. Type II mobile homes are defined as all mobile homes not meeting the criteria set forth for a Type I unit. Type II mobile home units (purchase or refinance) are also eligible for financing under the Home Ownership Assistance Program

Type II mobile home loans may be for:

1. The purchase of a mobile home,
2. The purchase of a mobile home and lot,
3. The purchase of a mobile home and to pay off an existing lot currently owned by the borrower,
4. The refinancing of the borrower's existing mobile home, and the purchase of a lot,

(The loan amount for a refinance may include the outstanding balance on the mobile home, moving expenses, allow-

able closing costs, private credit insurance and 95% of the lot value improved with access, water and sewer. Lot value is determined by the lesser of cost or appraised value).

5. The modification of the note to include moving expenses to another mobile home park if a borrower has an AHFC loan for a mobile home in a park that closes.

#### **Other Criteria for Type II Mobile Homes**

1. If the unit is in a mobile home park, the park must be an approved AHFC park and must provide the borrower with a One Year Eviction Notice Agreement.

2. All mobile homes (new or used) moved to Alaska after January 1, 1985 must have a HUD seal for Zone 3, to be eligible for financing.

3. Borrowers who have a mobile home (new or used) which was moved to Alaska after January 1, 1985, and

located on a rented lot within a mobile home park approved by AHFC must have a five-year space guaranty provided by the mobile home park owner.

4. Personal property (appliance package) that may be included in the sale of the mobile home is limited to \$1,500. No furniture may be included in the sale of the mobile home.

5. When the mobile home is located on fee simple land or an acceptable leasehold estate (and on a permanent foundation) improvements such as lean-tos, wanigans, storage, etc. may be part of the appraised value if they enhance the livability and marketability of the unit.

6. On purchase transactions if the mobile home is located on fee simple land or an acceptable leasehold estate (where a fee simple interest is not available due to State or Federal restrictions), AHFC will not normally provide financing where the value of the land is in excess of the value of the mobile

home and foundation. If the value of the land is more than 50% of the total appraised value, AHFC will consider what factors attribute to the higher land versus mobile home value (i.e., the condition of the mobile home, excessive land, etc.) in determining the allowable loan amount.

The 50 percent land versus mobile home guideline does not apply to lot acquisition/refinance transactions. AHFC, will however, review all aspects of the loan in determining if the property offers sufficient collateral for the loan.

#### **Interest Rates**

The interest rates under this program follow those established under the Taxable Mortgage Program and are based on the rate for AHFC bonds plus the Corporation's operating costs and will vary from time to time. INTEREST RATES ARE SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. Consult your lender for the current AHFC rate.

# Mortgage Subsidy Tax Act Tax-Exempt Program



**Loans offered under the Tax-Exempt Program are subject to regulations and guidelines that have been developed by the U.S. Department of Treasury.**

## Features

### Acquisition Cost Limits\*

Single-Family - Existing Dwelling . . . . .	\$136,950
Single-Family - New Construction . . . . .	\$127,930
Duplex - Existing Dwelling (5 years) . . . . .	\$154,206

Minimum Down Payment . . . . . 5%

### Eligible Property

Owner-occupied single-family dwellings, including condominiums, units in a PUD, duplexes, and Type I mobile homes.

VA guaranteed loans are allowed. However, down payments and maximum loan amounts will vary. Check with your lender for details. In addition, a borrower may combine this program with the Pledged Account Mortgage Program (PAM) or the Homeownership Assistance Program (HOF). IF THE TAX-EXEMPT PROGRAM IS COMBINED WITH EITHER THE PAM OR THE HOF, THE REQUIREMENTS OF BOTH PROGRAMS MUST BE MET.

*\*Federal regulations require that the purchase price not exceed 110% of the average area purchase price. AHFC conducts studies on a periodic basis to determine the average area purchase prices for Alaska; therefore, the acquisition cost limit is subject to change.*

### Type of Loan

The ABE mortgage payment structure applies to the Tax-Exempt Program. Refer to AHFC's pamphlet entitled "Buying A Home In The Future?" for a detailed description of the ABE mortgage.



## Eligibility Criteria

Since this is a federally regulated program, there are several criteria a borrower must meet in order to qualify:

1. Ninety percent (90%) of the funds under this program will be allocated to borrowers who *have not* owned a home or had an ownership interest in a home, which was used as the borrower's primary residence, for the three years prior to the date of application. Ownership in rental property (as long as the borrower did not reside in the property) or vacation property is permitted.

The remaining 10% of the funds under this program will be allocated to HOF applicants who have previously owned or had an ownership interest in a home within the three years prior to the date of application.

2. Not more than 15% of the dwelling may be used for business or trade and no portion of the property may be

specifically designed for commercial use.

3. All improvements, additions or alterations that the borrower(s) plans to make to the residence prior to closing must be reported. The cost of those improvements, when added to the original cost of the dwelling, may not exceed the maximum acquisition cost limits above.

4. All borrowers will be required to submit copies of their original tax returns which cover the past three years prior to date of application.

## Interest Rates

Mortgage interest rates are based on the interest rate for AHFC bonds plus the Corporation's operating costs and will vary from time to time. INTEREST RATES ARE SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. Consult your lender for the current AHFC rate on the Tax-Exempt Program.



# Home Ownership Assistance Program (HOF)



*By providing an additional subsidy the HOF Program reduces the borrower's monthly mortgage payment.*

## Features

### Maximum Loan Amount

The purchase price and appraised value shall not exceed:

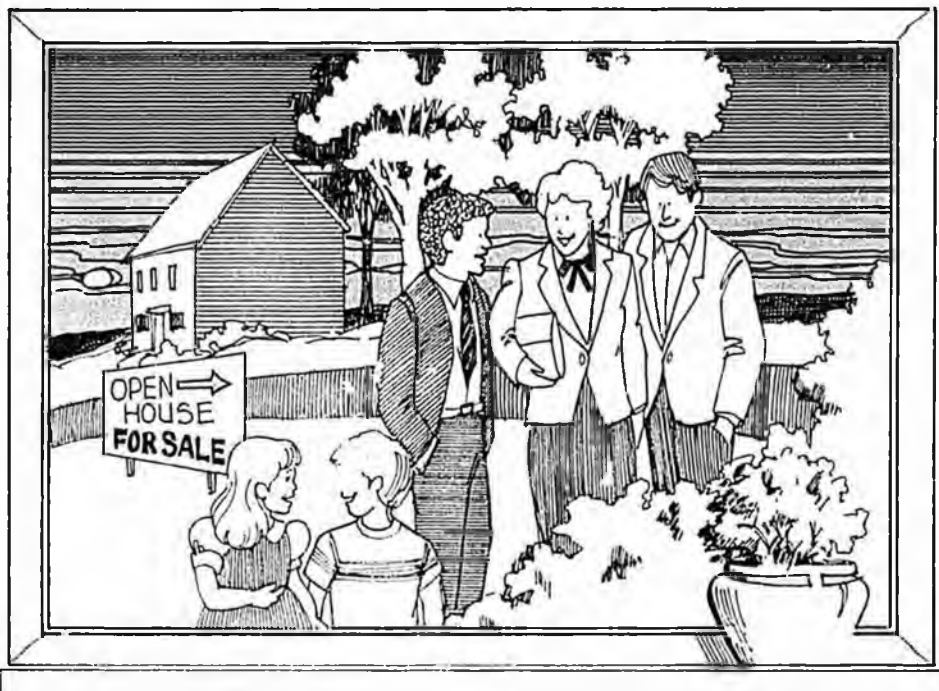
- \$ 80,000 - Family 1 or 2 adults
- \$ 85,000 - Family 1 adult and 1 dependent or 2 adults and 1 dependent
- \$ 90,000 - Family 1 adult and 2 dependents or 2 adults and 2 dependents
- \$100,000 - Family 1 adult and 3 or more dependents or 2 adults and 3 or more dependents.

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

Dependent, for these purposes, is defined as:

1. A person who resides with the borrower for more than 3 months of the year, is under the age of 18, and is in the legal custody of the borrower; or
2. A person who the borrower may declare as a dependent for federal income tax purposes except a) the borrower's spouse or b) a child of the borrower who is in the legal custody of another parent or legal guardian and resides away from the borrower for a majority of each year.

**Minimum Down Payment** 5%  
VA guaranteed loans are also allowed. Depending upon the amount of guarantee, the down payment requirement may be as low as zero.



### Eligible Property

Owner-occupied single-family residences including condominium units, units in a planned unit development, and mobile homes. Multi-family residences are not permitted.

### Type of Loan

With the exception of Type II mobile homes, AHFC utilizes an Alaska Building Equity (ABE) Mortgage. Under this type of mortgage, the interest rate is fixed, however, there are moderate increases to the monthly payment in years four through nine. These increases are applied directly to the outstanding principal balance on the loan. Therefore, the loan is repaid in approximately 18 years. A detailed description of the ABE mortgage is

available in AHFC's pamphlet, "Buying a Home in the Future."

For Type II mobile homes (see AHFC's brochure on the Mobile Home Program for a definition of Type II units), the maximum loan term is the lesser of 20 years or the remaining economic life of the unit.

### Asset Limitation

To be eligible for the HOF Program, there are asset limitations that the household must meet. At the time of application, the household members may not own assets exceeding:

\$50,000 for a one member household and \$5,000 additional for each household member beyond one. If a member of the household

is 65 years old or over, the limit is raised to one and one-half times the applicable limit for the household size.

Household, for these purposes is defined as: All persons who occupy the home on a permanent basis as a full or part-time resident.

### What Constitutes an Asset?

When reviewing a loan application, AHFC considers the current value of all assets without regard to any outstanding loan balance. The only exception is if the borrower currently owns his existing residence which is being sold. In this case, the difference between the appraised value and the outstanding loan will be used in determining total assets.

### Calculation of Subsidy

The HOF Program assists the borrower by subsidizing a portion of the monthly payment. Although the mortgage loan is written at the current interest rate, the borrower may qualify for a subsidy in an amount that would reduce the monthly payment to the level of a 6% loan. The subsidy may not reduce the total mortgage payment to less than 28% of the gross monthly household income. (Total mortgage payment includes principal, interest, taxes, insurance, and homeowner's dues, mortgage insurance, credit insurance and space rent, if applicable.) In addition, if the subsidy is less than \$50 per month, (\$20 per month on Type II mobile homes only), the borrower may not apply under the HOF Program. An example of the subsidy calculation is shown below.

A. Loan Amount	\$80,750
B. Gross Monthly Income (GMI)	\$ 2,500
C. 28% of GMI	\$ 700
D. Other Expenses (taxes, insurance, homeowner's dues)	\$ 100
1. Principal & Interest (P&I) at current rate (10%)	\$708.66
2. Other expenses (D)	<u>100.00</u>
3. Housing expense without subsidy	\$808.66
4. Line 3	\$808.66
5. Less 28% of GMI (C)	<u>700.00</u>
6. Subsidy Calculation #1	\$108.66

7. P&I at current rate (10%)	\$708.66
8. P&I at 6%	<u>484.50</u>
9. Subsidy Calculation #2	\$224.16
10. Subsidy (lesser of line 6 or 9)	\$108.66
11. Housing expense without subsidy (line 3)	\$808.66
12. less subsidy (line 10)	<u>108.66</u>
13. Borrower's total housing expense	\$700.00

To determine if you qualify for a loan, AHFC as a guideline uses ratios of 28% and 36%. The borrower's total housing expense should not be more than 28% of the gross monthly household income. The 36% ratio applies to total housing expense plus all other debts (car loan, charge cards, installment loans, etc.) and should not be more than 36% of the gross monthly household income.

### Subsidy Payment

The lending institution which closed your mortgage loan will service the loan in regards to taxes, insurance, reserve account, etc. and will receive your monthly mortgage payment. If you have any questions regarding those aspects of your loan, you should contact them.

Alaska Mutual Bank will mail you a monthly subsidy check payable to you and your lender about the 15th of the month preceding the month the payment is due. Each month the subsidy check, together with your own funds, will make up your total monthly mortgage payment.

### Recertification

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

Using the same calculation as in the example, the new subsidy is determined based on current income.

Alaska Mutual Bank administers certain aspects of the Assistance Program for Alaska Housing Finance Corporation including the Annual and Interim Recertifications. If your income goes up during the year, the amount of subsidy you are eligible to receive may go down. You will have to repay any excess subsidy paid on your behalf. For that reason, you may want to immediately report any increases in income to Alaska Mutual Bank rather than once a year.

Periodically, Alaska Mutual will request certain documents from you as provided for in the Assistance Agreement. If you fail to furnish these documents in a timely manner, all subsidy paid on your behalf must be repaid.

### Frequently Asked Questions

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

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

- a. 28% of your gross monthly household income makes the total mortgage payment; or
- b. the subsidy is less than \$50.00 (\$20 on Type II mobile homes).

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

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

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

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

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

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

# Second Mortgage Loan Purchase Program



**In 1982, AHFC Implemented Its Second Mortgage Loan Purchase Program. The program can be divided into two categories:**

- 1) Home Improvement Loan (HIL); and**
- 2) Second Mortgages for the purchase of a residence**

## 1. Home Improvement Loan Taxable Program

### Maximum Loan Amount

The maximum loan amount for a second mortgage is \$86,450. The total financing-to-value may not exceed 90% of the market value—as completed. Additionally, the sum of the first and the second may not exceed AHFC's loan maximums of \$190,150 for a single-family dwelling and \$221,260 for a duplex.

### Eligible Improvements

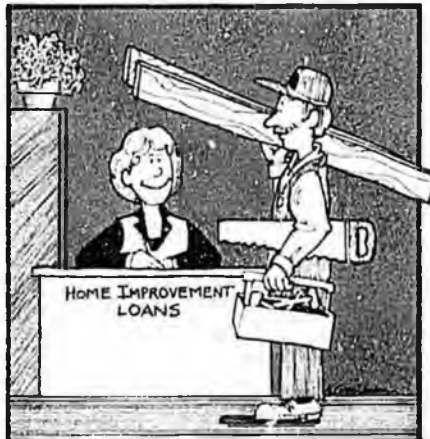
Those which improve the basic livability or energy efficiency of the dwelling, including completions or additions.

### Eligible Property

Owner-occupied single-family dwellings, including condominiums, units in a PUD, duplexes and Type I mobile homes. Vacation or rental properties are NOT eligible.

### Loan Terms

Up to \$6,450 . . . . . 5 years  
 \$ 6,500 - \$12,450 . . . . . 10 years  
 \$12,500 - and up . . . . . 15 years



## 2. Seconds for Purchase

Proceeds of a second mortgage must be used for the purchase of an owner-occupied single-family residence or duplex, where the dwelling is subject to an existing first mortgage.

### Maximum Loan Amount

The maximum loan amount for a second mortgage is \$86,450. The total financing-to-value may not exceed 90% of the market value or sales price—whichever is less. Additionally, the sum of the first when combined with the second may not exceed AHFC's current loan maximums of \$190,150 for a single-family dwelling and \$221,200 for a duplex.

### Eligible Property

Owner-occupied single-family dwellings (including condominiums or PUDs) and duplexes. Mobile homes, vacation or rental properties are NOT eligible.

### Loan Terms

Up to \$6,450 . . . . . 5 years  
 \$ 6,500 - \$12,450 . . . . . 10 years  
 \$12,500 - and up . . . . . 15 years

## Interest Rates

As with AHFC's first mortgage program, the interest rate is governed by the legislature and may fluctuate depending on the cost the Corporation must pay to obtain its funds. Interest rates are SUBJECT TO CHANGE WITHOUT PRIOR NOTICE.

By Law, AHFC is allowed to loan up to \$90,000 under the first mortgage program at a subsidized rate. For any portion above \$90,000, the borrower is required to pay an interest rate equal to the cost of funds. The Seconds Program works in the same manner. However, please remember, if the existing first mortgage is a subsidized AHFC loan, the outstanding principal balance of the first mortgage must be subtracted from the \$90,000 to determine the amount of the second that will be eligible for the subsidized rate. This formula applies to both categories of the Second Mortgage Loan Program.

# Triplex/Four-plex Mortgage Loan Purchase Program



*In 1982, the State enacted legislation that gave AHFC the authority to implement a loan purchase program for triplexes and four-plexes.*

## Features

### Maximum Loan Amount

Triplex .....\$267,300

Four-plex .....\$332,200

Minimum Down Payment .... 10%

### Occupancy

The owner must occupy one unit of the mortgaged premises as his/her primary residence.

### Type of Loan

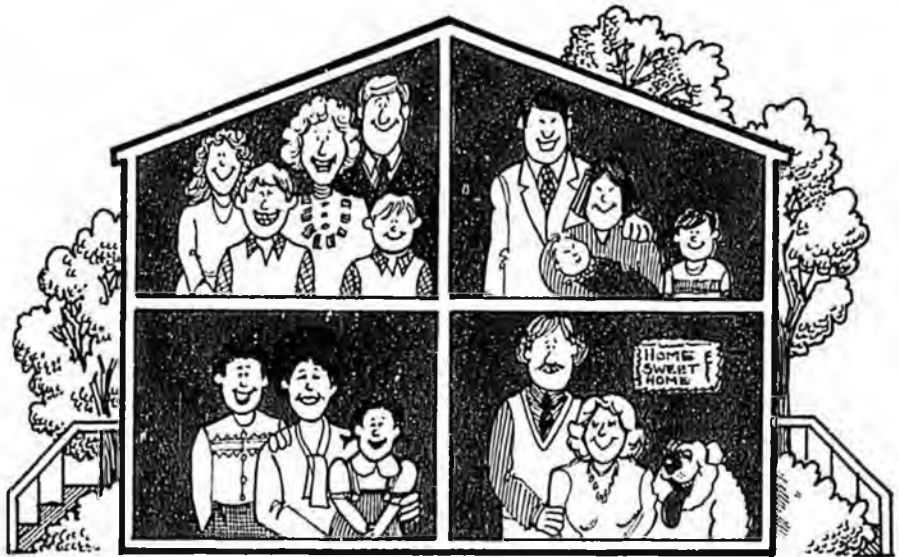
The ABE Mortgage payment structure applies to the triplex and four-plex program. Refer to the AHFC's pamphlet entitled "Buying A Home In The Future?" for further details.

### Qualifying for a Triplex - Four-Plex Mortgage Loan

When determining the individual's ability to pay the mortgage debt, AHFC, as a guideline, uses ratios of 28/36. The total monthly payment generally should not exceed the net monthly operating income plus twenty-eight percent (28%) of the borrower's gross stable monthly income. In addition, the overall debt obligation, which is the total monthly payment plus all other obligations of the borrower should not exceed the net monthly operating income plus thirty-six percent (36%) of the borrower's gross stable monthly income. The example illustrates how the ratios are utilized in determining if the borrower qualifies for the mortgage loan.

### Interest Rates

Mortgage interest rates are based on the cost the Corporation must pay to obtain its funds and will vary at times. Interest rates are SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. Consult your lender for the current AHFC interest rate for this program.



### Loan Characteristics

Total mortgage payment ... \$1,800  
Borrower's monthly  
income ..... \$3,200  
Borrower's other  
obligations ..... \$ 400

Monthly net operating  
income ..... \$1,100  
(Rental income less operating ex-  
penses)

### Borrower's Qualifications

1. 28% of borrower's stable monthly income -  $\$3,200 \times 28\%$  = \$ 896  
2. Monthly net operating income = \$1,100  
3. Total lines 1 and 2 = \$1,996  
4. Proposed mortgage payment = \$1,800

Line four (4) should not exceed line three (3).

1. 36% of borrower's stable monthly income -  $\$3,200 \times 36\%$  = \$1,152  
2. Monthly net operating income = \$1,100  
3. Total lines 1 and 2 = \$2,252  
4. Proposed mortgage payment = \$1,800  
5. Borrower's other obligations = \$ 400  
6. Total lines 4 and 5 = \$2,200

Line six (6) should not exceed line three (3).

# Pledged Account Mortgage (PAM)



*The Pledged Account Mortgage is designed for those individuals who have ample savings yet their present monthly income does not yet meet the minimum monthly income requirements.*

## Features

### Maximum Loan Amount:

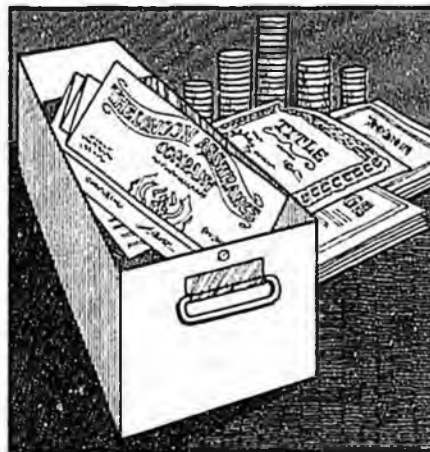
- Single-Family Residence . . . . . \$190,150
- Two-Family Residence . \$221,200

### Eligible Property:

Owner-occupied single-family dwellings, including condominiums, units in a PUD, Type I mobile homes and duplexes.

### Type of Loan

The ABE mortgage payment structure applies to the PAM Program. Refer to AHFC's pamphlet entitled "Buying A Home In The Future?" for a detailed description of the ABE Mortgage.



When combined with the Alaska Building Equity (ABE) Mortgage, the PAM offers the benefits of early loan retirement with the additional advantage of lower first year payments. The example demonstrates how the PAM benefits the borrower.

### Interest Rates

Mortgage interest rates are based on the interest rate for AHFC bonds plus the Corporation's operating costs and will vary from time to time. Consult your lender for the current AHFC rate on the Pledged Account Mortgage.

## How Does the PAM Work?

The program allows the borrower to purchase a home based upon potential earnings rather than solely what is earned at present. Generally speaking, it is anticipated that the borrower making application under this program would typically be in a line of employment which demonstrates upward mobility. For some, the PAM means the ability to buy a more expensive home than they would normally qualify for.

The key to the PAM program is the unique use of the borrower's down payment. Rather than using the down payment solely to create equity, a portion is placed into a pledged savings account. Money is drawn out of the pledged account each month for the length of the pledged plan to supplement the out-of-pocket monthly payments. At the same time, the pledged account earns interest at the regular savings rate.

## Loan Characteristics

	PAM	CONVENTIONAL LOAN
Value of Property . . . . .	\$85,000	\$85,000
Mortgage Amount . . . . .	79,850	77,000
Down Payment . . . . .	8,000	8,000
To Equity . . . . .	5,150	8,000
To Pledged Savings . . . . .	2,850	-0-
Interest Rate . . . . .	12.375	12.375

Year	Out-of-Pocket Borrower's Portion	Amount From Pledge Savings	Total Payment	Standard ABE Loan
1	\$ 758.69	85.78	\$ 844.47	\$ 814.35
2	775.12	69.35	844.47	814.35
3	791.91	52.56	844.47	814.35
4	851.29	35.41	886.70	855.07
5	913.14	17.89	931.03	897.82
6	977.58	-0-	977.58	942.71
7	1,026.46	-0-	1,026.46	989.85
8	1,077.78	-0-	1,077.78	1,039.34
9-Life of Mortgage	1,131.67	-0-	1,131.67	1,091.31

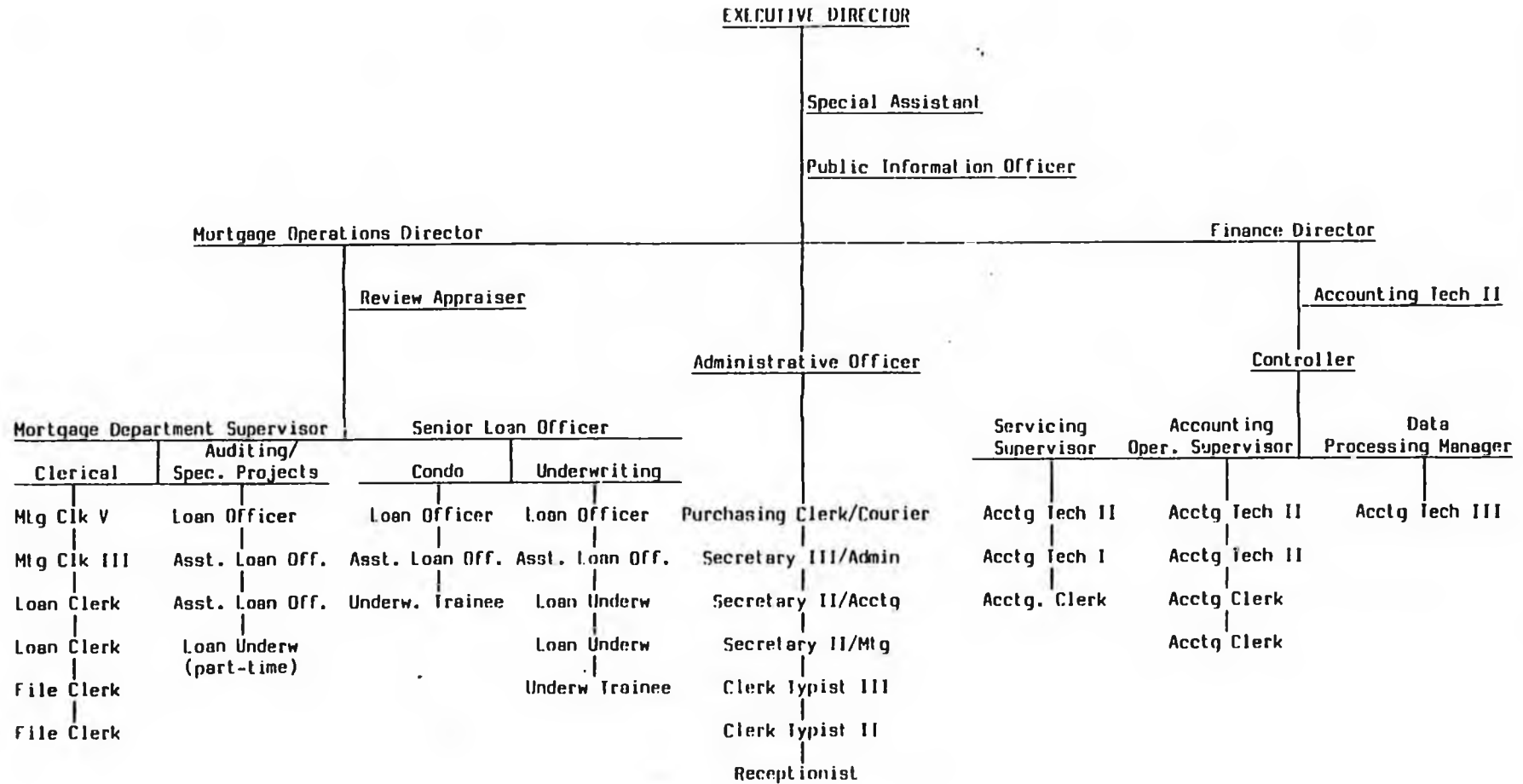
With a PAM/ABE Mortgage, the borrower's first year out-of-pocket expense for principal and interest is \$758.69 per month. If the entire \$8,000.00 down payment was applied towards only the equity, the borrower's first year out-of-pocket expense for principal and interest would be \$814.35 per month.

LOAN-TO-INCOME TABLE

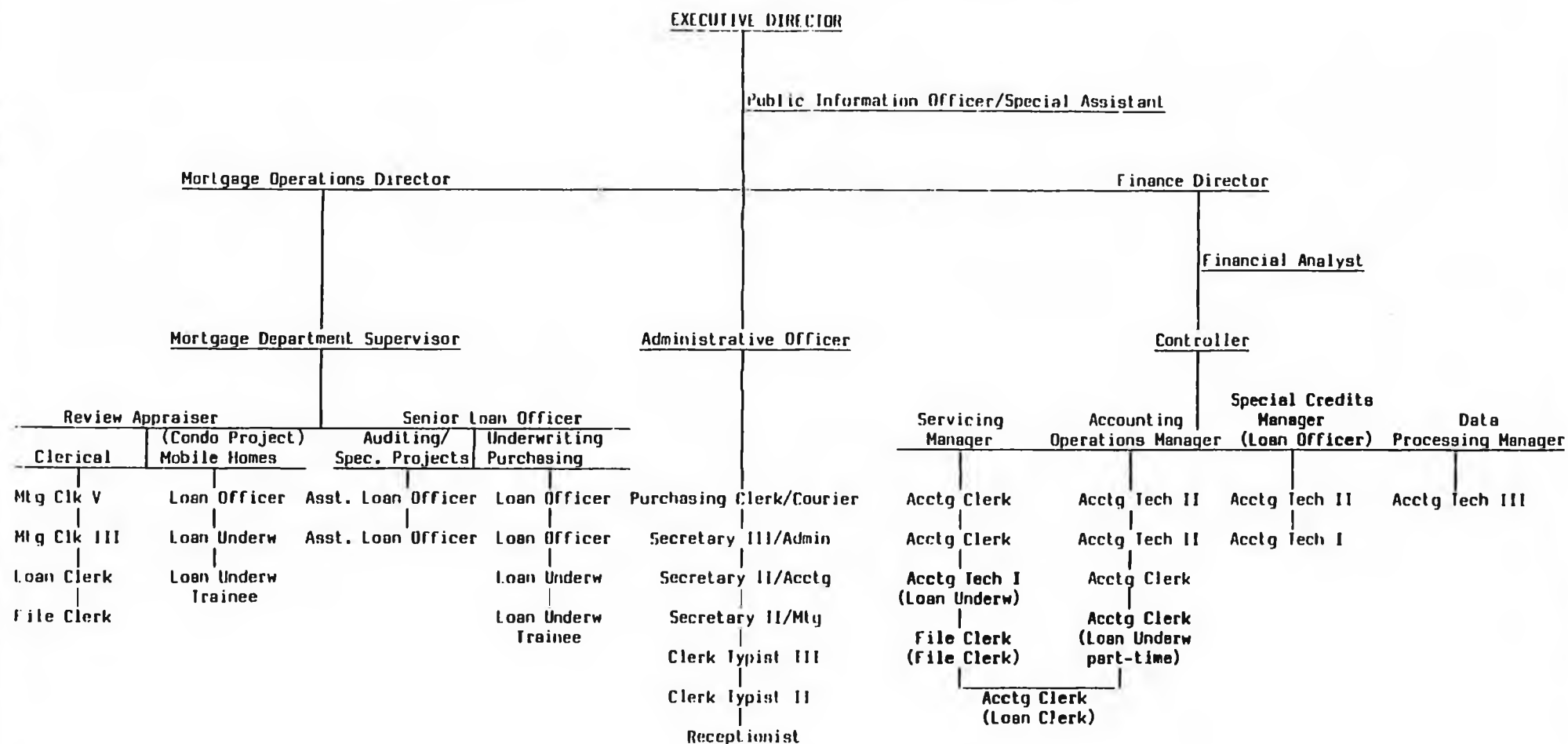
SALES PRICE	95% LOAN AMOUNT	REQUIRED ANNUAL FAMILY INCOME		
		25% RATIO	28% RATIO	HOF
\$40.000	\$38,000	\$19,655	\$17.549	\$13,022
\$50.000	\$47,500	\$24,569	\$21.937	\$16,278
\$60.000	\$57,000	\$29,483	\$26.324	\$19,533
\$70.000	\$66,500	\$34,397	\$30,712	\$22,789
\$80.000	\$76,000	\$39,311	\$35,099	\$26,044
\$90.000	\$85,500	\$44,225	\$39,486	\$29,300
\$100.000	\$95,000	\$49,139	\$43.874	\$32,555
\$110.000	\$104,500	\$54,985	\$49,094	
\$120.000	\$114,000	\$60,493	\$54,012	
\$130.000	\$123,500	\$66,085	\$59,005	
\$140.000	\$133,000	\$71,763	\$64,074	
\$150.000	\$142,500	\$77,531	\$69,224	
\$160.000	\$152,000	\$83,386	\$74,452	
\$170.000	\$161,500	\$88,598	\$79,105	
\$180.000	\$171,000	\$94,581	\$84,447	
\$190.000	\$180,500	\$99,835	\$89,139	

11/26/85

ALASKA HOUSING FINANCE CORPORATION ORGANIZATIONAL CHART (1985)



ALASKA HOUSING FINANCE CORPORATION ORGANIZATIONAL CHART (1986)





P.O. Box 101020, Anchorage, Alaska 99510

TO: Board of Directors

DATE: January 22, 1986

FROM: Ronald D. Lehr  
Executive Director

Re: Rental Program *RL*

At the December 1985 Board meeting, staff presented a proposal to create a program to allow borrowers to rent homes financed by AHFC. At that time the program was still in the conceptual stage, and staff was directed to come back to the Board with a specific proposal. At this time we believe we have the details worked out and hence would like the Board's approval to hold public hearings for the attached proposed regulations, pursuant to implementing the Rental Program. Although staff strongly recommends implementation of this program, we do offer one caveat: this program is somewhat different from our traditional programs, and hence an extra degree of caution needs to be exercised. We believe this program should specifically be set up on a trial basis, and after an initial period, a complete review should be undertaken before continuing to offer this program. A description of the program follows.

#### PURPOSE

The intent of this program is to be able to relax the strict "owner-occupancy" restriction now applied to most AHFC loans, and bring AHFC more into accord with other secondary investors. The Rental Program would be offered as an alternative to the existing owner-occupancy waiver procedures.

#### QUALIFICATIONS

To qualify under the Rental Program:

1. The borrower would have to have owned and lived in the house at least one year;
2. the loan would have to be current and have an acceptable payment history;
3. the borrower would have to be an acceptable credit risk; and
4. the borrower could not have another loan in the Rental Program.

### PROCEDURE

A borrower wishing to utilize the Rental Program would simply contact the financial institution servicing the loan. The institution will determine whether the program qualifications have been met and complete the required documents. The maximum fee the institution could charge the borrower for processing and closing such loans will be \$500.

### LOAN STRUCTURE

The interest rate would be established at the Corporation's cost of funds and subject to change every five years. The outstanding principal balance of the loan would be recast into a Growing Equity Mortgage providing for initial payments based upon a 30-year level payment mortgage with three percent annual payment increases effective beginning with the first payment in the second year.

This structure discourages the continuance of the loan as a means of financing rental property while providing a cushion against potential interest rate increases in the fifth year.

### FINANCING

To finance the Rental Program, AHFC would borrow funds for a five-year period. It is expected that most of the loans so financed would pay off during the five years, but if any were outstanding, these would be rolled over into another five-year financing. The funds raised by these five-year financings would be used to pay off the outstanding loan and their accompanying bonds, so that the restrictions of the bond covenants would no longer apply.

### COST

AHFC would charge a small fee (\$100) for conversion to this program. The interest rate to the borrower would reflect AHFC's full cost of funds - no subsidy would be involved. The other charges would be the bank fee mentioned above, plus other necessary costs such as a title insurance policy. Estimated maximum costs for a \$100,000 loan would be about \$1500.

### OTHER CONSIDERATIONS

1. Restrictions are now imposed on the percent of a condominium project that must be owner-occupied if a unit is to be eligible for AHFC financing. To alleviate the situation where utilization of the Rental Program results in disqualification of a project without awareness of the project's association, an owner of a condo unit would have to obtain approval from the condominium owners association to rent his/her unit before it would be eligible for the Rental Program. This provision would also apply to P.U.D.'s (Planned Unit Developments).

2. The mechanism used to finance this program effectively involves using shorter-term debt to pay off long-term debt. As such, the long-term debt that financed the original loan is no longer outstanding as a source of future financing for the loan. This means that, even if the original loan had been assumable, the modified loan (under the Rental Policy) would not be assumable.
3. Currently, nearly all AHFC loans have both private mortgage insurance (PMI) and pool insurance. When a loan is converted to the Rental Program, pool insurance will be lost. Whether or not a PMI company will continue its insurance upon conversion is not known. If a loan loses its PMI upon conversion, then they will be required to obtain mortgage insurance from AHFC. As a result, implementation of this program also involves creation of a new mortgage insurance account, created under AS 18.56.093, within the Housing Insurance Fund of the Corporation.
4. This program will be established based upon AHFC's general corporate powers, and will not be part of any existing program, such as the Special Loan Mortgage Purchase Program. Since any loan in the Rental Program would involve no subsidy, it is possible to allow a borrower to have a non-subsidized loan in the Rental Program, and a subsidized loan under the Special Loan Mortgage Purchase Program.

su

Attachments



P.O. Box 101020, Anchorage, Alaska 99510

TO: Ronald D. Lehr  
Executive Director

DATE: January 23, 1986

FROM: Mark K. Cameron *MKC*  
Finance Director

Re: Financing and Insurance Aspects of the Proposed Rental Program

#### Insurance Fund

It is anticipated that for the majority of loans converted to the Rental Program, private mortgage insurance ("PMI") will be unavailable. Since the previous loan will effectively be paid off, the existing PMI policy will be cancelled. While the PMI companies will be encouraged to continue coverage on the converted loan, the lack of verification in the underwriting process and question of the current value of the residence in relation to the amount of financing create a problem for them in providing what they will likely view as a new policy on a new loan.

In connection with implementing the Program, a Rental Insurance Account will be created within the Housing Insurance Fund established in AS 18.56.093. The borrowers will be assessed a premium for the insurance which will be deposited into the Rental Insurance Account. Initial analysis by staff indicates that an annual charge equal to 6/10 of 1% of the outstanding loan balance would be sufficient to compensate the Corporation for the risk of loss on the loans. In determining the adequacy of these premiums, the projected incidence of foreclosure was assumed to be four times the national average.

The substantially higher foreclosure estimate reflects the special credit circumstances associated with a program to finance non-owner occupied properties with a number of the borrowers expected to reside outside of the State.

While over time the fund is expected to be self-supporting, an initial infusion of capital will be necessary (2% to 5% of the mortgage pool) to cover the losses which occur early in the life of the loans. This initial capital can be reimbursed back to the Corporation as the premiums are received subsequent to the peak loss periods.

#### Program Funding

The rental loans will not be eligible for conversion to FNMA mortgage backed securities or GNMA certificates. The Corporation's existing bond financed programs, therefore, are not available to the rental loans.

Ronald D. Lehr  
January 23, 1986  
Page 2

Staff has been working over the past several months with Salomon Brothers to create a method of funding the portfolio of rental loans. The discussions have resulted in the creation of a funding plan which achieves a very reasonable all-in cost of approximately 10-1/4% inclusive of loan related expenses. A summary of the plan follows:

- The Corporation will issue five year Euronotes, the interest rate on which resets quarterly or semi-annually at a rate of .25% above the London interbank offered rate ("LIBOR") subject to a 5.25% minimum rate.
- The notes will mature in 5 years but be redeemable at par on each interest reset date.
- The Corporation will enter into a swap agreement with Salomon Brothers Inc essentially converting the floating rate obligation into fixed rate serial obligations maturing at the end of years 2, 3, 4 and 5.
- The allocation among serial obligations will be based upon the yield curve at the time of issuance and the Corporation's estimate of loan prepayments.

Any loans which remain outstanding at the end of the fifth year will be financed under a new issue with the interest rate on the mortgage loan reset to match the Corporation's new cost of funds.

MKC:lmg

P.O. Box 101020, Anchorage, Alaska 99510

TO: ALL SELLER/SERVICERS

DATE: January 20, 1986  
Memo #86-2

FROM: Betty M. Cook *BMC*  
Mortgage Operations Director

Ronald D. Lehr *DL*  
Executive Director

Servicing Department

Changes

1. Sale of Mobile Homes Which Have Suffered a Decline in Value  
Contact Person: Diana Oliver, Servicing Supervisor

During the recent public hearings on the mobile home program, one concern expressed by some individuals was that the value of their mobile homes had decreased to the point where they could not sell their mobile homes without contributing cash at closing. In effect, they would have to pay to sell their mobile home. Unfortunately, they did not have the assets to do this.

To assist these individuals, the Corporation will now accept an unsecured note from borrowers for the amount of the decrease in value. The unsecured note is offered when the mobile home is sold and is available only to those borrowers who have maintained their mobile home and have shown a proper regard for their debt obligations.

Section 9005, which describes the unsecured note option, is attached. Please add this section to your current Guide. The forms outlined in Section 9005 will follow in five days. This Guide addition is effective immediately.

Section 9005 - Unsecured Note.01 Introduction

The purpose of the unsecured note is to assist individuals who have AHFC financed mobile homes where the value of the mobile home has decreased to the point where the value is less than the outstanding loan balance. This unsecured note will permit the difference between the loan balance and value of the mobile home to be financed with an unsecured loan. This program is available when the mobile home is sold, either with an assumption of the existing loan or with new financing.

The unsecured note enables a mobile home owner to sell the mobile home at its current value and finance the difference between note balance and current value with an unsecured note. As an example, assume that a mobile home owner sells the mobile home on an assumption at its current value of \$26,000 and that the current unpaid balance of the note is \$30,000. The buyer would pay a minimum down payment of 5% of \$26,000 and assume the balance of the loan. The seller would execute an unsecured note in the amount of \$4,000.

The unsecured note will provide for level monthly payments of not less than \$100 with an interest rate equal to the interest rate of the original note and a maturity of not more than five years. Interest will be computed to date of payment.

This program is not available to those individuals who do not show a proper regard for their debt obligations.

Individuals with an unsecured AHFC note will not be allowed to obtain another AHFC loan until such time as the unsecured note is paid in full.

The unsecured note is used as a tool to prevent the default of a mobile home loan and the subsequent repossession of the mobile home. The unsecured loan is being offered as an alternative to repossession when the borrowers have a buyer for their mobile home at a reasonable price, but that price does not provide sufficient funds at closing to fund a decrease in value and the borrower does not have sufficient other assets. When AHFC believes other alternatives to the unsecured note are available or believes that its interests will not be best served by an unsecured note, a request for an unsecured note will be denied even if the result is default and repossession.

.02 Eligibility Requirements

- A. If the loan is insured by private credit insurance, the private credit insurer must agree to extend the credit insurance to the unsecured note.
- B. This program is available only if the mobile home is in good condition and shows no signs of neglect or deferred maintenance. The Servicer will be required to inspect the mobile home.

D. Upon sale of the mobile home, the unsecured borrower must receive no assets or relief of other debt.

.03 Amount of Unsecured Note

The amount of the unsecured note will be determined solely by AHFC and will be based on what we believe to be reasonable decrease in value. While a current appraisal of the mobile home will assist AHFC, the appraisal will not be the determining factor. An appraisal is not required to obtain an unsecured note.

.04 Determination of Unsecured Note Amount

Upon request by the Servicer, AHFC will provide the borrower with an estimate of the maximum unsecured loan amount which AHFC would approve. To obtain the amount, the Servicer should submit to AHFC a letter requesting determination of the maximum unsecured loan amount along with an appraisal. The appraisal cannot be more than three months old at the time of the request.

The determination will be valid for 90 days; however, the determination should not be construed as a commitment. AHFC reserves the right not to make the unsecured loan. See Section 9005.05 for application for unsecured loan procedures.

The determination will also be mailed by AHFC to the borrower along with instructions to contact the Servicer for completion and submission of an application. See Section 9005.05.

It should also be understood that the borrower is not required to obtain a determination. It is provided to the borrower solely for the purpose of assisting in the sale of the mobile home.

.05 Application for Unsecured Loan (AHFC Form #SER-78)

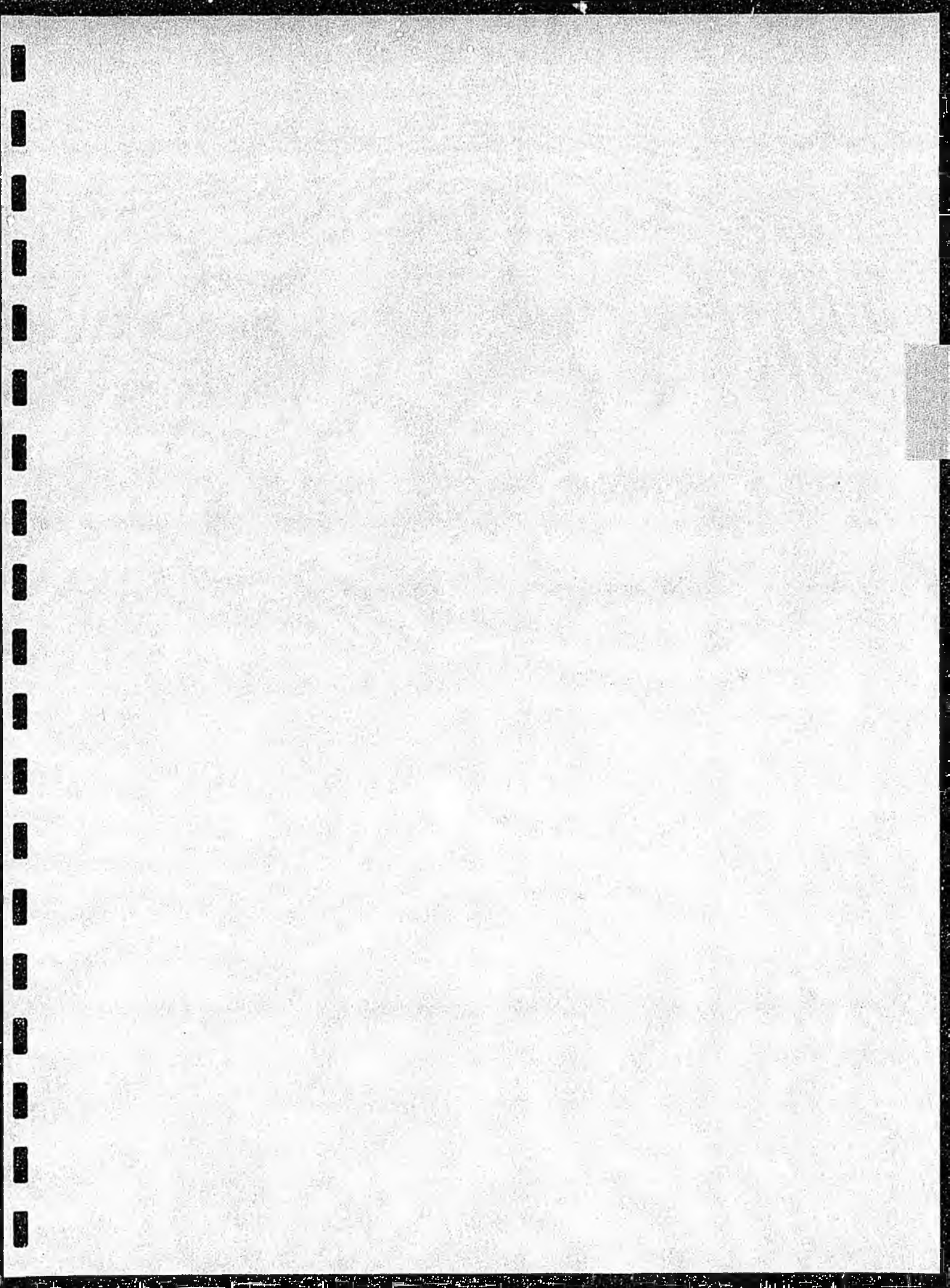
The application for the unsecured loan should be submitted to AHFC by the Servicer along with the requested documentation. AHFC will review the documentation and, if acceptable, prepare a note for execution by the borrower. AHFC will also prepare the documents necessary to place the unsecured note in escrow. If the mobile home loan is being assumed, AHFC will return the unsecured note and escrow documents to the Servicer for execution. If a new loan is being obtained, the documents will be sent to the institution which is processing the new loan. AHFC will send copies of all documents to the borrower with an explanation of the unsecured note and instructions for further processing.

.06 Offer to Reduce Mobile Home Loan Principal (AHFC Form #SER-79)

Included with the unsecured note and escrow documents will be an offer by AHFC to reduce the principal balance of the secured mobile home loan by the amount of the unsecured loan. If the mobile home loan is being assumed, the offer will provide that interest on the secured loan be current and that the borrower is in compliance with all requirements of the secured note and security agreement. The offer will be valid for 15 days and acceptance of the offer by the borrower will be evidenced by the borrower signing the acceptance and the unsecured note.

.07 Processing Executed Unsecured Note

- A. Assumptions - After execution of the unsecured note and escrow instructions by the borrower, the Servicer will reduce the outstanding principal balance of the secured loan by the amount of the unsecured loan and forward the signed unsecured note, the Offer to Reduce Mobile Home Loan Principal (AHFC Form #SER-79), closing documents, and signed escrow instructions to AHFC within two business days of note signing.
- B. Pay-Off of Existing Loan - The entity processing the pay-off of the existing mobile home loan will forward all documents detailed in Section 9005.07(A) to the Servicer. The Servicer will process the unsecured note as a principal reduction prior to completion of the Loan Removal Sheet and forward the documents to AHFC within two business days of receipt. The Loan Removal Sheet would be processed as provided for in the instructions to that form.



P.O. Box 101020, Anchorage, Alaska 99510

TO: Ronald D. Lehr  
Executive Director

DATE: February 7, 1986

FROM: Donald V. Elliott *DVE*  
Controller

Subject: Delinquencies, Foreclosures and Real Estate Owned

In response to the large number of foreclosures, the finance division was reorganized to include a special credits section. This section focuses its efforts on delinquencies, foreclosures and real estate owned. Its goal is to minimize foreclosures, but if the decision is made to foreclose, then its goal is to expedite the foreclosure and minimize the loss on disposition of the property.

To achieve these goals, the following actions have been taken or are anticipated:

1. Underwriting guidelines were rewritten.
2. The system for monitoring the delinquency and foreclosure rates for individual servicers has been refined. If the delinquency or foreclosure rate of a servicer is deemed excessive, the servicer is subject to suspension from further participation in one or more AHFC mortgage loan programs.
3. AHFC will begin directly contacting mortgagors who are delinquent three or more payments. We will stress the effect that foreclosure will have on the borrowers' credit and suggest alternatives. This is scheduled to begin in April 1986.
4. The AHFC Servicing Guide is being rewritten to make mandatory certain collection procedures which were previously recommended. These procedures relate to telephone contacts, face-to-face interviews with borrowers, and inspections. Meetings with the servicers to obtain their input are now being scheduled.
5. An inspection program for real estate owned will be implemented. The purpose of this program will be to obtain an informed opinion of any problems, both structural and cosmetic, with the properties.
6. AHFC will begin concentrating the listing of real estate with a select number of real estate brokers. The brokers will be responsible for performing regular inspections, maintaining the property in good condition, performing a market analysis, reviewing with AHFC various marketing techniques to dispose of the property, and presenting offers to AHFC. The purpose of this is to dispose of the property more quickly at a price approximating its true value.

Ronald D. Lehr  
February 7, 1986  
Page 2

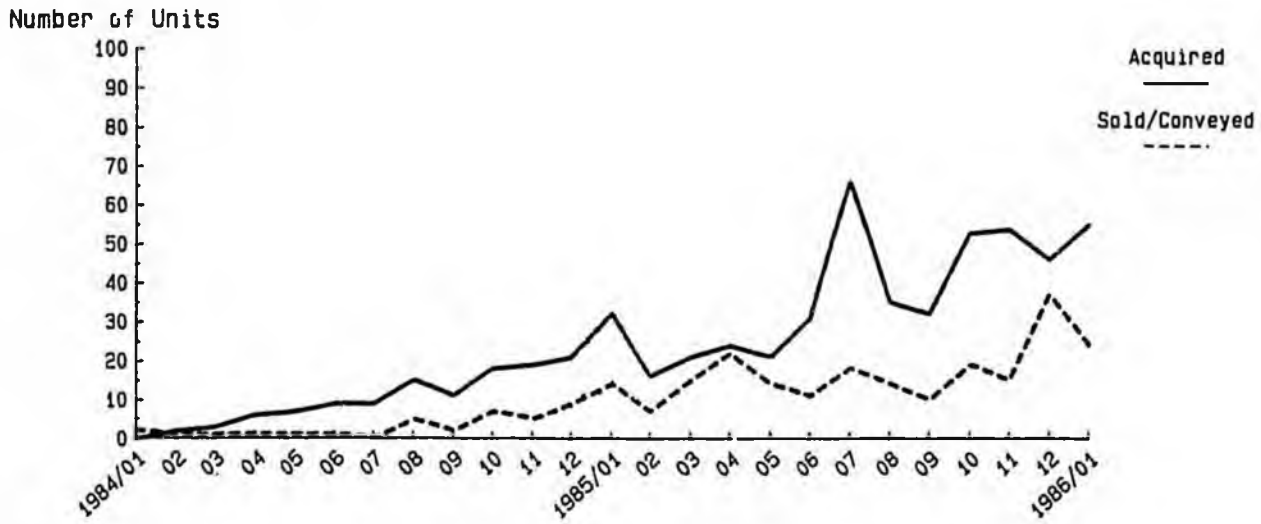
7. AHFC is now reviewing its procedures related to the repossessions of mobile homes. Based on preliminary discussions with servicers, it is anticipated that procedures will be changed to allow for the establishment of a deficiency within 30 days of repossession. This will allow the Corporation to quickly initiate collection procedures against the borrowers' other assets. This will not only increase the amount ultimately collected by AHFC but will also discourage others from defaulting on their loans.
8. We are reviewing with property management firms the possibility of turning a certain number of the repossessed mobile homes into rental units. Once the demand for mobile homes catches up with the supply, these mobile homes would be slowly released back onto the market.

It is believed that the above will have a positive effect on delinquencies, foreclosures and repossessions while we await an improvement in the real estate market. In addition, we are continually reviewing our procedures, both in-house and with other interested parties. As new ideas arise, they too will be explored for possible implementation.

DVE:lmg

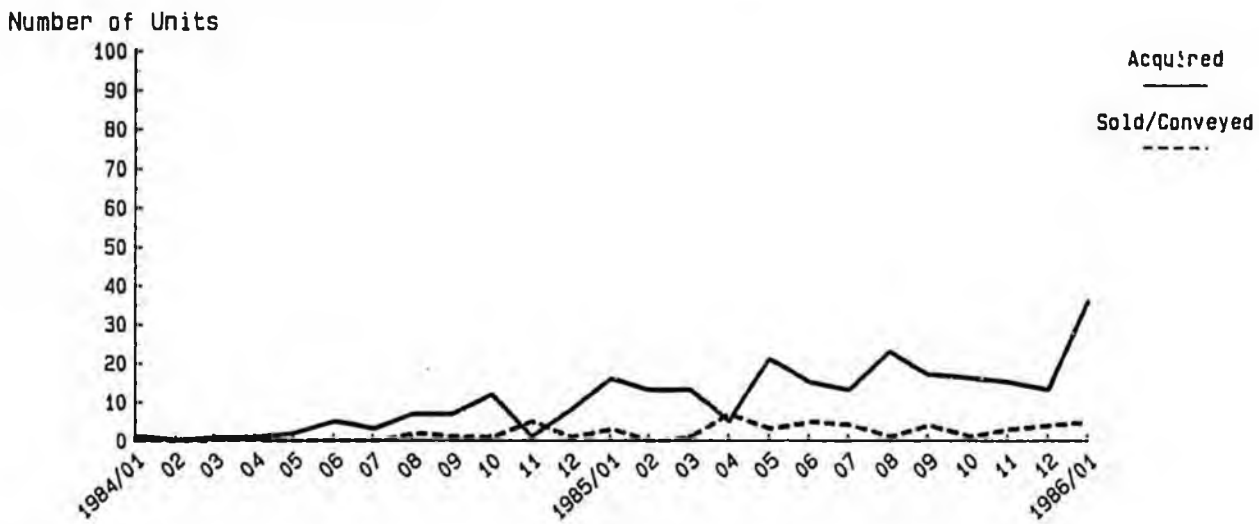
# ALASKA HOUSING FINANCE CORPORATION Property Acquisitions / Dispositions

## SITE BUILT HOMES



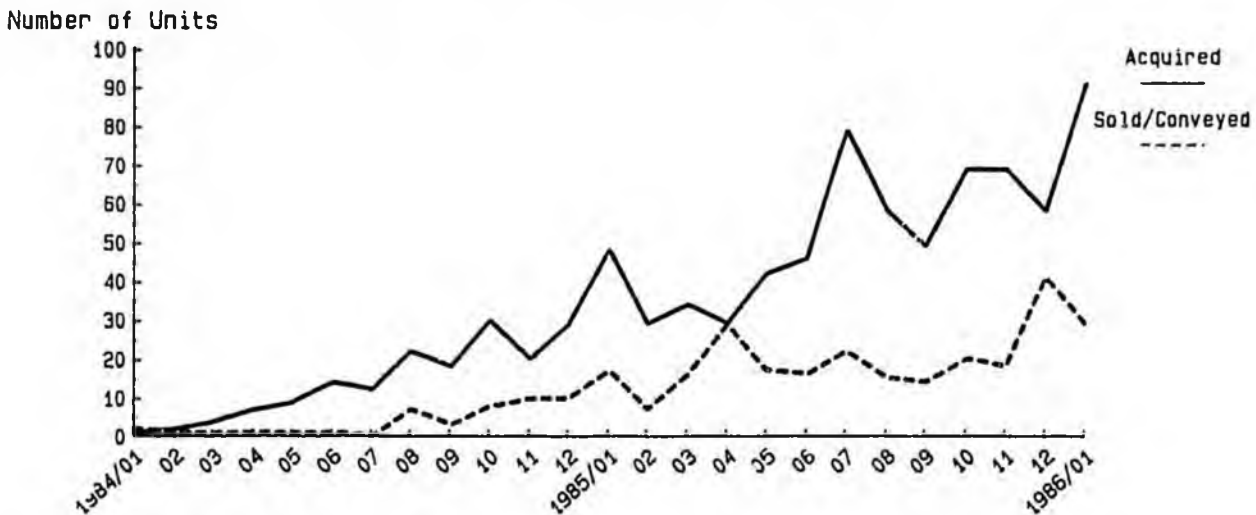
REQSBH.MKC

## MOBILE HOMES



REQMH.MKC

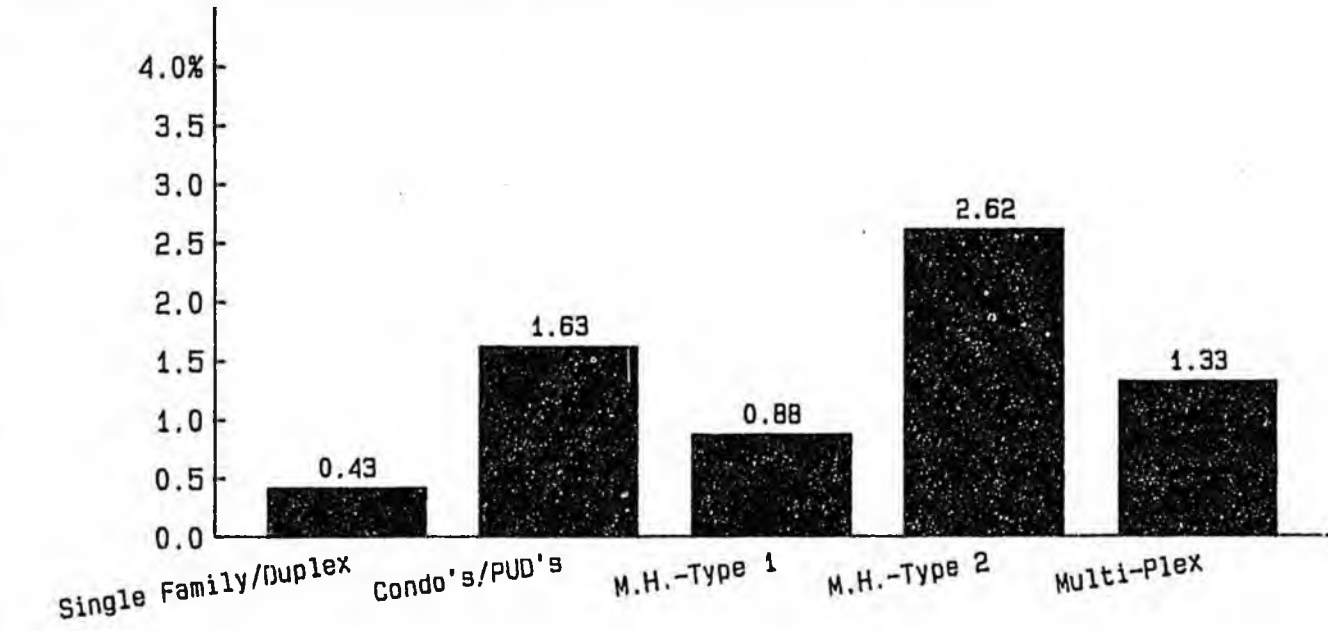
## TOTAL Site Built Homes & Mobile Homes



**ALASKA HOUSING FINANCE CORPORATION  
Foreclosure Analysis By Program  
(Exclusive of HOF Assisted Loans)**

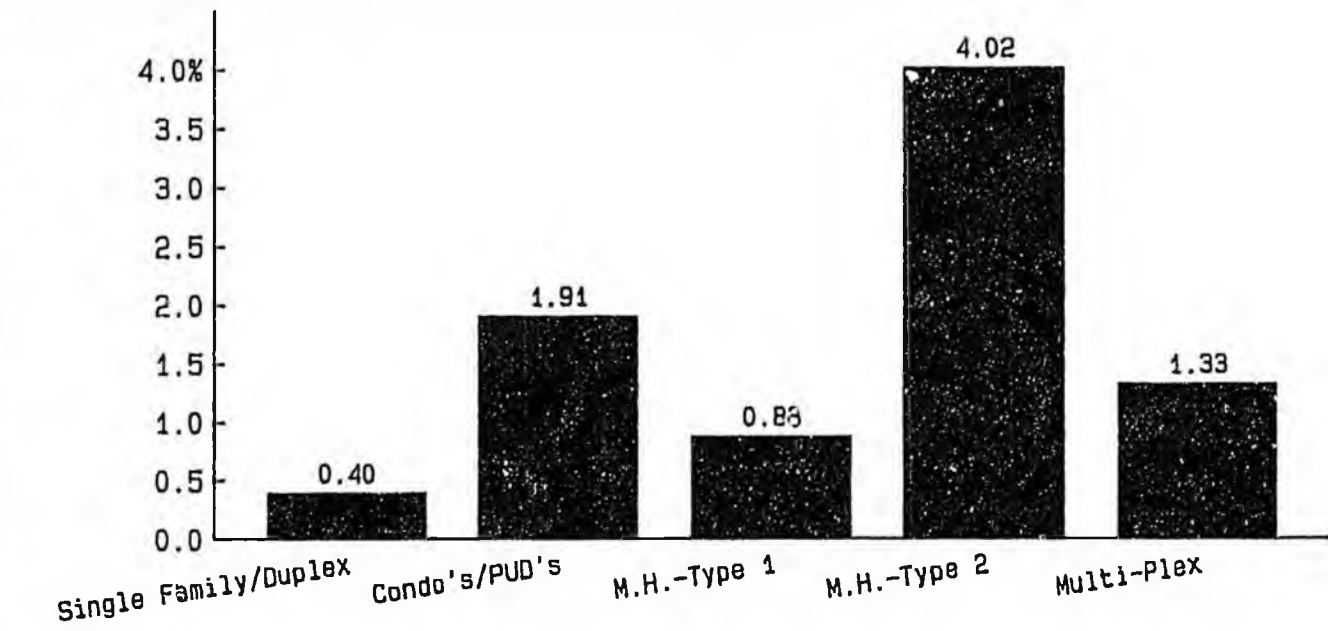
As of December 31, 1985

Last 6 Mos. Foreclosures, % of Outstanding Loans



FORE6MOS.MKC

Real Estate Owned, % of Outstanding Loans



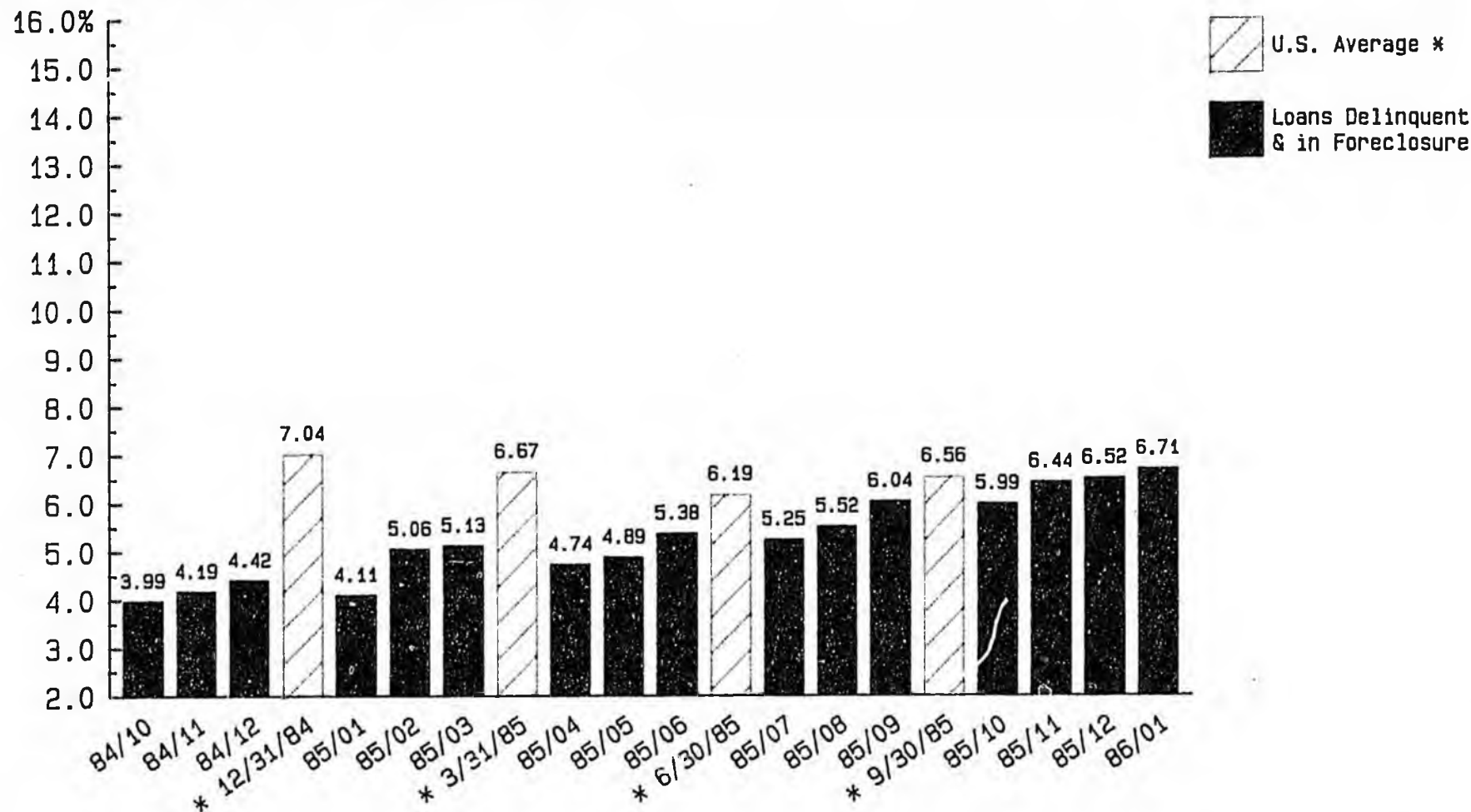
FORE6MO. MKC

# ALASKA HOUSING FINANCE CORPORATION

Delinquency By Period

## FIRST MORTGAGES (Exclusive of Mobile Home Loans)

Percent of Delinquent First Mortgages



\* Includes all loans and loans in foreclosure, non-seasonally adjusted. Source: National Delinquency Survey, Mortgage Bankers Assoc.

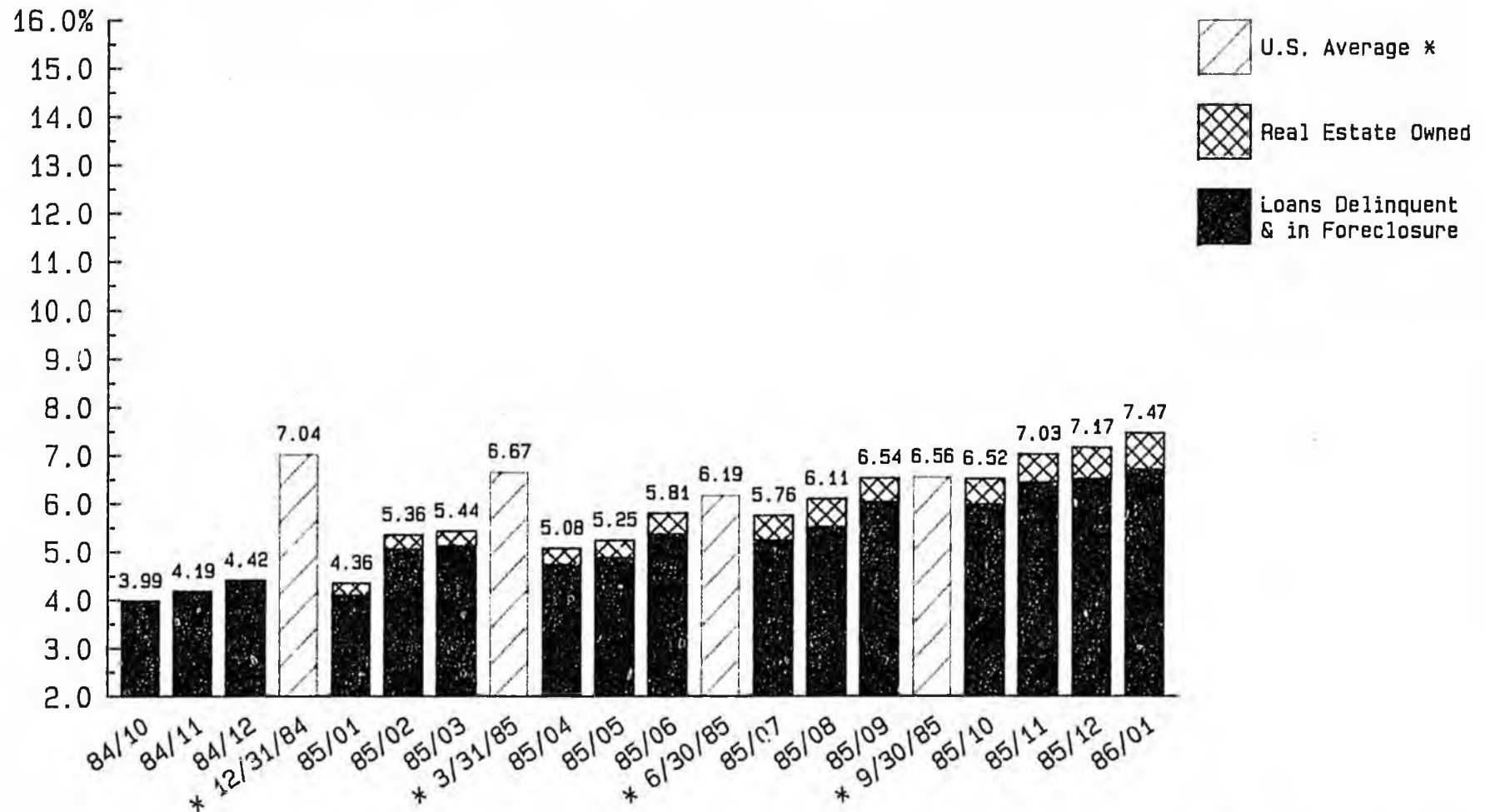
All AHFC statistics reflect loans in foreclosure and prior to 85/01 Real Estate Owned Loans for first mortgages were included. (DELFMTG.020)

# ALASKA HOUSING FINANCE CORPORATION

Delinquency By Period

## FIRST MORTGAGES (Exclusive of Mobile Home Loans)

Percent of Delinquent First Mortgages



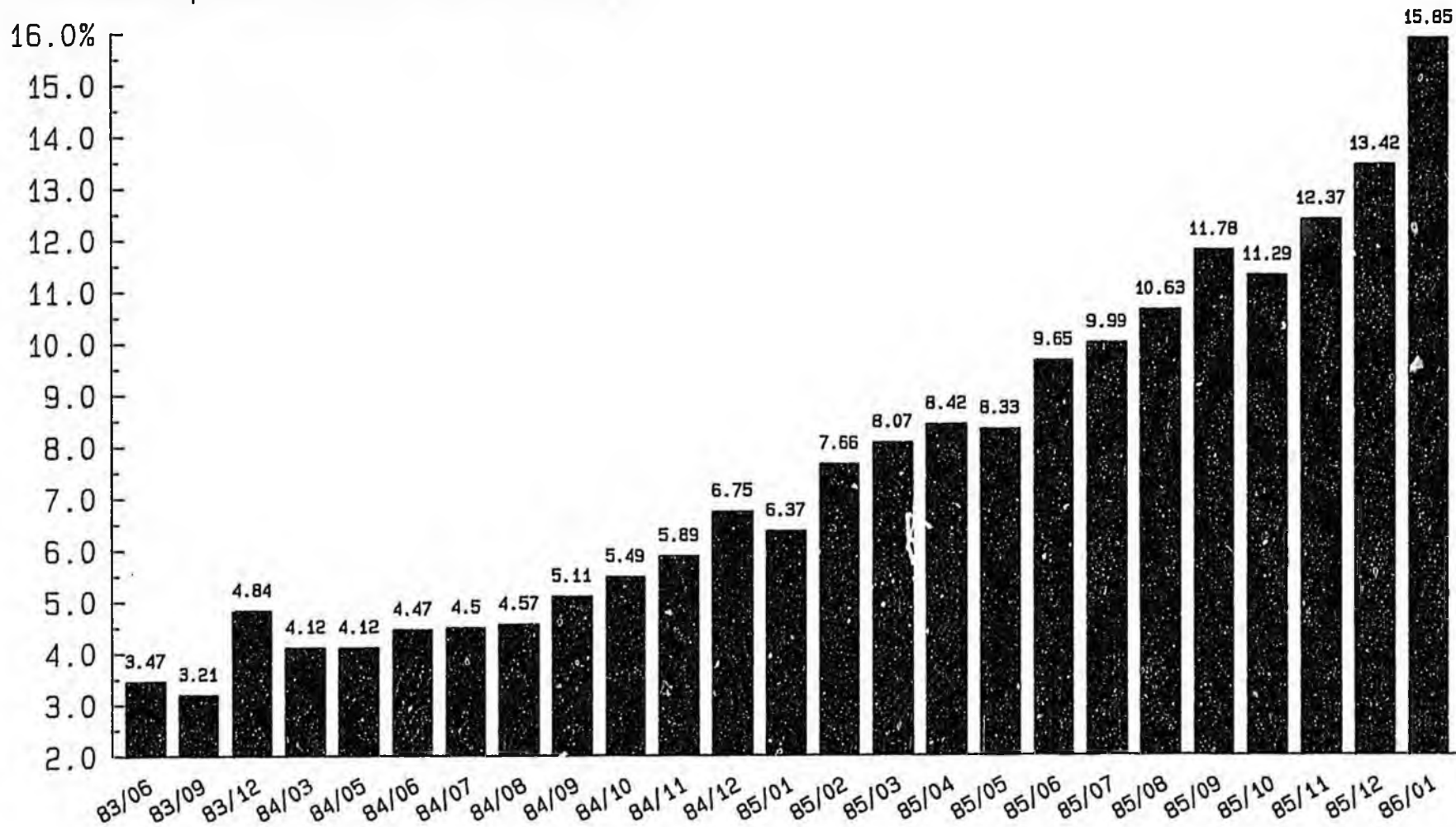
\* Includes all loans and loans in foreclosure, non-seasonally adjusted. Source: National Delinquency Survey, Mortgage Bankers Assoc.

All AHFC statistics reflect loans in foreclosure and prior to 85/01 Real Estate Owned Loans were included in foreclosures. (DELFMTG3.020)

# ALASKA HOUSING FINANCE CORPORATION

Delinquent Loans & Real Estate Owned By Period  
Mobile Homes

Percent of Delinquent Mobile Home Loans



## UNDERWRITING CHANGES - 1985

AHFC's Seller/Servicer Guide sets forth in detail the underwriting criteria of acceptable loans and the procedures for servicing loans purchased by the Corporation. This Guide was totally rewritten during the last year for clarity, consistency, and to change certain guidelines. Summarized below are the significant guideline changes made during 1985.

### 1. Non-conforming loans

AHFC began underwriting and purchasing loans secured by non-conforming properties in July.

### 2. Assumable Loans

Beginning with loans closed after August 24, 1985, AHFC will allow all types of loans to be assumed by qualified borrowers. Prior to that date, only mobile home loans have been assumable since 1982.

### 3. Credit Underwriting

- A. Debt-to-Income ratios were tightened to 25% (from 28%) and Total Obligation-to-Income ratios changed to 33% (from 36%).
- B. Funds for the minimum required downpayment must now be accumulated from the borrowers own cash funds or assets. Gifts from relatives are still acceptable but only in excess of the minimum required downpayment.
- C. Owner-builder loans and deed-to-builder loans may not result in cash paid to the borrower for labor or equity.
- D. Legal records, which include judgments, bankruptcies, etc., will now be checked for seven years instead of two years.
- E. Borrowers cannot have a scheduled transfer out of the state within two years. This particularly impacts active military borrowers. Exceptions are made if there is at least a 10 percent downpayment.
- F. Beginning February 15, 1986, mobile home loans will require a 10 percent downpayment. The downpayment minimum will remain at 5 percent on assumptions.

### 4. Property Underwriting

- A. Appraisal reports cannot be older than six months (changed from 12 months).

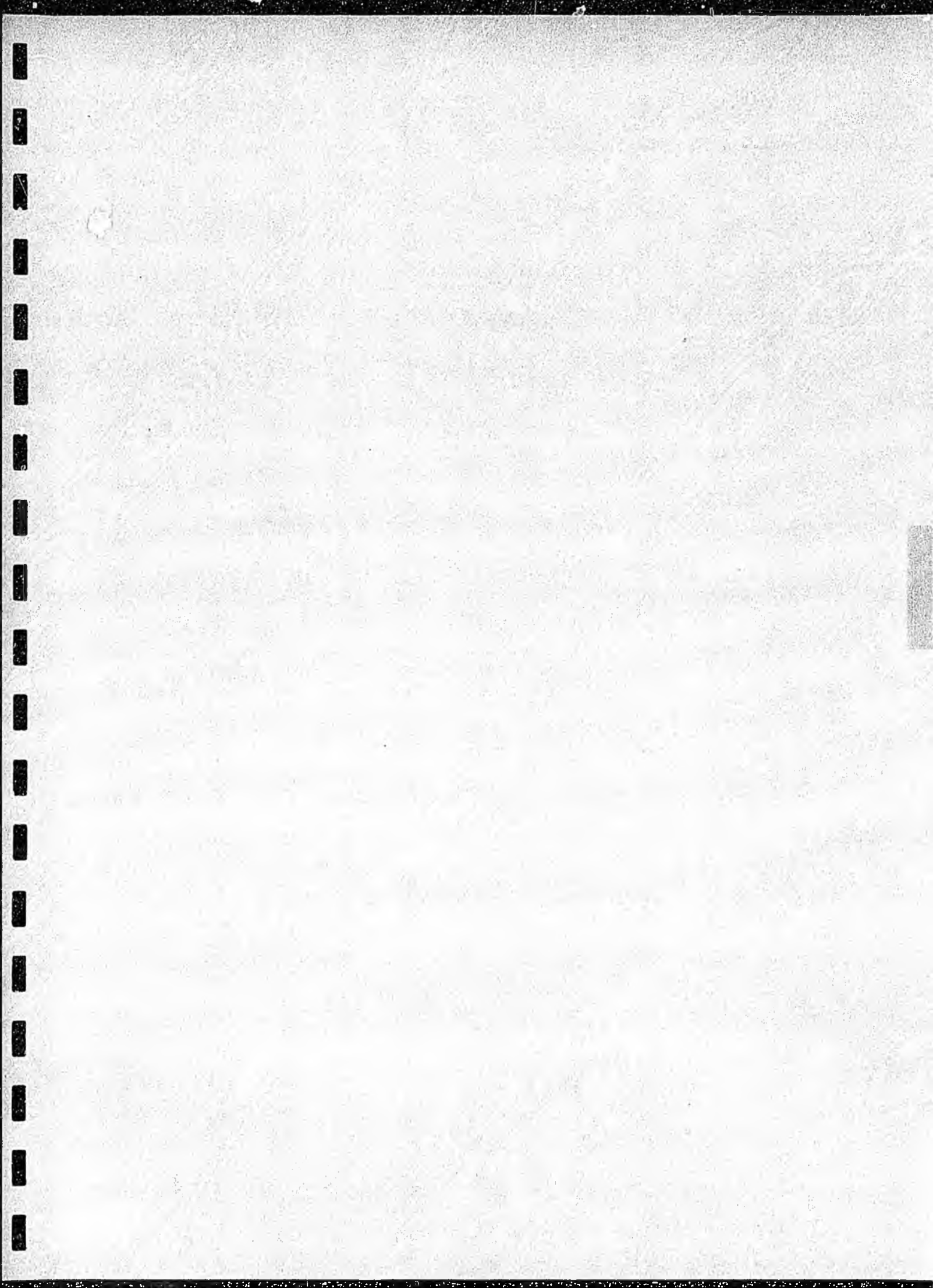
## Underwriting Changes - 1985

- B. Stable, well-managed condo/PUD projects can now be approved for three years instead of just one year.
- C. Many changes have been made to the project approval process as a result of the Uniform Common Ownership Interest Act (S.B.44) passed in May 1985. Most of these changes resulted in reduced documentation.

### 5. Pended Files

Files submitted to AHFC for underwriting that do not contain enough documentation for an intelligent decision to be made, are pended until the lender accumulates sufficient data. AHFC has experienced an increasing number of files that need to be pended. This results in additional work for AHFC staff and considerable time delay and frustration for the borrowers. In reviewing the pended files, we found that, in most cases, the delay could have been prevented if the lender had adequately underwritten the loan prior to submission to AHFC. In order to encourage lenders to underwrite more thoroughly, AHFC will impose a new guideline beginning January 1, 1986. If the loans pended during any three-month period exceed 15 percent of the total loans submitted by each lender during that time, a \$500 fee will be charged to that lender for each file submitted. The fee will be charged until the percentage of pended files falls below 15 percent. The fee will be refunded if the file is properly documented. Since the announcement of this proposed charge, the percentage of pended files has decreased from 23.5 percent to 10.4 percent.

su



## ALASKA HOUSING FINANCE CORPORATION

Summary of Residential Financing Related Activity

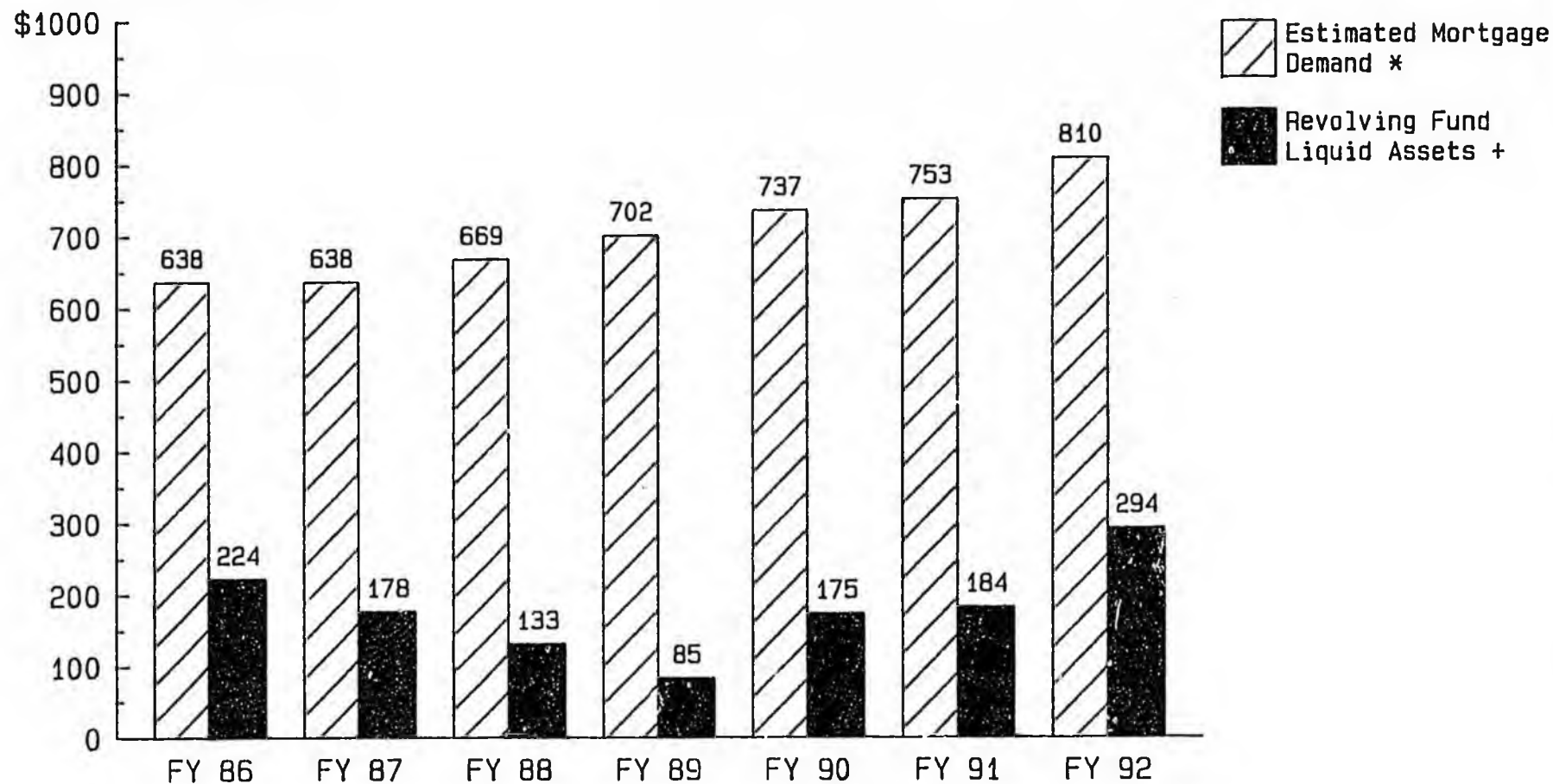
<u>Current Programs</u>	<u>Bonds Issued</u>	<u>Est. Mtg. Demand All Programs</u>	<u>Related Subsidy Transfers</u>	<u>Revolving Fund Liquid Assets (General Account) End of FY</u>
FY 86	750	638	117	224
FY 87	475	638	80	178
FY 88	450	669	76	133
FY 89	350	702	72	85
FY 90	475	737	105	175
FY 91	500	753	110	184
FY 92	500	810	113	294

NOTE: Above projections anticipate retention of all assets of the Alaska Housing Finance Revolving Fund. DVA loans aggregating approximately \$103 million are not considered liquid assets until they are converted to mortgage backed securities in FY 90.

# ALASKA HOUSING FINANCE CORPORATION

## Estimated Residential Financing Activity and Revolving Fund Liquid Assets

Millions of Dollars



\* All programs.  
+ General Account - End of FY.  
(ESTMT6.DEM)

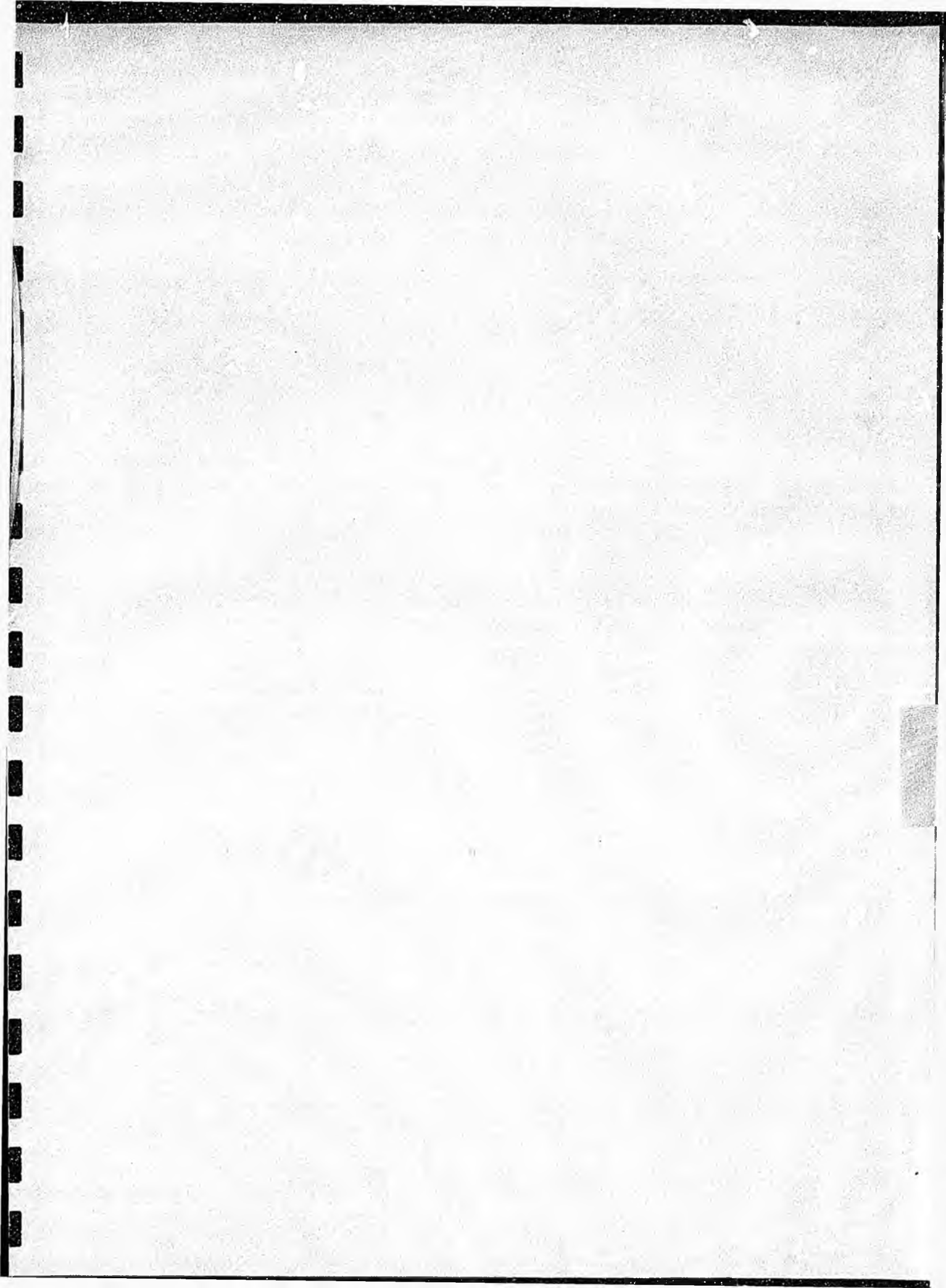
NOTE: Based upon 2-10-86 projections.

ALASKA HOUSING FINANCE CORPORATION

Summary of Projection Assumptions

Fiscal Years 86 through 92

- Mortgage loan demand for FY86 and FY87 at \$638 million increasing 5% in FY87 through FY90 and 7.5% annually thereafter.
- Federal tax exempt bond authorization unchanged from existing law with the First Time Homebuyers Program sunseting December 31, 1987. Percentage activity in the Veterans Mortgage Program decreases slightly each year as fewer veterans meet the federal restrictions.
- Net annual investment earnings of approximately 8%.
- Mortgage loan prepayments varying between 6% and 8%.
- Subsidy calculated as follows:
  - Taxable Program - Mortgage loans purchased with an interest rate on the first \$90,000 3% below the taxable cost of funds (\$24 million subsidy per \$100 million of bonds issued, e.g., 24% subsidy-to-bond ratio).
  - First Time Homebuyers Program - FY86 subsidy-to-bond ratio of 10%, increasing to 13% in subsequent fiscal years.
  - Veterans Mortgage Program - FY86 subsidy-to-bond ratio of 14%, increasing to 17% in subsequent fiscal years.
- Loans currently aggregating \$103 million originated by the State of Alaska Division of Veterans Affairs and transferred to the Corporation in 1980 are not considered liquid assets until they are projected to be converted to mortgage backed securities in FY90.
- Home Ownership Assistance annual subsidies aggregating \$6 million in FY86, increasing to \$9 million in FY91 and remaining at that level throughout the projection period.
- Home Ownership Fund earnings are projected without considering adjustments for potential increases in the reserves for loan losses.



Introduced: 1/31/86  
Referred: House Special Committee on  
State Loans and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

HOUSE BILL NO. 533

2

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the issuance of tax-exempt,  
7 state-guaranteed revenue bonds by the Alaska Housing  
8 Finance Corporation to finance mortgages for qualify-  
9 ing veterans under AS 18.56; and providing for an  
10 effective date."

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

12 \* Section 1. For the purpose of assisting the Alaska Housing Finance  
13 Corporation to provide money for the purchase of mortgages made for resi-  
14 dences for qualifying veterans under AS 18.56, tax-exempt revenue bonds of  
15 the Alaska Housing Finance Corporation are unconditionally guaranteed as to  
16 principal and interest by the state in the principal amount of not more  
17 than \$600,000,000. The full faith, credit, and resources of the state are  
18 pledged to the payment of the principal of and interest on these bonds, and  
19 the principal of and interest on the bonds are secured by the general obli-  
20 gation of the State of Alaska. A statement of this pledge must be printed  
21 on the face of the bonds and must be signed in manual or facsimile form by  
22 the governor. The provisions of AS 37.15 do not apply to the bonds. The  
23 bonds shall be sold by the Alaska Housing Finance Corporation under AS 18.-  
24 56 at public sale in amounts and at times approved by the state bond com-  
25 mittee. The guarantee authorized by this section is in addition to the  
26 guarantees authorized by sec. 5, ch. 35, SLA 1982; by sec. 1, ch. 81, SLA  
27 1983; and by sec. 1, ch. 115, SLA 1984.

28 \* Sec. 2. If the question set out in sec. 4 of this Act is approved by  
29 the qualified voters of the state who vote on the question, the Alaska

1 Housing Finance Corporation may issue not more than the principal amount of  
2 \$600,000,000 of its revenue bonds that are unconditionally guaranteed as to  
3 principal and interest by the state, the proceeds of which are to be ex-  
4 pended by the Alaska Housing Finance Corporation to provide money for the  
5 purchase of mortgages made for residences for qualifying veterans under  
6 AS 18.56. The authorization in this section to issue bonds is in addition  
7 to the authorizations to issue bonds that appear in sec. 6, ch. 35, SLA  
8 1982; in sec. 2, ch. 81, SLA 1983; and in sec. 2, ch. 115, SLA 1984.

9 \* Sec. 3. As used in this Act, a qualifying veteran is a person who is  
10 a "qualified veteran" as that term is defined or may be subsequently de-  
11 fined under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980).

12 \* Sec. 4. The question of the state guaranty of bonds referred to in  
13 this Act shall be submitted to the qualified voters of the state at the  
14 general election to be held on November 4, 1986, and shall read substan-  
15 tially as follows:

16 PROPOSITION

17 State Guaranteed Veterans Residential  
18 Mortgage Bonds \$600,000,000

19 Shall the State of Alaska unconditionally guarantee  
20 as a general obligation of the state, the payment of  
21 principal of and interest on revenue bonds of the  
22 Alaska Housing Finance Corporation issued in the  
23 principal amount of not more than \$600,000,000 for  
24 the purpose of purchasing mortgages made for resi-  
25 dences for qualifying veterans, as defined by law?

26 Bonds Yes [ ]

27 Bonds No [ ]

28 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).

ALASKA HOUSING FINANCE CORPORATION

Veterans Mortgage Program

Information as of December 31, 1985

	<u>Veterans Bonds</u>		<u>Balance Remaining</u>
	<u>Authorized</u>	<u>Issued</u>	
1982	\$400.0 million	\$400.0 million	
1983	\$500.0 million	\$405.0 million	\$ 95.0 million
1984	\$700.0 million	\$452.5 million	\$247.5 million

Loans Made:

FY 83	2,484	\$ 54,376,200
FY 84	4,016	467,310,100
FY 85	2,507	289,507,600
FY 86	<u>840</u>	<u>101,838,150</u>
	<u>9,847</u>	<u>\$913,032,050</u>

FY 86 through December 31, 1985

Total AHFC Loans	2,718	100%
AHFC Loans to Qualified Veterans	840	31%

Summary of Projected Veterans Mortgage Bond Issues

<u>Calendar Year</u>	<u>Total Bond Issuance</u>	<u>1984 Authorization</u>	<u>1986 Authorization</u>
1986	\$302.5	\$247.5	\$ 55.0
1987	302.5		302.5
1988	242.5		242.5
	<u>\$847.5</u>	<u>\$247.5</u>	<u>\$600.0</u>

Eligibility under the Veterans Mortgage Program is restricted by Federal requirements to those veterans who entered the service prior to January 1, 1977 and who have not been out of the service for more than 30 years.

In addition to the requirement for State authorization, Veterans Mortgage Bonds are subject to a Federally imposed calendar year cap of \$302.5 million.

The tax proposal recently passed by the House and currently under review by the Senate places the Veterans Mortgage Bonds under a State ceiling of \$200 million. The new ceiling would apply to Industrial Development Bonds, Qualified Mortgage (First Time Homebuyer) Bonds, Multifamily Housing Bonds, Qualified Non-Profit Agency Bonds, and Veterans Mortgage Bonds. Thus, housing bonds, including those for veterans, would be required to compete for their share of the \$200 million State cap.

The uncertainties associated with the recent tax bill currently preclude the issuance of Veterans Mortgage Bonds.

DATE 1/31/86

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

	FY 1984	%	FY 1985	%	FY 1986 THRU ( 1/31/86)	%
	-----		-----		-----	
SALES PRICE	129,877		130,774		134,913	
APPRAISED VALUE	132,573		133,338		140,725	
NOTE AMOUNT	118,382		115,480		120,804	
MONTHLY INCOME	5,009		4,874		5,021	
AGE OF BORROWER	38.4		38.7		39.1	
SIZE OF HOUSEHOLD	3.1		3.1		3.3	
LOAN TO SALES PRICE RATIO	89.59%		88.31%		89.54%	
WEIGHTED AVG INT. RATE	9.51%		10.49%		9.71%	
MONTHLY P&I	982.01		1,055.88		1,034.25	
DWELLING TYPE..SFR	3,433	85.48	2,179	86.92	822	87.82
CONDO	362	9.01	193	7.70	32	3.42
DUPLX	91	2.27	22	.88	7	.75
PUD	128	3.19	92	3.67	60	6.41
MOHM	2	.05	17	.68	15	1.60
TRI-PLEX			4	.16	0	.00
FOUR PLEX					0	.00
NEW/EXISTING....NEW	2,046	50.95	1,210	48.26	387	41.35
EXISTING	1,970	49.05	1,287	51.74	549	58.65
1ST TIME HOMEOWNER..YES	1,385	34.49	921	36.74	321	34.29
NO	2,831	65.51	1,586	63.26	615	65.71
INSURANCE TYPE.....FHA					0	.00
VA	1,598	39.74	1,122	44.75	412	44.02
CONVA	2,420	60.26	1,385	55.25	524	55.98
ELIGIBILITY.....STVA	4,016	100.00	2,507	100.00	936	100.00
NON-STVA					0	.00
ORIG. PRINCIPAL BALANCE	487,310,100.00		289,507,600.00		113,072,250.00	
ORIG. NUMBER OF LOANS	4,016		2,507		936	



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 14, 1986

The Honorable Ted Stevens  
United States Senate  
522 Hart Building  
Washington, DC 20510

Dear Senator Stevens:

The U.S. House of Representatives recently approved H.R. 3838, the Tax Reform Act of 1985, which has been sent to the U.S. Senate for consideration. The purpose of this letter is to inform you of how the provisions on tax-exempt bonding would affect the state of Alaska and to request your continued assistance to preserve the benefits of tax-exempt bond financing as an essential component of capital financing in Alaska.

Presently, the state has a federal bond ceiling of \$702.5 million for three types of tax exempt bonds: industrial development bonds (\$200 million), qualified mortgage bonds (\$200 million), and veterans mortgage bonds (\$302.5 million), plus an unlimited volume for other major types, such as multifamily housing bonds and qualified nonprofit agency bonds (e.g., hospitals). Under the House tax bill, the volume limit for all of these purposes (and certain others) would be \$200 million. This is a decrease of over 70 percent. No other state is so severely impacted.

Without belaboring the point, it is clear that the House tax bill unfairly impacts Alaska in the tax-exempt bond provisions. However, we also realize that in the current fiscal environment, some sacrifices must be made, and our requests for assistance are made in that light.

With respect to the volume cap, we have two recommendations. First, we recommend that efforts be made to remove veterans mortgage bonds from the cap. This change would affect five states and a relatively small amount of bonds, as is shown on the attachment. While bond issues may primarily be a tax matter for the federal government, we believe that on a state-by-state basis this is a programmatic issue concerning men and women who have served their nation well. We have already received an indication that the other four affected states are willing to assist in a coordinated effort to remove veterans mortgage bonds from the volume cap. Please let us know if we can assist your office in this effort.

February 14, 1986

Second, we request your assistance in getting the volume floor for states with small populations raised from \$200 million to \$300 million. This change would affect 17 states and amounts to a total possible increase of about \$1.5 billion in bonds. We believe this change would go a long way in minimizing the negative impacts of this tax bill on low-population states. Please note that even with such a modification, a low-population state would have a reduction in its maximum tax-exempt bond ceiling of over 25 percent.

We also ask your help in obtaining a transitional exemption from the bill for the Alaska Industrial Development Authority (AIDA) Red Dog project. AIDA applied last summer for a ruling from the Internal Revenue Service on the project and expects to receive shortly a favorable ruling treating the port portion of the project as qualifying for tax-exempt financing under existing law. The bill would not change the basic rule that ports of this type qualify for tax-exempt financing. The bill does, however, narrow the actual elements of the port that qualify. We would like to be able to carry out this financing under the law as now in effect and as dealt with in the ruling. A draft of language that would grant the exemption is attached for your consideration.

Finally, there is the matter of "sunset" provisions. In this case, the tax bill has one very positive provision in that it eliminates the December 31, 1986, sunset on "small issue" industrial development bonds. This specific provision is particularly helpful to Alaska, and we strongly urge you to see that it is retained. The other sunset date is for qualified mortgage bonds which are now due to sunset on December 31, 1987. This date is not changed by the tax bill. If total bond issuance is going to be as restricted as the tax bill mandates, then at least extension or elimination of this sunset should be granted to provide some relief.

If you would like any additional information, such as the number of homes financed, new investments generated, and so forth, please contact us. Thank you again for your past assistance and future efforts.

Sincerely,

Bill Sheffield  
Governor

cc: John W. Katz, Special Counsel  
State/Federal Relations

PROPOSED TRANSITIONAL EXEMPTION FROM H.R. 3838

The amendments made by section 701 shall not apply to obligations substantially all of the proceeds of which are to be used to provide financing for a dock and directly related storage facilities which are part of a transportation project to which a State legislature appropriated, effective July 1, 1985, (1) \$12,000,000 in money or marketable securities and (2) notes (or other evidence of debt) representing prior loans from the State or its instrumentalities to persons or business in the State with an aggregate unpaid principal balance in excess of \$130,000,000. The aggregate face amount of obligations (exclusive of refunding obligations) to which this paragraph applies shall not exceed \$175,00,000.

## ALASKA HOUSING FINANCE CORPORATION

VETERANS BONDS VOLUME CAP

State	Volume Cap (millions)
Alaska	\$302.5
California	340.0
Oregon	584.0
Texas	250.0
Wisconsin	99.0
<b>TOTAL</b>	<b>\$1,569.5</b>

EFFECT OF \$200 MILLION VERSUS \$300 MILLION VOLUME FLOOR  
(amounts in millions of dollars)

Affected State	Volume Under \$200 Million Floor *	Volume Under \$300 Million Floor
Alaska	\$ 200	\$ 300
Delaware	200	300
Dist. of Columbia	200	300
Hawaii	200	300
Idaho	200	300
Maine	200	300
Montana	200	300
Nebraska	284	300
Nevada	200	300
New Hampshire	200	300
New Mexico	243	300
North Dakota	200	300
Rhode Island	200	300
South Dakota	200	300
Utah	278	300
Vermont	200	300
Wyoming	200	300
<b>TOTAL</b>	<b>\$3,608</b>	<b>\$5,100</b>

\* Volume cap is the greater of \$175 per capita or the floor amount



Offered: 2/12/86  
Referred: Finance

Original sponsors: Duncan, M.M. Miller,  
Sundt, et al.

1 IN THE HOUSE

BY THE HOUSE SPECIAL  
COMMITTEE ON STATE LOANS

2 CS FOR HOUSE BILL NO. 530 (Loans) am  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to refinancing loans under the  
7 special mortgage loan purchase program; and providing  
8 for an effective date."

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

10 \* Section 1. AS 18.56.098(a) is amended to read:

11 (a) The corporation shall establish a special mortgage loan  
12 purchase program. Under the special mortgage loan purchase program,  
13 the corporation may purchase refinancing loans or first or second  
14 mortgage loans, including graduated payment ~~mortgage~~ loans, made for  
15 the purchase, improvement, or rehabilitation of residences.

16 \* Sec. 2. AS 18.56.098(f) is amended to read:

17 (f) In this section and in AS 18.56.099,

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

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

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

29 (2) "mortgage loan" includes a beneficial interest or

1 participation in a mortgage loan;

2 [(3) REPEALED]

3 (3) "refinancing loan" means a loan refinancing one of the  
4 following loans through another mortgage loan the amount of which may  
5 not exceed the unpaid balance of the loan being refinanced plus clos-  
6 ing costs:

7 (A) a first or second mortgage loan purchased under  
8 (a) of this section;

9 (B) a loan for which the interest rate is established  
10 under AS 44.47.410(a); or

11 (C) a loan for which the interest rate is established  
12 under AS 44.47.410(b) other than a nonconforming housing loan or  
13 a nonowner occupied housing loan;

14 (4) "residence" means an owner-occupied, single-family  
15 residence, including a mobile home, or an owner-occupied duplex,  
16 triplex or fourplex.

17 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
18 10.070(c).

Presently the Alaska Housing Finance Corporation does not have a program that allows current AHFC borrowers the option of refinancing their existing home loans. This is an undesirable situation because interest rates have dropped substantially lately, and if refinancing of AHFC loans were permitted, both borrowers and AHFC could achieve considerable savings. For instance:

- Currently, AHFC has nearly 10,000 loans totaling over \$1 billion at an interest rate of 11-1/8% and above.
- In the current market, interest rates to borrowers under AHFC's taxable program would range from 10% to about 10-5/8%, depending upon the size of the loan.
- Although it will vary depending upon a borrower's current interest rate, we estimate that the average current borrower with a mortgage interest rate of 11-1/8% and above should save about \$200 a month in interest if they were able to refinance under AHFC's current loan programs.
- All new AHFC loans are assumable, so in most cases a borrower would be refinancing from a non-assumable loan to an assumable loan.
- The majority of the loans expected to be refinanced under the program would be of a type requiring increases in the payments beginning in the fourth year. While these increases will be applied to the principal balance of the loan, they will result in the borrowers having less funds available to meet other living expenses. The new loan provided the borrowers would also have the increasing payment structure; however, an additional 3 years "grace" period would be provided.
- AHFC also benefits in two significant ways. First, since its current cost of capital is lower than before, less subsidy is needed per loan. Second, a decrease in a borrower's monthly payment will make it easier for a borrower to pay and, hence, decrease the likelihood of borrower default.
- Finally, the entire Alaskan economy should benefit, since the reduced monthly payment would result in the borrowers having more money available to save or spend for other purposes.

# Alaska HOUSING FINANCE CORPORATION



February 6, 1986

The Honorable Jim Duncan  
 Alaska House of Representatives  
 P.O. Box V  
 Juneau, AK 99811

Dear Representative Duncan:

You requested an explanation of what effect the ability to refinance the Corporation's existing loans will have on AHFC. I am unable to give a very precise estimate, since I don't know how many AHFC borrowers will choose to refinance.

According to various lenders, it will cost about 3% to refinance. Current interest rates for non-veterans will range between 10% and 10-5/8%, depending upon the size of the loan (9% for the first \$90,000 for a qualified veteran). AHFC currently has approximately 10,000 loans totaling about \$1 billion in principal balance at an interest rate of 11-1/8% and above, with about half of these loans at 12% and above. Based upon this, it seems safe to assume that at a minimum, a few thousand loans totaling a few hundred million will choose to refinance. On balance, it also seems safe to assume that the average borrower who decides to refinance will save \$200 a month or more in mortgage payments.

Savings will, of course, also accrue to AHFC. The refinancing of an existing high rate mortgage loan will enable the Corporation to retire outstanding high rate bonds. The bond agreements generally allow early retirement of the bonds only from prepayments of the loans purchased with their original proceeds. The example below demonstrates the savings to the Corporation in what is expected to be a typical refinance:

	<u>Existing Bond Issue</u>	<u>New Bond Issue</u>
Total cost of funds	19.153	11.125
Mortgage rate (\$125,000 loan)*	<u>14.250</u>	<u>10.375</u>
Subsidy Level	4.903%	.75%
Savings to AHFC	4.153%	

\* Based upon a subsidized rate applicable to the first \$90,000 of the loan at 12.375% for the existing loan and 10% for the new loan.

The Honorable Jim Duncan  
February 6, 1986  
Page 2

The above example demonstrates that for the remaining term of the loan, the Corporation will be reducing the difference between the cost of its borrowing and the rate the mortgage is paying by 4.153%. This represents an annual savings to the Corporation as a result of the refinancing in excess of \$5,000. At the same time, the borrower has reduced their interest rate from 14.25% to 10.375%, representing an annual interest savings of over \$4,500.

The benefit of converting from high rate debt to current rates is being split between the borrower and AHFC. In the example above, the total savings is 8.028% (existing bond cost of 19.153% less estimated current cost of 11.125%). This savings is split as follows:

Reduced AHFC subsidy	4.153%
Reduced mortgage rate to borrower	<u>3.875%</u>
Total interest savings	<u>8.028%</u>

The savings to the Corporation, while accruing from the date of the refinance, becomes available to AHFC only upon complete retirement of a particular issue of bonds. This is the case since the mortgages, and the funds related to their earnings and prepayments, remain pledged to the bond issue until the last bondholder has been paid off.

While the refinancing activity will accelerate the date when the complete retirement of a particular high rate bond issue is accomplished, the financial benefit of the refinancing is "tied up" until then. Prior to the complete retirement of the issue, what essentially is occurring is a reinvestment of the mortgage loan principal prepayments received pursuant to the refinancing at the rate of interest being paid on the bonds. Since these bonds have a yield to the investor as high as 18.375%, this reinvestment process has significant economic benefit to the Corporation.

For most of these bond issues, the final retirement date will be moved forward from 1990 or 1991 to 1988 or 1989. At that time, the Corporation will have paid off the bonds and the balance of the loans pledged to the issue will be released from their pledge to the bondholders and available to the Corporation for continuation of the Special Mortgage Loan Purchase Program.

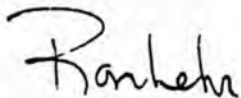
It is important to note that while this effectively represents a return of the original up-front subsidy related to the pool of loans pledged to that particular bond issue, it is going to be received in the form of mortgage loans as opposed to cash or liquid investments. The Corporation would expect to use these mortgage loans to facilitate the financing of future loan production in much the same manner as they were originally utilized.

The Honorable Jim Duncan  
February 6, 1986  
Page 3

I once again want to advise you of our strong support for your bill, HB530. In a time of some rather downbeat economic news, it's heartening to have legislation that will save Alaska's money, boost the economy, and save the State money all at the same time!

Please let me know if I can provide any additional information.

Sincerely,



Dr. Ronald D. Lehr  
Executive Director

RDL:lmg

## EXCERPTS REGARDING INTEREST RATE PROJECTIONS

Economic Research, January 1986 from Goldman Sachs.

"With advance refunding activity crimped by potential tax reform, with long rates and the yield curve already discounting lower inflation and short-term rates than now exist, with negligible dealer short positions, with a discount rate cut unlikely soon, with economic activity picking up slowly but surely, and with implementation of Gramm-Rudman and substantially lower oil prices apparently taken for granted, there is little or no room in current yields to withs'and contrary developments. Because such comfort shattering events seem unlikely in the next month or two, bond yields may fall and the yield curve flatten modestly further, with a difficult-to-time reversal now a more realistic prospect. Short-term (90-day dealer-placed commercial paper, now 7.60%) and long-term (20- to 30-year maturity Treasury issues, now around 9.40%) interest rates seem likely to rise 75-100 basis points above current levels this year, with increasing risk that this occurs sooner rather than later."

Prospects for Financial Markets in 1986 from Salomon Brothers Inc

"As the U.S. economy gathers strength during the spring of next year, however, the decline in U.S. interest rates will come to a halt. This slide in rates, which began in May 1984, has occurred in the context of slow U.S. economic growth - 2.4% at an annual rate since the second quarter of 1984 - and moderating inflation. The Fed will continue to supply reserves liberally to the banking system, such that emerging upward pressure on interest rates will be modest. However, the pressure will become more pronounced in the second half of 1986, when U.S. economic growth is expected to average about 4% at an annual rate, and as the markets anticipate several additional developments: " ...

"Under these circumstances, long-term bond yields are likely to climb by 75-125 basis points from their lows reached early in the year. Even though the Federal Reserve will eventually respond to these developments, it will be following market forces, rather than leading"