Alaska Housing Finance Corporation

Alaska State Legislature
House

Official Business

P.O. BOX V
State Capitol
Juneau, Alaska 99811

BY THE JOINT COMMITTEE ON ECONOMIC RECOVERY

March 2, 1988

COMMITTEE RESOLUTION

Relating to the Residential Real Estate Market

WHEREAS the Alaska State Building Authority, (ASBA), has proposed a comprehensive plan to relocate the tenants, and then demolish Willow Park, a 150-unit, low-rent housing project; and

WHEREAS ASBA is seeking funding for this project from federal, state and local sources; and

WHEREAS the existing structures are 35 years old and in need of extensive renovation to remedy safety code violations, and renovation would cost more than the structures are worth; and

WHEREAS removing substandard units and replacing them with available public and privately owned housing units will help to stabilize the current housing market and help bring substantial new federal funds into a local Alaskan economy; and

WHEREAS relocation would provide an improved quality of life for the current residents of Willow Park; and

WHEREAS the complexes are functionally obsolete and a blight on the community; and

WHEREAS the Committee recognizes the value of the Willow Park demolition project and recognizes a responsibility for asbestos abatement of this state-owned facility; and

WHEREAS federal funding for relocation of the Willow Park tenants is directly related to garnering state or local funding of other costs, including asbestos abatement, demolition and site restoration.

BE IT RESOLVED that the Committee supports all efforts to obtain state, federal and local funds to complete this relocation and demolition project.

BE IT FURTHER RESOLVED that the Committee recommends that finding appropriate and sufficient state and local funding sources remain both a state legislative and municipal government priority, and that further analysis for consideration by the Legislature in upcoming appropriation actions be completed as soon as possible. The Committee further recommends that final project costs exclusive of federal relocation assistance funds, once verified and funded, be spelled out in a memorandum of understanding between the state and local government by the Alaska State Building Authority subject to the conditions for appropriation the Legislature deems advisable.

Signed this 2nd day of March, 1988

Representative Max Gruenberg
Chairman, House Joint Economic Recovery Committee

Representative Kay Brown	Representative Steve Rieger
Co-Chairperson	Co-Chairperson
Housing & Banking Subcommittee	Housing & Banking Subcommittee

by Brown and Rieger
February 27, 1988

SUMMARY OF PROPOSAL:

A total appropriation of $4,750,000 in state funds is sought for the purpose of demolition of Willow Park and Hollywood Vista Apartments in Anchorage.

WILLOW PARK:

The Alaska State Building Authority has proposed a comprehensive plan to remove Willow Park, a 150-unit, low-rent housing project, from the Anchorage rental inventory. ASBA is seeking funding for this project from the federal, state and municipal governments. The total project cost is $13.8 million. See attached summary of costs.

The $9 million in federal funds for relocation of the Willow Park tenants is contingent upon state or local funding of $4.8 million of other costs, including asbestos abatement, demoliton and site restoration.

HOLLYWOOD VISTA APARTMENTS:

The Hollywood Vista Apartment Complex consists of 347 units of which 51 are currently occupied. The municipality of Anchorage purchased the project from the United States Department of Housing and Urban Development for the sum of $1.00 in February 1988. This sale is contingent on the Municipality's agreement to raze the complex within two years of title acquisition. The Municpality has proposed demolition of this property due to its substandard condition and the current abundance of multi-family rental units available in Anchorage.

The proposed costs of the demolition and relocation are approximately $2.15 million. See attached summary of costs.

JUSTIFICATION:

- Existing buildings are 35 years old and in need of extensive renovation to remedy safety code violations. Renovation would cost more than structures are worth.

- Removing substandard units and replacing them with available public and privately owned housing units will help to stabilize the current housing market.

- Relocation would provide improved quality of life and upgraded housing for Willow Park and Hollywood Vista residents.

- The complexes are functionally obsolete and a blight on the community.

- The projects are labor intensive and will provide jobs this summer.

WILLOW PARK

FINANCING

The success of this proposal requires the communication, cooperation, and participation of many. The following sequence illustrates tasks, responsibilities, and recommended funding sources which will make this proposal attainable.

DATE	ACTION	$ AMOUNT	DECISION	OPTIONS
3/87	The Authority applied to HUD through a CIAP/MROP application for Authority to demolish and/or renovate Willow Park in full or in part	10,545,000 12,000,000 8,758,212	*Denied *Denied *Denied	Reapply 1/88 for HUD authority to demolish Willow Park but not as CIAP project
4/87	The Authority application to HUD for purchases of additional scattered site family housing	9,000,000	*Denied	Reapply 1/88
1/88	Asbestos Abatement	2,600,000		Governor Cowper's Job Bill State Appropriation
1/88	Demolition and Site Restoration	2,200,000		Municipality of Anc. Governor Cowper's Job Bill State Appropriation

*NOTE: Alaska has received a disproportionate share of funding for "public" family housing. The Alaska State Building Authority has not received HUD funding to purchase additional public family housing since March 1979 ($6.5 million). During this nine-year period, HUD has chosen to specifically award monies for family housing to Indian Housing.

ANCHORAGE NEIGHBORHOOD HOUSING SERVICES

HOLLYWOOD VISTA

Hollywood Vista is a 360 unit complex located on approximately 15.3 Acres in Government Hill. The property has been foreclosed on by HUD and the decision has been made to sell the project with the condition that it be demolished. HUD will sell the units to the Municipality for one dollar ($1), and will provide additional Section 8 vouchers for eligible residents. ANHS will be under contract to the Municipality to relocate the tenants, and all tenants will be provided with a form of financial and counciling assistance. The Municipality is looking for funds to demolish the units and relocate the approximately 51 tenants currently residing there.

ESTIMATED EXPENSES

Relocate Current Tenants 51 tenants @ $850 each	$ 43,350
Asbestos Removal and Disposition	646,875
Demolition	1,500,000
TOTAL	$2,190,225

hold

MEMORANDUM

DATE March 3, 19 88

ALASKA STATE BUILDING AUTHORITY

FROM: HD/C and Contracts Office

TO: Barbara Morse-Quinn, Executive Director

SUBJECT: Willow Park Demolition Cost Estimate

We have based our funding request on the Clark-Graves estimate for demolition and asbestos removal on the above project.

In order to validate this estimate we have compared it to:

1. Environmental Health Sciences - Alaska Cost Estimate for Asbestos Removal at Hollywood Vista apartments.

2. HMS' estimate for demolition and asbestos removal at Willow Park.

3. Ocean-Tech's estimate for asbestos removal at Birch Park.

It should be noted at the outset that the scope of work on all four estimates is not the same; therefore, any comparison will involve some interpolation and judgment.

The result of our analysis indicate that the Clark-Graves estimate, as amended, presents a reasonable (albeit a conservative) scenario. To base any proposal on a lesser amount would put the Authority at risk due to the nature of the project.

The Hollywood Vista estimate was reviewed and discussions were held with Mr. Joe Bell and Mr. Paul Johnson of HUD and the estimate's author, Dr. Thomas Swearingen.

HUD advised that initially they were skeptical of the estimate and reviewed it with Dr. Swearingen. HUD had a copy of the Clark-Grave estimate which they made available to the estimator. Dr. Swearingen advised them that he felt that there was considerably less asbestos at Hollywood Vista than at Willow Park and additionally, he felt that there had been a general downward cost trend in the market place that was not being picked up by other estimators.

We contacted Mr. Swearingen directly and discussed the estimate. It was ascertained: 1) that he personally did the estimate; 2) that he was a professional engineer in the environmental sciences (not a professional estimator); 3) that the estimate was a "bare bones" estimate, 4) that a contractor's overhead and profit was

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ALASKA STATE BUILDING AUTHORITY

FROM: HD/C and Contracts Office

TO: Barbara Morse-Quinn

SUBJECT: Willow Park Demolition Cost Estimate

not included, nor were administrative costs; 5) that he did not have a real good handle on insurance costs. He figured that the contractor belonged to and would get his insurance from a "risk retention group" and no allowance was made for higher cost of insurance for asbestos work; 6) that only the minimum amount of asbestos removal would be done; 7) that only one decontamination unit would be used; 8) that no contingency was allowed for.

It is for the above reasons that we do not consider this estimate valid and it should not be used as a comparison to the C.G. estimate on Willow Park.

The HMS estimate for demolition and asbestos removal is 42% below the Clark-Grave estimate. This does not mean that errors have necessarily been made on it nor does it mean that the Clark-Grave estimate is too high. Both estimators are professional and have been in business for some time. Because estimates are educated guesses of the future and an in-exact science, the approach an estimator takes and the scenario he develops directly affect the end result.

Our analysis of the HMS estimate indicates a minimal approach to the accomplishment of the work. This is not to say that this approach is wrong, but rather to ask the question "can the Authority take the chance that it is?"

Ocean-Tech has provided an estimate for the Birch Park asbestos removal which is similar to Willow Park, except that it is one-half the size of Willow Park. In our dealings with Ocean-Tech over the past year, we have developed a high degree of confidence in them. Their estimate for Birch Park is approximately 50% of the Clark-Graves estimate for asbestos removal at Willow Park. (It should be noted that the economic law of "economy of scale" is seldom operative in this type of work.) Therefore we feel that Ocean-Tech's estimate tends to validate the Clark-Graves estimate.

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ALASKA STATE BUILDING AUTHORITY

FROM: HD/C and Contracts Office

TO: Barbara Morse-Quinn

SUBJECT: Willow Park Demolition Cost Estimate

Clark-Graves has revised their estimate, changing the asbestos hazard insurance surcharge to 10 to 12% rather than the original 25%, increasing the hourly wage rates to reflect the increase in workers compensation rates and adding the cost of removing contaminated earth beneath the buildings.

Clark-Graves was originally advised to provide an estimate based on the worst possible situation with regard to the project. It is our opinion that they have done so. Their revised estimate at $4,283,111 is somewhat higher than the original estimate upon which our request for funding was based. However, we feel that the original funding request will be adequate, supplying the Authority with sufficient funds to complete the project without delay.

Bond and All Risk Insurance

The original estimate provided by Clark-Graves, Inc. dated December 15, 1987 allocated $30,535 (2.5% of building and site demolition contract value) and $54,394 (2.5% of asbestos abatement and removal contract value) to Bond and All Risk Insurance Coverage. The Bond and All Risk Insurance line item includes a 100% performance bond and 100% payment bond and All Risk Builder's Risk of 100% of the contract values (building and site demolition and asbestos abatement and removal contracts). Costs for comprehensive general liability insurance (with exclusion of asbestos) are incorporated in the "overhead and profit" line item; workman's compensation insurance is incorporated in the "labor" line items. Additionally, $543,200 (25% of asbestos abatement and removal contract value) was allocated for comprehensive general liability insurance to include asbestos.

NOTE: The amended estimate dated March 2, 1988 decreases the cost of the comprehensive general liability insurance from 25% ($543,200) to approximately 10 -12% ($217,577 - 261,092). This decrease in cost does not decrease the insurance coverage.

State Bonding Requirement

AS 36.25.010(2) requires that "...when the total amount payable by the terms of the contract is more than $1,000,000 and not more than $5,000,000, the payment bond shall be in a sum of 40 percent of the total amount payable by the terms of the contract..."

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ALASKA STATE BUILDING AUTHORITY

FROM HD/C and Contracts Office

TO: Barbara Morse-Quinn

SUBJECT Willow Park Demolition Cost Estimate

AS 36.25.010(1) requires that "...the amount of the performance bond shall be equivalent to the amount of the payment bond;".

Currently, the Department of Transportation and Public Facilities (DOT/PF) requires that for contracts in excess of $100,000 the performance an payment bonds must <u>each</u> be a minimum of 50% of the total amount payable by the terms of the contract. [Rod Wilson, DOT/PF pers. comm.]

Additionally, comprehensive general liability insurance to include asbestos abatement is <u>not</u> required by DOT/PF. The DOT/PF has determined that the current available coverage does not warrant the excess project costs.

Therefore, pursuant to information provided by DOT/PF, the $217,597 - 216,092 (10 - 12% of the asbestos abatement and removal contract) as allocated for general comprehensive liability insurance to include asbestos would not be required by DOT/PF. Additionally, the Performance and Payment Bond are also in excess of DOT/PF's current requirements.

<u>Federal Bonding Requirements</u>

On development projects HUD requires a 100% All Risk Builders Risk Policy in addition to both a 100% performance bond and a 100% Labor and Materials Payment Bond. In the case of the Labor and Payment Bond HUD cites 24 CFR Sec. 941.102 as the determining regulation. 24 CFR Sec. 941.102 states:

> "The Contractor is required to furnish a 100 percent performance and payment bond or other assurances approved by the field office."

The estimate as provided by Clark-Graves, Inc., as previously stated, includes 100% performance bond, 100% payment bond and 100% All Risk Builder's Risk pursuant to Federal Procurement policies for development projects, the cost estimate is sufficient. (Note: requirements for additional Comprehensive General Liability Insurance with asbestos coverage is <u>not</u> addressed under HUD guidelines.)

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DATE March 3, 1988

FROM: HD/C and Contracts Office

ALASKA STATE BUILDING AUTHORITY

TO: Barbara Morse-Quinn

SUBJECT: Willow Park Demolition Cost Estimate

Manpower Utilization

Manpower utilization during the course of the project is listed below. Hourly wage rates are per AS 36; hoever, the rate shown is an average rate used for estimating purposes and includes costs for workers compensation, employers portion of FICA and ESC, in addition to the base wage and benefits.

Craft	Total Hours	Wage	
Superintendent	1,236	$37.27	$ 46,066
Scheduler	35	37.27	1,304
Office Engineer	76	37.27	2,833
Quality Control Engineer	387	37.27	14,423
Safety Engineer	18	37.27	671
Clerical Services	35	37.27	1,304
Operator	843	37.27	31,419
Laborer	1,368	37.27	50,985
Laborer/Foreman	783	37.27	29,182
Electrican	783	37.27	29,182
Asbestos Removal Mech	7,498	36.50	273,677
Truck Driver	1,308	37.27	48,749
Plumber	260	37.27	9,690
Laborer/Asbestos	14,995	36.50	547,318
Carpenter	524	37.27	19,530
TOTAL LABOR COST			$1,106,333

Crew size will be as follows:

General Demolition	Maximum crew	23
	Average crew	9
Asbestos Remove	Maximum crew	12
	Average crew	12

In addition to the manpower listed above, the following professional and administrative support will be imperative to the completion of this project:

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ALASKA STATE BUILDING AUTHORITY

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SUBJECT Willow Park Demolition Cost Estimate

Asbestos A & E - Design & construction management and monitoring

Project Manager	34 md.	
Professional Engineer/Architect	126 md.	
Engineer II	114 md.	
Industrial Hygienist	30 md.	
Drafting/Clerical	29 md.	
	333 md.	
Total A & E Fees Based on 10% of estimated asbestos		$262,490 = $800/day

Demolition A & E - Design & construction management

Prime Architect	63 md.	
Project Manager	84 md.	
Civil/Soils Engineer	5 md.	
Mechanical Engineer	5 md.	
Electrical	5 md.	
Drafting/Clerical	64 md.	
	226 md.	
Total A & E Fees Based on 5% of estimated demolition costs		73,676 = $300/day

GRAND TOTAL A & E FEES $336,166

POSITION	SALARY HRLY.	HOURS	SALARY TOTAL	JOB TOTAL
HOUSING DEVELOPMENT & CONSTRUCTION				
Non-Technical Salaries				
Director	$29.90	690	$20,631	
Administrative Officer	23.58	690	16,270	
Modernization Coordinator	19.26	690	13,289	
Secretary	11.35	690	7,289	
TOTAL DEVELOPMENT ADMIN W/OVERHEAD				$174,134

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ALASKA STATE BUILDING AUTHORITY

FROM: HD/C and Contracts Office

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SUBJECT: Willow Park Demolition Cost Estimate

Technical Salaries

Technical Coordinator	23.58	750	17,685	
Clerk of the works	16.10	1,135	18,274	
TOTAL TECHNICAL SALARIES W/BENEFITS				46,386

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HOUSING MANAGEMENT

Non-Technical Salaries/CO

Director	28.84	80	$ 2,307	
Program Administrator	24.46	40	978	
Admin Assistant III	20.63	80	1,650	
Clerk I	9.55	80	764	
TOTAL CO MANAGEMENT ADMIN W/OVERHEAD				17,100

Project Staff Salaries

POM	16.71	500	8,355	
Clerk I	9.55	500	4,775	
TOTAL PROJECT STAFF ADMIN W/BENEFITS				16,923

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MAINTENANCE

Central Office

Maintenance Officer	23.58	37.5	884	
MA Admin Assistant	14.55	37.5	546	
Central Area Supt.	17.91	37.5	672	
TOTAL MAINTENANCE ADMIN W/OVERHEAD				6,305

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ALASKA STATE BUILDING AUTHORITY

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Field Office			
Maintenance Mechanic II	17.58	150	2,637
Maintenance Mechanic I	16.10	150	2,415
Maintenance Mechanic I	16.10	150	2,415
Laborer	13.50	150	2,025
Laborer	13.50	150	2,025
Custodian	11.10	150	1,665
Custodian	11.10	150	1,665

TOTAL FIELD MAINTENANCE W/BENEFITS 19,153

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TOTAL ADMINISTRATIVE CHARGES $280,000

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AHFC also holds several thousand VA-guaranteed loans and a few FHA-insured loans. On the VA-guaranteed loans, as we described earlier, the VA has the option of taking title to the properties and re-selling them, or paying claims up to a maximum of $27,500 for each loan. In cases where the VA judges that its liability would exceed $27,500 if it took the property itself--and that includes many cases today--the VA simply pays the claim and leaves AHFC with the property and any additional losses. On FHA-insured loans that go into default, FHA takes possession and re-sells them itself.

Some AHFC loans carry no insurance. These are by and large loans that were made under special programs that no longer exist. They include some loans made under the old state veterans program; the legislature directed AHFC to take on some of these loans when the Division of Veterans Affairs was abolished. They also include loans the Department of Community and Regional Affairs made under the nonconforming loan program, which the legislature transferred to AHFC in fiscal 1986. Also, AHFC had a rural loan program in the early 1980s; loans made under that program carry no insurance.

A large share of AHFC's mobile home loans likewise carry no insurance: before 1983 AHFC did not require insurance on mobile home loans. AHFC takes all losses when such loans go into default. On mobile home loans since 1983, AHFC has required private credit insurance to cover 40 percent of the value of the loan; AHFC takes any losses not covered by that private insurance.

Alaska Properties in Foreclosure

Having looked at mortgage holdings and liabilities of lenders and insurers, we now turn to the strongest evidence of the condition of Alaska's housing market today: properties in foreclosure.

Table 3.6 shows numbers of foreclosed properties held by major lenders and insurers as of June 1987, and numbers of properties they had sold from their inventories in the previous year and a half. The table tells us that all lenders are being hit with loan defaults. But as we would expect, given that AHFC holds more than 60 percent of the outstanding residential mortgages in the state, including most of those made in recent years, AHFC is taking the hardest hit.

As of the end of June, the big lenders and insurers in Alaska were holding 4,254 foreclosed properties; 2,758 of those--65 percent--were AHFC properties. FNMA, FHA, and VA were each holding close to 400 properties--or about 9 percent each--of the total inventory. Many of the properties in FNMA's inventory were financed with AHFC loans that FNMA had backed.

ISER Report / Oct 1987

TABLE 3.6. INVENTORY OF FORECLOSED PROPERTIES HELD BY MAJOR ALASKA LENDERS AND INSURERS, JUNE 1987

	Held in Inventory June 1987	Foreclosed Properties Sold 1986 - June 1987
AHFC		
Mobile Home	965	143
Other	1,793	1,075
Total	2,758	1,218
FNMA	394	160 [e]
FHLMC[b]	78	-
FHA-Insured	385	87
VA-Guaranteed[c]	366	80
MGIC	105	25 [f]
Alaska Dept. of CRA	40	1
Farmers' Home Admin.	100	30
Alaska Perm. Fund	23	11
AIDA and Div. of Invest.	5	6
Others[d]	NA	NA
Total	4,254	1,618

[a]Properties "held by" each lender or insurer include just those to which each already held title or was in the process of acquiring title to as of June 1987.

[b]Includes both completed and nearly completed foreclosures.

[c]Includes both properties the VA has already acquired title to and pending title acquisitions. Excluded are properties that the VA paid claims on but did not take possession of. Most such properties probably went into AHFC's inventory of foreclosed properties; some ended up in the hands of mortgage companies, banks, or other primary lenders.

[d]Some foreclosed properties are held by a wide range of Alaska banks, other primary lenders, and private mortgage insurance companies. Figures on such holdings are extremely difficult to get, and the numbers are small compared with the holdings of the secondary lenders and largest insurers.

[e]Properties sold 1986 - May 1, 1987.

[f]Estimated sales from November 1986 - June 1987.

SOURCES: See Sources, Table 3.1.

MGIC, as we discussed earlier, provided pool insurance for thousands of AHFC loans in the early 1980s. Many of the properties in AHFC's inventory of foreclosures are covered by MGIC pool insurance; MGIC is working with AHFC to market those properties, but AHFC holds title to them. MGIC also provided private mortgage insurance for a large number of Alaska homeowners. The 105 properties MGIC had in June 1987--about 2 percent of total foreclosures--were largely properties it had taken title to as a primary rather than a pool insurer.

The remaining mortgage holders in the table together held about 250 foreclosed properties, or 6 percent of the total inventory.

The second column of Table 3.6 gives us another piece of information about the volume of foreclosures in Alaska: properties that lenders took into foreclosure but re-sold from the start of 1986 through the middle of 1987. Foreclosed properties that were re-sold during that period totaled more than 1,600. Again the lion's share was AHFC's: 1,218, or 75 percent of the total, were AHFC properties.

Taken together, the foreclosed properties held in inventory and those sold during the previous 18 months totalled 5,872. That represents 7 percent of outstanding residential mortgages in Alaska in mid-1987. And there were no doubt other foreclosures that are not recorded on this table--those held by banks and private mortgage insurance companies (other than MGIC), for instance. Reliable figures on such foreclosures are very difficult to get.

Table 3.7 looks in more detail at AHFC foreclosures, showing numbers of mobile homes and other properties taken in foreclosure each year since 1984, numbers sold, and remaining inventory in June 1987. What the table shows most clearly is the snowballing rate of foreclosures during that period. In 1984, AHFC foreclosed on 169 properties; in 1985 on 630; in 1986 on 1,792; and in just the first six months of 1987 on 1,676--for a total of 4,267 foreclosures in three and a half years. It re-sold 1,509 of those properties, mostly during 1986 and the first half of 1987, and in June was left with 2,758 properties. Of those, 965 were mobile homes and the rest were almost all condominiums and single-family houses. (AHFC does finance duplexes and triplexes, but the numbers are small.)

The table also makes clear the difficulties of re-selling mobile homes; of the 1,153 AHFC foreclosed on during this period, it re-sold just 188, or about 16 percent. By contrast, it re-sold about 42 percent of the other kinds of properties it took under foreclosure. And foreclosures continue to climb: in the month after this table was compiled AHFC took in roughly 200 more properties.

TABLE 3.7. AHFC INVENTORY OF FORECLOSED PROPERTIES AND SALES, 1984 - JUNE 1987

	1984	1985	1986	June 1987	Cumulative 1984 - June 1987
Total Properties Taken Under Foreclosures Each Year					
Mobile Homes	48	183	509	413	1,153
Other	121	447	1,283	1,263	3,114
All	169	630	1,792	1,676	4,267
Foreclosed Properties Sold Each Year					
Mobile Homes	10	35	85	58	188
Other	30	216	544	531	1,321
All	40	251	629	589	1,509
Remaining Inventory of Properties (Cumulative)					
Mobile Homes	38	186	610	965	965
Other	91	322	1,061	1,793	1,793
All	129	508	1,671	2,758	2,758

SOURCE: AHFC

Summary

Taken together, the tables and figures in this chapter tell much of the story of the rise and fall of Alaska's housing market in the 1980s, and of AHFC's major role in that market in the past seven years.

During Alaska's economic boom of the early 1980s, houses were bought and sold at a record pace and at record prices. AHFC played an important part in boosting housing sales, because it was subsidizing mortgage interest rates and offering special programs for lower income Alaskans. At the same time, the economic good times were drawing tens of thousands of new residents to the state. The combination of below-market interest rates and growing demand for housing pushed housing construction and sales up: in 1983, the peak year of activity, more than 16,500 new mortgages for homes sales were written. And in those boom years between 1981 and 1984, AHFC bought about eight out of ten new mortgages in the state.

The pace of housing sales began dropping in 1985--coincident with the economic slowdown that that became a severe recession in 1986. At the same time, market interest rates began dropping, and by the end of 1986 were at their lowest point in the 1980s. A combination of declining interest rates and different loan terms offered by various lenders brought AHFC's share of mortgages for home sales to about 60 percent in 1985; its inability to do refinancing in that year brought its overall share of mortgages for sales and refinances to around 50 percent.

The recession began making itself felt in earnest in the housing market in 1986, when only about half as many mortgages for homes sales were written as in the previous year, and less than a third as many as had been written as recently as 1983.

Two-thirds of the new mortgages written in 1986 were for refinances by existing owners rather than for sales. The state legislature gave AHFC authority to refinance mortgages in 1986, and its overall share of mortgages for sales and for refinances was about 40 percent that year. In the first half of 1987, home sales were even slower than in 1986, with only about 1,700 mortgages for homes sales written. Refinancing continued brisk in early 1987, with about twice as many mortgages written for refinances as for sales. AHFC had about a third of the overall mortgage market through mid-1987.

Another sign of the growing recession was the growing number of Alaska properties in foreclosure in 1986 and the first half of 1987. The big lenders and insurers were holding more than 4,200 foreclosed properties in June 1987, and had sold an additional 1,600 properties that had been taken in foreclosure in the preceding 18 months. Taken together, those sold and unsold properties represented 7 percent of outstanding residential mortgages in Alaska in 1987. That rate compares, for instance, with a national foreclosure rate for FHLMC-financed properties of less than 1 percent.

The lion's share of foreclosed properties were AHFC's--not surprising, given AHFC's 60-percent share of outstanding residential mortgages and given that most of the loans were written when prices were at their peak. With property values sliding, many AHFC mortgage holders find themselves unable to sell their homes for even as much as they still owe on the mortgage--let alone for the prices they paid for the properties. And the pace of foreclosures accelerated in 1987, with AHFC taking in nearly as many properties in the first six months of 1987 as it had in the entire previous year.

We projected in Chapter II that the economic conditions that have forced down property values, slashed home sales, and put thousands of properties into foreclosure will begin to improve in 1988. The next chapter looks at what AHFC and other lenders might do to help the housing market recover.

E - AHFC

ALASKA HOUSING FINANCE CORPORATION

FY 89 BUDGET AMENDMENT NARRATIVE

The Alaska Economy has experienced a major contraction. Since 1985 Alaska has faced a trend of losing more jobs than were being created. It is estimated that by the time things have turned around one of every ten jobs in place in 1985 will have been lost.

The Alaska Housing Finance Corporation has taken an extremely positive and active role in meeting the operational, procedural and philosophical challenges of a sagging economy. Initially able to meet the additional responsibilities by existing staff working overtime, we soon began transferring employees assigned to the Underwriting Department over to new departments established to cope with the increasing levels of loan delinquencies and foreclosures. As those loans which could not be saved were foreclosed upon, oversight of property management and real estate marketing activities were necessary. Borrowers receiving what they felt to be an inadequate response from the financial institution servicing their mortgage loan began to contact the Corporation directly. While this practice is not encouraged, it is extremely difficult to refuse anyone with an AHFC financed property the opportunity to find out directly what can be done to address their specific financial situation.

We currently find ourselves at the point of initiating significant organizational changes to conform to a structure more typical of a major real estate finance institution. The balance of this memorandum details the need for major additions to budget and personnel authorization for the Corporation and provides general descriptions of the new requirements imposed on AHFC directly attributable to our efforts to keep borrowers in their homes if at all possible, or if necessary, to expeditiously pursue foreclosure and marketing of the property.

The following table shows how the foreclosure/property ownership problem is a recent phenomenon for the Corporation and indicates its magnitude:

	Foreclosures		Disposals		Inventory at December 31		
Calendar Year	Type II Mobile Homes	Site Built	Type II Mobile Homes	Site Built	Type II Mobile Homes	Site Built	Total
1981	0	2	-	-	0	9	9
1982	0	1	-	-	0	10	10
1983	3	7	1	1	2	16	18
1984	45	112	11	33	36	95	131
1985	182	446	36	218	182	323	505
1986	516	1,338	86	546	587	976	1,563
1987	851	2,825	257	1,283	1,181	2,518	3,699

The above will be further aggravated by the additional 6,392 mortgages and 656 mobile home loans which were delinquent in their loan payments at the end of December, 1987.

During calendar year 1983 and 1984 the Corporation originated 22,891 mortgage loans (exclusive of mobile home loans) worth a total of $ 2.3 billion. Of these, the Corporation still owns 16,823 with outstanding principal balances of $ 1.6 billion (including loans made to refinance those purchased in 1983 and 1984). It is estimated that in most cases the loan balances owed by any of these borrowers who received maximum percentage financing exceeds the market value of the properties which they secure (net of sales costs) by approximately $ 200 million.

The Corporation is the largest single owner of residential real estate in the State of Alaska. Virtually all of it is currently on the market. The total listings of single family through four plex properties in the Anchorage/Mat-Su/Kenai area according to the most recent Multiple Listing Service report is 3,167. In this same geographic area the Corporation now owns 2,255 properties representing an overwhelming 71 % . The Corporation's actions or inactions in response to the existing real estate situation affects the financial well being of virtually every residential property owner in the State.

To deal with the additional administrative and management functions necessitated by loan delinquencies, foreclosures, and property dispositions, entire new departments within the Corporation have been formed. The Special Credits/Borrowers Counseling Department has been created to deal with the management of delinquent loans and foreclosure process. It is within this department that the tailoring of individual loan forbearance or workout provisions with the requirements of the loan insurer or guarantor will occur.

The newly established Property Disposal Department is responsible for bringing the foreclosed properties into "market ready" condition, negotiating property repair expenditures with applicable mortgage insurer/guarantors, assigning properties to a Designated (Real Estate) Broker and reviewing purchase offers.

The Claims Administration Department handles the payment of all expenses related to the repair, maintenance, and holding of the property. The Claims Department additionally is responsible for the filing of claims for reimbursement of foreclosure losses with the appropriate mortgage insurer or guarantor, as well as monitoring the status of claims filed by the loan servicers with the primary mortgage insurer, FHA or VA.

The Corporation is fortunate to have obtained substantial loan loss coverage for site built homes. As a result, in spite of property value reductions of 20% to 50% from what they were when the loans were originally made, the actual losses to be incurred by the Corporation should be relatively small. Exhibit A details the allocation of the Corporation's loan loss reserve at September 30, 1987. As evident in the Exhibit, the bulk of the losses to be realized will be related to the Corporation's mobile home program. Actual loan losses will be many times higher, with the primary mortgage insurers (or FHA/VA) incurring an average loss of $30,000 combined with the mortgage pool insurer/guarantors (FNMA and MGIC) taking an additional loss of $10,000 to $30,000 per property foreclosed and sold.

For many properties, particularly condos and mobile homes, a major portion of the loss will be related to the excessive holding period and ongoing monthly costs incurred (space rent, homeowner's dues, utilities and interest accruals).

The number of loss instances combined with the magnitude of losses has resulted in the insurers and guarantors on whom the Corporation had laid off the risk of loss increasingly scrutinizing each claim filed. An alarming number of claims are being reduced or denied in their entirety for reasons which range from alleged misrepresentations as to original property condition or borrower qualification, to technical procedural errors made in the foreclosure process by the loan servicer or the Corporation. These claim exceptions involve many thousands of dollars in disputed items which must be fought out on a case by case basis. The documentation to support a claim filed with the insurer/guarantor must include those items necessary to demonstrate that (i) every attempt was made to keep the borrower in the home; that failing (ii) the foreclosure process was handled expeditiously; (iii) property repairs needed to get the residences in "market ready" condition were made as quickly as possible, and (iv) the property was sold pursuant to a marketing program designed to minimize their loss.

Attached as Exhibit B are copies of representative correspondence related to payment of loan insurance or guarantor amounts. Since the number of loan insurers/guarantors upon which the Corporation is relying to absorb all or a portion of any particular loan loss approximate 20, with claims filing responsibilities spread out amongst the Corporation and its 40+ loan servicers, resolution of contested claims on any level other than a property by property basis has proven extremely difficult. Currently, existing staff levels permit the negotiation of those cases involving multiple units in condominium projects or those individual cases where the uncovered loss is substantial. To be able to resolve the numerous situations involving amounts ranging from five thousand to twenty-five thousand dollars, additional staffing must be provided.

As an example of the dollar amounts involved, a total of $ 11.4 million was paid to the Corporation during calendar year 1987 by Mortgage Guaranty Insurance Corp. (MGIC) which provided mortgage pool insurance on a total of 26 groups of mortgages put together and pledged to the bonds issued by the Corporation between 1981 and 1983.

The Federal National Mortgage Corporation (FNMA) paid out to the Corporation in excess of $ 45 million to acquire 473 foreclosed properties during 1987 pursuant to various loan guaranty agreements.

The Corporation received, in settlement of insurance claims and property conveyances from primary mortgage insurers and the VA during calendar year 1987, a total amount of just over $ 55 million.

The above represents aggregate payments made to AHFC by other secondary mortgage market participants in excess of $ 111.5 million during a single calendar year. Each of these parties , as well as the owners of in excess of $4 billion in bonds issued by the Corporation and still outstanding, expect the Corporation to prudently respond to the changing economic circumstances by devoting a level of personnel and management resources commensurate with the extent of the problem and related financial liability. Under the variety of agreements with the mortgage insurers/guarantors they remain obligated to absorb the risk of loss on the foreclosed property only if the Corporation has fulfilled its obligation to respond to the delinquency, process the foreclosure, manage and market the property according to their specific instructions.

The Corporation has responded to the economic recession and decline in residential values in a number of positive ways. Some of the more significant changes include permitting the rental of AHFC financed properties so borrowers wouldn't have to sell their home if they were required to relocate to another area or upgrade to a larger dwelling to accommodate family additions. Legislation was also sought for a refinance program that would not be restricted based upon the current value of the residence. This would give all homeowners with higher loan rates the opportunity to reduce their monthly payments. This program, while approved by the legislature last year was pre-empted by increased market interest rates. Recent reductions in rates have renewed the viability of this program which is now being actively pursued again by staff.

The most recent effort to provide relief to borrowers is the implementation of the Home Owners' Assistance Program (HOAP). HOAP was designed to provide financial assistance to eligible homeowners who are experiencing serious, but temporary, financial difficulties: HOAP can help in a variety of ways; lower payments, bring loan current, make further advances if necessary, and eliminate the ABE (scheduled increase) feature of many AHFC loans. HOAP is the first program of its kind in the nation. It is now being used as a model for other programs. HOAP will required some funds from AHFC - maybe $10-20 million for advances plus other funds for bonding collateral, but we believe it is a good investment in Alaskan homeowners.

This innovative program was developed in cooperation with the Federal National Mortgage Association (FNMA) and Mortgage Guaranty Insurance Corp. (MGIC) enabling it to be available to any owner occupied property financed by AHFC.

These programs are of significant financial benefit not only to the Corporation through reduced foreclosures but to the many homeowners who have or will participate. AHFC is in a unique position to be the catalyst necessary to draw together the fragmented secondary mortgage market participants into a plan designed to initially stabilize and subsequently increase housing values.

A number of things should be done by the Corporation in recognition of the aggregate financial magnitude of the problem to the Corporation and other at-risk mortgage participants as well as the individual financial and emotional importance of a families investment in their home. AHFC has addressed the issues as best it can with its existing personnel resources. Worthwhile ideas relating to property trades, warehousing of vacant units and elimination of older less adequate housing stock have been raised. Development and implementation of these ideas can only be achieved when those individuals familiar with the intricacies of the secondary mortgage markets as they relate to AHFC financed properties have been provided the level of personnel support required to enable them to turn these ideas into fully developed proposals available for approval and implementation.

To enable the Corporation to (i) meet its obligations under various loan, insurance and financing agreements, (ii) assure itself that its significant investment in real estate is adequately protected from vandalism and the elements and repaired or refurbished to "market ready" conditions and (iii) provide the necessary service to those nearly 50,000 families to whom the Corporation has outstanding loans to and (iv) operate a marketing program designed to achieve the best possible prices, significant additions are necessary. The increased authorization needed is already included in the Governor's Budget. A budget amendment to allow a line item transfer and creation of additional positions is also being requested. The schedules presented in Exhibit C summarize the requested FY89 budget. For comparative purposes summary data from the FY88 operating budget as approved by the legislature last year is included with the requested changes in the FY89 budget detailed.

The organization chart reflecting the 55 positions which were included in the FY88 budget documents previously approved by the legislature is included as Exhibit D. The chart also indicates the additional positions presently being requested.

The changes from what was presented to you last year reflect the addition of 25 permanent positions; related cost of office equipment; increased occupancy cost to accommodate the required additional personnel;

contractual expenses including legal services incurred and expected to be sustained arising from contract disputes and data processing system modifications necessary to provide the additional detailed information needed for reporting and insurance claim filing purposes: modular office furnishing to enhance efficiency of personnel and space; and other expected increases in travel and commodities expenditures. Since the Corporation's operating budget is funded from Program Receipts, these increases can be made without impact to the State's General Fund.

While the above represents a substantial increase in the Corporation's level of operating expenditures, little choice exists under the circumstances. Increased staffing and support is necessary for the Corporation to maintain insurance coverage and safeguard the assets pledged to its bondholders as well as to attend to those situations where borrowers who are experiencing financial difficulties and have a genuine interest in avoiding foreclosure desire to have the Corporation consider forbearance or establishment of a work-out plan.

The response of the Alaskan lending community to the existing situation of record delinquencies and foreclosures will have a lasting effect on the secondary mortgage market participants, including loan insurers, decisions whether to continue to do business in the State. A primary objective of Alaska Housing Finance Corporation is to help assure that residential financing is available to those who have chosen to make Alaska their home. This objective recognizes the historical difficulties the lending community in Alaska has experienced due to the remoteness of the State and general unfamiliarity by many mortgage market participants. The lending community's responsiveness in protecting these participants from any unnecessary losses will go a long way in convincing them to continue or reinstate participation once the problems associated with declining housing values are behind us.

Willow Park residents: Demolish our homes and move us

By Yereth Rosen
Times Writer

You might think that some people would be upset about a state government proposal to raze a public-housing complex and relocate 106 families.

You would be wrong.

Willow Park apartment residents who attended a public hearing at Denali Elementary School Wednesday night gave unanimous approval to the Alaska State Building Authority's plan to tear down the apartments and place the residents elsewhere.

About 80 people, most of them Willow Park residents, braved frigid temperatures to attend a meeting called by the Alaska Housing Market Council. There they listened to details about the relocation plan.

Willow Park, built in 1953, is the oldest public housing project in Anchorage. Its design, wiring and fireproofing — an asbestos lining — are obsolete, and Anchorage's housing market is chock-full of residential vacancies.

This is the right time to tear down the complex and place the residents in better housing, said Barbara Morse-Quinn, executive director of the Alaska State Building Authority.

The building authority hopes to acquire federal funds to buy 80 of the many institutionally owned housing units in the city and move most of the Willow Park residents there. There's room in current ASBA housing, or in the Section 8 program, which provides housing subsidies to qualified renters who find homes in the private sector, for the 26 other families, according to building authority calculations.

When Glenda Straube, executive director of the Alaska Housing Market Council, and Morse-Quinn asked for a show of hands signaling approval of the plan, about three-fourths of the people attending the meeting held their hands aloft.

When Straube and Morse-Quinn asked if anyone opposed the plan, not one hand was raised.

"Wow. Are we doing something right, or what?" Straube said.

The Willow Park residents had some specific questions about the relocation plan. Some asked about their new housing, mentioning preferences for such qualities as being within walking distance of grocery stores and the convenience of one-story housing.

Until the nearby Safeway closed, Willow Park residents were within a short walk of a grocery store. However, the apartments, built by the U.S. Public Housing Administration, the precessor of the Department of Housing and Urban Development, were constructed long before concerns about handicapped and elderly access were given strong consideration.

Times photo by Walt Johnson

Willow Park resident John Jousma questions officials during a public hearing Wednesday.

See Willow, page B-2

Anch Times 1-28-88

Willow: Residents behind demolition

Continued from page B-1

Before anyone is moved from Willow Park, Morse-Quinn said, all residents will be surveyed in detail about their housing preferences.

The whole plan depends on the building authority's ability to get the funding and the federal permission to tear down Willow Park. The authority has asked the U.S. Departments of Labor and Housing and Urban Development for permission to demolish the complex.

ASBA applied this month to HUD for $9 million to buy housing to be used as relocation sites for the Willow Park residents. In addition, the building authority would need $2.2 million for demolition and site restoration and $2.6 million to remove Willow Park's asbestos.

Morse-Quinn said ASBA expects to learn by June whether it has the funding to proceed with the project. Once all the money is in place and once all residents have been surveyed about their housing preferences, residents will be moved within 45 days, she said.

"We aren't going to move on any part of this plan, including the acquiring, until we have all the money in the bank," she said.

Clarissa Oksoktaruk probably spoke for many when she said she favors the relocation plan but has some regrets about leaving the housing complex.

"I am not looking forward to moving right away," she said. After all, she said, she moved into her Willow Park apartment in December and has just started to get settled.

"But I am happy that they are going to move us eventually," she said.

WILLOW PARK MODEL RELOCATION PROJECT

SUMMARY

The Willow Park low income housing project is composed of 150 units located on 5.9 acres at 9th and Fairbanks streets in Anchorage. It was built in 1953 and is the oldest low income housing project in Alaska. The vacancy rate currently stands at 28%; this is partially due to recent fires in several of the units.

The Willow Park model relocation project is divided into two parts: 1) demolition and site restoration; and 2) relocation of the residents.

In January of 1988, the Alaska State Building Authority (ASBA) applied to the U.S. Department of Labor, Housing and Urban Development (HUD), for the authority to demolish Willow Park.

If ASBA's application for demolition is approved, a source of funds for demolition costs must be found. In addition to the estimated $2.2 million for demolition and site restoration, $2.6 million is needed to remove the asbestos found in the buildings. ASBA is currently seeking money from state and local officials for the demolition costs and asbestos removal.

ASBA is also asking HUD for funds to acquire scattered homesites to use as possible relocation sites for Willow Park residents-estimated cost is $9 million.

If funding is obtained, it would be possible to acquire some of the large inventory of institutionally and privately owned repossessed properties in the Anchorage area. Without funding, ASBA will either have to purchase/rent new homes for the residents themselves, or place them in other low income housing projects (as long as they qualify under current assistance programs).

The decision to demolish Willow Park is based on several factors:

1) The existing buildings are old and in need of extensive renovation to comply with safety code violations. Renovation would cost more than the structures are worth.

2) They are functionally obsolete and no longer meet the needs of the community.

3) There is currently a surplus of housing in the Anchorage real estate market which has forced market prices down; this makes the older low income housing projects less competitive and harder to fill.

4) Due to the surplus of housing, this is a perfect time to remove existing substandard units and allow current Willow Park residents to enhance their living standards by relocating to better housing.

5) By removing substandard units and replacing them with available public and privately owned housing units, this plan will help to stabilize the current housing market.

Proposed Timetable For Demolition and Relocation:

Public comment and HUD review of application:	January to Mid April 1988
Seek funding source for demolition:	January to Mid June 1988
Relocation of residents:	Mid May to August 1988
Bidding procedure and demolition construction:	Mid May, 1988 to June 1989
Project final:	June to August 1989

HUD's review of the application for demolition will not start until after the public has had a chance to comment on the proposal.

The Alaska State Building Authority is encouraging interested members of the community to read the plan and comment on it. Copies of "The Role of Public Housing in Market Stabilization" can be obtained from the Alaska Housing Market Council by calling 563-3325.

Written comments will be accepted until March 11, 1988 by writing to:

Attn: Willow Park
Alaska Housing Market Council
624 W. International Airport Rd., Suite E
Anchorage, Alaska 99518

C. [illegible]

FINANCING

The success of this proposal requires the communication, cooperation, and participation of many. The following sequence illustrates tasks, responsibilities, and recommended funding sources which will make this proposal attainable.

DATE	ACTION	$ AMOUNT	DECISION	OPTIONS
3/87	The Authority applied to HUD through a CIAP/MROP application for Authority to demolish and/or renovate Willow Park in full or in part	10,545,000 12,000,000 8,758,212	*Denied *Denied *Denied	Reapply 1/88 for HUD authority to demolish Willow Park but not as CIAP project
4/87	The Authority application to HUD for purchases of additional scattered site family housing	9,000,000	*Denied	Reapply 1/88
1/88	Asbestos Abatement	2,600,000		Governor Cowper's Job Bill State Appropriation
1/88	Demolition and Site Restoration	2,200,000		Municipality of Anc. Governor Cowper's Job Bill State Appropriation

*NOTE: Alaska has received a disproportionate share of funding for "public" family housing. The Alaska State Building Authority has not received HUD funding to purchase additional public family housing since March 1979 ($6.5 million). During this nine-year period, HUD has chosen to specifically award monies for family housing to Indian Housing.

Municipality of Anchorage

P.O. BOX 196650
ANCHORAGE, ALASKA 99519-6650
(907) 343-4431

TOM FINK,
MAYOR

OFFICE OF THE MAYOR

February 26, 1988

Ms. Barbara Morse-Quinn
Executive Director
Alaska State Building Authority
P. O. Box 100080
Anchorage, Alaska 99510

Dear Ms. Morse-Quinn:

Thank you for sharing with me the plan for Willow Park. This project is in keeping with my administrative priorities for economic recovery in Anchorage's real estate market. We have a strong commitment to addressing the problem in a responsible fashion. To do so, we have sought out those low-end multifamily properties which no longer have useful economic value in Anchorage and wholeheartedly support their demolition.

The Heritage Land Bank is committed to working with you to see that a cleared and useful site is achieved where Willow Park now stands. Given the approximate land valuation of $1.8 million in present market conditions and the overwhelming public benefit achieved when Willow Park is removed from present stock, your request for $2.2 million in municipal assistance is a good investment for us to make. Discussions about the best method to meet this request are ongoing and a number of options exist. We plan to present a request for these funds from the Legislature through the Anchorage delegation. At present, we do not have the $2.2 million available, but would hope we could provide the funds from the state allocation to the Municipality.

The securing of the $2.6 million state commitment and approximately $9 million federal commitment to make this project happen are important to our economy. We will keep you informed of the options we are pursuing and look forward to hearing of your progress in securing state and federal funds.

Sincerely,

Tom Fink

Tom Fink
Mayor

cc: Paul Baer

Alaska State Legislature
House

Official Business

P.O. BOX V
State Capitol
Juneau, Alaska 99811

BY THE JOINT COMMITTEE ON ECONOMIC RECOVERY

March 2, 1988

COMMITTEE RESOLUTION

Relating to the Residential Real Estate Market

WHEREAS the Alaska State Building Authority, (ASBA), has proposed a comprehensive plan to relocate the tenants, and then demolish Willow Park, a 150-unit, low-rent housing project; and

WHEREAS ASBA is seeking funding for this project from federal, state and local sources; and

WHEREAS the existing structures are 35 years old and in need of extensive renovation to remedy safety code violations, and renovation would cost more than the structures are worth; and

WHEREAS removing substandard units and replacing them with available public and privately owned housing units will help to stabilize the current housing market and help bring substantial new federal funds into a local Alaskan economy; and

WHEREAS relocation would provide an improved quality of life for the current residents of Willow Park; and

WHEREAS the complexes are functionally obsolete and a blight on the community; and

WHEREAS the Committee recognizes the value of the Willow Park demolition project and recognizes a responsibility for asbestos abatement of this state-owned facility; and

WHEREAS federal funding for relocation of the Willow Park tenants is directly related to garnering state or local funding of other costs, including asbestos abatement, demolition and site restoration.

BE IT RESOLVED that the Committee supports all efforts to obtain state, federal and local funds to complete this relocation and demolition project.

BE IT FURTHER RESOLVED that the Committee recommends that finding appropriate and sufficient state and local funding sources remain both a state legislative and municipal government priority, and that further analysis for consideration by the Legislature in upcoming appropriation actions be completed as soon as possible. The Committee further recommends that final project costs exclusive of federal relocation assistance funds, once verified and funded, be spelled out in a memorandum of understanding between the state and local government by the Alaska State Building Authority subject to the conditions for appropriation the Legislature deems advisable.

Signed this 2nd day of March, 1988

Representative Max Gruenberg

Chairman, House Joint Economic Recovery Committee

Representative Kay Brown

Co-Chairperson

Housing & Banking Subcommittee

Representative Steve Rieger

Co-Chairperson

Housing & Banking Subcommittee

Alaska HOUSING FINANCE CORPORATION

MEMO

TO: AHFC Board of Directors

FROM: Ronald D. Lehr RL
Executive Director

DATE: March 8, 1988

RE: Attached Memo from Representative Brown
to Commissioner Malone

Commissioner Malone has requested that I comment on the attached memo from Representative Brown regarding funds for demolition costs for Willow Park and Hollywood Vista. As Representative Brown notes in her cover letter, a total of $4.75 million additional is needed, and she believes these funds should come from AHFC reserves.

It seems there are two separate issues raised by this letter. First, is the demolition of these projects an issue that should involve AHFC (and its resources)? Second, assuming AHFC will be financially involved in assisting this demolition, what is the most appropriate form of involvement?

The first question is largely a policy decision. However, it is perhaps appropriate to note that even though both these projects are multifamily rental projects, and hence not normally the province of AHFC, any action that involves 500 units of housing is likely to have some effect on the housing market in general.

The second question raises certain sensitive issues regarding legislative appropriation of AHFC resources. As has been discussed, there is a great deal of concern in the financial community regarding just how secure AHFC's assets are. Any use of AHFC resources for other than standard programs is bound to raise the question again, and we should be prepared to deal with it.

With regard to the specific subject of $4.75 million for the two projects, clearly AHFC has adequate resources to actually provide funding. Furthermore, an appropriation to fund these projects would appear to be simple. However, it would certainly raise the questions cited above, as well as legal questions about the legislature's ability to appropriate AHFC funds. Furthermore, it would seem to

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Anchorage, Alaska 99510

encourage additional appropriations of AHFC resources for other real-estate related projects.

I believe that the Board should at least consider another approach. Willow Park and Hollywood Vista are merely representatives of a much bigger problem, that being a large excess supply of housing, particularly in the lower end of the quality range. It may be appropriate to devote a significant amount of AHFC resources toward dealing with this overall problem, rather than simply funding requests for these two projects.

Specifically, I think the Board should consider a program whereby, say, $20 million of AHFC resources are to be used as a "stabilization and upgrade fund." This fund could be used for grants to other state agencies or local governments. The purpose of the fund would be to upgrade the overall supply and availability of adequate housing. In operation the fund would be used for two purposes. First, it could make grants to destroy substandard housing. Second, it could be used as grants to allow applicable governmental bodies to purchase AHFC-owned property that would be used for qualified purposes. Examples of qualified purposes could be low income housing, student housing, senior citizen housing, etc. This would include, for instance, the sale of mobile homes to rural areas to make more housing available. I believe that all grants should be matching grants, since there is a natural screening process done when an applicant needs to put some of their own resources into a project. Furthermore, I believe it would be best to limit the eligible recipients to state and local governments. This will limit the number of applications which AHFC will have to contend with and avoid AHFC having to establish a significant grants bureaucracy.

The costs of this program are clearly greater than simply an appropriation of $4.75 million. However, I believe the concept does have certain advantages that may justify the additional costs. First, it is a more broad based approach, so should provide more overall help. Second, I believe that such an approach could be more easily explained to the financial community. It should not be surprising to the financial community that AHFC would be engaging in programs that not only help individual housing needs, but also help contribute to improving the overall situation in the housing market in a planned and coordinated fashion.

su

Attachment

P.02

Kay Brown
Alaska State Legislature
House of Representatives

RECEIVED
ALASKA DEPARTMENT OF REVENUE
FEB 25 1988
OFFICE OF THE COMMISSIONER

Ron FYI

TO: Commissioner Hugh Malone
Department of Revenue

FROM: Representative Kay Brown Kay

RE: Willow Park and Hollywood Vista Apartments

DATE: February 25, 1988

As we discussed yesterday, please find attached background information on the Willow Park and Hollywood Vista demolition costs. A total state appropriation of $4.75 million is needed, and I believe it would be appropriate to fund this work from AHFC reserves.

If you need further information or have questions on this material, please contact me or Katy McHugh of my office.

P. O. Box 20-2661
Anchorage, AK 99520-2661
(907) 272-0207

During Session:
P. O. Box V
Juneau, AK 99811
(907) 465-4998

WILLOW PARK AND HOLLYWOOD VISTA SITE DEMOLITION AND RESIDENT RELOCATION PLANS

WILLOW PARK

The $13.8 million proposal is a comprehensive plan to remove Willow Park, a 35-year old, 150-unit low rent multifamily housing project, from the Anchorage rental inventory. The funding for this project would be obtained from three sources: federal, state and municipal government.

$2.6 million state funds (asbestos abatement)
$2.2 million municipal funds (demolition and site restoration costs)
$9 million federal funds (relocation and administration costs)

=$13.8 million

Municipal officials have indicated that the municipality will make a commitment on its $2.2 million share in the next few days. The Alaska State Building Authority cannot obtain the $9 million of federal funds until both the state and municipality have committed to funding their portions of the project.

HOLLYWOOD VISTA APARTMENTS

The Hollywood Vista Apartment Complex consists of 347 units of which 51 are currently occupied. The municipality of Anchorage purchased the project from the United States Department of Housing and Urban Development for the sum of $1.00 in February 1988. This sale is contingent on the Municpality's agreement to raze the complex within two years of title acquisition. The Municpality has proposed demolition of this property due to its substandard condition and the current abundance of multi-family rental units available in Anchorage.

The proposed costs of the demolition and relocation are approximately $2.15 million.

$650,000 (asbestos abatement)
$1.5 million (demolition, site restoration and relocation)

=$2.15 million

The Alaska State Building Authority has agreed to issue vouchers or certificates (through HUD) for Hollywood Vista residents that qualify for public housing assistance. (30 to 40 tenants out of the 61 remaining.)

A total appropriation of $4,750,000 in state funds is sought for the purpose of demolition of Willow Park and Hollywood Vista Apartments in Anchorage. This decision is based on several determining factors including:

- Existing buildings are old and in need of extensive renovation to remedy safety code violations. Renovation would cost more than structures are worth.
- Removing substandard units and replacing them with available public and privately owned housing units will help to stabilize the current housing market.
- Relocation would provide improved quality of life and upgraded housing for Willow Park and Hollywood Vista residents.
- The complexes are functionally obsolete and no longer meet the needs of the community.

Prepared by:
Rep. Kay Brown
2/25/88

Work Session

Fran Rose discussion

Alaska HOUSING FINANCE CORPORATION

MEMO

TO: AHFC Board of Directors

FROM: Ronald D. Lehr RL
Executive Director

DATE: March 9, 1988

RE: Mobile Home Marketing Program

Approximately a year ago the Board and staff undertook a number of actions involving the Corporation's mobile home loan program. A summary of these actions, and progress to date is provided in the attached memo (Attachment C).

As is clear from that memo, a number of things have been accomplished in the past year. However, given the ever increasing number of AHFC owned mobile homes, much more needs to be done. The intent of this memo is twofold: first, to provide a summary of current marketing plans; and second, to solicit input from the Board on some proposed efforts.

Currently the Corporation owns approximately 1200 mobile homes statewide, with the bulk of these (90%) in Anchorage. We have about 1050 in various mobile home parks, and this memo will focus on those units. Attachment A provides a breakdown of these Corporation-owned homes.

The major change to date in the Corporation's marketing effort took place when we went to our current system which utilizes three property managers (Anchorage/Fairbanks/Juneau) and incorporates open listing. This system has provided improved inventory information, more control over the quality and condition of units offered for sale, and a more energetic and coordinated sales effort. All this is reflected in Attachment B, a graph which shows monthly mobile home unit sales during the past two years. We adopted the new marketing system in the summer of 1987, and its impact has been dramatic (February 1987 sales - 4; February 1988 sales - 33).

Still, the 1050 units currently owned represent well over two years worth of sales at present rates, even if no new units were added to

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our inventory, which is unlikely. Furthermore, we have had a preliminary study done by the Institute of Social and Economic Research regarding future trends in the demand for mobile homes. Their projections indicate that it is unlikely that we will experience any significant increase in demand for mobile homes in the next few years.

Given these factors, staff believes that additional changes are necessary. The areas in which changes are felt necessary are detailed below. We believe it is important to clarify program objectives and tailor our approach to achieve these ends recognizing that we have three (sometimes competing) goals: 1) to obtain the maximum return from units; 2) to minimize the carrying costs on units prior to their sale; and 3) to cause as little disruption as possible to the remainder of the marketplace.

This latter goal is particularly important, both because of our status as a state owned corporation and because it is clearly in everyone's best interests to refrain from actions that could cause our current loans (over 3,000) to become repossessions.

We believe that our future marketing plans should be comprised of a number of efforts. The first consideration relates to the number of units we need to sell. Many of the repossessed units are in poor shape. This has become more clear with the additional information available under our new property management system. As a result, we have sold for parts or simply disposed of a number of units in the past few months. However, we believe that a specific Board policy would be appropriate with regard to disposals since other important factors are also involved.

<u>Unit Disposals</u>

Currently, virtually all involved agree there is an excess supply of housing, particularly in the least expensive segments of the Anchorage market. A number of suggestions have been made to demolish certain low quality housing units, such as the Willow Park project. If demolition of excess low end units becomes an accepted policy, destruction of inexpensive mobile homes is clearly an efficient approach. In any case, trying to market very low value units probably does not make economic sense because of the transaction and carrying costs involved, and because these units often times may not satisfy the Corporation's mandate regarding "safe and sanitary housing".

Therefore, we believe it is appropriate to establish a policy under which repossessed units below a certain value would automatically be either destroyed or sold for parts. If the Board agrees, staff will prepare a series of alternatives. First the basis for valuation, either as-is value or net repaired value, must be determined. Second, the threshold value itself must be established. For instance, a reasonable first approximation would be to set the threshold as-is value at $5,000. This value can be contrasted against an average annual carrying cost of approximately $3700, plus a 10% sales cost ($500 in this case), plus $300 in closing cost, or about $4500 if such a unit sold in one year. Hence, were the unit to be held over one year, AHFC would begin actually losing money on such a unit when compared to the option of destroying it.

Open Listing Sales Program

Second, we believe that our current sales efforts and procedures should continue. These efforts have been moderately successful, resulting in sales of about 32 units per month. We may want to enhance these efforts with certain sales agent incentives such as provided by MGIC in their recent condo sales program. Given the potential sensitivity toward AHFC giving free trips for sales, though, we will check with the Board prior to initiating any major programs.

Targeted Park Marketing Program

The third group of recommendations entails the involvement of the mobile home park owners. Clearly, it is in their best interest to have an owner occupied unit (paying space rent) in their parks. The intent of this group of suggestions is to use that incentive to aid the Corporation. Option one involves entering into an agreement with the park owners whereby they select a few units (5 - 10) in their park for this program. The park owner would receive a percentage of the price (say 5%) when the unit sells, and the sales agent the standard 10%. AHFC would pay no space rent on those units. Option two involves entering into an agreement with park owners for a fixed number of selected units (say 5 - 10) for a set time period (say one year). The park owners would have the exclusive right to sell the units. We would make the units available to the park owners at list minus one year's holding cost. The park owners would keep any sales amount above this as profit, and would be responsible for any sales commission. AHFC would pay no space rent. Option three would involve mini-bulk sales. Although these sales could not be restricted to park owners, they clearly would be a target group and likely would be the most interested in the units. In this case, AHFC would simply have small groups of units (10-20) that would be sold to the highest cash bidder. No restrictions would be placed upon where these units could be located. Restrictions could be imposed regarding whether these could be resold or had to be rented, or whether AHFC would provide financing to eventual owners if they were resold.

Creative Marketing Approaches

This group of ideas involves increasing the sales visibility of our units. This could be done in a variety of ways, including more extensive use of our sales/storage lot in Anchorage. The other main idea would involve establishing one or more sales lots for drive-bys. These lots (or this lot) would be in prominent locations, and would have model units on display and would be covered by our sales agents. We could contract for these lots by paying a per unit fee per month, or perhaps by paying no monthly charge but rather allowing for a sales commission to the lot owner.

Additional ideas along the same lines involve a more active marketing effort to attract an expanded group of buyers. For instance, we need to encourage the use of mobile homes as second homes, lake cabins, and similar uses. We also need to target possible institutional/business buyers, such as the military, mining, and timber companies both within and outside the State.

Carrying Cost Control

Next, the Corporation needs to make continued efforts to decrease carrying costs while units are being marketed. We have tried to get park owners to lower their space rent for vacant AHFC owned units, with limited success. The Corporation also contracted for a sales/storage lot in Anchorage to decrease space rents. There has been considerable opposition from park owners to the Corporation moving units to the sales/storage lot. However, unless park owners lower their space rents (significantly in many cases) staff strongly believes that units should promptly be moved to the sales/storage lot. If we are not able to get reduced rents from park owners and/or sell existing and future inventory more quickly, consideration will need to be given to contracting for another such lot.

Multi-unit Offerings

All of the above are predominantly variations on a theme, that being to sell units individually or in small groups within a geographic area while at the same time attempting to lower carrying costs while these sales are taking place. Although we believe these are all valid efforts, it must be admitted that it is rather unlikely that these efforts will be adequate to deal with our excess inventory in a reasonable length of time.

Hence, our final staff recommendation is to do some bulk sales, with the specific requirement that the units so sold cannot be used for residential purposes in the Anchorage, Fairbanks, or Juneau areas.

The advantages of an out-of-area bulk sale are obvious - a large number of units are permanently removed from the market, decreasing both the excess supply and the downward price pressure on remaining units. Of course, carrying costs for these units are also ended. The disadvantages are also apparent. A bulk sale is likely to bring in a much lower price for a given unit than a more standard sale would bring. There is likely to be considerable opposition from park owners, since these out-of-area bulk sales will result in fewer units in their parks, and hence less revenue.

Given the large inventory of units, and the length of time the Corporation is likely to have a large inventory using conventional sales techniques, we believe the advantages of a bulk sale outweigh the disadvantages. As such, staff would like Board approval to initiate a moderately sized (50 - 100 units) out-of-area bulk sale. As we learn from this experience, we can then make adjustments for future such sales, or perhaps forego further sales if our experience is negative. We also need to be prepared to respond to bulk offers from potential buyers. For instance, how should the Corporation respond to an offer to, say, buy all of our "double-wides", given that any such offer will be at prices well below list. Should we turn the offer back around as a bulk sale bid? Should we provide any financing on bulk sales (staff recommends against it)? At this time, staff would like Board approval to continue with the development of a bulk sale, with the understanding that subsequent Board approval would be required before any sale was actually conducted.

In closing, we would like to make two final observations. First, some of the AHFC owned mobile homes have insurance on them, and actions involving these units may require approval from the relevant company. Second, although we believe the efforts described above represent a significant sales program, it should always be kept in mind that the best actions are those that prevent repossession in the first place, e.g., the Home Owners Assistance Program, Simplified Refinance, other workouts, and so forth.

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Attachments: Attachment A - Mobile Home Inventory Statewide
Attachment B - Graph of Mobile Home Sales
Attachment C - Memo to AHFC Board of Directors with attachment (Resolution 87-3)
Attachment D - Mobile Home Parks

Attachment A

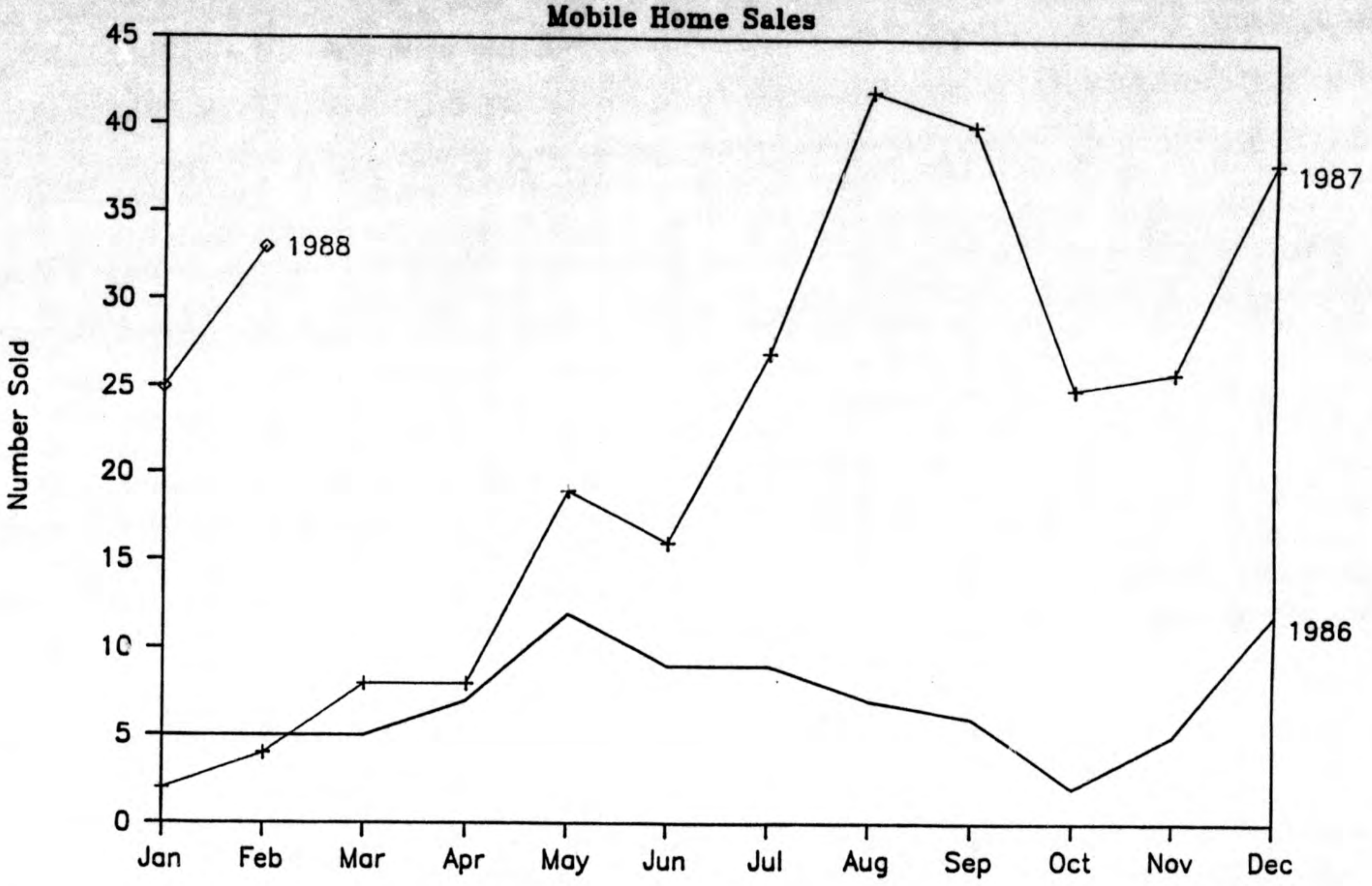
Mobile Home Inventory Statewide
Under Management
as of 2/29/88

Type/Age	Anchorage/ Mat-Valley/Kenai	Fairbanks North Pole	Juneau	Total
Singlewide 0 - 1972	183	13	11	207
Singlewide 1973-1978	422	53	13	488
Singlewide 1979-new	200	49	9	258
Doublewide	97	2	2	101
TOTAL	902	117	35	1054

Average Sales Price

Type/Age	Anchorage/ Mat-Valley/Kenai	Fairbanks North Pole	Juneau	Statewide Average
Singlewide 0 - 1972	5,000	4,000	4,000	4,300
Singlewide 1973-1978	10,000	7,800	7,900	8,500
Singlewide 1979-new	20,000	18,000	12,200	16,700
Doublewide	25,000	28,700	16,000	23,200

ALASKA HOUSING FINANCE CORPORATION



Attachment B

Attachment C

Alaska HOUSING FINANCE CORPORATION

MEMO

TO: AHFC Board of Directors

FROM: Ronald D. Lehr
Executive Director

DATE: March 9, 1988

RE: Progress to date on AHFC's Repossessed Mobile Home Program and Mobile Homes

Attached is a copy of Board Resolution No. 87-3 which was approved May 4, 1987, giving direction to AHFC regarding AHFC's mobile home program and the marketing and sale of repossessed mobile homes.

What follows are short explanations of what AHFC has done in response to those directions:

1. "AHFC shall conduct a survey of delinquent mobile home loans to determine what steps the Corporation can take to reduce those delinquencies and foreclosures."

AHFC is working on this survey with the Institute of Social and Economic Research. Although our survey has not yet been completed, many steps have been taken to reduce delinquencies and foreclosures. A major effort is the Home Owners' Assistance Program, which was recently instituted to help distressed borrowers make their payments. Mobile home borrowers are eligible for this program.

Even prior to Home Owners' Assistance Program (HOAP), a number of workout and forbearance programs have been conducted. At least partially because of these efforts, delinquencies of the mobile home portfolio have declined from a high of 25.39% in June '87 to 20.65% in January '88.

2. "AHFC shall implement an aggressive and inclusive sales strategy for AHFC mobile homes owned. That strategy shall include:

   a. that the mobile home marketing activities will be concentrated within the Special Credits Department;

Telephone (907) 276-5599 235 East 8th Avenue Third Floor P.O. Box 101020 Anchorage, Alaska 99510

b. that AHFC will go to a select broker system for property management and sale of AHFC mobile home REOs;

c. that AHFC will contract with a single servicing agent to service all sales of AHFC mobile home REOs that have AHFC financing; and

d. that AHFC will offer 95%, 10-year financing for AHFC mobile home REOs.

AHFC has made great strides in implementing this directive. A mobile home marketing specialist position was created within the Special Credits Department to coordinate all mobile home activities within the Corporation. To date, four sales seminars have been held in Anchorage, Fairbanks, and Juneau, to educate real estate agents about AHFC's marketing program. Sixty-five agents are now approved to sell AHFC mobile homes. In calendar year 1987, AHFC sold 256 units.

AHFC recently added another position to work specifically on sales strategy, particularly bulk sales.

On June 6, AHFC issued a Request for Proposal for three contractors, one each in Anchorage, Juneau and Fairbanks, to handle mobile home inventory and management. The selection has since been completed and contracts have been signed with Summit Logistics in Fairbanks, Coldwell Banker/Joe Shaw Realty in Juneau, and Western Enterprises in Anchorage.

3. "AHFC shall negotiate with park owners to obtain significantly lower space rents for vacant AHFC mobile home REOs located in those parks, and, if unsuccessful, AHFC shall obtain off-site sales and storage lots."

As suggested in this directive, AHFC contacted park owners. The results of that contact are in Attachment D. Based upon these figures, AHFC believed it was cost effective to obtain sales/storage lots. On August 24, AHFC issued an Invitation to Bid and selected a sales/storage lot in Anchorage in November. The space rent in this lot is over $100/month less than in the average space rent from all other parks. AHFC once again contacted park owners to see if they would be willing to lower their rent to match the cost of our sales/storage lot. The results to date are also summarized in Attachment D. I should note that although some of the park owners have characterized the sales/storage lot as a "boneyard" from which we will never sell a mobile home, we do not agree. Others knowledgeable in the industry believe we will have a better sales performance off the lot since it makes it easier for a buyer to "comparison shop."

Furthermore, many of our recent sales have been of units that have been subsequently moved off their current lot, so again, we do not believe that moving these units to a storage lot will cripple our sales efforts.

At this point I would like to digress and state AHFC is not arbitrarily selecting mobile homes to move. AHFC staff have developed a matrix to determine which homes should be moved. The matrix takes into account such factors as the number of units, cost, location, repairs necessary, ability to move, among others.

4. "AHFC will solicit offers for bulk purchases of AHFC mobile home REOs. Before accepting offers for bulk purchases of AHFC mobile home REOs, AHFC must ascertain that these offers are:

   a. financially beneficial to AHFC, and

   b. that they take into consideration the need to stabilize the market by reducing excess supply."

Western Enterprises has been pursuing this, however, most of the offers have not been realistic. With a new staff person on board, more emphasis will be devoted to this subject in the near future.

5. "AHFC shall select a broker to manage the sales and storage lots described in number 3."

This is accomplished through use of the master agents.

6. "AHFC shall offer, on a trial basis, 95%, 10-year loans on all mobile home financing, in addition to AHFC's standard financing."

Same as 2(d), this has been accomplished.

7. "The AHFC Board of Directors will consider adopting a policy that mobile home loan amounts may not exceed the greater of the outstanding loan balance currently financed by AHFC, or the N.A.D.A. "blue book" value adjusted for transportation costs for the mobile homes. AHFC staff is to prepare a recommendation for the Board's consideration at its next meeting."

This was accomplished under regulation changes listed in 2(d).

8. "For mobile homes brought into the state after April 1, 1987, the minimum downpayment for an AHFC loan will be 10% and the maximum loan term will be 12 years."

This was accomplished under regulation changes cited in 2(d).

9. "Effective May 1, 1987, AHFC will no longer be responsible for back space rent on units not owned by AHFC."

10. "Space rents accumulated prior to May 1, 1987, on units in the process of being repossessed will be reimbursed."

11. "As of June 1, 1987, AHFC will pay space rent due on AHFC's mobile home REOs directly to park owners."

Nine, 10 and 11 were implemented immediately by staff.

12. "If the AHFC Board of Directors considers adopting a program for rental of AHFC mobile home REOs managed by park owners, AHFC will immediately hold public hearings for that purpose."

The Board has not give any further direction on the possible rental of AHFC mobile homes.

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Attachment

RESOLUTION NUMBER 87-3

RESOLUTION OF THE ALASKA HOUSING FINANCE CORPORATION CONCERNING THE CORPORATION'S REAL ESTATE OWNED MOBILE HOMES

1) AHFC shall conduct a survey of delinquent mobile home loans to determine what steps the Corporation can take to reduce those delinquencies and foreclosures.

2) AHFC shall implement an aggressive and inclusive sales strategy for AHFC mobile homes owned. That strategy shall include:

   a. that the mobile home marketing activities will be concentrated within the Special Credits Department;

   b. that AHFC will go to a select broker system for property management and sale of AHFC mobile home REOs;

   c. that AHFC will contract with a single servicing agent to service all sales of AHFC mobile home REOs that have AHFC financing; and

   d. that AHFC will offer 95%, 10-year financing for AHFC mobile home REOs.

3) AHFC shall negotiate with park owners to obtain significantly lower space rents for vacant AHFC mobile home REOs located in those parks, and, if unsuccessful, AHFC shall obtain off-site sales and storage lots.

4) AHFC will solicit offers for bulk purchases of AHFC mobile home REOs. Before accepting offers for bulk purchases of AHFC mobile home REOs, AHFC must ascertain that these offers are:

   a. financially beneficial to AHFC; and

   b. that they take into consideration the need to stabilize the market by reducing excess supply.

5) AHFC shall select a broker to manage the sales and storage lots described in number 3.

6) AHFC shall offer, on a trial basis, 95%, 10-year loans for all mobile home financing, in addition to AHFC's standard financing.

7) The AHFC Board of Directors will consider adopting a policy that mobile home loan amounts may not exceed the greater of the outstanding loan balance currently financed by AHFC, or the N.A.D.A. "blue book" value adjusted for transportation costs for the mobile homes. AHFC staff is to prepare a recommendation for the Board's consideration at its next meeting.

8) For mobile homes brought into the state after April 1, 1987, the minimum down payment for an AHFC loan will be 10% and the maximum loan term will be 12 years.

9) Effective May 1, 1987, AHFC will no longer be responsible for back space rent on units not owned by AHFC.

10) Space rents accumulated prior to May 1, 1987, on units in the process of being repossessed will be reimbursed.

11) As of June 1, 1987, AHFC will pay space rent due on AHFC's mobile home REO's directly to park owners.

12) If the AHFC Board of Directors considers adopting a program for rental of AHFC mobile home REOs managed by park owners, AHFC will immediately hold public hearings for that purpose.

This Resolution shall take effect immediately.

May 4, 1987

There are approximately 130 mobile home parks in Anchorage. Alaska Housing Finance Corporation has received 18 responses, with 11 reductions regarding space rent. Only 6 parks in Anchorage are offering $125 or less in space rent to AHFC.

Park	Original Space Rent	Proposed Rent Request Letter 7/87	"Meet or Beat" Letter of 1/88
Alaskan Village	$285	$130	$105
Four Seasons	285	130	105
Dimond Estates	225	218	Responded Requesting Meeting
Glencaren Court	230	200	Effective May 1,88 Verbal - $170
Glen Muldoon	250	Reduced 200	-
Malaspina	265	Responded No reduction offered	-
Glacier Terrace	265	Responded No reduction offered	-
Manoogs Isle	250	Reduced 125	-
Mayflower	225-250	Responded No reduction offered	Responded No reduction indicated
Penland Park	260	Responded No reduction offered	180
Plaza 36	265	Responded No reduction offered	-
Rangeview	215	110	-
Riviera Terrace	250	Withdrawn 150	-
Southwood Manor	290	Reduced 228	-
Idle Wheels	280	-	Responded No reduction offered
Sunset M/H Park	230	Reduced 125	-
Brookside Manor	240	Reduced 190	-
Trails End	225	Reduced 125	-

(2.) Submit the application along with the following documentation:

- Wage Earner/Salaried Individuals:

--Pay stub(s) or salary voucher(s) for the most recent 30-day period, with year-to-date earnings indicated. (If your application is submitted after December 31, 1987, but prior to filing your 1987 Federal income tax return, you should provide either a copy of your final pay stub or salary voucher for 1987 with year-to-date earnings indicated, or copies of your W-2 forms. Please include information from all employers during 1987).

and

--Your last signed Federal income tax return with all schedules and W-2 forms.

- Self-employed individuals:

--Your last signed Federal income tax return with all schedules and W-2 forms,

--A year-to-date profit and loss statement for your business, if available.

(3.) Call the Fannie Mae HOAP Center (907) 562-3434 or (800) 478-3434 within Alaska, before March 31, 1988, between the hours of 12:00 noon and 9:00 p.m., Monday thru Friday and 9:00 a.m. to 3:00 p.m. on Saturday. Eligible home owners will be scheduled for interviews to discuss their participation in HOAP.

As explained in our letter, the Federal National Mortgage Association (Fannie Mae), in cooperation with Alaska Housing Finance Corporation, will administer the program. All inquiries regarding your participation in this program should be directed to Fannie Mae.

HOAP may be the means to a mutually satisfying, long-term solution to problems you may have when making your mortgage payments. It is our goal to help as many of our home owners as possible keep the American dream of home ownership a reality. As a homeowner, you want the opportunity to keep your home; HOAP may provide that opportunity.

HOME OWNERS' ASSISTANCE PROGRAM

WHAT IS THE HOME OWNERS' ASSISTANCE PROGRAM?

It is quite likely your home is the largest and most important investment you have ever made. Alaska Housing Finance Corporation (AHFC) wants to work with you to protect your investment. Quite often, unforeseen circumstances occur that result in homeowners not being able to make their mortgage payments. The loss of a job, reduction in income, serious illness or death of a wage earner can bring about serious financial hardship. In many instances, the financial hardship is only a temporary situation. We recognize that with some financial assistance you may be able to avoid foreclosure.

The Home Owners' Assistance Program (HOAP) has been designed to provide financial assistance to eligible home owners who are experiencing serious, but temporary, financial difficulties. Depending upon your financial situation, HOAP may be able to do the following for you:

- eliminate the currently scheduled increases in your monthly principal and interest payments (the ABE feature of your loan).
- lower your interest rate and perhaps also lower your monthly payment,
- provide advances to bring your loan current, and
- supplement your monthly mortgage payment for a short time.

QW DOES HOAP WORK?

The type and amount of assistance you may receive ill be determined after a review of your current financial tuation. Let's take a look at the different ways in which HOAP an be of assistance if you are eligible:

- Loan Type Change — If your loan is an Alaska Building Equity (ABE) loan, the currently scheduled increases in monthly principal and interest payments will be eliminated.
- Interest Rate Change — Depending upon your current interest rate, the rate on your modified loan may be lower (it will never be higher) which may result in lower monthly payments.
- Advances — If necessary, AHFC may advance funds to bring your loan current and/or pay a portion of the monthly mortgage payment for a "specified" period of time (up to a maximum of two years). This type of assistance will help you bring your loan current with no immediate out-of-pocket expense, and/or make your future monthly mortgage payments more affordable until you can resume making full payments.

If advances are necessary, the total funds advanced vill be limited to 10% of the outstanding loan balance as of the late the homeowner applies to participate in the program. The unds advanced will be added to the outstanding loan balance nd subsequently repaid, with interest, by the homeowner.

Homeowners will be expected to pay at least 28% of heir expected gross monthly income toward the monthly mortgage payment (principal, interest, taxes and insurance). However, a homeowner may be allowed to contribute less than 28% f our analysis indicates an exception is warranted.

Upon approval to participate in the program, AHFC vill offer an assistance plan tailored to meet your specific needs.

If your property is subject to any other liens or utstanding claims, they must be subordinated prior to modifying your mortgage loan.

After approval, homeowners will be required to pay a losing fee as a condition to our assistance. This fee may be dded to the outstanding loan balance.

WHO SHOULD APPLY?

You are eligible to apply for participation in the program if you meet all the following criteria:

- your mortgage loan is owned by AHFC and not a Rental Program loan;
- the property is owner-occupied as your primary residence;
- you can provide evidence a hardship exists and that an involuntary decrease in income has occurred;
- you can provide reasonable assurance you will be able to repay any assistance provided and make full monthly mortgage payments as provided in the loan modification agreement; and
- you can provide reasonable assurance that you will be able to pay taxes, insurance, homeowners dues and other such expenses becoming due after you sign the loan modification agreement.

The following are examples of hardships that are eligible for HOAP and some examples of hardships that are *not eligible.*

ELIGIBLE HARDSHIPS

- Long-term layoff
- Involuntary loss of job
- Mandatory reduction in pay
- Disability or illness which results in a reduced income
- Death of a wage earner
- Reduction in self-employed earnings

SITUATIONS NOT CONSIDERED AS HARDSHIPS

- Normal seasonal layoff
- Voluntary job loss or reduction in hours or income
- Loss of income to return to school

HOW TO APPLY

(1.) Complete and sign the enclosed "Financial Analysis Worksheet/Application."

- It is important that all items on the worksheet be completed. This information will help us to determine if you are eligible and, if so, the best assistance plan for your needs. The information must be provided for the borrower and the co-borrower. The worksheet also must be signed by all borrowers. Missing or incomplete information will delay the processing of your application.

(Continued overleaf)

Financial Analysis Worksheet/Application

BORROWER DATA

Borrower Name	Home Telephone Number ( )	Work Telephone Number ( )
Co-borrower Name	Home Telephone Number ( )	Work Telephone Number ( )

PROPERTY ADDRESS (Owner Occupied? ☐ Yes ☐ No)

Street Address		
City	State	Zip Code

CURRENT ADDRESS (If different than property address stated above)

Street Address		
City	State	Zip Code

PLEASE FURNISH THE FOLLOWING INFORMATION FOR ALL BORROWERS:

1. Employment Data

		Employer Name & Address	Telephone Number	Gross Monthly Income
A	Borrower	Name	( )	$
		Address		
B	Co-Borrower	Name	( )	$
		Address		

		Other Income -- Source*	Gross Monthly Amount
C	Borrower		$
	Co-Borrower		$

* Alimony, child support, or separate maintenance income need not be revealed if the Borrower or Co-Borrower does not choose to have it considered as a basis for repaying the loan.

2. Please check the reason for the reduction of your income and provide a detailed explanation, plus employer contact for verification.

Borrower	Co-Borrower	REASON	Explanation for reduction in income. (If this space is insufficient, please submit your explanation in letter form.)
☐	☐	Quit my job	
☐	☐	Involuntary loss of job	
☐	☐	Seasonal layoff	
☐	☐	Mandatory reduction in hours and/or income	
☐	☐	Illness or Disability resulting in loss of income	
☐	☐	Self-employed borrower experiencing a decline in earnings	
☐	☐	Death of a borrower, co-borrower	
☐	☐	Voluntary loss of job	
☐	☐	Voluntary reduction in hours and/or income	
☐	☐	Reduction or loss of income to return to school	
☐	☐	Long term layoff (6 months or longer)	
☐	☐	Other – specify ____________	

Employer Contact	Telephone Number ( )
Address (including City, State & Zip Code)	

3. Monthly Mortgage Payment $_______________

4. Total Monthly Installments, Revolving Credit Payments, Second Mortgage Obligations, and other monthly fixed payment obligations.

Name of Creditor(s)	Monthly Payment	Balance
		$
		$
		$
		$
		$
		$
		$
		$

5. Have you been declared bankrupt within the past 7 years? ☐ Yes ☐ No
If yes, explain below.

6. Do you have any outstanding liens or judgements? ☐ Yes ☐ No
If yes, explain below.

7. Please list all bank accounts and indicate for each if it is a checking or savings account.

Account Type	Financial Institution	Balance
		$
		$
		$

8. Do you own stocks or bonds ☐ Yes ☐ No If yes, total value $__________.

9. Do you own other real estate ☐ Yes ☐ No
If yes, complete schedule of real estate owned below

Property Address (Including City/State)	Present Market Value	Amount of Mortgage	Gross Rental Income	Mortgage Payment incl. Taxes & Insurance

Lender Data

Lender Name
Lender Loan Number

PLEASE ATTACH THE FOLLOWING INFORMATION TO THIS APPLICATION. YOUR ASSISTANCE REQUEST CANNOT BE PROCESSED UNLESS THIS INFORMATION IS PROVIDED. IT MUST BE INCLUDED FOR ALL BORROWERS.

A. Wage Earner/Salaried Individuals:

- Pay stub(s) or salary voucher(s) for the most recent 30-day period with year-to-date earnings indicated. (If your application is submitted after December 31, 1987, but prior to filing your 1987 Federal income tax return, you should provide either a copy of your final pay stub(s) or salary voucher(s) for 1987 with year-to date earnings indicated or copies of your W-2 forms. Please include information from all employers during 1987), and
- The last signed Federal income tax return with all schedules and W-2 forms

B. Self-employed Individuals:

- The last signed Federal income tax returns with all schedules and W-2 forms, and
- A year-to-date profit and loss statement for your business(es)

TO BE ELIGIBLE FOR THE ALASKA HOUSING FINANCE CORPORATION HOME OWNERS' ASSISTANCE PROGRAM (HOAP), ALL BORROWERS MUST SIGN AND DATE THIS APPLICATION. YOUR APPLICATION CANNOT BE PROCESSED IF IT IS NOT SIGNED.

I obtained a mortgage loan which was secured by the referenced property. I have described my present financial condition on this financial analysis form and the attachments hereto and I certify that all the information contained thereon is true, accurate, complete, and correct to the best of my knowledge.

Due to my financial condition, I believe, in good faith, I will not be able to pay the full amount due on future monthly mortgage loan payments in their present amounts and/or existing mortgage loan delinquency.

I understand and realize the financial information I am providing will be used by the lender and/or insurer of my mortgage loan to analyze my options with respect to the mortgage loan. I further understand and acknowledge that any action taken by the lender and/or insurer of my mortgage loan on my behalf will be made in strict reliance on the financial information I am providing herein.

I therefore agree, if it is determined the financial information I have provided contained information which was misrepresented by me and thereby caused actions to be taken which would not have been taken had the true facts and circumstances been known, I shall be liable for any or all losses or damages suffered by the lender and/or insurer of my mortgage loan and, also, may have legal action brought against me as permitted by applicable law.

INFORMATION FOR GOVERNMENT MONITORING PURPOSES

The following information is requested by the Federal Government for certain types of loans related to a dwelling, in order to monitor the lender's compliance with equal credit opportunity and fair housing laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may neither discriminate on the basis of this information, nor on whether you choose to furnish it. However, if you choose not to furnish it, under Federal regulations this lender is required to note race and sex on the basis of visual observation or surname. If you do not wish to furnish the above information, please check the box below.

Borrower: ☐ I do not wish to furnish this information

Race/National Origin:

☐ American Indian, Alaskan Native

☐ Asian, Pacific Islander

☐ Black ☐ Hispanic ☐ White

☐ Other (specify): ____________________

Sex: ☐ Female ☐ Male

Co-Borrower: ☐ I do not wish to furnish this information

Race/National Origin:

☐ American Indian, Alaskan Native

☐ Asian, Pacific Islander

☐ Black ☐ Hispanic ☐ White

☐ Other (specify): ____________________

Sex: ☐ Female ☐ Male

I hereby authorize the servicer of my mortgage loan to release any information concerning my mortgage loan and for other creditors, depositories or credit agencies to release information regarding my financial obligations to Fannie Mae or other designees of Alaska Housing Finance Corporation.

Submitted this ________ day of ________________, 19______.

By ____________________________________
Signature of Borrower

By ____________________________________
Signature of Co-Borrower

C - Low Income Hsg

MORTGAGE HOME OWNERSHIP ASSISTANCE PROGRAM

Anchorage Neighborhood Services
3700 Woodland Park Drive
Anchorage, Alaska 99517
(907) 243-1558

MORTGAGE HOME OWNERSHIP ASSISTANCE PROGRAM

I. EXECUTIVE SUMMARY

This report contains a proposal to AHFC, MGIC and FNMA to provide financial and debt counseling by Anchorage Neighborhood Housing Services, Inc. It is our proposal to offer a program parallel to the HOAP program developed by AHFC, MGIC and FNMA, but including more in depth counseling and social service assistance. We propose that a revolving loan fund be established for individuals needing debt consolidation loans. This loan fund would provide minimum debt consolidation for exceptional hardship uses and would be used to prevent mortgage foreclosure during these hard economic times. The loans would be reviewed by a loan committee and administered by ANHS. ANHS proposes to seek its secondary market support for this fund and would ask FNMA and MGIC to consider providing private mortgage insurance on loans made with this fund. ANHS also proposes to develop a marketing and outreach plan to make consumers aware of this program.

Staffing will be provided by ANHS. Attached is a budget of anticipated expenses for the first year of operation.

Anchorage Neighorhood Housing Services, Inc. has a successful six year history in Anchorage community and economic development. We have maintained a close working relationship with our loan clients, which has resulted in an extremely low delinquency rate.

II. MORTGAGE HOME OWNERSHIP ASSISTANCE PROGRAM

Anchorage Neighborhood Housing Services, Inc. proposes to administer a mortgage assistance and financial counseling program in Anchorage. This program will be modeled after the Home Ownership Protective Effort (HOPE) of Housing Opportunities, INC. in McKeesport, Pa. In preparing this proposal we have also contacted Washington D.C. Delinquent Home Mortgage Programs, the National Federation of Housing Counselors and other counseling and delinquency programs in other areas. The ANHS program will work in close cooperation with the HOAP program currently underway by AHFC, MGIC and FNMA, but will offer more in depth counseling. This will include personal financial planning, mortgage debt counseling and restructuring, consumer debt counseling, and social service agency assistance, if necessary.

The ANHS program will include the following:

• Financial counseling: This will be the cornerstone of the program.
  - ANHS counselors will help the consumer focus on their most essential needs ie. food, mortgage and utilities.
  - We will teach money management skills and record keeping of all income and expenses.
  - We will help develop a budget based on individual income and needs
  - Counselors will work out mortgage modification or forbearance agreements with the appropriate agencies.
  - Counselors will assist in negotiating repayment schedules with consumer creditors. Where it is necessary for consumers to have their credit managed for them, we will refer them to the Consumer Credit Counseling Service of Alaska. It is expected, based on our own experience and that of the HOPE program, that this will not usually be necessary.

• Social Service Assistance: Referral and connection to appropriate community resources will be available when necessary.
  - ANHS has a close working relationship with the various public and private community resources. We will refer consumers to them on a case by case basis.
  - We will help workers find job retraining programs, where appropriate.

• Debt Consolidation Program

Where debt consolidation is necessary, consumers will be provided with an opportunity to borrow money through a revolving loan fund. Loan fund applicants will be reviewed by a loan committee of ANHS. ANHS will look to the State to capitalize this fund and will ask FNMA and MGIC to participate through a mortgage insurance pool. ANHS would be willing to entertain participation through its secondary market to recapitalize this fund. Loans will be secured by a Deed of trust on the residence or by a personal note. The repayment plan will be flexible and based on need and ability to repay the loan.

It is expected, based on the HOPE model, that new clients will require an average of six (6) hours of counseling and staff time in their first month in the program. This will consist of an initial visit in the client's home with both borrowers present (if applicable) lasting 2-3 hours. At the time of this visit, the counselor will be able to see the condition of the home and recommend any necessary deferred maintenance and repairs, as well

as obtain a detailed picture of the family's financial situation. Subsequent sessions will be on a face to face basis as necessary. Once a plan is established and implemented, contact will be maintained by phone and personal visits, as needed. Based on the HOPE model, we estimate an average of 2-3 hours per month of follow-up once a family's financial situation is stabilized for at least four months.

III. OUTREACH PROGRAM

ANHS will develop an outreach program to make consumers aware of our services. This will consist of:

- Two (2) Public Service Announcements to be aired on Anchorage TV stations - KIMO Channel 13, KTVA Channel 11 and, KTUU Channel 2
- Two (2) public service announcements to be aired on Anchorage radio stations - KBYR, KENI, KFQD, KHAR, KNIK, KYAK.
- Print advertisements to appear in the Anchorage Times and the Anchorage Daily News.
- Brochures explaining our program will be printed and distributed by mail and through lending institutions and other agencies.

ANHS will conduct several (based upon need) community workshops. These workshops will cover financial planning and money management as well as budget making and record keeping. This would also present an excellent opportunity to acquaint the public with this service as well as the Alaska HOAP program.

ANHS will expect referrals from AHFC, MGIC and FNMA as well as the Alaska Housing Market Council and local financial institutions themselves. A close well coordinated relationship with these entities is essential if the program is to be successful.

IV. BACKGROUND

Anchorage Neighborhood Housing Services is a private non-profit corporation which has been involved in community and economic development since 1982. The corporation operates on a partnership model, bringing together lenders, residents, and government representatives. Representatives of this partnership comprise the Board of Directors, which sets policy for the corporation and its various committees.

The corporation is part of a national network of Neighborhood Housing Services of America and the Neighborhood Reinvestment Corporation, a congressionally chartered, public, non-profit corporation charged with neighborhood revitalization activities. Neighborhood Reinvestment is governed by a board of directors comprised of the Chairman of the Federal Home Loan Bank Board, the Secretary of HUD, the Chairman of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, a member of the Board of Governors of the Federal Reserve System and the Chairman of the National Credit Union Administration.

A key program element of ANHS is the Revolving Loan Fund. There are two funds administered by ANHS: a commercial loan fund for business district revitalization efforts, and a residential loan fund for home improvements, and to refinance existing mortgages. The Residential Loan Fund loans to both single family homes and multifamily properties. The loan fund operates as a lender of last resort, thus allowing for neighborhood-wide improvements.

There are two separate loan committees which review administration of all loan funds. The committees follow the partnership model, each one comprised of local lenders, residents and government representatives. The Residential Loan Committee's lenders include representatives from three different banking institutions and are experienced mortgage lenders; the commercial loan committee lenders have experience in their commercial loan functions. Through the partnership model, ANHS has developed an active and solid working relationship with local lending institutions. When appropriate, ANHS leverages its funds by participating with local banks in loans. This allows the Loan Fund to assist a greater number of neighborhood residents. Furthermore, ANHS has a secondary market for its real estate loans, Neighborhood Housing Services of America. By selling its loans to NHSA, the loan fund is continually being replenished.

Despite the often high risk nature of the ANHS loan portfolio, the recovery rate has been commendable. To date, more than $3.0 million dollars have been loaned; the current principal balance is $1.3 million. Of these loans, only one in the past six years has resulted in a foreclosure. In the current loan portfolio, there is only one loan which is 90 days delinquent. The problems within the community the corporation is seeing today are clearly related to the present economic conditions.

Part of the reason for ANHS' success rate in lending is the close on going relationship ANHS develops with its loan clients. ANHS has also sponsored community workshops, both on conventional lending including FNMA and AHFC's HOF program, and on more technical home improvement topics.

While the ANHS approach over the last six years has been neighborhood based redevelopment, the problems the corporation has been addressing are citywide. Essentially, the central issue around which ANHS' work has focused is quality of life for the city's residents. This, of course, takes a number of forms. Clearly one of the most important measures of quality of life is maintaining one's own home. Given ANHS's commitment to decent housing , the corporation has been an active participant in the housing support sector. As a result, ANHS has worked closely with such agencies as Alaska State Building Authority, the Alaska Housing Finance Corporation, the Alaska Housing Market Council, the State's Department of Community and Regional Affairs, and the Municipality's Department of Community Planning.

ANHS has become a well respected participant in the Anchorage housing and lending communities. This position has been earned by the work of both the staff and the many committed volunteers who have helped create this effective, professional enterprise. The skills of the staff are complemented by the abilities and expertise of the professional volunteers who serve on the Board of Directors and the various committees. They are listed at the back of this proposal.

V. STAFFING PATTERNS AND DRAFT BUDGET

Anchorage Neighborhood Housing Services is currently staffed by seven employees, including two loan packagers, a housing inspector, project administrative and clerical positions. It would be our intent to include the housing foreclosure and debt counseling program within the present organizational structure, but as a separate component. Staff requirements would based upon volume of people requiring this service, and the type of counseling needed. Based on the HOPE experience, it is anticipated that each counseling applicant would require 6 - 12 initial hours of counseling assistance over a four month period, including initial document review, and an at-home visit. Counseling needs will vary with some individuals requiring referral and connection to other social service agencies, mortgage counseling or assistance with credit forbearance. ANHS would propose that a small loan fund similar to its Revolving Loan Fund be available for occasional debt consolidation if necessary. ANHS believes this loan fund could be capitalized at $1.5 million, and would be prepared to seek secondary funds through its secondary market. The ANHS Loan Committee comprised of realtors, bankers and private citizens would act as the review body for approval of those loans. ANHS proposes that MGIC and FNMA look at participation in this loan pool by providing private mortgage insurance for these type of loans.

BUDGET

Assuming an average of 6 - 12 hours counseling per individual, we would propose the following one year budget: It is our belief that this program should run parallel to the Alaska "HOAP" Program for a two year period.

Personnel	
Personnel * 1	$113,000
Employee Expense	22,600
	$135,600
Office Expenses	
Telephone	$ 2,400
Postage	1,200
Printing	7,000
Travel	5,000
Training and Development	7,000
Office Supplies	2,000
Advertising and PR *2	12,000 - 35,000
Equip/Software	3,000
Miscellaneous	1,200
	$ 40,800
General and Administrative	
Rent and Utilities *3	$ 24,000
Insurance	800
Legal	5,000
Accounting	4,000
Outside Services	2,400
Depreciation	1,200
Amortization	-0-
	$ 37,400
TOTAL OPERATIONS - FIRST YEAR	$213,800
CONTINGENCY IF EXPANDED SERVICE IS NECESSARY	$ 42,000

*1 Personnel Costs assume a maximum review of 2,000 clients

*2 Advertising and PR costs depend on necessity for paid announcement vs. Public Service use.

*3 Rent may require expansion of existing facilities, but is anticipated that the program will not require it.

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