SCOMM

60:6

MEMORANDUM

State of Alaska
Office of the Governor
Division of Policy

TO: Tony Smith, Chairman
Board of Directors
Alaska Housing Finance Corporation

DATE: July 12, 1988

FROM: Mary Halloran
Director

PHONE: 465-3568

SUBJECT: AHFC Privatization Study

FILE NO:

At the July 5th meeting regarding privatization of AHFC held by the Governor's working group, it was agreed that my office would prepare an outline of issues and options to be considered in the study of privatization of AHFC. The following outline represents our understanding of the objectives expressed at the July 5th meeting and the goals for the study.

I. Review of policy objectives and public needs which the corporation was established and expanded to meet.

   A. Has AHFC met these objectives and needs?

   B. Is there still a need for State involvement to accomplish these objectives? (See market changes cited in Commissioner Malone's memo of 6/20).

   C. Are there new public needs which require the continued existence of AHFC as either a public or private entity?

   D. What problems have been created or aggravated by AHFC's dominance of the housing market?

   E. What problems have been caused by AHFC's current organizational structure and relationship with the State?

II. Analysis of objectives, potential benefits and potential disadvantages of privatizing or restructuring AHFC.

   A. Greater efficiency of operation.

B. Enhancement of stability in housing markets by reducing uncertainties of State control of assets.

C. More efficient allocation of resources as a result of market-based decisions.

D. Faster actions and reactions to changes in markets.

E. Reduce State debt exposure.

F. Allow State officials to focus their efforts on more essential government functions.

G. Liquidate State equity in the corporations, making funds available for government expenditures and savings.

H. Provide an opportunity to restructure or terminate State housing subsidies.

III. Analysis of options for restructuring AHFC. Assess benefits, problems, feasibility, and return to State of each option.

A. Sell the corporation's assets in whole or in parts to private buyer(s) and repeal the corporation's statutes.

B. Modify the corporation's statutes and charter so that it can function as a non-subsidized private business, but remain in state ownership.

C. Retain some functions of the corporation, i.e., low-income housing programs, and dismantle the remaining functions which can be provided by the private sector.

D. Retain all or most of current functions, but remove ties to State and budget oversight, as is the case with the Alaska Railroad Corporation.

E. Other options?

In order for the results of this study to be useful in preparing possible legislation, the study will need to be completed by early fall.

cc: Garrey Peska, Chief of Staff
Bob Evans, Legislative Liaison
Alison Elgee, Budget Review
Hugh Malone, Commissioner of Revenue
Ron Lehr, Director, AHFC
Burt Wagnon, Director, AIDEA
Rod Swope, Special Assistant
Ron Clarke, Special Assistant

Exhibit A

ALASKA HOUSING FINANCE CORPORATION

Combined Balance Sheets

	March 31 1989 (Unaudited)	June 30 1988	June 30 1987
		(in thousands)	
Assets			
Cash	$ 25,762	5,304	10,056
Investments	1,723,279	1,528,154	1,256,983
Securities purchased from other funds under agreements to resell	-	6,000	-
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	3,401,988	3,671,840	3,958,578
Mobile home loans, net of allowance for loan losses	61,079	73,958	100,819
Accrued interest receivable	58,903	55,308	54,413
Claims receivable	94,872	80,198	28,920
Due from other funds	207,834	158,029	113,122
Real estate owned	243,632	221,327	146,840
Mobile homes owned	4,373	10,500	18,306
Other assets	29,376	29,587	20,732
	$ 5,851,098	5,840,205	5,708,769
Liabilities and Fund Equity			
Liabilities:			
Bonds and notes payable, net of discounts:			
Mortgage bonds and notes	$ 3,753,246	4,009,699	3,991,067
Notes payable to State of Alaska	-	-	10,894
Commercial paper	193,234	69,257	4,973
Securities sold under agreements to repurchase	62,235	-	-
Securities sold to other funds under agreements to repurchase	-	6,000	-
Accrued interest payable	111,673	57,490	51,578
Insurance fund reserve for loan losses	10,472	11,738	5,585
Due to other funds	207,834	158,029	113,122
Accrued expenses and other liabilities	31,394	19,456	10,414
Total liabilities	4,370,088	4,331,669	4,187,633
Fund Equity:			
Contributed capital:			
Security for outstanding obligations	719,298	829,740	728,742
Legislative appropriations not subject to pledge	314,573	204,131	305,129
Total contributed capital	1,033,871	1,033,871	1,033,871
Retained earnings:			
Designated as security for outstanding obligations or other purposes allowed within the respective fund	379,300	407,769	421,125
Undesignated	67,839	66,896	66,140
Total retained earnings	447,139	474,665	487,265
Total fund equity	1,481,010	1,508,536	1,521,136
Commitments			
	$ 5,851,098	5,840,205	5,708,769

See accompanying notes to combined financial statements.

Exhibit B

ALASKA HOUSING FINANCE CORPORATION

Combined Statements of Revenues, Expenses, and Retained Earnings

	Nine Months Ended March 31 1989 (Unaudited)	Year Ended June 30 1988	1987
		(in thousands)	
Revenues:			
Interest income:			
Mortgages and loans	$ 248,036	353,922	397,421
Investments	111,270	117,918	135,925
	359,306	471,840	533,346
Loan fees and other	9,197	25,206	21,179
Total revenues	368,503	497,046	554,525
Expenses:			
Interest	298,024	402,050	460,062
Mortgage service fees	9,755	14,052	14,975
General and administrative	5,939	6,105	3,805
Trustee fees, insurance and financing costs	11,196	13,850	16,053
Mortgage payment assistance subsidies	1,095	2,101	3,234
Provision for loan losses	21,474	36,620	12,528
Insurance fund losses	10,303	9,506	6,272
Write down and net operating expenses associated with real estate and mobile homes owned	33,887	25,362	8,534
Total expenses	391,673	509,646	525,463
Net income (loss) before extraordinary item	(23,170)	(12,600)	29,062
Extraordinary item - net loss on early extinguishment of debt	(4,356)	-	(8,134)
Net income (loss)	(27,526)	(12,600)	20,928
Retained earnings at beginning of year	474,665	487,265	466,337
Retained earnings at end of year	$ 447,139	474,665	487,265

See accompanying notes to combined financial statements.

Budget Request Unit (BRU):	Division:
Alaska Housing Finance Corporation	Alaska Housing Finance Corporation

Name/Position of BRU Manager:	Phone:
Ronald D. Lehr, Executive Director	276-5599
Name/Position of Agency Contact:	Phone:
Judith De Spain, Administrative Officer	276-5599

List Statutory/Regulatory Basis for Service Provided (i.e., Alaska Statute, or Alaska Administrative Code)

Statutory/Regulatory Citation	Component	Statutory/Regulatory Citation	Component
AS 18.56	AK Housing Finance		
15 AAC 118	AK Housing Finance		

Description of the BRU Services and Responsibilities:

Signature of the BRU Manager:	Date:
Ronlehr	September 27, 1988

B1 BRU COVER PAGE

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

PAGE 1 OF 1

REV. DATE

FY - 90

One of the challenges facing the Corporation is to continue to provide low cost mortgage money to Alaskans. In meeting this challenge, the Corporation will:

1. issue bonds meeting specific federal requirements.

2. issue Federal National Mortgage Association mortgage backed securities, Government National Mortgage Association certificates, and Federal Home Loan Mortgage Corporation participation certificates to use as collateral for bond issues. Under these arrangements, the Corporation will generally perform as a master servicer.

3. continue to explore all possible avenues of financing.

Another challenge facing the Corporation is to monitor and service an increasing portfolio of mortgages, loans, and foreclosed properties at the least possible cost. To do this, the Corporation must continually attempt to achieve the optimal mix of servicing costs, risk of servicing and loan loss, and service to the public.

Challenging the Corporation is the capability of making the corporation's loan programs available to the greatest number of Alaskans while maintaining a quality loan portfolio.

Notwithstanding the above, due to the economic downturn of the State, a new challenge faces the Corporation: minimizing the loss associated with property foreclosed upon. While substantial effort is being applied to keeping borrowers in their homes through "workout" programs, a great many pieces of property continue to be returned to the Corporation. These foreclosed properties must be properly maintained and all associated claims for reimbursement of expenses and loan losses be timely filed.

Fees and expenses that are directly related to bonds issued are not part of the operating budget. Loan servicing fees and expenses incurred in connection with managing, holding, improving, maintaining, and marketing properties owned by the corporation including mobile homes are not a part of the operating budget.

GOAL:
To provide adequate, safe, and sanitary housing at the lowest possible cost to the public, protect corporate assets (Real Estate owned), and assist borrowers with hardships

Objective	Service	Performance Measures
To provide financing of residential real estate in FY89 at legislatively mandated rates	Issue mortgage revenue bonds combined with corporation funds to purchase mortgages which bear interest at less than market rates	Number of mortgages purchased Dollar amount of loans purchased Number and dollar amount of loans in portfolio
To provide financing for qualified purchasers of mobile homes	Purchase mortgage loans with interest rates and terms not available elsewhere	Number of loans purchased Dollar amount of loans purchased Number and dollar amount of loans in portfolio
To facilitate home ownership by low-to-moderate income families	Program pays a portion of the family's mortgage payment	Number of families assisted
To provide low interest financing of residential real estate to qualified veterans	Issue tax-exempt mortgage revenue bonds to provide funds for mortgages	Number of qualified veterans receiving mortgages

Objective	Service	Performance Measures
To assist construction activity	Finance new construction	Number of new residences financed
To provide financing for non-conforming housing	Finance residential housing with features which generally preclude the home from traditional financing sources but still permitting the residence to be considered "safe, sanitary, and decent" without significant impairment of marketability	Number of loans purchased Dollar amount of loans purchased
To develop and implement a "workout" program to enable the temporarily financially troubled borrower to stay in their home	Following development of program, provide staff to individually counse' and provide assistance to the bo :ower	Number of borrowers assisted Dollar amount of mortgages
Minimize loss of reimbursements	Receive and process all claims in a timely manner: 1) auditing seller/servicers 2) filing claims 3) monitoring unpaid claims	Number of seller/servicer audits performed Number of claims received per week
	Judicially foreclosing on borrowers with sufficient funds	Number of judicial foreclosures

B3 ADDITIONAL EXPLANATION FORM

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

REV. DATE

FY - 90

OBJECTIVES/PERFORMANCE MEASURE	PRIOR YEAR FY 88		CURRENT YEAR PLAN FY 89	BUDGET YEAR FY 90		
	PLAN	ACTUAL		ADJUSTED BASE	INCREMENT/ DECREMENT	REQUEST
Finance residential real estate						
Number of mortgages purchased	7,300	* 2382	* 9543	3500		
Dollar amount of loans purchased	840,000.0	238,240.0	875,000.0	315000.0		
Number of mortgages in portfolio	53,000	44,813	42,000	40,500		
Dollar amount of mortgages in portfolio	4,420,000.0	3,762,932.0	3,500,000.0	3,361,500.0		
* Loan data excludes Real Estate Owned						
Home Ownership Assistance						
Number of families assisted at June 30, monthly	1,900	1,006	700	500		
Monthly assistance		149	135	125		
$ amount of assistance		72,777.2	50,750.0	35,500.0		
Construction Activity						
New homes	1,200	312	350	500		

BRU PERFORMANCE
B4 PLAN

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

REV. DATE

FY - 90

OBJECTIVES/PERFORMANCE MEASURE	PRIOR YEAR FY 88		CURRENT YEAR PLAN FY 89	BUDGET YEAR FY 90		
	PLAN	ACTUAL		ADJUSTED BASE	INCREMENT/ DECREMENT	REQUEST
Implementation of "stabilization workout" programs						
Home Owners Assistance Program						
Number of borrowers assisted		363	6,137			
Dollar amount of mortgages		36,944.5	613,055.5			
Condo Stabilization Exchange Program:						
Number of borrowers assisted			100	300		
Timely dispose of foreclosed/ repossed properties:						
Property Dispositions. Sold:						
Mobile Home Type II's		563	850	775		
All Others		855	1750	2000		
Disposed other than sale:						
Mobile home Type II's		75	100	100		
All Others		588	650	625		
Timely foreclosure of defaulted loans:						
Mobile Home Type II's		598	420	300		
All Others		3094	3200	2750		

B4 ADDITIONAL EXPLANATION FORM

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

STATE OF ALASKA
OFFICE OF MANAGEMENT & BUDGET
DIVISION OF BUDGET REVIEW

DATE: 12/16/88
TIME: 15:43:07
PROG: FORMC1D

FY '90 BUDGET CYCLE BENCHMARK LEVEL COMPARISONS

AGENCY: DEPARTMENT OF REVENUE
BRU: ALASKA HOUSING FINANCE CORP.
COMPONENT: ALASKA HOUSING FINANCE CORP. (SER #: 110)

ITEM	FY '88 AUTHORIZED	FY '88 FINAL AUTH	FY '88 ACTUAL	FY '89 AUTHORIZED	FY '90 ADJ BASE	FY '90 AGENCY	FY '90 GOVERNOR
* * * COMPONENT TOTAL * * *	3,983.2	5,801.2	5,723.7	5,924.1	6,047.1	6,047.1	6,047.1
EXPENDITURES							
Personal Services	2,494.1	2,883.9	2,807.9	3,654.9	3,777.9	3,777.9	3,777.9
Travel	67.7	82.7	130.4	82.7	82.7	82.7	82.7
Contractual Services	1,353.9	2,111.9	1,837.5	1,985.5	1,985.5	1,985.5	1,985.5
Commodities	67.5	152.5	176.5	201.0	201.0	201.0	201.0
Equipment	0.0	65.1	266.3	0.0	0.0	0.0	0.0
Land/Buildings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants/Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Misc.	0.0	505.1	505.1	0.0	0.0	0.0	0.0
FUNDING							
1022 Corp Rcpts	3,983.2	5,801.2	5,723.7	5,924.1	6,047.1	6,047.1	6,047.1
STAFFING							
Full-time	55.0	80.0	80.0	80.0	80.0	80.0	80.0
Part-time	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Staff-months	666.0	966.0	966.0	966.0	966.0	966.0	966.0

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ALERTS #: 8-04-78-01-00
COMP SER #: 110

STATE OF ALASKA
OFFICE OF MANAGEMENT & BUDGET
DIVISION OF BUDGET REVIEW

DATE: 12/14/88
TIME: 10:33:41
PROG: CDETAILS

FY '90 DRAFT OPERATING BUDGET (DEC. 15, 1988 RELEASE)

AGENCY: DEPARTMENT OF REVENUE
COMPONENT: ALASKA HOUSING FINANCE CORP.

BUDGET REQUEST UNIT: ALASKA HOUSING FINANCE CORP.

***** COMPARISON OF AGENCY SUBMISSION TO GOVERNOR'S PROPOSAL *****

DESCRIPTION	REF NUM	TRANS TYPE	PROPOSED BY	AGENCY SUBMISSION PFT	AGENCY SUBMISSION PPT	AGENCY SUBMISSION TOTAL	AGENCY SUBMISSION GEN FUND	AGENCY SUBMISSION OTH FUNDS	GOVERNOR'S PROPOSAL PFT	GOVERNOR'S PROPOSAL PPT	GOVERNOR'S PROPOSAL TOTAL	GOVERNOR'S PROPOSAL GEN FUND	GOVERNOR'S PROPOSAL OTH FUNDS	
FY '89 LEGISLATIVE CONFERENCE COMMITTEE				80.0	1.0	5,924.1	0.0	5,924.1	80.0	1.0	5,924.1	0.0	5,924.1	
Projected FY '90 Health Benefit Adjustment (S128.1)	2027	MISADJ	OMB	0.0	0.0	123.0	0.0	123.0	0.0	0.0	123.0	0.0	123.0	Y
Staff Months Adjustment	2039	MISADJ	AGENCY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Y
*** COMPONENT TOTALS ***				80.0	1.0	6,047.1	0.0	6,047.1	80.0	1.0	6,047.1	0.0	6,047.1	

***** DERIVATION OF FY '90 PROPOSAL, BY IMPACT AND LINE ITEM *****

DESCRIPTION	REF NUM	PERSONAL SERVICES	TRAVEL	CONTRACTUAL SERVICES	COMMODITIES	EQUIPMENT	LAND/ BUILDINGS	GRANTS/ CLAIMS	MISC.	TOTALS	
FY '88 ACTUAL EXPENDITURES (NON-ADD)		2,807.9	130.4	1,837.5	176.5	266.3	0.0	0.0	505.1	5,723.7	
FY '89 LEGISLATIVE CONFERENCE COMMITTEE		3,654.9	82.7	1,985.5	201.0	0.0	0.0	0.0	0.0	5,924.1	
Projected FY '90 Health Benefit Adjustment (S128.1)	2027	123.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	123.0	Y
Staff Months Adjustment	2039	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Y
*** COMPONENT TOTALS ***		3,777.9	82.7	1,985.5	201.0	0.0	0.0	0.0	0.0	6,047.1	

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ITEM AND EXPLANATION	AMOUNT	FUNDING SOURCE	POSITION	100 PERSONAL SERVICES	200 TRAVEL	300 CONTRACT SERVICES	400 SUPPLIES	500 EQUIP.	OTHER
1. FY 89 Conference Committee Report	5924.1	5924.1 OTH	PFT 80 PPT 1	3654.9	82.7	1985.5	201.0		
2. Fiscal Notes/ Other Appropriations			PFT PPT						
3. Vetoes			PFT PPT						
4. Position Adjustment			PFT PPT						
5. FY 89 Authorized	5924.1	5924.1 OTH	PFT 80 PPT 1	3654.9	82.7	1985.5	201.0		
6. Health Benefit Adjustment	123.0	123.0 OTH	PFT PPT	123.0					
7. One-Time Items			PFT PPT						
8. Other Adjustments			PFT PPT						
9. FY-90 Base	6047.1	6047.1 OTH	PFT 80 PPT 1	3777.9	82.7	1985.5	201.0		
10. Transfers			PFT PPT						
11. FY-90 Adjusted Base	6047.1	6047.1 OTH	PFT 80 PPT 1	3777.9	82.7	1985.5	201.0		

C2 ADJUSTED BASE CALCULATION

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

REV. DATE

FY - 90

DEPARTMENT OF REVENUE SCENARIOS 30 AND 1

BRU: ALASKA HOUSING FINANCE CORP. COMP: ALASKA HOUSING FINANCE CORP

		FY92 ACTUAL	FY93 AUTH	FY94 REQUEST
COSTS				
REG. DUTY COSTS			2827933.00	2870016.00
PREMIUM PAY			17567.44	16956.54
BENEFITS			915219.33	1050316.57
LUMP SUM PREM PAY			0.00	0.00
TOTAL PERSONAL SVCS		2807.9	3760724.82	3937319.11
FUNDING SOURCES				
GENERAL FUND			0.00	0.00
OTHER FUNDING		2807.9	3760724.82	3937319.11
TOTAL FUNDING		2807.9	3760724.82	3937319.11
PFT POSITIONS		80.0	80	80
PPT POSITIONS		1.0	1	1
TEMP POSITIONS			0	0
STAFF MONTHS		966.0	966.00	966.00
VACANCY FACTOR			105520.89 (2.813958)	157412.76 (4.000008)
LINE 100		2807.9	3654399.93	3779906.35

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DEPARTMENT OF REVENUE SCENARIO: 1 (FY90 AGENCY SCENARIO 1)

COMPONENT #: 04 7107020505 NAME: ALASKA HOUSING FINANCE CORP. BRU NAME: ALASKA HOUSING FINANCE CORP.

PCN	JOB CLASS TITLE	T S	LOCATION NAME	R C	B U	S	R&S	MOS BUDG	ANNUAL SALARY	PREMIUM PAY	ANNUAL BENEFITS	TOTAL PERS. SVCS	GEN. FUND AMOUNT
001X	EXECUTIVE DIRECTOR	F	ANCHORAGE	A	X	A	28K	12.00	79992	0	20773	100765.19	0.00
002X	PUBLIC INFORMATION OFFICER	F	ANCHORAGE	A	X	A	22C	12.00	55488	0	16970	72458.17	0.00
003X	ADMINISTRATIVE OFFICER	F	ANCHORAGE	A	X	A	00	12.00	55188	0	16923	72111.61	0.00
004X	MORTGAGE OPER. DIRECTOR	F	ANCHORAGE	A	X	A	25J	12.00	71880	0	19514	91394.21	0.00
005X	LOAN OFFICER	F	ANCHORAGE	A	X	A	19E	12.00	45972	0	15423	61395.66	0.00
006X	CLAIMS CLERK	F	ANCHORAGE	A	X	A	07J	12.00	13104	0	8195	21299.99	0.00
007X	SENIOR LOAN OFFICER	F	ANCHORAGE	A	X	A	22C	12.00	55488	0	16970	72458.17	0.00
008X	SVC/BROKER AUDITOR II	F	ANCHORAGE	A	X	A	17J	12.00	41616	0	14465	56081.78	0.00
009X	SPECIAL CREDITS MANAGER	F	ANCHORAGE	A	X	A	19D	12.00	42180	0	14589	56769.81	0.00
010X	SERVICING CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	0	10974	36714.65	0.00
011X	SERVICING TECHNICIAN II	F	ANCHORAGE	A	X	A	14D	12.00	33816	0	12750	46566.56	0.00
012X	MORTAGE LOAN CLERK V	F	ANCHORAGE	A	X	A	11J	12.00	27432	0	11346	38778.72	0.00
013X	CLERK TYPIST III	F	ANCHORAGE	A	X	A	08C	12.00	20292	0	9776	30068.64	0.00
014X	FILE CLERK	F	ANCHORAGE	A	X	A	06D	12.00	16572	0	8958	25530.60	0.00
015X	SECRETARY II	F	ANCHORAGE	A	X	A	11	12.00	25296	0	10877	36173.02	0.00
017X	LOAN OFFICER	F	ANCHORAGE	A	X	A	19	12.00	49476	0	16037	65513.11	0.00
018X	SPECIAL CREDITS TECH I	F	ANCHORAGE	A	X	A	12J	12.00	29340	0	11766	41106.29	0.00
019X	SECRETARY III	F	ANCHORAGE	A	X	A	12J	12.00	25884	1791	11400	39075.71	0.00
020X	LOAN CLERK	F	ANCHORAGE	A	X	A	07D	12.00	21516	0	10045	31561.79	0.00
021X	RECEPTIONIST	F	ANCHORAGE	A	X	A	07D	12.00	21516	0	10045	31561.79	0.00
022X	FINANCE DIRECTOR	F	ANCHORAGE	A	X	A	25K	12.00	77376	0	20367	97743.19	0.00
023X	DATA PROCESSING MGR	F	ANCHORAGE	A	X	A	21	12.00	51348	0	16327	67675.64	0.00
024X	ACCT OPERATIONS MANAGER	F	ANCHORAGE	A	X	A	19J	12.00	47544	0	15737	63281.26	0.00
025X	SERVICING MANAGER	F	ANCHORAGE	A	X	A	19C	12.00	43116	0	14795	57911.63	0.00
026X	ACCOUNTING TECH II	F	ANCHORAGE	A	X	A	14D	12.00	33816	2340	13265	49422.24	0.00
027X	ACCOUNTING TECH III	F	ANCHORAGE	A	X	A	16C	12.00	35136	2431	13575	51142.83	0.00
028X	SPECIAL CREDITS TECH I	F	ANCHORAGE	A	X	A	12C	12.00	25740	1782	11366	38888.52	0.00
029X	CLAIMS CLERK	F	ANCHORAGE	A	X	A	07D	12.00	21516	82	10063	31662.70	0.00
030X	SPECIAL CREDITS CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	594	11105	37439.27	0.00
031X	SERVICING CLERK I	F	ANCHORAGE	A	X	A	08D	12.00	20340	1408	10096	31844.87	0.00
032X	ASSISTANT LOAN OFFICER	F	ANCHORAGE	A	X	A	17J	12.00	38220	0	13719	51939.01	0.00
033X	DATA PROCESSING CLERK	F	ANCHORAGE	A	X	A	10C	12.00	25740	0	10974	36714.65	0.00
034X	CLAIMS CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	574	11100	37415.12	0.00
035X	SPECIAL CREDITS CLERK	F	ANCHORAGE	A	X	A	06C	12.00	18084	0	9291	27375.10	0.00
036X	PURCHASING AGENT	F	ANCHORAGE	A	X	A	11	12.00	25296	0	10877	36173.02	0.00
037X	SECRETARY II	F	ANCHORAGE	A	X	A	11	12.00	25296	0	10877	36173.02	0.00
038X	SECRETARY II	F	ANCHORAGE	A	X	A	11	12.00	25296	0	10877	36173.02	0.00
039X	SPECIAL CREDITS TECH II	F	ANCHORAGE	A	X	A	14D	12.00	33816	0	12750	46566.56	0.00
040X	FINANCIAL ANALYST	F	ANCHORAGE	A	X	A	19E	12.00	47688	0	15759	63447.61	0.00
041X	COMPTROLLER	F	ANCHORAGE	A	X	A	22C	12.00	55488	0	16970	72458.17	0.00
042X	DATA PROCESSING TECH I	F	ANCHORAGE	A	X	A	17F	12.00	41616	0	14465	56081.78	0.00
043X	MORTGAGE LOAN CLERK III	F	ANCHORAGE	A	X	A	09D	12.00	21516	0	10045	31561.79	0.00
044X	ASST LOAN OFFICER	F	ANCHORAGE	A	X	A	17F	12.00	41616	0	14465	56081.78	0.00
045X	SPECIAL CREDITS TECH I	F	ANCHORAGE	A	X	A	12K	12.00	30444	0	12009	42453.06	0.00
046X	SPECIAL CREDITS TECH II	P	ANCHORAGE	A	X	A	14D	6.00	16908	0	5046	21954.66	0.00
047X	REVIEW APPRAISER	F	ANCHORAGE	A	X	A	20J	12.00	52884	0	16566	69450.03	0.00
048X	CASH MANAGEMENT OFFICER	F	ANCHORAGE	A	X	A	19C	12.00	45168	277	15307	60753.91	0.00
049X	SERVICING TECHNICIAN III	F	ANCHORAGE	A	X	A	16C	12.00	35460	599	13244	49303.94	0.00
050X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	16	12.00	38904	0	13869	52773.41	0.00
051X	ACCOUNTING TECH I	F	ANCHORAGE	A	X	A	12C	12.00	26880	124	11252	38256.63	0.00
052X	ACCOUNTING CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	594	11105	37439.27	0.00
053X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	12C	12.00	35244	216	13112	48573.11	0.00
054X	SPECIAL CREDITS CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	594	11105	37439.27	0.00

DEPARTMENT OF REVENUE SCENARIO: 1 (FY90 AGENCY SCENARIO 1)

COMPONENT #: 04 7107020505 NAME: ALASKA HOUSING FINANCE CORP. BRU NAME: ALASKA HOUSING FINANCE CORP.

PCN	JOB CLASS TITLE	T S	LOCATION NAME	R C	B U	S	R&S	MOS BUDG	ANNUAL SALARY	PREMIUM PAY	ANNUAL BENEFITS	TOTAL PERS. SVCS	GEN. FUND AMOUNT
055X	SERVICING CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	594	11105	37439.27	0.00
056X	PROP. DISPOSITION CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	554	11096	37390.96	0.00
057X	PROP. DISPOSITION OFFICER	F	ANCHORAGE	A	X	A	22C	12.00	55488	426	17036	72951.15	0.00
058X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	16B	12.00	34272	0	12850	47122.83	0.00
059X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	16B	12.00	34920	0	12993	47913.34	0.00
060X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	16B	12.00	33900	0	12769	46669.05	0.00
061X	PROPERTY INSPECTOR	F	ANCHORAGE	A	X	A	16B	12.00	33816	0	12750	46566.56	0.00
062X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	16B	12.00	33816	0	12750	46566.56	0.00
063X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	16B	12.00	33900	0	12769	46669.05	0.00
064X	SERVICING OFFICER	F	ANCHORAGE	A	X	A	19B	12.00	50952	0	16266	67218.18	0.00
065X	SERVICER/BROKER AUDITOR II	F	ANCHORAGE	A	X	A	15B	12.00	34920	0	12993	47913.34	0.00
066X	PROP. DISPOSITION MANAGER	F	ANCHORAGE	A	X	A	19B	12.00	41616	0	14465	56081.78	0.00
067X	SPEC. CREDITS TECH II	F	ANCHORAGE	A	X	A	14B	12.00	29340	0	11766	41106.29	0.00
068X	SPEC. CREDITS POOL SPEC.	F	ANCHORAGE	A	X	A	12B	12.00	22836	0	10336	33172.06	0.00
069X	CLOSING REVIEW SPECIALIST	F	ANCHORAGE	A	X	A	14B	12.00	26664	0	11177	37841.84	0.00
070X	PROPERTY CLOSING SPEC.	F	ANCHORAGE	A	X	A	14D	12.00	33816	0	12750	46566.56	0.00
071X	SPEC. CREDITS MAIL CLERK	F	ANCHORAGE	A	X	A	10B	12.00	20508	0	9824	30332.13	0.00
072X	DATA PROCESSOR/PROGRAMMER	F	ANCHORAGE	A	X	A	17B	12.00	36240	0	13283	49523.60	0.00
073X	CLAIMS MANAGER	F	ANCHORAGE	A	X	A	19A	12.00	42168	0	14587	56755.17	0.00
074X	R E ACCTS PAYABLE PROC	F	ANCHORAGE	A	X	A	14A	12.00	29856	0	11879	41735.76	0.00
075X	REO LOAN LOSS ACCOUNTANT	F	ANCHORAGE	A	X	A	16A	12.00	34176	0	12829	47005.73	0.00
076X	ACCOUNTING CLERK II	F	ANCHORAGE	A	X	A	10A	12.00	21588	0	10061	31649.63	0.00
077X	ADMINISTRATIVE ASSISTANT	F	ANCHORAGE	A	X	A	16A	12.00	33996	0	12790	46786.15	0.00
078X	RECORDS RETENTION MANAGER	F	ANCHORAGE	A	X	A	08A	12.00	28380	0	11555	39935.19	0.00
079X	SERVICING OPERATIONS DIR.	F	ANCHORAGE	A	X	A	25A	12.00	62508	0	18059	80567.67	0.00
080X	ACCOUNTING TECH III	F	ANCHORAGE	A	X	A	16A	12.00	33816	0	12750	46566.56	0.00
081X	ACCOUNTING TECH III	F	ANCHORAGE	A	X	A	16A	12.00	33816	0	12750	46566.56	0.00
082X	SPECIAL PROJECTS ASST	F	ANCHORAGE	A	X	A	20A	12.00	42984	0	14766	57750.61	0.00
				COLUMN TOTALS:					2870016	14986	1050316	3935319.12	

DEPARTMENT OF REVENUE SCENARIO: 1 (FY90 AGENCY SCENARIO 1)

COMPONENT #: 04 7107020505 NAME: ALASKA HOUSING FINANCE CORP. BRU NAME: ALASKA HOUSING FINANCE CORP.

PCN	JOB CLASS TITLE	T S	LOCATION NAME	R C	B U	S	R&S	MOS BUDG	ANNUAL SALARY	PREMIUM PAY	ANNUAL BENEFITS	TOTAL PERS. SVCS	GEN. FUND AMOUNT

FULL TIME POSITIONS	80	TOTAL PERSONAL SERVICES			3935319.12
PART TIME/SEASONAL POSITIONS	1	PLUS LUMP SUM PREMIUM PAY			0.00
NON PERMANENT POSITIONS	0	SUB-TOTAL			3935319.12
OTHER.....	0	MINUS 4.00000 % VACANCY ADJUSTMENT			157412.76
	====				==========
NUMBER OF POSITIONS IN COMPONENT 7107020505 =	81	PERSONAL SERVICES, LINE 100			3777906.36
(INCLUDES 0 BUDGETED NEW POSITIONS)					

STAFF MONTHS: 966.00

FUNDING DATA:

1022 (STATE CORP. RECEIPTS)	3935319.12
	==========
TOTAL FUNDING:	3935319.12

CODE	TRAVEL AND MOVING CLASSIFICATION	Prior Year FY 88 Actual	Current Year FY 89 Auth.	Budget Year - FY 90		
				Adj. Base	Inc/ Dec.	Agency Request
72240	Field Travel	124.1	73.0	73.0		73.0
72270	Administrative Travel					
72300	Conventions and Meeting Travel	2.5	4.7	4.7		4.7
72330	Boards, Commissions and Legislators Travel	3.8	5.0	5.0		5.0
72360	Moving or Relocation Expense					
72390	Non-Employee Travel					
72500	Per Diem					
72800	Honorarium/Stipends					
72000	TOTAL TRAVEL AND MOVING	130.4	82.7	82.7		82.7
	INTER-AGENCY TRANSFERS (NON-ADD)					

Code	Explanation		Adj Base	Inc/ Dec.
72240	Staff travel to explain various AHFC programs and to hold public hearings regarding pending regulations; travel to Juneau regarding budget, bonding programs, legislative changes	73.0	73.0	
72300	Attending seminars and meetings as need may arise	4.7	4.7	
72330	Travel and per diem for five member Board of Directors	5.0	5.0	

C200 TRAVEL AND MOVING

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

CODE	CONTRACTUAL SERVICES CLASSIFICATION	Prior Year FY 88 Actual	Current Year FY 89 Auth.	Budget Year - FY 90		
				Adj. Base	Inc/ Dec.	Agency Request
73100	Professional Services	454.4	689.1	689.1		689.1
73253	DP Chargeback (DOA)					
73300	Communication	116.3	124.8	124.8		124.8
73400	Transportation	51.3	39.1	39.1		39.1
73420	Transportation - State Equipment Fleet Fees					
73500	Advertising, Printing and Binding	93.4	80.0	80.0		80.0
73600	Public Utilities Services					
73700	Minor Repair and Maintenance	64.7	85.2	85.2		85.2
73800	Rental for Land, Buildings and Space	295.0	384.0	284.0		284.0
73860	Rental for Machinery and Equipment	25.5	94.2	94.2		94.2
73900	Other Expenditures and Services	736.9	489.1	589.1		589.1
73000	TOTAL CONTRACTUAL	1837.5	1985.5	1985.5		1985.5
	INTER-AGENCY TRANSFERS (NON-ADD)	239.0	243.6	243.6		243.6

Code	Explanation		Adj Base	Inc/ Dec.
73100	Economic services, legal fees, trustee fees, accounging and auditing, hearing officer fees, data processing, and management services	689.1	689.1	
73300	Telephone and postage	124.8	124.8	
73400	Courier services	39.1	39.1	
73500	Printing of brochures and guides, printing of Annual Report, and advertising	80.0	80.0	
73700	Computer repair and maintenance; office equipment maintenance	85.2	85.2	
73800	Office space, off-site storage, and safe deposit fees	284.0	284.0	

C300 CONTRACTUAL SERVICES

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

REV. DATE

FY - 90

Code	Explanation		Adj Base	Inc/ Dec.
73860	Rental costs for office equipment and computer	94.2	94.2	
73900	Alaska Housing Market Council	100.0	100.0	
73900	RSA with Department of Environmental Conservation	243.6	243.6	
73900	Insurance, information services, training and education, microfilming, memberships, and office services	245.5	245.5	

C300 ADDITIONAL EXPLANATION FORM

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

REV. DATE

FY - 90

CODE	SUPPLIES AND MATERIALS CLASSIFICATION	Prior Year FY 88 Actual	Current Year FY 89 Auth.	Budget Year - FY 90		
				Adj. Base	Inc/ Dec.	Agency Request
74220	Office and Library Supplies	145.0	140.0	140.0		140.0
74440	Agricultural Supplies					
74480	Household and Institutional Supplies					
74520	Professional and Scientific Supplies					
74560	Data Processing Supplies	30.0	52.0	52.0		52.0
74600	Other Operating Supplies					
74650	Repair and Maintenance Supplies	1.5	9.0	9.0		9.0
74000	TOTAL SUPPLIES AND MATERIALS	176.5	201.0	201.0		201.0
	INTER-AGENCY TRANSFERS (NON-ADD)					

Code	Explanation		Adj Base	Inc/ Dec.
74220	Office supplies and reference materials	140.0	140.0	
74560	Tapes, ribbons, and paper	52.0	52.0	
74650	Automotive Supplies	9.0	9.0	

C400 SUPPLIES AND MATERIALS

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

PAGE 1 OF 1

REV. DATE

FY - 90

CODE	EQUIPMENT AND MACHINERY CLASSIFICATION	Prior Year FY 88 Actual	Current Year FY 89 Auth.	Budget Year - FY 90		
				Adj. Base	Inc/ Dec.	Agency Request
75750	Vehicles and Transportation Equipment					
75790	Communication Equipment					
75830	Data Processing Equipment					
75870	Laboratory and Scientific Equipment					
75900	Shop, Plant and Industrial Equipment					
75940	Special Equipment					
76050	Furniture and Office Equipment	266.3				
75690	TOTAL EQUIPMENT AND MACHINERY	266.3				
	INTER-AGENCY TRANSFERS (NON-ADD)					

Code	Explanation	Number of Units	Unit Cost	Adjusted Base	Increment Decrement

C500 EQUIPMENT AND MACHINERY

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

PAGE 1 OF 1

REV. DATE

FY - 90

CODE	EXPENDITURE CLASSIFICATION	Prior Year FY 88 Actual	Current Year FY 89 Auth.	Budget Year - FY 90		
				Adj. Base	Inc/ Dec.	Agency Request
75050	Land and Interest in Land					
75300	Buildings					
75500	Improvements Other Than Buildings					
75025	TOTAL LAND, BUILDING, NON-STRUCTURAL IMPROVEMENT					
	INTER-AGENCY TRANSFERS (NON-ADD)					
77100	Local Assistance, State Sources					
77240	Benefits to Individuals					
77350	Grants and Awards to Individuals					
77440	Grants, Other Agencies					
77570	Health Benefits					
77700	General Relief	505.1				
77000	TOTAL ASSISTANCE GRANTS AND BENEFITS	505.1				
	INTER-AGENCY TRANSFERS (NON-ADD)					

Code	Explanation	Adj Base	Inc/ Dec.
77700	Law Suit Settlement		

C700 LAND, GRANTS AND MISCELLANEOUS

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

PAGE 1 OF 1

REV. DATE

FY - 90

CODE	NAME OF EXPENDITURE ACCOUNT	Prior Year FY 88 Actual	Current Year FY 89 Auth.	Budget Year - FY 90		
				Adj. Base	Inc/ Dec.	Agency Request
73900	Other Expenditures and Services	239.0	243.6	243.6		243.6
	TOTAL INTER-AGENCY TRANSFERS	239.0	243.6	243.6		243.6

Code	Explanation		Adj Base	Inc/ Dec.
73900	RSA with Department of Environmental Conservation	243.6	243.6	

C22 INTER AGENCY TRANSFERS

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

000176

TYPE OF REVENUE	PRIOR YEAR FY 88 ACTUAL	CURRENT YEAR FY 89 AUTHORIZED	CURRENT YEAR FY 89 CASH ESTIMATE	FY 90 BUDGET YEAR			FY 91 ESTIMATE
				ADJUSTED BASE	INCREMENT/ DECREMENT	AGENCY REQUEST	
RESTRICTED - FEDERAL RECEIPTS							
RESTRICTED - INTER-AGENCY RECEIPTS							
RESTRICTED - CIP RECEIPTS							
RESTRICTED - PROGRAM RECEIPTS							
RESTRICTED - OTHER	5723.7	5924.1	5924.1	6047.1		6047.1	
RESTRICTED - RECEIPTS TOTAL	5723.7	5924.1	5924.1	6047.1		6047.1	
UNRESTRICTED - RECEIPTS							
TOTAL RECEIPTS	5723.7	5924.1	5924.1	6047.1		6047.1	

C20 REVENUE SUMMARY

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

REV. DATE

FY - 90

TYPE OF REVENUE: RESTRICTED - OTHER				NAME AND TELEPHONE NUMBER OF AGENCY CONTACT:						
FUNDING SOURCE	FUND	REVENUE ACCOUNT	COLLOCATION CODE	PRIOR YEAR FY 88 ACTUAL	CURRENT YEAR FY 89 AUTHORIZED	CURRENT YEAR FY 89 CASH ESTIMATE	FY 90 BUDGET YEAR			FY 91 ESTIMATE
							ADJUSTED BASE	INCREMENT/ DECREMENT	AGENCY REQUEST	
01022				5723.7	5924.1	5924.1	6047.1		6047.1	
			TOTAL	5723.7	5924.1	5924.1	6047.1		6047.1	

EXPLANATION (SEE INSTRUCTIONS):

C21B RESTRICTED REVENUE DETAL

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

000178

Save for AHFC budget presentation

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

TO: Board of Directors **Date:** January 6, 1989

FROM: Mark K. Cameron
Finance Director

SUBJECT: Five-Year Liquidity Projection

Attached are several selected schedules providing overview information regarding the five-year liquidity projection for the Corporation. The projection is for discussion purposes only at this time.

You will note that the liquid assets of the Corporation decreases by $61,257,000 from $186,540,000 as of September 30, 1988 to $125,283,000 as of June 30, 1993. The decrease is mainly due to subsidy for bond issuance.

It is important to note that the projections involve estimates of substantial sums the actual amounts of which are beyond the control of the Corporation. Specifically, the mortgage loan purchase estimates are totally dependent upon the delivery schedules of our Seller/ Servicers and the reissuance of Euro commercial paper assumes the dealers will be able to sell new paper providing funds the same day the existing commercial paper matures.

EC:nrs
CHA008

Attachments

ALASKA HOUSING FINANCE CORPORATION
FIVE-YEAR LIQUIDITY PROJECTION
FY 89 through FY 93

06-Jan-89

Summary

The aggregated liquid assets as of September 30, 1988 are $186,540,000 and as of June 30, 1993, the projected aggregated amount is $125,283,000. The total net decrease is $61,257,000 The major components of the net change are summaried as follows:

	Inc(decr)
Subsidy for bond issuance	(443,530)
Collateral released from debt retirement	288,723
Long term investment matured	53,000
Interest earnings on loans & Investment	144,550
Interest on short-term borrowing	(67,500)
General & Administrative	(36,500)
Net Decrese	(61,257)

The Corporation has forecasted debt retirement through FY 1993, Any release of collateral is assumed to be used as subsidy for bond issuance.

ALASKA HOUSING FINANCE CORPORATION
FIVE-YEAR LIQUIDITY PROJECTION 06-Jan-89
FY 89 through FY 93

ASSUMPTIONS

1) Mortgage loan demand is based on the housing market trend and experience by program.

2) Federal tax exempt bond authorization unchanged from existing law. Assumes AHFC always can issue tax-exempt bonds.

3) Net annual investment earnings of approximately 8%.

4) Mortgage loan prepayments of 6% (Housing & Insured Mortg. Bonds)

5) The regular principal pay-down for housing mortgage bonds is 24% of the P & I payment which is approximately $8.5 million per year, while the Insured Mortgage Bonds is 15% of approximately $80 million a year.

6) Subsidy and sale costs are calculated as follows:

	Subsidy	Fees
HOAP	-- 10% if cash 20% if loans	1%
Tax-exempt	-10% if cash	1%
Taxable	--22% incl cost	1%
Veterans	--15%	1.75%

7) Forecast of Debt Retirement
SAM A, F and FNMA note #2 were paid off in Dec 1988. $180,723,000 of investment, loans and FNMA pools were released back to the Corp.

FNMA note # 1 will be paid off in February, 1989. $10 million of pools will be released.

FNMA note # 5 will be paid off in FY 1990 . $10 million of pools will be released

SAM D, H, M will be paid off in FY 1991. $35 million of investment will be released back to the Corporation from SAM D, and $15 million of good loans will be released from SAM D, H & M.

FNMA note # 3 will be paid off in FY 1991. $10 million of pools will be released

SAM I, J, L, N and FNMA note # 4 will be paid off in FY 1992. $15 million of good loans and $10 million of pools will be released.

SAM K will be paid off in FY 1993. $3 million of good loans will be released.

8) The P & I payments for the Revolving Fund is based on last 12 months per financial statement.

9) The Wells Fargo CD in the amount of $53 million will mature on 11/29/91. The CD was a piece of the collateral for SAM B.

ALASKA HOUSING FINANCE CORPORATION
FIVE-YEAR LIQUIDITY PROJECTION 06-Jan-89
FY 89 through FY 93

Definitions

a) Investment funds: Short-term investments which do not include some long-term securities in the amount of $42 million.

b) MBS pools: Mortgage-Backed Securities including FNMA, GNMA and FHLMC mortgage pools.

c) Loans eligible to be pooled: Loans eligible for conversion to a FNMA, GNMA or FHLMC pool.

d) Loans not required to be pooled: Generally HOAP loans, either subject to MGIC pool insurance or with AHFC at risk beyond PMI coverage.

e) Claims Receivable: Receivable from FNMA, MGIC, VA, PMI etc. for expenses or advances related to REO properties.

f) ECP: AHFC Euro commercial paper program which was increased from $150 million to $200 million in December, 1988. The interest rate generally is LIBOR + 2 basis points.

g) Reverse repurchase agreement--Rev. Repo-Uses of AHFC's GNMA/ FNMA/FHLMC pools as collateral to borrow on a short term basis.

h) Other Liabilities: Includes accounts payable, accrued interest and other expenses payable from the Corporation's general account.

Source of Funds:

i) Projected loans to be pooled: Represents qualified loans anticipate to be converted to FNMA/GNMA/FHLMC pools.

j) Investment earnings: Interest earned and received during the month. Recently, investments generally mature within one month.

k) FNMA conveyance: Assumes reimbursment for FNMA foreclosed loan removals within 30 days.

l) Subsidy released from bond issue: Investment, cash, mortgage loans, etc., released back to the Corporation when a FNMA note or an entire bond issue is paid off.

m) Series loan funding: Represents the sale of mortgage loans and/or MBS pools from the Corporation to a bond series.

ALASKA HOUSING FINANCE CORPORATION
FIVE-YEAR LIQUIDITY PROJECTION 06-Jan-89
FY 89 through FY 93

Use of Funds:

n) Loan purchased: Assumes 1/3 of HOAP loans purchased elligible to be pooled into FNMA MBSs and 2/3 not required to be pooled.

o) FNMA foreclosed loans removal: Represents funds advanced to remove loans from FNMA pools due to foreclosure, which is done before the end of the month. The advance is recorded as a Claims Receivable and usually will be reimbursed within 30 to 60 days.

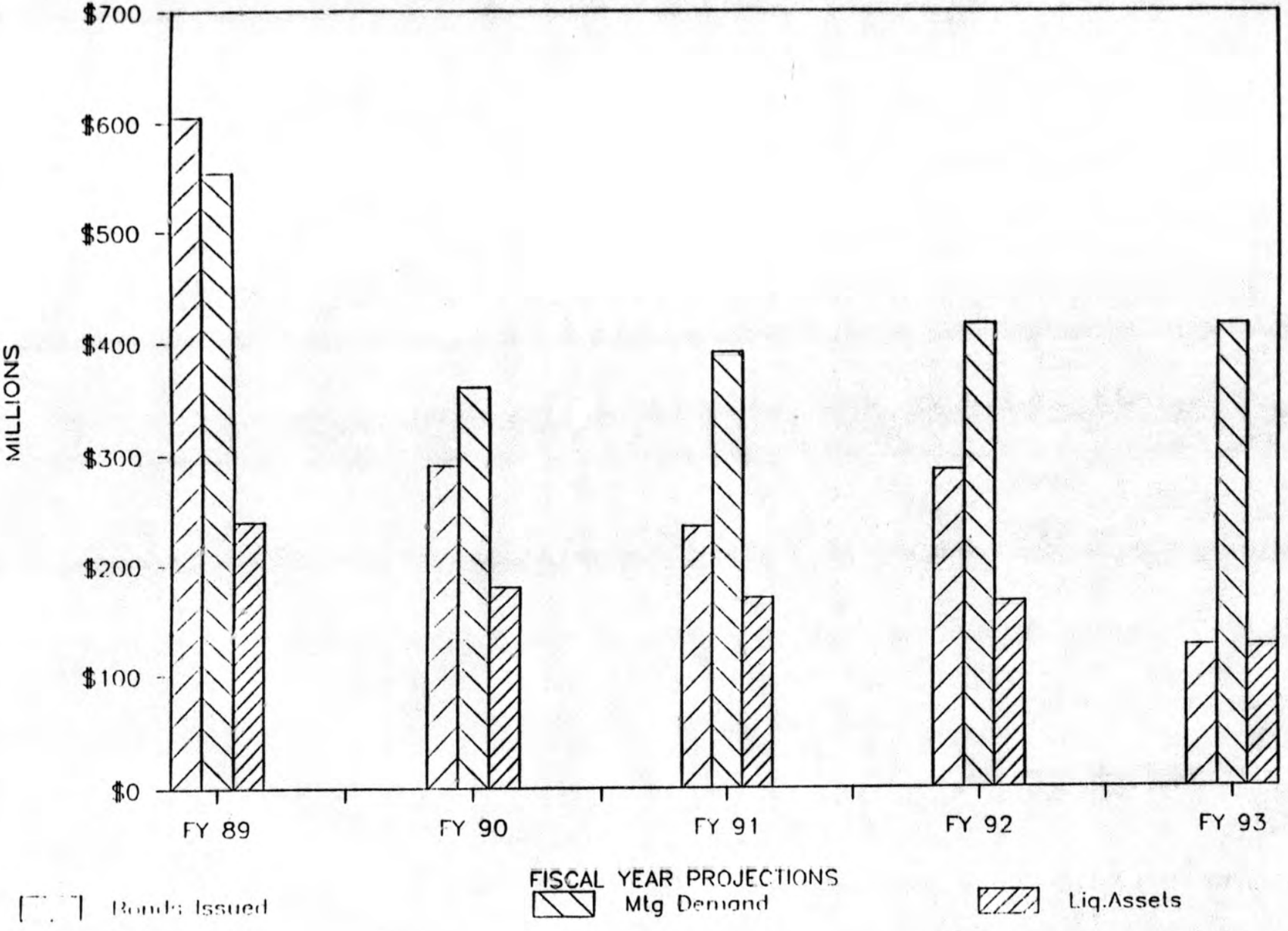
p) Subsidy transfer for bonds issued: The transfer of securities, cash or loans from the Corporation to a new bond issue on closing for underwriting costs, bond assurance premium, debt service reserve and over-collateralization, etc..

ALASKA HOUSING FINANCE CORPORATION
SUMMARY OF RESIDENTIAL FINANCING RELATED ACTIVITY
($ in millions)

FY	Bonds Issued	Estimated Mortgage Demand-all Programs	Related Subsidy Transfer	Revolving Fund Liquid Assets End of FY
FY 89	605.00	553.75	143.73	240.08
FY 90	290.00	360.00	78.93	179.65
FY 91	235.00	390.00	78.59	169.56
FY 92	285.00	415.00	90.09	165.97
FY 93	125.00	414.00	52.19	125.28
	1,540.00	2,132.75	443.51	N/A

ALASKA HOUSING FINANCE CORPORATION

FINANCING ACTIVITIES AND LIQUID ASSETS



ALASKA HOUSING FINANCE CORPORATION
LIQUID ASSET PROJECTION
($ in thousands)

NINE MONTHS ENDING
JUNE 30, 1989

06-Jan-89	Investment Funds	MBS Pools	Loans eligible to be pooled	Loans not required to be pooled	Claims Receivable	ECP	Reverse Repurchase Agreement	Other Liabilities	Total
BEG. BALANCE	(a) 38,149	62,151	(b) 83,921	(b) 104,318	25,560	(88,000)	(26,592)	(12,967)	(a) 186,540
SOURCE OF FUNDS									
Projected loans to be pooled		160,000	(160,000)						0
Short term debt issuance:									
Addl Reverse Repos issued	55,000						(55,000)		0
Addl ECP borrowing	65,000					(65,000)			0
Reissuance of maturing ECP	249,000					(249,000)		(13,500)	(13,500)
Loan revenue:									
Principal	32,100	(8,025)		(24,075)					0
Interest	23,200								23,200
Investment earnings	1,350								1,350
FNMA conveyances	45,000				(45,000)				0
REO expense reimbursement	31,500				(31,500)				0
Subsidy released from bond issues	16,052	20,000		154,671					190,723
Series loan funding									0
HOAP	233,853	(29,232)		(204,621)					0
Tax exempt	51,829	(51,829)							0
Taxable	115,225	(115,225)							0
Veterans-VMP	30,000	(30,000)							0
Recycling under Ins. Mortg Bonds	60,000			(60,000)					0
	1,009,109	(54,311)	(160,000)	(134,025)	(76,500)	(314,000)	(55,000)	(13,500)	201,773
USE OF FUNDS									
Loan purchased:									
HOAP I purchases	(49,700)		16,567	33,133					0
Bi-monthly purchases (incl HOAP II)	(469,050)		156,350	312,700					0
Others			0	0					0
Note purchased	(2,700)			2,700					0
FNMA foreclosed loan removal	(45,000)				45,000				0
Subsidy transfer for bonds issued	(76,730)			(67,000)					(143,730)
Interfund transfers									0
Retirement of short term debt									
Repayment of ECP	(249,000)					249,000			0
Repayment of Rev. Repos	(81,592)						81,592		0
REO expenses	(36,000)				36,000				0
G & A expenses	(4,500)								(4,500)
Interest expense	(10,000)							10,000	0
	(1,024,272)	0	172,917	281,533	81,000	249,000	81,592	10,000	(148,230)
Net increase (decrease) of funds	(15,163)	(54,311)	12,917	147,508	4,500	(65,000)	26,592	(3,500)	53,543
ENDING BALANCE	22,986	7,840	96,838	251,826	30,060	(153,000)	0	(16,467)	240,083

Note (a): This amount does not include $42.1 million long-term investment
Note (b): These amount do not include loans which are ineligible for pledge to outstanding bond issues.

ALASKA HOUSING FINANCE CORPORATION
LIQUID ASSET PROJECTION
($ in thousands)

06-Jan-89	Investment Funds	MBS Pools	Loans eligible to be pooled	Loans not required to be pooled	Claims Receivable	ECP	Reverse Repurchase Agreement	Other Liabilities	Total
	FY ENDING JUNE 30, 1990								
BEG. BALANCE	(a) 22,986	7,840	(b) 96,838	(b) 251,826	30,060	(153,000)	0	(16,467)	(a) 240,083
SOURCE OF FUNDS									
Projected loans to be pooled		220,000	(220,000)						0
Short term debt issuance:									
Addl Reverse Repos issued	50,000						(50,000)		0
Addl ECP borrowing									0
Reissuance of maturing ECP	350,000					(350,000)		(13,500)	(13,500)
Loan revenue:									
Principal	30,000	(7,500)		(22,500)					0
Interest	28,800								28,800
Investment earnings	1,200								1,200
FNMA conveyances	60,000				(60,000)				0
REO expense reimbursement	48,000				(48,000)				0
Subsidy released from bond issues		10,000							10,000
Series loan funding									0
HOAP	310,000	(77,500)		(232,500)					0
Tax exempt	60,000	(60,000)							0
Taxable	50,000	(50,000)							0
Veterans-VMP	30,000	(30,000)							0
Recycling under Ins. Mortg Bonds	0								0
	1,018,000	5,000	(220,000)	(255,000)	(108,000)	(350,000)	(50,000)	(13,500)	26,500
USE OF FUNDS									
Loan purchased:									
HOAP I purchases	0		0	0					0
Bi-monthly purchases									0
(incl HOAP II)	(35,000)			35,000					0
Others	(325,000)		325,000						0
Note purchased	(4,200)			4,200					0
FNMA foreclosed loan removal	(60,000)				60,000				0
Subsidy transfer for bonds issued	(78,930)								(78,930)
Interfund transfers	0								0
Retirement of short term debt									0
Repayment of ECP	(400,000)					400,000			0
Repayment of Rev. Repos	(50,000)						50,000		0
REO expenses	(48,000)				48,000				0
G & A expenses	(8,000)								(8,000)
Interest expense	(10,000)							10,000	0
	(1,019,130)	0	325,000	39,200	108,000	400,000	50,000	10,000	(86,930)
Net increase (decrease) of funds	(1,130)	5,000	105,000	(215,800)	0	50,000	0	(3,500)	(60,430)
ENDING BALANCE	21,856	12,840	201,838	36,026	30,060	(103,000)	0	(19,967)	179,653

Note (a): This amount does not include $42.1 million long-term investment
Note (b): These amount do not include loans which are ineligible for pledge to outstanding bond issues.

ALASKA HOUSING FINANCE CORPORATION
LIQUID ASSET PROJECTION
($ in thousands)

06-Jan-89	Investment Funds	MBS Pools	Loans eligible to be pooled	Loans not required to be pooled	Claims Receivable	ECP	Reverse Repurchase Agreement	Other Liabilities	Total
	FY ENDING JUNE 30, 1991								
BEG. BALANCE	(a) 21,856	12,840	(b) 201,838	(b) 36,026	30,060	(103,000)	0	(19,967)	(a) 179,653
SOURCE OF FUNDS									
Projected loans to be pooled		360,000	(360,000)						0
Short term debt issuance:									
Addl Reverse Repos issued	20,000						(20,000)		0
Addl ECP borrowing	20,000					(20,000)			0
Reissuance of maturing ECP	250,000					(250,000)		(13,500)	(13,500)
Loan revenue:									
Principal	30,000	(7,500)		(22,500)					0
Interest	28,800								28,800
Investment earnings	1,200								1,200
FNMA conveyances	60,000				(60,000)				0
REO expense reimbursement	48,000				(48,000)				0
Subsidy released from bond issues	35,000	10,000		15,000					60,000
Series loan funding									
HOAP	0			0					0
Tax exempt	65,000	(65,000)							0
Taxable	250,000	(250,000)							0
Veterans-VMP	30,000	(30,000)							0
Recycling under Ins. Mortg Bonds	0			0					0
	838,000	17,500	(360,000)	(7,500)	(108,000)	(270,000)	(20,000)	(13,500)	76,500
USE OF FUNDS									
Loan purchased:									
HOAP I purchases	0		0	0					0
Bi-monthly purchases									0
(incl HOAP II)	0		0	0					0
Others	(390,000)		390,000						0
Note purchased	(4,200)			4,200					0
FNMA foreclosed loan removal	(60,000)				60,000				0
Subsidy transfer for bonds issued	(78,590)								(78,590)
Interfund transfers									0
Retirement of short term debt									
Repayment of ECP	(250,000)					250,000			0
Repayment of Rev. Repos									0
REO expenses	(48,000)				48,000				0
G & A expenses	(8,000)								(8,000)
Interest expense	(10,000)							10,000	0
	(848,790)	0	390,000	4,200	108,000	250,000	0	10,000	(86,590)
Net increase (decrease) of funds	(10,790)	17,500	30,000	(3,300)	0	(20,000)	(20,000)	(3,500)	(10,090)
ENDING BALANCE	11,066	30,340	231,838	32,726	30,060	(123,000)	(20,000)	(23,467)	169,563

↑ 20

Note (a): This amount does not include $42.1 million long-term investment

Note (b): These amount do not include loans which are ineligible for pledge to outstanding bond issues.

ALASKA HOUSING FINANCE CORPORATION
LIQUID ASSET PROJECTION
($ in thousands)

FY ENDING JUNE 30, 1992

06-Jan-89	Investment Funds	MBS Pools	Loans eligible to be pooled	Loans not required to be pooled	Claims Receivable	ECP	Reverse Repurchase Agreement	Other Liabilities	Total
BEG. BALANCE	11,066	30,340	231,838 (a)	32,726 (a)	30,060	(123,000)	(20,000)	(23,467)	169,563 (a)
SOURCE OF FUNDS									
Projected loans to be pooled		400,000	(400,000)						0
Short term debt issuance:									
Addl Reverse Repos issued	45,000						(45,000)		0
Addl ECP borrowing	40,000					(40,000)			0
Reissuance of maturing ECP	250,000					(250,000)		(13,500)	(13,500)
Loan revenue:									
Principal	30,000	(22,500)		(7,500)					0
Interest	28,800								28,800
Investment earnings	1,200								1,200
FNMA conveyances	60,000				(60,000)				0
REO expense reimbursement	48,000				(48,000)				0
Subsidy released from bond issues		10,000		15,000					25,000
Long-term investment maturing	53,000								53,000
Series loan funding				0					0
Tax exempt	50,000	(50,000)							0
Taxable	300,000	(300,000)							0
Veterans-VMP	30,000	(30,000)							0
Recycling under Ins. Mortg Bonds				0					0
	936,000	7,500	(400,000)	7,500	(108,000)	(290,000)	(45,000)	(13,500)	94,500
USE OF FUNDS									
Loan purchased:									
HOAP I purchases									0
Bi-monthly purchases (incl HOAP II)									0
Others	(415,000)		415,000						0
Note purchased	(4,200)			4,200					0
FNMA foreclosed loan removal	(60,000)				60,000				0
Subsidy transfer for bonds issued	(90,090)								(90,090)
Interfund transfers									0
Retirement of short term debt									
Repayment of ECP	(250,000)					250,000			0
Repayment of Rev. Repos	(50,000)						50,000		0
REO expenses	(48,000)				48,000				0
G & A expenses	(8,000)								(8,000)
Interest expense	(10,000)							10,000	0
	(935,290)	0	415,000	4,200	108,000	250,000	50,000	10,000	(98,090)
Net increase (decrease) of funds	710	7,500	15,000	11,700	0	(40,000)	5,000	(3,500)	(3,590)
ENDING BALANCE	11,776	37,840	246,838	44,426	30,060	(163,000)	(15,000)	(26,967)	165,973

Note (a): These amounts do not include loans which are ineligible for pledge to outstanding bond issues.

ECP ↑ 10

ALASKA HOUSING FINANCE CORPORATION
LIQUID ASSET PROJECTION
($ in thousands)

FY ENDING JUNE 30, 1993

06-Jan-89	Investment Funds	MBS Pools	Loans eligible to be pooled	Loans not required to be pooled	Claims Receivable	ECP	Reverse Repurchase Agreement	Other Liabilities	Total
BEG. BALANCE	11,776	37,840	246,838 (a)	44,426 (a)	30,060	(163,000)	(15,000)	(26,967)	165,973 (a)
SOURCE OF FUNDS									
Projected loans to be pooled		420,000	(420,000)						0
Short term debt issuance:									
Addl Reverse Repos issued	65,000						(65,000)		0
Addl ECP borrowing	35,000					(35,000)			0
Reissuance of maturing ECP	260,000					(260,000)		(13,500)	(13,500)
Loan revenue:									
Principal	30,000	(22,500)		(7,500)					0
Interest	28,800								28,800
Investment earnings	1,200								1,200
FNMA conveyances	60,000				(60,000)				0
REO expense reimbursement	48,000				(48,000)				0
Subsidy released from bond issues				3,000					3,000
Long-term investment maturing									0
Series loan funding				0					0
Tax exempt	50,000	(50,000)							0
Taxable	300,000	(300,000)							0
Veterans-VMP	30,000	(30,000)							0
Recycling under Ins. Mortg Bonds				0					0
	908,000	17,500	(420,000)	(4,500)	(108,000)	(295,000)	(65,000)	(13,500)	19,500
USE OF FUNDS									
Loan purchased:									
HOAP I purchases									0
Bi-monthly purchases (incl HOAP II)									0
Others	(414,000)		414,000						0
Note purchased	(4,200)			4,200					0
FNMA foreclosed loan removal	(60,000)				60,000				0
Subsidy transfer for bonds issued	(52,190)								(52,190)
Interfund transfers									0
Retirement of short term debt									0
Repayment of ECP	(260,000)					260,000			0
Repayment of Rev. Repos	(50,000)						50,000		0
REO expenses	(48,000)				48,000				0
G & A expenses	(8,000)								(8,000)
Interest expense	(10,000)							10,000	0
	(906,390)	0	414,000	4,200	108,000	260,000	50,000	10,000	(60,190)
Net increase (decrease) of funds	1,610	17,500	(6,000)	(300)	0	(35,000)	(15,000)	(3,500)	(40,690)
ENDING BALANCE	13,386	55,340	240,838	44,126	30,060	(198,000)	(30,000)	(30,467)	125,283

Note (a): These amount do not include loans which are ineligible for pledge to outstanding bond issues.

Exh 35

ALASKA HOUSING FINANCE CORPORATION
Schedule of Prepayment
$ in million

	Beg. Loan Balance	Prepayt 6%	Regular Pay Down	Ending Loan Balance	Mortg & Investmt Funds	Investmt Yield	Earnings
1989 (9/30/88)							
Housing Mortgage Bonds	78.50	3.53	1.53	73.44	115.40	8.00%	6.92
Insured Mortgage Bonds	652.75	29.37	9.00	614.38	888.81	8.00%	53.33
	731.25	32.91	10.53	687.82	1,004.21		60.25
1990							
Housing Mortgage Bonds	73.44	4.41	2.04	66.99	110.34	8.00%	8.83
Insured Mortgage Bonds	614.38	36.86	12.00	565.52	850.43	8.00%	68.03
	687.82	41.27	14.04	632.51	960.77		76.86
1991							
Housing Mortgage Bonds	66.99	4.02	2.04	60.93	103.89	8.00%	8.31
Insured Mortgage Bonds	565.52	33.93	12.00	519.59	801.57	8.00%	64.13
	632.51	37.95	14.04	580.52	905.46		72.44
1992							
Housing Mortgage Bonds	60.93	3.66	2.04	55.23	97.83	8.00%	7.83
Insured Mortgage Bonds	519.59	31.18	12.00	476.41	755.64	8.00%	60.45
	580.52	34.83	14.04	531.65	853.47		68.28
1993							
Housing Mortgage Bonds	55.23	3.31	2.04	49.88	92.13	8.00%	7.37
Insured Mortgage Bonds	476.41	28.58	12.00	435.83	712.46	8.00%	57.00
	531.65	31.90	14.04	485.71	804.60		64.37

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage demand and Proposed Bond Financing

Nine months ending June 30, 1989
(in millions)

	Mortgage Loan Funds Available 9/30/88	Program Repayments and Earnings	Bond Proceeds	Overcollaterization Transfer: Sales Cost	Overcollaterization Transfer: Reserve Account	Overcollaterization Transfer: MLF	Subsidy Allocation	Estimated Mtg. Demand Nine months Ending 6/30/89	Mortgage Loan Funds Available 06/30/89
Bonded Programs									
HOAP	0.00		250.00	2.50	10.00	50.00 (loans)		307.50	0.00
Tax-exempt-MB	35.25		85.00 11/88 110.00 06/89						
	35.25		195.00	1.95		19.50		56.25	191.55
Taxable	50.80	103.69	100.00	1.00	5.00	17.00 (loans)	6.63	112.50	169.61
Veterans-VMP	36.30		50.00	0.88		7.50	(6.63)	22.50	63.80
Condo Stablization	50.00							20.00	30.00
Recycling Programs(IMBs)									
LIFE			10.00	0.20		3.20		10.00	3.00
Non-conforming						5.00		5.00	0.00
Direct Funded Programs									
Mobile						5.00		5.00	0.00
Second						2.00		2.00	0.00
Other Uses of Funds									
Exchange Program Expenses						3.00		3.00	0.00
Condo Stablization Expenses						10.00		10.00	0.00
Operating Budget increase **									
	172.35	103.69	605.00	6.53	15.00	122.20	0.00	553.75	457.96

** Absorded by non-trusted accounts

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage demand and Proposed Bond Financing

Fiscal year ending June 30, 1990
(in millions)

	Mortgage Loan Funds Available	Program Repayments and Earnings	Bond Proceeds	Overcollaterization Transfer				Estimated Mtg. Demand 12 months Ending 06/30/90	Mortgage Loan Funds Available 06/30/90
				Sales Cost	Reserve Account	MLF	Subsidy Allocation		
Bonded Programs									
HOAP	0.00								0.00
Tax-exempt-HMB	191.55		100.00 12/1	1.00		10.00		75.00	225.55
Taxable	169.61	132.17	150.00	1.50	7.50	25.50	3.98	200.00	287.26
Veterans-VMP	63.80		30.00	0.53		4.50	(3.98)	30.00	63.80
Condo Stablization	30.00							20.00	10.00
Recycling Programs(IMBs)									
LIFE	3.00		10.00	0.20		3.20		10.00	6.00
Non-conforming						5.00		5.00	0.00
Direct Funded Programs									
Mobile						5.00		5.00	0.00
Second						2.00		2.00	0.00
Other Uses of Funds									
Exchange Program Expenses						3.00		3.00	0.00
Condo Stablization Expenses						10.00		10.00	0.00
Operating Budget increase									
	457.96	132.17	290.00	3.23	7.50	68.20	0.00	360.00	592.61

** Absorded by non-trusted accounts

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage demand and Proposed Bond Financing

Fiscal year ending June 30, 1991
(in millions)

	Mortgage Loan Funds Available	Program Repayments and Earnings	Bond Proceeds	Overcollaterization Transfer				Estimated Mtg. Demand 12 months Ending 6/30/91	Mortgage Loan Funds Available 06/30/91
				Sales Cost	Reserve Account	MLF	Subsidy Allocation		
Bonded Programs									
HOAP	0.00								0.00
Tax-exempt-HMB	225.55							65.00	160.55
Taxable	287.26	124.43	200.00	2.00	10.00	34.00	3.31	250.00	407.00
Veterans-VMP	63.80		25.00	0.44		3.75	(3.31)	30.00	58.80
Condo Stablization	10.00							10.00	0.00
Recycling Programs(IMBs)									
LIFE	6.00		10.00	0.20		3.20		10.00	9.00
Non-conforming						5.00		5.00	0.00
Direct Funded Programs									
Mobile						5.00		5.00	0.00
Second						2.00		2.00	0.00
Other Uses of Funds									
Exchange Program Expenses						3.00		3.00	0.00
Condo Stablization Expenses						10.00		10.00	0.00
Operating Budget increase									
	592.61	124.43	235.00	2.64	10.00	65.95	0.00	390.00	635.35

** Absorded by non-trusted accounts

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage demand and Proposed Bond Financing

Fiscal year ending June 30, 1992
(in millions)

	Mortgage Loan Funds Available	Program Repayments and Earnings	Bond Proceeds	Overcollaterization Transfer				Estimated Mtg. Demand 12 months Ending 06/30/92	Mortgage Loan Funds Available 06/30/92
				Sales Cost	Reserve Account	MLF	Subsidy Allocation		
Bonded Programs									
HOAP									0.00
Tax-exempt-HMB	160.55							50.00	110.55
Taxable	407.00	117.15	250.00	2.50	12.50	42.50	3.31	300.00	529.96
Veterans-VMP	58.80		25.00	0.44		3.75	(3.31)	30.00	53.80
Condo Stablization	0.00								0.00
Recycling Programs(IMBs)									
LIF Non-conforming	9.00		10.00	0.20		3.20 5.00		10.00 5.00	12.00 0.00
Direct Funded Programs									
Mobile Second						5.00 2.00		5.00 2.00	0.00 0.00
Other Uses of Funds									
Exchange Program Expenses Condo Stablization Expenses Operating Budget increase						3.00 10.00		3.00 10.00	0.00 0.00
	635.35	117.15	285.00	3.14	12.50	74.45	0.00	415.00	706.31

** Absorded by non-trusted accounts

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage demand and Proposed Bond Financing

Fiscal year ending June 30, 1993
(in millions)

	Mortgage Loan Funds Available	Program Repayments and Earnings	Bond Proceeds	Overcollaterization Transfer				Estimated Mtg. Demand 12 months Ending 06/30/93	Mortgage Loan Fun Availabl 06/30/93
				Sales Cost	Reserve Account	MLF	Subsidy Allocation		
Bonded Programs									
HOAP									0.00
Tax-exempt-HMB	110.55							50.00	60.55
Taxable	529.96	110.31	100.00	1.00	5.00	17.00	0.00	300.00	461.27
Veterans-VMP	53.80		25.00	0.44		3.75		30.00	52.11
Condo Stablization	0.00								0.00
Recycling Programs(IMBs)									
LIFE	12.00							9.00	3.00
Non-conforming						5.00		5.00	0.00
Direct Funded Programs									
Mobile						5.00		5.00	0.00
Second						2.00		2.00	0.00
Other Uses of Funds									
Exchange Program Expenses						3.00		3.00	0.00
Condo Stablization Expenses						10.00		10.00	0.00
Operating Budget increase									
	706.31	110.31	125.00	1.44	5.00	45.75	0.00	414.00	576.93

** Absorded by non-trusted accounts

ALASKA HOUSING FINANCE CORPORATION
NOTICE OF PUBLIC HEARING

BULK SALES

NOTICE IS HEREBY GIVEN that the Alaska Housing Finance Corporation will hold public hearings to accept comments on emergency regulations with respect to bulk sales of the Corporation's real estate-owned properties. The hearing is scheduled to be held at the following:

September 6, 1989
6:00 - 7:00 p.m.
Alaska Housing Finance Corporation
520 East 34th Street
1st Floor Conference Room
Anchorage, Alaska 99503

The public is invited to attend and present oral and/or written statements or arguments relevant to the regulations. Copies of the proposed changes may be obtained by contacting the Alaska Housing Finance Corporation at 520 East 34th Street, Anchorage, Alaska 99503, (907)561-1900, ext. 326.

The Board of Directors of the Alaska Housing Finance Corporation will consider all relevant information presented at the hearings before it takes final action on the proposed changes. The Corporation may continue or postpone the hearing set forth above to times and places which it determines. Any amendment to the proposed changes which are adopted after the hearings may vary in content from the summaries presented in the notice if subject matter of the amendment remains the same.

DATED: Anchorage, AK August 11, 1989

BY ORDER OF THE BOARD OF DIRECTORS
/s/ Robert Mintz, Chairman

NOTICE OF ADOPTION OF
EMERGENCY REGULATIONS
OF THE ALASKA HOUSING FINANCE CORPORATION
IN CONNECTION WITH
BULK SALES

Pursuant to AS 18.56.088, the Board of Directors of the Alaska Housing Finance Corporation makes the following findings:

The immediate adoption of Regulations with respect to Bulk Sales submitted to and made part of the records of this meeting is necessary for the immediate preservation of the orderly disposal of the Corporation's foreclosed properties. The emergency that gives rise to the necessity for these Regulations is as follows:

a. Several pending bulk sale offers; and

b. to stop asset wasting associated wtih empty units.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Alaska Housing Finance Corporation that the Emergency Regulations with respect to the Bulk Sales submitted to and made part of the records of this meeting are hereby approved as Emergency Regulations of the Corporation.

This Resolution shall take effect immediately.

DATED this 28th day of July, 1989.

Alaska Housing Finance Corporation
/s/Robert Mintz
Chairman

Copies of the Regulations may be obtained at AHFC, 520 East 34th Avenue, 3rd Floor, Anchorage, Alaska.

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

NEWS RELEASE

For Immediate Release
January 12, 1990

For More Information Contact:
Margaret Nelson
564-9321

AHFC ANNOUNCES PROFIT FOR FIRST QUARTER FISCAL YEAR 1990

The Alaska Housing Finance Corporation posted a $4.9 million profit for First Quarter of Fiscal Year 1990 which ended September 30, 1989. The profit represents a sharp turn around from the posting of a $124 million loss for the last fiscal year which ended June 30, 1989.

"The profit is the result of a focused effort last year to identify the Corporation's loss exposure and set up sufficient fund reserves to cover them," said AHFC Chief Executive Officer Thomas Behan in announcing the profit today. These loss reserves totalled $139 million at the beginning of the quarter. After adjustments to reflect potential additional losses, realized losses on units sold, and property holding costs the reserves amounted to $143 million at September 30, 1989.

While cautious about using first quarter results to project where the Corporation will end this fiscal year, Behan is optimistic this year will be profitable.

Behan states that a revamping of the property marketing system resulting in the Alaskan Home Properties division and a solid team of dedicated staff as factors contributing to AHFC's first quarter profit and future profit potential.

"Earlier this week we saw evidence of a strengthening economy with the lower incidences of mortgage loan delinquencies and foreclosures and stabilizing values in the housing market," Behan said. "Combined with the direction we've set with home sales we hope to end this year in the black."

-30-

Alaska Housing
FINANCE CORPORATION

DEC 21 1989

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

MONTHLY BRIEFING*
(Compiled 12/12/89)

	October 1989	September 1989	October 1988
Delinquency - All loans less mobile homes	10.53%	11.94%**	14.75%
Delinquency - Mobile homes	17.67%	19.18%	22.46%
Foreclosed Inventory			
Single Family and Duplex	1,984	2,026	1,971
Condo	1,560	1,727	1,787
Multi-plex	38	39	28
TOTAL	3,592	3,802	3,794
Mobile Homes	586	609	775
Total Active Loans	42,740	42,777	42,753
Number of foreclosures for month	195	180	307
Number of sales for month	333	250	161

*All numbers reflect statewide loans and inventory.

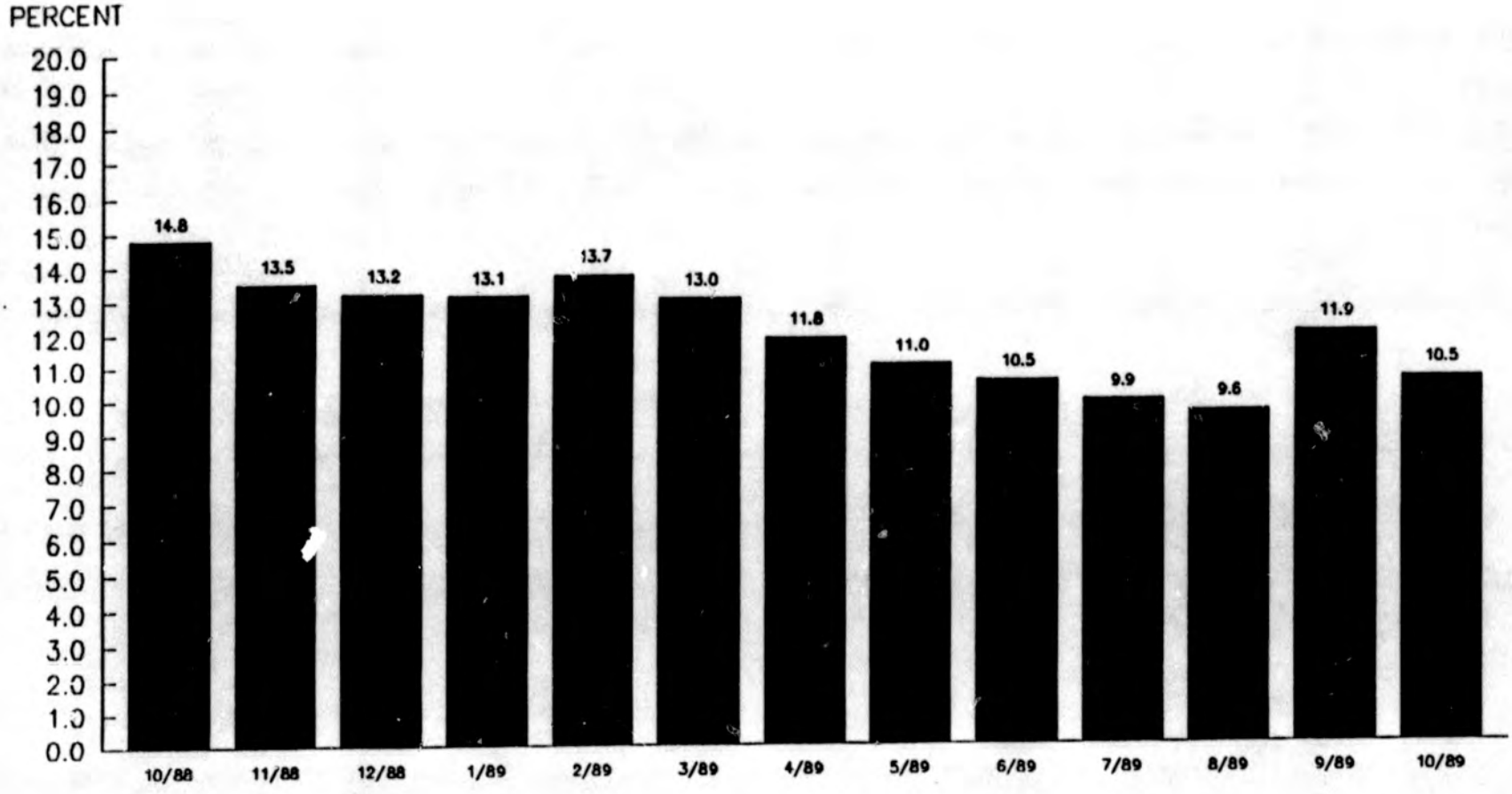
**This number is inflated approximately 2% due to a lender servicing problem which has been recognized.

For more information contact: Margaret Nelson at 561-1900

ALASKA HOUSING FINANCE CORPORATION

TOTAL DELINQUENCIES

TABLE I



ALLDELNS

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P O. Box 101020
Anchorage, AK 99510



VISITORS & COURIERS : OUR NEW LOBBY AND MAILROOM IS LOCATED ON THE FIRST FLOOR. PLEASE CHECK IN.

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

FOR IMMEDIATE RELEASE
February 1, 1990

For More Information Contact:
Margaret Nelson 564-9321

**ALASKA HOUSING FINANCE CORPORATION OPE
OFFICE OF CONSUMER RELATIONS**

The Alaska Housing Finance Corporation has opened an Office of Consumer Relations to answer mortgage questions and assist mortgagors and home buyers in working with the Corporation or its sales division, Alaskan Home Properties, Thomas Behan, AHFC's Chief Executive Officer/Executive Director announced today.

Heading the office is Wayne Mundy, Consumer Relations Officer.

Last fall the AHFC Board of Directors and management felt the need to have a consumer advocate available at AHFC.

The purpose of the office is to facilitate better communications between the public and the various departments at the Corporation, Mundy said. Often, this can be accomplished by simply referring the public to AHFC personnel who can best answer the questions.

"It is our intent to provide the important link from the inquiring public to staff responding to the public's needs," Mundy said. "The Consumer Relations Office also may be able to address mortgage problems not related to AHFC.

"If we do not have the answers we will research the issues and inform the caller on how to proceed," Mundy said.

Mundy has considerable experience in the real estate industry. He served as the Review Appraiser for AHFC for the past five years and has extensive experience in the real estate industry having previously held positions at the Department of Community & Regional Affairs as loan manager, Department of Natural Resources as natural resource manager, Division of Lands as staff appraiser and various positions at local banks and title companies.

Also serving in AHFC's Consumer Relations Office is Brenda Glaze. Glaze previously worked at the Alaska Housing Market Council as hotline coordinator for two years and has held positions in the internal audit department at Alaska USA Federal Credit Union and the mortgage loan production department at National Bank of Alaska.

"We're pleased to offer this service to Alaskans," Behan said. "All mortgagors should feel free to call with their questions or concerns."

The Office of Consumer Relations is located at 520 East 34th Street, Suite 300, in Anchorage. The phone numbers are 564-9317 if calling from Anchorage, or toll free from outside Anchorage, 800-478-AHFC.

-END-

Note: Wayne Mundy is available for interviews or comments. Please call 564-9316.

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

NEWS RELEASE

For Immediate Release
January 10, 1990

For More Information Contact:
Margaret Nelson
564-9321

LEADING HOUSING INDICATORS FAVORABLE

Home sales are up, foreclosures and delinquencies are down and foreclosed inventory is decreasing for the Alaska Housing Finance Corporation, signaling positive trends for the real estate industry as a whole.

"We're excited about the positive statistics," AHFC's Chief Executive Officer Tom Behan said today in announcing the figures. "1989 was truly a turn-around year for the housing industry and the state of Alaska as a whole. There is evidence in the marketplace that the recession Alaska has been experiencing is coming to an end."

Specifically:

- The delinquency rate, or rate of past due loans, reached a low of 8.54 percent in November of 1989. It has not been that low since January of 1986 and is down from a high of 17 percent in July of 1987. (December figures will not be available until after the first of February.)

- AHFC, through it's Alaskan Home Properties division, sold 2,667 properties in calendar year 1989, some 600 units more than in 1988. The increase is primarily attributed to increased sales in the condominium market.

- Foreclosed inventory is continuing a slow, steady decline. As of November 30, 1989, it totalled 4,082 including 591 mobile homes. That's down approximately 500 properties from a year ago.

- The rate of foreclosure also continues to slow. AHFC foreclosed on 3,019 properties in 1989 as opposed to 3,836 properties in 1988.

-more-

"We're very pleased about these housing indicators," Behan said. "And we're happy to see that they are moving in the right direction."

For the future, Behan hopes to see AHFC delinquencies and foreclosures continue in their downward trends.

Sales have continually increased in 1989 and are primarily due to increasing sales of AHFC's foreclosed condominiums. Condo sales increased from 344 in 1988 to 1,071 in 1989, more than a 200 percent increase.

Homeowners and investors have begun purchasing condos because of the excellent prices and the opportunities to realize a meaningful return on investments, Behan said.

-30-

Attachments: Monthly Briefing (1/8/90)
Total Delinquencies (1/9/90)
Year End Comparison

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

MONTHLY BRIEFING*
(Compiled 01/08/90)

	November 1989	October 1989	November 1988
Delinquency - All loans less mobile homes	8.54%	10.53%**	13.50%
Delinquency - Mobile homes	16.98%	17.67%	21.22%
Foreclosed Inventory			
Single Family and Duplex	2,019	1,984	1,977
Condo	1,423	1,560	1,802
Multi-plex	39	38	29
Other	10	10	8
TOTAL	3,491	3,592	3,816
Mobile Homes	591	586	751
Total Active Loans	42,636	42,740	42,273
Number of foreclosures for month	215	195	321
Number of sales for month	230	333	196
Number of loans purchased for month	247	Not Available	Not Available

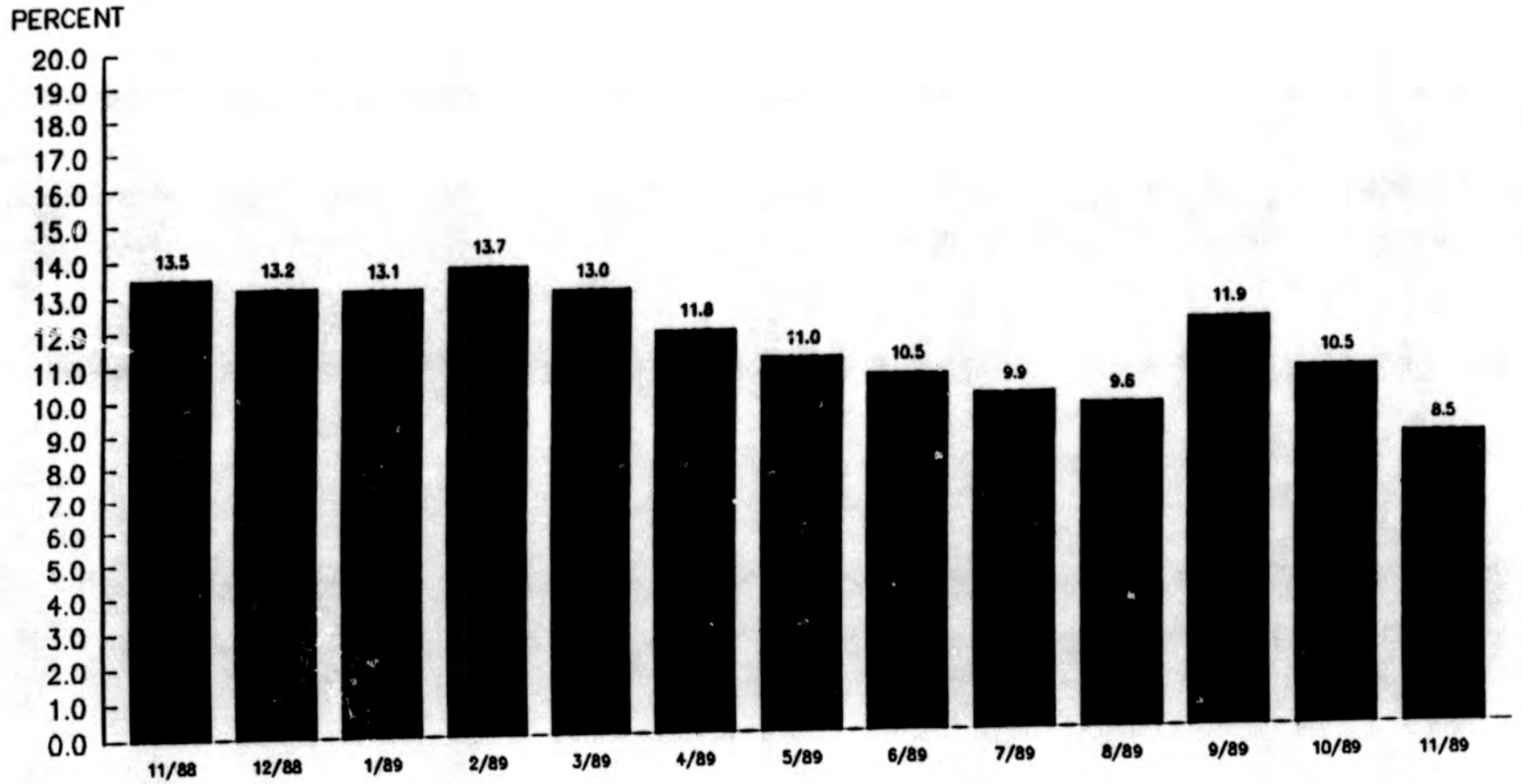
All numbers reflect statewide loans and inventory.

**This number is inflated approximately 2% due to a lender servicing problem which has been recognized.

For more information contact: Margaret Nelson at 561-1900

ALASKA HOUSING FINANCE CORPORATION

TOTAL DELINQUENCIES



ALLDELNS

1/9/90

Alaska Housing
FINANCE CORPORATION

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Year End Comparison
(as of 12/31 each year unless otherwise noted)

	1989	1988
Sales		
Condo	1071	344
Duplex	39	47
Mobile Home	537	875
Single Family	1177	939
3-4 plex	11	4
Total	2,855*	2,209
Foreclosures		
Total	3,019	3,836
Inventory (as of November 30 each year)		
Total	4,082	4,567
Delinquency (as of November 30 each year)		
	8.54%	13.50%
Active Loans (as of November 30 of year)		
	42,636	42,273

* Due to closings late in December this number will increase based upon receipt of settlement proceeds.

lmn038

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

NOTICE OF MEETING
ALASKA HOUSING FINANCE CORPORATION
REGULAR MEETING

NOTICE IS HEREBY GIVEN that the Alaska Housing Finance Corporation will hold a Regular Meeting of the Board of Directors:

January 16, 1990
10:00 a.m.
Alaska Housing Finance Corporation
520 E. 34th Avenue, Suite #104
Anchorage, AK 99503

for the purposes of: A) Consumer Relations Officer's Report; B) Public Dissemination of New Listings C) By-Laws; D) Amendment to Personnel Rules; E) Geographic Inventory Report; F) HOAP III Update; G) Update on New Broker/Contractor System; H) Update on Fairbank's Office Activity; I) PMI Update; J) MGIC Update; and K) Any other matters to properly come before the Board.

The meeting will be conducted by electronic media pursuant to AS 18.56.040(b), and it is anticipated that one or more members of the Board will participate in the meeting by utilizing telephonic communications (conference telephone) at the following locations:

Treasury Conference Room
Department of Revenue
11th Floor, State Office Building
Juneau, AK 99811

Legislative Information Office
119 N. Cushman Street, Suite 101
Fairbanks, AK 99701

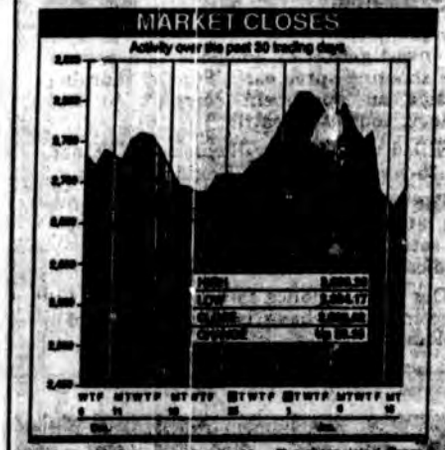
THE PUBLIC is invited to attend the meeting. Pertinent reference materials, if used, will be made available to those members of the public who wish to participate in the meeting.

DATED: January 8, 1990 **Anchorage, Alaska**

BY ORDER OF THE BOARD OF DIRECTORS
/s/ Robert Mintz, Chairman

BUSINESS

THE MARKETPLACE



The Associated Press

Stock market rebounds

NEW YORK — The stock market pulled out of its recent slide Tuesday with an afternoon rally spearheaded by blue-chip issues. The Dow Jones average of 30 industrials, down 91.30 points in the two previous sessions, rebounded 23.26 to 2,692.62. Bond prices fell, pushing interest rates higher. The Treasury's closely watched 30-year bond tumbled about ⅛ point, or $5 for every $1,000 in face value. The bond's yield, which rises when its price declines, jumped to 8.24 percent from 8.17 percent late Friday.

MARKET IN BRIEF

NYSE issues consolidated trading January 16, 1990	
Volume in shares	217,797,910
Issues traded	1958
Up	811
Unchanged	484
Down	723
NYSE Index	Up 1.08
S&P Composite	Up 3.75
Dow Jones industrials	Up 23.26

The Associated Press

Inventories, sales up

WASHINGTON — Business sales and inventories both rose in November, the government said Tuesday, but economists noted that

Report urges AHFC changes

Discarding state subsidy will improve agency, firm says

By GEORGE FROST
Daily News reporter

The Alaska Housing Finance Corp. should eliminate subsidized interest rates for homebuyers, and gradually restrict its mortgage-loan programs to low- and moderate-income Alaskans, according to an accounting firm's draft report prepared for a legislative task force.

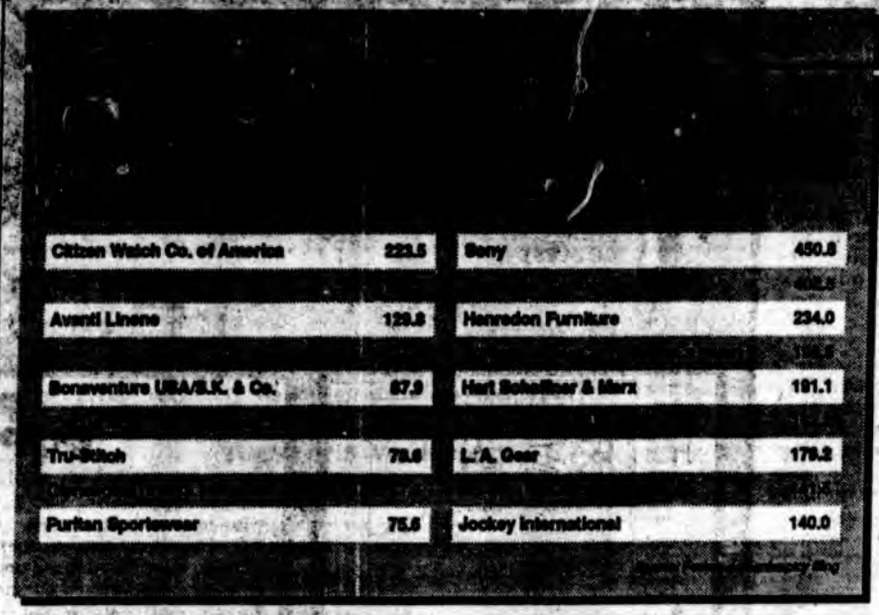
More than 46,000 homebuyers have obtained low-cost mortgage loans since 1980, when lawmakers decided that AHFC loans should be cheaper than market rates.

An Alaska Housing loan delivers a subsidy worth an average of $100 every month when a homeowner sits down to write a check for the mortgage payment. The state subsidy, in effect, boosts a homebuyer's purchasing power by about $11,000 for an average home financed by the corporation.

But that popular program is too expensive to continue, said the accounting firm of Ernst and Young in a report released Tuesday to the Alaska Housing Finance Task Force, a legislative group studying how to put the troubled state-owned corporation on a firmer foundation.

Elimination of mortgage subsidies was a major recommenda-

Please see Page C-7, AHFC





Bankruptcy effects reach nationwide

The Associated Press

NEW YORK — Campeau Corp. is keeping its coast-to-coast department store empire running, but the bankruptcy reorganization of its shattered finances could have far-reaching consequences beyond its stores.

Experts say the financial imbroglio eventually could endanger jobs of some of the 100,000 employees at Campeau's 258 stores around the country, lessen the immediate trend toward price-cutting competition among department stores, and prompt investors to be more critical of proposed retailer buyouts.

"This is a once in a lifetime kind of thing for all of us in this business," said one 30-year veteran of the retail trade, who asked not to be named. "The ramifications are so widespread. The domino effects are remarkable and difficult to conceive."

By seeking bankruptcy court shelter from creditors on Monday, Campeau's Federated Department Stores Inc. and Allied Stores Corp. can continue operating, covering payrolls and meeting suppliers' bills while restructuring their debts.

The fate of the store chains depends on



Johnson

with First National Bank of Anchorage. He will be responsible for overall administration of the branch, including staffing, lending, operations and new business. He began his career with the bank in 1988 as a management trainee in the Kodiak branch.

☐ **Terry Irwin**, senior land surveyor with **Peratrovich, Nottingham & Drage Inc.**, has obtained his professional land surveyors license from the state of Washington. With more than 10 years experience in the field in Alaska, Montana, Colorado, Wyoming and North Dakota, Irwin's experience also includes project management, construction inspection and engineering design.

BUSINESS NOTEBOOK

ACIB sets 2 events

The Alaska Center for International Business will conduct two seminars, "Doing Business in Vladivostok" and "Doing Business In Japan," this week in Anchorage. Both classes are scheduled for today and cost $25 each. The first will be held from 1 to 3:30 p.m., and the second is set for 6:30 to 9:30 p.m. Call 561-2322.

Science foundation director to speak

John Sibert, executive director of the Alaska Science & Technology Foundation, will speak to the Resource Development Council Thursday. He will discuss the foundation in an address titled "A Look Ahead." The breakfast meeting starts at 7 a.m. in the Northern Lights Inn. Call 276-0700.

Oil/gas lease program is subject

Bill Van Dyke and Richard Kornbrath, both with the Alaska Division of Oil and Gas, will discuss "The Agenda for Reinstituting the State's Oil and Gas Leasing Program" at a meeting of the Alaska State Chamber of Commerce Friday. The chamber meets for lunch at noon in National Bank of Alaska's C Street and Northern Lights Branch. Call 278-2722.

...The appeals court relied, for example, on a statement by Peterson, who said she uses land in the South Pass-Green Mountain area of Wyoming.

The Bush administration said the appeals court permitted a wholesale challenge

...ministration position are the Mountain States Legal Foundation, the American Farm Bureau Federation, the National Cattlemen's Association and the American Mining Congress.

The case is Lujan vs. National Wildlife Federation, 89-640.

fishing on Monday.

In 1989, Kodiak fishermen caught 6.5 million pounds of bairdi. ADF&G biologists predicted a harvest of 4.4 million. Bering Sea vessels took 17 million pounds of bairdi crab, outpacing the state's projection of 13.5 million. They harvested about eight times as much opilio crab.

...cents per pound and the lower quality a dime less, said Ken Griffin, a state shellfish biologist in Dutch Harbor. He said said 114 vessels were registered for the tanner crab fishery in the Bering Sea and six for the Aleutian Islands fishery. Many are ships that both catch and process crab.

AHFC: Accounting firm rejects idea of selling agency

Continued from Page C-6

tion of the firm, which was paid $214,000 to plot the financial effects of various policy options ranging from reducing AHFC programs to selling the corporation to a private mortgage company.

Ernst and Young rejected the idea of selling AHFC. They said the state could not get enough for AHFC to recover its $1 billion investment, and a sale may be unconstitutional. But the accountants did suggest AHFC consider subcontracting its sales of thousands of foreclosed homes to a private company.

The accountants also suggested that AHFC:

- Expand its board of directors and include representatives from private real estate and banking companies.
- Be freed from budget oversight by the state.
- Pay dividends to the state when its finances are good, but not now.

Tom Behan, AHFC's chief executive, would not comment in detail about the report. The ideas are worth studying, he said. But he unreservedly endorsed the proposals for greater AHFC autonomy and private-sector membership on the board.

Some legislators for years have tried to figure some way to extract the state's investment out of AHFC.

The state has given AHFC about $800 million to back up its sale of bonds on Wall Street, where it gets cash to make loans at interest rates below the market rate.

By eliminating the subsidy on future loans, AHFC would save $43 million to $91 million over five years — money the state could get back as dividends, the consultants said. Another $45 million could be saved by restricting mortgage lending to low-income buyers, who can be loaned money from lower-cost, tax-exempt bond sales. The state should not compete with private mortgage bankers to lend money on expensive homes, they said.

According to Ernst and Young, AHFC needs almost every penny of the $819 million in reserves and investment to preserve its credit rating and make a profit. So the legislature should keep its hands off.

AHFC's generous mortgage deals are a real estate equivalent of the Alaska Permanent Fund dividends — designed to spread some of the state's oil wealth through the economy.

But critics say the subsidies pumped in too much money, prompting a housing binge that destabilized the market and led to its collapse in the late 1980s. As a result of that crash AHFC was stuck with thousands of foreclosed homes, and last year it lost a record $124 million of public funds. Legislators have been arguing about the program almost since its inception.

The Ernst and Young report was supposed to lay the groundwork for a major legislative overhaul of AHFC, but instead it kicked off familiar disagreements among members of the task force.

Sen. Rick Halford, R-Chugiak, said the study should give impetuous to a bill he introduced last year to rachet down the subsidy from a maximum of three percentage points to one point. Halford has backed similar legislation for years. He agreed with the consultants that now is the best time to cut the subsidy because market rates are close to the 10 percent level, above which the subsidy kicks in. So doing away with the subsidy now won't have a big impact on home sales, and gradually will encourage private companies to take over more of the mortgage business.

Sens. Pat Rodey and Mike Szymanski, both Anchorage Democrats, said they want to proceed a lot more cautiously. Rodey said he's concerned about Wall Street's reaction to abrupt changes, but he agreed the subsidy should gradually be eliminated for upper-income home buyers.

Szymanski said he wants to use AHFC bonding power to help provide housing for senior citizens, and he thinks the subsidy will be needed for lower-income homebuyers. Both Democrats said they are opposed to putting private industry representatives on AHFC's board because of potential conflicts of interest.

BARTLETT Democratic Club presents

Vic Fischer

Director of Soviet Relations
University of Alaska

"The Soviet Union and Eastern Europe – Quo Vadis?"



See a specialist at Jack White Company.

Connie Bates is a residential real estate specialist. Having worked in our Eagle River office since it opened in 1983, she has sold many homes to Eagle River families.

Connie has extensive experience working with relocating corporate executives and their families, she's the person to call when you are looking for FANNIE MAE properties in Eagle River and she has solid experience working with builders and contractors if you're in the market for new construction.



Connie Bates
Residential Specialist

The Anchorage School District

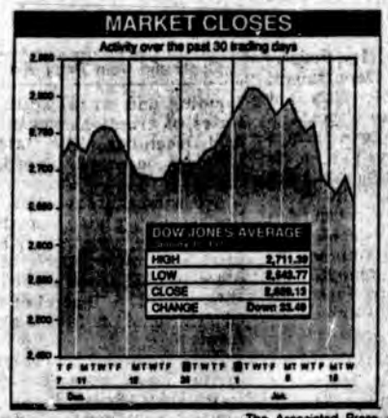
Requests Proposals For The Lease of

20,000 to 60,000 Square Feet of Office Space for Its Administrative Offices

Interested parties may obtain the Request For Proposals at 4600 DeBarr Road, 3rd Floor. Offers are due by 1:30 P.M.,

BUSINESS

THE MARKETPLACE



The Associated Press

Dow average tumbles

NEW YORK — Stock prices fell to an eight-week low Wednesday under a barrage of late selling attributed to disappointing economic and earnings news. The Dow Jones average of 30 industrials dropped 33.49 to 2,659.13, its lowest close since it stood at 2,656.78 on Nov. 22. Bond prices finished mixed following Tuesday's sharp selloff. Prices of shorter-term issues rose slightly while longer-term bonds slipped. The Treasury's closely watched 30-year bond declined 1/8 point, or $1.25 for every $1,000 in face value.

MARKET IN BRIEF

NYSE issues consolidated trading January 17, 1990

Volume in shares 202,032,740

Issues traded 1978

Up 649
Unchanged 462
Down 867

NYSE Index 196.86 Down 1.81

S&P Composite 337.40 Down 3.35

Dow Jones Industrials 2,659.13 Down 33.49

The Associated Press

First National profits up

First National Bank of Anchorage posted profits of $17 million last year, up 4.6 percent from a year earlier, said D.H. Cuddy, bank

AHFC subsidy faces extinction

By LARRY PERSILY
The Associated Press

JUNEAU — Lawmakers appear ready to accept a legislative task force recommendation that the Alaska Housing Finance Corp. eliminate its subsidized loan rates. The question is how and when.

The subsidy threatens the state home-loan agency's financial future and stifles competition in the Alaska mortgage-loan market, the task force said in a draft report this week.

Legislation to reduce the potential subsidy from a maximum of 3 percent down to 1 percent has been sitting in a Senate committee since March, but that will change this session, Senate President Tim Kelly said Wednesday.

"I think the Senate will take a position that it's time to gradually do away with the AHFC subsidy," said Kelly, R-Anchorage.

Rep. C.E. Swackhammer, D-Soldotna and chairman of the Housing Finance Task Force, said he favors elimination of the subsidy, but hasn't decided if it should be all at once or gradually.

Despite the popularity of the program, the public may be ready to accept that AHFC cannot afford to continue sharing the cost of home loans, Swackhammer said.

"The public is telling us that we can't expect the state to be everything to everyone," he said.

With declining state oil revenues, it would be irresponsible to continue the subsidies much longer, said Rep. Ron Larson, D-Palmer and co-chairman of

Please see Page E-5, AHFC

Oil output falls in state; imports rise

The Associated Press

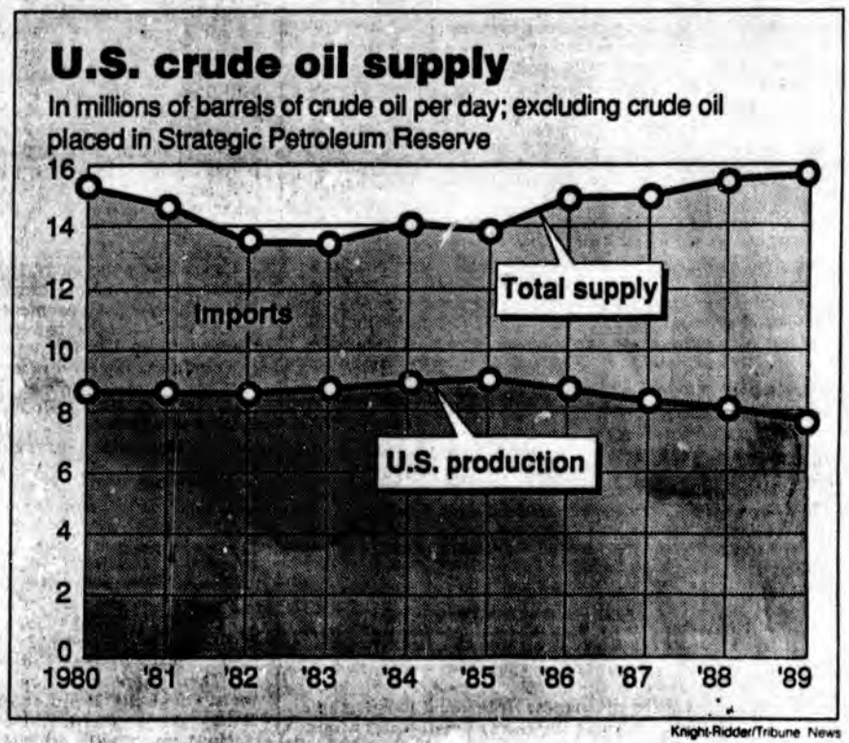
WASHINGTON — Alaska oil production dipped in 1989 and domestic oil production took the steepest yearly fall in history, while petroleum imports rose to a 10-year high, the industry said Wednesday.

The American Petroleum Institute, the trade association of the major oil companies, said Alaska oil production, which had increased almost every year since the start of production from the huge Prudhoe Bay field in 1977, fell by 140,000 barrels per day in 1989.

The report said the Alaska decline was exaggerated by maintenance work and traffic restrictions following the Exxon Valdez oil tanker spill last March, and that the "underlying decline trend" in Alaska was about 100,000 barrels per day.

In its year-end report, the petroleum institute said U.S. crude oil production averaged 7.6 million barrels a day in 1989. That was the lowest in 26 years and a decline of 553,000 barrels per day, or 6.8 percent, from the 1988 total.

The figures confirm a continued decline of the domestic oil industry and are expected to add heat to a debate in Congress this year over whether exploration and production companies should get new tax breaks to



Knight-Ridder/Tribune News

That was the second-highest level on record.

Oil imports rose to 7.9 million barrels a day last year, up 8.2 percent from 1988 and nearly 60 percent above the 1985 level, when

grow to 21 percent of the total.

Total imports accounted for 46 percent of oil consumed in the United States last year. That was the second-highest ever, after the

in, allowing better water circulation. Oil companies have complained that will cost tens of millions of dollars.

Last month, BP asked the corps to modify an existing permit governing use of West Dock to allow the company to drill two new wells that would help outline the Point McIntyre field. Federa decision on if and how to mitigate adverse impacts of the causeway.

"Only you can decide if the existing uncertainties warrant the expenditures that you are contemplating," Kakel said on a letter.

Kakel said he would give BP 30 days to accept the permit conditions.

Endicott moves into 6th place

The Endicott oil field in the Beaufort Sea has surpassed production from a Texas field to become the nation's sixth largest field, said BP Exploration (Alaska) Inc.

BP, which operates the field, said Endicott averaged 97,933 barrels of crude oil last year, surpassing the East Texas field, which produced 96,596. The oil company attributed the numbers to the Oil & Gas Journal and Texas Mid-Continental Oil & Gas Association.

AHFC: Lawmakers ready to eliminate loan subsidy

Continued from Page E-4

the House Finance Committee.

Interest rates and housing prices are much lower now than during the boom years of the early 1980s, and it would be a good time to drop state subsidies without hurting the market, Larson said.

The task force report said the combination of low interest rates and low housing prices offers "a unique window of opportunity" to eliminate the subsidy without disrupting the market.

State law requires AHFC to subsidize its loans up to 3 percentage points below its cost of borrowing money, but no subsidy is offered if the agency's cost of money is at or below 10 percent.

Although low interest rates have allowed AHFC to avoid subsidies on most new loans for about a year, existing loans cost the agency about $90 a month for each one-point subsidy on a $90,000 mortgage, said Margaret Nelson, AHFC spokeswoman.

> *"I think the choice is that we eliminate the subsidy or the subsidy eliminates AHFC."*
>
> **— Sen. Rick Halford**

The report said subsidies on thousands of loans eventually will drain AHFC's reserves.

Gov. Steve Cowper's legislative [illegible] four-year phase-out of the subsidy program, but the governor has yet to introduce legislation to make the change.

"I think the choice is that we eliminate the subsidy or the subsidy eliminates AHFC," said Sen. Rick Halford. The Chugiak Republican is sponsor of year-old Senate Bill 200, which would reduce the subsidy.

A House bill to deal with the issue will be introduced by Jan. 31, Swackhammer said.

Halford five years ago introduced legislation to phase out AHFC's subsidized loan program gradually, along with all other state loan subsidies. The bill died in committee.

Lawmakers last session set up the Housing Finance Task Force to review and recommend changes in AHFC.

[illegible] almost 4,000 residential mortgages totaling $3.5 billion, Nelson said. The corporation holds about two-thirds of the home loans in Alaska.

Since the Legislature started the subsidized-loan program in 1980, lawmakers have poured more than $800 million of state money into AHFC's bank account to help cover for the subsidies.

Although AHFC has not needed any extra state money since 1984, the task force said continuation of subsidies for new loans would seriously weaken the agency and would require more state cash to keep it afloat.

"The subsidy should be either reduced or totally eliminated over time," said Tom Behan, AHFC executive director.

Elimination of loan subsidies possibly would allow AHFC to start repaying the state treasury some of the [illegible] advanced a program, the report said.

Although lawmakers may agree with the recommendation to start recovering money from AHFC, there will be no attempt to raid the home-loan agency to cover the operating costs of state government, Kelly said.



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"THE FUTURE OF U.S./LATIN AMERICAN RELATIONS"

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NEXT WEEK JANUARY 26: THE MILITARY IN ALASKA IN THE WANING COLD WAR YEARS, William M. Arkin, Director, Information Unit, Greenpeace, Washington, D.C.

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P.O. Box 101020
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PRESS RELEASE

For Immediate Release: 3/1/90

Anchorage, Alaska -- The State of Alaska and the Alaska Housing Finance Corporation (AHFC) today filed suit for more than $25 million in damages, plus additional punitive damages in an unspecified amount, from a group of insurance companies accused of refusing -- "systematically and without justification" -- to pay valid claims arising out of the collapse of the residential real estate market in Alaska in recent years. The suit also alleges that the insurance companies' improper insurance handling practices will cost Alaska tax payers over $25 million more unless restrained by a court. The defendants include the Mortgage Guaranty Insurance Corporation (MGIC) and a group of Swiss, Swedish, West German and other companies headed by the European General Reinsurance Company of Zurich.

According to Thomas Behan, the Executive Director of AHFC, the agency has been trying unsuccessfully for some time to convince the insurers to pay the claims in full. "We finally concluded that filing this action was the only way to protect the rights of the people of Alaska," Behan said.

The suit filed today arises out of "mortgage insurance" that AHFC purchased from the insurance companies during the 1980's. Under these policies, the insurers agreed to pay certain losses

that AHFC might suffer if the homeowners defaulted on their obligations to pay interest and principal. Beginning about 1985, the decline in the world price of oil and other factors pushed the Alaska economy into a severe recession, resulting in a dramatic rise in the number of defaults on residential loans insured under AHFC policies.

According to the complaint, the insurance companies adopted "an array of improper practices" as a pretext for their refusal to pay AHFC's valid claims in over 1,500 instances to date. Among more than a dozen claims practices attacked as illegal are the imposition of arbitrary deadlines contrary to the terms of the policies; the attempt to establish arbitrary notice requirements not provided for in the policies; and the refusal to reimburse AHFC for amounts advanced to improve or restore properties, even though these expenditures reduced the level of losses. As the severity of the economic downturn increased, and with it the volume and amount of claims, the insurance companies responded by increasing both the percentage and the average dollar amount of their claim denials. In addition to monetary relief the suit seeks to enjoin the insurance companies from continuing the improper claims denial practices.

The 63 page complaint alleges that five years ago the insurance companies assumed the obligations of mortgage insurance policies written by AHFC's previous insurer, now known as

Wisconsin Mortgage Assurance Corporation (WMAC) and are responsible for the improper claims denial practices that have been occurring. According to the complaint, the assumption of liability occurred as the result of a Wisconsin court proceeding on February 28, 1985, initiated by the Wisconsin Insurance Commissioner which placed WMAC in liquidation in order to extract nearly three quarters of a billion dollars of WMAC's contingency reserves to benefit stockholders and creditors of WMAC's bankrupt parent, Baldwin United Corporation. The interlocking agreements that transferred assets and liabilities among WMAC and the defendants have unlawfully jeopardized unsuspecting policyholders like AHFC unless the insurance companies are required to stand behind WMAC's mortgage insurance policies, the complaint says.

AHFC provides subsidies that permit private lenders to make mortgage loans to Alaska citizens at below-market interest rates. Since its inception, the agency has issued over $7 billion in bonds to support these programs, and had directly or indirectly financed almost 74,000 homes for the residents of Alaska.

The complaint was filed in the Superior Court for the State of Alaska, Third Judicial District, by co-counsel for the State and AHFC, Alaska Attorney General Douglas B. Baily, Michael W.

Price of the Anchorage firm of Groh, Eggers & Price, and Stephen H. Sachs, of the Washington, D.C. law firm of Wilmer, Cutler & Pickering.

For further information contact:
Thomas Behan, Executive Director of AHFC, (907) 561-1900
Michael W. Price, Groh, Eggers & Price, (907) 272-6474
Stephen H. Sachs, Wilmer, Cutler & Pickering, (202) 663-6049

Press Briefing 5pm AHFC Offices
March 1

n: AHFC4.rmd

AHFC Proposed Recommendations

DISCUSSION

AHFC has received $1.03 billion in direct state appropriations since 1981. It's total assets, $5.8 billion, are second only to the Permanent Fund. AHFC holds a total of 44,815 mortgage loans throughout the state so any policy decision affects a tremendous number of people.

If AHFC continues to proceed with "business as usual" it is headed for insolvency. Loan receipts do not equal operations and debt service. The corporation is living off it's earnings on investments. In a five year liquidity projection liquid assets are reduced by 30%.

Changes must take place to prevent the AHFC situation from worsening. Because of the size of the corporation and it's dominance in the already precarious housing market any changes to the corporation must be well thought out and implemented carefully over a three to five year period.

A third party must be brought in to perform a professional business valuation on the Corp. as well as an analysis of the segments of the corp. and the profitability of each. Legislative staff as well as AHFC personnel must be involved to identify options and develop a long term plan that effectively refocuses AHFC on it's original purpose of providing mortgage funds to low and moderate income people. AHFC must reduce it's presence in the housing market allowing for a more diverse supply of capital from the private sector to service the mortgage demand.

House Finance Subcommittee on State Loan Programs
Notes 3/29/89: AHFC

AHFC

Objectives:

- obtain return on capital invested in AHFC
- reduce state real estate subsidy
- allow for more diversified sources of mortgage funding

Options:

Restructure Provide for the state to receive a return on its investment equivalent to an annual dividend or interest payment. This would recognize the state's $1 billion investment in AHFC and the fact that AHFC has retained earnings of more that $500 million. Investment of this money would have returned at least __% if it had been managed by the state treasury or been deposited in the Permanent Fund during the same period.

Downsize Reduce AHFC's presence in the real estate market by returning AHFC to its original purpose of providing mortgage funds to low and moderate income people only. The original purpose also focused on servicing remote, blighted, and underdeveloped areas. A lower profile for AHFC would allow for a more diverse supply of capital to meet mortgage demand.

Phase Out Slowly remove AHFC from the market altogether allowing other sources to replace it entirely. The first step would be to reduce and finally eliminate interest rate subsidies. This would also involve step-by-step termination of certain specialized programs within AHFC.

Privatize Keep AHFC intact as a corporation but transfer it to private ownership. This could be accomplished through a series of public stock offerings, through a negotiated sale or by auction. This would entail transfer of some assets to other state entities prior to any sale transaction.

House Finance Subcommittee on State Loan Programs
Notes 3/29/89: AHFC

Implications:

AHFC, the state, and the Alaska real estate market will be affected by each of the options outlined above. The implications promise to be complex and far-reaching because of the depth and breadth of AHFC's involvement in the Alaska real estate market.

In order to determine the short-term and long-term implications of options for change, an intensive review of AHFC operations will be necessary. Expert assistance from the mortgage banking and investment banking communities as well as from federal mortgage program specialists will be required.

Restructure, downsizing, and phase out will require statutory revisions and have legal implications with regard to the bond market.

The privatization option presents a particular challenge because of the magnitude of AHFC assets and liabilities. With assets of $5.8 billion and liabilities of $4 billion only the Permanent Fund is larger. Transfer to private ownership will require long-term effort including:

1. Market review
   - obtain free advice from knowledgeable sources
     - previous AHFC underwriters
     - AHFC bond counsel and/or financial advisor
     - other experienced consultants
   - engage consultant to perform market review
     - up to $50,000 for report on options
     - market only, not specific to AHFC
     - analysis of comparable transactions
2. AHFC Valuation
   - engage investment banking or securities firm
   - estimated cost $500,000 to $2.5 million
   - estimated timeframe 18 months
   - determine sale price of AHFC
   - analyze profitability of programs and operations
   - identify potential buyers
   - strategies for sale
     - public stock offering
     - separate sale of segments/certain assets
     - sale of entire entity
     - merger (FannieMae etc.)
     - other
   - full time staff support required to manage contract and facilitate interested parties involvement

AHFC OVERVIEW AND RECOMMENDATION

RECOMMENDATION

A working group consisting of legislative staff, AHFC personnel, and outside consultants should be formed to work through the interim. The group's task will be to develop a long range plan to restructure AHFC. The plan will provide clear direction on implementing changes over a three to five year period.

Legislative staff will focus on developing a realistic long range plan. This staff will work on legislation and statutory revisions necessary to implement agreed upon changes.

AHFC personnel will provide the corporation's perspective and to assist in developing workable options.

Outside consultants are necessary to provide objective, expert assistance pertinent to investment and mortgage banking as well as federal mortgage programs.

AHFC OVERVIEW AND RECOMMENDATIONS

INTERIM BUDGET

June 1989 through December 1989 (7 months)

Personal services:	
Staff 2 positions @ $10,000 per month	$70,000
Contractual:	
Expert assistance in mortgage banking, investment banking and federal mortgage programs	150,000
Communications:	
Telephone and fax @ $250 per month	1,750
Travel:	
7 Trips @ $500 avg. per trip	3500
Supplies:	
Office supplies, postage, etc.	1050
Other:	
Contingency @ 1% of total non-contractual	700
Total	$227,000

STAFFING ANALYSIS
OF
ALASKA HOUSING FINANCE CORPORATION

Report No. 04-19

November, 1988
Division of Audit and Management Services

OMB

STAFF PAPERS AND REPORTS

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DIVISION OF AUDIT & MANAGEMENT SERVICES

STEVE COWPER, GOVERNOR

P.O. BOX AM
JUNEAU, ALASKA 99811-0199
PHONE: (907) 465-3568

November 14, 1988

The Honorable Steve Cowper
Governor
P.O. Box A
Juneau, Alaska 99811

Dear Governor Cowper:

This report reviews the staffing level needed by Alaska Housing Finance Corporation (AHFC), in order to manage the continuing effects of the recession on Alaska's housing market and the corporation.

It recommends that AHFC add 67 positions, to handle its foreclosed properties and to implemement new work out programs for Alaskan borrowers.

The Audit Committee has reviewed and approved this report.

Sincerely,

John L. Lucas
Director

Enclosure

01 A32 LH

EXECUTIVE SUMMARY

The following report summarizes our review of Alaska Housing Finance Corporation's (AHFC) staffing needs, completed at the request of AHFC's Board of Directors. We found two primary staffing problems.

Inadequate Staffing Levels

The first problem is that the permanent staffing level in several divisions is inadequate. This is most true for the Property Disposition and Insurance Claims divisions, which directly handle the rapidly growing inventory of Real Estate Owned (REO) properties.

However, it is also true for other divisions, including the Office of the Executive Director, where greater depth and breadth in management is needed.

Why Spend More Money on Staffing?

AHFC has lost an estimated $9 million in reimbursable REO expenses because of inadequate insurance claims monitoring systems. This includes an estimated $8.6 million in reimbursable expenses because staff was not in place to monitor systems for filing timely Notices of Delinquency to the pool insurance company. It also includes an estimated $45,000 in interest claims each month which AHFC's largest pool insurance company denies because the foreclosed properties are not put on the market quickly enough.

It does not include primary mortgage insurance payment reductions on foreclosures which are not accomplished in a timely manner. It also does not include disputed insurance claims which AHFC could partially recover. AHFC submits approximately $875,000 each month in pool insurance claims for REO repair expenses. These claims are usually reduced by an estimated 24 percent, for various reasons. AHFC is usually unable to dispute the changes with the insurance companies, since staff cannot effectively monitor repair and maintenance work.

The average current work load for property disposition specialists is two to three times industry standards.

Prudent management requires that adequate resources are used to manage assets, both human and financial. AHFC's loan portfolios total more than $4 billion, and the State is obligated to provide adequate resources to protect those assets.

AHFC's budget is funded by the proceeds of its operations; therefore no General Fund monies would be needed for this expansion. Further, we believe the savings achieved by adding the proposed staff will more than compensate for the cost.

AHFC's programs and policies effect the lives of virtually every Alaskan resident, renter and home owner alike. To date AHFC has relied on its contractors to work directly with borrowers and implement the state's lending programs. During this difficult economic period the state must be aware of the effect of its programs on Alaskans. Unless AHFC can interact with borrowers in trouble, the state cannot know the true effect of its policies on people's lives.

Need for Greater Public Administration Perspective

The second problem is that the management team lacks adequate public administration representation. Senior management is comprised mostly of technical experts recruited for a financing institution. As long as AHFC remains a public corporation under the umbrella of state government, it will have its dual mission of fiscal responsibility and public policy administration. AHFC's management team now needs more balance.

Conclusions

AHFC manages billions of dollars of state assets and debt, through programs which affect all Alaskans. During the past two years it has changed from a financing institution only, to both a financing institution and an institutional seller. Management should employ adequate numbers of qualified staff to effectively manage all of its portfolios and programs in the public interest. We recognize that changes in Alaska's economic conditions will affect AHFC's staffing needs, and management should be prepared to respond to those changes appropriately.

AHFC can add the needed public perspective partly by filling the recommended additional senior level positions with individuals having public administration experience. This should complement, not compromise, the strong financing experience in AHFC's management.

Recommendations

To address the concerns, we recommend that management immediately revise its staffing plan to convert 21 of 25 existing temporary positions to permanent positions, and immediately add another 46 positions, for a total of 67 new permanent positions. This brings AHFC's authorized staffing level to 147, although we expect this number to continue changing as AHFC responds to need. Our recommendation is based on projections of current trends, and does not predict economic changes.

Recommended New Permanent Positions

EXECUTIVE OFFICE	
Deputy Director	1
Ombudsman	1
Internal Auditor	1
SERVICING OPERATIONS	
Property Disposition	26
Foreclosure	3
FINANCE	
Special Assistant/Management Information Project	1
Property Insurance Claims	17
Accounting Operations	2
Data Processing	5
ADMINISTRATION	
Personnel	1
Support	7
MORTGAGE OPERATIONS	
Special Projects	2
	67 Positions

Most of the positions are created because of AHFC's new role as an institutional seller. A total of 69 positions would work directly with REO disposition tasks.

The Deputy Director and Ombudsman positions are intended to address the public administration concerns and must have adequate authority. In addition, the position of Deputy Director will provide needed depth in management, and be responsible for day-to-day operations. This includes coordination of program implementation, ensuring adequate communication and cooperation between departments. This will free up the Executive Director for program development and negotiations with other institutions.

Our report includes a sample organizational structure (Attachment 1) which we think will work; it is meant to illustrate our projection of required numbers and distribution. Clearly each division knows its detailed work requirements which dictate refinements.

Other Staffing Issues

We developed this plan after interviewing AHFC staff and personnel from other interested organizations. During our review we encountered several related issues, including training needs, the need for current, written program and procedure manuals, and the question of an AHFC physical presence in the Matanuska Valley, Southeast Alaska, and Fairbanks. Our comments on these issues are included on page 20 of this report.

Agency Position

In its FY 89 budget revision request and its FY 90 budget, which were prepared during the same time period as this review, AHFC requests a staffing increase of 74 positions, compared to our recommendation for 67 positions.

AHFC's request includes certain positions which we did not identify. For example, it adds two positions for self insurance risk management tasks which we did not include; four new positions in the underwriting division, as opposed to our two; seven in data processing compared to our five; and four for management information services compared to our one.

These examples are somewhat offset by some areas where we recommended more positions for a specific task than AHFC requested in its RP.

There are also minor differences in our proposed structures. We recommend that the three audit positions be grouped together to provide maximum benefit, while AHFC separates the Internal Auditor from the Seller/Servicer-Broker auditors. We think this separation can lead to rigid perceptions of duties and responsibilities by the auditors. The same rationale applies to our recommendation that the Property Disposition property inspectors work with the Mortgage Operation's Appraiser. We also recommend that AHFC move its loan purchasing and shipping functions from Servicing to Mortgage Operations, in order to group like functions together, making the purpose of each department more clear. AHFC's request did not suggest these changes.

However, we consider these differences to be relatively minor, which should be addressed by management. One of the first duties of the new deputy director should be to review the corporation's organizational structure in light of the recommendations, to ensure that the corporation's structure most efficiently accomplishes its mission.

The most important message of this report is that AHFC should increase its staff to a level adequate to manage the workload and provide service to the public. We support the authorization of positions to accomplish that. Because AHFC is judged annually on its financial performance in the same way a private corporation is judged, AHFC management will reduce staffing as soon as workloads decrease and positions become unnecessary.

PURPOSE AND SCOPE

The purpose of this review was to assess the staffing needs of the Alaska Housing Finance Corporation (AHFC).

The scope was limited to assessing staffing level changes needed to respond to the growing number of foreclosures and Real Estate Owned (REO) units from October 1988 to December 1989.

Our review did not include an evaluation of existing individual staff performance or qualifications.

For projection purposes, this report assumes that foreclosures continue at current rates during 1989. The report does not include temporary staffing needs for special one-time projects. The staffing estimates are in terms of numbers of positions only. Except for senior management positions we did not identify the specific responsibilities for each position.

INTRODUCTION

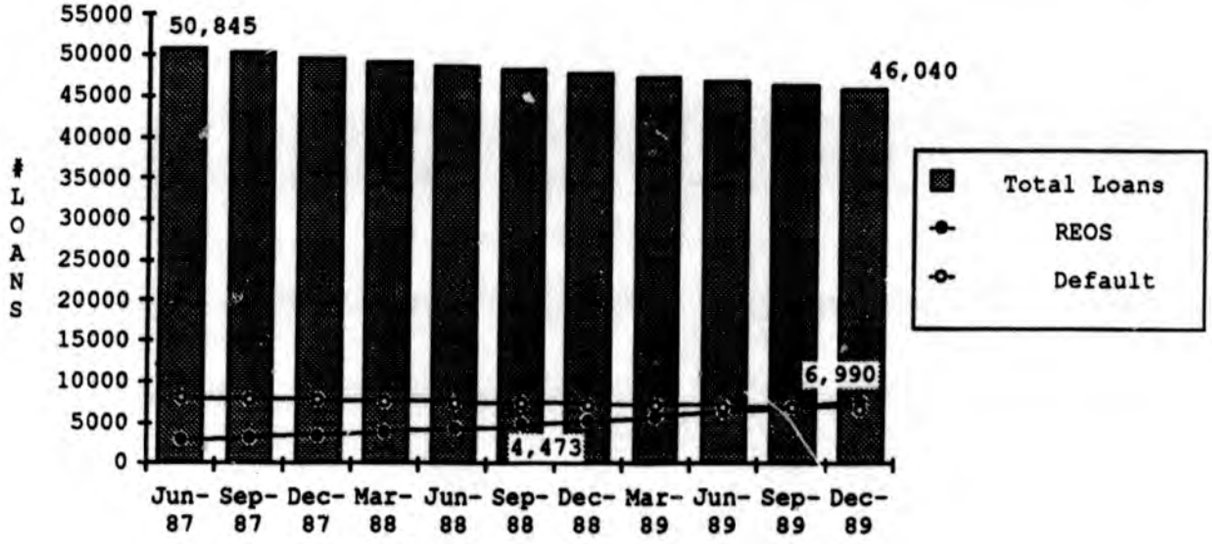
The legislature created Alaska Housing Finance Corporation in 1971 to provide affordable financing for low to moderate income Alaskan home buyers. Today it is the largest housing finance institution in Alaska as well as the largest institutional seller. AHFC seeks to retain its ability to obtain financing for Alaskan housing needs, by preserving its financial position.

AHFC is a public corporation and government instrumentality within the Department of Revenue. It is governed by a Board of Directors comprised of the Commissioner of Revenue, the Commissioner of Commerce and Economic Development, and three other members who are appointed by the Governor. One of these three must be the head of another department within the Executive Branch of state government, and the other two are public members.

At the end of fiscal year 1988, AHFC had over $3.7 billion in loan balances outstanding, with 45,000 borrowers. The outstanding balances on its 4,473 REOs totalled another $254 million.

Although AHFC's default rate is decreasing slightly, the REO rate is increasing. This means an increasing number of loans in default go into foreclosure and become REO. As the following graph illustrates, if defaults and foreclosures continue at the current rate, AHFC's REO inventory will be almost 7,000 just one year from now.

AHFC Active Loans, REOS and Defaults
Projected Through 12/89 from Actual Rate to 9/30/88



AHFC can help to change these trends with work-out programs to reduce the number delinquencies and the percentage of loans in default which go into foreclosure; and to dispose of its REOs more quickly. It can also minimize its losses by efficient application of its multi-layered insurance coverage.

To accomplish this AHFC requires adequate staff. The staffing structure proposed in this report is based primarily on the projected REO inventory of 6,990 on September 30, 1989. If the corporation begins immediately, it can hire and train its new staff over a period of several months.

FINDINGS AND RECOMMENDATIONS

RECOMMENDATION:

AHFC should immediately revise its staffing plan to convert 21 temporary positions to permanent positions and add 46 additional positions to its five departments, as shown below. Management should analyze its staffing needs quarterly in relation to REO inventory growth or decrease, and adjust accordingly.

RECOMMENDED STAFFING CHANGES *

DEPARTMENT	CURRENT PERMANENT	ADD	TRANSFER	RECOMMENDED PERMANENT
Executive Director	3	3	+ 3	9
Administration	10	8	0	18
Mortgage Operations	11	2	+ 7	14
Servicing/REO Mgmt	34	29	- 10	59
Finance	22	25	0	47
TOTAL	80	67		147

* (See Attachment 2 for Detail)

AHFC is unable to meet the demands placed on it by the real estate market because it is understaffed.

Currently AHFC has 80 full time authorized positions, three of which are vacant. It is supplementing its staff with 25 temporary employees, to bring its payroll list to 102.

In 1985 AHFC hired one person to start a special credits division to handle tasks resulting from delinquencies and foreclosures. AHFC's records showed approximately 500 Real Estate Owned properties in 1985. By the end of fiscal year 1986 that number was over 1680, increasing to 4,475 by September 30, 1988.

Permanent AHFC staff positions assigned to manage its REO management functions has increased from 12 in 1986 to 21 today. AHFC has been supplementing this by temporary accounting, data processing, and clerical positions.

Staffing Level Criteria

For the purpose of this analysis, we accepted AHFC's basic staffing levels for non-REO functions. Further, although one might expect underwriting functions to decrease during the housing recession, we expect additional activity produced by workout programs and special projects.

Also, even though defaults are decreasing slightly, we are recommending the addition of two staff to the foreclosure division. This division was not staffed at a level commensurate with current needs. Therefore no reductions in any departments are recommended at this time. Management will adjust to respond to market needs in the future.

Other specific additions, such as the Ombudsman's position, respond directly to unmet needs, and not necessarily to work loads.

We based our REO management staffing level on 300 properties per property disposition specialist and two support and supervisory personnel per specialist.

This three person "team" is consistent with property management standards of two support staff per manager position. Most companies do not also handle foreclosures, so industry standards are not completely comparable to AHFC. For that reason we did not count the foreclosure technicians and senior management positions in the REO staffing levels.

Three hundred properties per specialist is the high end of the industry workload standards, which range from 125 to 300 properties for each property disposition specialist. We chose the high range because AHFC staff neither broker the properties nor perform a complete property management function, as some of the comparison groups do. Further, by using the high range we compensated for specialists who will manage larger numbers of condominiums and mobile homes. We classed the Property Disposition Specialists closer to Asset Managers in the real estate industry than to Property Managers.

The property disposition "teams" of three include the following employees:

NUMBER EMPLOYEES		DIVISION
Current	Proposed	
13	38	Property Disposition
0	1	Administration
2	0	Servicing
0	1	Mortgage Operations
6	30	Finance
21*	69	Company-wide

* currently supplemented by 15 temporary positions.

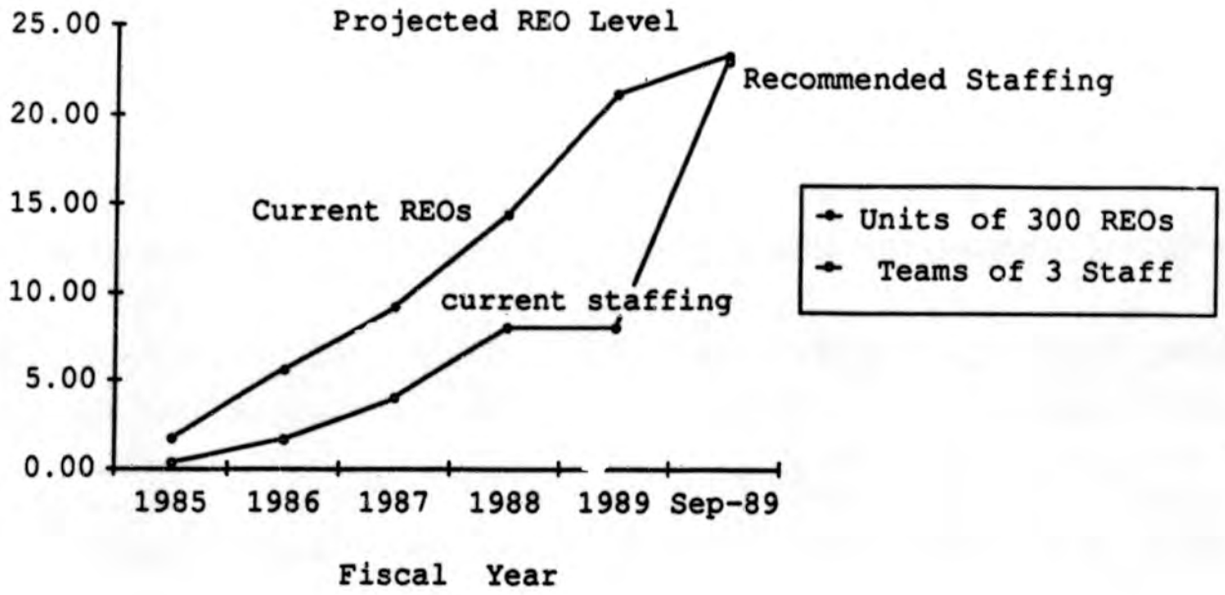
REO Inventory Projections

The staffing needs for REO acquisition and disposition functions are based on 6,990 REO units by September, 1989 (see growth curve graph, page 5). This number is a projection of fiscal year 1988 growth rates of REO inventory (see below) and does not consider unexpected changes in the economy and the housing market. A regression analysis was used to determine the growth curve.

ACTUAL		PROJECTED	
Quarter End	# REOs	Quarter End	# REOs
June 1987	2,777	Dec. 1988	5,225
Sep. 1987	3,216	Mar 1989	5,758
Dec. 1987	3,687	June 1989	6,344
Mar. 1988	4,170	Sep. 1989	6,990
June 1988	4,324	Dec. 1989	7,702
Sep. 1988	4,473		

Management must analyze the REO inventory growth rate quarterly to respond immediately to growth or decreases in REOs. Otherwise the corporation will continually be behind the growth curve. The graph on the following page illustrates staffing needs.

AHFC REO/STAFF RATIOS
1987-1989 (Projected)



Why Is AHFC Understaffed Now?

AHFC's role has changed. It was established to provide affordable home financing to Alaskan borrowers. It did not plan to own a significant number of properties. Like other financing institutions in Alaska, AHFC could not predict the extent of the housing recession. AHFC therefore did not restructure its organization to meet anticipated market changes. Instead, it has used a "band-aid" method of management, adding temporary personnel as needed and borrowing between departments, sometimes to the detriment of other department(s).

What Happens When Staff Is Not Added?

Without immediate staffing, AHFC will continue to lose insurance reimbursements because of inadequate monitoring of contractors and billings. The corporation will continue to be slow to respond in most property management and sales processes, resulting in lost sales and longer holding time of REOs. Information needed by management will not be available.

For example, the corporation has lost an estimated $8.6 million in reimbursable expenses because staff was not in place to monitor systems for filing timely Notices of Delinquency. AHFC's largest pool insurance company rejects an estimated $45,000 in interest claims each month because the foreclosed properties haven't been put on the market quickly enough. Primary mortgage insurance payments are reduced when foreclosures are not accomplished in a timely manner.

AHFC submits an estimated $875,000 each month in pool insurance claims for REO repair expenses. The insurance companies reduce these claims by an estimated 24 percent, for various reasons. AHFC is usually unable to dispute the changes, since staff cannot effectively monitor repair and maintenance work.

When staff is behind the productivity curve it is unable to creatively manage and seek cost effective, workable solutions.

If positions are not added, AHFC will have to continue with temporary employees and contracting. Temporary employees tend to move on to permanent positions, either within the corporation or elsewhere. Loyalty and job proficiency are not necessarily developed, which is important because these temporary positions are responsible for paying out literally millions of dollars each month.

Contracting services over which the corporation does not first have control increases the potential loss.

Conclusions

The State of Alaska must ensure that AHFC has adequate resources available to manage the corporation's $4 billion portfolios. Without enough trained personnel to do its job, AHFC may contribute to the frustrations of Alaska citizens already devastated by the market, and increase its loan and operating losses.

The State of Alaska should not be reluctant to add AHFC staff just because economic improvements might decrease its staffing needs. When that happens the economy should be able to absorb the staff members AHFC will lay off. AHFC has the luxury of hiring during depressed times and cutting back during good times. This helps ensure that AHFC will recruit exceptionally qualified personnel for these positions.

Management should of course watch closely for changes in the growth of delinquencies and foreclosures and begin as early as possible to respond to changes.

STAFFING PLAN

The following describes staffing recommendations by department, as illustrated on the proposed organizational chart (Attachment 1). It is intended as a guideline; the Deputy Director (new position) will review operations closely and make adjustments to the structure as necessary.

The plan is predicated on the assumptions that AHFC wants to provide good service to its borrowers, implement state housing policy, and preserve its financial strength.

OFFICE OF THE EXECUTIVE DIRECTOR

The Office of the Executive Director is now staffed by the Executive Director and two special assistants. The corporation needs three new executive department positions: a Deputy Director to ensure depth in management, and to oversee the day-to-day operations; an Ombudsman to handle borrower relations; and an Internal Auditor to ensure adequate corporate controls.

AHFC has two missions. It must prudently manage the finances of the corporation as well as implement the state's housing policies through its programs. Although these two missions are sometimes in conflict, the dynamic tension created by this conflict should result in a balance.

During the housing recession, the corporation has operated primarily from the perspective of a private financing institution in order to minimize its losses and preserve its ability to raise funds for Alaska's markets.

Receiving little praise for its financial performance, AHFC instead is criticized for "having no heart". Further, the aftermath of the market problems will pose additional problems AHFC is not yet prepared to address. Senior management should now include a greater public administration perspective.

Deputy Director

A Deputy Director is needed to ensure consistent, stable day-to-day operations, as well as depth in management. This is especially important during turbulent times when the Executive Director must concentrate on contact with insurance companies, other financial institutions, the AHFC board of directors, the legislature, and the public at large. A deputy can oversee operations, coordinate management reporting functions, and facilitate smooth implementation of new workout and financing programs developed to address the many needs created by recent market behavior.

The Executive Director's two staff assistants have no line authority. The Executive Director works with and is advised by the management team to develop programs responsive to the current economic climate. Actual program implementation needs hands on coordination between departments, which requires more time than the Executive Director can afford.

There is frustration on the board and department manager levels about access to useful information and management reports. The deputy director position can free up other senior management personnel to work on the management information system, and coordinate interdepartmental efforts.

The Deputy Director should report directly to the Executive Director, have public administration experience, and be given full authority for day-to day operations.

Special Assistants

This report recommends no changes to the two existing Special Assistant positions. These people work directly with the Executive Director in special research, project development, and public information capacities. Management should assess the need for these positions frequently.

Ombudsman

AHFC should immediately hire an Ombudsman, or troubleshooter, to work directly with borrowers who are unable to reach acceptable agreements through their banks and AHFC's normal procedures. The Ombudsman should report directly to the Executive Director to ensure that adequate authority, both in-house and in the eyes of the public, is attached to the position.

At present, one clerical position within Special Credits works directly with borrowers. Borrowers are frequently frustrated because the only person they can contact at AHFC has no authority. This position should move to the Ombudsman's office as assistant.

Audit

AHFC should hire an Internal Auditor, fill its vacant Auditor position, retrieve its current Auditor from the Mortgage department and move the new three person Audit Division to the Office of the Executive Director.

New programs and unmonitored systems warrant the addition of an Internal Audit function within AHFC. This suggestion was supported by the corporation's financial auditors and mentioned

by several staff members. In order for the Internal Audit to function properly, it should report directly to the Executive Director.

Although AHFC's current structure includes two approved audit positions, one is vacant and the person filling the other position is working on a special project in the Underwriting Division. The staffing plan proposed last year called for three audit positions, and our review indicates that AHFC needs the three positions to perform internal audit functions and Seller/Servicer and Broker audits. To date five of the 39 Seller/Servicers have been audited, and no Broker audits have been started.

AHFC's performance criteria stipulated 24 audits would be completed during 1989. To accomplish this the division must be staffed.

ADMINISTRATION

The Administrative division is staffed by ten permanent employees and three temporary positions. We are recommending converting two temporary positions and adding six new positions for a total of 18 support positions. AHFC should consider making this a Department, especially in light of additional future contracting assignments. Our recommendation includes the following changes:

Personnel Officer

AHFC's present structure places personnel administration with the Administrative Officer. Adding positions will result in a staff of 147. A Personnel Officer, positioned at a level equivalent to a Personnel Assistant position in the state's classified service, should be added within the Department of Administration to assist managers in recruiting, hiring, training, and personnel administrative matters.

The Personnel office should work with the Administrative Officer to update the personnel rules and salary schedules, including position classifications for management positions as well as new positions.

Secretarial Pool

Three new positions should be created in the secretarial pool. One would be shared by the Deputy Director, Ombudsman, and Personnel Officer. The second would be assigned to Servicing/Operations because of its increasing staff. The third position is created by converting the current temporary receptionist position to permanent status.

Purchasing

This plan supports converting the temporary purchasing assistant to permanent. However, the Administrative Officer should review the job descriptions and classifications of these positions to ensure they will adequately meet AHFC's purchasing needs as it expands.

Records Retention

AHFC should fill the vacant records retention clerk position and hire an additional three clerks for this unit. Currently a file conversion project is underway which will greatly improve AHFC's filing system. However, it is a difficult and cumbersome task and requires additional manpower to accomplish within a reasonable length of time. Also, if adequately staffed, the records retention division will reduce the file clerk requirements of other departments. Our plan reflects that efficiency.

MORTGAGE OPERATIONS

The Mortgage department is currently staffed by 11 permanent positions and five temporary employees who are processing the HOAP applications. This is the underwriting department of AHFC, which reviews and approves loan applications. The proposed plan would add two positions and transfer seven from the Servicing Department for a total of 20 positions in Mortgage Operations.

Current permanent staffing is adequate for steady, relatively low levels of application processing. Because the underwriting division should be working with the Property Disposition and Special Credits divisions to develop financing alternatives to address today's problems, we recommend two additional professional positions be added to this division. These positions should deal with special projects and new programs.

We also recommend transferring the Loan Purchasing/Shipping Division of six personnel from Servicing to Mortgage Operations. Among other tasks, this division performs the data entry functions to enter the loan into the system, ships loans, and assists in loan reports. By moving these positions to the Mortgage Operations Department, AHFC can better monitor the data input and reporting on mortgages.

We also recommend that the Property Inspector, from the Property Disposition division, report instead to the Appraiser. This would not change the duties of the position. However, the Appraiser often assists Property Disposition, and by grouping the two similar functions together, AHFC should be able to increase their effectiveness.

We do not recommend converting the five temporary HOAP positions to permanent status. However, this department must add staff from time to time as new programs are developed. It is important to plan staffing for special projects to avoid disruption of other AHFC functions.

REO-SPECIFIC DIVISIONS

The remaining positions are in the Finance and Servicing Operations Departments, which provide the most hands-on REO management.

Sixty-nine of the total proposed 147 staff are needed to directly manage the 6,990 properties we project AHFC will own by September 30, 1989. (See Staffing Table, Attachment 2, for detail).

At the rate of one specialist per 300 REO units, AHFC should have 23 property disposition specialists by September 30, 1989. This level should enable the staff to adequately monitor the marketing and management of its REO inventory. It will also allow the corporation to be more flexible in defining the scope of its REO management duties and the duties of listing brokers and seller/servicers.

At the rate of two support staff for each specialist, this staffing level requires 46 support positions. The Department of Finance provides 29 of those positions, Mortgage Operations one, and Administration one. Four are allocated to Property Disposition management positions, and the remaining eleven are allocated to its Assistant and clerical functions.

SERVICING OPERATIONS (Foreclosure/REO Management)

This is a relatively new department, which was formerly part of the Division of Finance. It has 34 permanent positions, which we recommend be increased to 54. This would be accomplished by adding 34 new positions and transferring ten to other departments.

Currently this department's responsibilities include foreclosure functions, borrower counseling, loan shipping, mortgage file data entry, Seller/Servicer audits, and REO management.

Property Disposition (REO Management)

This division oversees the marketing and sales of AHFC's REO inventory. Currently AHFC is using designated real estate brokers to list the properties for sale, and its staff to oversee the brokers. Today each property disposition specialist handles an average of 700 properties.

We recommend that the Property Disposition Division add 26 positions, for a total of 38 employees. This would include the managing officer, three property disposition managers, and 23 Property Disposition Specialists. Our plan provides five Property Disposition Assistants, three file clerks, two closing specialists, and one clerk II. Our primary concern in this division is numbers of specialists; the division will want to configure its support staff accordingly.

We recommend that the specialists be assigned by types of properties; for instance, all mobile homes would be assigned to designated specialists who would be grouped together in one unit. We did not assign exact numbers of positions to categories of properties, since that will change as the REO inventory changes, and division management should make staffing adjustments as needed.

Property Inspector

To achieve leveraged effects resulting from positions performing similar functions working together, we recommend that the Property Inspector position report to the Appraiser's office in the Mortgage Department.

This can also be one way to link the two departments, which will be increasingly important as AHFC develops creative programs for REO financing.

Servicing

Loan Purchasing/Shipping

This division ensures that new mortgages are entered into the system, ships loans, and assists in monthly loan reports. We recommend that this division of six personnel move to Mortgage Operations. This will enable the Special Credits division to concentrate on its foreclosure tasks and Seller/Servicer relationships.

Special Credits/Foreclosure

This division works with the Seller/Servicers, focusing primarily on foreclosures. Although it has added several new positions in recent months, we recommend that three permanent positions are added now for a total of 13 positions. The new staff is needed to improve AHFC's Seller/Servicer monitoring functions, improve its Notice of Delinquency and foreclosure processing times, and develop written guidelines for foreclosure processes.

These improvements should reduce the amount of AHFC insurance claims denied because foreclosure functions are not accomplished in a timely manner, and improve service to the public. Two positions are Special Credits technician positions, and the third converts the temporary FNMA file clerk to a permanent position.

Special Credits Clerk II - Borrower Counselor

The Borrower Counselor in the Special Credits division should move to the Ombudsman office in the Executive division. This will provide authority needed for the function to effectively assist borrowers. Currently the Special Credits division views itself as a collections department and a Seller/Servicer liaison. There is no inclination to work directly with borrowers, and the counselor position does not receive necessary support to assist borrowers.

Audit

We recommend that the two positions in this division move to the Office of the Executive Director, as discussed above.

DEPARTMENT OF FINANCE

The Department of Finance currently has 22 positions, including the Director, two assistants, and the nine person staff in Accounting Operations. We recommend adding an additional special assistant to the Finance Director to provide resources for improving the management information system.

Our plan also adds 25 accounting positions. Two of these are in Accounting Operations, and are needed to accommodate the corporation's growth. The remaining positions are needed for REO management, as described below.

Property Insurance Claims Processing

We recommend adding 17 permanent positions to this division, which is currently staffed by five permanent employees and 13 temporary positions. This division pays all REO insurance reimbursable expenses, including bills from contractors for repair work, reimbursements to brokers for property management and utility costs, and reimbursements to Seller/Servicers for foreclosure and maintenance costs.

The division has been operating with temporary employees who are not fully trained, making decisions about what bills to pay and what bills not to pay. These small bills add up to over a million dollars a month, and deserve adequate attention.

The division does not have a computerized claims filing and monitoring system and cannot quantify the amount of insurance claims denied for specific reasons. This is an example of essential management information not available because of staffing shortfalls.

The division previously committed to implementing a system for direct payment of REO utility bills which was to be in place one year ago. This system would greatly reduce the number of claims transactions processed, reduce the management costs for contractors, and reduce the potential for error. Four of our recommended positions are to implement this project. We recommend that the division make this a priority and set a March 1, 1989 target implementation date.

Data Processing

AHFC currently has three temporary programmers in addition to its four person Data Processing staff. Both the hardware and the staff are overloaded, and we recommend five additional positions.

Board and management are frustrated over delays in developing needed management reports. Information is not always useful because of gaps in the data, and decisions are being made with incomplete information. This can be expensive.

As the corporation changes and expands, managers need different information. A systems analyst should be hired to work with managers in designing reports responsive to their needs.

Currently the user tends to work directly with the programmer, resulting in duplicate reports and information not useful for management.

The proposed five staff positions for Data Processing include the current three temporary programmer positions, a systems analyst, and an additional programmer. It is intended that the additional staff will enable Property Disposition management reports to be updated and revised.

OTHER STAFF-RELATED ISSUES

During our review a few additional issues were raised repeatedly, which we will mention here.

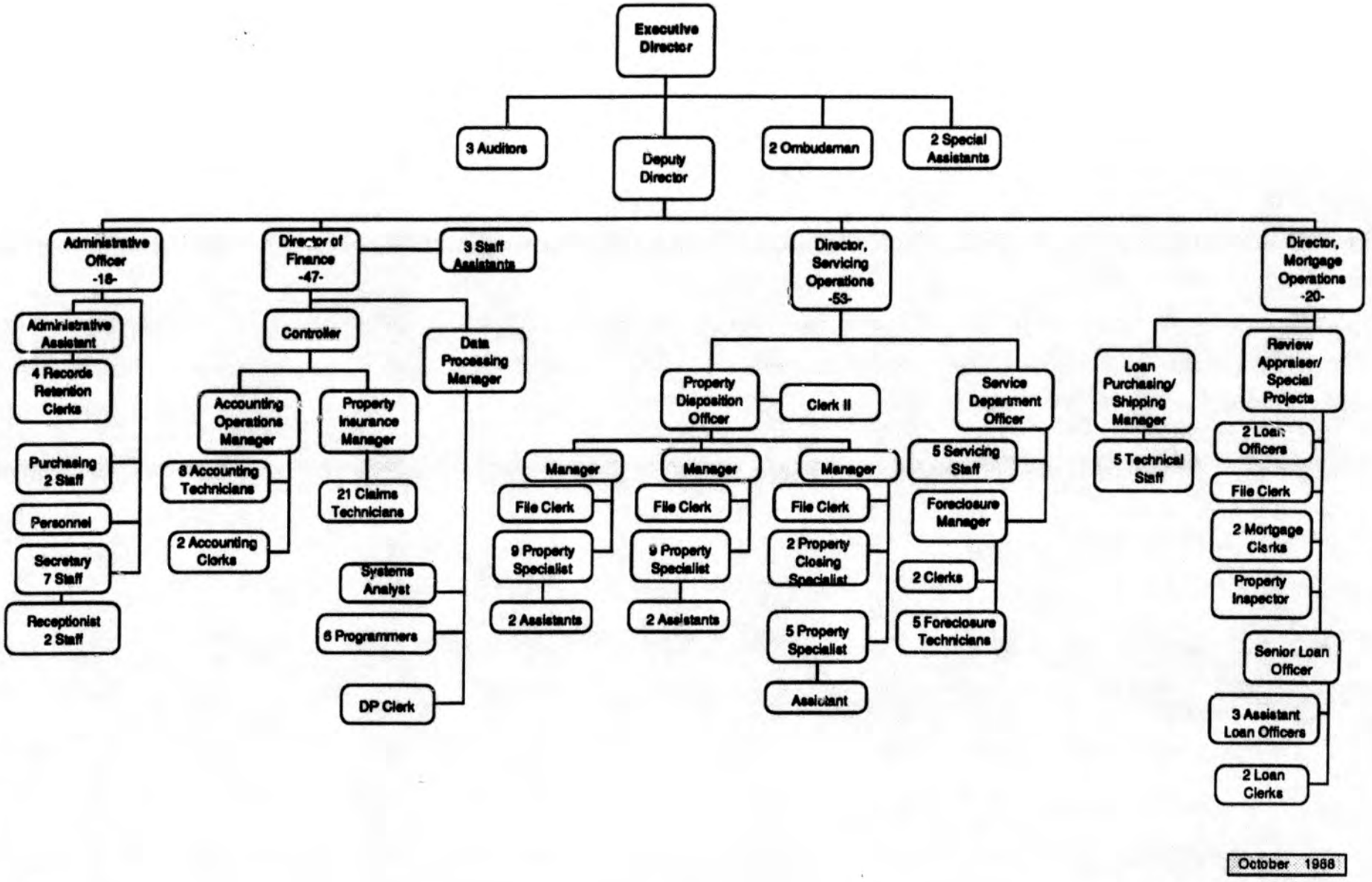
The board and staff is greatly concerned that adequate training be provided for all levels of employees, both new and continuing. It should be noted that the AHFC staff currently has a large number of new employees, which, together with the recommended additions, will create a large training need. AHFC should budget and plan to meet this need.

Written manuals and procedures for all divisions need to be updated.

Although the numbers of AHFC properties in Fairbanks, Southeast Alaska and the Matanuska Valley do not warrant the expense of opening offices there, AHFC should budget adequate travel funds to ensure its presence in those communities. AHFC staff should be familiar with the properties, and be accessible to local brokers.

Alaska Housing Finance Corporation
Proposed Organizational Chart

-147- Positions



October 1988

ATTACHMENT 1

	CURRENT(1) TOTAL	EXISTING(2) PERMANENT	ADDED(3) NEW	TRANSFERS	PROPOSED TOTAL	Direct REO & Foreclosure
EXECUTIVE DIRECTOR	3	3	3	3	9	
Executive Director	1	1	0	0	1	
Special Assis.	2	2	0	0	2	
Deputy Director	0	0	1	0	1	
Ombudsman	0	0	1	1 (4)	2	
Audit	0	0	1	2 (5)	3	
ADMINISTRATION	13	10	8	0	18	1
Admin Officer	1	1	0	0	1	
Admin Assistant	2	1	0	0	1	
Records Reten. Clerks	1	1	3	0	4	
Secretary Pool	7	6	3	0	9	1
Purchasing	2	1	1	0	2	
Personnel	0	0	1	0	1	
MORTGAGE OPERATIONS	16	11	2	7	20	1
Director	1	1	0		1	
Purchasing/Shipping	1	0	0	6 (6)	6	
Review Appraiser/Proj.	1	1	0	0	1	
Loan Off/Projects	1	1	1	0	2	
Mortgage Clerk	2	2	0	0	2	
File Clerk	1	1	0	0	1	
Property Inspector	0	0	0	1 (7)	1	1
Sr. Loan Off. Underwriting/Purch	1	1	0	0	1	
Assis. Loan Officers	3	3	0	0	3	
Loan Clerk	6	1	1	0	2	
SERVICING OPERATIONS	35	34	29	-10	53	52
Director	1	1	0	0	1	1
REO Disposition	13	13	26	-1	38	38
Officer	1	1	0	0	1	1
Managers	1	1	2	0	3	3
Specialists	7	7	16	0	23	23
Assistants	0	0	5	0	5	5
Prop. Closing Spec.	2	2	0	0	2	2
Clerk II	1	1	0	0	1	1
File Clerks	0	0	3	0	3	3
Property Inspector	1	1	0	-1 (7)	0	0
Servicing Department	21	20	3	-9	14	13
Servicing Officer	1	1	0	0	1	1
Purchasing/Shipping	6	6	0	-6	0	0
Manager	1	1	0	-1 (6)	0	
Technical Staff	5	5	0	-5	0	
Special Credits/Foreclosures	12	11	3	-1	13	12
Manager	1	1	0	0	1	12
Technicians	6	6	2	0	8	
Clerk II	1	1	1	0	2	
File Clerk	3	2	0	0	2	
Borrower Counselor	1	1	0	-1 (4)	0	
Auditor	2	2	0	-2 (5)	0	0
FINANCE	38	22	25	0	47	29
Director	1	1	0	0	1	
Staff Assistants	2	2	1	0	3	
Data Processing	7	4	5	0	9	3
Manager	1	1	0	0	1	
Programmers	5	2	4	0	6	1
Systems Analyst	0	0	1	0	1	1
DP Clerk	1	1	0	0	1	1
Accounting	28	15	19	0	34	24
Controller	1	1	0	0	1	0
Accounting Operations	9	9	2	0	11	2
Manager	1	1	0	0	1	
Accounting Technicians	6	6	2	0	8	2
Accounting Clerks	2	2	0	0	2	
Property Insurance	18	5	17	0	22	22
Manager	1	1	0	0	1	1
Claims Processors and File Clerks	17	4	17	0	21	21
TOTALS	105	80	67		147	83 (8)

(1) Includes permanent authorized positions (80) and temporary positions (25).
(2) Permanent authorized positions only.
(3) Includes both new positions and temporary positions converted to permanent status.
(4) The Borrower Counselor position from Servicing moves to the Ombudsman's Office as Assistant.
(5) Audit Division moves from Servicing to the Executive department.
(6) Loan Purchasing/Shipping Division moves to Mortgage Operations.
(7) Property Inspector moves from Property Disposition to Appraiser's office.
(8) Includes 69 REO management positions and 16 foreclosure positions.

HOME OWNERSHIP ASSISTANCE PROGRAM

Alaska Housing Finance Corporation (AHFC)

AHFC is both an independent public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

This program is to provide mortgage subsidies to people of low and moderate income.

Method

Borrowers apply to private financial institutions, which examine their ability to pay debt service at a reduced rate of interest. AHFC pays the difference between the interest rate that borrowers would normally pay to AHFC under the Special Mortgage Loan Purchase Program or the Mobile Home Loan Purchase Program and the lower rate to which this program qualifies them.

Eligibility

- The borrower must meet the general eligibility requirements of the AHFC Special Mortgage Loan Purchase Program or Mobile Home Loan Purchase Program.
- The borrower must have a gross income of less than $25,650 if single; the ceiling goes up by $1,000 for each additional family member, up to a total of seven.
- The borrower may own assets totaling no more than 2 times his or her income limit under the program; this limit is raised for those over 65 years of age to 3 times the income limit.
- The mortgage must be a conventional one; in other words, FHA-insured and VA guarantee loans are not permitted.

Terms

Maximum Amount:	$76,000, for $80,000 maximum purchase price
Payments:	25% of monthly income, or payments computed at a 6% interest rate, whichever is more
Down Payment:	5%

Maximum Term: 16 years for loans made through Special Mortgage Loan Purchase Program; 20 years or the remaining economic life of the property, whichever is less, for mobile home loans

Interest Rate: 6.0% minimum; calculated according to income

Funding, FY 81-83

	FY 81	FY 82	FY 83
General Fund	$2,500,000	$43,000,000	$45,000,000
Mortgages	$50,000,000	$0	$0
Interest on Mortgages	2,317,000*	4,282,000	
Interest on Investments	737,000*	5,565,000	
TOTAL	$55,554,000	$52,847,000	

*These figures are for the last seven months of FY 81, not for the entire fiscal year.

Lending Activity, FY 81-82

Fiscal Year	# of Loans Approved	$ Amount of Loans Approved
FY 81	262	$16,301,250
FY 82	888	$55,015,100

NOTE: Loans subsidized through the Home Ownership Assistance program are made by the Special Mortgage Loan Purchase Program and the Mobile Home Loan Purchase Program, and are counted with the activity under those programs as well.

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another department head from the executive branch.

Franklin Roppel, Chair

Lance Parrish, Vice Chair

Richard Lyon
Commissioner, Department of Commerce and Economic Development

Robert Heath
Commissioner, Department of Revenue

(one vacancy)

Administrative Staff

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MOBILE HOME LOAN PURCHASE PROGRAM

Alaska Housing Finance Corporation (AHFC)

AHFC is an independent public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

This program is to provide low-cost financing for mobile homes in Alaska.

Method

Borrowers apply to private lending institutions, which sell their mortgages to AHFC.

Eligibility

- Eligible mobile homes must contain at least 600 square feet of living area.
- No refinancing is permitted.
- The mortgaged mobile home must be occupied by its owner.

Terms

Maximum Amount:	$72,500
Down Payment:	5%
Maximum Term:	20 years, or the remaining economic life of the mobile home, whichever is less
Interest Rate:	Variable*
Fees:	Commitment fee (refundable): .75% Servicing fee (paid by AHFC): 1%

*In 1981, the legislature changed the interest rate from the fixed 10.0% (9.0% for veterans) to one that is tied to the cost of funds. When interest rates go up sharply, the "Rogers' ratchet" formula keeps the mortgage rate no more than seven percentage points below the cost of funds. Once the cost begins to go down, the mortgage rate falls when the spread narrows to three percentage points. At this writing, the interest rate on the first $90,000 is 10.125%.

Funding, FY 81-83

	FY 81	FY 82	FY 83
General Fund	$12,500,000	$18,000,000*	$45,000,000*

*The legislature appropriated $18 million and $45 million in FY 81 and FY 82 to the Home Ownership Assistance program to fund mobile home loans; the interest from these loans was used to subsidize mortgages in the Home Ownership Assistance program.

Lending Activity, FY 81-82

Fiscal Year	# of Loans Approved	$ Amount of Loans Approved
FY 81	198	$4,651,050
FY 82	1,556	$42,852,100

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another principal department head.

Franklin Roppel, Chair

Lance Parrish, Vice Chair

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Commissioner, Department of Commerce and Economic Development

Robert Heath
Commissioner, Department of Revenue

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MORTGAGE BOND SUBSIDY TAX ACT LOAN PROGRAM

Alaska Housing Finance Corporation

AHFC is a public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

This program is a response to the federal Mortgage Bond Subsidy Tax Act of 1980 which substantially restricts the use of tax-exempt bonds for financing single-family and duplex housing. The Act allows AHFC to issue tax-exempt bonds totaling up to $200 million each year, and specifies eligibility requirements, as outlined below.

Method

As in other AHFC programs, borrowers apply to private lending institutions, which sell the mortgages to AHFC. AHFC sells tax-exempt bonds to finance the program.

Eligibility

- The borrower must have not owned a home for three years prior to application.
- The purchase price may not exceed 90% of the average purchase price in the area. [According to AHFC's figures (August 1982), the average purchase prices in Alaska are $82,474 for an existing single-family residence, $101,370 for new construction, and $96,646 for existing duplexes.]
- Except when the borrower has constructed or rehabilitated the dwelling himself or herself, or the dwelling is in an area with few licensed contractors, the work must be done by a contractor who is licensed by the State.
- The housing unit must be occupied by the borrower.
- Assumption is allowed only when the buyer meets the above eligibility requirements.

Types of Loans

- Single-family unit
- Duplex

Terms

Maximum Amount: Variable: less than 90% of the average area purchase price
Down Payment: 5.0%
Maximum Term: 30 years
Interest Rate: 10.0% on first $90,000; cost of funds for amount in excess of $90,000
9.0% for eligible veterans on first $90,000

Funding, FY 82-83

This program is funded solely through the sale of tax-exempt bonds which are not legal obligations of the State.

Lending Activity, FY 81-82

All loans made under this program would be counted under the applicable program of AHFC, e.g., Special Mortgage Loan Purchase Program.

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another department head from the executive branch.

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SECONDS MORTGAGE LOAN PROGRAM

Alaska Housing Finance Corporation (AHFC)

AHFC is a public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

This program is to provide low-interest loans for home improvement or rehabilitation in order to make dwellings more habitable, and to finance second mortgages to allow home purchases.

Method

Borrowers apply to private financial institutions, which sell the second mortgages to AHFC. AHFC issues bonds to pay for the mortgages; some of the bonds sold for home improvement loans are tax-exempt, while the remaining second mortgage bonds are all taxable.

Eligibility

- The mortgaged housing must be occupied by its owner.
- Single-family dwellings and duplexes are eligible for home improvement and rehabilitation loans.
- Allowed expenditures of the home improvement funds are alterations, repairs and improvements which protect, enhance or improve the basic habitability or energy efficiency of the property. For tax-exempt proceeds, recreational improvements are not eligible.
- Except in areas of the state where licensed contractors are scarce, or when the borrower has done her or his own work, all home improvements and new construction must be done by a contractor who is licensed by the State.
- Home improvements must be completed before AHFC will provide financing. AHFC requires appraisals before and after the work.

Terms

Home Improvement and Home Purchase Seconds (Taxable)

Maximum Amount:	Outstanding first mortgage balance plus second mortgage may not exceed $160,500 ($205,200 for a duplex)
Maximum Term:	$ 0 - $ 6,499 — 5 years 6,500 - 12,499 — 10 years 12,500 - — 15 years
Down Payment:	10.0% for home purchase seconds
Interest Rate:	Amount of second mortgage which is under $90,000, when combined with balance of first mortgage, is at the rate used for the Special Mortgage Loan Purchase Program; amount over $90,000 is at AHFC's cost of funds

Home Improvement Loans (Tax-Exempt)

Maximum Amount:	$15,000; or less, if the combined first and second mortgages will total more than $160,500 ($205,200 for a duplex)
Maximum Term:	$ 0 - $ 6,499 — 5 years 6,500 - 12,499 — 10 years 12,500 - — 15 years
Down Payment:	10.0%
Interest Rate:	Variable; lower than the cost of tax-exempt funds

Funding, FY 82

	FY 82
Interest on Mortgages	$ 6,000
Interest on Investments	1,286,000
TOTAL	$1,292,000

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another department head from the executive branch.

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SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Alaska Housing Finance Corporation (AHFC)

AHFC is an independent public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

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

Method

Borrowers apply to participating primary lending institutions, which sell the mortgages to AHFC, retaining a servicing and origination fee. AHFC sells secured, mostly taxable bonds on the national market and uses the proceeds to buy the home mortgages. The electorate in 1982 voted to allow AHFC to sell tax-exempt bonds to buy veterans' mortgages.

Eligibility

- The mortgaged dwelling, or one unit of a duplex, must be occupied by the borrower.

- There is no limit on the income of the borrower.

Types of Loans

- Single-family dwelling (conventional, FHA, and VA)
- Owner-occupied duplex (conventional, FHA, and VA)

Terms

Single-family dwelling - conventional

Maximum Amount: $160,500
Down Payment: 5.0%

Maximum Term:	16 years
Interest Rate:	Variable*
Fee:	.5%

Single-family dwelling - FHA-insured

Maximum Amount:	$101,250
Down Payment:	5.0%
Maximum Term:	16 years
Interest Rate:	Variable*
Fee:	.5%

Single-family dwelling - VA guaranty

Maximum Amount:	$110,000
Down Payment:	VA guaranty plus down payment must equal 25.0% of the value
Maximum Term:	16 years
Interest Rate:	Variable*
Fee:	.5%

Duplex - conventional

Maximum Amount:	$205,200
Down Payment:	5%
Maximum Term:	16 years
Interest Rate:	Variable*
Fee:	.5%

Duplex - FHA-insured

Maximum Amount:	$114,000
Down Payment:	FHA requirement
Maximum Term:	16 years
Interest Rate:	Variable*
Fee:	.5%

*In 1981, the legislature changed the interest rate for this program from the fixed 10.0% (9.0% for veterans) to one that is tied to the cost of funds. When interest rates go up sharply, the "Rogers' ratchet" formula keeps the mortgage rate no more than seven percentage points below the cost of funds. Once the cost begins to go down, the mortgage rate falls when the spread narrows to three percentage points. At this writing, the interest rate on the first $90,000 is 10.125%.

Duplex - VA guaranty

Maximum Amount: $110,000
Down Payment: VA guaranty plus down payment must equal 25.0% of the value
Maximum Term: 16 years
Interest Rate: Variable*
Fee: .5%

Funding, FY 81-83

	FY 81	FY 82	FY 83
General Fund	$238,000,000	$222,000,000	$105,000,000
Mortgages	236,000,000	0	0
TOTAL	$574,000,000	$222,000,000	$105,000,000

Lending Activity, FY 81-82

Fiscal Year	# of Loans Approved	$ Amount of Loans Approved
FY 81	2,403	$227,412,950
FY 82	8,210	$753,215,400

*In 1981, the legislature changed the interest rate for this program from the fixed 10.0% (9.0% for veterans) to one that is tied to the cost of funds. When interest rates go up sharply, the "Rogers' ratchet" formula keeps the mortgage rate no more than seven percentage points below the cost of funds. Once the cost begins to go down, the mortgage rate falls when the spread narrows to three percentage points. At this writing, the interest rate on the first $90,000 is 10.125%.

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another department head from the executive branch.

Frank Koppel, Chair

Lance Parrish, Vice Chair

Richard Lyon
Commissioner, Department of Commerce and Economic Development

Robert Heath
Commissioner, Department of Revenue

(one vacancy)

Administrative Staff

Michael S. Lynch, Executive Director
Alaska Housing Finance Corporation
276-5599

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Anchorage

Mailing
Address: Box 1020
Anchorage, Alaska 99510

TRI-PLEX AND FOUR-PLEX MORTGAGE LOAN PROGRAM

Alaska Housing Finance Corporation (AHFC)

AHFC is an independent public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

The program is to allow the purchase of owner-occupied tri-plex and four-plex residences.

Method

Borrowers apply to private lending institutions, which sell the mortgages to AHFC. AHFC uses the funds derived from the prepayment of housing loans to finance the tri-plexes and four-plexes.

Eligibility

- Tri-plexes and four-plexes must be occupied by their owners.

Terms

Maximum Amount:	$247,650 for a tri-plex $307,950 for a four-plex
Maximum Term:	16 years
Interest Rate:	Variable; equal to the rate used for the Special Mortgage Loan Purchase Program

Funding, FY 83

This program will be funded from the interest on mortgage prepayments.

Lending Activity

This program has been inactive to date.

Board of Directors

AHFC is governed by a five-member board of directors including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another principal department head.

Frank Roppel, Chair

Lance Parrish, Vice Chair

Richard Lyon
Commissioner, Department of Commerce and Economic Development

Robert Heath
Commissioner, Department of Revenue

(one vacancy)

Administrative Staff

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HOUSING ASSISTANCE LOAN FUND

Department of Community and Regional Affairs, Division of Housing Assistance

AS 44.47.380 - 44.47.560: enacted in 1980; amended in 1981 and 1982

Purpose

This fund was created to provide funding for mortgages, building materials, renovations and improvements for nonconforming and rural housing.

Method

Borrowers apply to regional offices of the Department of Community and Regional Affairs, Division of Housing Assistance, to private lending institutions, or to regional housing authorities; regional authorities sell the mortgages to the Division. Eighty percent of the funds for nonconforming housing are loaned in rural areas. Of the funds used for rural housing, aside from nonconforming housing funds, no more than twenty percent may be used for housing that is not owner-occupied.

Eligibility

- A loan for nonconforming housing must be for housing which is devoid of any health or safety hazards to the occupants.
- The borrower may be required to purchase fire insurance for nonconforming housing before the Department will agree to buy the loan.
- A nonconforming housing loan or a rural owner-occupied housing loan may be only for a single-family dwelling or a duplex.
- A loan for rural non-owner-occupied housing may be for a single-family residence or a multi-family residence with up to eight living units; it may finance new purchase, new construction or substantial rehabilitation.
- A borrower holding another subsidized State housing loan may borrow only for repairs, improvements or expansion, not to purchase or construct housing.
- Loans for rural housing must be for houses in cities or service areas of fewer than 4,500 population, and, if in the second, third, or fourth judicial district, without access by road or rail to Anchorage or Fairbanks.

HOUSING

Types of Loans

- Nonconforming housing
- Rural owner-occupied housing
- Rural non-owner-occupied housing
- Building Materials (nonconforming or rural)

Terms

Nonconforming housing

Maximum Amount:	$162,450 ($207,750 for duplex) with a 95% loan-to-value ratio on a purchase and an 85% LTV for an owner-builder's new construction
Collateral:	Deed of trust and evidence of conveyance
Maximum Term:	30 years, or 80% of the remaining physical life of the property
Interest Rate:	Variable; same as prevailing rate for AHFC's Special Mortgage Loan Purchase Program Veterans: 100 base points lower than prevailing AHFC rate
Fees:	Variable; negotiated between DC&RA and private lender; may be higher for rural loans

Rural owner-occupied housing

Maximum Amount:	$162,400 ($207,750 for a duplex) with a 95% loan-to-value ratio for a purchase and an 85% LTV for an owner-builder's new construction
Collateral:	Deed of trust and evidence of conveyance
Down Payment:	5%
Maximum Term:	30 years, or 80% of the remaining physical life of the property
Interest Rate:	10.5% after January 1, 1983
Fees:	Variable; negotiated between DC&RA and private lender

Rural non-owner-occupied housing

Maximum Amount:	None set until new regulations are completed and in effect
Down Payment:	20%
Maximum Term:	30 years
Interest Rate:	10.5% after January 1, 1983
Fees:	Variable; negotiated between DC&RA and private lender

Building Materials - nonconforming or rural housing

Maximum Amount: $45,000; or 100% of the cost of the materials, whichever is less, not to exceed 80% of the value of the collateral
Maximum Term: 15 years
Interest Rate: Rural housing: 10.5%
Nonconforming housing: same as rate for AHFC's Special Mortgage Loan Purchase Program

Funding, FY 81-83

	FY 81	FY 82	FY 83
General Fund	$21,455,000	$40,000,000	$45,000,000
Interest on Mortgages and Investments*	683,000	1,024,000	
TOTAL	$22,138,000	$41,024,000	

*These amounts are only for the two strictly rural programs, while they were part of AHFC. The FY 81 figures are only for the last seven months of the fiscal year, not for the entire year.

Lending Activity, FY 81-82

Fiscal Year	Nonconforming Housing		Rural Owner-Occupied		R. Non-Owner-Occupied	
	#	$	#	$	#	$
FY 81	99	$6,265,300	45	$3,562,650	0	$0
FY 82	338	20,942,225	238	$21,267,300	26	$4,146,750

Administrative Staff

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Division of Housing Assistance
272-4585

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RELOCATION LOAN FUND

All State agencies

AS 34.60.135; enacted in 1971

Purpose

This program allows State agencies to make loans for the costs of planning and obtaining financing for the rehabilitation or construction of housing for displaced persons.

Method

Public bodies representing displaced people apply to the State agency involved in the administration of the federally assisted program that has caused the displacement. The agencies may make these loans directly.

Eligibility

- Borrowers must be nonprofit, limited dividend, or cooperative organizations, or public bodies.
- Loans must benefit people who have been displaced as the result of an activity undertaken by the State.

Terms

Maximum Amount:	80% of the reasonable costs
Maximum Term:	Repayment must be upon completion of the housing project or sooner
Interest Rate:	0.0% for non-profit organizations Variable for profit-making organizations

Funding

Loan funds would come out of agencies' budgets.

Lending Activity

This program has been inactive.

Management Review of Alaska Housing Finance Corporation's Designated Broker Program

Report No. 04 - 20

January 1989
Division of Audit and Management Services

OMB

STAFF PAPERS AND REPORTS

STATE OF ALASKA

OFFICE OF MANAGEMENT AND BUDGET

STATE OF ALASKA

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET
DIVISION OF AUDIT & MANAGEMENT SERVICES

STEVE COWPER, GOVERNOR

P.O. BOX AM
JUNEAU, ALASKA 99811-0199
PHONE: (907) 465-3568

January 5, 1989

The Honorable Steve Cowper
Governor
Pouch A
Juneau, Alaska 99811

Dear Governor Cowper:

I am pleased to transmit this report on our Management Review of Alaska Housing Finance Corporation's (AHFC) Designated Broker Program, through which AHFC has marketed its Real Estate Owned (REO) properties. The report:

- recommends that the AHFC Board of Directors review the corporation's policies for marketing its REOs and provide clear direction to the staff;
- recommends that AHFC rebid its Designated Broker Program and notes several areas which should be addressed in the new program;
- expresses our concern over inadequate controls for AHFC's property disposition activities and recommends staffing and accounting system changes;
- recommends that AHFC obtain condominium management services through a separate solicitation process.

The report also provides aggregate information on AHFC's property disposition activities and designated brokers' performance through September 1988, and discusses certain market trends.

AHFC agrees with our recommendations, as indicated in their response which is included in the report. This report has been reviewed and approved by the Governor's Audit Committee.

Sincerely,

John L. Lucas

John L. Lucas, Director

01-A32LH

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EXECUTIVE SUMMARY

The following report summarizes our review of Alaska Housing Finance Corporation's (AHFC) Designated Broker Program. It provides background and statistical information about AHFC's property disposition activities, and makes recommendations for revision and improvement.

AHFC began the Designated Broker program in late 1986, to manage and market its growing inventory of foreclosed, or REOs (Real Estate Owned), properties. At the time of this report AHFC had 19 designated brokers managing 3720 of its approximately 4500 properties listed for sale. These brokers had additionally listed 1167 AHFC properties which have sold since the program began.

Recommendations

This report recommends that the AHFC board review its property disposition policies in light of its experiences to date and revise its system to respond to needs and changes in the market.

If its revised system includes a Designated Broker program, we recommend that AHFC rebid all broker contracts in accordance with the state's Procurement Code, and that the new program include a broker evaluation component.

The report makes several other recommendations for improving AHFC's information gathering, management, reporting, accounting, and monitoring systems for property disposition activities, which should be reflected in a new system.

The report also recommends that AHFC solicit bids for property management of condominium projects which are off the market for long periods of time.

Program Performance

AHFC's property disposition program is significant to Alaska's economy, both in dollar amounts and in the extent to which it effects the lives of Alaskan residents. Through September 2[illegible], 1988, AHFC had paid out over $44.7 million for expenses on approximately 9000 foreclosed properties. Over $97 million in interest due on the foreclosed mortgages had accrued.

The sale of 2385 of these REOs had generated $130 million on mortgages of $185 million, resulting in a sales loss of $55 million, on which AHFC also paid selling costs of $14.6 million. These costs, together with $19.2 million in expenses and $29.5 million in accrued interest, resulted in a total gross loss of $118.4 million on REO sales before insurance reimbursements.

Most of these costs should be reimbursed by AHFC's insurance coverage, although the corporation recorded substantial loan losses and REO write down expenses during fiscal year 1988. This reflects the economic conditions in Alaska as well inadequate property disposition monitoring and management systems.

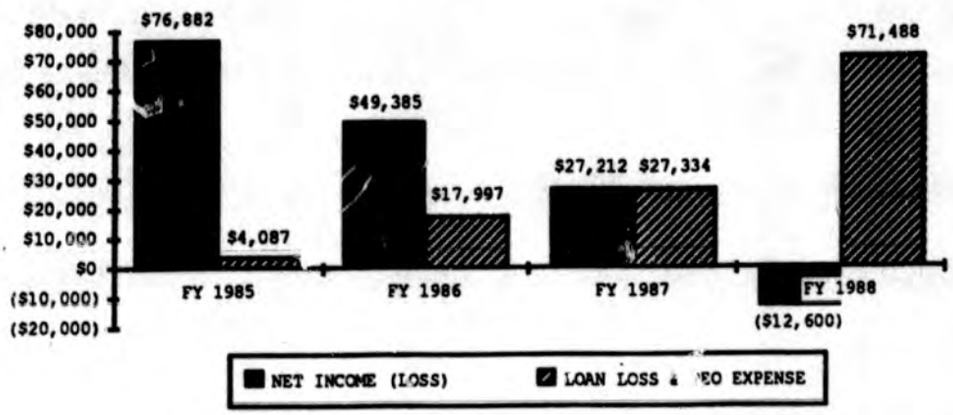
Conclusions

AHFC's property disposition activities have reflected the condition of the housing market, and have grown rapidly during the past two years without the benefit of strategic planning or adequate resources. AHFC did not strictly follow the state's procurement requirements when establishing and revising the Designated Broker program.

We believe AHFC has tried to be fair in developing and administering its Designated Broker system, although perceptions of unfairness exist within the real estate community. This perception, together with the need for changes to improve the program and bring it into line with procurement regulations, lead us to believe AHFC should start over with this program.

The corporation's potential loss from REO activities is significant and growing, requiring immediate attention. Substantial losses occurred in fiscal year 1988 in spite of a multi-layered insurance strategy, indicating that AHFC needs more controls in the administration of its property disposition activities.

GRAPH 1
RELATIONSHIP BETWEEN
AHFC LOAN LOSS & REO EXPENSE
AND NET INCOME (LOSS)



PURPOSE AND SCOPE

The purpose of this review was to provide information on the performance of the Designated Broker system of property disposition to the Office of the Governor and Alaska Housing Finance Corporation's board of directors.

The scope of the project included foreclosed properties which were Real Estate Owned (REO) by AHFC between January 1, 1987 and September 25, 1988, and which were assigned to a designated broker. It also included sales of REO properties which predated the Designated Broker system, from the first quarter of 1985 through September 25, 1988.

Because of a pending Legislative Budget and Audit report on mobile homes, and because they are not usually assigned to designated brokers, we generally excluded mobile homes.

To complete the report, we reviewed related legislation and statutes, AHFC annual reports and other publications, analyzed AHFC's foreclosure data base, interviewed AHFC staff, reviewed correspondence received by the Governor's office regarding AHFC during 1987 and 1988, attended AHFC board of directors meetings and interviewed staff of other organizations.

The project did not include reviews of designated brokers' offices or internal controls and operations.

Although the purpose of the report was not to analyze the condition of the housing market in Alaska, we do present certain data extracted from AHFC's computer files for the information of the reader.

BACKGROUND INFORMATION

OVERVIEW

Alaska Housing Finance Corporation

The legislature created Alaska Housing Finance Corporation (AHFC) in 1971 to provide affordable financing for low to moderate income Alaskan home buyers. Today it is the largest housing finance institution in Alaska as well as the largest institutional seller.

AHFC is a public corporation and government instrumentality within the Department of Revenue. It is governed by a Board of Directors comprised of the the Commissioner of Revenue, the Commissioner of Commerce and Economic Development, and three other members who are appointed by the Governor, one of whom must be the Commissioner of another department within the executive branch of state government.

AHFC manages over $4 billion in resources and debt. At the end of fiscal year 1988, AHFC had over $3.7 billion in loan balances outstanding, with 45,000 borrowers. The outstanding balances on its REOs then totalled another $254 million.

AHFC is a secondary purchaser of mortgages made by private financial institutions or mortgage companies operating in Alaska. It does not loan money directly to borrowers. Most of the funds used to buy the mortgages are generated through the issuance of taxable and tax-exempt bonds.

AHFC has a staff of 80 permanent employees. Eight of these are property disposition specialists assigned the oversight of the Designated Broker program and AHFC's REOs. A previous report by this office recommends that AHFC increase its staff by 67 positions, which includes 26 additional positions in the property disposition division. ("Staffing Analysis of Alaska Housing Finance Corporation", Juneau, November 1988).

Growth of AHFC REO Program

In 1983 AHFC was receiving one REO per month. When AHFC issued its first Request for Proposals (RFP) for designated brokers two and a half years ago, its total REO inventory was about 350. By the end of September 1988, it owned some 4500 REOs; at the current rate of increase, it will own 7000 REOs by the end of September 1989. (See discussion in our previous related Staffing report, cited above.)

Designated Brokers System

In 1986, AHFC decided to use a Designated Broker system to manage and market its foreclosed properties. At that time the corporation's REO inventory was rapidly increasing, and it was becoming too cumbersome to deal directly with individual real estate agents.

AHFC selected the Designated Broker system over a property manager system because it believed it would be cheaper. Under its system, AHFC did not plan to pay a property management fee. The brokers would manage the properties as a cost of doing business in exchange for receiving the listing, and the eventual three percent listing commission paid when the property sells.

To implement its Designated Broker system, AHFC determined the number of real estate brokers needed in each geographic region to market its REOs and solicited proposals of interest from local brokers through Requests for Proposals (RFPs).

Eventually the following 20 brokers were selected as AHFC's designated brokers during 1987 and 1988 (see Designated Broker Chronology, Appendix A). They are listed below in the order used for all data in this report. The order is of no significance, except that brokers from the same geographic area are grouped together, as noted.

1.	Commonwealth Marston Real Estate	Anchorage
2.	Re/Max Realty, Inc.	Anchorage
3.	Vista Real Estate, Inc.	Anchorage
4.	Heritage Homes & Investments	Anchorage
5.	2001 Realty	Anchorage
6.	Fortune Properties, Inc.	Anchorage
7.	Realty Center, Inc.	Anchorage
8.	Re/Max of Eagle River, Inc.	Eagle River
9.	Jack White Company Real Estate	Eagle River
10.	Heritage Real Estate	Wasilla
11.	Marston Wasilla	Wasilla
12.	Aurora Properties	Wasilla
13.	Coldwell Banker Greatland Realty	Fairbanks
14.	Re/Max of Fairbanks, Inc.	Fairbanks
15.	Dick Mueller Realty	Kenai
16.	Homer Real Estate Associates	Homer
17.	Anderes Realty	Sitka
18.	Northway Realty	Ketchikan
19.	The Home Team Realtors	Juneau
20.	Alaska Coastal Homes	Juneau

At the outset of the program, AHFC planned to use the listing agreements for each property as individual contracts. Management didn't expect any other contracts for services to be executed. The REO manager, however, signed

contracts with three firms: Alaska Coastal Homes (Juneau), The Home Team (Juneau), and Re/Max of Fairbanks. AHFC has cancelled its contract with Re/Max of Fairbanks because of a legal dispute, leaving the program with 19 brokers.

Broker Assignment Process

The following summarizes the steps AHFC's Designated Broker system uses for property management and marketing.

Fifteen days before a property becomes REO, AHFC assigns it to a designated broker, on a rotation basis. There are three exceptions to this assignment method, relating to "remote" properties, condominiums, and mobile homes.

First, if a property becomes REO and it is not located in a geographical area for which AHFC has a designated broker, then AHFC assigns it to a local non-designated broker.

At the end of September 1988, AHFC had 3622 properties listed with 19 designated brokers, 394 listed with non-designated brokers (which included 789 mobile homes assigned to mobile home contract sales firms), 478 properties owned by other institutions, and 46 properties with no listing broker code assigned. The number of properties per designated broker ranged from a high of 408 with an Anchorage broker to ten with the broker in Sitka. The highest number of non-mobile home properties listed with non-designated broker was 15 (see below). Mobile homes (the third exception discussed below) were assigned to contractors selected through a separate RFP process.

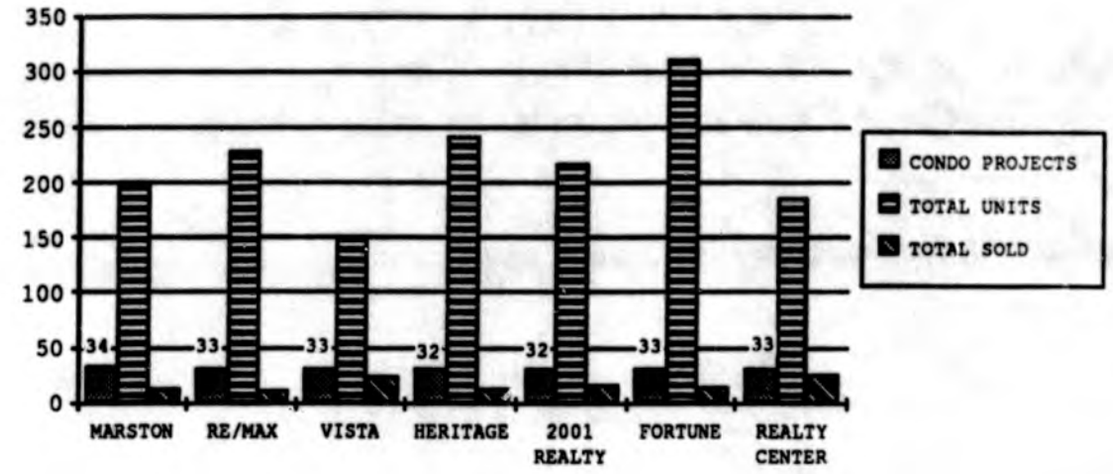
Non-designated brokers being used in September 1988 were:

Broker	Community	No. Current Listings
Leitch & Assoc.	Valdez	12
Associated, Inc.	Kodiak	12
Island Realty	Kodiak	3
Heritage Real Estate	Soldotna	14
Beluga Realty	Kenai	15
Freedom Realty	Soldotna	8
Heritage Homes & Inv.	Kenai	4
Mt. Hayes,Inc	Delta Junction	15
Seller/Servicers		[illegible]
		88

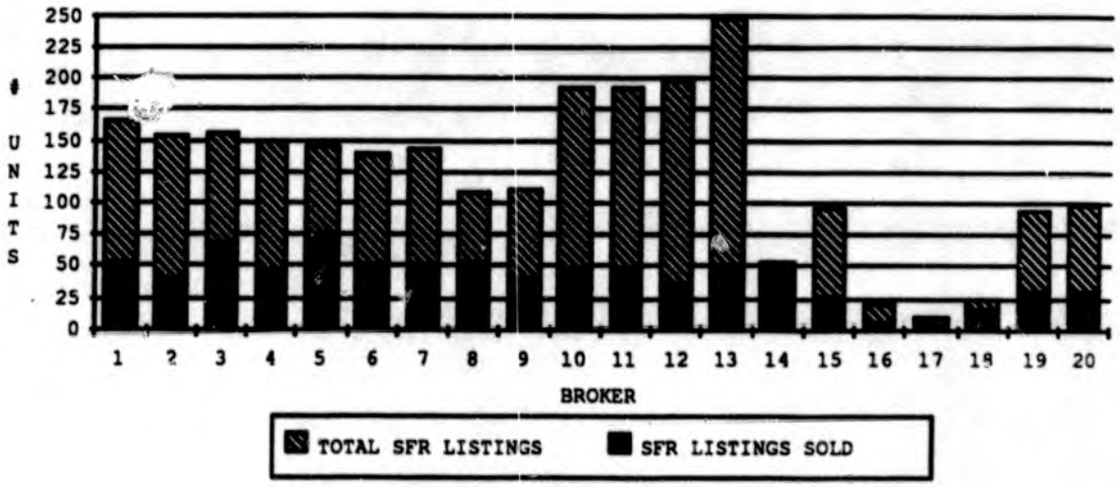
The second exception to the rotation assignment system is that all condominiums in one development are assigned to the same broker. The developments are assigned on a rotation basis within geographic boundaries. At the end of the review period, 1548 condominiums were listed with designated

brokers. Most of the REO condominiums are in Anchorage. Although the number of condominiums assigned to each Anchorage broker ranged from 125 to 295, the number of condominium projects assigned to each broker was between 32 and 34 projects. The following graphs illustrate condominium, single family residences (SFR), and total assignments.

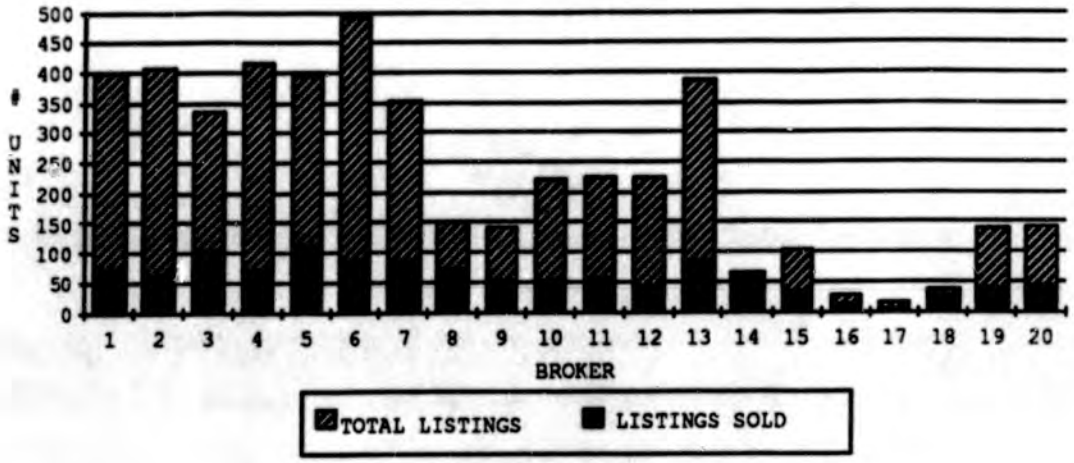
GRAPH 2
ANCHORAGE DESIGNATED BROKER LISTINGS
CONDOMINIUMS - THROUGH 9/25/88



GRAPH 3
STATEWIDE DESIGNATED BROKER LISTINGS
SFRS - THROUGH 9/25/88



GRAPH 4
STATEWIDE DESIGNATED BROKER LISTINGS
ALL PROPERTY TYPES - THROUGH 9/25/88



The properties are simultaneously assigned to the AHFC property disposition specialist monitoring the designated broker receiving the listing. Currently AHFC has seven specialists, two of whom are assigned to mobile homes. The other REOs are distributed among the remaining five specialists, who are responsible for between 500 and 800 REOs each.

Brokers' Responsibilities

As described in detail in AHFC's Property Management and Marketing Guide, designated brokers' responsibilities are numerous. They begin with meeting the bank's representatives at the REO site to inspect the property and formally accept the property for marketing. At that meeting the bank (or seller/servicer) agrees to accomplish certain standard tasks such as winterization and rekeying prior to turning the property over to the broker.

The broker plans needed repairs, and estimates the market value of the property. After obtaining necessary approvals from AHFC and the insurance company for all work, the brokers handle the subcontractors' bidding process.

The broker is charged with listing the property for sale as soon as possible, managing all advertising for the marketing of the property, maintaining the property in marketable condition, paying utility bills, inspecting the unit periodically, and receiving offers to purchase.

AHFC Responsibilities

AHFC is the owner/seller, and its property disposition specialists act for the corporation in this capacity. AHFC must ensure that all parties incurring expenses in preparing and marketing the REOs are paid. This begins with reimbursing the seller/servicers (see definitions, Appendix B) for foreclosure costs, includes paying for repairs and maintenance, and ends with authorizing the payment of selling costs when the REO is sold.

A property disposition specialist should meet with the seller/servicer and broker at the site for the property inspection just after its becoming REO. The specialist should then approve the plan for repairing the property developed by the broker.

AHFC is to approve all repairs over $500, select the contractor to do the work from the bids gathered by the broker, and pay the contractor upon completion of the work. This should involve site visits to the REO to ensure that the work is needed and completed satisfactorily.

AHFC's Finance Department's Insurance Claims Division audits invoices and reimburses brokers for out-of-pocket expenses for REO maintenance and marketing. It prepares all bills for each REO for reimbursement to the pool insurance company. AHFC processes all offers to purchase presented by the designated brokers. Its policy is to pay a straight six percent commission, split equally between the listing and selling brokers.

INSURANCE

AHFC's mortgages are insured by combinations of primary mortgage insurance, private credit insurance, AHFC self insurance, and pool insurance. Theoretically, if all procedures are correctly followed, AHFC should not lose money on foreclosed properties, because insurance coverage would reimburse the corporation for losses.

The most widely known insurance carrier is the Mortgage Guaranty Insurance Corporation (MGIC), which provides pool insurance coverage for a majority of AHFC properties. MGIC sometimes deals directly with real estate brokers, and there are different perceptions about the relationship between MGIC and AHFC. Therefore a brief explanation is provided.

Mortgage Guaranty Insurance Corporation (MGIC)

Of AHFC's 4500-unit REO inventory at the end of September, some 2700 units were insured by MGIC pool insurance. For these properties, MGIC should pay all expenses incurred in REO maintenance during the period of time it is an REO. This includes lost mortgage interest, direct expenses such as utility costs, and the difference between the mortgage balance and the sales price, less any primary mortgage insurance reimbursements.

AHFC pays all REO expenses until a property is sold, although on occasion MGIC makes advance payments on interest. Within 60 days after the sale, AHFC must submit its claim package to MGIC for reimbursement. MGIC can refuse ineligible costs included in that package, and charges for tardiness in certain tasks. MGIC must also preapprove the sales price.

Because of its considerable exposure in Alaska, MGIC chooses to exercise relatively close control of its expenditures for AHFC's REOs. Therefore to try to avoid disputes over the final claims, expenses for repairs require MGIC approval before AHFC reimburses brokers or contractors. Small routine costs are billed without that prior approval.

Sparklizing

MGIC's operating policy includes "sparklizing" a property immediately for resale, on the assumption that it is cheaper to fix it up and sell it quickly than to pay the carrying costs for longer periods of time. This can sometimes create costs which might otherwise not be incurred. For instance, carpet is almost automatically replaced, painting is done, and other improvements made.

AHFC's MGIC insurance policies require that except for normal wear and tear, the property must be in the same condition it was in when the mortgage was issued. That means AHFC must pay for renovation and restoration costs. Conflict between MGIC and AHFC sometimes arises over classifying expenses and determining what is normal wear and tear and what is other kinds of damage. MGIC sometimes deals directly with brokers as well as through AHFC, which sometimes results in conflicting directives to brokers.

Office

In response to the market, MGIC has staffed its Anchorage office with one property specialist for every 150 to 200 properties and recently opened an office in the Matanuska Valley.

OTHER INSTITUTIONAL SELLER PROPERTY DISPOSITION SYSTEMS

MGIC

In addition to its involvement with AHFC REOs, MGIC has its own REOs. It uses brokers for those properties, although it does not have "designated" brokers. MGIC sometimes pays selling bonuses. MGIC has 22 property specialist positions in Alaska to manage its properties and coordinate with AHFC and the brokers. Local staff is supported by headquarter staff in Milwaukee, Wisconsin.

FNMA

The Federal National Mortgage Association (FNMA) is a federally-chartered publicly-traded private corporation. It now owns 400 REOs in Alaska; last year it sold 900. FNMA oversees its own renovation and restoration, and turns market-ready properties over to non-designated listing brokers which it selects based on reputation and performance.

FNMA's Anchorage office has seven professional property managers and sales representatives to manage its 400 properties. Local staff is supported by FNMA's headquarter staff.

FNMA has experimented with paying bonuses to selling brokers as an incentive for quick sales, but traditionally pays a six percent commission split between the selling and listing agents. Currently it also pays a 3 percent selling bonus if the sale closes within 45 days of accepting the purchase offer.

FNMA has determined that foreclosures are very expensive to the corporation, and is therefore concentrating on executing loan modifications to assist borrowers keep their homes. FNMA's policy is to maintain control of all transactions, beginning with offering their own in-house financing directly to borrowers, and carrying through to direct contacts with lenders, real estate agents, title company employees.

FNMA recently announced that it is shortening to one year, the length of time it will deny financing to individuals who filed bankruptcy or who experienced a foreclosure, provided that the actions occurred because of circumstances beyond their control. For instance if they lost their jobs because of the economic crisis or suffered from debilitating illness which led to foreclosure or bankruptcy, borrowers could be eligible for financing one year later if their employment or financial situation warranted.

HUD

The United States Department of Housing and Urban Development (HUD) sold over 900 properties in Alaska during the past federal fiscal year, and on November 1, 1988 owned approximately 1300 REOs. Insured by the Federal Housing Agency (FHA) HUD's mandate is to sell its foreclosed properties for the highest net dollar proceeds possible.

HUD reputedly does the least repair and restoration to its properties of all the institutional sellers, although it does spend what it deems necessary for the sale of the property. The repairs are coordinated by the seven Realty Specialists in HUD's Alaska property disposition office. HUD property disposition staff is supported by HUD regional staff in Anchorage.

It strives to keep expenditures under $10,000 per unit. It also seeks a 91% net return from sales: it pays 6% sales commission and 3% closing costs.

HUD does not use a designated broker system, but contracts for property management services, bid on a price-per-unit basis. Using an open listing strategy, HUD pays a commission to the selling agent only. An open listing means the property cannot be listed with MLS. HUD therefore markets its own properties through special publications and newspaper inserts. It also processes all offers to purchase.

When properties first come on the market, HUD accepts full asking price bids for a brief period of time. It opens the bids simultaneously, and the highest bid wins, provided it is an acceptable offer. If no full asking price or better bids are received, HUD opens another bid period for the property. At the end of the period HUD selects the best bid or begins its process over.

Since a large portion of its REOs are multi-family units, HUD is targeting investors as buyers, offering three percent down payment terms to investors. It is also continuing its $100 down program for single family residences.

HUD is sometimes criticized about its low down payment policies, because the less it costs to get into a mortgage, the higher the potential for making loans that will eventually default. However, HUD's current philosophy for Alaska is that even if the loans do eventually go bad, HUD will have had the income stream from the mortgage for the duration of the loan, rather than paying holding costs on a multitude of non-producing properties.

PROPERTY DISPOSITION ACTIVITY SUMMARY

The following summarizes AFHC's property disposition activity from inception through September 25, 1988, reflecting 5016 REOs in inventory, 4538 of which are AHFC's. The remaining 478 are being conveyed to FNMA or another institution. The summary shows 4018 properties which had been sold or conveyed. Of these, 845 were sold during 1987, and 1377 were sold during the first three quarters of 1988. Although mobile homes showed the largest increase in the number of sales, jumping from 256 in 1987 to 604 for three quarters of 1988, condominium, single family, Planned Unit Development (PUD) and multi-family sales all increased in 1988.

The summary includes AHFC outlays for REO management and property disposition by designated brokers for properties sold and unsold. They do not include AHFC operating and staff costs. They do include the cost of foreclosure and repossession, which is incurred by the seller/servicer before the property is turned over to the broker for marketing.

For the analyses in this report, we used AHFC's foreclosure file, downloaded to disk on September 25, 1988. The file showed 9034 records of foreclosed properties, dating back to 1985. (See Appendix B for definition of terms).

PROPERTY DISPOSITION COST SUMMARY AS OF 9/25/88

		SOLD	UNSOLD	
No. Properties		4,018	5,016	
Foreclosure Balances		$185,083,140	$381,108,900	
Sales Price		129,958,065		
Sales Loss	1/	55,125,075	N/A	5/
Expenditures	2/	19,192,180	25,528,790	
Selling Costs	3/	14,595,770	N/A	5/
Interest	4/	29,488,250	67,905,870	
TOTAL LOSS		$118,401,275	N/A	5/

1/ Foreclosure Balance minus the Sales Price
2/ Includes foreclosure costs incurred by seller/servicer
3/ Includes commissions and closing costs
4/ Accrued interest is computed to date of sale or 9/30/88 (See definitions, Appendix B)
5/ To be determined upon sale of the property.

Although the breakdown varied slightly depending on how we queried the database, we classified the records as follows:

UNSOLD REOS IN INVENTORY: 5016 6/

Non-mobile REOs listed with designated brokers	3545	
Mobiles homes listed with designated brokers	77	
Non-mobile REOs listed with non-designated brokers	79	
Mobile homes listed with non-designated brokers	4	
Mobile homes listed with contractors	306	
Mobile homes with no listing contractor or broker code assigned	476	
Properties listed with Seller/Servicers	5	
Not listed with a broker, not sold and not shown as removed from pool for other conveyance	46	
Removed from pool pending other conveyance	478	6/
TOTAL Foreclosed Properties in Inventory	5016	

REOS CONVEYED: 4018 6/

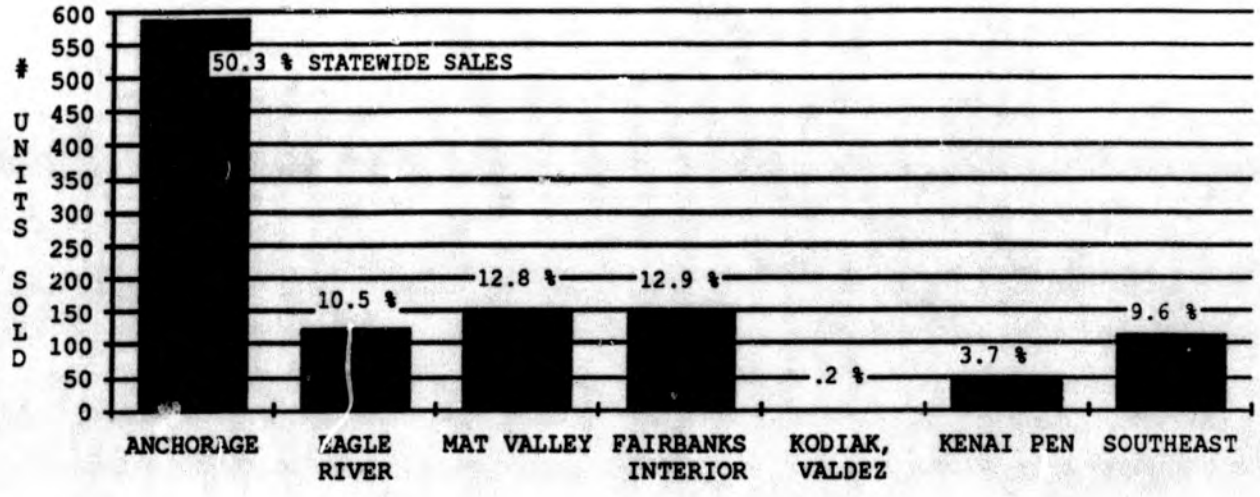
Sold by designated brokers	1043	
Sold but show net proceeds of zero	124	
Sold with no listing broker	985	7/
Sold with non-designated listing brokers	233	
Destroyed by AHFC	57	
Conveyed to other institutions	1576	
TOTAL Sold or Otherwise Conveyed	4018	

6/ When queried differently, the database shows 4181 properties with conveyance codes. These codes should be entered when the ownership of an REO is transferred from AHFC to another entity. This should therefore indicate that the number of Unsold REOs might really be 4853, provided the conveyance codes were correctly entered. However, because no disposal dates or sales prices were entered, we assumed that the 163 properties in question are included in the 478 REOs which have been removed from the pool of marketed properties because they are being transferred to other institutions. Therefore this difference does not affect our analysis of properties managed by designated brokers. (See related comments in other sections regarding improvements to the REO database)

7/ Of the 985 properties sold without a designated listing broker, 621 were mobile homes, which are generally excluded from the Designated Broker system. Of the remaining 324 sales, 235 occurred during 1985, 1986, and the first quarter of 1987, indicating they were covered by listing agreements signed before the Designated Broker system began. The remaining 129 were sold since April 1987, 23 of which were condos, 97 SFRs and 9 were PUDs. None of these 129 became REO after 1986, when the system began, except those located outside of geographic areas covered by designated brokers.

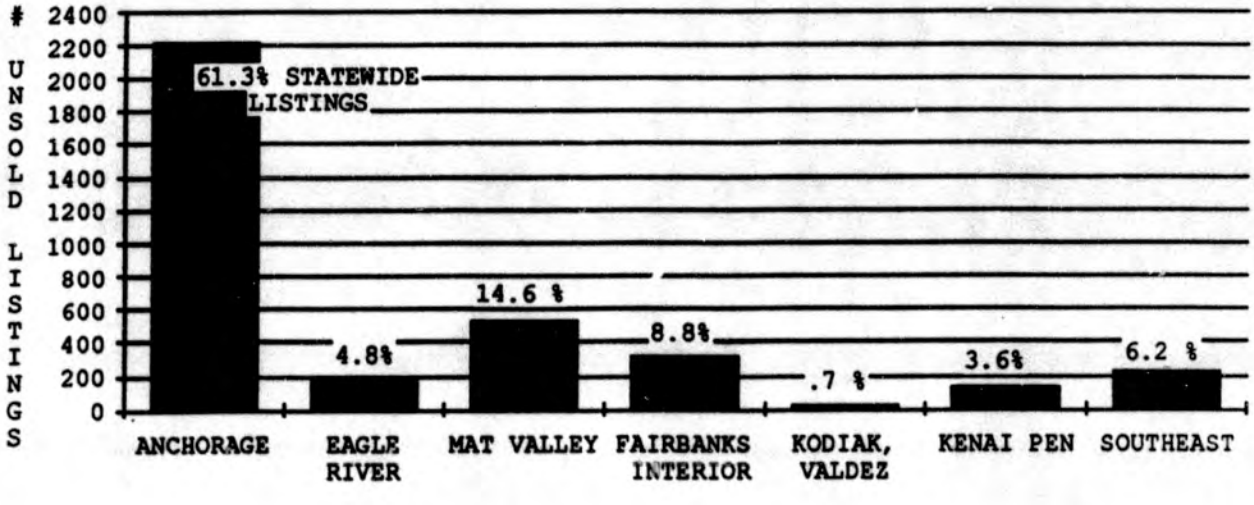
The following graphs illustrate AHFC's overall Property Disposition Activity to date.

GRAPH 5
TOTAL AHFC LISTINGS SOLD
BY BROKERS THROUGH 9/25/88*



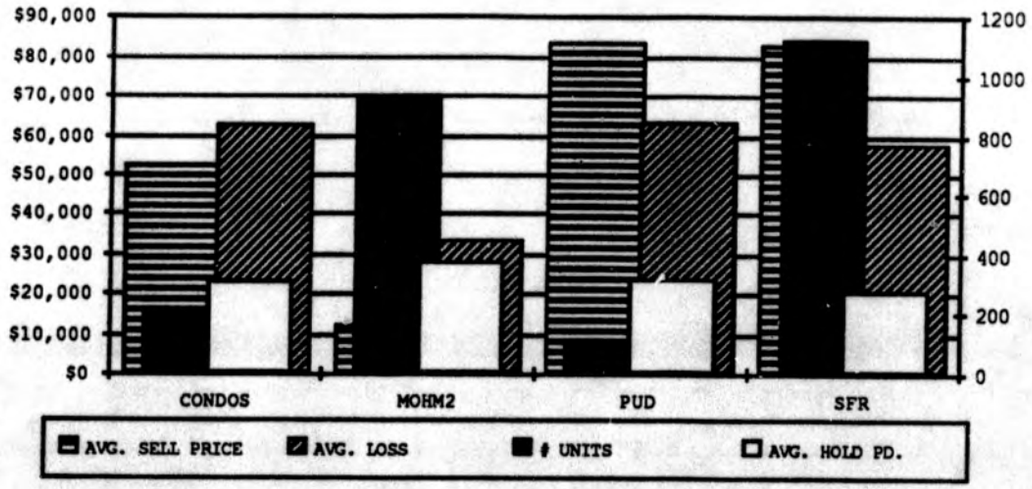
* excludes mobile homes on rented land

GRAPH 6
TOTAL UNSOLD AHFC PROPERTIES
LISTED WITH BROKERS ON 9/25/88 *

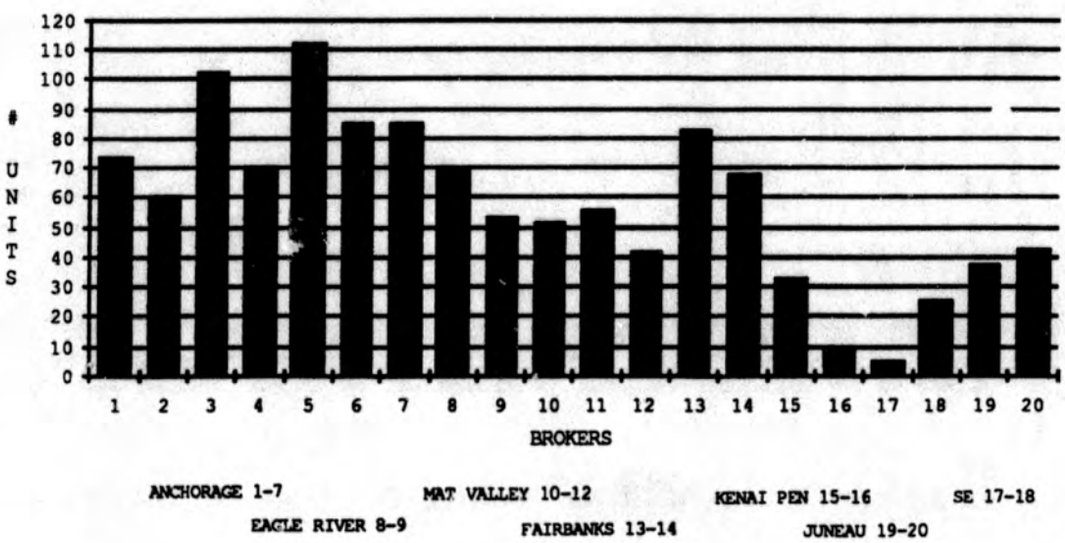


* excludes mobile homes on rented land

GRAPH 7
OVERALL AHFC REO SALES THROUGH 9/25/88



GRAPH 8
TOTAL NUMBER ALL DESIGNATED BROKERS' LISTINGS
SALES THROUGH 9/25/88



RECOMMENDATION NO: 1

The AHFC Board of Directors should give clear direction to AHFC property disposition staff and the public regarding the corporation's priorities for REO disposition.

Currently AHFC property disposition staff believes that AHFC's policies are to sell safe, clean housing, to try to keep property values up, and not to pay property management fees. These policies drive the procedures for REO disposition, especially in the Designated Broker program. It is not clear that these policies reflect the current positions of the Board of Directors. The activities of this program result in significant expenditures by AHFC, and they should accurately reflect the policies of the corporation.

These questions often arise because of the dual mission of the corporation, which is driven both to operate profitably and to be the state's vehicle for implementing its housing programs. For example, the board should answer such questions as:

Is it AHFC's policy to sell only "clean, safe" housing?

Currently there is disagreement within the industry over the extent of repairs necessary to sell a property. Individual real estate agents differ, and institutional sellers differ.

The policy to sell only clean safe housing prevents AHFC from selling some "fixer-uppers" and might result in expensive repairs. A clear policy will guide staff and brokers in deciding what repairs and improvements to make.

Is it more important to AHFC to keep property values up than to sell its REOs as quickly as possible?

Should these policies be different for AHFC's at risk REOs than for those with pool insurance?

During the past two years AHFC has operated on the theory that its responsibility to the general population of Alaska requires it to do everything in its power to keep property values up. Therefore it tries to keep listing prices up and as a result, tends to hold properties longer than other sellers.

This can work, assuming that all accrued interest, sales losses, and expenses are recovered by insurance. Given the potential of depleting pool policies, together with MGIC tightening its controls on AHFC claims, this assumption may be faulty.

In addition, the data in this report shows that holding periods are increasing, sales prices are decreasing, and the foreclosure balances of properties selling are decreasing. This may indicate that the higher end of the market sold first, and that AHFC's inventory includes many difficult-to-market properties.

The corporation should review the effects of that policy and either confirm or revise it as necessary.

Is it the corporation's policy not to pay property management fees?

It is not clear that AHFC's policy of listing all properties with brokers for property management is the most cost effective marketing method, especially regarding condominiums. Certainly there is disagreement within the industry regarding both the quality and cost of property management achieved through this method. AHFC is currently violating its own policy of not paying management fees for listed property (See Recommendation No. 7). A change in this policy might result in dramatic changes in the scope of its property disposition program.

Should the corporation develop special financing or incentive programs for its REOs?

HUD and FNMA have provided special financing incentives for selling their own properties. AHFC has not treated its REOs as a special category of properties, and therefore existing underwriting guidelines apply to its REOs as well. Our review of AHFC REO sales under the Designated Broker system shows some trends which might indicate that special financing or incentives are needed.

Condominium Trends

Currently AHFC is developing plans for special condominium programs. This is considered essential, because AHFC has over 1700 condos in inventory, having sold only 226 through September 1988. We reviewed 192 of these sales, which occurred during a seven quarter period starting in 1st Qtr 1987 and ending with 3rd Qtr 1989, summarized on the following page:

No. Condo Sales Reviewed		192
Foreclosure Balances		$16,659,400
Sales Price Total		9,405,100
Sales loss		7,254,300
Accrued interest		2,956,055
Expenses	1,535,715	
Selling Costs	1,183,425	2,719,140
TOTAL LOSS		$12,929,495

The $2.7 million in expenses was directly paid into the Alaskan market place for marketing, management, and repairs to the units. The total gross loss on these condominium sales is before adjustments for insurance reimbursements.

We note the following trends in condominium sales which warrant special attention to unsold condominiums:

1. The number of sales per quarter increased steadily from eight in 1st Qtr 1987 to 54 in 3rd Qtr 1988 for a total of 96 during the period.

2. The average holding period increased from 288 days to 420 days.

3. Average expenditures per unit increased from $3,815 to $9,465. They increased consistently from 1st Qtr 1987 through 2nd Qtr 1988, when expenditure amounts began decreasing. Part of this might be because our downloaded file did not include all September 1988 expenses. It may also reflect tighter monitoring by AHFC after staff was increased slightly.

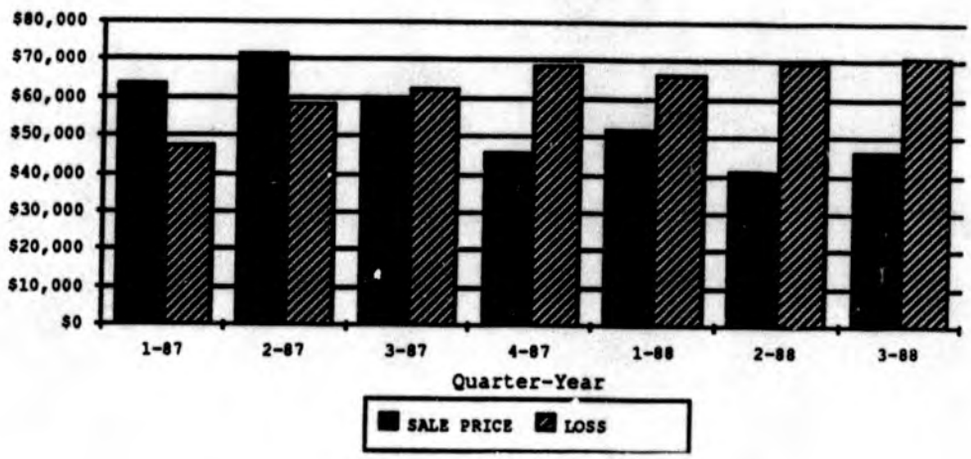
4. Selling costs remained stable, averaging between $5,560 and $7,125, but increased in relation to the actual selling prices, from 8.8 percent of sales price in 1987 to 13.8 percent in 3rd Qtr 1988.

5. Accrued interest increased from $14,135 per unit to $16,700, reflecting the longer holding periods. This is somewhat offset by a slight decrease in the average mortgage balance at foreclosure, indicating that the properties at the high end of the inventory sold first.

6. The average selling price decreased from a high of $71,700 in 2nd Qtr 1987 to $46,165 in 3rd Qtr 1988. This appears to be primarily because of the weakening condominium market, since the average mortgage balance at foreclosure for properties sold has remained relatively stable. The sales price as a percentage of the property's foreclosure balance decreased from 72.7% in 1st Qtr 1987 to 53.1% in 3rd Qtr 1988.

7. The result of these trends is that the average total loss per condominium sold had increased from $47,300 in 1st Qtr 1987, to over $71,000 in 3rd Qtr 1988. (Loss here is the sum of the sales loss, accrued interest, expenditures, and selling costs, before insurance recoveries.) See following graph.

GRAPH 9
AHFC REO CONDO SALES THROUGH 9/25/88



For the 1675 unsold condominiums with loan balances totalling $151 million, AHFC had incurred $7 million in expenses and $22.4 million in accrued interest through September 1988. The average listing time of the unsold REO condos listed with designated brokers was 403 days; 940 were more than 300 days old and 546 of those had been REO for over 500 days.

Single Family Residence Trends

We also reviewed 1014 single family residence sales occuring during the same seven quarter period ending with 3rd Qtr 1988, summarized as follows:

No. SFR Sales Reviewed		1,014
Foreclosure Balances		$106,078,360
Sales Price Total		82,291,035
Sales Loss		23,787,325
Accrued interest		17,430,535
Expenses	10,311,920	
Selling Costs	9,454,940	19,766,860
TOTAL LOSS		$ 60,984,720

While this review confirmed that the SFR market seems to be strengthening in some respects, certain conditions bear watching, to avoid a repeat of the condominium situation. Of special note is the decrease in the number of sales, an increase in holding time and number of SFRs that have been REO more than 300 days, and a sudden drop in the average mortgage balance at foreclosure. These indicate that the most marketable inventory sold first.

Our review showed the following trends in SFR sales during the seven quarter period ending 3rd Qtr 1988: (See tables, Appendix C).

1. The average holding period increased from 235 days to 341 days.

2. The number of sales per quarter increased from 68 in 1st Qtr 1987 to 203 in 3rd Qtr 1988. However sales decreased in 3rd Qtr 1988, down from 233 in the 2nd quarter. Because SFR sales also decreased during 1st Qtr 1988 and then increased dramatically in the 2nd quarter, it is too early to determine whether this recent decrease is part of a trend which will continue.

3. Average expenditures increased steadily from $7,312 in 1st Qtr 1987 to $11,948 in 1st Qtr 1988, after which they began decreasing, to $11,120 at the end of the 3rd quarter. This may be partly because our downloaded files did not include all September 1988 expenses. It may also reflect a small AHFC staff increase, which would improve monitoring.

4. Average selling costs as a percentage of sales prices remained stable. Although they appear to have decreased significantly from $12,500 to $8,328, this reflects a decrease in selling price. As a percentage of sales price, selling costs decreased less than half of one percent during the period.

5. Accrued interest also remained almost constant, increasing from $17,016 in 1st Qtr 1987 to $17,739 in 3rd Qtr 1988. However, this was up from $15,438 in 3rd Qtr 1987, when the holding period was at its lowest, at 224 days. The fact that average accrued interest did not increase dramatically with an average holding period of 341 days in 3rd Qtr 1988 reflects the decrease in the average balance at foreclosure.

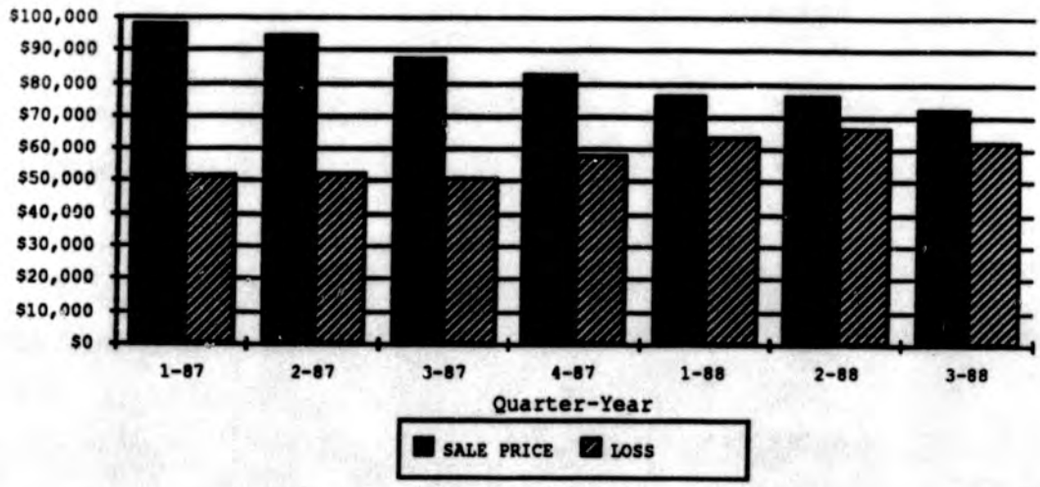
6. The average sales price decreased by 25%, from $98,156 in 3rd Qtr 1987 to $72,372 in 3rd Qtr 1988. This reflects the weakening market as well as the fact that the high end of the inventory sold first.

   This decrease in sales price exceeds the drop in the average mortgage balance at foreclosure of sold SFRs, which decreased by 13% since 1st Qtr 1987. Thus average sales price as a percent of foreclosure balance decreased from 86.7% in 1st Qtr 1987 to 73.7% in 3rd Qtr 1988, slight improvement over 2nd Qtr 1988's 72.9%.

7. As noted above, the average foreclosure balance of SFRs sold decreased, from $113,210 in 1st Qtr 1987 to $98,120 in 3rd Qtr 1988. However, $6,800 of this $15,100 drop, or 45 % occurred during 3rd Qtr 1988. This affirms the trend discussed in (6) above.

8. A result of these trends is that the average loss per SFR sold increased from $51,880 to a high of $66,670 in 2nd Qtr 1988. Although it appeared to decrease to $62,930 during 3rd Qtr 1988 (see comment on expenses, #3 above), it is too soon to determine whether this decrease will continue (Loss here is the sum of the sales loss, accrued interest, expenditures, and selling costs, before insurance recoveries.) See following graph.

GRAPH 10
AHFC REO SFR SALES THROUGH 9/25/88



At the end of September 1988, AHFC had 2036 single family homes in inventory, representing mortgage balances of $185 million on which $11 million in expenses had been paid and $32 million in unpaid interest had accrued. Of unsold REOs, 743 SFRs had been REO for more than 300 days and 381 for more than 500 days.

Mobile Home Trends

AHFC's mobile home sales are not generally managed by designated brokers. For comparison purposes, we looked at their overall data, summarized as follows:

No. Mobile Homes Sales Reviewed		860
Foreclosure Balances		$ 28,861,860
Sales Price Total		9,982,900
Sales Loss		$ 18,878,960
Accrued Interest		4,748,220
Expenses	4,857,740	
Selling Costs	1,308,620	6,166,360
TOTAL LOSS		$ 29,793,540

As shown on the tables in Appendix C, mobile home gross losses also increased steadily during the time period. This is primarily because the average selling price dropped by more than 50%. AHFC has implemented special marketing programs for mobile homes, including bulk sale programs.

The following trends for mobile home sales during seven quarters ending September 1988, support the need for special attention to mobile home marketing:

1. The average holding period of units sold increased steadily from a low of 242 in 2nd Qtr 1987 to 443 in 3rd Qtr 1988, despite bulk sale activity during 1988.

2. The number of sales per quarter increased overall from a low of 13 in 1st Qtr 1987 to 210 during 3rd Qtr 1988. However, the 2nd Qtr 1988 saw the most sales, at 287. It is too early to determine whether the 3rd quarter decrease is part of a trend which will continue.

3. Average expenditures increased from $3,940 per unit in 1st Qtr 1987 to $5,742 in 3rd Qtr 1988. The all time high was $6,500 in 1st Qtr 1988, after which expenditures began decreasing.

4. Selling costs as a percent of sales price almost doubled, increasing from 10.6% to 19.3%. This reflects the decrease in sales price, because AHFC pays a flat sales fee for mobile homes.

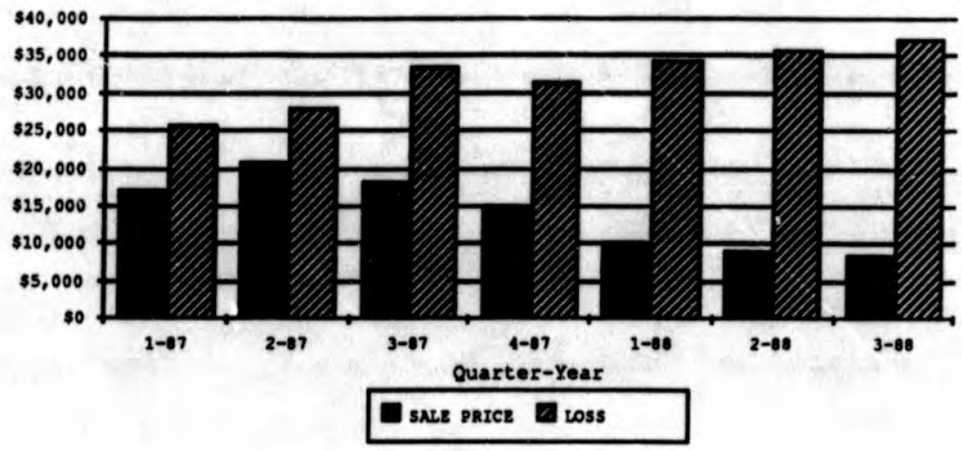
5. Average interest accrued increased steadily, from from $4,050 to $6,150, consistent with the growing holding period.

6. The average sales price decreased steadily from 2nd Qtr 1987 high of $20,844 to $8,525 at the end of 3rd Qtr 1988. This reflects the weakening market, as it does not appear to be related to the average mortgage balance at repossession.

7. The average mortgage balance at repossession decreased only slightly from $33,337 to $32,213. Thus, given the drop in sales prices, the selling price as a percentage of the balance at repossession decreased from 51.6 % to 26.5 % in 3rd Qtr 1988.

8. A result of these trends is that the average total loss per mobile home sold increased from $25,890 to $37,230 (Loss here is the sum of the sales loss, accrued interest, expenditures, and selling costs, before insurance recoveries.) See following graph.

GRAPH 11
AHFC REO MOBILE SALES THROUGH 9/25/88



At the end of September 1988 AHFC had 860 mobile homes in inventory, representing loan balances of $27.8 million, on which AHFC had paid $4.5 million in expenses and on which $5.8 million in interest had accrued. Of unsold inventory, 502 mobile homes had been REO for over 300 days, 409 of which were over 500 days old.

RECOMMENDATION NO. 2

AHFC should issue a new Request for Proposals for all needed brokers in its Designated Broker Program. It should develop the RFP to reflect policies and priorities defined by the board (see Recommendation No. 1) and sign standard contracts for services with the brokers selected.

Summary

The corporation currently has written agreements with only two of its 19 designated brokers. This is because it did not treat the designated broker agreements as "professional service contracts" when it began the program. It chose to call it "contractual service" and used the individual property listing agreements as its written contracts. Without standard comprehensive agreements, AHFC cannot enforce performance requirements. In order to standardize and formalize the relationship between AHFC and designated brokers, AHFC should issue a new RFP for all broker slots and sign professional service contracts with the selected brokers.

Current Situation

AHFC does not have written agreements with each of its designated brokers which describe the duties and responsibilities of each party. Currently one broker has a written "Marketing Agreement" and one has a written "Addendum to Listing Contracts" with AHFC. AHFC has no written contract with the remaining 17 brokers other than the individual listing agreements executed for each property. The two written agreements are not identical, and do not include a termination or renewal date for the agreement.

Now AHFC wants to formalize its agreements with all the designated brokers with written contracts which are standard for all brokers and include definite time frames for contract performance.

Why Aren't There Standard Written Contracts?

AHFC did not follow state procedures described in Alaska Statutes Title 37 Chapter 98, for obtaining professional service contracts. When AHFC began its Designated Broker Program it chose to treat the solicitation process to recruit brokers as a "competitive bid" process for contractual services rather than as a solicitation for professional services.

AHFC selected the participating brokers from their responses to a Request for Proposals (see Appendix A for Designated Broker Chronology.) It planned to use the individual listing agreements for each property as the only written contracts.

However, three brokers wanted comprehensive agreements, so they drew up their own documents which AHFC's property disposition staff signed. The three contracts (or "marketing agreement" and "Addendums") were not consistent with each other about such items as travel expenses, advancing funds, duration of listings, subcontracting policies, and reimbursable expenses.

A dispute between AHFC and one of these three brokers over a provision in the contract led AHFC to drop the broker from its Designated Broker Program and cancel the contract. AHFC and the broker have not yet settled the resulting law suit.

Designated Brokers Provide Professional Services

The state's Administrative Manual, Section 8104, revised May 1983, was in effect when the Designated Broker Program began. Its definition of professional services states that:

> ...Professional services are any professional, technical, or consultant services predominantly intellectual in character. They include analysis, evaluation, predicting, planning, or recommendation and result in the production of a report or the completion of a task. A professional services contract, therefore, requires specialized knowledge and training or in-depth experience in a particular field or discipline..
>
> ...Carpenters can perform a professional service, but only if their expertise is used in a consultant mode. For example, they can review a construction or remodelling project or specification to verify the feasibility or quality of the project; however, they cannot actually perform any manual carpentry work under a professional services contract...

AHFC requires that its designated brokers be licensed professionals, and that they provide a number of consultant and technical services. For instance, the brokers inspect each unit and recommend repairs which should be done to market the property.

Among other duties, they develop a Broker's Opinion of Value for each unit, which recommends the price at which the property should be advertised for sale. They oversee the

bidding process for obtaining contract services to complete repairs. They oversee the paperwork involved in processing offers to purchase.

What if There Are No Contracts?

Without written agreements, duties, responsibilities, obligations, and liabilities are unclear. Performance requirements cannot be enforced. AHFC can decide to change designated brokers, or change reimbursement policies. Brokers could decide to change operating procedures, or ignore AHFC marketing guidelines. Neither side has recourse.

But Why Start Over?

One suggestion was to have each current designated broker sign a standard contract which reflects and formalizes the informal agreement currently in existence. However, Designated Broker contracts must comply either with the law in effect in 1986 or with the new Procurement Code in effect today. Without a new RFP the contracts will not comply with either.

Also, the Designated Broker Program has changed significantly since AHFC issued its first RFP for brokers in 1986. These changes have caused unrest among some of the "non-designated" brokers in the state, who say that they didn't respond to the original RFP because of conditions which have now changed. Their position is that if they had known the conditions would change, they would have submitted proposals.

For example, the original RFP said that only 90 day listings would be signed; most listing agreements are now signed for six months. One of the two existing contracts stipulates that all listings will be for one year.

The RFP said that AHFC would only advance funds to the broker on repair items of $5,000 or more, with reimbursements every three weeks. This became prohibitively expensive for the brokers (one Anchorage broker had up to $350,000 of its own funds extended at a given time). AHFC changed the program to pay subcontractors directly for repairs and eliminate the need for brokers to front the repair money.

Some brokers could not afford to advance the amount of money they thought would be required to operate on a reimbursement basis for repairs of less than $5,000, and therefore didn't bid for a broker slot. They would have submitted a proposal had they known that AHFC would change the program.

Conclusions

AHFC should have written contracts with its designated brokers, to enhance performance, define expectations and liabilities, and permit evaluation.

AHFC has tried to use a fair process in selecting its designated brokers by using a Request for Proposal method. However, the process did not fully comply with the state's procurement requirements, especially because AHFC did not follow through by executing standard written contracts with the brokers.

Further, the Designated Broker Program grew at a rate unanticipated by AHFC. This required signficant changes in the system which, although perhaps necessary, have created the perception of unfairness by AHFC within the real estate community.

Therefore to achieve written contracts and avoid any appearance of impropriety, AHFC should issue a new RFP for all needed designated brokers. To ensure standardization, the RFP should even include the seven broker contracts solicited in September 1988. (AHFC has received the responses to this RFP, but not yet awarded any contracts).

A new RFP and subsequent contracts must follow the new Procurement Code, which requires that contractors identify their subcontractors before the final contract award is made. This should alleviate current dissatisfaction about how designated brokers choose their subcontractors.

The new RFP should reflect board policies regarding property disposition. It should also reflect changes suggested by AHFC's experience over the past two years. (Subsequent recommendations in this report address items which should be included in the RFP).

The resulting contract should clearly define the time period for the contract performance, and describe responsibilties and liability of both parties.

To establish the new program, existing listings with current designated brokers should be allowed to run out. New listings should be for 90 days only, to facilitate faster transfer to another broker if required.

Although processing a new RFP is an administrative burden for AHFC and brokers who wish to submit proposals, this is also an opportunity to establish a program which incorporates needed changes.

RECOMMENDATION NO. 3

AHFC should develop specific performance criteria from which to evaluate the performance of designated brokers on a regular basis. This criteria should be included in Request for Proposals soliciting interest from brokers, and incorporated into ensuing contracts. At a minimum, the criteria should reflect regional differences, and address:

- o maximum time from assignment to listing with MLS;
- o maximum repair and maintenance expenses per unit;
- o pricing methodology;
- o percentage of own listings sold by broker;
- o percentage of all AHFC listings sold by broker;
- o sales price as a percent of foreclosure balance and appraisal;
- o average market time;
- o average overall gross loss per unit;
- o percentage of gross loss recovered by insurance (when the property is covered by pool insurance); and
- o a review of the marketing strategy on all properties that are REO for 300 days or more.

AHFC should adjust its information gathering and management system to ensure needed data is consistently available for use in evaluations.

Summary

AHFC does not have a method for evaluating the performance of its brokers. This is partly because its information gathering system was not designed for a property disposition division and certain information needed for evaluation is not collected. It is also because there are no definite standards against which the brokers' performance can be measured. Without defined performance measures and a system to track them, AHFC will have difficulty justifying corrective action or terminating agreements with non-performing brokers. AHFC can use its experience to date to develop performance and evaluation criteria.

Current Situation

One of the problems AHFC has in evaluating brokers' performance is that its system does not easily manage the information needed. For example, it does not:

- o record the date a property is listed with MLS, to determine how long it takes a broker to list the property and how long it is on the market;

- o break out expenses by category, such as repairs, maintenance, snow removal, carpeting, cleaning, etc., to isolate expenses and permit cost analysis;

- o record the amount of insurance claim filed to compare against insurance received, to determine whether brokers' expenditures are within the bounds of insurance policies;

- o maintain a record of the original listing price or appraised value, to determine performance relative to sales prices.

The existing system also has data gaps because of the unplanned development of the property disposition system, turnover of temporary accounting personnel entering data, and shortage of data processing and property disposition personnel.

Another problem is that there are few "standards" against which to measure the brokers. How high a price is a reasonable sales price given the market? How much should be spent on repairs and maintenance? How long should it take to get the property "market ready" and listed with MLS? How long should it be listed with one broker before it is reassigned?

In exploring this problem of standards, we compared the performance of current designated brokers with each other, to try to determine which factors contributed most to total costs, and to try to define boundaries of acceptable performance.

Performance Comparison

We looked for performance criteria which were measurable given available data, and which reflected AHFC existing policies and priorities. We recorded, by property type by broker:

- o total number of sales;
- o percent of own AHFC listings sold;
- o total dollar volume of sales;
- o percent of AHFC sales;
- o average sales price per unit;
- o average sales price as a percentage of foreclosure balance;
- o average expenses per unit (computed from the last date to which interest payments had been applied;
- o average holding time (number of days between foreclosure and sale); and
- o total average loss per unit (expenses + interest + sales loss before insurance reimbursement).

First we compared the performance of designated brokers with each other in each category based on AHFC's data as of September 25, 1988. Then to get an idea of how the various criteria worked together, we assigned points to arrive at an overall ranking (see following tables). For these comparisons we chose single family residences, which had the highest number of sales to date and therefore gave us the most data.

However, these results and the distribution of REOs between geographic regions indicated that we should compare performance among brokers from the same region, because prevailing economic and market conditions differ.

Therefore for illustration purposes, and to eliminate differences caused by geography, we then ranked the Anchorage brokers according to their performance in these areas, based on the same data. The following tables and graph show the results. It is important to note that these results are not weighted to reflect AHFC priorities. However, when we weighted the points to give extra credit for condominium activity, the ranking changed slightly and the gaps between brokers narrowed considerably. The same occurred when we weighted the points for sales price as a percent of foreclosure balance.

There were complaints by some brokers that designated brokers were privately marketing properties before they were listed with MLS, therefore reducing the market time and exposure. This could result in lower prices, if the broker knew there would be no competition for the sale. Because AHFC did not record the dates properties were listed with MLS in its database, we checked the holding periods (length of time from foreclosure to sale) for those properties which sold in 100 days or less.

Of 1167 sales by designated brokers, 91 had holding periods of less than 100 days. Of these, 39 were sold by the listing broker and 52 were sold through other brokers. We also checked eight properties reported to us by a non-designated broker which had sold with less than 100 days on the market. Five of these had become REO less than 30 days prior to listing with MLS and three were listed in less than 60 days. These numbers did not indicate a widespread practice which would reduce market exposure.

Overall, listing brokers sold less than 50 percent of their own listings which sold, and 75 percent of the total sales of designated brokers' listings.

ALL BROKERS SFR SALES COMPARISON

Broker No. (Not rank)	# Own List Sold	# List Unsold	% Own List Sold	Percent All Sales	Total $ Vol	Price % Fore	Sales Price	Hold Time	Avg Expense	Avg Loss
1 Marston	53	114	31.74%	6.3%	4,956,240	82	93,514	287	10,511	59,331
2 Re/Max Anch	41	113	26.62%	4.9%	3,616,241	76	88,201	264	9,285	65,386
3 Vista	68	89	43.31%	8.1%	5,913,212	78	86,959	221	13,073	63,021
4 Heritage Anch	47	103	31.33%	5.6%	4,290,442	82	91,286	299	9,420	58,042
5 2001 Rlty	77	69	52.74%	9.1%	6,431,810	76	83,530	210	7,783	59,377
6 Fortune	53	88	37.59%	6.3%	4,333,598	75	81,766	230	10,342	63,587
7 Realty	51	93	35.42%	6.0%	4,307,154	77	84,454	243	10,210	61,803
8 Re/Max ER	53	57	48.18%	6.3%	4,551,004	78	85,868	303	10,342	63,683
9 Jack White ER	42	70	37.50%	5.0%	3,923,766	83	93,423	249	11,808	61,404
10 Heritage Wasilla	49	145	25.26%	5.8%	3,013,500	67	61,500	302	9,974	64,299
11 Marston Wasilla	49	145	25.26%	5.8%	3,082,982	68	62,918	320	10,272	63,335
12 Aurora	37	162	18.59%	4.4%	2,558,069	72	69,137	326	9,873	62,628
13 Coldwll/Grtld **	51	198	20.48%	6.0%	3,890,127	78	76,277	262	15,505	63,874 **
14 Re/Max Fbx **	53	1	98.15%	6.3%	3,822,466	80	72,122	284	11,945	52,145
15 Dick Mueller	28	68	29.17%	3.3%	2,042,908	84	72,961	298	9,641	47,206
16 Homer Realty	7	15	31.82%	.8%	555,100	87	79,300	201	7,968	42,903
17 Anderes	4	7	36.36%	.5%	266,000	81	71,500	406	6,499	45,934
18 Northway	17	8	68.00%	2.0%	1,034,858	72	60,874	317	6,524	51,293
19 Home Team	31	63	32.98%	3.7%	2,245,547	69	72,437	292	7,805	66,092
20 Alaska Coastal	32	67	32.32%	3.8%	2,237,152	72	69,911	301	9,416	61,056
	843	1,675	33.48%	100.0%	$67,072,176		$79,564	267	$10,020	$60,537

** Fairbanks data is skewed because Re/Max listings were transferred to Coldwell/Banker

20 points awarded for each 1st place
19 points for each 2nd, etc.
In ties, high points awarded each

ALL BROKERS RANKED - SFR SALES

Broker No. (Not rank)	% Own SFR List Sold	% All SFR Sale	Total $ Vol	Price as % Forec	Sales Price	Hold Time	Avg Expense	Avg Loss	TOTAL POINTS	OVERALL RANK
1 Marston	8	18	18	17	20	11	5	14	91	4
2 Re/Max	5	8	10	9	17	13	15	2	62	14
3 Vista	16	19	19	13	16	18	2	8	95	2
4 Heritage	7	10	14	17	18	8	13	15	84	8
5 2001 Rlty	18	20	20	9	13	19	18	13	117	1
6 Fortune	14	18	16	7	12	17	6	6	84	9
7 Realty	12	1[illegible]	15	10	14	16	9	10	86	6
8 Re/Max ER	17	1[illegible]	17	13	15	5	6	5	81	10
9 Jack White ER	15	9	13	18	19	15	4	11	85	7
10 Heritage Was	4	12	8	1	2	5	10	3	43	19
11 Marston Wasilla	4	12	9	2	3	3	8	7	45	18
12 Aurora	1	7	7	6	4	2	11	9	43	20
13 Coldwll/Grtlnd**	2	14	12	13	10	14	1	4	60	16
14 Re/Max Fbx **	20	18	11	14	7	12	3	16	94	3
15 Dick Mueller	6	4	4	19	9	9	12	18	72	11
16 Homer Realty	9	2	2	20	11	20	16	20	89	5
17 Anderes	13	1	1	15	6	1	20	19	70	13
18 Northway	19	3	3	6	1	4	19	17	71	12
19 Home Team	11	5	6	3	8	10	17	1	53	17
20 Alaska Coastal	10	6	5	6	5	7	14	12	60	15

** Fairbanks data is skewed because Re/Max listings were transferred to Coldwell/Banker

ANCHORAGE DESIGNATED BROKER COMPARISON

SCORING: 7 Points awarded for each 1st place
6 Points for each 2nd, etc.
In ties, equal high points given both
Not weighted for AHFC priorities

ANCHORAGE SFR SALES

	Total # Sold	Total $ Vol	Avg Price as % Forec	Avg Sales Price	Avg Hold Time	Avg Expense per SFR	Avg Loss per SFR	TOTAL POINTS
Marston	5	5	7	7	2	2	6	34
Re/Max	1	1	3	5	3	6	1	20
Vista	6	6	5	4	6	1	3	31
Heritage	2	2	7	6	1	5	7	30
2001 Rlty	7	7	3	2	7	7	5	38
Fortune	5	4	1	1	5	3	2	21
Realty Cntr	3	3	4	3	4	4	4	25

ANCHORAGE CONDOMINIUM SALES

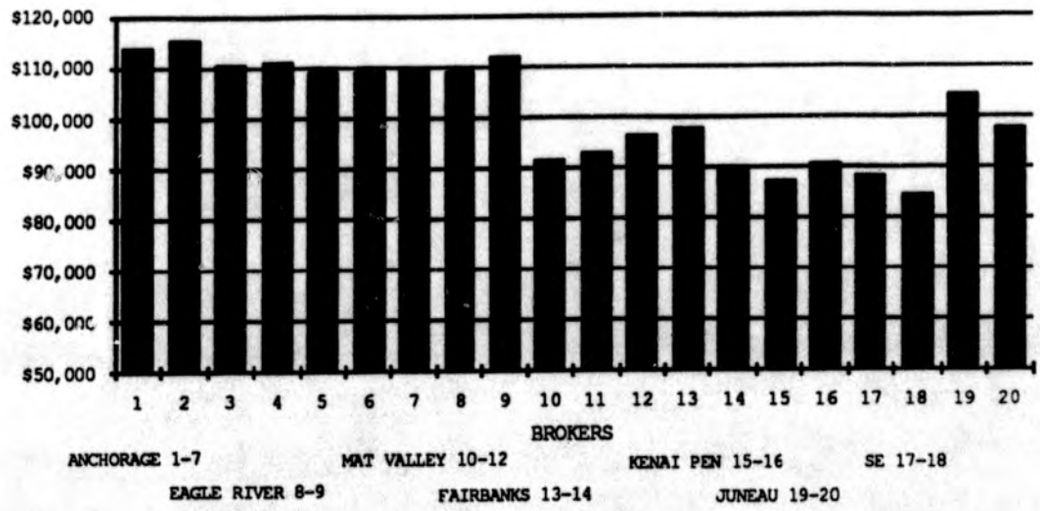
	Total # Sold	Total $ Vol	Avg Price as % Forec	Avg Sales Price	Avg Hold Time	Avg Expense per Unit	Avg Loss per Unit	TOTAL POINTS
Marston	2	2	6	7	4	5	5	31
Re/Max	1	1	1	2	1	3	2	11
Vista	6	6	4	3	5	1	4	29
Heritage	3	3	7	5	3	7	6	34
2001 Rlty	4	4	5	6	6	2	3	30
Fortune	5	5	4	1	7	4	7	33
Realty Cntr	7	7	2	4	2	6	1	29

ANCHORAGE OVERALL SALES

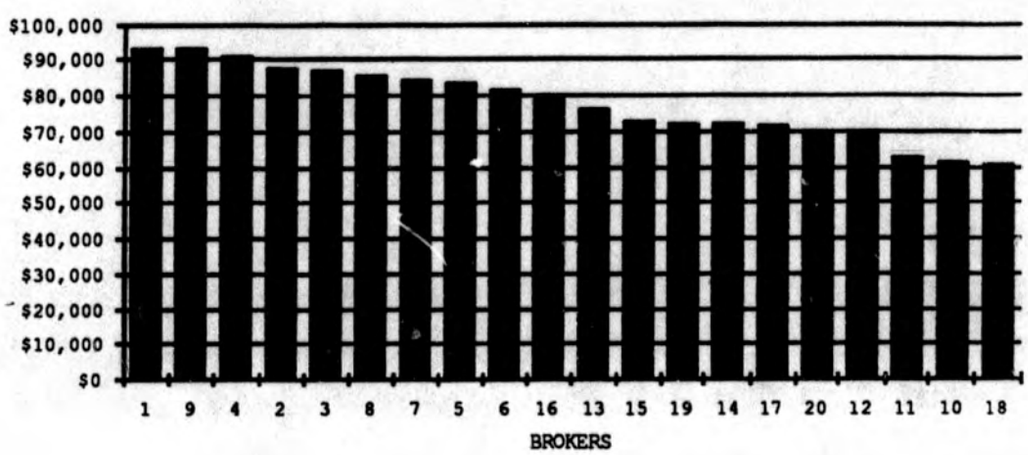
	Total # Sold	Total $ Vol	Avg Price as % Forec	Avg Sales Price	Avg Hold Time	Avg Expense	Avg Loss	TOTAL POINTS
Marston	3	4	6	7	3	2	5	30
Re/Max	1	1	5	5	2	4	2	20
Vista	6	6	4	2	5	1	4	28
Heritage	2	2	7	6	1	5	1	24
2001 Rlty	7	7	3	4	7	7	7	42
Fortune	5	3	2	1	6	3	3	23
Realty Cent	5	5	1	3	4	6	6	30

	TOTAL POINTS	RANK	TOTAL POINTS Weighted for Condos	WEIGHTED RANK
Marston	95	2	126	2
Re/Max	51	7	62	7
Vista	88	3	117	4
Heritage	88	3	122	3
2001 Rlty	110	1	140	1
Fortune	77	6	110	6
Realty Cntr	84	5	113	5

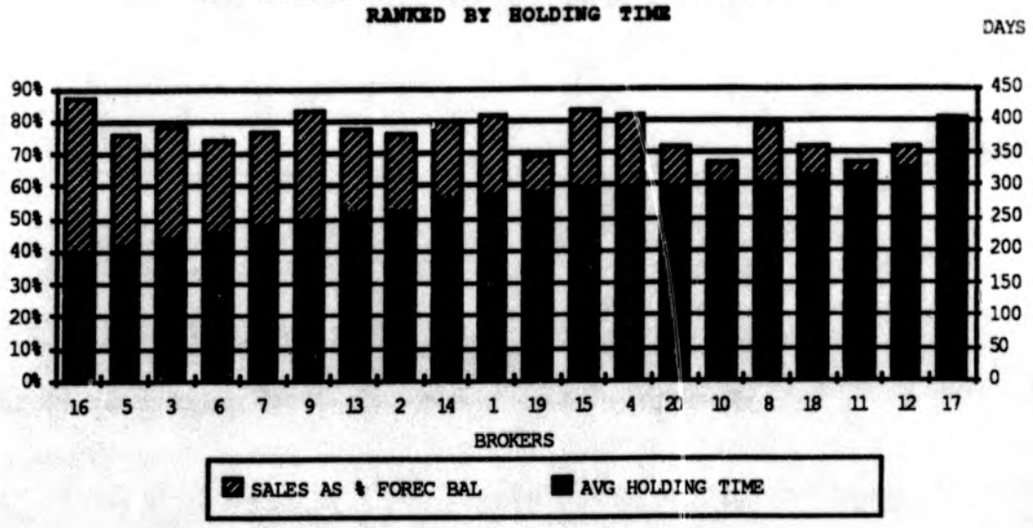
GRAPH 12
AVG BALANCE AT FORECLOSURE
AHFC SFRs SOLD THROUGH 9/25/88



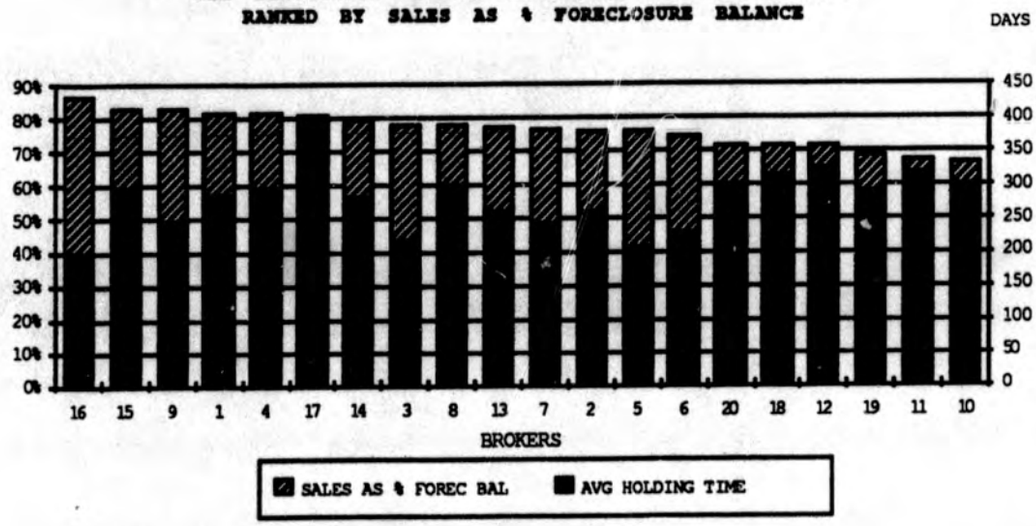
GRAPH 13
ALL DESIGNATED BROKERS' SFR SALES THROUGH 9/25/88
RANKED BY AVG SFR SALES PRICE



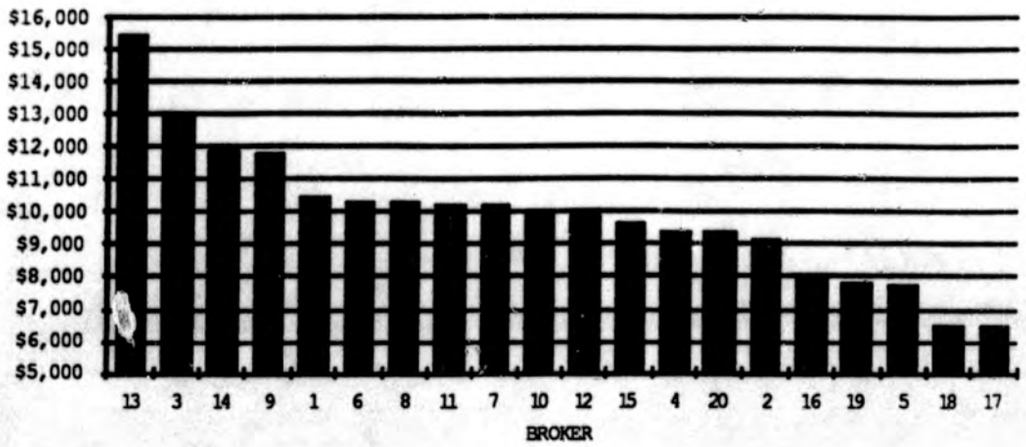
GRAPH 14
ALL DESIGNATED BROKER SFR SALES THROUGH 9/25/88
RANKED BY HOLDING TIME



GRAPH 15
ALL DESIGNATED BROKER SFR SALES THROUGH 9/25/88
RANKED BY SALES AS % FORECLOSURE BALANCE

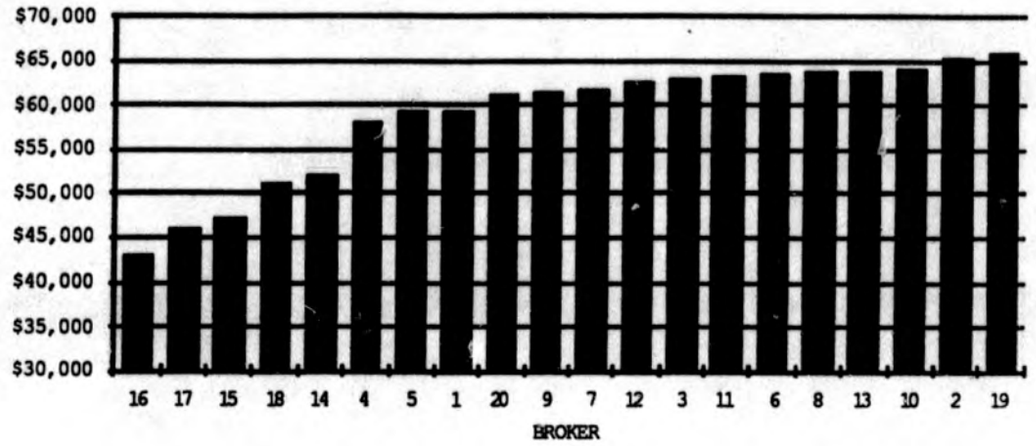


GRAPH 16
ALL DESIGNATED BROKER SFR SALES THROUGH 9/25/8
RANKED BY AVG EXPENSES PER SFR



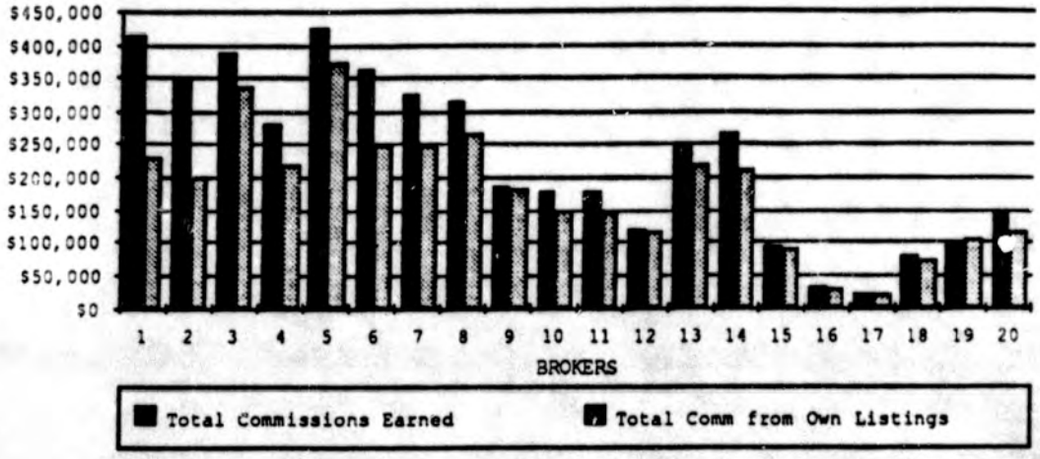
GRAPH 17
ALL DESIGNATED BROKER SFR SALES THROUGH 9/25/8
RANKED BY AVG TOTAL LOSS PER SFR

AVG LOSS

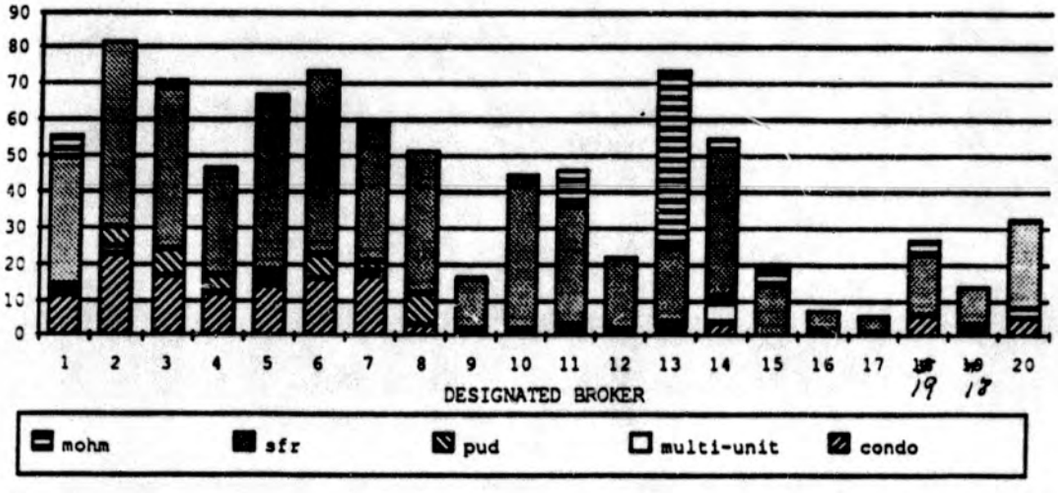


ANCHORAGE 1-7 MAT VALLEY 10-12 KENAI PEN 15-16 SE 17-18
EAGLE RIVER 8-9 FAIRBANKS 13-14 JUNEAU 19-20

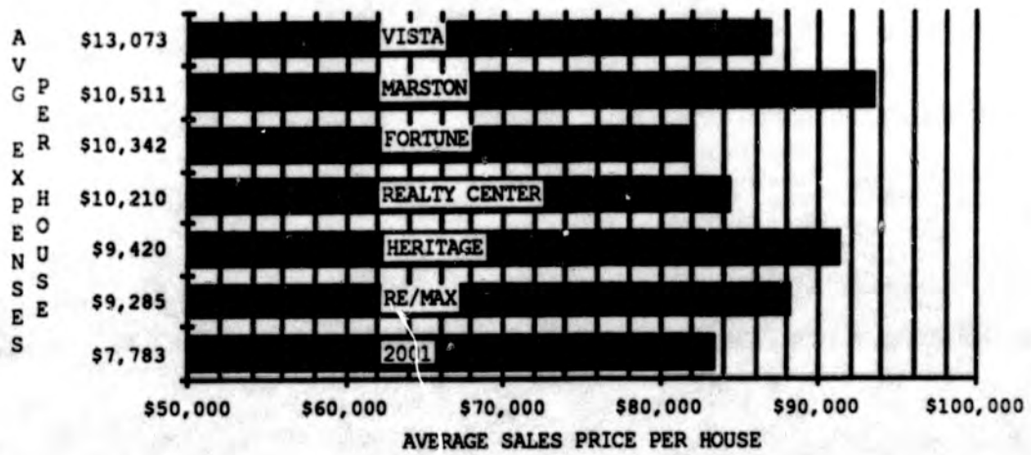
GRAPH 18
COMMISSIONS EARNED FROM AHFC LISTINGS SALES THROUGH 9/25/88



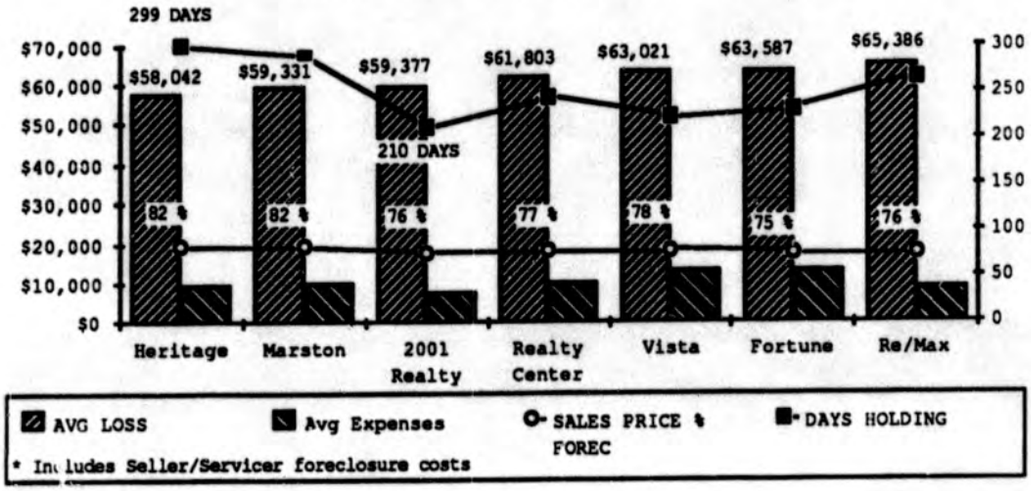
GRAPH 19
AHFC REO SALES BY SELLING BROKER THROUGH 9/25/88



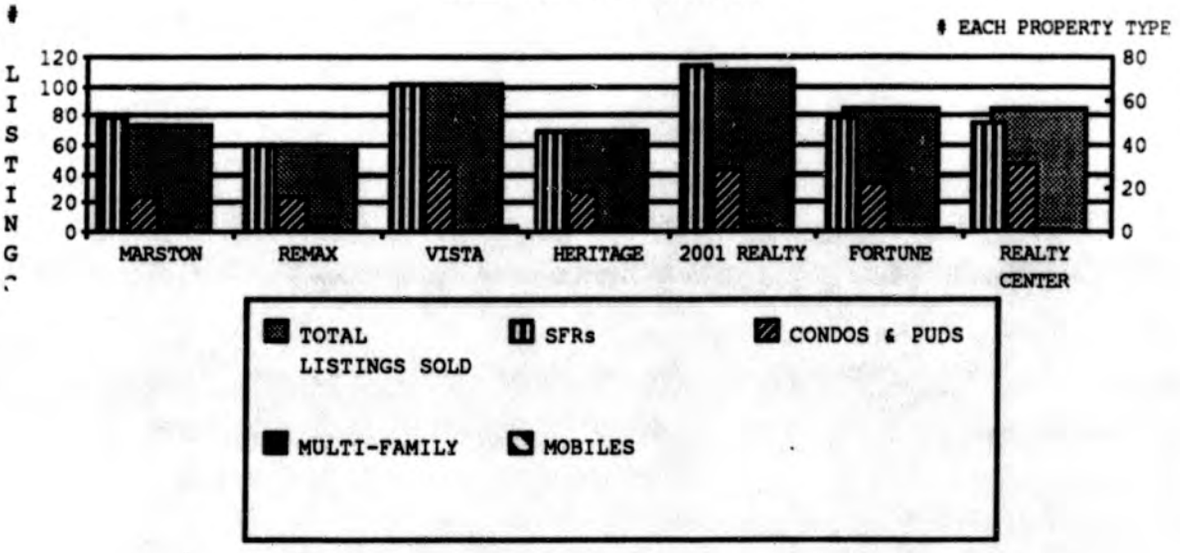
GRAPH 20
ANCHORAGE SFR SALES THROUGH 9/25/88
AVERAGE SALES PRICE AND EXPENDITURES



GRAPH 21
ANCHORAGE DESIGNATED BROKERS' SFR LISTINGS SOLD
LOSSES*, EXPENSES*, PRICES, HOLDING TIME



GRAPH 22
ANCHORAGE DESIGNATED BROKERS' LISTINGS
SOLD THROUGH 9/25/88



Evaluation Criteria

These exercises are interesting, but they don't tell us what level of performance is acceptable. However, based on the experience to date, it seems that (see Graph 20) expenditures over $10,000 per unit for SFRs don't generally increase the sales price (these include an average $3,000 foreclosure costs reimbursed to the seller/servicer); average holding times over 300 days don't increase sales price. Sales prices under 75 percent of foreclosure balance in Anchorage, and 70 percent statewide, seem out the bounds of normal performance (see Graph 21).

Conclusions

It is important that properties receive the best market exposure possible to ensure highest prices, and that repair and marketing activities be monitored to ensure strict compliance with AHFC and insurance requirements.

The sales price does not increase as the holding period increases, usually indicating that the property is not the most desirable. This indicates a need to develop clear policies on marketing strategies for "older" REOs.

AHFC can expect brokers to try to perform most of the marketing requirements in a timely manner because they enhance the sale of the property. However, certain items, such a timely listing of the property with the Multiple Listing Service (MLS), careful control of expenditures, fast closing times, and realistic property pricing, should be monitored by AHFC as the seller.

This indicates that AHFC should place heavy emphasis on the listing management ability of brokers competing for designated broker contracts. Because all selling agents can sell AHFC REOs, the number of sales agents in an agency should not have as much bearing on the overall performance for AHFC as the number of agents assigned to manage the REOs.

To accomplish any evaluation, the necessary information must be available. AHFC has information on individual properties, but cannot evaluate a broker's overall performance or compare brokers. It cannot verify which agencies are performing better or worse than others, or if the brokers are performing better in the overall marketplace than they are for AHFC. AHFC should make necessary adjustments to its information-gathering system and database to ensure the following information, in addition to data currently collected, is recorded and easily retrievable:

- name and date current broker assigned;
- the date a property is listed with MLS;
- the original appraisal/listing price and current listing price;
- amount spent on each property by category by date;
- net loss after insurance receipts and reason for insurance claims denials or reductions.

This will require closer attention to accurate data input.

AHFC should evaluate each broker periodically on the criteria in place. It should also develop an aging report for the brokers' inventories, evaluating all properties for reassignment or other marketing strategy when they have been REO for 300 days.

RECOMMENDATION NO. 4

A revised property disposition system should ensure the broadest marketing effort possible.

Summary

Complaints and knowledge resulting from its two-year-old Designated Broker program indicate that AHFC's property disposition division's financial performance will improve with changes in certain REO marketing practices. Other changes might also be warranted to improve public perception of the program.

Current Situations

AHFC relies on the cooperation of the real estate industry to effectively market its REOs. Its Designated Broker program has generated many complaints, both from its participating designated brokers and from "non-designated" brokers which may affect program performance.

Designated Brokers' Complaints

Designated brokers have complained that the tasks which AHFC brokers must accomplish are greater than those normally performed for sellers. For example, designated brokers are required to pay all utility bills on REO properties, and submit invoices to AHFC for reimbursement. Brokers must solicit competitive bids for all repair and renovation work, and obtain AHFC and MGIC approval of the best bid. This is a time consuming process. Brokers pay for routine maintenance work and are reimbursed by AHFC, which creates more paperwork and recordkeeping. The result of these conditions, they believe, is that they spend less time selling the properties than they do managing them.

As we noted in Recommendation No. 3 regarding broker performance, of 1170 sales through designated brokers' listings, the designated brokers themselves sold 874, or 75 percent. However, only one Anchorage broker sold more than 50 percent of its own listings. This may indicate that while the designated brokers seem to be more "in the loop" for AHFC REO sales, they may sell fewer of their own listings because of administrative requirements.

"Non-Designated Brokers'" Complaints

Non-designated brokers complain that designated brokers have an unfair advantage in the marketplace. This is primarily because designated brokers place "for sale" signs on their REO listings with give their company's name and telephone number. Because of the large number of AHFC REOs,

this gives greater exposure to designated brokers and increases the traffic through their offices for all types of buyers.

Another complaint is that designated brokers have an unfair advantage because they have "pocket listings" which means they market properties before they are available to other selling agents. This perception exists because AHFC assigns its REOs to brokers two weeks prior to the foreclosure sale, so that the broker can be preparing its improvement and marketing strategy for the property. The broker cannot list it with MLS until the foreclosure sale is accomplished and AHFC is the official owner.

Some non-designated brokers believe that designated brokers sometimes extend the time it should take to accomplish repairs to make the property "market-ready" and therefore increase this "pocket-listing" time. The theory is that the brokers use this front end time to line up sellers, so that when good properties are listed with MLS they are quickly followed by offers to purchase. As discussed in Recommendation No. 3, our research did not indicate that this is a wide spread practice, although AHFC should include MLS listing dates in its database to monitor this.

The non-designated brokers say that the effect of these problems is two-fold: AHFC is not always getting the best prices possible for their properties; and because of volume, non-designated brokers' selling agents are leaving to join Designated Brokers' firms, which could eventually eliminate the small brokerages.

Brokers also complain that designated brokers cause unnecessary repairs to be accomplished. This is more of an overall perception rather than a condition supported by concrete examples. It is also an allegation difficult to prove or disprove from paperwork after the fact. Who can tell, after the work is done, the property sold, and a new family moved in, whether the carpet really needed to be replaced and the walls repaired? Rather, it requires close monitoring by AHFC property disposition staff at the time the work is being authorized and completed.

Another complaint is that designated brokers have so many listings that they are unable to respond in a timely manner to inquiries and offers from other agents.

Some brokers believe designated brokers are removing valuable fixtures and personal property from REOs, and thereby unfairly benefiting on a personal basis. AHFC's marketing guide says that the seller/servicers are responsible for disposing of personal property. Again, this is something more effectively monitored during the marketing process than after-the fact.

MGIC Complaints

MGIC's primary concern is that designated brokers are too busy to adequately market the REOs. Its concern is that the properties bring the best price possible, which requires healthy competition within the real estate community. MGIC believes that non-designated brokers are not actively trying to sell AHFC REOs because of difficulty in working in the system, and bad feelings about the program.

Conclusions

Many of the complaints about the program are the results of an inherent contradiction in AHFC's role as a government entity and player in the real estate market. It is perceived that because it is a government entity, AHFC should operate differently than private sellers when marketing its REOs. On the other hand, AHFC is judged largely on its financial performance, and must make decisions regarding property disposition which are sound business decisions. As AHFC revises its property disposition program (see Recommendation Nos. 2 and 3) it should consider the complaints, weighing its two roles and the financial impact of its decisions.

The following are examples of issues it can address as it makes changes.

Since real estate brokers are primarily specialists in selling, AHFC should revise its system to eliminate some of the designated brokers' paperwork. For example, it should expedite the installation of an automated system for paying REO utility bills, to eliminate one designated broker task.

It should follow the State of Alaska's Procurement Code requirements that contractors name subcontractors they will use, thereby reducing time in justifying use of specific contractors and eliminating procurement problems.

It should establish a maximum length of time between REO assignment and listing with MLS, to ensure adequate market exposure. When this time period is exceeded AHFC should review the property to determine whether extraordinary repairs were required causing delays, or whether the property should be reassigned.

It should develop a system in which representatives of MGIC, the seller/servicer, AHFC, and the broker meet together to inspect the property and agree to a work plan. If all parties sign off on tasks, responsibilities, and anticipated costs, at the outset, the marketing process will be streamlined.

It should meet with all interested brokers to determine whether the real estate industry will cooperate in a system which includes a "bid receipt" period. During this time, for example 10 days after first listing a property with MLS, AHFC would accept offers to purchase. It would open them simultaneously at the end of the time period, and accept the best offer, or accept none, if none were considered reasonable. Although this suggestion would eliminate the charges of "pocket listing" advantage, it is a departure from standard real estate practices and would require agreement by real estate professionals.

Although AHFC is striving to reduce the administrative tasks of designated brokers, it nonetheless relies on them for paperwork processing. Therefore it should evaluate proposals from brokers largely on the management capacity of its agency and the number of personnel assigned to manage AHFC listings, rather than the number of selling agents. This should alleviate the concerns of the smaller agencies that only the large agencies can sell AHFC properties, because theoretically, if a property is well-managed and marketed, any agent can sell it.

The discussion on broker performance in Recommendation No. 3 indicates that those Anchorage brokers who performed the "best" overall, sold the fewest condominiums. Those who sold the most condominiums ranked the lowest overall. Because condominiums are a serious problem for AHFC, it should include separate criteria for condominium brokers in its new program, selecting those with records of successfully marketing condominiums.

RECOMMENDATION NO. 5

AHFC should ensure that its property disposition, insurance claims, and data processing divisions are staffed with adequate professional personnel to manage the REO activities.

The property disposition and insurance claims processing divisions, which administer the Designated Broker program, are seriously understaffed. Personnel are managing caseloads of up to seven times industry standards, and authorizing over $1 million in REO expense payments each week. The result is expensive, both to AHFC and to Alaskans who need AHFC's prompt and thorough service. Resources should immediately be approved to staff the program at a level commensurate with its value and importance to the state.

Through September 1988, AHFC's property disposition staff and accounting had administered $45 million in AHFC out-of pocket expenses for REO repairs, maintenance, and marketing for properties whose mortgage values at foreclosure totalled over $566 million. Sales prices on the REOs continued a downward trend, increasing the loss on sales to an aggregate of more than $55 million. The properties had accrued $97.4 million in unpaid interest since going into default. For its "at-risk" properties, AHFC pays these expenses, and for those covered by insurance, AHFC is reimbursed only for appropriate expenses incurred in a timely manner.

Although we cannot accurately predict what amount of these costs will be recovered, at June 30, 1988, AHFC had $17 million in REO loan receivables. They had reserved $6.7 million, or almost 40 percent of that as unlikely to be collected.

AHFC's loan losses and REO expenses increased from $27 million at the end of FY 1987 to more than $71 million at the end of FY 1988, resulting in a net loss of $12.6 million to the corporation (see Graph 1).

AHFC's current system lacks adequate controls to prevent AHFC from paying for unnecessary work, for inflated bills, and for erroneously billed items. The staffing level does not permit adequate site visits for inspection of repairs and maintenance. It does not provide a means to confirm the broker's opinion of value for pricing the property. It does not allow thorough review and follow through when insurance claims are reduced by insurance companies. It does not permit timely response to offers to purchase properties.

Staffing has a direct correlation to REO expenses. For FY 1989, AHFC received permission to add 19 positions, at least 10 of which were directly associated with property

disposition tasks. In the third quarter of 1988 average expenses for REO units began decreasing. Staffing is also related to REO. Buyers get frustrated if offers to purchase are not processed quickly, and select other properties or decide not to purchase. Brokers and selling agents get frustrated and sell non-AHFC properties instead.

Conclusion

Given the rates of sale and numbers of REOs, AHFC should not expect property disposition activities to decrease during the next two years. Its exposure increases as pool insurance policies come close to being exhausted and insurance companies go bankrupt. Until its REO inventory is considerable reduced, AHFC should direct adequate staff and resources to their management. Some of this staff must be directed to updating and improving the database and computer system (see Recommendation No. 6). AHFC will not save money by inadequately staffing for property disposition tasks.

RECOMMENDATION NO. 6

AHFC should code its REO expenses and receipts by category and consistently enter other necessary REO-related data.

Summary

In its computerized database, AHFC currently records most REO-related expenses with the same code, uses a "miscellaneous" code for many types of REO receipts, and inconsistently enters information for other data fields. This means it is impossible to isolate costs for any specific types of income and expense, making evaluation and informed management decisions difficult. Given the impact of the REO disposition function's performance on the overall financial performance of the corporation, AHFC must be able to evaluate its components.

Current Situation

AHFC's foreclosed properties database file showed $44.7 million in expenditures as of September 25, 1988. With a few inconsistently-applied exceptions, all expenses in this file had the same code. For example, reimbursements to banks for attorney fees for foreclosure activities, reimbursements to brokers for maintenance and utility costs, and payments to contractors for repairs and restoration all had the same expense code. Some property management fees were coded separately, but others were recorded in the primary expense code. While some costs can be isolated by grouping payments to vendors, this is a cumbersome method of analysis, and still does not provide cost breakdown by activity.

Also, certain receipts needed for analyzing the overall property disposition function performance, such as amounts collected from banks for insurance deductions, are coded as miscellaneous income and cannot be separately identified.

We also found that other data which is essential for program evaluation, such as dates and amounts of pool insurance claims filed, listing and selling brokers' codes, net proceeds from sales, and dates for broker assignments was not consistently and/or accurately entered.

Why Is The Database Incomplete?

AHFC's organization and computer system was originally designed to support financing activities, not property management and disposition activities. It has tried to add information as experience indicates the need. However, its data processing staff does not have positions available

to develop new systems, and data entry personnel are often temporary employees, who leave the positions before they are completely trained in the jobs.

Why Is It Important To Improve The Database?

AHFC daily makes decisions regarding financing and marketing strategies that rely on accurate information. A small example might be carpeting. AHFC replaces the carpeting in many of its REOs, and the competitive bid process for this task is handled by the listing broker. Perhaps AHFC could save money by selecting carpet vendors based on per yard prices, who would work with all brokers. Performing a cost analysis is difficult. Currently we can't call up carpet expenses per unit, except by vendor. That method would work only if all carpet costs were paid directly to carpet vendors, who were easily identified as carpet vendors in the database, and if data processing personnel were always available to run special programs to answer such queries. That was not the case.

Other examples can be seen in attempts to evaluate brokers and seller/servicers. We wanted to know which brokers were spending more on expenses per unit and whether or not increased expenses increased the sales prices. However, we could only separate costs for REOs by vendors, which helps if vendors are clearly identified as to function. They are not. Therefore in this report, expenses per REO include banks' costs and brokers' costs. Further, in the banks' costs we can't separate attorney costs for foreclosures from winterization costs; for brokers' expenses we can't tell how much is the payment of utility bills and how much is for cleaning and maintenance.

AHFC has lost millions of dollars in reductions of insurance claims, when insurance companies decide that certain parts of the claim are ineligible for reimbursement. While AHFC has come to realize this is an expensive problem, its database does not quantify the difference between the claims submitted and the reimbursements received.

Other data gaps, such as missing dates for insurance and property disposition tasks, and inconsistently-entered data make overall program evaluation difficult.

Conclusions

AHFC's property disposition functions have a significant impact, not only on the corporation's overall performance, but on many sectors of Alaska's economy. Real estate professionals, individual home owners, financing institutions, institutional sellers, carpenters, painters, maintenance companies, carpet layers, electricians, and plumbers are all affected by AHFC's marketing decisions.

AHFC needs to improve its database for REO properties to facilitate informed decisions and accurate information. This will require a commitment of resources to data processing for property disposition and insurance claims functions.

RECOMMENDATION NO. 7

AHFC should develop a Request for Proposals to solicit contractors for property management functions.

Summary

During the past year AHFC has paid per unit property management fees to designated brokers for maintenance of certain condominiums which are either "unmarketable" or whose marketability is in dispute with MGIC. This conflicts with AHFC's policy not to pay flat rate management fees for its REOs. Although these fees were initially paid because MGIC pre-approved them at the brokers' request, MGIC has since denied all claims on the condominium developments in question. AHFC will dispute the decision; it is not clear whether AHFC or MGIC will ultimately be responsible for the fees. Other brokers who are listing condominiums which are not selling feel this is unfair because they are not allowed to charge flat rate fees.

Situation

Currently AHFC is paying monthly $30 per unit management fees to Fortune Properties, Inc. for 68 units in the Village I & II condominium projects, and to Heritage Homes for 33 units in Northwest Village condominiums.

In April and May of 1987, the brokers negotiated the management fee with MGIC, arguing that because certain improvements had not been made, the units were unmarketable. The completion of improvements was pending agreement between MGIC and AHFC on necessary repairs and financial responsibility.

AHFC management told the brokers it would not approve the fees because it was against AHFC policy. MGIC informed AHFC that it had approved these fees. The brokers then began billing AHFC for the fees and AHFC paid them, planning to recover the costs from MGIC.

Since then, MGIC began denying all claims on those properties because of the unresolved disputes over needed repairs and restoration. AHFC has continued to pay bills on the properties, anticipating that MGIC will approve a portion when agreement is reached on restorations.

AHFC assigns all the units in one condominium development project to the same broker. The projects in question had been assigned to the brokers before the controversy began.

The Need for a Contract

At the end of September 1988 AHFC had sold a total of 225 condominiums, after holding periods (the length of time in AHFC ownership, from foreclosure to sale) averaging 316 days. However, the average holding period for unsold condos listed with designated brokers on September 25, 1988 was 324 days. Of its 1700-unit unsold condominium inventory, 940 had been REO longer than 300 days and 546 were over 500 days old.

AHFC is developing special programs directed at stabilizing the condominium market. These will require that some developments be treated differently than others, and some will be removed from the market.

Property management is a contractual service which is covered by the state's Procurement Code.

Conclusions

The age of AHFC's condominium inventory indicates that most of the condominium projects are probably not being actively marketed by brokers because of slow sales. However, because AHFC expects the brokers to inspect each REO weekly, this really becomes a property management service and not a marketing service for those developments with little sales potential.

AHFC should contract for property management services for REOs not actively marketed. Upon evaluation of its portfolio, this might result in AHFC removing all condominiums from the Designated Broker program and placing them in a property management program.

Because AHFC did not use the state's procurement process when assigning condominium development projects currently requiring property management services to brokers, AHFC should solicit competitive bids for this service pursuant to the state's Procurement Code.

APPENDICES

AHFC BROKER CONTRACT CHRONOLOGY

March 31, 1986	First RFP issued. Not treated as Professional Services Contract under Code, so no Authority to Negotiate (ATN). Didn't specify number of brokers to be selected, but said it expected: 3 in Anchorage 2 in Mat-Su 1 Eagle River 1 Fairbanks North Star Borough 1 Juneau 1 Kenai/Soldotna 1 Ketchikan 1 Kodiak
April 30, 1986	RFP responses due. 35 reponses received; In house committee evaluated. Eventually 19 brokers were named as designated brokers.
September 19, 1986	Letter of award. Included AHFC performance expectations. Not clear when each broker was named. Each had submitted a proposal, and they were to perform according to the RFP requirements and basic guidelines provided by AHFC. 90-day Listing agreements were to be contracts.
October 16 & 24 1986	AHFC signed agreements with 2 brokers, The Home Team and ReMAx of Fairbanks. Each had submitted an Addendum to Listing Agreements which AHFC's special credits manager signed.
Approximately November 1, 1986	Seems to be when Designated Broker program really began.
January 10, 1987	AHFC signed a similar contract called a Marketing Agreement with Designated Broker, Alaska Coastal Homes.

January 14, 1987	Letter to all Designated Brokers regarding problems to date.
March 15, 1987	RFP to add a broker in Fairbanks issued.
April 30, 1987	Responses Due. Records indicate five responses received. Realty Co. of Ak (Coldwell Banker/Greatland) ranked highest.
November, 1987	Change in program - now AHFC pays contractors directly. Prior, brokers had paid contractors up to $5,000 and been reimbursed. Over $5,000 advance was possible. Change implemented to reduce cash required by brokers, and reduce time to payment for contractors.
Summer, 1988	Change in program - now brokers are asked not to use firms with owners with whom they have a business or family relationship for routine maintenance.
August 31, 1988	A third RFP for up to 7 more brokers issued for the following areas:

Kenai/Soldotna	1
Kodiak	1
Fairbanks (up to)	2*
Anchorage (up to)	2*
Wasilla (up to)	1*
Maximum to Select	7

* Actual number to be determined by inventory at time of proposal review

(There are now 19 Designated Brokers. There were 20, but Re/Max of Fairbanks was cancelled and is now in a lawsuit with AHFC. The new brokers would make it 26.)

August, 1988	ReMax of Fairbanks agreement cancelled and all listings reassigned due to lawsuit stemming from conflict between listing addendum and program policy.
August 31, 1988	30 day cancellation notice sent to all Designated Brokers, together with new standard contract.
September 30, 1988	28 RFP Responses Received by AHFC.
	Signed contracts from Designated Brokers due to AHFC.
December 6, 1988	No award of contracts on the last RFP announced, pending audit.
	Eight signed contracts received; none executed pending audit.
	No listings cancelled pending action.

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PROPERTY DISPOSITION DATA THROUGH 9/25/88

EXPLANATION OF DATA

The data in this report was extracted from AHFC's computerized foreclosure data base. It covers REO activities through September 25, 1988.

Because of inconsistent data entry, we got slightly different numbers when we extracted information according to broker and according to property type over time, in order to classify REO properties as "Sold" and "Unsold". However, we do not believe that these differences skew the overall picture provided by the data.

Therefore, although there are some gaps, we feel there is sufficient data to present the following overview information. We also suggest additions and changes to the database in other sections of this report.

Definition of Terms

Accrued Interest: A calculation of interest accruing on the loan balance at foreclosure, computed from the interest paid-to date, and the date of sale, at the interest rate for each mortgage. Where mortgage insurance proceeds are received prior to the date of sale, accrued interest is reduced by the calculation of interest on the mortgage insurance proceeds between the date of their receipt and the date of sale at the interest rate for the mortgage.

Disposal Date (or Date of Sale): The date REO is sold or ownership is otherwise conveyed from AHFC to new owner.

Designated Brokers: Real Estate brokers selected by AHFC to list its REOs for sale.

Expenditures: The sum of all out-of-pocket expenses AHFC paid for repairs, maintenance, and foreclosure for the unit.

In the twenty months between January 1987 and October 1988, AHFC paid out $44.7 million to brokers, seller/servicers, and vendors for property maintenance, utilities, advertising, repairs, renovations, cleaning, snow removal, lawn care, legal fees, property owners fees, taxes, and other costs.

These are amounts generated by AHFC properties, but are not, for the most part, costs to the state. AHFC is reimbursed for most of its out-of-pocket expenses on properties through PMI insurance and pool insurance providers such as Mortgage Guaranty Insurance Corporation (MGIC).

However, if AHFC wrongly pays costs, they are not reimbursed.

Because of the way AHFC coded expenses, we could not separate the expenses associated with the foreclosure process conducted by the seller/servicers, and those associated with the marketing process conducted by the brokers. However, since this condition was true for all properties in the data, we used the expenditure total to compare brokers with each other. MGIC uses $3,000 as average seller/servicer costs for foreclosure, taxes, rekeying, and maintenance.

Holding Period: The number of days between the date of foreclosure and the date of sale, used to gauge market time.

AHFC has not kept a record in the database of the date the property is listed with the Multiple Listing Service. Therefore we could not calculate the time between foreclosure and listing on the market.

The holding period, then, does not truly reflect the time a property is "on the market", because it includes the time when the property was being made market ready. Because this condition was true for all properties in the data, we use the holding period to compare sales time. We understand that each broker has some properties which required extensive repairs or were held longer for other reasons.

MGIC: Mortgage Guaranty Insurance Company, AHFC's largest pool insurance provider.

Pool Insurance: Insurance policies which cover pools of mortgages in particular bond funds rather than covering individual properties. Coverage is used on a "first come first serve basis".

REO: Real Estate Owned - properties to which AHFC holds title, usually acquired through foreclosure or bankruptcy proceedings.

Sales Loss: The difference between the balance at foreclosure and the sales price.

Sales Price: The price paid by the purchaser to buy an REO from AHFC.

Selling Costs: Sales price minus the net proceeds to AHFC. this includes selling and listing commissions.

Seller/Servicers: Financial institutions that originated AHFC-backed mortgages, or purchased such loans from originating institutions, and now service the loans.

Sold Properties: Records with a date of sale and a sales price.

Total Costs: The sum of accrued interest, expenditures, mortgage balance at foreclosure, and selling costs.

Total Gain or Loss: Sales price minus the total costs incurred for a property from the time it becomes delinquent to the date of sale.

Unsold: REO properties with no sales price and no disposal or sales date.

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ALASKA HOUSING FINANCE CORPORATION
SCHEDULE OF LOSS ON FORECLOSURE SALES
SINGLE FAMILY RESIDENCES
January 1, 1987 through September 30, 1988

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	68	235	$ 7,698,101	$ 497,186	$ 850,049	$ 1,157,061	$ 10,202,397	$ 6,674,600	$ (3,527,797)
4/87-6/87	101	231	11,216,919	834,655	1,151,401	1,668,963	14,871,937	9,575,030	(5,296,907)
7/87-9/87	113	224	12,060,195	892,031	1,050,046	1,744,516	15,746,787	9,924,851	(5,821,936)
10/87-12/87	155	257	16,255,107	1,474,574	1,402,803	2,671,896	21,804,380	12,803,535	(9,000,845)
1/88-3/88	141	284	14,484,885	1,684,611	1,190,140	2,450,593	19,810,229	10,782,865	(9,027,364)
4/88-6/88	233	295	24,445,495	2,671,447	2,120,000	4,136,451	33,373,393	17,838,727	(15,534,666)
7/88-9/88	203	341	19,917,657	2,257,416	1,690,499	3,601,056	27,466,629	14,691,426	(12,775,203)
TOTALS	1014		$ 106,078,359	$ 10,311,920	$ 9,454,938	$ 17,430,536	$ 143,275,752	$ 82,291,034	$ (60,984,718)

QUARTERLY AVERAGES:

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	68	235	$ 113,207	$ 7,312	$ 12,501	$ 17,016	$ 150,035	$ 98,156	$ (51,879)
4/87-6/87	101	231	111,059	8,264	11,400	16,524	147,247	94,802	(52,445)
7/87-9/87	113	224	106,727	7,894	9,292	15,438	139,352	87,831	(51,522)
10/87-12/87	155	257	104,872	9,513	9,050	17,238	140,673	82,603	(58,070)
1/88-3/88	141	284	102,730	11,948	8,441	17,380	140,498	76,474	(64,024)
4/88-6/88	233	295	104,916	11,465	9,099	17,753	143,233	76,561	(66,672)
7/88-9/88	203	341	98,117	11,120	8,328	17,739	135,304	72,372	(62,932)

* Not adjusted for insurance reimbursement

ALASKA HOUSING FINANCE CORPORATION
SCHEDULE OF LOSS ON FORECLOSURE SALES
MOBILE HOMES
January 1, 1987 through September 30, 1988

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	13	251	$ 433,380	$ 51,223	$ 22,826	$ 52,610	$ 560,038	$ 223,500	$ (336,538)
4/87-6/87	44	242	1,689,444	169,834	97,022	199,095	2,155,395	917,139	(1,238,256)
7/87-9/87	110	330	4,303,253	592,851	189,458	624,245	5,709,807	2,019,250	(3,690,557)
10/87-12/87	89	288	3,098,196	449,553	140,705	427,198	4,115,652	1,303,225	(2,812,427)
1/88-3/88	107	379	3,373,376	695,385	118,603	554,482	4,741,846	1,071,730	(3,670,116)
4/88-6/88	287	409	9,199,500	1,693,115	394,173	1,598,784	12,885,571	2,657,816	(10,227,755)
7/88-9/88	210	443	6,764,711	1,205,781	345,830	1,291,804	9,608,126	1,790,238	(7,817,888)
TOTALS	860		$ 28,861,860	$ 4,857,742	$ 1,308,617	$ 4,748,218	$ 39,776,435	$ 9,982,898	$ (29,793,537)

QUARTERLY AVERAGES:

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	13	251	$ 33,337	$ 3,940	$ 1,756	$ 4,047	$ 43,080	$ 17,192	$ (25,888)
4/87-6/87	44	242	38,396	3,860	2,205	4,525	48,986	20,844	(28,142)
7/87-9/87	110	330	39,120	5,390	1,722	5,675	51,907	18,357	(33,551)
10/87-12/87	89	288	34,811	5,051	1,581	4,800	46,243	14,643	(31,600)
1/88-3/88	107	379	31,527	6,499	1,108	5,182	44,316	10,016	(34,300)
4/88-6/88	287	409	32,054	5,899	1,373	5,571	44,897	9,261	(35,637)
7/88-9/88	210	443	32,213	5,742	1,647	6,151	45,753	8,525	(37,228)

* Not adjusted for insurance reimbursement

APPENDIX C

ALASKA HOUSING FINANCE CORPORATION
SCHEDULE OF LOSS ON FORECLOSURE SALES
CONDOMINIUM UNITS
January 1, 1987 through September 30, 1988

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	8	342	$ 698,270	$ 30,516	$ 44,494	$ 113,091	$ 886,370	$ 508,000	$ (378,370)
4/87-6/87	5	288	507,136	32,946	35,613	75,244	650,940	358,500	(292,440)
7/87-9/87	24	292	2,257,924	166,881	153,156	358,176	2,936,135	1,441,200	(1,494,936)
10/87-12/87	23	313	1,969,422	187,331	128,423	345,177	2,630,353	1,048,050	(1,582,303)
1/88-3/88	31	335	2,717,900	280,741	212,510	453,294	3,664,445	1,612,320	(2,052,125)
4/88-6/88	47	417	3,816,204	444,858	265,081	709,101	5,235,243	1,944,131	(3,291,112)
7/88-9/88	54	420	4,692,547	392,442	344,147	901,970	6,331,106	2,492,900	(3,838,206)
TOTALS	192		$ 16,659,403	$ 1,535,715	$ 1,183,424	$ 2,956,053	$ 22,334,592	$ 9,405,101	$ (12,929,492)

QUARTERLY AVERAGES:

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	8	342	$ 87,284	$ 3,815	$ 5,562	$ 14,136	$ 110,796	$ 63,500	$ (47,296)
4/87-6/87	5	288	101,427	6,589	7,123	15,049	130,188	71,700	(58,488)
7/87-9/87	24	292	94,080	6,953	6,382	14,924	122,339	60,050	(62,289)
10/87-12/87	23	313	85,627	8,145	5,584	15,008	114,363	45,567	(68,796)
1/88-3/88	31	335	87,674	9,056	6,855	14,622	118,208	52,010	(66,198)
4/88-6/88	47	417	81,196	9,465	5,640	15,087	111,388	41,364	(70,024)
7/88-9/88	54	420	86,899	7,267	6,373	16,703	117,243	46,165	(71,078)

* Not adjusted for insurance reimbursement

ALASKA HOUSING FINANCE CORPORATION
SCHEDULE OF LOSS ON FORECLOSURE SALES
PLANNED UNIT DEVELOPMENTS
January 1, 1987 through September 30, 1988

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	2	458	$ 253,950	$ 13,748	$ 18,732	$ 40,616	$ 327,046	$ 208,900	$ (118,146)
4/87-6/87	11	161	1,265,763	77,818	178,729	160,494	1,682,804	1,066,111	(616,693)
7/87-9/87	10	239	1,088,410	96,470	93,605	151,004	1,429,490	903,000	(526,490)
10/87-12/87	9	278	977,028	72,725	76,632	159,656	1,286,040	766,900	(519,140)
1/88-3/88	20	366	2,148,290	231,892	250,965	410,762	3,041,909	1,539,200	(1,502,709)
4/88-6/88	17	290	1,906,050	209,632	158,634	299,957	2,574,273	1,476,300	(1,097,973)
7/88-9/88	27	335	2,770,899	336,910	206,466	498,577	3,812,852	1,946,901	(1,865,951)
TOTALS	96		$ 10,410,390	$ 1,039,195	$ 983,763	$ 1,721,066	$ 14,154,414	$ 7,907,312	$ (6,247,102)

QUARTERLY AVERAGES:

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	2	458	$ 126,975	$ 6,874	$ 9,366	$ 20,308	$ 163,523	$ 104,450	$ (59,073)
4/87-6/87	11	161	115,069	7,074	16,248	14,590	152,982	96,919	(56,063)
7/87-9/87	10	239	108,841	9,647	9,361	15,100	142,949	90,300	(52,649)
10/87-12/87	9	278	108,559	8,081	8,515	17,740	142,893	85,211	(57,682)
1/88-3/88	20	366	107,415	11,595	12,548	20,538	152,095	76,960	(75,135)
4/88-6/88	17	290	112,121	12,331	9,331	17,645	151,428	86,841	(64,587)
7/88-9/88	27	335	102,626	12,478	7,647	18,466	141,217	72,107	(69,109)

* Not adjusted for insurance reimbursement

APPENDIX C

UNSOLD SFRS LISTED WITH DESIGNATED BROKERS ON 9/25/88

Broker No. (Not rank)	No. Units	Total Forec Bal	Avg Fore Bal	Total Expend	Avg Expend	Total Interest*	Avg Interest	Total Costs	Avg Costs	Total Exposure	Avg Expos	Avg Hold
1 Marston	114	10,964,054	96,176	677,427	5,942	1,947,717	17,085	2,625,144	23,028	13,589,198	119,203	322
2 Re/Max	113	10,824,884	95,795	511,463	4,526	1,707,925	15,114	2,219,388	19,641	13,044,272	115,436	250
3 Vista	89	8,540,922	95,965	407,529	4,579	1,326,203	14,901	1,733,732	19,480	10,274,654	115,446	244
4 Heritage Anch	103	9,688,252	94,061	429,849	4,173	1,663,166	16,147	2,093,015	20,321	11,781,267	114,381	253
5 2001 Realty	69	6,329,677	91,734	269,912	3,912	960,464	13,920	1,230,376	17,832	7,560,053	109,566	231
6 Fortune	88	8,101,959	92,068	396,740	4,508	1,287,260	14,628	1,684,000	19,136	9,785,959	111,204	226
7 Realty	93	8,542,284	91,853	427,830	4,600	1,375,403	14,789	1,803,233	19,390	10,345,516	111,242	248
8 Re/Max ER	57	5,933,187	104,091	377,136	6,616	1,025,293	17,988	1,402,429	24,604	7,335,616	128,695	300
9 Jack White ER	70	7,423,046	106,044	491,656	7,024	1,365,366	19,505	1,857,022	26,529	9,280,068	132,572	291
10 Heritage Was	145	12,091,828	83,392	796,087	5,490	2,113,222	14,574	2,909,309	20,064	15,001,136	103,456	325
11 Marston Wasilla	145	11,969,301	82,547	997,189	6,877	2,199,585	15,170	3,196,773	22,047	15,166,074	104,594	349
12 Aurora	162	13,201,657	81,492	1,025,183	6,328	2,540,055	15,679	3,565,238	22,008	16,766,895	103,499	417
13 Coldwll/Grtlnd	198	17,314,536	87,447	1,323,423	6,684	3,978,837	20,095	5,302,260	26,779	22,616,796	114,226	253
14 Re/Max Fbx **	1	77,973	77,973	29,523	29,523	18,201	18,201	47,724	47,724	125,696	125,696	515
15 Dick Mueller	68	5,733,025	84,309	633,753	9,320	1,069,388	15,726	1,703,141	25,046	7,436,166	109,355	377
16 Homer Realty	15	1,462,278	97,485	62,027	4,135	269,777	17,985	331,804	22,120	1,794,082	119,605	254
17 Anderes	7	661,748	94,535	33,766	4,824	108,867	15,552	142,633	20,376	804,381	114,912	329
18 Northway	8	665,687	83,211	27,015	3,377	90,820	11,352	117,835	14,729	783,522	97,940	253
19 Home Team	63	5,822,851	92,426	319,652	5,074	969,383	15,387	1,289,035	20,461	7,111,886	112,887	292
20 Alaska Coastal	67	5,897,017	88,015	358,345	5,348	1,037,870	15,491	$1,396,215	$20,839	7,293,232	$108,854	274
All DB Listed SFRs	1675	$151,246,164	$90,296	$9,595,503	$5,729	$27,054,799	$16,152	$36,650,302	$21,881	$187,896,466	$112,177	296

UNSOLD SFRS NOT LISTED OR LISTED WITH NON-DESIGNATED BROKERS ON 9/25/38

Broker	No. Units	Total Forec Bal	Avg Fore Bal	Avg Expend	Total Expend	Avg Interest*	Total Interest	Avg Costs	Total Costs	Avg Exposure	Total Expos	Avg Hold
None Named	289	27,962,089	96,755	1,334,839	4,619	4,431,761	15,335	5,766,600	19,954	33,728,686	116,708	273
Leitch & Assoc.	9	889,960	98,884	60,876	6,764	152,734	16,970	213,610	23,734	1,103,570	122,619	254
Associated, Inc	9	737,511	81,946	50,259	5,584	115,567	12,841	165,826	18,425	903,336	100,371	269
Island Realty	2	152,687	76,343	0	0	15,752	7,876	15,752	7,876	168,439	84,219	52
Heritage Soldot	12	1,022,216	85,185	19,549	1,629	129,744	10,812	149,293	12,441	1,171,509	97,626	124
Beluga Realty	13	981,741	75,519	24,608	1,893	133,846	10,296	158,454	12,189	1,140,195	87,707	132
Freedom Realty	8	731,580	91,447	47,147	5,893	104,557	13,070	151,704	18,963	883,283	110,410	160
Heritage Kenai	4	285,297	71,324	23,005	5,751	41,426	10,356	64,431	16,108	349,728	87,432	207
Mt. Hayes	15	1,135,694	75,713	61,978	4,132	230,740	15,383	292,717	19,514	1,428,411	95,227	369
All Non-Designated	361	33,898,772	$93,902	1,622,259	$4,494	5,356,126	$14,837	$6,978,385	$19,331	$40,877,158	$113,233	262
TOTAL UNSOLD SFRs	2036	$185,144,936	$90,936	$11,217,762	$5,510	$32,410,925	$30,989	$43,628,687	$21,429	$228,773,623	$112,364	290

* Computed through 9/30/88

AHFC UNSOLD CONDOS BY LISTING BROKER ON 9/25/88

Broker	No. Units	Total Forec Bal	Avg Fore Bal	Total Expend	Avg Expend	Total Interest*	Avg Interest*	Total Costs	Avg Costs	Total Exposure	Avg Expos	Avg Hold
1 Marston Anch	186	13,079,970	70,322	953,891	5,128	2,582,755	13,886	3,536,646	19,014	16,616,616	89,337	463
2 Re/Max Anch	217	16,384,382	75,504	948,724	4,372	2,972,541	13,698	3,921,264	18,070	20,305,646	93,574	396
3 Vista	125	9,487,181	75,897	539,252	4,314	1,671,413	13,371	2,210,665	17,685	11,697,845	93,583	369
4 Heritage Anch	227	16,099,240	70,922	991,440	4,368	3,170,220	13,966	4,161,660	18,333	20,260,900	89,255	440
5 2001 Rlty	199	14,301,748	71,868	806,061	4,051	2,474,220	12,433	3,280,281	16,484	17,582,028	88,352	364
6 Fortune	295	20,091,117	68,105	1,001,547	3,395	3,675,714	12,460	4,677,261	15,855	24,768,377	83,961	396
7 Realty Cntr	159	12,121,883	76,238	661,268	4,159	2,262,307	14,228	2,923,575	18,387	15,045,458	94,626	391
8 Re/Max ER	9	692,503	76,945	34,336	3,815	156,450	17,383	190,786	21,198	883,289	98,143	517
9 Jack White ER	4	300,019	75,005	9,130	2,282	40,070	10,017	49,199	12,300	349,218	87,304	262
10 Heritage Was	0											
11 Marston Wasilla	0											
12 Aurora	1	79,604	79,604	6,150	6,150	27,872	27,872	34,022	34,022	113,626	113,626	1052
13 Coldwll/Grtlnd**	57	3,967,246	69,601	207,916	3,648	705,910	12,384	913,826	16,032	4,881,072	85,633	313
14 Re/Max Fbx **	0											
15 Dick Mueller	0											
16 Homer Realty	0											
17 Anderes	2	149,139	74,570	9,646	4,823	38,624	19,312	48,270	24,135	197,409	98,705	794
18 Northway	3	221,716	73,905	12,692	4,231	36,303	12,101	48,995	16,332	270,711	90,237	358
19 Home Team	38	2,638,094	69,424	154,491	4,066	519,673	13,676	674,164	17,741	3,312,258	87,165	439
20 Alaska Coastal	26	1,727,770	66,453	104,524	4,020	317,471	12,210	421,995	16,231	12,236	471	394
TOTAL LISTED W/DB	1548	$111,341,608	$1,094,363	$6,441,066	$62,821	$20,651,541	$218,999	$27,092,608	$281,820	$136,296,688	$1,293,970	403
0 No List Broker	168	12,374,055	73,655	686,434	4,086	1,771,615	10,545	2,458,049	14,631	14,832,104	88,286	216
TOTAL CONDOS	1716	$123,715,663	$1,168,018	$7,127,500	$66,907	$22,423,156	$229,544	$29,550,657	$296,451	$151,128,792	$1,382,256	363

* Computed through 9/30/88

UNSOLD MOBILES LISTED WITH DESIGNATED BROKERS ON 9/25/88

Broker	No. Units	Total Forec Bal	Avg Forec Bal	Total Expend	Avg Expend	Total Interest*	Avg Interest*	Total Costs	Avg Costs	Total Exposure	Avg Expos	Avg Hold
1 Marston Anch	3	162,285	54,095	4,696	1,565	27,152	9,051	31,848	10,616	194,132	64,711	193
2 Re/Max Anch	2	146,612	73,306	10,149	5,074	28,263	14,132	38,412	19,206	185,024	92,512	357
3 Vista	1	71,885	71,885	3,403	3,403	9,124	9,124	12,527	12,527	84,412	84,412	134
4 Heritage Anch	2	101,629	50,814	7,460	3,730	27,614	13,807	35,074	17,537	136,703	68,351	429
5 2001 Rlty	3	176,224	58,741	9,585	3,195	51,253	17,084	60,838	20,279	237,062	79,021	542
6 Fortune	0											
7 Realty Cntr	3	184,883	61,628	12,693	4,231	3,910	1,303	16,603	5,534	201,485	$67,162	320
8 Re/Max ER	3	163,817	54,606	18,558	6,186	53,417	17,806	71,975	23,992	235,792	$78,597	555
9 Jack White ER	5	349,623	69,925	46,622	9,324	91,006	18,201	137,628	27,526	487,251	$97,450	544
10 Heritage Was	11	557,483	50,680	38,916	3,538	136,864	12,442	175,780	15,980	733,263	$66,660	395
11 Marston Wasilla	12	750,631	62,553	51,632	4,303	205,972	17,164	257,604	21,467	1,008,234	$84,020	506
12 Aurora	11	552,695	50,245	34,933	3,176	136,041	12,367	170,974	15,543	723,669	$65,788	471
13 Coldwll/Grtlnd**	11	466,588	42,417	35,304	3,209	100,334	9,121	135,638	12,331	602,226	$54,748	342
14 Re/Max Fbx **	0											
15 Dick Mueller	6	264,660	44,110	23,892	3,982	44,962	7,494	68,854	11,476	333,514	$55,586	256
16 Homer Realty	1	27,385	27,385	0	0	3,436	3,436	3,436	3,436	30,821	$30,821	311
17 Anderes	0											
18 Northway	2	88,257	44,128	860	430	16,831	8,415	17,690	8,845	105,947	$52,974	151
19 Home Team	0											
20 Alaska Coastal	1	61,715	61,715	1,246	1,246	11,312	11,312	$12,557	$12,557	74,272	$74,272	266
TOTAL DB MOBILES	77	$4,126,369	$53,589	$299,946	$3,895	$947,489	$12,305	$1,247,435	$16,200	$5,373,804	$69,790	403

UNSOLD MOBILES NOT LISTED OR LISTED WITH NON-DESIGNATED BROKERS ON 9/25/88

Broker	No. Units	Total Forec Bal	Avg Forec Bal	Total Expend	Avg Expend	Total Interest*	Avg Interest*	Total Costs	Avg Costs	Total Exposure	Avg Expos	Avg Hold
None Named	476	14,755,562	30,999	3,469,252	7,288	3,656,836	7,682	7,126,088	14,971	21,881,650	45,970	674
Leitch & Assoc.	3	84,150	28,050	5,215	1,738	9,502	3,167	14,717	4,906	98,867	32,956	169
Heritage Re	1	37,024	37,024	2,244	2,244	5,559	5,559	7,802	7,802	44,826	44,826	182
Nat. Bank of Ak.	3	62,819	20,940	1,460	487	7,906	2,635	9,366	3,122	72,185	24,062	145
Western Enter.	279	8 240,519	29,536	713,261	2,556	1,092,763	3,917	1,806,024	6,473	10,046,542	36,009	226
Summit Logistics	21	438,413	23,258	44,639	2,126	54,080	2,575	98,719	4,701	587,132	27,959	163
Cldwll/Joe Shaw	6	197,812	32,969	5,555	926	20,713	3,452	26,267	4,378	224,079	37,347	127
TOTAL NON-DB MOBILES	783	$23,668,486	$30,228	$4,236,070	$5,410	$4,826,645	$6,164	$9,062,715	$11,574	$32,731,202	$41,802	496
TOTAL MOBILES	860	$27,794,855	$32,320	$4,536,016	$5,274	$5,774,134	$6,714	$10,310,150	$11,989	$38,105,006	$44,308	488

* Computed through 9/30/88

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Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

January 5, 1989

John Lucas
Office of the Governor
Office of Management and Budget
Division of Audit and Management Services
P. O. Box AM
Juneau, AK 99811-0199

Dear John:

The purpose of this letter is to respond to your division's draft audit entitled a "Management Review of Alaska Housing Finance Corporation's Designated Broker Program". In our response, we first provide an overview of the actions the Corporation is currently undertaking to evaluate our property disposal system. Given that context, we then provide responses to your recommendations.

I should note that from an overall perspective, we in general concur with both the analysis and the recommendations in your report. We believe the report fairly and accurately describes the situation, and is useful for shedding some light on this occasionally controversial topic.

At its December 9, 1988 meeting, the Board considered the status of the current designated broker contracts; and property disposition in general. With the recommendation of staff, the Board decided to review and reconsider the entire property disposition system. That is, rather than simply considering modifications to the present designated broker system, the Board concluded that it would be best to design a property disposition system that is the most appropriate for the current and expected future situations. No prejudgments were made with respect to using designated brokers, or a "HUD" system, or any particular method. Rather, the decision was made to adopt a very open process to design a new system, which may, of course, contain elements of the current system.

The process that is being utilized to design this new disposition system starts with a series of basic principles. Although we have not yet developed all of the principles that we expect to use, our initial thoughts are provided below.

RL34

1. The property marketing and property management functions should be segregated. The functions of marketing and management apparently do not mix. Excessive time is spent managing the property which takes away from effectively marketing it. A broker may not have the expertise in both areas. If a management fee was paid there may not be the incentive to market.

2. The selling representative should not have an inordinate amount of influence on the listing price. Their motivation is to sell properties. The Corporation's goal is to maximize property values. These may be cross-purposes.

3. The system should incorporate checks and balances. For example, the bidding process should be an arms length transaction and procedures should be established to assure this.

4. The system should be as equitable as practical. Services, where appropriate, should be compensated for. Listings and bid access should be broadly based.

5. Explicit and implicit incentives should be a part of the system as a means of furthering the goals of property disposition, i.e. a property manager may be paid a fee at the time a property is sold, therefore, they also have an incentive to see that the property is sold.

6. Performance criteria should be an aspect of the system. For a program to function effectively, measures of performance should be analyzed and corrective action taken or performance awarded accordingly.

7. The Corporation should have control and influence over the marketing function. For example, AHFC should be more visible and take a more active role in establishing listing values and negotiating sales.

8. All of the aforementioned 7 "shoulds" have to be integrated into a system with consideration being given as to their influence on the cost of the system. In otherwords, for the benefit received the costs must be appropriate.

The second step is to develop specific options that need to be considered, e.g., a designated broker-based system, open listings, and so forth. Third, extensive public hearings will be held to solicit input on these options, and obtain other suggestions that may be provided. Finally, the information so obtained will be used to present a series of options to the Board for their consideration and decision. The target date to present this information to the Board is March 1.

It appears that the process that has been adopted, along with the principles driving this process, is essentially what you have recommended in your report. This convergence of opinion regarding what needs to be done is reflected in our responses to your specific recommendations.

Recommendation No. 1

The AHFC Board of Directors should give clear direction to AHFC property disposition staff and the public regarding the Corporation's priorities for REO disposition.

We concur with this recommendation. The specific policies adopted by the Board in this regard will shape the property disposition system, as well as influencing the execution of the system. We expect that the Board will consider these questions and other related ones as part of its deliberations on the new property disposition system.

Recommendation No. 2

AHFC should issue a new Request for Proposals for all needed brokers in its Designated Broker Program. It should develop the RFP to reflect policies and priorities defined by the Board (see Recommendation No. 1) and sign standard contracts for services with the selected brokers.

We concur with this recommendation, as explained above. That is, any new property disposal system will have standard contractual relations with all participants.

Recommendation No. 3

AHFC should develop specific performance criteria from which to evaluate the performance of designated brokers on a regular basis. This criteria should be included in Request for Proposals soliciting interest from brokers, and incorporated into ensuing contracts. At a minimum, the criteria should reflect regional differences, and address:

- maximum time from assignment to listing with MLS;
- maximum repair and maintenance expenses per unit;
- pricing methodology;
- percentage of own listings sold by broker;
- percentage of all AHFC listings sold by broker;
- sales price as a percent of foreclosure balance and appraisal;
- average market time;
- average overall gross loss per unit;
- percentage of gross loss recovered by insurance (when the property is covered by pool insurance); and
- a review of the marketing strategy on all properties that are REO for 300 days or more.

AHFC should adjust its information gathering and management system to ensure needed data is consistently available for use in evaluations.

We concur with this recommendation, in that any disposal system should have performance criteria as an integral element. Furthermore, continuation of a contract should be based upon these criteria.

Recommendation No. 4

A revised property disposition system should ensure the broadest marketing effort possible.

We concur with this recommendation.

Recommendation No. 5

AHFC should ensure that its property disposition insurance claims, and data processing divisions are staffed with adequate professional personnel to manage the REO activities

We concur with this recommendation, and obviously have been doing our best to achieve this result.

Recommendation No. 6

AHFC should code its REO expenses and receipts by category and consistently enter other necessary REO-related data.

We concur with this recommendation. The REO database system for Claims Administration has been emerging based upon the needs and human resources allocated to manage the growing problem of foreclosed properties. AHFC has changed its recording method on REO properties and expenses effective January 11, 1989. From this date forward, expenses will be classified and recorded by type when they occur. This will enable the Corporation to extract, isolate and analyze expenses by category for further review.

Recommendation No. 7

AHFC should develop a Request for Proposals to solicit contractors for property management functions.

We concur with this recommendation, as detailed above. Actually, we are optimistic that our Condominium Stabilization Program will be successful in strengthening the market for condos and significantly increasing sales. Hence, condos should be able to be actively marketed, rather than warehoused.

As noted at the outset, our overall agreement with the report is reflected in our agreement with specific recommendations. We believe the report will be useful to us, and others. Finally, it must be mentioned that the report was done in the professional manner that we have come to expect from your division.

Sincerely,

Ron Lehr

Dr. Ronald D. Lehr
Executive Director

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

April 14, 1989

Members of the Legislative Budget
and Audit Committee:

In accordance with a Legislative Budget and Audit Committee special request and the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

A SPECIAL REPORT ON THE
DEPARTMENT OF REVENUE
ALASKA HOUSING FINANCE CORPORATION

April 14, 1989

Audit Control Number

04-4331-89-S

The objectives of this audit were to examine specific activities of the Alaska Housing Finance Corporation including the availability of unrestricted assets; relationships with seller/services; their designated broker activities; mortgage insurance collections; legal support; staff turnover; and loan declination policies and procedures.

The audit was conducted in accordance with generally accepted governmental performance auditing standards. Audit scope and methodology are discussed in the Objectives, Scope, and Methodology section of this report. Audit results may be found in the Report Conclusions and the Findings and Recommendations sections of this report.

Randy S. Welker

Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, we have examined specific activities of the Alaska Housing Finance Corporation (Corporation or AHFC).

Objectives

The following are the areas of concern addressed by the special audit request:

1. The amount of unrestricted assets and their availability for appropriation to the State's General Fund.
2. Seller/Servicer agreements with AHFC including related amendments, disputes, and settlements.
3. Designated broker program including restoration costs on the properties managed under the program.
4. Mortgage insurance collections.
5. Legal support.
6. Staff tur over.
7. Loan declination policies and procedures.

Scope and Methodology

Policies and procedures were reviewed which included: pertinent sections of Alaska Statute 18.56; regulations; minutes and recordings of public hearings, meetings, and executive sessions of the board; the Seller/Servicer Guide; memorandums to seller/servicers; draft of the Real Estate Owned Payables Manual; draft of the Property Marketing and Management Guide; and various outside and interoffice correspondence.

Audit tests were performed on a judgmentally selected sample of real estate owned files, excluding mobile homes, where the foreclosed properties had been sold between July 14, 1987 and September 30, 1988. The selection was made in this manner to provide a sample of files for which the loan had completed the entire process: loan delinquency to foreclosure of the property and then the subsequent property sale. In addition, audit tests were performed on statistically selected samples of declinations for loans under AHFC's regular programs during the period April 1988 through October 1988 and declinations for applications under the Home Owners' Assistance Programs between April 1988 and September 1988.

Reports from the Division of Audit and Management Services under the Office of Management and Budget in the Office of the Governor, and the Institute of Social and Economic Research, University of Alaska, Anchorage were also reviewed.

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ORGANIZATION AND FUNCTION

The Alaska Housing Finance Corporation was created in 1971 by an act (AS 18.56) of the Alaska State Legislature. The Corporation was established to assist in the financing, development, and sale of dwelling units within Alaska. Generally, AHFC accomplishes its objectives by functioning as a secondary market for qualified real estate and mobile home loans originated by financial institutions. In addition, the Corporation has special programs which are specifically designed to meet the housing needs of low and moderate income borrowers.

Due to the slowdown in the Alaskan economy since 1986 and the related decline in the housing market, AHFC has experienced high delinquency rates and foreclosures. In the past twelve-month period ending March 31, 1989, AHFC has foreclosed on 3,573 loans or $321,829,574, excluding mobile home loans. As of March 31, 1989, AHFC had an inventory of 3,957 real estate owned properties with the exclusion of mobile home type II properties, which compares to 3,751 properties as of September 1988.

AHFC had a net loss of $12,600,000 for FY 88. According to a report by AHFC, the net loss for FY 89 through February totalled $7,485,000.

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REPORT CONCLUSIONS

The results of our examination of the specific areas of concern addressed by the special audit request are as follows:

Unrestricted Assets and Their Availability for Appropriation to the General Fund

As of December 31, 1988, AHFC had approximately $600 million in unrestricted assets of which about $350 million is needed for loan purchases under its mortgage programs with the remaining amount committed to non-bondable mortgages and working capital based upon current operating practices and future bond sale assumptions. Since the level of projected loan purchases along with the required level of bonding and subsidies determines the amount of unrestricted assets necessary for operations, the need and extent of the mortgage programs must first be determined before monies can be reappropriated back to the State's General Fund. Also, the questions as to the legality of the legislature appropriating monies from AHFC, along with concerns relating to effects of such action on the Corporation's bonding, must be addressed before monies are reappropriated. See our Recommendation No. 1 regarding this matter.

In addition, AHFC should perform a reconciliation of amounts requested and received from legislative appropriations to the State Mortgage Insurance Fund to determine the disposition of $9,835,000 in appropriations. Also, the legality should be determined for: the 1985 transfer by AHFC of approximately $10.4 million in legislative appropriations from the State Mortgage Insurance Fund to its Revolving Fund for other corporate purposes; and a potential reappropriation to the General Fund of $2.7 million which was originally appropriated for insurance on loans purchased under the Insured Rural Mortgage Program for which the need for such insurance may no longer exist. Refer to Recommendation No. 2 for further discussion of these issues.

Seller/servicer Agreements

The seller/servicer agreement documents have not been amended since about 1983. However, the duties and responsibilities of the seller/servicers have been clarified and modified through the issuance of memorandums and changes to the Servicer Guide. The most significant of these changes was the transferring of property management responsibilities to the designated brokers for real estate owned (REO) properties, except mobile homes, effective October 20, 1986 and to management contractors for the mobile home REO's effective September 1987. The seller/servicers continue to service the current loans,

perform collection efforts on delinquencies, and process foreclosures. See Recommendation No. 3 which discusses deficiencies in the seller/servicers' performance and the related financial effects on AHFC.

Designated Broker Program

In January 1989, the Office of Management and Budget, Division of Audit and Management (OMB) released a report on the designated broker program. Recommendations made in the report included: establishment of property disposition priorities and policies by the board; issuance of a new Request for Proposals (RFP) for designated brokers; development of performance criteria to evaluate the designated brokers; revision of the program to provide the broadest marketing of properties; improvement in the computer data for REOs and related transactions; and adequate staffing of the property disposition, insurance claims, and data processing divisions.

AHFC held public hearings in April on proposed changes to the designated broker program. Management is currently preparing an RFP along with written selection criteria and performance criteria. The revised designated program and the RFP is to be presented to the board members for approval in May 1989.*

During our audit, we reviewed a judgmentally selected sample of 30 REO files as previously described. A summary of the sample by property type with related total expenditures, sales proceeds and insurance receipts, along with the calculated gain or loss on the sale of the REO property after insurance reimbursements, is presented in Appendix A of this report. As shown in the summary schedule, much of the loss on the sale of the property is recovered through the receipt of insurance proceeds.

Public concerns have been expressed concerning what appears to be excessive repairs and restoration of certain properties owned by AHFC. Properties for which major repairs and restoration are completed generally have pool insurance coverage. As of March 31, 1989, approximately 65 percent of AHFC's real estate owned properties had pool insurance coverage.

In Appendix B a financial analysis is presented on two REO properties which had considerable restoration and repairs done to the houses prior to placing the properties on the market. Both properties had pool insurance coverage. As illustrated by the analysis, the decision by the AHFC staff to approve the repairs and restoration of the properties was

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* Subsequent to our audit, the board adopted at its May 23, 1989 meeting a revised concept for the designated broker program and approved the issuance of an RFP.

reasonable, even though $10,283 of restoration expenses in the one case and $43,245 in the other would not be reimbursed by the pool insurer. However, we do recommend that AHFC staff perform an on-site inspection of properties in need of repairs and/or restoration and prepare written financial analyses of the options to the Corporation prior to approval of such repairs. See Recommendation No. 4 for discussion of this and other recommended improvements in the controls over REO expenditures. Also, Recommendation No. 5 discusses improvements needed in the accounting for REOs.

In addition, we noted during our audit of the REO files that the controls over direct loans issued to facilitate the sale of REO properties should be improved (see Recommendation No. 5).

Mortgage Insurance Collections

Primary mortgage insurance claims are to be filed by the seller/servicer on behalf of AHFC. The servicing agreements with the seller/servicers stipulate they will indemnify and hold AHFC harmless against any and all losses, forfeitures, and any other costs, fees, and expenses that AHFC may incur as a result of the seller/servicers' failure to perform in accordance with the agreement or Servicer Guide. However, AHFC has not adequately monitored the performance of the seller/servicers to prevent reductions in primary or pool insurance claims nor have they consistently sought reimbursement from the seller/servicers for such reductions.

The reductions in pool insurance claims for untimely performance of foreclosures, along with other reductions based on a more restrictive interpretation of the pool policies by the pool insurer, are currently being contested by AHFC. For further discussion of this and the above-mentioned concerns relating to the seller/servicers see Recommendation No. 3. Also, see Recommendation No. 6 regarding the establishment of an accounts receivable system to properly account for amounts due from seller/servicers, insurance claims and other miscellaneous receivables.

Legal Support

Prior to FY 89, the Reimbursable Services Agreement (RSA) between AHFC and the Department of Law (DOL) only provided for part-time legal assistance. According to DOL management, due to budget cuts over the past several years DOL has experienced a staff shortage. Therefore, unless an agency provides for a full-time attorney position through an RSA, DOL's services are limited to its available manpower.

In July 1988, AHFC signed an RSA with DOL for a full-time assistant attorney general which allowed DOL to add a position to its staff to provide the legal services.

However, the position was not filled until January 10, 1989. The person hired for the position did not actually start providing legal services to AHFC until March 1989 due to the lack of a replacement to take her caseload with another state agency.

In summary, AHFC has not received sufficient legal services from DOL due to AHFC not contracting for a full-time position prior to FY 89 and then the lengthy hiring process of DOL for the position provided through the FY 89 RSA.

Staff Turnover

Based on an analysis of employee terminations for the eighteen-month period from July 1, 1987 through December 31, 1988, we determined AHFC had the following employee turnover rates:

Permanent positions	21.9%
Temporary positions	175.0%

In January 1989, the legislature approved a Revised Program to add 74 permanent positions to its staff. As of the end of our audit, AHFC had filled 23 of those positions. The additional permanent positions should provide AHFC with more continuity in its staffing.

AHFC's administrative budget with the additional staffing is now over $10 million. See Recommendation No. 6 which discusses the need for improved budgetary controls and more timely financial reporting.

Loan Declinations

Audit tests were performed on statistical samples of declinations for loans under AHFC's regular mortgage programs during the period April 1988 through October 1988 and declinations for applications under the Home Owners' Assistance programs between April 1988 and September 1988. We noted no material exceptions in our review.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The legislature should analyze the present need and structure of the State's residential financing programs and evaluate the potential legal and economic affects of any changes to such programs.

Finding there existed within the State a serious shortage of decent, safe, and sanitary residential/rental housing available at low or moderate prices, the legislature created AHFC in 1971. The act stressed the lack of federal, state, and private financing programs available to persons of lower or moderate incomes.

During its early years of operations, AHFC purchased only federally insured mortgage loans for low to moderate income borrowers. With the advent of economic prosperity in the State, the legislature removed income limitations of borrowers and increased loan amount limits in addition to expanding the mortgage programs to include mobile homes and rural homes. They appropriated over $1 billion to AHFC throughout the years for various subsidy programs and allowed the annual earnings of the Corporation to be recycled back into its operations. Presently, AHFC offers eleven mortgage programs, many of which subsidize the borrower, regardless of income.

As a result, AHFC has evolved into a major secondary mortgage investor which, during the period 1980 through 1984, purchased about 90 percent of all qualified real estate and mobile home loans originated by financial institutions. In 1986, with the decline in the housing market and the diminishing difference between AHFC's interest rates and those of the other lenders, the market share of the Corporation decreased to approximately 50 percent. As of December 31, 1988, the Corporation owned approximately 45,000 loans, had assets of approximately $5.8 million, and had bonds and notes outstanding of $3.8 billion. Though it currently is experiencing high delinquency rates and is facing an unstable housing market, AHFC's financial stability remains unshaken because of their conservative practices of overcollateralizing bonds outstanding and the multiple layers of mortgage insurance and guarantees backing mortgages owned.

With oil revenues significantly reduced in recent years and the stark reality on the horizon that Alaska's major revenue source will begin to decline, coupled with the public's general perception that government is too large and expensive, the legislature continues to be confronted with

the task of reducing the state's budget or finding new revenue sources. In 1986, the legislature approved a sale of $70 million of Department of Community and Regional Affairs, Housing Assistance Division (DCRA-HAD) loans to AHFC of which the proceeds from the sale were deposited in the State's General Fund. A subsequent year attempt was made to sell more DCRA-HAD loans to AHFC, but the governor vetoed the authorizing legislation. The legislature continues to eye the strong balance sheet of AHFC, which presently enjoys a $1.5 billion fund equity of which approximately $600 million is not pledged to outstanding bonds but is committed to non-bondable mortgages, loans in the process of being funded by a bond issue, or for working capital based upon current operating practices and future bond sale assumptions.

Alaska presently has an abundance of housing in many parts of the State which has resulted in a reduction of housing prices unlike the shortages and escalation of prices experienced during the economic expansion period. In addition, there are indications the mortgage program activities have peaked and are receding. With this in mind, we believe now is the time for the legislature to reconsider residential financing policies. There is evidence some legislators are already considering this by the introduction of Senate Bill 200, which essentially reduces the subsidy on some mortgage programs of AHFC.

However, due to the dynamic role AHFC plays in secondary mortgage financing in Alaska and the sensitivity of the bond market, it is recommended that a comprehensive review be made of all residential financing programs jointly, such as is proposed through introduction of Senate Concurrent Resolution No. 28, rather than using a piece-meal approach.* Not only should the mortgage programs of AHFC be scrutinized but all other state-sanctioned residential financing programs should be reviewed for continued need and duplicity. The Institute of Social and Economic Research, University of Alaska, Anchorage, which already has done extensive studies on housing and the related financing, could be called upon to perform such a study.

In addition, the legality of reappropriating funds from AHFC should be considered. The legislature obtained a memorandum in April 1985 from the attorney general's office which stated a direct appropriation from AHFC was legally defensible but that a statutory language change was advisable. At the same time, AHFC received an opinion from its bond counsel which questions the legality of the

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* Senate Concurrent Resolution No. 28 passed the legislature in May 1989.

legislature's ability to appropriate from AHFC. Also, the opinion raises questions as to the effect of such appropriations on the Corporation's bonds which are typically issued as general obligation bonds, meaning all the Corporation's assets are available to satisfy the bondholders, if necessary.

Once state residential financing policies are revised, a study could then be performed to determine the extent of capitalization and reorganization necessary to administer the reestablished programs. This study should include having a financial expert review AHFC's methods of debt management, such as the practice of overcollateralization of bond issues and the use of bond fund monies or collateral in excess of debt service needs where options under the bond covenants exist.

Potential results of the study, subject to the disposition of the above mentioned legal issues, could include the merging of DCRA-HAD programs into AHFC and eliminating related administrative costs, redirecting all or portions of the net income flow from AHFC to the State's General Fund, and/or reduction of the working capital needed by AHFC (which presently approximates $350 million) to operate its mortgage programs of which said reduction could be appropriated back to the State's General Fund.

Recommendation No. 2

The administration of the insurance funds should be legally clarified and performed in accordance with the statutes.

In 1975 the legislature created a special fund of the State to be known as the "State Mortgage Insurance Fund" which was established to provide insurance against losses suffered by AHFC on loans acquired under the Insured Mortgage Bond Program. In 1980 an additional account was added under the State Mortgage Insurance Fund (hereinafter referred to as the Insurance Fund) to provide insurance on loans acquired under the Insured Rural Mortgage Bond Program.

The Alaska Statute 18.56.095 states: "The Insurance Fund shall be held by the commissioner of revenue, subject to the power of the commissioner of commerce and economic development to enter into and perform agreements with respect to the use of money in the Insurance Fund." It further states: "The commissioner of commerce and economic development may enter into agreements with AHFC with respect to the exercise of any power or approval relating to the Insurance Fund under the statute." Based on that authority, the commissioner of the Department of Commerce and Economic Development entered into an agreement with AHFC on December 6, 1975, concerning the administration of the

Insurance Fund. The monies of the Insurance Fund are held in trust by a commercial lending institution pursuant to a custody agreement entered into by the State and administered by AHFC.

The legislature made the following appropriations to the Insurance Fund:

Insured Mortgage Insurance Account	
Chapter 211, SLA 1976	$ 500,000
Chapter 14, SLA 1977	2,000,000
Chapter 43, SLA 1978	1,720,000
Chapter 67, SLA 1978	2,880,000
Chapter 80, SLA 1979	6,000,000
Chapter 120, SLA 1980	12,500,000
	25,600,000
Insured Rural Mortgage Insurance Account	
Chapter 67, SLA 1978	1,000,000
Chapter 80, SLA 1979	825,000
	1,825,000
Total legislative appropriations	$27,425,000

According to the audited financial statements for the year ending June 30, 1984, the contributed capital in the Insurance Fund totalled $19,190,000, of which $17,590,000 was designated as contributions from the State and $1,600,000 as contributions from AHFC. Therefore, it appears $9,835,000 of the above-mentioned appropriations ($8,835,000 for the insured mortgage insurance account and $1,000,000 for the insured rural mortgage insurance account) were not deposited into the Insurance Fund. AHFC should perform a reconciliation of the amounts requested and received of the appropriations to determine the disposition of the $9,835,000 difference.

In addition in September 1984, based on an analysis of the fund requirement which indicated an excess of funds in the insured mortgage insurance account at that time, AHFC transferred approximately $12 million from the Insurance Fund to the general account of its Revolving Fund for other uses by the Corporation. The funds transferred consisted of $1.6 million of capital contributed by AHFC and $10.4 million of legislative appropriations.

The legality of the above was questioned by the deputy commissioner of the Department of Revenue who sent a memorandum dated January 2, 1985, to the attorney general requesting an opinion regarding these matters. To date a response has not been received from the Attorney General's Office. The request was assigned to an assistant attorney general on January 8, 1985. However, the file was closed on December 15, 1986 when he terminated his employment. Then

on September 24, 1987, the file was reopened and reassigned to another assistant attorney general. It currently has an assigned case number and is on the open case listing. The commissioner of the Department of Revenue should press for a response to the January 2, 1985 request for an opinion and the matter discussed below.

An additional legal issue should be clarified which relates to the disposition of appropriated capital contributions to the Insurance Fund when the bonds relating to the insured mortgages are redeemed and the loans are sold to other bond funds within AHFC's accounts. In 1988 the Insured Rural Mortgage Bonds were redeemed, the loans released were sold to other bond funds and are no longer designated by AHFC as loans insured by the Insurance Fund. The question arises then as to the disposition of the $825,000 deposited to the insured rural mortgage insurance account for the Insured Rural Mortgage Bond Program. Also, the legislature appropriated $630,000 to the Rural Housing Hazard Insurance Fund and the Rural Housing Title Insurance Fund which now may not be needed. The insured rural mortgage insurance account and the other two funds had fund equities as of December 31, 1988 totalling approximately $2,700,000 which were held in investments. There were no liabilities outstanding nor were there any loan loss reserves against the account or funds. Subject to the outcome of the legal opinion, these monies could be reappropriated back to the General Fund.

Another issue noted during the audit concerning the Insurance Fund is the December 31, 1988, financial statements of AHFC indicate a shortage may exist in the insured mortgage insurance account to cover potential loan losses. AS 18.56.095(e)(1) states the fund requirement is calculated as two percent of the unpaid principal amount of purchased loans or a percentage the Corporation and the commissioner of the Department of Commerce and Economic Development determines is actuarially sound for the operation of the Insurance Fund. As of December 31, 1988, two percent of the unpaid principal balances of the Insured Mortgage Bond Fund totalled $13 million while the insured mortgage insurance account equity only totalled $8.1 million, indicating a shortage of approximately $4.9 million.

In addition, the shortage may be increased through AHFC filing claims for losses against the insured mortgage insurance account. To date the losses recorded against the account have been based on estimates and AHFC has not filed any of the actual claims outstanding to determine the accuracy of those estimates. Also, AHFC is planning to purchase loans under the condominium stabilization program and sell those loans to the Insured Mortgage Bond Fund. These loans are to be insured by the insured mortgage insurance account which will increase the Insurance Fund requirement by approximately $1 million.

The commissioner of the Department of Commerce and Economic Development is required under AS 18.56.095(f) to determine the amount on deposit in the Insurance Fund on December 1 of each year and compare that amount to the fund requirement to determine if there is a shortage in the Insurance Fund. If a shortage exists, the commissioner is to request AHFC to transfer from any available funds the amount necessary to restore the Insurance Fund to the fund requirement. If sufficient funds are not provided by AHFC, the commissioner shall, no later than January 2, certify to both the governor and the legislature the amount required to restore the Insurance Fund. The amount necessary may be appropriated and paid to the Insurance Fund. Under section 205(c) of the mortgage insurance agreement with AHFC, it states: "Both the commissioner of commerce and economic development and AHFC are to determine the fund requirement." In addition, section (203) of the agreement states. "At any time the capital of the account has been equal to or in excess of the fund requirement for the preceding two years, the Corporation may withdraw from the Insurance Fund the amount in excess of the fund requirement, only to the extent that such withdrawals represent reimbursement to the Corporation for contributions to the capital of the Insurance Fund."

The last determination of the fund requirement was dated August 31, 1984, which showed the insured mortgage insurance account had an excess of approximately $12.7 million. It was after this analysis that AHFC, based on the criteria in section (203) as stated above, made the transfer of the $12 million to its Revolving Fund as previously mentioned. It should be noted the state accountant has included the Insurance Fund in the State's annual financial report as a trust fund of the State and shows a receivable due from AHFC for the $12 million. We believe it will be necessary for AHFC to transfer back to the insured mortgage insurance account all or a portion of those funds.

We also recommend AHFC file claims against the Rental Program Insurance Fund and prepare an analysis of the fund requirement in accordance with AS 18.56.093(f). The fund equity as of December 31, 1988 totalled a negative $4.3 million. In accordance with the statute, AHFC is to determine the fund requirement as a percentage of the loans purchased under the Residential Mortgage Bond Fund which is actuarially sound for the operation of the Rental Program Insurance Fund. On December 1 each year the Corporation is to determine the amount on deposit and compare it to the established fund requirement. If a shortage exits, the Corporation must certify in writing, by January 2 of the following year, to the governor and the legislature the amount, if any, required to restore the Rental Program Insurance Fund to the fund requirement.

Recommendation No. 3

AHFC should monitor the performance of its financial institutions and mortgage companies (hereinafter seller/servicers) and enforce the provisions of the related servicing agreements.

AHFC does not have adequate procedures in place to monitor the seller/servicers' performance relating to delinquencies and foreclosures. This is evidenced both by an analysis of AHFC's computer loan database performed by the Office of Management and Budget, Division of Audit and Management Services (OMB) and the results of a review of real estate owned (REO) files performed by us.

The sample of REO files selected for review consisted of the following:

No. of Seller/Servicers Represented in Sample	No. of Loans	Total Foreclosed Loan Balances
10	30	$3,037,263

Audit procedures included analysis of the timeliness of the tasks performed by the seller/servicers. In addition, the related primary mortgage insurance and pool insurance claims were reviewed for reductions designated by the insurer as being a result of inadequate performance by the seller/servicers. It should be noted, some of the audit procedures were not applicable to all the REO files. Also, in some instances, the procedure could not be performed due to insufficient documentation in the file. The results of our review of the REO files and OMB's analysis are discussed below.

Seller/Servicers' Responsibilities

AHFC contracts with seller/servicers to provide loan management services for the loans purchased by the Corporation. The contracts, referred to as servicing agreements, provide for a fee to the seller/servicers for their services which include: administering the collection and accounting of all loan payments and delinquencies; processing loan foreclosures; and filing primary mortgage insurance claims on behalf of AHFC for losses incurred due to foreclosures.

In connection with delinquencies and foreclosures, there are procedures which must be performed by the seller/servicers within specified time frames. These time frames are established by the AHFC Servicer Guide and the primary mortgage insurance policy, if the loan is insured. The timing requirements of the major procedures reviewed in our audit are as follows:

No later than the 95th day of delinquency, the seller/servicer is to submit form #SER-71 to AHFC requesting permission to accept a forbearance agreement, a liquidation plan, a deed-in-lieu, or to foreclose. (Servicer Guide, section 9002.03 (C))

Prior to April 1, 1988, AHFC was to respond to the #SER-71 request, within 5 business days of the receipt of the completed form. (Servicer Guide, section 9002.04) Effective on that same date, AHFC extended their response time to 15 days. (Seller/servicer memorandum #88-7)

A Notice of Default is to be filed with the district recording office by the seller/servicer within 120 days of delinquency, according to the Servicer Guide, section 9002.03(B). The time requirement of the primary mortgage insurance policies varies with each insurer but generally ranges from 90 to 180 days of delinquency.

Foreclosure sale of the property generally occurs 100 days after the filing of the Notice of Default. (AS 34.20.070)

The seller/servicer must file a primary mortgage insurance (PMI) claim on behalf of AHFC, which is usually required to be filed under the policies within 60 days of the date of the foreclosure sale.

Payment on the PMI claim should be received within 60 days of the filing of such claim. (Servicer Guide, section 9004.02 (D))

Seller/Servicer's Performance

Permission Requested and Given for Foreclosure:

OMB only analyzed the date AHFC gave permission to foreclose as, until recently, the receipt date of the form #SER-71 was not recorded in the loan database by AHFC. Their analysis of the time elapsed between the loan delinquency and the date AHFC gave permission to foreclose resulted in the following:

Period	No. of Loans Analyzed	Average Number of Days from Loan Delinquency to Date Permission Given
FY 1986	971	150
FY 1987	2,419	155
FY 1988	2,648	170
FY 1989	13	273
Total Loans	6,051	Average 161 Days

The average of 161 days compares to the 102-day time frame (95 days plus a maximum of 7 actual days to respond) prior to April 1, 1988 and the 110-day timeframe (95 days plus 15 days to respond) effective on that same date as previously stated. This comparison indicates a delay in receiving permission to foreclose on an average of between 51 and 59 days.

Legislative Audit was able to determine the time elapsed between the loan delinquency and the date of the receipt of the #SER-71 request form and, then, the time elapsed before AHFC responded to the request. The results of our review of the REO files are as follow:

No. of Loans	Average Number of Days from Loan Delinquency to Date Permission Requested/between Request & Given Dates
28	164 / 13

Based on the results of the review of the files, the seller/servicers on average were 69 days delinquent in submitting the form #SER-71 to AHFC. All the request forms within the sample were received prior to April 1, 1988. Therefore, AHFC was not meeting the 5 business day guideline, but it appears they should be able to stay within the revised 15-day guideline.

Filing Notice of Default:

AHFC does not record in its loan database the date the seller/servicer files the Notice of Default. Therefore, OMB did not analyze the performance of this individual procedure, but rather determined the average time elapsed from the loan delinquency to the date of the foreclosure sale. The results were as follows:

Period	No. of Loans Analyzed	Average Number of Days from Loan Delinquency to Foreclosure Sale Date
FY 1986	554	283
FY 1987	1,817	312
FY 1988	2,813	348
FY 1989	1,167	377
Total Loans	6,351	Average 337 Days

The average compares to the 190 to 280-day time frame (the 90 to 180 days required by the PMI policies for the filing of the Notice of Default, plus the 100 days after the filing to the foreclosure sale) which indicates seller/servicers have been on an average of 57 to 147 days in excess of the time frame. The results of our review of the 30 REO files were very similar as the average time elapsed from the loan delinquency to the foreclosure sale was 342 days.

Filing of the primary mortgage insurance claim:

As stated previously, the seller/servicer is required by the PMI policies to file a claim within 60 days after the date of the foreclosure sale. The insurer is to remit payment on the claim within 60 days of its filing. OMB determined the average time elapsed from the foreclosure date to the filing of the PMI claim was 36 days and the average time elapsed to the payment receipt date was 78 days. They did express some concern with a few of the seller/servicers' individual averages which exceeded the 78-day average. One possible explanation could be those seller/servicers had a disproportionate share of loans in foreclosure which were insured through a Veterans Administration (VA) guaranty, rather than a private mortgage insurance policy. The VA is not timely in paying claims, which is evidenced with our analysis of the REO files below:

PMI Insurer	No. of Loans	Average Number of Days from Foreclosure Sale to Date of Filing/Payment	
VA	8	33	210
other	16	27	77
Total Loans	24		

Effects of Seller/Servicers' Performance

The servicing agreements stipulate the seller/servicers will indemnify and hold AHFC harmless against any and all losses, forfeitures, and any other costs, fees, and expenses that AHFC may sustain as a result of any failure on the part of the seller/servicer to perform its services and duties as stated in the agreement or Servicer Guide. The Servicer Guide at section 9004.02 states it is expected the seller/servicer will reimburse AHFC if the primary mortgage insurer will not allow certain costs in the claim or if they cut off the amount of interest they will pay solely because the seller/servicer did not follow the required procedures.

According to AHFC management, it is policy to bill the seller/servicer for any reductions in either the primary mortgage insurance or pool insurance claims which are due to the seller/servicers' noncompliance with the PMI insurance policy requirements. A review of the claim documentation indicated the PMI insurers made the following reductions in insurance claims due to noncompliance with the policy requirements. The amount AHFC billed the seller/servicer for reimbursement is also noted.

No. of Loans	Amount of Reductions	Amount Billed to Seller/servicer by AHFC
18	$53,796	$4,778

In addition, the related pool insurance claims were reduced for the payment of interest and expenses related to the delays under the PMI policy requirements. Those reductions were as follows:

No. of Loans	Amount of Reductions	Amount billed to Seller/servicer by AHFC
11	$27,212	$5,036

A listing of amounts due from the seller/servicers dated January 17, 1989 totalled $1,271,639. However, based on the above differences in the amount of reductions identified by the insurers as being due to seller/servicers' untimely performance and the amount billed, the listing does not appear to be accurate. In part, this understatement of amounts due from the seller/servicers may be due to:

AHFC not having a system to properly track the billing and receipt of receivables other than loans (see Recommendation No. 6);

inconsistent policies among management staff relating to whether the seller/servicer should be billed for the pool insurance reductions which are being contested by AHFC, in view of the possible recovery of those funds from the pool insurer;

procedures for review of PMI and pool claims relating to reductions in determining the amount due from seller/servicers are not in writing to provide for consistency; and

the laxity of collections efforts which AHFC management attributes to a shortage in personnel.

As stated above AHFC is contesting the reductions on the pool insurance claims. A conflict exists between AHFC and the pool insurer as to whether the pool policy provides the insurer the ability to make reductions in claims for untimely foreclosures under the PMI policy requirements or their interpretation of the pool policy requirements. In addition, other claim reductions, such as property restoration costs, based on the pool insurer's interpretation of the policy are also being contested.

AHFC has sought legal advice and is presently negotiating with the pool insurer to recover all or a portion of the

reductions attributed to untimely foreclosures and other disputed interpretations of the pool policies. The pool insurer has generally applied more restrictive time requirements for initiating foreclosure proceedings than the PMI policies by requiring that proceedings be started by the 90th day of delinquency. The total contested reductions as of April 24, 1989 was $8,782,208. However, according to AHFC management the collection of these monies from the pool insurer has been impeded by the cashing of the claim proceeds checks which had a restrictive endorsement stating acceptance of the proceeds was settlement in full for the claim.

Recommended Improvements in Monitoring Seller/Servicers

A recommendation was made in the October 12, 1988 audit report on the mobile home loan program to improve the monitoring of seller/servicers by providing management reports of AHFC loan data to allow staff to review seller/servicers timeliness in performing critical tasks relating to foreclosure and to perform on-site audits of the seller/servicers who are in noncompliance with the time guidelines. In addition, OMB in a draft management letter dated February 28, 1989, also recommended use of automated reports to monitor the seller/servicers.

AHFC has recently developed a management report which will track loans beginning with the request for permission to foreclose through the date the PMI claim proceeds are received. The two seller/servicer auditor positions have been recently filled. On-site audits coupled with the regular review of the above-mentioned management reports should assist AHFC in reducing its losses in insurance proceeds due to seller/servicer performance.

In addition, we recommend AHFC management implement procedures to ensure the following:

- The date the seller/servicer files the Notice of Default should be added to AHFC's loan database since this is the critical date under the insurance policies for documenting timely initiation of foreclosure proceedings;

- A master set of PMI policies should be available for use by the AHFC loan servicing staff to determine the various policy requirements for comparison with the seller/servicers' performance.

- Written policies and procedures should be established relating to the insurance claim reductions to be reimbursed by seller/servicers, to provide for consistency.

- Collection efforts by AHFC staff for amounts due from seller/servicers should be enhanced and consistently applied.

- AHFC management should consider requiring the seller/servicer to meet the pool insurer's time frame for initiation of foreclosure when it is apparent the borrower is not able or is unwilling to comply with a forbearance agreement or liquidation plan to prevent foreclosure.

- AHFC should continue to pursue all legal rights to pool insurance proceeds under the policies.

In summary, AHFC's acceptance of responsibility to provide more effective monitoring of the seller/servicers' performance under the servicing agreements would help diminish the losses incurred by the Corporation.

Recommendation No. 4

AHFC should improve its controls over REO expenditures.

Additional audit procedures were performed on the 30 REO files selected for review to determine the adequacy of controls over the expenditures relating to the REO properties. The following exceptions were noted. Albeit somewhat individually immaterial as to dollar significance, but when considered in conjunction with discussions with staff and management, they indicate improvement is needed in the controls relating to the approval and processing of REO expenditures.

- Thirteen transactions totalling $29,129 in ten of the REO files required a total of thirty-two bids, but only ten bids had been documented in the files.

- Eighteen Maintenance and Repair Work Authorizations (WAs), which are used by the designated brokers to submit expenses for approval and payment, did not have the required written approval of the pool insurer. The expenses, which were paid between January and June 1988, totalled $16,769.

- Five WA's dated between February and June 1988 did not have written approval by the AHFC property disposition staff.

- Seven expenditure transactions recorded in the accounting system between December 1987 and November 1988, which totalled $2,278, did not have supporting documentation in the REO files.

- Three Claims for Reimbursement forms dated between March and June 1988 included expenses for property repairs. The inclusion of repair expenses on these forms rather than a WA does not allow for a review and approval by the property disposition staff who are familiar with the REO property, nor does it provide for approval by the pool insurer, if required.

- Two duplicate payments were noted totalling $1,223.

- The eight REO properties, which had restoration expenses totalling $14,690 that the pool insurer required AHFC to pay, had not been inspected by the AHFC property disposition staff.

- AHFC does not prepare a financial analysis of the options available where the pool insurer is requiring the Corporation to pay the restoration expenses on a REO property.

- Two of thirty-seven REO files requested for review could not be located. In addition, one file reviewed was a duplicated file as the original file had been lost.

The related policies and procedures to the above instances and our recommendations are discussed below.

In accordance with AHFC policy, a designated broker is to solicit from potential subcontractors: two bid proposals if the repairs are $500 but less than $2500 and three bids if the repairs total $2500 or more. Once the bids are obtained they are submitted to AHFC or the pool insurer for approval of the best bid (usually the lowest). However, as indicated above, the proper number of bids are not being evidenced in the file. Two possible explanations for this are: (1) the property disposition specialist for either AHFC or the pool insurer or both are approving repairs to be completed without the proper number of bids being obtained; or (2) the bids are not being properly filed or have been misplaced.

We recommend the copy of the WA submitted for payment after repairs are completed not only have the original invoice attached but also all bid proposals. This will serve a dual purpose by providing for a second verification for the proper number of bids and for a comparison of the invoice from the selected subcontractor to the bid amount prior to payment.

In January 1989, the REO payables staff developed written procedures for the processing of REO expenditures which require the written approval of an AHFC property disposition specialist and the pool insurer, if applicable, prior to

issuance of payment. Any invoice not properly approved is to be returned to the property disposition staff for review, and no payment is to be issued. In addition on February 9, 1989, a memorandum was sent to the designated brokers informing them all repair and maintenance expenses must be reported on a WA. A WA form is also being developed for use by the seller/servicers. Exclusive use of the WA forms for repair and maintenance expenses will ensure review and approval of these expenses prior to payment. The pool insurer has denied expenses on the insurance claims for not obtaining proper approval.

Of the $8,782,208 in insurance claim reductions being contested by AHFC as previously discussed, $972,071 were reductions due to the expense not being approved by the pool insurer. Adherence to the above-mentioned revised review and approval procedures should assist in preventing these type of claim reductions.

A computerized edit report was developed in November 1988 which compares specific criteria to assist in identifying duplicate payments. In addition, the Claim for Reimbursement form utilized by the seller/servicers and designated brokers for foreclosure and routine expenses, such as utilities and snow removal has been redesigned to allow for the input of individual expenses versus the entering of the total expenses on each form. Both of these changes should provide greater assurance that duplicate payments are not made for REO expenses.

A records retention system was established by AHFC in early 1989. Prior to this any staff member could pull files. An out card system was to be utilized but the cards were not always completed, leaving no record as to the location of the file. AHFC has performed file inventories and established controls over the access of the files which should diminish the loss of documents and/or files. An additional control over documents could be provided by establishing routine random file audits to ensure documents are being obtained and properly filed. Without supporting documents, AHFC is unable to submit expenses to its PMI and pool insurers for reimbursement.

We recommend AHFC property disposition specialists perform an on-site inspection of REO properties, especially those properties where the Corporation will incur the expense of repairs or restoration to the property. In addition, a financial analysis of the options, such as completing and paying for restoration costs versus loss of the pool insurance due to refusal by AHFC to pay such costs, should be performed and documented prior to a decision being made relating to major repairs of a property. AHFC property disposition management is in agreement and is presently developing an inspection form and financial analysis worksheet to be utilized by its staff.

The approval and processing of REO expenditures has been inconsistent due to unwritten agreements with the pool insurer and unwritten internal policies and procedures for AHFC. Steps have been taken by current AHFC management to correct this problem. In November 1987, AHFC began requiring the pool insurer's written approval for expenses relating to pool insured properties and a list of routine expenses was agreed upon in writing which would not require such approval. A Property Marketing and Management Guide was drafted by the property disposition staff in June 1988. However, it was not fully utilized due to the problems related to revision of the designated broker program. In addition, in January 1989 a REO Disbursement Procedures Manual was drafted to provide consistency in processing REO expenses.

AHFC should continue to develop written policies and procedures relating to REO expenditures and make necessary revisions in a timely manner. Accountability by the pool insurer, seller/servicers, designated brokers and AHFC will be improved through this process.

Recommendation No. 5

AHFC should improve its controls over direct loans.

During 1986 and 1987, the AHFC staff approved and issued approximately $4 million in direct loans to facilitate the sale of single-family and multi-family residences in AHFC's real estate owned inventory. The board nor the executive management of AHFC had approved such a direct lending program. The only approved direct lending program is for the sale of repossessed mobile homes. In April 1987, the board approved the program and written program criteria and procedures were established, which included a review process of the buyer/borrower's loan application by AHFC's underwriting staff.

The unauthorized loans were approved and the closing documents were signed by the previous property disposition manager. According to staff, some loans were also approved and signed by a prior controller. The practice of issuing these direct loans for sale of REO properties, other than for repossessed mobile homes, was stopped once the executive management of AHFC became aware of the problem.

The staff and management are currently issuing only direct loans to facilitate the sales of repossessed mobile homes in accordance with the established policies and procedures. However, as an additional control, we recommend the loan closing documents be signed by a member of the executive management, such as the Servicing Operations Director or Chief Operations Officer. This will provide a review by a management person who is not also directly involved with the approval of the sale of the REO property.

In addition to the above, we noted financial disclosures were not being provided to the borrowers who are obtaining a direct loan to facilitate the sale of REO property as required by the federal truth-in-lending regulation.

In general, the federal regulation applies to each individual or business that offers or extends credit when four conditions are met: (1) the credit is offered or extended to consumers; (2) the offering or extension of credit is done regularly; (3) the credit is subject to a finance charge or is payable by a written agreement in more than four installments; and (4) the credit is primarily for personal, family, or household purposes.

The direct loans are closed by various title companies and payments by the borrowers are made to an escrow department of a local commercial financial institution. Neither of which are acting in the capacity of a lender and, therefore, do not prepare the necessary financial disclosures. The AHFC loan closers should prepare and provide to the borrowers the financial disclosures as required by the federal regulation.

Legislative Audit in an audit report dated October 12, 1988 on the mobile home loan program recommended AHFC expedite the contracting with a single servicing agent to service loans made to facilitate the sale of repossessed mobile homes. Depending on the scope of services and responsibilities provided under the contract, the servicer may provide the financial disclosures. However, an RFP has not yet been issued to solicit bids for the servicing of these loans. According to management, they have not had the time to complete the project.

Recommendation No. 6

AHFC should implement necessary changes to its accounting and loan data systems to allow for proper accountability.

During the course of our audit, we noted several areas in which AHFC's accounting and loan data systems could be improved. The areas in need of improvement are discussed below along with our recommendations as well as recommendations from other auditors.

Accounting for REOs

The following problem areas relating to the accounting for REOs have been noted by us and other auditors:

- REO expenses, gains, and losses on sales of REOs, loan loss provision expenses, and loan/REO write-offs and write-downs have been commingled into a single general ledger account.

- REO loss write-downs have not been specifically identified with the individual REOs.

- Insurance proceeds are first applied to the REO balance, then to the related accrued interest receivable, and finally to the gain or loss on sale of the REO property. However, the accrued interest amount the accounting staff has been satisfying with the insurance proceeds is not the amount actually being accrued into income by the computer system. The data field which the accounting staff was utilizing was created to only provide management information and does not provide accurate totals of the accrued interest receivable on the REO.

- Currently, AHFC accrues interest on 75 percent of the loan/REO balance from the date interest was paid to the sale date of the foreclosed property to a third party, if the loan has pool insurance. If the loan does not have pool insurance, interest accrual is based on 100 percent of the loan/REO balance and ceases after 60 days from the paid-to interest date of the loan. The method of accrual should more closely reflect the interest income expected to be collected.

In the independent auditor's management letters for fiscal years 1987 and 1988, it was recommended AHFC establish separate general ledger accounts for each category of REO transactions, such as REO repairs and maintenance expenses, gains and losses on property disposals, REO write-offs/downs, and insurance reimbursements for expenses. Legislative Audit also recommended this in its audit report dated October 12, 1988 concerning the mobile home loan program. OMB further recommended, in its report on the designated broker program dated January 1989, AHFC utilize separate transaction codes for the various types of REO receipts and expenses, i.e., receipts from seller/servicers for reimbursement of insurance proceed reductions, legal expenses, maintenance and utility expenses, repair expenses, etc.

Since January 1989, AHFC has been properly tracking the REO write-downs with the specific REO and those write-downs have been recorded in a separate general ledger account. In addition, individual transaction codes have been assigned to the various types of REO expenses. These changes, in part, will improve the accountability of REO transactions. However, we recommend AHFC further segregate the categories of REO transactions as recommended by its independent auditors and review and revise its interest accrual on loans/REO's.

Accounts Receivable System

The independent auditors of AHFC, in their management letters for fiscal years 1987 and 1988, recommended the Corporation develop an accounts receivable system for reimbursable expenses under the insurance policies and for amounts due from the seller/servicers.

AHFC has developed a schedule of receivables due from the seller/servicers on its micro-computer. However, as stated in Recommendation No. 3, the listing is not accurate and a system is needed to properly track the receivables. Insurance receivables are still estimated based on REO expense transaction activity, which does not provide for identification of the amount of non-reimbursable expenses nor the difference between the amount of the insurance claim and the amount received.

AHFC should develop an accounts receivable system as has been previously recommended.

Controls Over Computer Data

OMB noted in its report on the designated broker program that data essential for program evaluation, such as dates and amounts of pool insurance claims filed, listing and selling brokers' codes, net proceeds from sales, and dates for broker assignments, was not consistently and/or accurately entered into the computer system.

We noted in our review of the 30 REO files that 25 files had an incorrect date entered for permission to foreclose from AHFC. This problem, in part, may have been resolved with the addition of a field to provide the date permission to foreclose was requested by the seller/servicer.

AHFC should provide for proper controls over data entered into its computer system. These controls could include batch controls and/or additional output/edit reports provided to the originator of the information. In addition, written computer user manuals with descriptions of data fields would help provide consistency as to the information entered into each data field.

Budgeted Expenditures

AHFC is required by AS 37.07 to submit a budget for its administrative operating expenditures. The legislature appropriates the funds to be expended for such expenses from AHFC's unrestricted receipts. Expenditures or obligations may not exceed the amount appropriated.

In order to ensure expenditures do not exceed the budgeted/appropriated amounts, it is necessary to compare the amount actually expended to the budgeted amounts. This not only is prudent in view of the legislative requirements but is necessary for proper management of any business operation. However, we noted the actual expenditures were not compared to the budgeted amounts for FY 89 until January 1989, almost halfway into the fiscal year. This was due to miscommunications between the accounting staff and the person responsible for the budget.

In addition, the accounting system and method for preparation of the budget does not provide for accountability by the departmental management. The budgeted categories are not broken down to the department level but rather only reflects the amount to be expended in total by the Corporation.

We recommend AHFC implement a budgeting system that provides for departmental accountability of administrative operating expenditures, the monitoring and preparation of the budget be transferred back to the controller, departmental management be included in the budget preparation process, and monthly budgeted versus actual expense reports be provided for review.

Financial Reporting

Currently, monthly financial reports/statements are not completed until six weeks or more after the month end. This is largely due to the delay in obtaining financial activity relating to the various bond funds from the trustees.

However, the Finance Director stated it is possible to receive this financial activity through a down loading process of accounting information from the trustees. We recommend AHFC pursue the possibility of this method of obtaining the necessary monthly financial accounting activity to provide the management and the board more timely financial information.

APPENDIXES

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APPENDIX A

DEPARTMENT OF REVENUE
ALASKA HOUSING FINANCE CORPORATION
SUMMARY OF REO FILE SAMPLE

	Single-Family Residence	Planned Unit Development	Condominium	Duplex	Four-plex	Totals
No. of Units	20	4	4	1	1	30
Loan Balance @ Foreclosure	$1,997,515	$397,474	$321,037	$65,097	$252,931	$3,034,054
Foreclosure Costs	66,174	13,734	8,857	4,745	7,175	100,485
Holding Expenses	101,413	27,164	21,559	3,859	2,757	156,752
Restoration Costs	11,789	1,241	-0-	1,660	-0-	$14,690
Accrued Interest	217,056	60,330	35,239	8,631	4,374	325,630
Total Balance	$2,393,947	$499,943	$386,692	$83,792	$267,237	$3,631,611
Sales Price	$1,366,000	$314,000	$164,500	$40,000	$129,000	$2,013,500
Selling Costs	157,555	45,922	23,743	5,837	8,519	$241,576
Net Sales Proceeds	1,208,445	268,078	140,757	34,163	120,481	1,771,924
PMI Claim Receipts	489,125	104,315	90,472	-0-	57,439	741,351
Pool Ins. Claim Receipts	421,097	119,676	106,403	50,712	-0-	697,888
Total Receipts	$2,118,667	$492,069	$337,632	$84,875	$177,920	$3,211,163
Net (Gain) or Loss	$275,280	$7,874	$49,060	($1,082)	$89,317	$420,448

APPENDIX B

DEPARTMENT OF REVENUE
ALASKA HOUSING FINANCE CORPORATION
FINANCIAL ANALYSIS FOR RESTORATION COSTS

	Case # 1		Case # 2	
	Assumption # 1	Assumption # 2	Assumption #	Assumption # 2
Paid-to-Interest Date	January 1, 1987	January 1, 1987	May 5, 1986	May 5, 1986
Loan Balance @ Foreclosure	$161,637	$161,637	$101,827	$101,827
Foreclosure Costs	5,118	5,118	-0-	-0-
Holding Expenses	13,065	2,640	14,109	12,039
Restoration Costs	10,283	-0-	43,245	-0-
Accrued Interest	29,554	3,031	22,450	1,761
Total Balance	$219,657	$172,426	$181,631	$115,627
Potential Net Sale Proceeds	$125,474	$115,700	$ 78,177	$33,600
Est. PMI Receivable	-0-	-0-	28,082	-0-
Est. Pool Ins. Receivable	72,483	-0-	26,434	13,000
Total Est. Receipts	$197,957	$115,700	$132,693	$46,600
Estimated Loss	$21,701	$56,726	$48,938	$69,027

Explanation of Assumptions

Case # 1 - Assumption # 1 shows the estimated loss if AHFC approves and pays the restoration costs. This loan does not have primary insurance coverage as the loan-to-value ratio was 80% at the loan origination.

Assumption # 2 shows the estimated loss if AHFC refuses to approve and pay for restoration costs and the pool insurer denies the entire pool insurance claim due to AHFC's refusal to restore the property.

Case # 2 - Assumption # 1 shows the estimated loss if AHFC approves and pays for restoration costs.

Assumption # 2 shows the estimated loss if AHFC refuses to approve and pay for the restoration costs, the house is razed, the property lot is sold, and AHFC accepts a negotiated settlement from the pool insurer.

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

RECEIVED
AUG 3 0 1989
LEGISLATIVE AUDIT

August 21, 1989

MEMORANDUM

TO: Mr. Robert Mintz
Chairman, AHFC

FROM: Larry Pedersen
Chief Operating Officer

RE: Response to Legislative Budget and Audit
August 1, 1989 Special Report

Attached is our response to the individual recommendations in the above-mentioned audit. If you have any questions regarding these reponses please do not hesitate to let me know and I will try to assist you in whatever way I can. Thank you.

cc: Tom Behan

Alaska Housing
FINANCE CORPORATION

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Anchorage, AK 99503
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Anchorage, AK 99510

RECOMMENDATION NO. 1

Recommendation No. 1 states that the Legislature should analyze the present need and structure of the State's residential financing programs and evaluate the potential legal and economic effects of any changes to such programs.

Basically we agree with the need to analyze and study the structure of the State's residential financing programs and the potential legal and economic effects of any changes to such programs. We feel the auditor's comments is a good attempt at understanding the many complexities that affect the Corporation. We would take exception to comments like "reducing working capital" and "reappropriating funds" back to the State's general fund until all legal and operational issues had been thoroughly analyzed and thought through. The mere statement of reducing working capital is easy enough to verbalize, but monumental to accomplish in a responsible fashion. To reduce working capital at AHFC is to no longer operate at the same level of operations as is being done at present. The Legislative Task Force, SCR28 has as its charge the responsibility to review and recommend changes to publicly-assisted residential finance programs. We feel this is the first step acting in a prudent fashion in any effort to redirect AHFC's funds and/or activities. The Legislative Task Force has been given a timeframe to be complete by the first legislative session. We expect that their efforts can be accomplished in that time period and we look forward to the results of their analysis.

RECOMMENDATION NO. 2

Recommendation No. 2 states that the administration of the insurance funds should be legally clarified and performed in accordance with the Statutes. Deficiencies in the required reporting and analysis of certain insurance funds outlined in the report are valid criticisms. The Corporation is is concurrence that additional attention needs to be given to this important area, particularly with respect to analyzing the exposure of the state mortgage insurance and rental program insurance funds and the filing of loan loss claims against those funds.

The auditor in charge, in her report of examination, states that AHFC indicated a shortage may exist in the insured mortgage insurance account to cover potential loan losses. She cited that Alaska Statute 18.56.095 (e)(1) states that the fund requirement is calculated as 2% of the unpaid principal amount of purchased loans or a percentage the Corporation and the Commissioner of the Department of Commerce and Economic Development determines is actuarially sound for the operation

of the insurance fund. She also states that as of December 31st, 2% of the unpaid principal balance of the insured mortgage bond fund totalled $13 million. The auditor also states that the insured mortgage insurance account equity only totalled $8.1 million, indicating a shortage of approximately $4.9 million. We take exception to the auditor's interpretation of the amount needed, or whether or not any amount is needed. Or whether or not a shortage, in fact, does exist.

Through December 31st, 1988, the Corporation had satisfactorily maintained the fund as required. The 2% requirement cited by Alaska Statutes 18.56.095 is 2% of the unpaid principal amount of those mortgage loans pledged to the insurance mortgage program bonds. The requirement, therefore, is as the auditor has stated, $13 million. Although the phrase "the amount in the mortgage insurance fund" may be subject to interpretation. Staff believes that the requirement is met by the amount in the mortgage insurance fund which is detailed on Schedule 2 of the Corporation's December 31, 1988 combining Balance Sheet. The Schedule 2 indicates that total fund equity equals $8.959 million and the insurance fund reserve for loan losses equals $6.043 million. The sums of which exceed the required $13 million. In addition to these amounts in the fund, the fund also holds $14.1 million due to other funds. Disbursement from the fund for amounts due to other funds have been held pending staff review of the disbursements and the need for compliance to fund requirements subsequent to any disbursements. Prior to any future disbursements, the Corporation will review such potential disbursements with Commissioner of Commerce and Economic Development.

Two position were created in the new organizational structure to accommodate the increased burden of administering the Corporation's self-insurance funds. These positions have not been filled, pending a departmental review by the claims administration officer. These positions would be assigned responsibility for monitoring and analyzing the various self-insurance funds, as well as filing related reports. They would also file claims with the insurance funds and deal with the Corporation's servicers and designated brokers in much the same manner that other third party loan insurer's currently do. The Corporation will perform a reconciliation on amounts appropriated for the State to various insurance funds and accounts. The results of the review are expected to indicate that less than the full amounts of the appropriations have been requested to be disbursed. In connection with this reconciliation the payment status of the appropriations will be verified.

Regarding the withdrawal of the $12 million from State mortgage insurance funds it remains the Corporation's position that retention of these funds by AHFC is appropriate. The amounts received from the State were appropriated to the Alaska Housing Finance Corporation with the designation that they be used for contributions to the insurance fund. This is no different from the language which accompanied other

amounts appropriated to the Corporation from the State. There would appear to be little to differentiate the appropriations to the Corporation for use in capitalizing an insurance fund from other other substantial amounts received from the State. Additionally, if the funds withdrawn were not treated as having originally been contributed by the Corporation we would not have been permitted, under the terms of the insurance agreement, to withdraw them from the fund. Other legal questions raised in the report regarding capitalization of insurance funds involves those funds established for the rural loan programs. The legal issue is virtually identical to that involving the State mortgage insurance fund and basically gets down to the question of whether the appropriations lapse when the original purpose for which they were made has been fulfilled. . The question also ties into matters discussed in Recommendation No. 1, involving the legality of reappropriation and the real ownership of assets which the Corporation is currently calling its own.

RECOMMENDATION NO. 3

Recommendation No. 3 states that AHFC should monitor the performance of its financial institutions and mortgage companies, i.e. seller services, and force the provisions of the related servicing agreements.

Alaska Housing Finance Corporation understands the importance of monitoring the performance of its seller services and, as pointed out in the audit, has developed management reports for tracking the timeliness of foreclosures. Additionally, monitoring procedures have also been incorporated into the revised Servicing Guide. The monitoring process has been further expanded to include adding the date the seller servicer files the notice of default to AHFC's loan database. This in turn will allow AHFC to monitor the timeliness of the initiation of foreclosure in accordance with the requirements of the insurance policy. The process has been further developed to assure that the initiation of foreclosure is within the shortest timeframe possible, if it is apparent that the borrower is not able, or is unwilling to, comply with programs to prevent foreclosure.

On-site visits, although previously delayed due to other priorities, i.e. the transfer of servicing of Alliance Bank and Alaska State Bank portfolios, have commenced. Home Savings Bank and First Federal Bank were audited in August.

Regarding insurance claim reductions, policies and procedures have been established relating to the reductions which are to be reimbursed by the seller servicers. Collection efforts by AHFC staff for amounts due from seller servicers will be enhanced and consistently applied as the accounts receivable system is developed and utilized as a tracking vehicle. I would recommend that you look at Recommendation No. 6.

AHFC is continuing to pursue all legal rights to pool insurance proceeds under its policies. The Board of Directors at their July 28, 1989 meeting authorized the filing of a law suit if negotiations were not making satisfactory progress by September 1st.

RECOMMENDATION NO. 4

Significant changes have recently been implemented in this area as noted in the comment. Additional changes are in process and will be incorporated as system changes can be developed. The report details a number of suggestions, many of which have been incorporated in the draft of a new Property Marketing and Management Guide. The report urges the Corporation to implement the suggested revisions in a timely manner as accountability by the pool insurer, seller servicer, designated broker, and AHFC will improve. We wholeheartedly concur. However, we have been advised that changes requested are significant enough to warrant their implementation in connection with executing new agreements with the designated brokers. We have been further advised that the new agreements with applicable guides, should be imposed in connection with the addition of new designated brokers and only after going through a formal solicitation process in compliance with the State Procurement Code. We have been working with the Attorney General's office for several months on legal issues related to the solicitation process and resultant contract terms, with many related and significant issues yet to be resolved.

The changes incorporated in the new agreement include requiring that a copy of the work authorization submitted for payment, after repairs are completed, have the original invoice and all bid proposals attached. Formalization of policies and procedures applicable to the repair, maintenance and disposition of foreclosed properties through the creation of guides, which will be incorporated in any agreement, with designated brokers or repair/maintenance contractors. The agreements will permit revisions to the guides as needed, and appropriate, so that they may be kept up-to-date for changing circumstances.

With the majority of new personnel additions behind us, and as existing staff completes their training, the approval and processing of REO expenses should become more consistent. Also, part of the efforts in the dealings with MGIC, as mortgage pool insurer, involve agreement as to policy provisions so that claims can be filed on a basis agreeable to both parties, thereby reducing the confusion over the claimable items.

Inspection of REO properties is expected to increase with the addition of new staff and their relocation to new quarters. The inspections will concentrate on those properties where AHFC has increased financial exposure; either through lack of pool insurance, or repair items contended to be of a restoration nature.

The file retention system has been improved substantially over the last year. Included in the plan for this area is a periodic file audit performed in a manner suggested in the report.

RECOMMENDATION NO. 5.

The audit correctly noted that in 1986 and 1987 AHFC staff had approved and issued approximately $4 million is direct loans to facilitate the sale of single- and multi-family residences of AHFC's real estate owned inventory. Neither the Board or executive management had approved such action. When it came to their attention it was stopped. AHFC is currently issuing direct loans for the sale of repossessed mobile homes under an approved direct lending program. It is anticipated that this program will continue. In conjunction, it should be noted that AHFC is exploring the need for the direct financing of some of its properties when no other financing is available. AHFC will seek Board approval of any such program prior to its implementation. The recommendation also addresses the fact that many of the direct loans were closed without the truth in lending disclosure statement. Where appropriate, the necessary policy and procedures will be implemented to assure that the proper financial disclosure required by Federal regulation is complied with.

RECOMMENDATION NO. 6

Enhanced recording procedures have been implemented to the accounting for REO expenses. Additional changes, consistent with the recommendations included in this report and others from independent auditors and the Office of Management and Budget are to be incorporated in conjunction with changes being implemented in the accounting for claims receivable. These changes will include the further segregation of REO expenses. The treatment of accrued interest and insurance claim accretion on mortgage loans and REO's is being reviewed in connection with the preparation of the Corporation's year-end financial statements.

With respect to the Accounts Receivable portion of Recommendation No. 6, the development of a comprehensive system for accounting for the various receivables generated in connection with loan foreclosures and property dispositions has had numerous starts. Due to the complexity of its structure, the need to tie the system into a variety of other departments affected, staff turnover, staff reallocation to special projects, the development of the claims receivable system has not been completed.

Recognizing the critical need for the Receivable system a renewed effort has been initiated. The Claims Receivable functions have been transferred to the Accounting Department, which will also be responsible for developing, implementing, and maintaining the Receivable system. The Controllers position has recently been filled with the development of a Receivable system for a timely

implementation and a high priority. Peat Marwick Main has been retained to assist in the design, documentation, and development of the system. The basic information needed for management and accounting purposes will be captured, initially, with enhancements to the system added as time permits.

With respect to controls over computer data, AHFC concurs with LB & A's recommendations or observations, regarding the need for increased controls over data input in the computer. As the Corporation has grown, it has been increasingly difficult to maintain the integrity of the data bases. The current distributed data entry functions may need to be restructured. A centralized data input department may be appropriate, with information provided for other areas in the organization in detail paper form, or by batched electronic means.

Alternatively, a detailed and formalized exception reporting system building on current procedures for edits of changes made to live files, may be necessary. A manual documenting file, specifications and screen input has been evolved. A position was recently created to work primarily on developing documentation for the Corporation's data processing functions. This position has been filled and written user manuals will be developed beginning with the most critical areas.

With respect to budget expenditures, as the Corporation has expanded, it has become more difficult for management to become comfortable with with level of expenditures as compared to the amount budgeted. A persistent lag in authorized budgetary level compared to the needs of the Corporation has brought more attention to this area. AHFC concurs that the development of more timely budgetary information prepared on a departmental level, will facilitate maximum utilization of resources and enhance accountability for expenditures. The Controller has become more involved in the budgetary process and a system detailing authorized amounts and expenditures, by department, is well under way. With respect to financial reporting efforts to enhance the timeliness of financial reporting, and increase the frequency with which such reports are provided have been initiated. As indicated in the report, the transmission of detailed account activity by the Corporation's three bond trustees via electronic media, is a prerequisite for this improved reporting. Systems changes are expected to be necessary in order to prevent or minimize the need for additional accounting staff.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF REVENUE

TREASURY DIVISION

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August 14, 1989

RECEIVED
AUG 18 1989
LEGISLATIVE AUDIT

Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit
P. O. Box W
Juneau, Alaska 99811-3300

Dear Mr. Welker:

I have reviewed the Division of Legislative Audit's preliminary report, "A Special Report on the Department of Revenue Alaska Housing Finance Corporation".

I offer the following comments in response to portions of the report relating directly to the Department of Revenue. Alaska Housing Finance Corporation will respond directly in regard to portions of the report that concern them.

I concur with Recommendation No. 2. The Department recently reiterated its request in a memorandum of July 19, 1989 to the Attorney General for a response to the January 2, 1985 opinion request. Upon approval of the final version of this report, the Department will again request a response to the 1985 memo, if necessary, as well as the Attorney General's opinion regarding disposition of amounts in certain accounts in the State Mortgage Insurance Fund which no longer have any loans insured under the accounts.

Sincerely,

Hugh Malone
Commissioner

HM/MBB/ph

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

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August 23, 1989

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AUG 24 1989
LEGISLATIVE AUDIT

Mr. Randy Welker, Legislative Auditor
Division of Legislative Audit
P.O. Box W
Juneau, AK 99811

Dear Mr. Welker:

Re: A Special Report on the Department of Revenue
Alaska Housing Finance Corporation - April 14, 1989

Thank you for the opportunity to review and comment on the preliminary audit report on the Alaska Housing Finance Corporation (AHFC). The department will limit its comments to Recommendation No. 2 regarding the Mortgage Insurance Fund.

Recommendation No. 2

The administration of the insurance funds should be legally clarified and performed in accordance with statutes.

We agree that a legal clarification of AHFC's mortgage insurance funds is necessary. In addition, with respect to the Mortgage Insurance Fund established under AS 18.56.095, the department has been working with AHFC to determine if the fund requirement had been met as of December 31, 1988. Based on an analysis recently completed by AHFC staff, it appears that the fund requirement of $13 million was met on December 31, 1988, through the combination of the reserve for loan losses of $6.043 million and the fund equity of $8.959 million.

It is the intention of the department to be more diligent in complying with AS 18.56.095 in the future, and to address the fund requirement again this December.

Sincerely,

Larry Merculieff
Commissioner

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Analysis Of
Alaska Housing Finance Corporation's
Loan Servicer Timeliness

Letter No. 04-21

May, 1989
Division of Audit and Management Services

OMB

STAFF PAPERS AND REPORTS

STATE OF ALASKA

OFFICE OF MANAGEMENT AND BUDGET

STATE OF ALASKA

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET
DIVISION OF AUDIT & MANAGEMENT SERVICES

STEVE COWPER, GOVERNOR

P.O. BOX AM
JUNEAU, ALASKA 99811-0199
PHONE: (907) 465-3568

May 5, 1989

The Honorable Steve Cowper
Governor
Pouch A
Juneau, Alaska 99811

Dear Governor Cowper:

This report summarizes our analysis of loan servicers doing business with the Alaska Housing Finance Corporation (AHFC) and their performance in meeting AHFC's timing criteria for key actions they must accomplish during the loan foreclosure process.

The report recommends the AHFC should review its time guidelines and adjust accordingly, monitor servicers for compliance, and develop additional aging reports for monitoring delinquent loans.

AHFC agrees with our recommendations, as indicated in their response which is included in the report. This report has been reviewed and approved by the Governor's Audit Committee.

Sincerely,

John L. Lucas

John L. Lucas, Director

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EXECUTIVE SUMMARY i

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EXECUTIVE SUMMARY

The purpose of the review was to determine if loan servicers were meeting AHFC's timing criteria for key actions they must accomplish during the loan foreclosure process. Servicers need to take timely actions because delay can increase AHFC's foreclosure costs.

There is substantial variation among loan servicers in the amount of time taken to accomplish tasks associated with loan foreclosure. Servicers often do not meet AHFC's timeliness criteria. AHFC needs to review its time guidelines and adjust accordingly, monitor servicers for compliance, and develop additional aging reports for monitoring delinquent loans. Aging reports designed specifically to monitor loans after permission to foreclose is given will help AHFC by highlighting cases where foreclosure time appears unreasonably long. This information will also facilitate timely follow-up by staff and provide overview information for management.

Response from management indicating their agreement with our conclusions and outlining current actions being taken is provided at the end of this report.

MEMORANDUM State of Alaska

Division of Audit and Management Services
465-3568

February 24, 1989

TO: Robert Mintz, Chairman
Board of Directors
Alaska Housing Finance Corporation

FROM: John Lucas, Director

SUBJECT: Seller/Servicer Timeliness

SUMMARY

Our analysis of AHFC's foreclosed loans data shows there was great variation among servicers in the amount of time taken to accomplish tasks associated with loan foreclosure. Servicers often did not meet AHFC's timeliness criteria. This variation is an indication that AHFC should review its time guidelines and adjust accordingly, monitor servicers for compliance, and develop additional aging reports for monitoring delinquent loans.

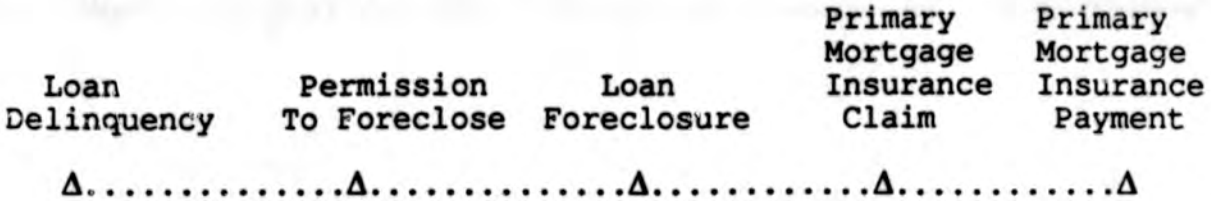
PURPOSE AND SCOPE

The purpose of our review was to determine if loan servicers were meeting AHFC's timing criteria for key actions they must accomplish during the loan foreclosure process. Servicers need to take timely actions because delay can increase AHFC's foreclosure costs.

In summary, our analysis included:

- interviews with AHFC staff;
- review of AHFC's current and proposed foreclosure processing policies and procedures; and
- analysis of date information in AHFC's computerized mortgage information system (MIS) database of foreclosed property as of November 9, 1989.

We analyzed the length of time between certain key events that occur in foreclosures. These events are illustrated on the following timeline:



We found that processing time could not be determined from the mortgage loan system data for each loan for each segment of the timeline. This was because valid dates did not always exist in the database for each point, or the dates were not usable.

Examples of instances where data did not exist or was not usable are:

- AHFC added certain date fields to master files at various times but did not require these new elements to be updated for all old loans;
- computerized edit checks of dates were implemented at some time, but erroneous dates previously entered were never corrected;
- aging could not always be computed because some dates were not in logical sequence; and
- sometimes aging could not be calculated because both dates needed for aging analysis were not recorded.

Because of the conditions noted above, we computed processing times for individual timeframes as well as for combined timeframes for actions required from delinquency to foreclosure. This allowed us to analyze timeliness for the maximum number of loans. As an example, if a usable foreclosure permission date did not exist for a loan, we computed timeliness for that loan based on the period between loan delinquency and loan foreclosure.

Although the data conditions described above prevented timeliness calculations for all loans for each segment of the process, sufficient usable data was available for analysis. Tables presented in the Appendix to this report show the number of loans considered for each servicer. Since all loans are not included in each table, the reader is cautioned that each table stands alone and servicer data cannot be added from one table to another.

We analyzed processing timeliness for individual timespans between:

- dates of loan delinquency and foreclosure permission dates;

- dates AHFC gave permission to foreclose loans and loan foreclosures dates;

- dates of loan foreclosures and the dates servicers filed primary mortgage insurance claims; and

- dates of primary mortgage insurance filings and receipt dates for primary mortgage insurance payments.

We also measured processing timeliness in combined timespans between:

- dates of loan delinquency and the dates loan foreclosures occurred;

- dates of loan foreclosures and dates primary mortgage insurance payments were received; and

- dates of loan delinquency and dates primary mortgage insurance payments were received.

Non-mobile home loans comprise the great majority of AHFC loans. We therefore performed an aging analysis of non-mobile home loans which had usable dates in AHFC's MIS data files.

Servicers with less than 25 loans were excluded from the analysis since their inclusion would have had an immaterial influence on the results.

Our analysis did not include actions associated with pool insurance.

BACKGROUND

AHFC's role is primarily to facilitate housing development by providing funds to purchase home loans originated by private lending institutions. Rather than servicing the loans it purchases, AHFC enters into fee-for-service contracts with these institutions to provide loan management services. Institutions providing those services are referred to as "seller/servicers' or "servicers." Servicers perform such standard loan management activities as loan collection, accounting, and reporting to AHFC.

If loans become delinquent, servicers have additional responsibilities that must be completed within prescribed timeframes. For example, servicers are expected to make timely efforts to encourage borrowers to bring their loan payments current. When loans are judged uncollectible, servicers must take timely action to foreclose loans and perform other foreclosure-related activities in a timely manner. These actions include such things as sending late notices, attempts to contact borrowers by phone, personal interviews, property inspections, demand letters, and issuing notices of default.

In cases where servicers are unable to bring loans current within a prescribed period, they must provide AHFC with information about the delinquent loans and recommend a course of action. The recommendation is presented in a standard AHFC form (#SER-71). Recommended actions may be development of a liquidation plan, granting temporary payment forbearance, acquisition of a deed-in-lieu of foreclosure, or foreclosure.

When AHFC concludes that foreclosure is necessary, it authorizes servicers to initiate foreclosure proceedings and servicers start the necessary legal actions. When foreclosure has been accomplished, servicers file insurance claims for primary mortgage insurance. When the insurance payments are received, the servicers transmit them to AHFC.

AHFC servicer requirements are contained in a document titled "AHFC Servicer Guide." The guide specifies AHFC's expectations for the timing of some major servicer actions related to foreclosure. For example, servicers must:

- identify delinquent loans within 16 days of delinquency;
- issue late notices within two days of delinquency identification;
- attempt to contact borrowers within five days of the late notice;
- conduct a face-to-face interview before the loan is 45 days delinquent;
- issue a demand letter before the loan is 50 days delinquent;
- conduct a property inspection before the loan is 60 days delinquent;
- issue a notice of default within 20 days of the demand letter expiration;
- request authorization from AHFC to foreclose or modify the loan within 95 days of delinquency (AHFC is considering reducing this to 75 days); and
- file primary mortgage insurance claims within 60 days of foreclosure.

AHFC does not monitor all of these performance requirements in a structured manner. Although it would not be cost effective to monitor every requirement, the ability to monitor selected activities is important because it can ultimately reduce AHFC's costs.

TIMING ANALYSIS

The amount of time it takes servicers to complete the various phases of loan foreclosure will not be identical for every loan. Factors that can affect foreclosure processing are numerous. They include such things as whether servicers adequately staff their loan collection functions, the complexity of issues related to particular foreclosures, and the time attorneys take to complete their work.

AHFC's own timing requirements for servicers are the basis of the servicer performance analysis that follows. Our approach was to measure elapsed times between events and compare the results to AHFC's published requirements. When published requirements did not exist, we projected a timeframe based on AHFC internal criteria.

The following analysis first shows performance in individual segments of the foreclosure process and then shows performance for combined segments.

In summary, we found that the average foreclosed loan never met AHFC's timing criteria, and that the average time from delinquency to foreclosure is steadily increasing.

INDIVIDUAL TIMESPAN: *LOAN DELINQUENCY UNTIL PERMISSION TO FORECLOSE*

According to "AHFC Servicer Guide", the maximum allowable time between loan deliquency and foreclosure permission is 110 days. This includes 95 days for the servicer to request permission to foreclose, and 15 days for AHFC to process the request.

AHFC's Servicer Guide states, "if on day 95 of the delinquency an AHFC Form #SER-71 has not previously been submitted to AHFC, then the form must be submitted immediately." Form #SER-71 is titled "Recommendation of Foreclosure, Request for Deed-in-Lieu, Forbearance, or a Liquidating Plan." This is the document that contains the servicer's recommendation on the disposition of a delinquent loan and may also contain a request for permission to foreclose.

AHFC's policy is that it will respond to these requests within 15 business days of their receipt. A recent internal AHFC report on processing time for #SER-71 forms showed that, on average, AHFC meets its own 15-day requirement.

TABLE 1

SUMMARY OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY AND PERMISSION TO FORECLOSE

Period	# Loans Analyzed	Average Number of Days Before Permission Given
FY 1986	971	150
FY 1987	2,419	155
FY 1988	2,648	170
FY 1989	13	273
TOTAL LOANS	6,051	AVERAGE 161 DAYS

Loan counts for FY 1989 include only those loans for which both dates were available, and for which the foreclosure process was complete, and for which permission to foreclose was given in FY 1989. Therefore we analyzed only those loans for which foreclosure had been completed by November 9, 1989. Because it is taking an average of 178 days to foreclose after permission is given (see Table 2) the number of loans in this category for FY 1989 is low.

Since these 13 loans reflect only a small percentage of all loans for which permission to foreclose was given in 1989, their average number of 273 days for this timespan is probably not representative.

Table 1 summarizes the data in Appendix A, which shows average processing times ranging from 122 days to 247 days. Since the average time AHFC takes to grant permission to foreclose is relatively brief and consistent, we conclude that the variance from AHFC's 110 day guideline is primarily attributable to servicers.

INDIVIDUAL TIMESPAN:
PERMISSION TO FORECLOSE UNTIL
LOAN FORECLOSURE

AHFC does not have a written policy specifying the maximum time allowed to complete foreclosure after foreclosure permission. AHFC staff said, however, that this period can reasonably range between 40 and 150 days.

As shown in Appendix B, processing time to foreclose loans after AHFC gives its permission has been increasing steadily for some servicers. This is reflected in the Table 2, below, which shows average elapsed days for this portion of the foreclosure process. The table shows that average processing time has continued to increase and substantially exceeds 150 days.

INDIVIDUAL TIMESPAN:
PRIMARY MORTGAGE INSURANCE CLAIM FILING
UNTIL PRIMARY MORTGAGE INSURANCE PAYMENT

AHFC requires primary mortgage insurers to pay claims within 60 days after claims are received. Table 4 shows the average elapsed time from the primary mortgage insurance claim filing date until the date the claim was paid. As shown, the average insurance claim was not paid within the 60 day timeframe.

Timeliness for this portion of the foreclosure process is mainly the responsibility of the primary mortgage insurer. It is included in our analysis because the servicer can influence payment timeliness by preparing adequately documented claims and following up in cases where payment is not timely.

TABLE 4

SUMMARY OF AVERAGE TIMESPANS
BETWEEN PRIMARY INSURANCE CLAIM
AND RECEIPT OF INSURANCE PAYMENT

Period	# Loans Analyzed	Average Number of Days Before Insurance Claim Payment
FY 1986	3	81
FY 1987	17	115
FY 1988	995	80
FY 1989	627	72
TOTAL LOANS	1,642	AVERAGE 78 DAYS

There are few loans in this timespan for 1986 and 1987 because the mortgage insurance filing date is a relatively new date field in the mortgage loan system.

FY 1989 loans include those for which both dates were available and for which the insurance claim was paid in FY 1989 by November 9, 1988. The foreclosure process may have begun in prior years.

Table 4 summarizes the data in Appendix D, which shows average timespans ranging from 48 days to 609 days, and noncompliance for most loans.

COMBINED TIMESPANS:
LOAN DELINQUENCY
UNTIL LOAN FORECLOSURE

AHFC has not defined a maximum standard timeframe from loan delinquency until loan foreclosure in written policy. Allowable maximum time can be inferred to be approximately 260 days. This consists of 110 days between the delinquency date and the date AHFC gives permission to foreclose, and 150 days between the permission to foreclose date and foreclosure.

Table 5 shows that the period to foreclose loans has increased steadily between FY 1986 and FY 1989. The FY 1989 foreclosed loan took more than 100 days longer than the inferred 260 maximum. Although there is no absolute standard for evaluating servicer timeliness between delinquency and foreclosure, the derived 260 benchmark is useful for comparative purposes.

TABLE 5

SUMMARY OF AVERAGE TIMESPANS
BETWEEN LOAN DELINQUENCY AND LOAN FORECLOSURE

Period	# Loans Analyzed	Average Number of Days Before Foreclosure
FY 1986	554	283
FY 1987	1,817	312
FY 1988	2,813	348
FY 1989	1,167	377
TOTAL LOANS	6,351	AVERAGE 337 DAYS

For this timespan, 1989 loans include those for which both dates were available and for which foreclosure was completed in FY 1989 by November 9, 1988.

Average processing time from loan delinquency until loan foreclosure for FY 1986-1989 is shown by servicer in Appendix E. This table, as have others, shows that average processing time has increased steadily for some servicers and that most servicers did not complete their foreclosures within 260 days of delinquency.

COMBINED TIMESPANS:
LOAN FORECLOSURE
UNTIL PRIMARY INSURANCE PAYMENT

Combined timespans that cover servicer responsibility to file primary mortgage insurance claims (60 days) and the insurer's responsibility to pay claims (60 days) are shown in Appendix F, and summarized in Table 6, below. This shows improvement in

FY 1989, and overall performance that has not deviated significantly from AHFC's 120 standard for this timespan.

TABLE 6

SUMMARY OF AVERAGE TIMESPANS
BETWEEN LOAN FORECLOSURE AND PRIMARY INSURANCE PAYMENT

Period	# Loans Analyzed	Average Number of Days Before Payment Receipt
FY 1986	249	142
FY 1987	1,103	148
FY 1988	2,828	162
FY 1989	789	125
TOTAL LOANS	4,969	AVERAGE 152 DAYS

This includes foreclosed loans for which both dates were available and for which primary mortgage insurance payment was received in FY 1989 by November 9, 1988.

COMBINED TIMESPANS:
LOAN DELINQUENCY
UNTIL PRIMARY INSURANCE PAYMENT

Finally we present a view of the entire period from loan delinquency to primary mortgage insurance claim recovery.

Table 7 shows a steady and substantial increase in the length of time it takes to move an uncollectible loan through the foreclosure process and ultimately to collect primary mortgage insurance payments.

TABLE 7

SUMMARY OF AVERAGE TIMESPANS
BETWEEN LOAN DELINQUENCY AND PRIMARY INSURANCE PAYMENT

Period	# Loans Analyzed	Average Number of Days Before Payment Receipt
FY 1986	225	333
FY 1987	1,061	385
FY 1988	2,837	460
FY 1989	789	482
TOTAL LOANS	4,912	AVERAGE 441 DAYS

FY 1989 loans include foreclosed loans for which both dates were available and for which primary mortgage insurance payment was received in FY 1989 by November 9, 1988.

AHFC has not formally defined its maximum requirements for this overall timeframe. Allowable maximum time can be inferred as 380 days (approximately 13 months). This consists of 110 days between delinquency and permission to foreclose, 150 days between the permission date and foreclosure, and 120 days from foreclosure to receipt of primary mortgage insurance claim payment.

Appendix G illustrates the average processing time for this combined timespan by servicer. This table shows that processing time increased steadily for some servicers more than others.

CONCLUSIONS AND RECOMMENDATIONS

The downturn of Alaska's economy and subsequent increase in foreclosures played a major role in increasing servicer processing times for foreclosures. Regardless of the causes, AHFC must increase its own efficiencies and servicer monitoring efforts to help offset the effect of external events.

Considering the large number of loans in its portfolio, AHFC needs the efficiency of additional automated reports that bring attention to loans which are delinquent or remain in key phases of foreclosure for lengthy periods. For example, aging reports are needed to disclose elapsed days for:

- loans more than 95 days delinquent (or 75 days if time requirements change) for which no form #SER-71 has been received; and

- loans where more than 150 days have passed since AHFC gave permission to foreclose but foreclosure has not yet occurred.

Automated date arithmetic performed on each loan can highlight loans most needing AHFC and servicer attention. Aging reports should go beyond simply categorizing loans in the usual ranges of delinquency (30, 60, 90, and more than 120 days). Actual time lags should be computed and displayed.

AHFC already captures data on magnetic media which can be used to produce monthly aging reports with summary and detail information.

Our analysis shows that some loans are not foreclosed for a long time after permission is given to foreclose. Quick foreclosures are not always the best course of action, however. An aging report designed specifically to monitor loans after permission to foreclose is given will help AHFC by highlighting cases where foreclosure time appears unreasonably long. This information will facilitate timely follow-up by AHFC staff and also provide overview information for management.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY
AND PERMISSION TO FORECLOSE

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
ALASKA FEDERAL SAVINGS AND LOAN	148	7	108	22	127	26			122	55
FIRST NATIONAL BANK OF ANCHORAGE	126	125	134	376	137	341	216	2	134	844
FRONTIER ALASKA STATE CREDIT UNION	105	5	128	14	160	10			135	29
SPOKANE MORTGAGE COMPANY	128	14	169	3					135	17
MT. MCKINLEY MUTUAL SAVINGS			128	8	141	17	188	1	139	26
WESTERN MORTGAGE LOAN CORPORATION	138	2	172	19	119	24			142	45
ALASKA USA FEDERAL CREDIT UNION	201	20	130	71	141	112	72	1	143	204
G.M.A.C. MORTGAGE CORPORATION	120	21	112	26	188	33			145	80
NATIONAL BANK OF ALASKA	142	85	146	293	148	362	13	1	146	741
DENALI FEDERAL CREDIT UNION	128	6	115	15	203	11			148	32
ALLIANCE BANK	125	277	135	611	168	670	618	1	148	1559
COMMONWEALTH WESTERN MORTGATE CORPORATION	134	19	141	40	177	38			154	97
GOLDOME REALTY CREDIT CORPORATION	195	63	179	64	142	208			159	335
SEAFIRST MORTGAGE COMPANY	143	12	173	32	169	30			167	74
B.M. BEHRENDS BANK	205	2	199	31	122	24			167	57
RAINIER BANK ALASKA	167	83	175	219	162	67	305	3	172	372
FIREMAN'S FUND MORTGAGE COMPANY	165	64	177	321	197	346	247	1	186	732
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	176	41	158	26	262	19	249	1	190	87
HOME SAVINGS & LOAN	164	37	190	56	199	117			190	210
FIRST FEDERAL BANK OF ALASKA	193	7	154	6	202	19			191	32
ALASKA STATEBANK	143	30	211	24	274	17			197	71
FIRST NATIONAL BANK OF FAIRBANKS	240	33	233	84	259	87	540	1	247	205
KEY PACIFIC MORTGAGE COMPANY	202	18	221	58	279	70	280	1	247	147
TOTAL LOANS		971		2,419		2,648		13		6,051
AVERAGE DAYS - ALL SERVICERS	150		155		170		273		161	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN PERMISSION TO FORECLOSE
AND LOAN FORECLOSURE

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
SPOKANE MORTGAGE COMPANY	106	13	142	10					122	23
MT. MCKINLEY MUTUAL SAVINGS	114	1	109	10	150	17	146	4	136	32
ALASKA FEDERAL SAVINGS AND LOAN	163	7	140	20	130	33	170	6	140	66
FIRST NATIONAL BANK OF ANCHORAGE	119	103	135	345	154	381	171	138	146	967
RAINIER BANK ALASKA	124	45	170	193	138	158	163	26	153	422
ALASKA STATEBANK	127	58	156	27	218	30	138	5	157	120
NATIONAL BANK OF ALASKA	127	70	144	245	161	373	185	158	158	846
FIRST FEDERAL BANK OF ALASKA	153	10	141	12	164	15	198	9	162	46
HOME SAVINGS & LOAN	115	29	173	67	176	94	170	53	167	243
GOLDOME REALTY CREDIT CORPORATION	104	37	174	80	165	157	208	90	171	364
ALLIANCE BANK	129	197	162	540	193	833	226	244	181	1814
WESTERN MORTGAGE LOAN CORPORATION			183	11	209	32	171	16	194	59
ALASKA USA FEDERAL CREDIT UNION	98	10	179	47	199	92	214	68	195	217
FIRST NATIONAL BANK OF FAIRBANKS	146	25	167	56	212	97	242	53	201	231
SEAFIRST MORTGAGE COMPANY	204	7	259	27	176	44	150	8	202	86
KEY PACIFIC MORTGAGE COMPANY	137	5	189	39	199	73	230	44	203	161
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	182	16	207	53	201	29	249	13	207	111
DENALI FEDERAL CREDIT UNION	131	4	178	8	235	14	230	7	208	33
G.M.A.C. MORTGAGE CORPORATION	168	12	219	26	228	33	188	23	208	94
B.M. BEHRENDS BANK	164	3	174	9	218	50	337	5	219	67
FREMANS FUND MORTGAGE COMPANY	191	25	200	187	229	401	229	169	221	782
FRONTIER ALASKA STATE CREDIT UNION	188	3	176	10	234	17	347	3	223	33
COMMONWEALTH WESTERN MORTGATE CORPORATION	235	19	231	30	244	46	226	24	236	119
TOTAL LOANS		699		2052		3019		1166		6,936
AVERAGE DAYS - ALL SERVICERS	134		165		186		207		178	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN LOAN FORECLOSURE AND
PRIMARY MORTGAGE INSURANCE CLAIM FILING

SERVICER *	FY 86		FY 87		FY 88		FY 89		SUMMARY	
	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS
FRONTIER ALASKA STATE CREDIT UNION					9	5	9	1	9	6
GOLDOME REALTY CREDIT CORPORATION			15	6	8	96	14	64	11	166
MT. MCKINLEY MUTUAL SAVINGS					12	7			12	7
ALASKA USA FEDERAL CREDIT UNION					12	50	16	37	14	87
SPOKANE MORTGAGE COMPANY			16	1					16	1
DENALI FEDERAL CREDIT UNION					14	7	18	8	16	15
RAINIER BANK ALASKA	19	1	11	11	21	70	21	12	20	94
ALASKA STATEBANK					20	11			20	11
FIRST NATIONAL BANK OF ANCHORAGE			18	8	21	199	20	93	21	300
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA			64	1	26	11	16	3	27	15
G.M.A.C. MORTGAGE CORPORATION					25	14	44	4	29	18
HOME SAVINGS & LOAN			27	3	31	32	22	3	30	38
FIRST FEDERAL BANK OF ALASKA					24	4	40	3	31	7
ALASKA FEDERAL SAVINGS AND LOAN					35	21	6	3	31	24
WESTERN MORTGAGE LOAN CORPORATION			14	2	8	10	100	4	32	16
FIREMAN'S FUND MORTGAGE COMPANY	42	1	74	14	34	232	25	42	35	289
NATIONAL BANK OF ALASKA			29	4	33	147	52	98	40	249
B.M. BEHRENDS BANK					39	19	54	9	44	28
ALLIANCE BANK	8	1	42	15	47	451	37	174	44	641
FIRST NATIONAL BANK OF FAIRBANKS	50	3	62	7	55	39	56	47	56	96
KEY PACIFIC MORTGAGE COMPANY			89	3	84	43	61	19	78	65
SEAFIRST MORTGAGE COMPANY	28	1	153	1	89	13	54	6	79	21
COMMONWEALTH WESTERN MORTGATE CORPORATION			16	1	99	25	39	9	81	35
TOTAL LOANS		7		77		1506		639		2,229
AVERAGE DAYS - ALL SERVICERS	35		42		36		35		36	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN PRIMARY MORTGAGE INSURANCE CLAIM
AND RECEIPT OF INSURANCE PAYMENT

SERVICER *	FY 86		FY 87		FY 88		FY 89		SUMMARY	
	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS
B.M. BEHRENDS BANK					52	16	39	8	48	24
FIRST FEDERAL BANK OF ALASKA					46	3	59	2	51	5
DENALI FEDERAL CREDIT UNION					44	6	64	4	52	10
MT. MCKINLEY MUTUAL SAVINGS					66	5	42	1	62	6
NATIONAL BANK OF ALASKA			94	1	71	89	66	60	69	150
ALLIANCE BANK			126	3	70	252	69	215	70	470
FIRST NATIONAL BANK OF ANCHORAGE			60	1	73	136	67	94	71	231
ALASKA USA FEDERAL CREDIT UNION					71	35	74	34	72	69
FRONTIER ALASKA STATE CREDIT UNION					74	3	70	1	73	4
GOLDOME REALTY CREDIT CORPORATION					90	66	62	56	77	122
FIREMAN'S FUND MORTGAGE COMPANY	126	1	101	2	84	162	88	74	88	239
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA					91	9	72	3	86	12
HOME SAVINGS & LOAN			35	1	89	28	106	4	89	33
ALASKA FEDERAL SAVINGS AND LOAN					72	11	110	10	90	21
RAINIER BANK ALASKA	56	1	127	3	93	71	62	10	90	85
COMMONWEALTH WESTERN MORTGATE CORPORATION					87	15	116	4	93	19
ALASKA STATEBANK					109	6	62	2	97	8
WESTERN MORTGAGE LOAN CORPORATION					110	4	79	2	100	6
FIRST NATIONAL BANK OF FAIRBANKS	62	1	154	5	113	32	69	20	100	58
SEAFIRST MORTGAGE COMPANY					162	7	50	8	102	15
KEY PACIFIC MORTGAGE COMPANY			29	1	114	34	76	11	103	46
G.M.A.C. MORTGAGE CORPORATION					127	5	91	3	114	8
SPOKANE MORTGAGE COMPANY							609	1	609	1
TOTAL LOANS		3		17		995		627		1,642
AVERAGE DAYS - ALL SERVICERS	81		115		80		72		78	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX D

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY
AND LOAN FORECLOSURE

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
ALASKA FEDERAL SAVINGS AND LOAN	327	6	239	17	250	32	286	6	258	61
SPOKANE MORTGAGE COMPANY	257	10	261	7					259	17
MT. MCKINLEY MUTUAL SAVINGS			216	8	291	15	294	4	269	27
FIRST NATIONAL BANK OF ANCHORAGE	223	67	264	304	288	360	316	138	279	869
NATIONAL BANK OF ALASKA	252	49	281	210	312	347	330	158	303	764
RAINIER BANK ALASKA	294	39	335	173	312	144	327	26	322	382
ALLIANCE BANK	264	165	289	467	348	772	375	244	327	1648
GOLDOME REALTY CREDIT CORPORATION	321	30	355	75	308	146	351	90	331	341
WESTERN MORTGAGE LOAN CORPORATION			328	6	372	24	283	16	335	46
ALASKA USA FEDERAL CREDIT UNION	300	10	336	39	327	90	352	68	336	207
ALASKA STATEBANK	268	41	311	22	452	26	447	5	338	94
SEAFIRST MORTGAGE COMPANY	361	7	369	27	348	37	299	8	351	79
G.M.A.C. MORTGAGE CORPORATION	272	9	337	19	375	32	371	23	354	83
HOME SAVINGS & LOAN	284	22	348	58	375	89	359	53	355	222
DENALI FEDERAL CREDIT UNION	241	4	294	7	371	14	451	7	355	32
FRONTIER ALASKA STATE CREDIT UNION	288	2	276	9	403	15	485	3	364	29
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	367	16	353	50	367	22	457	13	372	101
FIRST FEDERAL BANK OF ALASKA	358	8	404	3	364	14	397	9	375	34
B.M. BEHRENDS BANK	282	3	363	6	377	49	434	5	376	63
COMMONWEALTH WESTERN MORTGATE CORPORATION	368	16	351	28	375	45	409	24	383	113
FIREMANS FUND MORTGAGE COMPANY	356	24	375	193	406	387	425	170	401	774
FIRST NATIONAL BANK OF FAIRBANKS	379	22	381	50	460	88	509	53	445	213
KEY PACIFIC MORTGAGE COMPANY	314	4	378	39	435	65	540	44	448	152
TOTAL LOANS		554		1817		2813		1167		6,351
AVERAGE DAYS - ALL SERVICERS	283		312		348		377		337	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN LOAN FORECLOSURE
AND PRIMARY MORTGAGE INSURANCE PAYMENT

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
DENALI FEDERAL CREDIT UNION	65	2	58	7	80	11	80	4	72	24
MT. MCKINLEY MUTUAL SAVINGS			79	7	83	11	65	2	80	20
B.M. BEHRENDS BANK	228	1	127	7	105	30	154	10	121	48
FRONTIER ALASKA STATE CREDIT UNION	106	1	152	4	127	8	82	2	126	15
RAINIER BANK ALASKA	103	14	111	102	143	234	128	18	132	368
ALASKA FEDERAL SAVINGS AND LOAN	185	2	173	16	98	26	147	11	133	55
FIRST NATIONAL BANK OF ANCHORAGE	146	39	144	193	142	415	110	104	138	751
ALASKA USA FEDERAL CREDIT UNION	117	6	135	17	163	88	91	41	139	152
NATIONAL BANK OF ALASKA	154	25	135	146	145	319	127	74	140	564
WESTERN MORTGAGE LOAN CORPORATION			173	1	162	20	98	6	148	27
ALLIANCE BANK	124	72	140	313	162	736	131	231	150	1352
GOLDOME REALTY CREDIT CORPORATION	160	15	165	40	166	149	98	62	150	266
FIREMAN'S FUND MORTGAGE COMPANY	227	5	144	62	166	349	128	120	156	536
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	178	7	150	37	164	44	86	4	156	92
SEAFIRST MORTGAGE COMPANY			184	14	187	43	117	17	170	74
HOME SAVINGS & LOAN	126	8	204	26	186	75	124	24	175	133
FIRST FEDERAL BANK OF ALASKA	170	5	204	7	177	11	107	2	178	25
KEY PACIFIC MORTGAGE COMPANY	131	3	135	8	213	71	190	18	200	100
ALASKA STATEBANK	147	25	219	26	237	32	148	3	202	86
COMMONWEALTH WESTERN MORTGATE CORPORATION	155	8	218	19	224	42	162	6	210	75
FIRST NATIONAL BANK OF FAIRBANKS	193	5	217	26	233	83	166	25	217	139
G.M.A.C. MORTGAGE CORPORATION	266	2	233	11	232	28	163	4	228	45
SPOKANE MORTGAGE COMPANY	114	4	212	14	375	3	625	1	235	22
TOTAL LOANS		249		1103		2828		789		4,969
AVERAGE DAYS - ALL SERVICERS	142		148		162		125		152	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY
AND PRIMARY MORTGAGE INSURANCE PAYMENT

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
MT. MCKINLEY MUTUAL SAVINGS			215	6	300	11	332	2	277	19
ALASKA FEDERAL SAVINGS AND LOAN	455	2	430	15	308	26	309	11	366	54
FIRST NATIONAL BANK OF ANCHORAGE	259	33	353	185	392	417	429	104	382	739
DENALI FEDERAL CREDIT UNION	264	2	309	7	397	11	555	4	387	24
NATIONAL BANK OF ALASKA	246	23	356	143	407	319	447	74	393	559
RAINIER BANK ALASKA	371	14	362	100	446	235	456	18	421	367
ALLIANCE BANK	333	67	348	299	447	743	486	231	426	1340
FIRST FEDERAL BANK OF ALASKA	500	5	349	6	446	11	486	2	436	24
FRONTIER ALASKA STATE CREDIT UNION	324	1	442	4	462	9	400	2	441	16
ALASKA USA FEDERAL CREDIT UNION	406	6	381	17	463	88	432	41	443	152
GOLDOME REALTY CREDIT CORPORATION	257	13	493	36	465	150	405	62	444	261
WESTERN MORTGAGE LOAN CORPORATION			516	1	437	19	489	6	452	26
SPOKANE MORTGAGE COMPANY	247	2	433	13	626	3	588	1	452	19
B.M. BEHRENDS BANK	570	1	291	7	488	30	475	10	458	48
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	346	7	501	37	448	43	553	4	466	91
ALASKA STATEBANK	341	19	417	25	560	32	756	3	470	79
SEAFIRST MORTGAGE COMPANY			486	14	502	42	451	17	487	73
HOME SAVINGS & LOAN	405	8	412	23	528	75	477	24	490	130
G.M.A.C. MORTGAGE CORPORATION	690	2	402	8	540	28	552	4	522	42
FIREMAN'S FUND MORTGAGE COMPANY	468	5	491	62	536	350	547	120	533	537
COMMONWEALTH WESTERN MORTGATE CORPORATION	465	7	524	19	549	42	605	6	539	74
FIRST NATIONAL BANK OF FAIRBANKS	468	5	509	26	591	82	625	25	577	138
KEY PACIFIC MORTGAGE COMPANY	238	3	479	8	589	71	644	18	580	100
TOTAL LOANS		225		1061		2837		789		4,912
AVERAGE DAYS - ALL SERVICERS	333		385		460		482		441	

* Servicers are listed in ascending order based on the overall average number of days.

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

OFFICE OF
MANAGEMENT & BUDGET

MAY 3 1989

AUDIT AND MANAGEMENT
SERVICES

April 28, 1989

Mr. John Lucas
State of Alaska
Office of the Governor
Office of Management & Budget
Division of Audit & Management Services
P. O. Box AM
Juneau, AK 99811

Dear Mr. Lucas:

First let me apologize on behalf of the Corporation for not responding earlier with respect to the audit in question outlined in your April 26, 1989 letter. Somewhere in the process of the management change of our Corporation, the responsibility for responding to the above mentioned audit was overlooked. Both Tom And myself, as well as pertinent staff members, have found the contents to be extremely accurate as well as extremely helpful. Currently we are in the middle of negotiations with one of our pool insurers that addresses the very issues brought out in the audit of February, 1989.

It is my understanding that in the past AHFC had recognized the need to monitor seller/servicers. In late 1987, as part of a continuing monitoring effort, an audit department was established. It was established to coordinate and direct the seller/servicer monitoring function. At the beginning it was intended to staff the department with two auditors. Their primary function was to plan, execute and follow-up on off-site audits. Evaluations of the seller/servicers' performance would result from audit findings as well as management reports. One position was filled and the department began to function as planned. Several audits were performed and management reports were developed.

The audit and monitoring functions began to deteriorate as other organizational priorities arose and decisions had to be made concerning the deployment of limited personnel resources. The department also spent considerable time auditing seller/servicers concerning whether they had primary mortgage insurance in force on all required loans. The nature of this was critical to the Corporation, in that, if primary was lost AHFC may have significant loss exposure in the event the servicer did not have the ability or desire to repurchase the loan.



1998 Annual Report

The Corporation

The Alaska Housing Finance Corporation (AHFC) was created in 1971 by the State of Alaska to provide Alaskans with affordable mortgage financing.

AHFC, a self-supporting public corporation and government instrumentality, is a secondary purchaser of mortgages. AHFC purchases mortgage loans from private financial insitutions operating in Alaska. The Corporation's activities currently constitute a major portion of the Alaskan residential housing market.

The majority of funds used to purchase mortgage loans are generated through the issuance of taxable and tax-exempt bonds and notes. By developing innovative financing structures, which are at the forefront of those utilized in capital markets, AHFC has been able to offer eligible Alaskans interest rates that are among the lowest in the country.

Since making its first loan in 1972, AHFC has stimulated the investment of more than $6.9 billion in housing in communities across Alaska.

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1 Corporation Profile
2 Letter to the Governor
3 Board of Directors
4 Alaska's Economy and the Housing Market in FY 1988
5 Mortgage Loan Portfolio by Geographic Area
6 Fiscal Year 1988 Activities
8 Fiscal Year 1988 Financing Activities
13 Programs
15 Fiscal Year 1988 Property Sales

Letter to the Governor

Dear Governor Cowper,

Fiscal Year 1988 was a year of transition for the Alaska Housing Finance Corporation and many AHFC borrowers.

AHFC continued to provide low-cost mortgage financing to Alaskans in FY 1988. During the year AHFC purchased 2,382 loans totaling $238.2 million. On June 30, 1988, the Corporation's portfolio contained 44,813 loans totaling $3.76 billion. In the last 16 years, AHFC has issued approximately $6.64 billion in taxable and tax-exempt bonds and notes to assist Alaskans in purchasing homes.

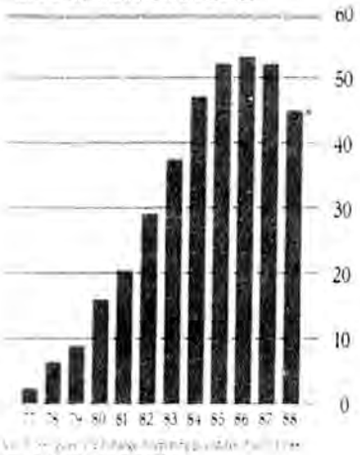
Fiscal Year 1988 proved to be another difficult year for the Alaskan housing market. Delinquencies remained in double digits and foreclosures continued at record rates. At the end of FY 1988, AHFC owned over 4,000 properties. In managing these properties, AHFC developed an extensive marketing plan and continued its efforts to mitigate losses associated with holding these properties.

In response to the troubled economy, AHFC continued its diligent efforts in developing forbearance and workout plans. These programs were implemented on an individual basis and more significantly on a general basis through the Home Owners' Assistance Program, or HOAP (pronounced hope).

In late December 1987, AHFC, with the unprecedented cooperation of many mortgage insurers and servicers, instituted an expansive mortgage refinance and assistance program. The HOAP made mortgages more affordable, thus saving the loss of homes by many Alaskans.

Through its various programs and its resources, the Corporation in FY 1988 worked towards minimizing the effects of the current economic slowdown both on the Corporation and homeowners. The AHFC Board of Directors and staff pledges to continue working with the Governor and legislature to help homeowners and potential homebuyers in meeting their housing needs.

Number of Mortgage Loans Held
number of loans held in thousands



Sincerely,

J. Anthony Smith
Chairman of the Board

Dr. Ronald D. Lehr
Executive Director

Board of Directors

A five-member Board of Directors governs the Alaska Housing Finance Corporation. The Board of Directors consists of: the Commissioners of the State Departments of Revenue and Commerce & Economic Development; another member who is head of a principal department of the executive branch of State Government appointed by the Governor; and two public members also appointed by the Governor. The Board elects a chairman annually.



J. Anthony Smith
Chairman
Commissioner of Commerce
and Economic Development
State of Alaska, Juneau

Lance W. Anderson
Vice President, Finance
Cook Inlet Region, Inc.
Anchorage



Gordon J. Severson
First Vice-Chairman
Retired Right of Way
Negotiations Supervisor
Department of Transportation
and Public Facilities
State of Alaska, Anchorage



Hugh Malone
Commissioner of Revenue
State of Alaska, Anchorage



Jim Sampson
Commissioner of Labor
State of Alaska, Juneau

Staff

AHFC has 80 permanent employees. The principal officers are:

Executive Director
Dr. Ronald D. Lehr

Finance Director
Mark Cameron

Mortgage Operations Director
Betty M. Cook

Servicing Operations Director
Paul Kapansky

Administrative Officer
Judith DeSpain

Controller
C.J. McCarty

Special Assistant, Public Information Officer
Margaret Nelson

Alaska's Economy and the Housing Market in FY 1988

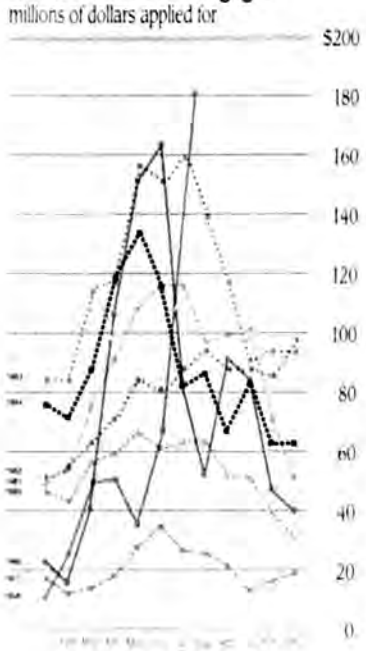
Fiscal Year 1988 was another difficult year for the Alaska economy and the Alaska housing market. Both population and employment continued to decline. On a statewide basis, population and employment dropped by an estimated 2-3% during FY 1988. In Anchorage, the decline was more pronounced, with decreases in the 4-5% range. In terms of absolute numbers, these represented population losses of about 10,000 people, and employment losses of approximately 5,000 jobs.

The housing market was a reflection of the economy. Delinquencies continued to be in double-digit levels, and foreclosures were at disturbingly high rates. By the end of the fiscal year, delinquencies exceeded 15%, foreclosures for the year exceeded 6% of AHFC's portfolio and housing values continued to decrease.

The cumulative effect of all of these factors caused the Corporation to have a net loss for the first time in its history. This net loss was not an operating loss, but rather resulted from a substantial increase in the Loan Loss Reserve, a decrease in the value of Real Estate Owned (REO) and a decrease in the estimated collectible value of receivables involving REOs and insurance claims for REOs. The total change of all of the REO-related values from FY 1987 to FY 1988 resulted in a charge against net income of $71.5 million, so that the final value for net income was a net loss of $12.6 million.

Monthly Applications – Amount Received All First Mortgages

millions of dollars applied for



Despite all of the above, FY 1988 had many positive trends. First, although population and employment did drop during FY 1988, the decrease was only half as much as during FY 1987. Furthermore, monthly employment figures indicate that the rate of decrease has declined to the extent that the economy appears to have "bottomed out" during the summer of 1988. This trend is in accordance with the prediction of economic analysts at the University of Alaska during the previous year. Their projections for the near future are for a slow growth trend of both population and employment in the neighborhood of 1-2% per year into the early 1990s. Other economic trends also show some improvement; unemployment rate has dropped by more than 1%; personal income has increased during the year; and the Consumer Price Index has shown no change.

Also, positive movements affected the housing front. Although delinquencies remained high, they did not significantly worsen during the year. Prices for certain types of housing stabilized. Selected portions of the state exhibited definite signs of recovery; institutionally owned housing inventories dramatically decreased; and market values started to show slight increases.

The major positive news for the Alaska housing market was the implementation of the Home Owners' Assistance Program or HOAP (pronounced hope). HOAP was designed to make mortgage payments more affordable for AHFC borrowers. HOAP is a refinance/modification program that can lower mortgage payments for many borrowers, and can provide additional assistance for borrowers experiencing an involuntary economic hardship. For this latter group of borrowers, HOAP can bring a loan current, if it is delinquent, and help keep the loan current by supplementing mortgage payments for a short time. All assistance provided to borrowers must be repaid over the remaining life of the loan.

HOAP has proved to be an extremely popular program, and it is estimated that about 7,500 AHFC borrowers will eventually use the program. The program was initiated mid-way through FY 1988, hence by the end of the fiscal year only a small portion of all expected loans had actually gone through the necessary steps and been closed. It is expected that the main benefits of HOAP will be reflected in FY 1989 figures.

Another significant positive development occurred when the Corporation signed a $200 million Master Commitment Contract with the Federal Home Loan Mortgage Corporation (Freddie Mac). This contract allows AHFC to convert its conventional loans to Freddie Mac securities (Participation Certificates) prior to using these securities as collateral for bond issues. Prior to these agreements, all securitization of conventional loans had been done with the Federal National Mortgage Association (Fannie Mae).

The Corporation is continuing the development of a number of programs designed to mitigate the effects of the current economic situation. It is expected that a major market stabilization effort, particularly with respect to condominiums, will be launched during FY 1989.

The Corporation has gone through a major expansion in personnel, which necessitated a move to a new location. In the past two years, the Corporation has more than doubled in size and further expansions are contemplated. The intent of these expansions is to allow the Corporation to deal with the additional responsibilities associated with significant numbers of foreclosures and REOs.

Although the past few years have been troublesome ones for Alaska and AHFC, there are reasons for some positive views of the future. As noted, the economy seems to have bottomed out, as predicted. AHFC has initiated programs, and is working on others, that are expected to have significant positive effects on the market. And finally, a policy decision was made to be quite conservative on estimating the various components of loan losses (REO recoverable values). Management expects that FY 1989 will show a return to positive net incomes. Despite the difficult times aforementioned, the Corporation believes that a statement from the FY 1986 (and FY 1987) annual report still applies; that is, because of the extensive resources of the Corporation and the various levels of insurance on loans, AHFC is confident that it can handle any problems which occur during this slow economic period.

Mortgage Loan Portfolio by Geographic Area



	# of Loans	% of Portfolio
Anchorage	24,759	55.2
Mat-Su	3,743	8.4
Kenai Peninsula	2,869	6.4
Other South Central	1,539	3.4
Total South Central	32,910	73.4
Fairbanks	6,299	14.1
Other North	422	.9
Total North	6,721	15.0
Juneau	3,098	6.9
Sitka	685	1.5
Ketchikan	336	.7
Other Southeast	1,064	2.4
Total Southeast	5,183	11.6
Other	1	0
Total Other	1	.0
GRAND TOTAL	44,815	100.0

Fiscal Year 1988 Activities

Fiscal Year 1988 provided many diverse challenges to the Corporation as Alaska's economy continued to be in recession. The most significant activities centered on making mortgage payments more affordable and, in as many instances as possible, helping homeowners experiencing financial difficulties to keep their homes.

The Corporation's History

Alaska Housing Finance Corporation is charged with providing mortgage financing at the lowest rates possible to Alaskan citizens, while increasing the number of decent, safe and sanitary homes in the state. By adopting loan programs that are unique among state housing agencies and developing financing structures that have been in the forefront of those utilized in the capital markets, AHFC has been able to meet the diverse needs of Alaskan homebuyers.

AHFC has been in operation for more than 17 years. From 1971 to 1975, AHFC purchased only federally insured mortgage loans for low- to moderate-income borrowers. Then state legislation passed in 1975 established a State Mortgage Insurance Fund which allowed the Corporation to purchase loans not federally insured; and while income limits and maximum loan amounts remained in effect, the number of eligible borrowers increased. As as result, AHFC grew to be about 25% of the statewide market.

In 1980, both federal and state legislation significantly changed AHFC's programs. With state legislative action income limits on AHFC programs were removed, loan limits were increased, mobile home and rural loan programs were established and the Home Ownership Assistance Program (HOF) was started.

Also, subsidized interest rates were established at 10% on the first $90,000 of a loan (9% for veterans). The legislature appropriated more than $500 million to the Corporation to assist in implementing these changes. In the same year, Congress restricted the use of tax-exempt funds to first-time homebuyers and limited the amount of tax-exempt mortgage revenue bonds which could be sold to $200 million a year.

The net effect was that AHFC's volume surged. By 1981, when all the changes had been implemented, AHFC was purchasing 85% of all mortgage loans made in the state.

Further changes occurred in 1983 when the Alaskan voters adopted the Veterans Mortgage Program. This program allows AHFC to fund loans made to qualifying veterans with tax-exempt bonds.

AHFC has often been on the cutting edge of new financing techniques. In 1981, AHFC was the first public agency to sell taxable bonds. In 1983 AHFC became the third largest issuer of taxable bonds in the U.S. corporate market.

In FY 1983, AHFC adopted the Alaska Building Equity Mortgage (ABE), to take advantage of shorter term, lower interest taxable bonds. An ABE mortgage has a fixed interest rate, but the monthly payment increases by 5% in years four through nine. The increased portion of the monthly payment is applied directly to the outstanding principal balance and the loan is paid off in 16 to 18 years.

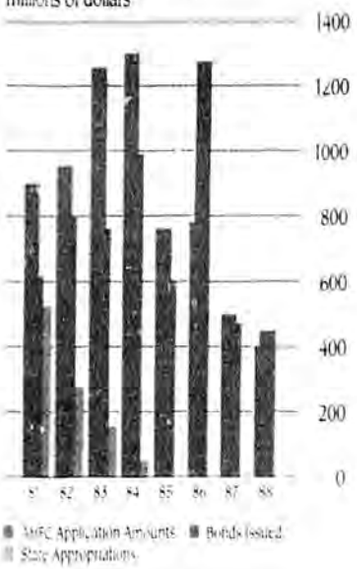
In FY 1984, an agreement was signed with the Federal National Mortgage Association (Fannie Mae) to swap Alaskan mortgages for Mortgage Backed Securities which raised the Corporation's bond rating to AAA on taxable issues. The agreement also eliminated the need for mortgage pool and special hazard insurance. Also, State Guaranteed Veterans Mortgage Bonds were restructured to extend the bond maturity to 30 or 35 years allowing AHFC to take advantage of prepayments by recycling them to make new loans.

During FY 1985 the Corporation became an issuer of Government National Mortgage Association (GNMA) mortgage certificates as a means of securitizing Veterans Administration guaranteed loans.

Due to the overall slowing in the state economy, FY 1986 offered new and different challenges to the Corporation. The price of oil started a dramatic decline in December, 1985, slowing economic activity, and national tax reform dramatically changed the way mortgages could be financed. AHFC responded to these changes by making loans assumable, establishing two refinancing programs and providing lower interest rates.

Also in FY 1986, AHFC loans were approved by the Federal Housing Administration, qualifying AHFC loans for FHA insurances. This program allowed moderate income borrowers who do not have the ability to make large down payments the option of choosing FHA-insured loans when conventional loans do not meet their needs.

State Appropriation, Bonding and Mortgage Levels
millions of dollars



Many of FY 1987 activities centered on responding to Alaska's slowing economy and changing borrower needs.

Internally, AHFC's Special Credits Department expanded as foreclosures and delinquencies increased. Also, AHFC instituted a real estate owned broker program, employing private real estate firms across Alaska to market AHFC foreclosed properties.

Fiscal Year 1988

Much of the FY 1987 activities which were due to the downturn in the state's economy continued in FY 1988.

Home Owners' Assistance Program

The most significant activity in FY 1988 was the implementation of the Home Owners' Assistance Program known as HOAP (pronounced hope). Under this unique and unprecedented program thousands of Alaskan homeowners have the opportunity to make their house payments more affordable and in some instances avoid foreclosure.

By the end of FY 1988, AHFC had purchased 363 HOAP loans and several hundred applications had been approved. It is expected that by the time the program is complete, sometime in FY 1989, some 7,500 borrowers will have taken advantage of the program.

HOAP began as a more formalized workout or forbearance program and grew into the more sophisticated simplified refinance and assistance program. The program was developed in conjunction with companies that have either insured or secured a majority of the 45,000 loans AHFC owns. The Mortgage Guaranty Insurance Corporation (MGIC), the Federal National Mortgage Association (Fannie Mae) and several private mortgage insurance companies embraced HOAP in an effort to make mortgages more affordable and help those Alaskans experiencing temporary financial difficulties. Nowhere else in the nation have so many housing industry companies provided so much cooperation in helping people stay in their homes and in loss mitigation.

Under HOAP, all AHFC borrowers can refinance their loans even if no hardship exists and the property is no longer owner/occupied. Depending on the original loan type and interest rate, the new HOAP loan can eliminate scheduled increases in principal and interest (the Alaska Building Equity feature) and the interest rate may be lower resulting in lower monthly payments.

For AHFC homeowners experiencing a hardship, HOAP could (again depending on the original loan) eliminate the scheduled principal and interest increases, lower the interest rate; provide funds to bring the loan current, if delinquent; and help with monthly payments. Funds used to assist borrowers are limited and must be repaid after two years.

Other Activities

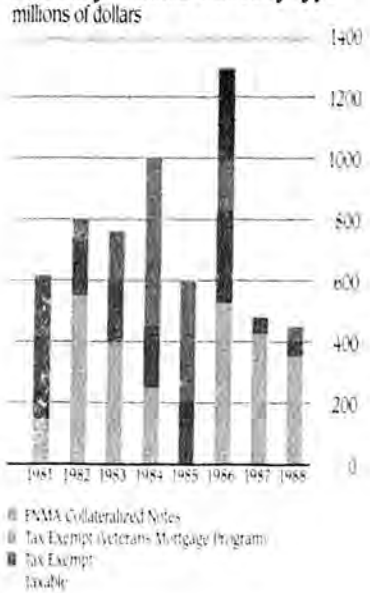
In an effort to continue financing new mortgages in FY 1988, AHFC signed a new contract with the Federal Home Loan Mortgage Corporation (Freddie Mac) for $200 million. This contract helps to continue the availability of new financing for low-cost mortgages for Alaskans. In conjunction with this change, the Corporation has now switched to a 30-year, level payment mortgage, dropping the Alaska Building Equity graduated payment structure. Due to the increasing workload from high delinquencies and foreclosures, AHFC staff expanded in FY 1988. With staff doubling in size AHFC moved its headquarters to a larger office space.

AHFC also focused its efforts on establishing marketing programs for repossessed mobile homes and foreclosed properties. By year's end, many new regulations and management guidelines were in place allowing for bulk sales of mobile homes and more efficient handling of foreclosed properties.

In an effort to help non-AHFC borrowers, the Corporation in FY 1988 expanded its Refinance Program to include refinance of non-AHFC loans. These loans, however, are not subsidized. The interest rate charged to the borrower will be at the Corporation's cost of funds.

Finally, in FY 1988 AHFC began many discussions with other mortgage market participants on efforts to help stabilize the Alaskan housing market. Those discussions are continuing and it is expected those concepts will be turned into programs in FY 1989.

Summary of Bonds Issued by Type
millions of dollars



Fiscal Year 1988 Financing Activities

Continuation of a slow economy and increasing interest rates resulted in a lower level of debt financings in FY 1987 than the Corporation has experienced since its lending programs were expanded in 1980. While financing activity was relatively low for the year, that which did occur was diverse. In addition to each of the basic three first mortgage financing programs (Taxable, Tax-Exempt and Veterans), the Corporation increased the activity in its taxable Euro-Commercial Paper Program financed the purchase of certain loans originated by the State under an urban non-conforming loan program and sold two issues to provide funding for its newly created Home Owners' Assistance Program, or HOAP (pronounced hope).

The Corporation's loan swap programs continued throughout the year with loans acquired from participating originating institutions combined into loan pools. The loan pools are then exchanged for Federal National Mortgage Association Mortgage Backed Securities (Fannie Mae MBSs) or Federal Home Loan Mortgage Corporation Participation Certificates (Freddie Mac PCs) in the case of conventional mortgage loans or used to create certificates insured by the Government National Mortgage Association (GNMA Certificates) for those loans which are insured by the Federal Housing Administration or guaranteed by the Veterans Administration. By using this mortgage loan swap process, the Corporation is able to attain the highest possible ratings on the debt it issues resulting in an overall reduction in its financing costs.

Consistent with global financing trends for U.S. dollar denominated securities, the Corporation issued most of its debt during FY 1988 in the domestic market.

Taxable Mortgage Program Financing

The Corporation sold its single issue for its Taxable Mortgage Program in October, 1987. This transaction combined the issuance of $72,500,000 medium-term notes with maturities of 2 to 9 years, $8,000,000 floating rate notes maturing in 10 years, and $19,500,000 Z-Bonds which resemble a zero coupon security but convert to current interest payments when all of the floating rate notes and medium term notes have been paid off or effectively decreased. Anticipation of mortgage loan prepayments also assisted in scheduling more of the debt into the shorter-term medium-term notes.

The Z-Bonds have the advantages of enhanced call flexibility and deferred debt service, the latter of which increases the principal amounts which can be scheduled into the lower-coupon medium-term notes. The floating rate notes have liberal call terms providing a cushion against the negative effects of excessive mortgage loan prepayments.

A letter of credit in the amount of $20 million was provided by Swiss Bank Corporation which is rated AAA by Standard & Poors and Aaa by Moody's Investor Services. The letter of credit assures bondholders that sufficient funds will be available to meet debt service payments if certain factors, primarily reduced levels of mortgage loan prepayments, cause a temporary inadequacy of cash flow.

While the transaction permits the funding of Fannie Mae MBSs, conventional mortgage loans are expected to be converted to Freddie Mac PCs pursuant to the terms of the Corporation's new agreement with Freddie Mac.

Tax Exempt Mortgage Program Financing

The Corporation sold its Collateralized Home Mortgage Bonds, 1987 Series B in November, 1988 in the amount of $50 million. Proceeds from this series of Bonds will be used to continue funding for the Corporation's Tax Exempt Program for first-time homebuyers. This issue represented a refunding of Collateralized Home Mortgage Bonds, 1986 Series B which was sold in an initial floating rate mode expected to be converted to long-term status when the demand under the program necessitated availability of the funds. Unfortunately, the 1986 issue did not have the necessary flexibility to accommodate 30 year loans converted to Freddie Mac PCs. The refunding mechanism utilized preserved the pre-1986 federal mortgage loan eligibility requirements while allowing the restructuring of the debt.

Borrower and Program Comparison for Fiscal Year 1988

Averages	Taxable Program[2]	HOF Program	Mobile Home Program	Veterans Program	Tax Exempt
Sales Price	126,448	78,582	45,850	115,936	83,863
Loan Amount	112,797	78,990	49,189	108,738	82,622
Ratio–					
Loan to Sales Price	88.28%	98.08%	88.78%	94.42%	96.21%
Interest Rate	9.21%	8.94%	8.61%	8.73%	8.88%
Principal & Interest Payment	926	632	475	855	657
Monthly Income	5,321	2,197	4,090	4,724	2,572
Age-Borrower	39.3	29.4	34.1	39.1	32.0

Program Profile for Fiscal Year 1988

Breakdown by Programs of 2,382 Loans Purchased in FY 1988

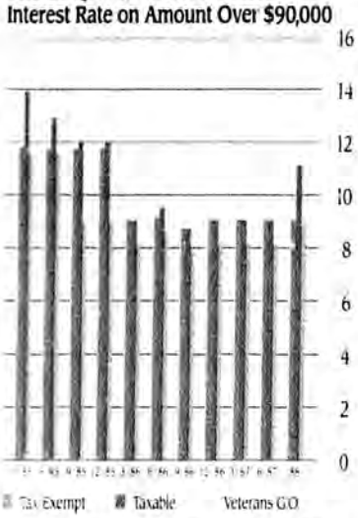
Program	Number of Loans	Percent Total	Dollar Amount (Millions)	Percent Total Dollars
Taxable[2]	1,018	42.7%	110.2	46.2%
Veterans	340	14.3%	37.0	15.5%
Tax-Exempt	645	27.1%	53.3	22.4%
Mobile Home	9	.4%	.4	.2%
Second	7	.3%	.4	.2%
HOAP	363	15.2%	36.9	15.5%
TOTAL	2,382	100.0%	238.2	100.0%

Note: 109 of the loans are Refinanced Loans. 4 of the loans are Pledged Account Mortgages. 48 of the loans are Home Owner's Assistance Program Loans.

[1] Including MGIC Special Financing of 58, $2.7 million and Non-conforming, 13, $.7 million.

[2] Exclusive of MGIC Special Financing and Non-conforming Program.

Interest Rate Trend –
End of Quarter Cost of Funds
Interest Rate on Amount Over $90,000



Interest Rate Comparison – Compares the cost of funds at the end of each quarter for three types of bonds AHFC issued in FY 84, FY 85 and FY 86.

The schedule of serial bonds for the 1987 Series B issue anticipated the receipt of mortgage loan prepayments at an annual level roughly equal to 6% of the portfolio. The anticipation of prepayments enabled more of the principal amount of the issue to be scheduled into the shorter term serial bonds with interest rates substantially below those applicable to the term bonds with longer maturities. To cover the risk to the bondholders that prepayments did not materialize at levels adequate to meet the required debt service, a $10 million letter of credit was obtained from Swiss Bank Corporation. Mortgage loans originated under the program will be converted to Freddie Mac PCs or GNMA Certificates prior to their funding from bond proceeds. This loan swap procedure combined with the letter of credit from Swiss Bank Corporation and other financing criteria resulted in the Bonds achieving ratings of AAA from Standard & Poors and Aaa from Moody's Investor Services.

Veterans Mortgage Program Financing

The sole financing for the Veterans Mortgage Program occurred in March 1988, through a competitive bid process with Dean Witter the successful bidder. The Veterans Mortgage Program is funded through the issuance of tax-exempt bonds, the proceeds of which are restricted to the purchase of mortgage loans made to individuals meeting the federal definition of veteran. Veteran borrowers generally receive a 1% decrease in the interest rate on the first $90,000 of their mortgage loan.

The issuance of Collateralized Bonds 1988 First Series (Veterans Mortgage Program) was in the amount of $50 million. Using "current refunding" rules under the Internal Revenue Code the bonds were not subject to the Alternative Minimum Tax, resulting in a reduced yield. A lack of available authorization under the Corporation's Fannie Mae Pool Purchase Contract which accommodated Alaska Building Equity (ABE) mortgages resulted in the need to call from unused proceeds in excess of $50 million of the Corporation's Collateralized Bonds 1983 First Series. The redemption of the 1985 bonds permitted the "current refunding" status.

The conventional loans originated under the program are expected to be converted to Freddie Mac PCs while VA guaranteed and FHA insured loans will be used to secure GNMA certificates. As a result of the loan swap arrangements and other financing criteria the bonds were rated AAA by Standard & Poors and Aaa by Moodys.

Home Owners' Assistance Program Financings

The Corporation inaugurated its Home Owners' Assistance Program (HOAP) in December, 1987, with the issuance of a $110 million multiple series transaction. The structure combined $43 million of medium-term notes maturing in years 2 through 9, $12 million of floating rate notes, a 15 year term bond with 5 years of call protection, a 30 year term bond callable after 7 years and a $10 million Z-bond which does not pay interest until the rest of the bonds are paid off and which was initially purchased by the Corporation.

Loans supporting this first HOAP financing will have been substantially restructured as to interest rate, maturity, and payments and will generally be subject to mortgage pool insurance policies or a Fannie Mae Pool Purchase Contract.

The issue was insured by Financial Securities Assurance which resulted in the achievement of the highest possible ratings from Standard & Poors Corporation and Moodys Investor Services. The issue permitted the inclusion of loans under the HOAP Part I as well as those refinanced pursuant to the requirements of HOAP Part II.

The second financing for HOAP was sold in April 1988. This issue in the amount of $75 million represented the first transaction of the Corporation structured as a true collateralized mortgage obligation (CMO). CMOs are multi-class pay-through bonds with cash flows generated from a common pledged pool of mortgages linked to the cash flows on the various classes of bonds. With a CMO, revenues beyond that necessary to pay current interest on the bonds are used to retire bonds generally on a sequential basis. The issuer of a CMO usually does not protect the bondholders from excess revenue calls, rather the investor concerned with receiving their principal back too early will buy one of the later classes.

Mortgage Investment, State Appropriation and Financing Levels – All Programs

Year Ending June 30, 1989

	(In Millions)
Loan Commitments – Proposed	$ 890.00
Loan Purchases – Proposed	875.00
State Appropriations	-0-
Bonds – Authorized	1,500.00
– Issued (Estimated)	650.00

Year Ending June 30, 1988	(In Millions)
Loan Commitments – Actual	$ 254.26
Loan Purchases – Actual (Excluding accrued interest)*	238.24
– Estimated previous year	565.00
State Appropriations	-0-
Net transfers representing loan subsidies and/or debt collateralization	101.00
Bonds – Authorized	1,500.00
– Issued	447.00
– Estimated previous year	675.00

*Includes loans modified pursuant to the Home Owners' Assistance Program

The Corporation's CMO issue was unique to the market in that it represented the first such transaction where the issuer did not have the underlying mortgage collateral immediately available. It was also somewhat unusual in that the collateral was to consist of part whole loans and part Fannie Mae MBSs.

As with the first HOAP issue the CMO was insured by Financial Securities Assurance and achieved the highest possible ratings from both Standard & Poors and Moodys Investor Services.

Mortgage Backed Bonds

In September 1987, the Corporation sold $62 million of Mortgage-Backed Bonds. This financing consisted of $22 million of floating rate bonds and $40 million fixed rate securities. The Mortgage-Backed Bond issue was unique to the Corporation in that it represented the first transaction where the mortgage loans to be pledged as security for the bonds were already held in portfolio. The majority of the mortgage collateral consisted of loans purchased from the State of Alaska in 1986. These loans were originated under programs administered by the Housing Assistance Division of Community and Regional Affairs, principally their Urban Non-Conforming Program. In addition to these loans, the Corporation pledged certain mortgage loans originated under its Rural and Rural Non-Owner Occupied Programs.

The Mortgage-Backed Bonds, interest on which is subject to federal income tax, were sold as a private placement through Salomon Brothers Inc to predominantly institutional investors. The bonds were subject to a letter of credit provided by Mitsui Bank, Limited. Ratings were not requested on the Bonds.

Short-Term Financing Facilities

Reverse Repurchase Agreements

The Corporation continued its practice of managing its liquidity position through the sale of a portion of its portfolio of Fannie Mae MBSs and GNMA Certificates under agreements to repurchase the securities on a specific date. This type of financing activity is referred to as a Reverse Repurchase Agreement and is the flip side to a Repurchase Agreement (REPO) investment. Since the Corporation has effectively collateralized its obligation to make payment to the investor with securities of AAA quality, Reverse Repurchase Agreements are among the lowest cost source of short-term funds available.

Since it is generally preferable to fund mortgage securities into the appropriate bond issue as infrequently as possible, the Reverse Repurchase Agreements are a convenient, low-cost method of warehousing the mortgage loans acquired by the Corporation which have been converted to a mortgage-backed security or certificate.

Euro Commercial Paper Program

To supplement its Reverse Repurchase Agreement and short-term financing activities, the Corporation implemented in April 1987, a Euro Commercial Paper (ECP) Program. This Program is used interchangeably with Reverse REPOs and assists in assuring available liquidity for mortgage loan purchases pending their delivery under the appropriate bond issue. Merrill Lynch International & Co. and Swiss Bank Corporation International Ltd. are dealers in the Program which is administered out of their London offices. During FY 1988 the Corporation issued an aggregate of $284 million of Euro Commercial Paper with an average maturity of 3 months and interest rate of 7.40%. Borrowings under the ECP Program represent a general obligation of the Corporation, backed by its full faith and credit. In connection with this Program, certain representations were made concerning the amount of unrestricted assets which the Corporation must maintain.

Euro Revolving Facility Agreement

Simultaneous with the implementation of the ECP Program, the Corporation entered into a Euro Revolving Facility Agreement (the Revolving Facility) with a number of international banking institutions. The Revolving Facility, initially in the amount of $150 million with provisions which permit an increase to $200 million, provides the Corporation with the certainty of access to short-term financing were the ECP Program or access to the Reverse REPO markets to prove unavailable or undesirable. While acting somewhat as a "backstop" facility, it provides for a variety of funding methods which may at times prove attractive to the Corporation. The lead bank in the Revolving Facility is Swiss Bank Corporation, other participating banks are from Japan, France, Italy and England.

Programs

The Alaska Housing Finance Corporation offered thirteen mortgage programs in Fiscal Year 1988 to meet the financing and refinancing needs of Alaskan homebuyers.

AHFC purchased 2,382 loans made in FY 1988 totaling $238.2 million.

Home Owners' Assistance Program

In FY 1988 AHFC implemented the Home Owners' Assistance Program, known as HOAP (pronounced hope). HOAP was designed to make mortgage payments more affordable for AHFC borrowers, as well as offer assistance to eligible homeowners who were experiencing serious, but temporary, financial difficulties.

This program helped borrowers who were either current or late in making their mortgage payments. Specifically, HOAP eliminated the scheduled increases in monthly principal and interest payments resulting in a 30-year mortgage and lowered the interest rate, if possible, resulting in a lower mortgage payment. If a borrower was experiencing a hardship HOAP may have provided advances to bring the loan current and perhaps provided assistance with the monthly mortgage payment for up to two years. Any assistance provided must be repaid by the borrower.

In FY 1988, AHFC purchased 363 HOAP loans.

Taxable Mortgage Program

This program is used by the largest number of Alaskan borrowers. 1,018 in FY 1988 representing 42.7% total loans purchased.

The program is available to all borrowers who cannot qualify for tax-exempt funds which are restricted for use to first-time homebuyers or veterans. Up to $199,850 may be borrowed for a single-family residence or $255,650 for a duplex. If AHFC's interest rate is above 10%, the first $90,000 of the loan is financed at the subsidized rate. The interest rate on any additional loan amount above $90,000 is set at the Corporation's cost of funds.

Tax-Exempt Mortgage Program

In the Mortgage Subsidy Bond Tax Act of 1980, Congress established a program under which individual states could issue tax-exempt bonds and use the proceeds to make loans to first-time homebuyers. Under this program, borrowers must meet criteria established by the federal government to be eligible for the funds, including average area purchase price limits for the residence and not having an ownership interest in a principal residence in the last three years. The limits for FY 1988 were $102,740 for an existing single-family residence and $115,685 for a duplex.

This program was used by 645 homeowners in FY 1988.

Home Ownership Assistance Program

By providing an additional subsidy, the Home Ownership Assistance Program (HOF) reduces the monthly mortgage payment that borrowers pay. Although the mortgage loan is written at the current interest rate, borrowers receive a subsidy. The subsidy is based on their income in an amount that would reduce the monthly payment to 28% of their income or a 6% interest rate loan, whichever is greater. Since an additional subsidy is provided, there are criteria for the program including the amount of total assets based on family size and sales price limits. The limits insure use of the funds by families who could not afford to purchase a home without this assistance.

The HOF Program was used by 48 homeowners in FY 1988.

Federal Housing Administration

Mortgage loans are available with Federal Housing Administration insurance under FHA's 203b, 203b2 and 234c programs.

Down payments and qualifying guidelines are more lenient under this program.

In FY 1988, AHFC purchased 861 loans under this program.

Mobile Home Loan Program

AHFC offers one of the most liberal Mobile Home Loan Programs in the United States with a choice of a 10% down payment with a 20-year loan term or a 5% down payment with a 10-year loan term. The maximum loan amount is $75,000.

Nine borrowers used this the program during FY 1988.

Triplex/Four-Plex Program

A total of 6 Alaskans took advantage of this program during the FY 1988 where an owner-occupant can borrow up to $308,900 for a triplex or up to $384,000 for a four-plex. There is a minimum of 15% down payment. For the Taxable Mortgage Program, the Corporation offers a subsidized interest rate on the first $90,000 of the loan if AHFC's interest rate is above 10%. The interest rate on amounts over $90,000 are at the Corporation's cost of funds.

Pledged Account Mortgage Program

A graduated payment mortgage is available through the Corporation's Pledged Account Mortgage Program (PAM). With a PAM mortgage, the borrower places a portion of the down payment in an interest-bearing savings account which is pledged as additional security.

Money is drawn out of the account each month to pay a portion of the borrower's monthly mortgage payment. Since the borrower is qualifying on a lower first year payment, borrowers can purchase a larger home in anticipation of their income increasing.

A total of 4 families took advantage of the PAM program in FY 1988.

Second Mortgage Program

The Second Mortgage Program is divided into two categories: the Second for Purchase Program and the Second for Home Improvement Program. The Second for Purchase Program was developed to provide a vehicle for borrowers to assume an older first mortgage where allowed, in order to maintain a lower average interest rate. The Second for Home Improvement Program was designed to aid borrowers who wanted to retain their present lower interest rate first mortgage but needed financing to make improvements that would suit their current housing needs.

For the Second Mortgage Program, the total-financing-to-value ratio may not exceed 80%. The Corporation's loan maximums are $99,900 for single-family residences and $127,800 for duplexes.

A total of 7 borrowers used this program in FY 1988.

Veterans Mortgage Program/State Veterans Interest Rate Preference and Federal Veterans Administration Loans

The Veterans Mortgage Program allows AHFC to fund the mortgage loans made to qualifying veterans with tax-exempt bonds.

The savings from the use of tax-exempt funds directly reduces the subsidy costs of operating this below-market mortgage program.

A total of 349 veterans utilized the tax-exempt funds during FY 1988 for mortgage loans. Loans under the program may be for single-family through four-plex residences, with loan limits and down payment requirements the same as under the Taxable Mortgage Program and the Triplex/Four-plex Mortgage program.

The State of Alaska has offered lower interest rate home loan programs for veterans since before statehood and currently offers a one percent lower interest rate on the first $90,000 of a loan.

As a result of new federal restrictions on the Veterans Mortgage Program, many veterans who entered service after January 1, 1977, and who have been out of service for more than 30 years, will find this state program an option in the future. The lower interest rate may be applied to any of the programs of the Corporation except the Veterans Mortgage Program.

Also available to veterans is a loan guarantee by the Federal Veterans Administration which allows for a lower down payment when purchasing a home. This federal loan guarantee program was utilized by 340 veterans during FY 1988. The guarantee may be applied to all of the Corporation's loan programs, except the PAM.

Refinance Program

The Refinance Program allows mortgagors the opportunity to reduce their monthly mortgage payments and make their loans assumable.

There were 109 borrowers who took advantage of the program in FY 1988.

Rental Program

The Rental Loan Program was limited to the refinance of loans already owned by the Corporation that required continued owner/occupancy. The new loan allowed the borrower to rent the property on a long-term basis. The interest rate on the new loan is not subsidized by the state and adjusts every five years to the Corporation's cost of funds.

The Corporation has refinanced 137 loans under this program in FY 1988.

This program was discontinued towards the end of FY 1988.

Non-Conforming Property Program

The Corporation also purchases loans secured by properties for which typical financing cannot be obtained through other private, state, or federal lending programs. Although these properties are structurally sound and marketable, they have non-conforming features such as low ceilings or lack of conventional utilities. Single-family homes, duplexes, and mobile homes on lots are eligible for this program.

During FY 1988 the Corporation purchased 13 loans on non-conforming properties.

Condominium Projects

Prior to purchase of loans secured by units within a condominium or PUD project, AHFC reviews all aspects of a project including the marketability of the units, the amenities offered in the project, and adequacy of the association's budget, among others.

The Corporation maintains an approved list of condo and PUD projects. Each project must submit annually a report, including information on reserve accounts, newly elected officers, and information on owner-occupancy in order to maintain the project's approval.

Mobile Home Parks

AHFC will purchase mobile home loans in mobile home parks that have been approved by the Corporation. The approval process includes inspections, as well as receipt of copies of appropriate health approvals, municipal permits, copies of park rules, and rental agreements. More than 136 parks have been approved and must recertify annually to maintain park approval.

Providing the lowest financing available to Alaskan homebuyers continues to be a major priority for AHFC.

Fiscal Year 1988 Property Sales

Without exception in Fiscal Year 1988 sales of all property types increased. The marketplace in certain segments became increasingly competitive with sales directly related to property condition.

AHFC's policy of selling homes in a market ready condition contributed to increased sales. Time and effort were spent on repairs and renovations to properties which resulted in the sale of a better product, at a higher value and in a shorter period of time. The policy assisted brokers in marketing properties and ultimately resulted in a high level of satisfied purchasers. A very important side effect of this policy was that the repair and renovation process diversely injected substantial funds into the Alaskan economy. These funds paid for wages, materials and services, thus adding positive stimulus to an ailing economy.

Although sales generally increased over 1987 levels, real estate owned inventory continued to significantly increase as foreclosures continued to exceed sales.

REO Inventory by Property Type

At June 30, 1988

	Anchorage Eagle River	Fbx	Mat Su	Kenai	Southeast	Total
SFR	462	433	175	108	56	1,234
Condo	1,302	2	59	0	60	1,423
PUD	100	58	14	1	0	173
Multi-Family	67	9	36	6	7	125
Mobile Home w/ Lot	2	2	5	1	0	10
O-Lot	309	0	6	1	73	389
TOTAL	2,242	504	295	117	196	3,354

SRF: single family residence
PUB: planned unit development

Sales by Property Type for FY 1988

	Anchorage Eagle River	Fbx	Mat Su	Kenai	Southeast	Total
SFR	272	55	101	25	30	483
Condo	101	5	0	1	8	115
PUD	42	3	8	1	0	54
Multi Family	11	4	1	1	5	22
O-Lot	76	3	0	0	22	101
TOTAL	502	70	110	28	65	775

Condominiums

In general, the condominium market continued to experience great difficulty. Sales increased 300% over 1987, but on a relative basis this had little significance or impact. Major efforts were undertaken to develop an overall stabilization program with the intent to reduce inventory, strengthen homeowners associations and improve overall housing quality. The effect of these efforts, if implemented, should be seen in FY 1989.

Mobile Homes

In 1988 mobile home sales significantly increased. Beginning in March 1988, monthly sales began to exceed incoming repossessions. Signs of stabilization appeared in the mobile home market. Values, although continuing to decline, declined at a significantly lesser rate than in 1987.

The increased sales were due in part to AHFC concentrating its efforts on a marketing plan. The units were centrally managed, and aggressively marketed with over 60 AHFC-approved agents selling the inventory.

AHFC also targeted a previously untapped area of using the units for recreational purposes. A model was set up in a highly visible and convenient area in Anchorage for the summer to show prospective recreational users what a little imagination could accomplish with a mobile home. The unit was staffed daily by AHFC-approved mobile home agents.

A sales/storage lot was also opened and resulted in additional sales as well as reducing AHFC's space rent holding costs.

While individual unit sales made up a majority of the sales, bulk sales also contributed to the overall reduction of inventory. Bulk sales were made to mobile home park owners, individuals and mining camps. Many units stayed in the Anchorage area whereas some were moved from the area, which contributed towards stabilizing the market.

In another area, major progress was made on a program to reduce the carrying costs of mobile homes. In addition to reducing its inventory, a storage lot was established and strategies were established for negotiating reduced space rents.

Statewide Inventory of AHFC Owned Mobile Homes for FY 1988

Beginning Inventory	957
Repossessions	646
*Closed Sales	588
Units Destroyed	45
TOTAL	970

*Bulk sales = 20 units

Summary

The growing real estate owned problem will continue into FY 1989. In addition to its repair and restoration policy and aggressive marketing strategies, AHFC will continue to explore opportunities to stabilize property values and reduce foreclosures.

Approved AHFC Seller/Servicers

Alaska Continental Bank
Alaska Federal Savings & Loan
Alaska Statebank
Alaska USA Federal Credit Union
Alliance Bank
AVCP Housing Authority
B. M. Behrends Bank
Centrust Mortgage Corporation
City Mortgage Corporation
Columbia Mortgage Corporation
Commonwealth Western Mortgage Corporation
Denali Federal Credit Union
Denali State Bank
FedAlaska Federal Credit Union
Fireman's Fund Mortgage Corporation
First Bank
First Federal Bank-City
First Federal Bank of Alaska
First Federal DVA Only
First Guaranty Mortgage Company of Alaska
First National Bank of Anchorage
First National Bank of Fairbanks
Frontier Alaska State Credit Union
G.M.A.C. Mortgage Corporation of PA
Goldome Realty Credit Corporation
Home Savings & Loan
Intercontinental Mortgage Corporation
Interior Regional Housing Authority
Key Pacific Mortgage Corporation
Kodiak Island Housing Authority
Mortgage Company of Alaska
Mount McKinley Mutual Savings
NANA Regional Housing Authority
National Bank of Alaska
Rainier Bank Alaska, N.A.
Seafirst Mortgage Corporation
Tlingit-Haida Regional Housing Authority
Washington Mortgage Company, Inc.
Western Mortgage Loan Corporation

Independent Auditors' Report

The Board of Directors
Alaska Housing Finance Corporation:

We have audited the combined balance sheets of Alaska Housing Finance Corporation as of June 30, 1988 and 1987, and the related combined statements of revenues, expenses, retained earnings, and combined changes in financial position for the years then ended. These combined financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Alaska Housing Finance Corporation at June 30, 1988 and 1987, and the results of its operations and its changes in financial position for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information (Schedules 1 through 27) are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operation, and changes in the financial position of the individual Funds. The combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the combined financial statements taken as a whole.

October 11, 1988

Peat Marwick Main & Co.

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ALASKA HOUSING FINANCE CORPORATION

Exhibit A

Combined Balance Sheets

	June 30	
	1988	1987
	(in thousands)	
Assets		
Cash	$ 5,304	10,056
Investments	1,528,154	1,256,983
Securities purchased from other funds under agreements to resell	6,000	-
Mortgage loans and mortgage backed securities, net of discounts and allowances for loan losses	3,671,840	3,958,578
Mobile home loans, net of allowance for loan losses	73,958	100,819
Accrued interest receivable	55,308	54,413
Claims receivable	80,198	28,920
Due from other funds	158,029	113,122
Real estate owned	221,327	146,840
Mobile homes owned	10,500	18,306
Other assets	29,587	20,732
	$ 5,840,205	5,708,769
Liabilities and Fund Equity		
Liabilities:		
Bonds and notes payable, net of discounts:		
Mortgage bonds and notes	$ 4,009,699	3,991,067
Notes payable to State of Alaska	-	10,894
Commercial paper	69,257	4,973
Securities sold to other funds under agreements to repurchase	6,000	-
Accrued interest payable	57,490	51,578
Insurance fund reserve for loan losses	11,738	5,585
Due to other funds	158,029	113,122
Accrued expenses and other liabilities	19,456	10,414
Total liabilities	4,331,669	4,187,633
Fund Equity:		
Contributed capital:		
Security for outstanding obligations	829,740	728,742
Legislative appropriations not subject to pledge	204,131	305,129
Total contributed capital	1,033,871	1,033,871
Retained earnings:		
Designated as security for outstanding obligations or other purposes allowed within the respective fund	407,769	421,125
Undesignated	66,896	66,140
Total retained earnings	474,665	487,265
Total fund equity	1,508,536	1,521,136
Commitments		
	$ 5,840,205	5,708,769

See accompanying notes to combined financial statements.

Combined Statements of Revenues, Expenses, and Retained Earnings

	Year Ended June 30	
	1988	1987
	(in thousands)	
Revenues:		
Interest income:		
Mortgages and loans	$353,922	397,421
Investments	117,918	135,925
	471,840	533,346
Loan fees and other	25,206	21,179
Total revenues	497,046	554,525
Expenses:		
Interest	402,050	460,062
Mortgage service fees	14,052	14,975
General and administrative	6,105	3,805
Trustee fees, insurance and financing costs	13,850	16,053
Mortgage payment assistance subsidies	2,101	3,234
Provision for loan losses	36,620	12,528
Insurance fund losses	9,506	6,272
Write-down and net operating expenses associated with real estate and mobile homes owned	25,362	8,534
Total expenses	509,646	525,463
Net income (loss) before extraordinary item	(12,600)	29,062
Extraordinary item – loss on early extinguishment of debt	–	(8,134)
Net income (loss)	(12,600)	20,928
Retained earnings at beginning of year	487,265	466,337
Retained earnings at end of year	$474,665	487,265

See accompanying notes to combined financial statements.

ALASKA HOUSING FINANCE CORPORATION

Exhibit C

Combined Statements of Changes in Financial Position

	Year Ended June 30	
	1988	1987
	(in thousands)	
Sources of financial resources:		
Operations:		
Net income (loss) before extraordinary item	$ (12,600)	29,062
Extraordinary item – loss on early extinguishment of debt	–	(8,134)
Net income (loss)	(12,600)	20,928
Items which do not use (provide) cash:		
Net amortization of discounts, premiums and bond issuance costs	16,795	21,043
Depreciation	80	80
Increase in accrued interest receivable	(895)	(1,174)
Increase in claims receivable	(51,278)	(28,920)
Increase in accrued interest payable	5,912	6,028
Net increase in accrued expenses and other assets	(6,408)	(2,299)
Net increase for allowance for loan losses and write-down of real estate and mobile homes owned	54,691	18,213
Financial resources provided by operations	6,297	33,899
Loan principal repayments	448,448	809,817
Increase (decrease) in commercial paper and securities sold to other funds under agreements to repurchase	70,284	(202,573)
Net proceeds from sale of mortgage bonds	435,468	480,118
Decrease in cash	4,752	–
Total sources of financial resources	$965,249	1,121,261
Uses of financial resources:		
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	277,171	(774,424)
Acquisition of loans	249,890	733,004
Payment of mortgage bonds and notes	427,117	1,149,338
Purchase of office equipment and improvements	177	131
Payment of State of Alaska notes	10,894	12,141
Increase in cash	–	1,071
Total uses of financial resources	$965,249	1,121,261

See accompanying notes to combined financial statements.

Notes to Combined Financial Statements
June 30, 1988 and 1987

1. Authorizing Legislation and Funds

The Alaska Housing Finance Corporation (Corporation) was created in 1971 by an act of the State of Alaska Legislature (Legislature). The Corporation was established to assist in the financing, development and sale of dwelling units within Alaska. Generally, the Corporation accomplishes its objectives by functioning as a secondary market for qualified real estate and mobile home loans originated by financial institutions. In addition, the Corporation has special programs which are specifically designed to meet the housing needs of low and moderate income borrowers.

The Corporation is authorized, as approved by the Legislature, to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. Certain bonds issued to finance residences for qualified veterans are guaranteed by the full faith and credit of the State of Alaska. All other obligations so issued shall not be deemed to constitute a debt of the State.

2. Summary of Significant Accounting Policies

Fund Accounting

The financial activities of the Corporation, which are restricted by the Corporation's Bond Resolutions and requirements from the Legislature, are recorded in various specific purpose funds and accounts as specified in such instruments or necessitated by appropriation requirements. Financial activities and resulting account balances which are not so restricted are recorded in the Corporation's Operating Fund. The Corporation's funds are considered to be enterprise funds for financial reporting purposes with revenues recognized when earned and expenses when incurred.

Investments

Investments purchased for long-term purposes and investments of a short-term nature are stated at cost, as adjusted for amortization of premium and accretion of discount. Gains or losses from the sale of investments are recognized upon realization. All investments are generally expected to be held to maturity and, therefore, fully realized.

Loans

Loans are carried at their unpaid principal balances, less net unamortized discount. Mortgage loans and mortgage backed securities (MBS) include Federal National Mortgage Association and Government National Mortgage Association and Federal Home Loan Mortgage Corporation mortgage backed securities of $1,353,732,000 and $1,328,011,000 at June 30, 1988 and 1987, respectively. The Corporation had agreements to repurchase individual mortgages if they become 90 days past due which secure approximately $539,000,000 of the MBSs at June 30, 1988 and $367,000,000 at June 30, 1987.

Real Estate Owned

Real estate and mobile homes owned consist principally of properties acquired through foreclosure and are carried at the lower of cost or estimated net realizable value. At the time the property is acquired, if the estimated net realizable value is less than the amounts outstanding on the loan, any difference is charged against the allowance for loan losses. Subsequent declines, if any, in estimated net realizable value are charged to expense. Upon final disposition of the property, resulting gains or losses are charged to operations in the current period. In determining the net realizable value of the property, the Corporation considers coverages available under mortgage and credit insurance and loan guarantees.

Allowance for Loan Losses

The Corporation maintains an allowance for potential loan losses. The level of this allowance is periodically reviewed by management, based upon an evaluation of the loan portfolio. The allowance is increased, as necessary, by a provision for loan losses and charged to expenses in the period that the loss exposure becomes known. Management believes that no significant losses in addition to those provided in the allowance for loan losses will occur due to the coverage provided by private mortgage or credit insurance, the Corporation's insurance funds, or various loan guarantee programs.

Reserve for Loan Losses

The Corporation maintains a reserve for loan losses in the insurance funds. The level of this reserve is periodically reviewed by management based upon an evaluation of the loan portfolio in the insured funds. The reserve is increased, as necessary, by a charge to expenses in the period the loss exposure becomes known.

Amortization and Depreciation

Mortgage discounts are amortized over the lives of the related mortgages on a method which approximates yield. The net unamortized discount on mortgages outstanding at June 30, 1988 and 1987 was approximately $374,000, and $373,000, respectively.

Discount and issuance expenses on debt are deferred and amortized on a method which approximates yield over the terms of the related issue.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives are 5 to 20 years. Accumulated depreciation at June 30, 1988 and 1987 was approximately $414,000 and $423,000, respectively.

Notes to Combined Financial Statements

Accrued Interest Receivable on Loans and Properties
Interest is accrued based upon the principal amount outstanding. Accrual of interest income is discontinued on loans when, in the opinion of management, collection of such interest income becomes doubtful. When payment of interest is provided for pursuant to the terms of mortgage and loan insurance or guarantees, accrual of interest on delinquent loans and real estate owned is continued.

Commitment Fees
Loan commitment fees are recognized as revenue upon issuance of each specific mortgage commitment contract.

Pension Plan
Substantially all full-time employees of the Corporation participate in the State of Alaska Public Employees' Retirement System. The State's policy is to fund pension costs accrued.

Legislative Appropriations Not Subject to Pledge
Legislative appropriations consist of that portion of capital contributions from the State of Alaska which is not pledged as security for outstanding obligations and are composed of the following (in thousands of dollars):

	June 30	
	1988	1987
General Account of Revolving Fund	**$ 88,992**	$189,990
Home Ownership Fund	**103,381**	103,381
Combined Insurance Fund	**11,758**	11,758
	$204,131	$305,129

3. Investments

A summary of investments at June 30, 1988 and 1987 follows (in thousands of dollars):

	June 30	
	1988	1987
U.S. Treasury securities	**$ 129,382**	$ 143,161
Securities of U.S. Government agencies and corporations	**166,975**	100,230
Mortgage backed securities (purchased on open market)	**179,252**	199,570
Certificates of deposit	**460,159**	241,430
Investment agreements	**223,744**	384,495
Commercial paper	**265,267**	17,287
Repurchase agreements	**84,092**	84,450
Money market funds	**19,283**	86,360
	$1,528,154	$1,256,983

At June 30, 1988, the Corporation held investments with maturities in excess of one year with a book value of $296,658,000 and a market value of approximately $310,766,000. These investments consisted of direct obligations of the United States, direct obligations of federal agencies, and bank investment securities.

Included in the General Account of the Revolving Fund is an investment in the net amount of $7,000,000 in debt securities of the Corporation which may not be pledged, sold, assigned, or otherwise transferred without the written consent of a stock insurance company unless provided otherwise in the indenture.

Notes to Combined Financial Statements

4. Allowance for Loan Losses and Insurance Fund Reserve for Loan Losses

A summary of the combined activity in the allowance for loan losses and the Insurance Fund reserve for loan losses follows (in thousands of dollars):

	Allowance for Loan Losses	Insurance Funds Reserve for Loan Losses	Combined
Balance July 1, 1986	$18,450	-	18,450
Provision	12,528	6,272	18,800
Net Loans Charged Off	13,453	687	14,140
Balance June 30, 1987	$17,525	5,585	23,110
Provision	36,620	9,506	46,126
Net Loans Charged Off	12,942	3,353	16,295
Balance June 30, 1988	$41,203	11,738	52,941

Management believes that the allowance is currently adequate to absorb known and inherent risks in the loan portfolio after consideration of the various insurance and guarantee programs in effect.

In connection with the establishment of various lending programs, the State Mortgage Insurance Fund, Rural Housing Hazard Insurance Fund, Rural Housing Title Insurance Funds and Rental Account of the Housing Mortgage Insurance Fund were created for the exclusive purpose of insuring the acquired mortgages and the Corporation's interest in the related property. The activity in the Reserve for Loan Losses for these Funds is reflected above.

5. Mortgage Bonds and Notes Payable

With the exception of the State Guaranteed Bonds, the Corporation's obligations are not a debt of the State and the State is not directly liable thereon. The State Guaranteed Bonds are backed by the full faith and credit of the State. Bonds outstanding at June 30, 1988 and 1987 are as follows (in thousands of dollars):

	Original Amount	June 30 1988	1987
Housing Mortgage Bonds:			
1972 Series A, 5.4% to 5.8%, due 1988-2002	$ 13,500	**9,510**	9,905
1973 Series A, 5.5% to 5.75%, due 1988-2002	13,000	**9,205**	9,590
1973 Series B, 5.8% to 7%, due 1988-2003	36,000	**26,845**	27,820
1975 Series A, 7% to 8.75%, due 1988-2005	35,000	**28,370**	29,175
1975 Series B, 7.3% to 7.75%, due 1988-2005	12,000	**9,730**	10,000
Total Housing Mortgage Bonds at par	109,500	**83,660**	86,490
Unamortized discount		**(156)**	(172)
Net Housing Mortgage Bonds		**83,504**	86,318

Notes to Combined Financial Statements

	Original Amount	June 30 1988	1987
Insured Mortgage Bonds:			
1975 First Series, 7.9% to 9%, due 1988-2005	5,000	**4,280**	4,375
1976 First Series, 7% to 7.5%, due 1988-2006	20,000	**17,250**	17,630
1976 Second Series, 6.8% to 7.125%, due 1988-2006	25,000	**21,725**	22,155
1977 First Series, 5.8% to 6.625% due 1988-2007	35,000	**29,025**	29,740
1977 Second Series, 5.6% to 6.5%, due 1988-2007	48,000	**40,030**	41,050
1977 Third Series, 5.3% to 6.125% due 1988-2007	40,000	**32,825**	33,775
1978 First Series, 5.5% to 6.375%, due 1988-2007	47,225	**40,750**	41,650
1978 Second Series, 6.3% to 7.5%, due 1988-2007	55,000	**47,850**	48,815
1978 Third Series, 6.1% to 7.125% due 1988-2008	44,000	**38,700**	39,490
1979 First Series, 6.25% to 7.3%, due 1988-2008	60,000	**53,750**	54,750
1979 Second Series, 6.05% to 7.125%, due 1988-20[illegible]	105,000	**93,000**	94,800
1980 First Series, 7.45% to 8.75%, due 1988-2009	39,400	**36,545**	37,055
1980 Second Series, 7% to 9.2%, due 1988-2010	230,000	**213,030**	215,910
1980 Third Series, 9% to 11%, due 1988-2009	230,000	**146,950**	175,675
Total Insured Mortgage Bonds at par	983,625	**815,710**	856,870
Unamortized discount		**(12,743)**	(14,343)
Net Insured Mortgage Bonds		**802,967**	842,527
Insured Rural Mortgage Bonds:			
1979 First Series, 7.5% , issued without discount to the State	5,600	-	2,592
1980 First Series, 7.5%, issued without discount to the State	4,400	-	2,643
Total Insured Rural Mortgage Bonds	10,000	-	5,235
State Assisted Mortgage Bond:			
Series A, 16.25%, due 1993-1999	150,000	**60,000**	60,000
Series D, 17.75%, and Series E, 18.375%, due 1988-1991	150,000	**30,837**	41,114
Series F, 15.25%, due 1992	225,000	**3,080**	22,402
Series H, 11.75%, due 1992	50,000	**16,903**	20,657
Series I, 11.5%, due 1991-1993	50,000	**24,719**	28,486
Series J, 11.375%, due 1991-1993	50,000	**24,255**	28,383
Series K, 10.75%, due 1988-1993	75,000	**39,984**	45,168
Series L, 11.5%, due 1988-1993	75,000	**31,842**	37,744
Series M, 12.875%, due 1988-1993	75,000	**23,326**	28,285
Series N, 12.3%, due 1988-1993	75,000	**29,907**	34,798
Series O, 12.3%, due 1989-1997	50,000	**50,000**	50,000
Series P, 10%, due 1989-1998	50,000	**50,000**	50,000
Series Q, 8.25%, due 1989-1998	50,000	**47,000**	50,000
Total State Assisted Mortgage Bonds at par	1,125,000	**431,853**	497,037
Unamortized discount		**(4,393)**	(5,569)
Net State Assisted Mortgage Bonds		**427,460**	491,468

Notes to Combined Financial Statements

	Original Amount	June 30 1988	1987
Home Mortgage Bonds:			
1981 First Series, 11.2% to 12.75%, due 1988-2001	100,000	**43,845**	51,930
1981 Second Series, 11.5% to 13.375%, due 1988-2012	100,000	**61,835**	69,720
1982 First Series, 9.5% to 11.865%, due 1988-2001	85,000	**49,095**	53,606
1982 Second Series, 8.75% to 10.848%, due 1988-2000	100,000	**66,551**	71,054
1983 First Series, 7.75% to 10.5%, due 1988-2001	75,000	**54,075**	57,060
1983 Second Series, 7.5% to 10.63%, due 1988-2010	125,000	**96,094**	104,684
Collateralized 1984 Series A, 10.5% to 10.625%, due 2003-2019	75,000	**57,105**	65,865
Collateralized 1985 Series B, 8.875%, due 2004-2021	102,445	**68,475**	75,515
Collateralized 1986 Series A, 8.375%, due 2000-2016	50,000	**50,000**	50,000
Collateralized 1986 Series B, Floating Rate, due 2000-2016	50,000	**-**	50,000
Collateralized 1987 Series A, Floating Rate, due 1997-2003	67,000	**67,000**	67,000
Collateralized 1987 Series B, 6.25% to 8.75%, due 2016	50,000	**50,000**	-
Total Home Mortgage Bonds at par	979,445	**664,075**	716,434
Unamortized premium		**8,333**	2,844
Net Home Mortgage Bonds		**672,408**	719,278
State Guaranteed Bonds:			
1983 First Series, 6.50% to 9%, due 1988-2002	50,000	**35,200**	37,900
1983 Second Series, 6.7% to 8.25%, due 1988-2001	125,000	**88,815**	97,395
1983 Third Series, 7.25% to 9.25%, due 1988-2001	75,000	**54,780**	60,320
1983 Fourth Series, 7.75% to 10%, due 1988-2001	100,000	**59,315**	66,305
1983 Fifth Series, 7.4% to 9.75%, due 1988-2001	50,000	**33,615**	36,595
1983 Sixth Series, 7.8% to 10%, due 1988-2001	75,000	**51,225**	56,180
1984 First Series, 7.25% to 9.88%, due 1988-2014	130,000	**95,415**	105,470
1984 Second Series, 8.5% to 11.88%, due 1988-2014	100,000	**49,220**	56,505
Collateralized 1984 First Series, 9.50% to 10.25%, due 1996-2015	100,000	**68,865**	81,340
Collateralized 1984 Second Series, 10% to 10.125%, due 2003-2019	302,500	**71,675**	79,490
Collateralized 1985 First Series, 8.5% to 9.875%, due 2004-2020	150,000	**100,000**	150,000
Collateralized Bonds 1988 First Series, 5.5% to 8.10%, due 1991-2020	50,000	**50,000**	-
Total State Guaranteed Bonds at par	1,307,500	**758,125**	827,500
Unamortized discount		**(13,772)**	(15,203)
Net State Guaranteed Bonds		**744,353**	812,297

Notes to Combined Financial Statements

	Original Amount	June 30 1988	1987
Medium Term Notes and Secured Bonds:			
Secured Bonds, 1986 Series A, 8.25%, due 1989-2001	100,000	**100,000**	100,000
Medium Term Notes, Series 1986-1, 7.70% to 9.25%, due 1988-1996 and Secured Bonds, 1986 Series B, 9.30%, due 1996-2001	125,000	**117,786**	125,000
Medium Term Notes, Series 1986-2, 7.95% to 9.20%, due 1988-1996 and Secured Bonds, 1986 Series C, 9.25%, due 1996-2001	125,000	**116,800**	125,000
Medium Term Notes, Series 1986-3, 6.40% to 7.918%, due 1988-1996 and Secured Bonds, 1986 Series D, 8.625%, due 1996-2001	125,000	**125,000**	125,000
Medium Term Notes, Series 1986-4, 6.50% to 8.35%, due 1988-1996 and Secured Bonds, 1986 Series E, 8.75%, due 1996-2001	125,000	**125,000**	125,000
Total Medium Term Notes and Secured Bonds	600,000	**584,586**	600,000
Unamortized discount		**(2,090)**	(3,625)
Net Medium Term Notes and Secured Bonds		**582,496**	596,375
Floating Rate Notes:			
Variable interest rates (8.795% at June 30, 1988) due 1988-2001	125,000	**119,000**	125,000
Unamortized discount		**(39)**	(46)
Net Floating Rate Notes		**118,961**	124,954
Mortgage-Backed Bonds:			
Series 1987-1, 9.7%, due 1994; Floating Rate Mortgage-Backed Bonds, Series 1987-1, due 1992, 8.3% at June 30, 1988	62,000	**62,000**	-
Medium Term Notes, Series 1987-1, 8.5% to 9.8%, due 1989-1996; Z Bonds, Series 1987-1, 9% due 1989-1996; Floating Rate Notes, Series 1987-1, due 1989-1996, 7.8625% at June 30, 1988	100,000	**100,000**	-
Unamortized discount		**(2,833)**	-
		97,167	-
Residential Mortgage Bonds:			
Series A, 8.73%, due 1988-1991	25,000	**20,000**	25,000
Series B, 8.60%, due 1988-1991	25,000	**25,000**	25,000
Series C, 7.88%, due 1989-1992	15,000	**15,000**	15,000
Total Residential Mortgage Bonds	65,000	**60,000**	65,000

Notes to Combined Financial Statements

	Original Amount	June 30 1988	1987
Fairbanks North Star Borough Residential Mortgage Bonds:			
Series 1982, 10.75% to 12.75%, due 1988-2002	35,000	**15,685**	19,305
Unamortized discount		**(89)**	(167)
Net Fairbanks North Star Borough Residential Mortgage Bonds		**15,596**	19,138
Alaska Housing Finance Corporation Overseas Finance N.V. Guaranteed Bonds:			
Series E-1, 11.75%, due 1988-1994	100,000	**61,395**	77,073
Unamortized discount		**(834)**	(1,202)
Net Alaska Housing Finance Corporation Overseas Finance N.V. Guaranteed Bonds		**60,561**	75,871
Home Owners Assistance Program (HOAP):			
Medium Term Notes, Series 1988-1, 8.55% to 9.80%, due 1990-1997; Secured Bonds, Series F, 10.30%, due 2003; Secured Bonds, Series G, 10.55%, due 2018; Z Bonds, Series 1988-1, 9.00%, due 2018; and Floating Rate Notes, Series 1988-1, due 2018, 7.875% at June 30 1988	110,000	**110,000**	-
Collateralized Mortgage Obligations, Series 1988-1, 8.5% to 9.00%, due 2000-2006	75,000	**75,000**	-
Total Home Owners Assistance Program	185,000	**185,000**	-
Unamortized discount		**(6,096)**	-
Net Home Owners Assistance Program		**178,904**	-
Federal National Mortgage Association (FNMA) Notes:			
Collateral Note, 1985 First Series, 13.61%, due 1988-2000	50,000	**13,922**	21,406
Collateral Note, 1985 Second Series, 13.94%, due 1988-2000	50,000	**8,041**	16,971
Collateral Note, 1985 Third Series, 13.54%, due 1988-2000	75,000	**28,862**	42,432
Collateral Note, 1985 Fourth Series, 12.79%, due 1988-2000	75,000	**34,651**	47,945
Collateral Note, 1985 Fifth Series, 11.93%, due 1988-2000	50,000	**23,386**	29,567
Total Collateral Notes at par	300,000	**108,862**	158,321
Unamortized discount		**(5,540)**	(5,715)
Net Collateral Notes		**103,322**	152,606
	$6,087,070	**4,009,699**	3,991,067

Notes to Combined Financial Statements

The bonds and notes are secured, as described in the applicable agreements, by the revenues, moneys, investments, mortgage loans and other assets in the funds and accounts established by the respective security agreements. A substantial portion of the assets of the Corporation are pledged to the outstanding obligations of the Corporation. Additionally, a Special Pledged Fund (approximately $8,633,000 at June 30, 1988, and $9,166,000 at June 30, 1987) consisting of permitted investments and cash held by the State Commissioner of Revenue is available and pledged to the Housing Mortgage Program Bonds in addition to the assets held in the Housing Mortgage Bond Fund. This Special Pledged Fund is not reflected in the accompanying combined financial statements.

The bonds are generally subject to certain early redemption provisions, both mandatory and at the option of the Corporation.

The minimum principal payments, including sinking fund principal payments related to all bond and note indebtedness in the immediately preceding schedule (except FNMA Notes), for the five years subsequent to June 30, 1988 and thereafter, are as follows (in thousands of dollars):

Year Ending June 30	Amount
1989	$ 123,572
1990	153,424
1991	188,570
1992	197,598
1993	318,329
Thereafter	2,959,596
	$3,941,089

FNMA Notes are held by FNMA and are secured by FNMA Mortgage Backed Securities (MBSs). The related security agreement was modified May 19, 1988, requiring computation of the Required Collateral Amount, as defined in the amendment to the agreement on a semi-annual basis beginning June 1, 1988. The effect of the amendment is to prevent the release of collateral unless the Required Collateral Amount would remain available. The Amendment effectively terminates on May 18, 1995. Principal reductions are required monthly on these notes in an amount approximately equal to the revenues related to the mortgages underlying the MBSs, less interest on the FNMA notes.

For certain bond issues, the Corporation has entered into credit arrangements with various financial institutions to provide funds necessary in connection with amounts required for debt service or unpaid bond principal. Varying commitment fees are required, generally ¼ to ½ of 1% per annum of the aggregate liability or commitment amount.

The $35,000,000 Fairbanks North Star Borough Residential Mortgage Bond Program is administered by the Corporation, and the bonds are secured in substantially the same manner as bonds issued by the Corporation except that they are not secured by the faith and credit of the Corporation; they are a special obligation of the Fairbanks North Star Borough. Upon retirement of these bonds, all assets remaining in the program revert to the Corporation.

In connection with the issuance of the $125,000,000 Floating Rate Notes (Notes) the Corporation entered into certain interest rate swap agreements. The terms of the agreements provide that other parties will pay to the Corporation an amount equal to the interest due on the Notes based upon their floating rate. In return, the Corporation will pay to those parties an amount equal to 8.795% of the outstanding principal balance of the Notes.

Financial covenants of the Home Owners Assistance Program (HOAP) bonds include maintaining a minimum fund equity, as defined in the agreement, of the greater of $150,000,000 or 4% of total debt outstanding of the Corporation. At June 30, 1988 the greater figure amounted to $163,000,000 and fund equity, as defined in the agreement, amounted to $460,000,000.

In addition, a Liquid Fund Equity amount, as defined in the agreement, of at least 2%, ($82,000,000 at June 30, 1988) of the total debt outstanding of the Corporation, must be maintained. The Liquid Fund Equity amount amounted to $133,400,000 at June 30, 1988.

6. Notes Payable to State of Alaska

Notes payable to the State of Alaska at June 30, 1987 consisted of a $10,894,000 notes payable, which originally required principal installments equal to 10% of the principal reduction on certain bonds, and interest equal to the interest received on the security; secured by investments held in the Special Capital Reserve Fund and relating to certain Insured Mortgage Bonds. The notes plus accrued interest were paid in full on November 3, 1987.

Notes to Combined Financial Statements

7. Insurance Agreements

The Corporation has obtained private mortgage, credit insurance or guarantees on certain mortgages and loans which protect the Corporation to varying degrees against losses arising from the disposition of the related collateral obtained through foreclosure and the costs of obtaining title to, maintenance and liquidation of the collateral. The Corporation is contingently liable in the event the insurance companies or the guarantors are unable to meet their obligations under these agreements.

8. Commitments

At June 30, 1988 the Corporation had outstanding commitments to purchase first mortgage loans of approximately $65,471,000. First mortgage loan purchases totaled $200,737,000 and $664,536,000 for the years ended June 30, 1988 and 1987, respectively.

9. Unused Letters of Credit and Other Credit Arrangements

The Corporation had unused letters of credit and similar credit enhancement agreements in the total amount of $551,806,000 at June 30, 1988 in connection with amounts required for debt service or unpaid bond principal for certain bond issues.

In addition, the Corporation has entered into a revolving facility agreement with certain international banking institutions to make available funds in the maximum amount of $150,000,000. At June 30, 1988, the facility was unused.

Certain debt obligations of the Home Owners Assistance Program (HOAP) are secured by a surety bond. This agreement unconditionally and irrevocably guarantees scheduled payments of principal and interest on the notes and bonds, any required payment by the Corporation of additional amounts on the floating rate notes, and payment of principal of the floating rate notes pursuant to the redemption at the option of the holder.

Certain letter of credit agreements contain covenants restricting amendment of terms; redemption of bonds or notes, except as defined under the agreements; setting the minimum combined fund equity of the Corporation, as defined in the agreement; and minimum Debt Service Reserve Fund balances.

Under the terms of the revolving facility agreement, the Corporation must maintain fund equity, as defined in the agreement, at a minimum of $150,000,000. At June 30, 1988 and 1987, such fund equity, as defined in the agreement, amounted to $460,000,000 and $541,000,000, respectively.

10. Loss on Early Extinguishment of Debt

During the year ended June 30, 1988 the Corporation redeemed at par from amounts originally intended for the acquisition of mortgage securities $50,000,000 Collateralized Bonds, 1985 First Series, and $50,000,000 Collateralized Home Mortgage Bonds, 1986 Series B.

During the year ended June 30, 1987 the Corporation redeemed from amounts originally intended for the acquisition of mortgage securities $218,280,000 Collateralized State Guaranteed Bonds, 1984 Second Series, and $26,930,000 Collateralized Home Mortgage Bonds, 1985 Series B. These redemptions resulted in an extraordinary loss of $8,134,000 representing an adjustment to the related unamortized bond discount and cost of issuance. This adjustment has been reflected in income for the year ended June 30, 1987.

The Corporation has also redeemed during the years ended June 30, 1988 and 1987 $197,022,000 and $687,020,000, respectively, of debt pursuant to provisions of the related agreements which permit surplus revenues, which result primarily from mortgage loan prepayments, to be used to retire the obligations at par. The accelerated amortization of related discounts and costs of issuance resulting from the surplus revenue redemptions are included in expense.

11. Legislation

Legislation authorizing the Corporation's further involvement in efforts to stabilize the housing market through programs to acquire and remove substandard public housing and to participate in a housing stabilization program was enacted at the 1988 legislative session. The legislation expressly authorizes the Corporation to (i) arrange for conveyances by borrowers of residential housing securing a mortgage loan financed by the Corporation for other residential housing owned by the Corporation, (ii) arrange for exchanges of ownership interests in condominium units ineligible for financing by the Corporation to units owned by the Corporation, (iii) demolish certain substandard residential housing owned by the Corporation, (iv) convert residential housing owned by the Corporation to other beneficial uses and (v) provide financing to promote the sale of residential housing owned by the Corporation so long as such financing does not confer a hardship on competing sellers of residential housing. The legislation also established a Stabilization Fund to permit grants by the Corporation to fund the cost of demolishing residential housing and stated a legislative intent that the Corporation transfer $2.7 million from its unrestricted fund to that Stabilization Fund for the purpose of funding a grant to a State agency to cover costs of demolishing State owned residential housing.

ALASKA HOUSING FINANCE CORPORATION

Schedule 1

Combining Balance Sheet – All Funds

June 30, 1988 (In Thousands)

	Corporation Operating	Revolving Fund: General Account	Revolving Fund: Home Ownership Fund	Revolving Fund: Combined Insurance Fund
Assets				
Cash	$ 678	390	135	-
Investments	14,270	88,295	19,429	33,536
Securities purchased from other funds under agreements to resell	-	6,000	-	-
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	4,539	266,211	197	-
Mobile home loans, net of allowance for loan loss	3,121	23,613	47,224	-
Accrued interest receivable	74	3,268	566	143
Claims receivable	22,224	499	-	-
Due from other funds	59,469	78,748	5,014	-
Real estate owned	113	8,222	172	-
Mobile homes owned	676	2,158	7,666	-
Other assets	3,435	3,984	-	-
	$ 108,599	481,388	80,403	33,679
Liabilities and Fund Equity				
Liabilities:				
Bonds and notes payable, net of discounts:				
Mortgage bonds and notes	$ -	-	-	-
Commercial paper	-	69,257	-	-
Securities sold to other funds under agreements to repurchase	-	-	-	-
Accrued interest payable	-	-	-	-
Insurance fund reserve for loan losses	-	-	-	11,738
Due to other funds	41,703	14,352	5,796	7,825
Accrued expenses and other liabilities	-	4,911	795	-
Total liabilities	41,703	88,520	6,591	19,563
Fund equity:				
Contributed capital:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	-	189,990	103,381	11,758
Interfund transfers representing loan subsidies and debt collateralization	-	(100,998)	-	-
Total contributed capital	-	88,992	103,381	11,758
Retained earnings:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	-	303,876	(29,569)	2,358
Undesignated	66,896	-	-	-
Total fund equity	66,896	392,868	73,812	14,116
Commitments				
	$ 108,599	481,388	80,403	33,679

Combined Home Mortgage Bond	Combined State Guaranteed Bond	Combined Medium Term Note and Secured Bond	Combined State Assisted Mortgage Bond	Combined Residential Mortgage Bond	Combined Homeowners Assistance Programs (HOAP)	Combined Other Bonds and Notes	Combined
197	173	2,368	231	107	724	301	5,304
185,160	129,877	214,481	157,761	5,739	221,023	458,383	1,528,154
-	-	-	-	-	-	-	6,000
516,355	646,468	449,201	552,476	64,067	-	1,172,326	3,671,840
-	-	-	-	-	-	-	73,958
7,413	9,487	5,320	8,998	552	2,784	16,703	55,308
22,534	12,701	5	15,375	-	-	6,860	80,198
1	139	371	753	41	-	13,493	158,029
81,727	49,754	526	53,961	2,160	-	24,692	221,327
-	-	-	-	-	-	-	10,500
3,253	4,184	1,630	1,411	220	3,541	7,929	29,587
816,640	852,783	673,902	790,966	72,886	228,072	1,700,887	5,840,205
672,408	744,353	582,496	427,460	60,000	178,904	1,344,078	4,009,699
-	-	-	-	-	-	-	69,257
-	-	-	-	-	-	6,000	6,000
6,450	6,480	7,726	5,833	2,051	5,248	23,702	57,490
-	-	-	-	-	-	-	11,738
23,127	13,012	5,513	20,900	3,835	2,168	19,798	158,029
2,023	1,863	1,504	3,389	119	25	4,827	19,456
704,008	765,708	597,239	457,582	66,005	186,345	1,398,405	4,331,669
124,032	105,725	72,684	338,716	5,275	-	82,310	1,033,871
1,101	99	4,558	3	2,762	42,468	50,007	-
125,133	105,824	77,242	338,719	8,037	42,468	132,317	1,033,871
(12,501)	(18,749)	(579)	(5,335)	(1,156)	(741)	170,165	407,769
-	-	-	-	-	-	-	66,896
112,632	87,075	76,663	333,384	6,881	41,727	302,482	1,508,536
816,640	852,783	673,902	790,966	72,886	228,072	1,700,887	5,840,205

ALASKA HOUSING FINANCE CORPORATION

Schedule 2

Combining Balance Sheet — Insurance Funds

June 30, 1988 (In Thousands)

	State Mortgage Insurance	Rural Housing Hazard Insurance	Rural Housing Title Insurance	Rental Program Insurance Fund	Combined
Assets					
Investments	$27,910	451	691	4,484	33,536
Accrued interest receivable	115	2	2	24	143
	$28,025	453	693	4,508	33,679
Liabilities and Fund Equity					
Liabilities:					
Insurance fund reserved for loan losses	$ 3,947	-	-	7,791	11,738
Due to other funds	7,785	-	-	40	7,825
Total liabilities	11,732	-	-	7,831	19,563
Fund equity:					
Contributed capital:					
Designated as security for outstanding obligations or other purposes allowed within the respective fund	7,228	250	380	3,900	11,758
Total contributed capital	7,228	250	380	3,900	11,758
Retained earnings:					
Designated as security for outstanding obligations or other purposes allowed within the respective fund	9,065	203	313	(7,223)	2,358
Total fund equity	16,293	453	693	(3,323)	14,116
Commitments					
	$28,025	453	693	4,508	33,679

ALASKA HOUSING FINANCE CORPORATION

Schedule 3

Combining Balance Sheet – Home Mortgage Bonds

June 30, 1988 (In Thousands)

	1981		1982	
	First Series	Second Series	First Series	Second Series
Assets				
Cash	$ 16	16	19	24
Investments	6,996	11,149	5,206	6,212
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	52,657	54,113	48,039	60,781
Accrued interest receivable	539	629	541	694
Claims receivable	2,963	2,485	3,803	4,639
Due from other funds	–	–	–	1
Real estate owned	10,566	9,695	12,619	16,076
Other assets	92	490	30	140
	$ 73,829	78,577	70,257	88,567
Liabilities and Fund Equity				
Liabilities:				
Bonds and notes payable, net of discounts:				
Mortgage bonds and notes	$ 43,732	60,396	53,609	71,101
Accrued interest payable	440	598	494	603
Due to other funds	795	1,994	4,998	5,280
Accrued expenses and other liabilities	195	223	229	256
Total liabilities	45,162	63,211	59,330	77,240
Fund equity:				
Contributed capital:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	24,942	19,000	13,643	14,436
Interfund transfers representing loan subsidies and debt collateralization	–	–	–	–
Total contributed capital	24,942	19,000	13,643	14,436
Retained earnings:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	3,725	(3,634)	(2,716)	(3,109)
Total fund equity	28,667	15,366	10,927	11,327
Commitments				
	$ 73,829	78,577	70,257	88,567

1983				Collateralized				
				1986		1987		
First Series	Second Series	1984 Series A	1985 Series B	Series A	Series B	Series A	Series B	Combined
25	35	14	13	9	-	-	26	197
4,491	8,542	4,385	7,178	3,207	-	71,530	56,264	185,160
47,535	75,913	60,688	65,113	51,516	-	-	-	516,355
514	916	956	1,047	445	-	446	686	7,413
2,707	5,517	16	404	-	-	-	-	22,534
-	-	-	-	-	-	-	-	1
9,942	20,612	164	1,995	58	-	-	-	81,727
78	298	308	133	162	-	534	988	3,253
65,292	111,833	66,531	75,883	55,397	-	72,510	57,964	816,640
53,852	103,025	55,456	65,512	48,822	-	67,000	49,903	672,408
451	830	505	1,519	349	-	324	337	6,450
3,247	1,734	1,557	2,221	441	-	594	266	23,127
260	376	186	166	119	-	-	13	2,023
57,810	105,965	57,704	69,418	49,731	-	67,918	50,519	704,008
8,818	9,955	10,025	7,871	6,934	5,058	3,350	-	124,032
-	-	-	67	(1,338)	(5,058)	-	7,430	1,101
8,818	9,955	10,025	7,938	5,596	-	3,350	7,430	125,133
(1,336)	(4,087)	(1,198)	(1,473)	70	-	1,242	15	(12,501)
7,482	5,868	8,827	6,465	5,666	-	4,592	7,445	112,632
65,292	111,833	66,531	75,883	55,397	-	72,510	57,964	816,640

ALASKA HOUSING FINANCE CORPORATION

Schedule 4

Combining Balance Sheet – State Guaranteed Bonds

June 30, 1988 (In Thousands)

	1983			
	First Series	Second Series	Third Series	Fourth Series
Assets				
Cash	$ 8	32	11	17
Investments	2,123	7,233	4,031	4,886
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	31,630	75,065	49,609	56,034
Accrued interest receivable	390	809	611	808
Claims receivable	645	1,920	871	1,078
Due from other funds	52	58	–	–
Real estate owned	2,400	7,403	4,309	5,062
Other assets	31	208	248	251
	$ 37,279	92,728	59,690	68,136
Liabilities and Fund Equity				
Liabilities:				
Bonds and notes payable, net of discounts:				
Mortgage bonds and notes	$ 35,094	88,164	54,197	58,887
Accrued interest payable	247	587	403	474
Due to other funds	378	1,113	1,005	1,180
Accrued expenses and other liabilities	111	370	118	172
Total liabilities	35,830	90,234	55,723	60,713
Fund equity:				
Contributed capital:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	2,031	2,492	5,034	8,171
Interfund transfers representing loan subsidies and debt collateralization	–	–	–	–
Total contributed capital	2,031	2,492	5,034	8,171
Retained earnings:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	(582)	2	(1,067)	(748)
Total fund equity	1,449	2,494	3,967	7,423
Commitments				
	$ 37,279	92,728	59,690	68,136

				Collateralized				
1983		1984		1984		1985	1988	
Fifth Series	Sixth Series	First Series	Second Series	First Series	Second Series	First Series	First Series	Combined
22	22	32	16	-	3	-	10	17
3,731	4,765	7,302	4,573	1,517	2,261	32,953	54,502	129,877
29,262	46,628	84,677	45,049	72,126	78,228	78,160	-	646,468
363	735	1,009	698	1,302	1,017	910	835	9,487
921	1,133	2,702	2,164	941	315	11	-	12,701
-	-	-	-	-	29	-	-	139
3,005	5,157	8,979	7,016	4,571	1,811	41	-	49,754
142	234	491	359	1,180	128	550	362	4,184
37,446	58,674	105,192	59,875	81,637	83,792	112,625	55,709	852,783
33,039	50,492	94,439	47,978	67,834	68,524	96,235	49,470	744,353
251	404	756	459	583	601	788	927	6,480
746	734	1,687	3,020	2,054	640	175	280	13,012
221	224	360	174	20	69	24	-	1,863
34,257	51,854	97,242	51,631	70,491	69,834	97,222	50,677	765,708
3,049	7,775	8,722	10,585	11,985	24,661	21,220	-	105,725
-	-	-	-	(109)	-	(4,964)	5,172	99
3,049	7,775	8,722	10,585	11,876	24,661	16,256	5,172	105,824
140	(955)	(772)	(2,341)	(730)	(10,703)	(853)	(140)	(18,749)
3,189	6,820	7,950	8,244	11,146	13,958	15,403	5,032	87,075
37,446	58,674	105,192	59,875	81,637	83,792	112,625	55,709	852,783

Combining Balance Sheet – Medium Term Notes and Secured Bonds

June 30, 1988 (In Thousands)

	Secured Bonds 1986-A	Medium Term Notes 1986-1 and Secured Bonds 1986-B	Medium Term Notes 1986-2 and Secured Bonds 1986-C	Medium Term Notes 1986-3 and Secured Bonds 1986-D	Medium Term Notes 1986-4 and Secured Bonds 1986-E	Combined
Assets						
Cash	$ 2,318	10	14	8	18	2,368
Investments	17,558	55,142	47,059	49,498	45,224	214,481
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	96,502	74,706	84,637	97,103	96,253	449,201
Accrued interest receivable	912	1,082	1,081	1,166	1,079	5,320
Claims receivable	-	-	-	5	-	5
Due from other funds	-	43	-	82	246	371
Real estate owned	-	82	273	171	-	526
Other assets	306	232	570	359	163	1,630
	$117,596	131,297	133,634	148,392	142,983	673,902
Liabilities and Fund Equity						
Liabilities:						
Bonds and notes payable, net of discounts:						
Mortgage bonds and notes	$ 98,700	117,729	116,566	124,780	124,721	582,496
Accrued interest payable	1,031	878	874	2,859	2,084	7,726
Due to other funds	1,168	817	1,048	1,027	1,453	5,513
Accrued expenses and other liabilities	350	408	286	365	95	1,504
Total liabilities	101,249	119,832	118,774	129,031	128,353	597,239
Fund equity:						
Contributed capital:						
Designated as security for outstanding obligations or other purposes allowed within the respective fund	14,124	12,488	15,884	19,536	10,652	72,684
Interfund transfers representing loan subsidies and debt collateralization	-	-	-	-	4,558	4,558
Total contributed capital	14,124	12,488	15,884	19,536	15,210	77,242
Retained earnings:						
Designated as security for outstanding obligations or other purposes allowed within the respective fund	2,223	(1,023)	(1,024)	(175)	(580)	(579)
Total fund equity	16,347	11,465	14,860	19,361	14,630	76,663
Commitments						
	$117,596	131,297	133,634	148,392	142,983	673,902

Combining Balance Sheet – State Assisted Mortgage Program

June 30, 1988 (In Thousands)

	Series A	Series D&E	Series F	Series H	Series I
Assets					
Cash	$ 29	15	41	8	13
Investments	49,300	41,234	6,921	1,714	2,086
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	96,311	29,237	63,203	25,049	27,603
Accrued interest receivable	1,471	849	1,040	357	459
Claims receivable	1,344	986	4,183	1,007	1,440
Due from other funds	45	–	–	–	–
Real estate owned	4,810	4,507	13,684	3,430	4,782
Other assets	154	73	22	127	113
	$153,464	76,901	89,094	31,692	36,496
Liabilities and Fund Equity					
Liabilities:					
Bonds and notes payable, net of discounts:					
Mortgage bonds and notes	$ 59,117	30,380	3,052	16,659	24,561
Accrued interest payable	813	456	39	166	237
Due to other funds	631	528	5,260	1,540	1,888
Accrued expenses and other liabilities	394	179	563	90	178
Total liabilities	60,955	31,543	8,914	18,455	26,864
Fund equity:					
Contributed capital:					
Designated as security for outstanding obligations or other purposes allowed within the respective fund	86,592	55,166	77,653	13,403	10,842
Interfund transfers representing loan subsidies and debt collateralization	–	–	–	–	–
Total contributed capital	86,592	55,166	77,653	13,403	10,842
Retained earnings:					
Designated as security for outstanding obligations or other purposes allowed within the respective fund	5,917	(9,808)	2,527	(166)	(1,210)
Total fund equity	92,509	45,358	80,180	13,237	9,632
Commitments					
	$153,464	76,901	89,094	31,692	36,496

State Assisted Mortgage Bonds								
Series J	Series K	Series L	Series M	Series N	Series O	Series P	Series Q	Combined
13	21	19	14	28	-	15	15	231
2,171	3,422	3,235	3,030	4,457	19,675	14,895	5,621	157,761
27,174	45,462	42,928	31,073	37,733	33,627	43,901	49,175	552,476
359	657	606	623	592	722	700	563	8,998
1,167	1,378	1,101	1,531	1,229	-	-	9	15,375
-	-	-	-	-	708	-	-	753
3,835	4,917	4,340	5,126	4,421	-	-	109	53,961
116	130	177	115	46	247	83	8	1,411
34,835	55,987	52,406	41,512	48,506	54,979	59,594	55,500	790,966
24,135	39,582	31,584	23,115	29,740	49,691	49,312	46,532	427,460
230	358	305	250	307	453	1,250	969	5,833
1,705	2,367	1,582	1,824	2,549	480	319	227	20,900
183	269	212	163	310	8	420	420	3,389
26,253	42,576	33,683	25,352	32,906	50,632	51,301	48,148	457,582
9,646	14,051	17,826	17,664	16,310	5,663	7,967	5,933	338,716
-	-	-	-	-	-	-	3	3
9,646	14,051	17,826	17,664	16,310	5,663	7,967	5,936	338,719
(1,064)	(640)	897	(1,504)	(710)	(1,316)	326	1,416	(5,335)
8,582	13,411	18,723	16,160	15,600	4,347	8,293	7,352	333,384
34,835	55,987	52,406	41,512	48,506	54,979	59,594	55,500	790,966

Combining Balance Sheet — Residential Mortgage Bonds

June 30, 1988 (In Thousands)

	Series A	Series B	Series C	Combined
Assets				
Cash	$ 43	30	34	107
Investments	1,515	3,406	818	5,739
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	22,369	25,605	16,093	64,067
Accrued interest receivable	193	232	127	552
Due from other funds	41	–	–	41
Real estate owned	928	1,176	56	2,160
Other assets	111	57	52	220
	$25,200	30,506	17,180	72,886
Liabilities and Fund Equity				
Liabilities:				
Bonds and notes payable, net of discounts:				
Mortgage bonds and notes	$20,000	25,000	15,000	60,000
Accrued interest payable	582	1,075	394	2,051
Due to other funds	1,377	1,234	1,224	3,835
Accrued expenses and other liabilities	43	42	34	119
Total liabilities	22,002	27,351	16,652	66,005
Fund equity:				
Contributed capital:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	2,687	2,588	–	5,275
Interfund transfers representing loan subsidies and debt collateralization	1,116	1,081	565	2,762
Total contributed capital	3,803	3,669	565	8,037
Retained earnings:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	(605)	(514)	(37)	(1,156)
Total fund equity	3,198	3,155	528	6,881
Commitments				
	$25,200	30,506	17,180	72,886

Combining Balance Sheet – Home Owners' Assistance Program (HOAP)

June 30, 1988 (In Thousands)

	Medium Term Notes, Floating Rate Notes, Z Bonds, Series 1988-1: Secured Bonds, Series F&G	Collateralized Mortgage Obligations Series 1988-1	Combined
Assets			
Cash	$ –	724	724
Investments	131,089	89,934	221,023
Accrued interest receivable	2,105	679	2,784
Other assets	2,455	1,086	3,541
	$135,649	92,423	228,072
Liabilities and Fund Equity			
Liabilities:			
Bonds and notes payable, net of discounts:			
Mortgage bonds and notes	$107,354	71,550	178,904
Accrued interest payable	4,160	1,088	5,248
Due to other funds	1,904	264	2,168
Accrued expenses and other liabilities	25	–	25
Total liabilities	113,443	72,902	186,345
Fund equity:			
Contributed capital:			
Interfund transfers representing loan subsidies and debt collateralization	22,935	19,533	42,468
Total contributed capital	22,935	19,533	42,468
Retained earnings:			
Designated as security for outstanding obligations or other purposes allowed within the respective fund	(729)	(12)	(741)
Total fund equity	22,206	19,521	41,727
Commitments			
	$135,649	92,423	228,072

ALASKA HOUSING FINANCE CORPORATION

Schedule 9

Combining Balance Sheet – Other Bonds and Notes

June 30, 1988 (In Thousands)

	Housing Mortgage Bond	Insured Mortgage Bond	Insured Rural Mortgage Bond
Assets			
Cash	$ 15	146	-
Investments	32,885	195,578	-
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	81,021	681,081	-
Accrued interest receivable	714	6,639	-
Claims receivable	-	-	-
Due from other funds	-	8,862	-
Real estate owned	2,273	19,705	-
Other assets	156	823	-
	$117,064	912,834	-
Liabilities and Fund Equity			
Liabilities:			
Bonds and notes payable, net of discounts:			
Mortgage bonds and notes	$ 83,504	802,967	-
Securities sold to other funds under agreements to repurchase	-	-	-
Accrued interest payable	465	5,570	-
Due to other funds	374	4,923	-
Accrued expenses and other liabilities	182	1,825	-
Total liabilities	84,525	815,285	-
Fund equity:			
Contributed capital:			
Designated as security for outstanding obligations or other purposes allowed within the respective fund	(2)	(41,417)	-
Interfund transfers representing loan subsidies and debt collateralization	-	11,870	-
Total contributed capital	(2)	(29,547)	-
Retained earnings:			
Designated as security for outstanding obligations or other purposes allowed within the respective fund	32,541	127,096	-
Total fund equity	32,539	97,549	-
Commitments			
	$117,064	912,834	-

Fairbanks North Star Borough Residential Mortgage Bond	Overseas Finance Series E-1	FNMA Notes	Floating Rate Notes 1986-A	Mortgage Backed Bonds Series 1987-1	Medium Term Notes Floating Rate Notes Z Bonds Series 1987-1	Combined
4	44	41	10	30	11	301
2,491	33,303	3,528	57,293	8,858	124,647	458,583
20,070	66,355	160,822	87,715	75,262	-	1,172,326
266	2,051	3,695	1,408	667	1,263	16,703
298	1,293	5,261	8	-	-	6,860
-	4,631	-	-	-	-	13,493
865	313	1,126	410	-	-	24,692
18	2,553	891	1,874	727	887	7,929
24,012	110,543	175,364	148,718	85,544	126,808	1,700,887
15,596	60,561	103,322	118,961	62,000	97,167	1,344,078
-	-	-	6,000	-	-	6,000
154	2,705	1,179	10,536	1,494	1,599	23,702
247	2,208	7,116	2,273	1,018	1,639	19,798
68	1,755	522	221	230	24	4,827
16,065	67,229	112,139	137,991	64,742	100,429	1,398,405
7,382	41,644	61,634	13,069	-	-	82,310
-	(7,422)	-	-	18,826	26,733	50,007
7,382	34,222	61,634	13,069	18,826	26,733	132,317
565	9,092	1,591	(2,342)	1,976	(354)	170,165
7,947	43,314	63,225	10,727	20,802	26,379	302,482
24,012	110,543	175,364	148,718	85,544	126,808	1,700,887

Combining Statement of Revenues, Expenses, Transfers, and Retained Earnings – All Funds

Year Ended June 30, 1988 (In Thousands)

		Revolving Fund		
	Corporation Operating	General Account	Home Ownership Fund	Combined Insurance Fund
Revenues:				
Interest income:				
Mortgages and loans	$ 911	24,170	6,719	-
Investments	495	10,595	890	2,019
	1,406	34,765	7,609	2,019
Loan fees and other	1,496	469	33	200
Total revenues	2,902	35,234	7,642	2,219
Expenses:				
Interest	-	5,016	-	-
Mortgage service fees	105	1,075	726	-
General and administrative	5,537	238	-	-
Trustee fees, insurance and financing costs	349	792	13	29
Mortgage payment assistance subsidies	-	-	2,101	-
Provision for loan losses	982	7,085	11,982	-
Insurance fund losses	-	-	-	9,506
Write-down and net operating expenses associated with real estate and mobile homes owned	691	5,467	11,001	2,587
Interfund operating charge (credit)	(5,518)	-	142	-
Total expenses	2,146	19,673	25,965	12,122
Net income (loss)	756	15,561	(18,323)	(9,903)
Retained earnings (deficit) at July 1, 1987	66,140	284,987	(11,246)	12,261
Transfers from (to) other funds	-	3,328	-	-
Retained earnings (deficit) at June 30, 1988	$ 66,896	303,876	(29,569)	2,358

Combined Home Mortgage Bond	Combined State Guaranteed Bond	Combined Medium Term Note and Secured Bond	Combined State Assisted Mortgage Bond	Combined Residential Mortgage Bond	Combined Homeowners Assistance Programs (HOAP)	Combined Other Bonds and Notes	Combined
47,371	56,612	38,108	57,486	5,370	-	117,175	353,922
16,436	16,716	22,263	11,560	716	5,094	31,134	117,918
63,807	73,328	60,371	69,046	6,086	5,094	148,309	471,840
9,784	5,693	11	6,751	-	-	769	25,206
73,591	79,021	60,382	75,797	6,086	5,094	149,078	497,046
70,196	78,394	52,000	59,176	5,491	5,543	126,234	402,050
1,796	2,178	1,566	2,033	212	-	4,361	14,052
-	-	-	-	-	-	330	6,105
2,542	2,527	2,198	2,368	106	292	2,634	13,850
-	-	-	-	-	-	-	2,101
4,521	2,927	495	6,301	691	-	1,636	36,620
-	-	-	-	-	-	-	9,506
2,082	1,715	106	1,054	197	-	462	25,362
933	1,085	696	948	103	-	1,611	-
82,070	88,826	57,061	71,880	6,800	5,835	137,268	509,646
(8,479)	(9,805)	3,321	3,917	(714)	(741)	11,810	(12,600)
(2,234)	(8,944)	(3,900)	(9,252)	(442)	-	159,895	487,265
(1,788)	-	-	-	-	-	(1,540)	-
(12,501)	(18,749)	(579)	(5,335)	(1,156)	(741)	170,165	474,665

ALASKA HOUSING FINANCE CORPORATION

Schedule 11

Combining Statement of Revenues, Expenses, and Retained Earnings – Insurance Funds

Year Ended June 30, 1988 (In Thousands)

	State Mortgage Insurance	Rural Housing Hazard Insurance	Rural Housing Title Insurance	Rental Program Insurance Fund	Combined
Revenues:					
Interest income:					
Investments	$ 1,684	27	44	264	2,019
Loan fees and other	-	-	-	200	200
Total revenues	1,684	27	44	464	2,219
Expenses:					
Trustee fees, insurance and financing costs	23	1	2	3	29
Insurance fund losses	5,902	-	-	3,604	9,506
Write-down and net operating expenses associated with real estate and mobile homes owned	2,587	-	-	-	2,587
Total expenses	8,512	1	2	3,607	12,122
Net income (loss)	(6,828)	26	42	(3,143)	(9,903)
Retained earnings (deficit) at July 1, 1987	15,893	177	271	(4,080)	12,261
Retained earnings (deficit) at June 30, 1988	$ 9,065	203	313	(7,223)	2,358

Combining Statement of Revenues, Expenses, Transfers, and Retained Earnings – Home Mortgage Bonds

Year Ended June 30, 1988 (In Thousands)

	1981		1982	
	First Series	Second Series	First Series	Second Series
Revenues:				
Interest income:				
Mortgages and loans	$ 4,914	4,844	4,195	5,270
Investment	542	1,349	351	391
	5,456	6,193	4,546	5,661
Loan fees and other	1,097	1,081	1,516	1,947
Total revenues	6,553	7,274	6,062	7,608
Expenses:				
Interest	5,868	7,683	6,357	7,688
Mortgage service fees	190	192	167	215
Trustee fees, insurance and financing costs	259	695	143	188
Provision for loan losses	83	128	102	1,888
Write-down and net operating expenses associated with real estate and mobile homes owned	101	73	96	156
Interfund operating charge (credit)	98	99	94	122
Total expenses	6,599	8,870	6,959	10,257
Net income (loss)	(46)	(1,596)	(897)	(2,649)
Retained earnings (deficit) at July 1, 1987	3,771	(2,038)	(1,819)	(460)
Transfers from (to) other funds	–	–	–	–
Retained earnings (deficit) at June 30, 1988	$ 3,725	(3,634)	(2,716)	(3,109)

1983				Collateralized				
				1986		1987		
First Series	Second Series	1984 Series A	1985 Series B	Series A	Series B	Series A	Series B	Combined
4,269	6,709	6,999	7,833	3,338	-	-	-	47,371
285	557	451	381	1,894	2,660	5,119	2,456	16,436
4,554	7,266	7,450	8,214	5,232	2,660	5,119	2,456	63,807
1,252	2,499	3	389	-	-	-	-	9,784
5,806	9,765	7,453	8,603	5,232	2,660	5,119	2,456	73,591
5,747	10,620	7,044	8,703	4,223	1,981	3,931	2,351	70,196
171	266	221	239	135	-	-	-	1,796
249	397	184	141	109	28	59	90	2,542
126	1,352	1	677	164	-	-	-	4,521
78	222	868	480	8	-	-	-	2,082
89	152	94	105	80	-	-	-	933
6,460	13,009	8,412	10,345	4,719	2,009	3,990	2,441	82,070
(654	(3,244)	(959)	(742)	513	651	1,129	15	(8,479)
(682	(843)	(239)	(731)	(443)	1,137	113	-	(2,234)
-	-	-	-	-	(1,788)	-	-	(1,788)
(1,336	(4,087)	(1,198)	(1,473)	70	-	1,242	15	(12,501)

ALASKA HOUSING FINANCE CORPORATION

Schedule 13

Combining Statement of Revenues, Expenses,and Retained Earnings – State Guaranteed Bonds

Year Ended June 30, 1988 (In Thousands)

	1983			
	First Series	Second Series	Third Series	Fourth Series
Revenues:				
Interest income:				
Mortgages and loans	$ 2,669	6,518	4,378	5,520
Investments	190	511	344	413
	2,859	7,029	4,722	5,933
Loan fees and other	287	787	549	443
Total revenues	3,146	7,816	5,271	6,376
Expenses:				
Interest	3,201	7,718	5,344	6,286
Mortgage service fees	112	277	180	203
Trustee fees, insurance and financing costs	101	367	248	256
Provision for loan losses	62	74	101	45
Write-down and net operating expenses associated with real estate and mobile homes owned	23	140	29	124
Interfund operating charge (credit)	53	128	84	95
Total expenses	3,552	8,704	5,986	7,009
Net income (loss)	(406)	(888)	(715)	(633)
Retained earnings (deficit) at July 1, 1987	(176)	890	(352)	(115)
Retained earnings (deficit) at June 30, 1988	$ (582)	2	(1,067)	(748)

				Lateralized				
1983		1984		1984		1985	1988	
Fifth Series	Sixth Series	First Series	Second Series	First Series	Second Series	First Series	First Series	Combined
2,736	4,300	7,693	4,756	7,536	7,760	2,746	-	56,612
200	332	599	420	601	451	11,746	909	16,716
2,936	4,632	8,292	5,176	8,137	8,211	14,492	909	73,328
351	515	1,010	704	792	244	11	-	5,693
3,287	5,147	9,302	5,880	8,929	8,455	14,503	909	79,021
3,301	5,329	9,797	6,164	8,067	8,125	14,124	938	78,394
109	162	304	161	262	293	115	-	2,178
155	247	411	254	155	142	80	111	2,527
12	61	72	100	1,473	533	394	-	2,927
17	88	94	60	736	368	36	-	1,715
50	80	145	81	122	125	122	-	1,085
3,644	5,967	10,823	6,820	10,815	9,586	14,871	1,049	88,826
(357)	(820)	(1,521)	(940)	(1,886)	(1,131)	(368)	(140)	(9,805)
497	(135)	749	(1,401)	1,156	(9,572)	(485)	-	(8,944)
140	(955)	(772)	(2,341)	(730)	(10,703)	(853)	(140)	(18,749)

Combining Statement of Revenues, Expenses, and Retained Earnings – Medium Term Notes and Secured Bonds

Year Ended June 30, 1988 (In Thousands)

	Secured Bonds 1986-A	Medium Term Notes 1986-1 and Secured Bonds 1986-B	Medium Term Notes 1986-2 and Secured Bonds 1986-C	Medium Term Notes 1986-3 and Secured Bonds 1986-D	Medium Term Notes 1986-4 and Secured Bonds 1986-E	Combined
Revenues:						
Interest income:						
Mortgages and loans	$ 9,231	7,311	8,436	8,590	4,540	38,108
Investments	1,373	5,305	4,676	3,686	7,223	22,263
	10,604	12,616	13,112	12,276	11,763	60,371
Loan fees and other	-	-	-	11	-	11
Total revenues	10,604	12,616	13,112	12,287	11,763	60,382
Expenses						
Interest	8,471	11,405	11,410	10,268	10,446	52,000
Mortgage service fees	371	286	327	372	210	1,566
Trustee fees, insurance and financing costs	614	448	464	395	277	2,198
Provision for loan losses	9	31	95	248	112	495
Write-down and net operating expenses associated with real estate and mobile homes owned	21	18	22	45	-	106
Interfund operating charge (credit)	149	116	131	151	149	696
Total expenses	9,635	12,304	12,449	11,479	11,194	57,061
Net income (loss)	969	312	663	808	569	3,321
Retained earnings (deficit) at July 1, 1987	1,254	(1,335)	(1,687)	(983)	(1,149)	(3,900)
Retained earnings (deficit) at June 30, 1988	$ 2,223	(1,023)	(1,024)	(175)	(580)	(579)

Combining Statement of Revenues, Expenses,and Retained Earnings – State Assisted Mortgage Program

Year Ended June 30, 1988 (In Thousands)

	Series A	Series D&E	Series F	Series H	Series I
Revenues:					
Interest income:					
Mortgages and loans	$ 10,094	3,564	6,755	2,402	2,541
Investments	3,289	2,990	649	185	223
	13,383	6,554	7,404	2,587	2,764
Loan fees and other	418	607	1,904	453	618
Total revenues	13,801	7,161	9,308	3,040	3,382
Expenses:					
Interest	9,793	6,946	2,575	2,374	3,175
Mortgage service fees	362	103	237	88	96
Trustee fees, insurance and financing costs	60	102	252	125	178
Provision for loan losses	2,657	31	2,904	40	180
Write-down and net operating expenses associated with real estate and mobile homes owned	65	10	91	19	49
Interfund operating charge (credit)	161	52	124	44	51
Total expenses	13,098	7,244	6,185	2,690	3,729
Net income (loss)	703	(83)	3,125	350	(347)
Retained earnings (deficit) at July 1, 1987	5,214	(9,725)	(598)	(516)	(863)
Retained earnings (deficit) at June 30, 1988	$ 5,917	(9,808)	2,527	(166)	(1,210)

State Assisted Mortgage Bonds								
Series J	Series K	Series L	Series M	Series N	Series O	Series P	Series Q	Combined
2,682	4,503	4,322	3,221	3,999	3,899	4,809	4,695	57,486
212	316	308	281	294	1,423	782	608	11,560
2,894	4,819	4,630	3,502	4,293	5,322	5,591	5,303	69,046
415	547	603	626	539	1	-	20	6,751
3,309	5,366	5,233	4,128	4,832	5,323	5,591	5,323	75,797
3,112	4,806	4,180	3,499	4,082	5,484	5,060	4,090	59,176
101	164	156	110	137	125	169	185	2,033
209	321	255	166	214	134	167	185	2,368
125	106	100	91	52	1	1	13	6,301
56	133	27	47	34	319	116	88	1,054
48	78	73	56	65	52	68	76	948
3,651	5,608	4,791	3,969	4,584	6,115	5,581	4,637	71,880
(342)	(242)	442	159	248	(792)	10	686	3,917
(722)	(398)	455	(1,663)	(958)	(524)	316	730	(9,252)
(1,064)	(640)	897	(1,504)	(710)	(1,316)	326	1,416	(5,335)

Combining Statement of Revenues, Expenses, and Retained Earnings – Residential Mortgage Bonds

Year Ended June 30, 1988 (In Thousands)

	Series A	Series B	Series C	Combined
Revenues:				
Interest income:				
Mortgages and loans	$2,053	2,280	1,037	5,370
Investments	240	180	296	716
Total revenues	2,293	2,460	1,333	6,086
Expenses:				
Interest	2,109	2,180	1,202	5,491
Mortgage service fees	81	90	41	212
Trustee fees, insurance and financing costs	56	25	25	106
Provision for loan losses	178	489	24	691
Write-down and net operating expenses associated with real estate and mobile homes owned	126	71	–	197
Interfund operating charge (credit)	36	42	25	103
Total expenses	2,586	2,897	1,317	6,800
Net income (loss)	(293)	(437)	16	(714)
Retained earnings (deficit) at July 1, 1987	(312)	(77)	(53)	(442)
Retained earnings (deficit) at June 30, 1988	$ (605)	(514)	(37)	(1,156)

Combining Statement of Revenues, Expenses, and Retained Earnings – Home Owners' Assistance Program (HOAP)

Year Ended June 30, 1988 (In Thousands)

	Medium Term Notes, Floating Rate Notes, Z Bonds, Series 1988-1: Secured Bonds, Series F&G	Collateralized Mortgage Obligations Series 1988-1	Combined
Revenues:			
Interest income:			
Investments	$4,280	814	5,094
Total revenues	4,280	814	5,094
Expenses:			
Interest	4,759	784	5,543
Trustee fees, insurance and financing costs	250	42	292
Total expenses	5,009	826	5,835
Net income (loss)	(729)	(12)	(741)
Retained earnings (deficit) at July 1, 1987	-	-	-
Retained earnings (deficit) at June 30, 1988	$ (729)	(12)	(741)

Combining Statement of Revenues, Expenses, Transfers, and Retained Earnings – Other Bonds and Notes

Year Ended June 30, 1988 (In Thousands)

	Housing Mortgage Bond	Insured Mortgage Bond	Insured Rural Mortgage Bond
Revenues:			
Interest income:			
Mortgages and loans	$ 7,099	64,248	33
Investments	1,936	16,199	8
	9,035	80,447	41
Loan fees and other	150	456	-
Total revenues	9,185	80,903	41
Expenses:			
Interest	5,684	71,278	65
Mortgage service fees	296	2,507	4
General and administrative	-	-	-
Trustee fees, insurance and financing costs	38	419	5
Provision for loan losses	787	-	-
Write-down and net operating expenses associated with real estate and mobile homes owned	327	-	-
Interfund operating charge (credit)	131	1,091	-
Total expenses	7,263	75,295	74
Net income (loss)	1,922	5,608	(33)
Retained earnings (deficit) at July 1, 1987	30,619	121,488	1,573
Transfers from (to) other funds	-	-	(1,540)
Retained earnings (deficit) at June 30, 1988	$ 32,541	127,096	-

Fairbanks North Star Borough Residential Mortgage Bond	Overseas Finance Series E-1	FNMA Notes	Floating Rate Notes 1986-A	Mortgage Backed Bonds Series 1987-1	Medium Term Notes Floating Rate Notes Z Bonds Series 1987-1	Combined
2,014	7,725	21,133	8,104	6,819	-	117,175
212	2,603	439	3,939	266	5,532	31,134
2,226	10,328	21,572	12,043	7,085	5,532	148,309
118	11	10	24	-	-	769
2,344	10,339	21,582	12,067	7,085	5,532	149,078
2,102	8,733	17,767	11,060	3,830	5,715	126,234
74	237	578	337	328	-	4,361
-	330	-	-	-	-	330
90	622	444	606	239	171	2,634
4	-	-	[illegible]	595	-	1,636
7	-	112	16	-	-	462
32	103	-	137	117	-	1,611
2,309	10,025	18,901	12,406	5,109	5,886	137,268
35	314	2,681	(339)	1,976	(354)	11,810
530	8,778	(1,090)	(2,003)	-	-	159,895
-	-	-	-	-	-	(1,540)
565	9,092	1,591	(2,342)	1,976	(354)	170,165

ALASKA HOUSING FINANCE CORPORATION

Schedule 19

Combining Statement of Changes in Financial Position – All Funds

Year Ended June 30, 1988 (In Thousands)

	Corporation Operating	Revolving Fund: General Account	Revolving Fund: Home Ownership Fund	Revolving Fund: Combined Insurance Fund
Sources of financial resources:				
Operations:				
Net income (loss)	$ 756	15,561	(18,323)	(9,903)
Items which do not use (provide) cash:				
Net amortization of discounts, premiums and bond issuance costs	–	399	–	–
Depreciation	80	–	–	–
Decrease (increase) in accrued interest receivable	60	(291)	115	57
Increase in claims receivable	(16,975)	(29)	–	–
Increase (decrease) in accrued interest payable	–	–	–	–
Net increase (decrease) in accrued expenses and other receivable	15,134	(14,962)	(1,567)	5,940
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	917	9,123	13,422	6,153
Financial resources provided (used) by operations	(28)	9,801	(6,353)	2,247
Transfer of subsidy from (to) other funds and debt collateralization	–	(97,671)	–	–
Mortgages sold to (purchased from) other funds	3,420	259,743	4,633	–
Mortgage and loan principal repayments	1,677	26,651	14,571	–
Increase in commercial paper and securities sold under agreements to repurchase	–	64,284	–	–
Net proceeds from sale of mortgage bonds	–	–	–	–
Decrease (increase) in cash	803	36	(76)	–
Total sources of financial resources	$ 5,872	262,844	12,775	2,247
Uses of financial resources:				
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ 5,695	30,933	12,775	2,247
Acquisition of loans	–	231,911	–	–
Payment of mortgage bonds and notes	–	–	–	–
Equipment purchases	177	–	–	–
Payment of State of Alaska notes	–	–	–	–
Total uses of financial resources	$ 5,872	262,844	12,775	2,247

CORRECTION

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02–576(2/77)

Fairbanks North Star Borough Residential Mortgage Bond	Overseas Finance Series E-1	FNMA Notes	Floating Rate Notes 1986-A	Mortgage Backed Bonds Series 1987-1	Medium Term Notes Floating Rate Notes Z Bonds Series 1987-1	Combined
35	314	2,681	(339)	1,976	(354)	11,810
95	481	178	207	28	1,651	4,377
58	35	64	(192)	(667)	(1,263)	(1,236)
(167)	(684)	(3,173)	(8)	–	–	(4,032)
(35)	(691)	84	–	1,494	1,599	1,726
(1)	2,467	2,602	1,078	496	725	1,704
3	–	–	249	593	–	6,069
(12)	1,922	2,436	995	3,920	2,358	20,418
–	(7,422)	–	–	18,826	26,733	48,467
–	–	189	2,319	(78,819)	–	(73,779)
2,517	14,173	44,034	2,879	2,961	–	131,076
–	–	–	6,000	–	–	6,000
–	–	–	–	62,000	95,567	157,567
(2)	588	4	5	(30)	(11)	511
2,503	9,261	46,663	12,198	8,858	124,647	290,260
(1,039)	(6,049)	(2,619)	6,198	8,858	124,647	153,766
–	–	–	–	–	–	3,855
3,542	15,310	49,282	6,000	–	–	121,745
–	–	–	–	–	–	10,894
2,503	9,261	46,663	12,198	8,858	124,647	290,260

Combining Statement of Changes in Financial Position – Other Bonds and Notes

Year Ended June 30, 1988 (In Thousands)

	Housing Mortgage Bond	Insured Mortgage Bond	Insured Rural Mortgage Bond
Sources of financial resources:			
Operations:			
Net income (loss)	$ 1,922	5,608	(33)
Items which do not use (provide) cash:			
Net amortization of discounts, premiums and bond issuance costs	2	1,730	5
Decrease (increase) in accrued interest receivable	11	668	50
Increase in claims receivable	–	–	–
Increase (decrease) in accrued interest payable	6	(698)	(33)
Net increase (decrease) in accrued expenses and other receivables	140	(5,780)	(23)
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	899	4,325	–
Financial resources provided (used) by operations	2,980	5,853	(34)
Transfer of subsidy from (to) other funds and debt collateralization	–	11,870	(1,540)
Mortgages sold to (purchased from) other funds	–	(1,871)	4,403
Mortgage and loan principal repayments	6,937	57,494	81
Increase in commercial paper and securities sold under agreements to repurchase	–	–	–
Net proceeds from sale of mortgage bonds	–	–	–
Decrease (increase) in cash	(4)	(40)	1
Total sources of financial resources	$ 9,913	73,306	2,911
Uses of financial resources:			
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ 7,098	18,996	(2,724)
Acquisition of loans	–	3,855	–
Payment of mortgage bonds and notes	2,815	39,561	5,235
Payment of State of Alaska notes	–	10,894	–
Total uses of financial resources	$ 9,913	73,306	2,911

Combining Statement of Changes in Financial Position
Home Owners' Assistance Program (HOAP)

Year Ended June 30, 1988 (In Thousands)

	Medium Term Notes, Floating Rate Notes, Z Bonds, Series 1988-1: Secured Bonds, Series F&G	Collateralized Mortgage Obligations Series 1988-1	Combined
Sources of financial resources:			
Operations:			
Net loss	$ (729)	(12)	(741)
Items which do not use (provide) cash:			
Net amortization of discounts, premiums and bond issuance costs	407	29	436
Increase in accrued interest receivable	(2,105)	(679)	(2,784)
Increase in accrued interest payable	4,160	1,088	5,248
Net decrease in accrued expenses and other receivables	(579)	(832)	(1,411)
Financial resources provided (used) by operations	1,154	(406)	748
Transfer of subsidy from other funds and debt collateralization	22,935	19,533	42,468
Net proceeds from sale of mortgage bonds	107,000	71,531	178,531
Increase in cash	–	(724)	(724)
Total sources of financial resources	$131,089	89,934	221,023
Uses of financial resources:			
Increase in investments and securities purchased from other funds under agreements to resell	$131,089	89,934	221,023
Total uses of financial resources	$131,089	89,934	221,023

ALASKA HOUSING FINANCE CORPORATION

Schedule 25

Combining Statement of Changes in Financial Position — Residential Mortgage Bonds

Year Ended June 30, 1988 (In Thousands)

	Series A	Series B	Series C	Combined
Sources of financial resources:				
Operations:				
Net income (loss)	$ (293)	(437)	16	(714)
Items which do not use (provide) cash:				
Net amortization of discounts, premiums and bond issuance costs	42	24	18	84
Decrease (increase) in accrued interest receivable	3	(20)	(83)	(100)
Increase (decrease) in accrued interest payable	(110)	–	49	(61)
Net increase in accrued expenses and other receivables	1,242	102	1,138	2,482
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	309	484	63	856
Financial resources provided by operations	1,193	153	1,201	2,547
Transfer of subsidy from other funds and debt collateralization	1,116	1,081	565	2,762
Mortgage and loan principal repayments	1,247	509	494	2,250
Increase in cash	(41)	(27)	(34)	(102)
Total sources of financial resources	$ 3,515	1,716	2,226	7,457
Uses of financial resources:				
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ (1,485)	1,716	(11,898)	(11,667)
Acquisition of loans	–	–	14,124	14,124
Payment of mortgage bonds	5,000	–	–	5,000
Total uses of financial resources	$ 3,515	1,716	2,226	7,457

State Assisted Mortgage Bonds								
Series J	Series K	Series L	Series M	Series N	Series O	Series P	Series Q	Combined
(342)	(242)	442	159	248	(792)	10	686	3,917
70	162	119	94	67	41	37	80	1,494
150	68	115	166	105	(94)	(119)	(86)	1,081
(604)	(846)	(742)	(1,022)	(678)	70	12	20	(8,790)
(39)	(49)	(54)	(53)	(50)	–	–	(62)	(777)
(1,162)	(1,417)	(1,[illegible]	(1,407)	(1,491)	272	508	197	(10,356)
197	364	154	197	131	1	–	12	7,326
(1,730)	(1,960)	(1,627)	(1,866)	(1,668)	(502)	448	847	(6,105)
–	–	–	–	–	–	–	3	3
–	–	–	–	–	–	233	343	576
5,769	7,788	7,1[illegible]4	6,660	7,250	5,235	6,153	2,956	93,551
(5)	(11)	(13)	(6)	(19)	949	689	390	1,921
4,034	5,817	5,544	4,788	5,563	5,682	7,523	4,539	89,946
(94)	333	(58)	(171)	672	5,682	7,523	1,539	24,762
4,128	5,484	5,602	4,959	4,891	–	–	3,000	65,184
4,034	5,817	5,544	4,788	5,563	5,682	7,523	4,539	89,946

Combining Statement of Changes in Financial Position – State Assisted Mortgage Program

Year Ended June 30, 1988 (In Thousands)

	Series A	Series D&E	Series F	Series H	Series I
Sources of financial resources:					
Operations:					
Net income (loss)	$ 703	(83)	3,125	350	(347)
Items which do not use (provide) cash:					
Net amortization of discounts, premiums and bond issuance costs	48	294	264	133	85
Decrease (increase) in accrued interest receivable	(151)	119	591	73	144
Decrease (increase) in claims receivable	(562)	(536)	(2,309)	(601)	(992)
Decrease in accrued interest payable	–	(152)	(246)	(36)	(36)
Net increase (decrease) in accrued expenses and other receivables	368	172	(3,588)	(607)	(540)
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	2,747	30	3,143	48	302
Financial resources provided (used) by operations	3,153	(156)	980	(640)	(1,384)
Transfer of subsidy from other funds and debt collateralization	–	–	–	–	–
Mortgages sold to other funds	–	–	–	–	–
Mortgage and loan principal repayments	9,493	6,884	18,171	4,687	5,321
Decrease (increase) in cash	(14)	(7)	(20)	(5)	(7)
Total sources of financial resources	$ 12,632	6,721	19,131	4,042	3,930
Uses of financial resources:					
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ 12,632	(3,556)	(191)	288	163
Payment of mortgage bonds	–	10,277	19,322	3,754	3,767
Total uses of financial resources	$ 12,632	6,721	19,131	4,042	3,930

Combining Statement of Changes in Financial Position — Medium Term Notes and Secured Bonds

Year Ended June 30, 1988 (In Thousands)

	Secured Bonds 1986-A	Medium Term Notes 1986-1 and Secured Bonds 1986-B	Medium Term Notes 1986-2 and Secured Bonds 1986-C	Medium Term Notes 1986-3 and Secured Bonds 1986-D	Medium Term Notes 1986-4 and Secured Bonds 1986-E	Combined
Sources of financial resources:						
Operations:						
Net income	$ 969	312	663	808	569	3,321
Items which do not use (provide) cash:						
Net amortization of discounts, premiums and bond issuance costs	180	431	380	582	490	2,063
Increase in accrued interest receivable	(96)	(15)	(10)	(110)	(630)	(861)
Increase in claims receivable	-	-	-	(5)	-	(5)
Decrease in accrued interest payable	-	(46)	(55)	-	-	(101)
Net increase (decrease) in accrued expenses and other receivables	393	92	(193)	(86)	61	267
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	9	31	72	349	112	573
Financial resources provided by operations	1,455	805	857	1,538	602	5,257
Transfer of subsidy from other funds and debt collateralization	-	-	-	-	4,558	4,558
Mortgages sold to (purchased from) other funds	966	1,659	1,571	2,480	(97,998)	(91,322)
Mortgage and loan principal repayments	5,326	4,368	3,950	2,152	1,632	17,428
Decrease (increase) in cash	(764)	(2)	15	155	(18)	(614)
Total sources of financial resources	$ 6,983	6,830	6,393	6,325	(91,224)	(64,693)
Uses of financial resources:						
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ 6,983	(384)	(1,807)	6,325	(91,224)	(80,107)
Payment of mortgage bonds	-	7,214	8,200	-	-	15,414
Total uses of financial resources	$ 6,983	6,830	6,393	6,325	(91,224)	(64,693)

1983		1984		Collateralized				
				1984		1985	1988	
Fifth Series	Sixth Series	First Series	Second Series	First Series	Second Series	First Series	First Series	Combined
(357)	(820)	(1,521)	(940)	(1,886)	(1,131)	(368)	(140)	(9,805)
145	211	158	171	169	350	119	14	2,218
112	31	352	167	36	(124)	270	(835)	486
(511)	(663)	(1,690)	(1,066)	(404)	(165)	(11)	-	(7,164)
(22)	(39)	(79)	(70)	(106)	(66)	(412)	927	(32)
336	245	559	(2,315)	116	(122)	(349)	(96)	(945)
13	144	274	207	1,838	578	409	-	4,119
(284)	(891)	(1,947)	(3,846)	(237)	(680)	(342)	(130)	(11,123)
-	-	-	-	(109)	-	(4,964)	5,172	99
-	-	-	345	14	97	(79,467)	-	(79,011)
5,065	7,275	13,635	11,695	10,796	7,326	857	-	87,177
-	-	-	-	-	-	-	49,470	49,470
(17)	(14)	(16)	(6)	855	847	-	(10)	1,609
4,764	6,370	11,672	8,188	11,319	7,590	(83,916)	54,502	48,221
1,910	1,593	1,749	1,051	(1,010)	116	(133,803)	54,502	(69,194)
2,854	4,777	9,923	7,137	12,329	7,474	49,887	-	117,415
4,764	6,370	11,672	8,188	11,319	7,590	(83,916)	54,502	48,221

Combining Statement of Changes in Financial Position — State Guaranteed Bonds

Year Ended June 30, 1988 (In Thousands)

	1983			
	First Series	Second Series	Third Series	Fourth Series
Sources of financial resources:				
Operations:				
Net loss	$ (406)	(888)	(715)	(633)
Items which do not use (provide) cash:				
Net amortization of discounts, premiums and bond issuance costs	132	290	235	224
Decrease (increase) in accrued interest receivable	35	277	105	60
Increase in claims receivable	(396)	(1,321)	(424)	(513)
Increase (decrease) in accrued interest payable	(18)	(54)	(39)	(54)
Net increase (decrease) in accrued expenses and other receivables	108	431	(31)	173
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	114	241	141	160
Financial resources used by operations	(431)	(1,024)	(728)	(583)
Transfer of subsidy from (to) other funds and debt collateralization	–	–	–	–
Mortgages sold to (purchased from) other funds	–	–	–	–
Mortgage and loan principal repayments	3,614	11,704	7,233	7,977
Net proceeds from the sale of mortgage bonds	–	–	–	–
Decrease (increase) in cash	(5)	(19)	–	(6)
Total sources of financial resources	$ 3,178	10,661	6,505	7,388
Uses of financial resources:				
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ 588	2,340	1,173	597
Payment of mortgage bonds	2,590	8,321	5,332	6,791
Total uses of financial resources	$ 3,178	10,661	6,505	7,388

1983		Collateralized						
				1986		1987		
First Series	Second Series	1984 Series A	1985 Series B	Series A	Series B	Series A	Series B	Combined
(654)	(3,244)	(959)	(742)	513	651	1,129	15	(8,479)
246	2,165	280	339	28	-	-	25	5,724
352	618	57	(117)	(167)	1,273	(333)	(686)	2,578
(1,787)	(3,893)	394	(260)	-	-	-	-	(14,283)
(23)	(58)	(78)	(156)	-	(216)	324	337	(91)
(1,453)	874	556	472	110	488	60	(731)	(2,694)
232	1,806	1	810	163	-	-	-	6,133
(3,087)	(1,732)	251	346	647	2,196	1,180	(1,040)	(11,112)
-	-	-	67	(1,337)	(6,846)	-	7,430	(686)
-	-	96	630	(24,986)	-	-	-	(24,260)
7,875	13,813	10,502	7,291	742	-	-	-	74,067
-	-	-	-	-	-	-	49,900	49,900
(18)	(24)	1,052	391	50	-	-	(26)	1,388
4,770	12,057	11,901	8,725	(24,884)	(4,650)	1,180	56,264	89,297
1,785	3,467	3,141	1,685	(24,884)	(54,650)	1,180	56,264	(13,062)
2,985	8,590	8,760	7,040	-	50,000	-	-	102,359
4,770	12,057	11,901	8,725	(24,884)	(4,650)	1,180	56,264	89,297

Combining Statement of Changes in Financial Position — Home Mortgage Bonds

Year Ended June 30, 1988 (In Thousands)

	1981		1982	
	First Series	Second Series	First Series	Second Series
Sources of financial resources:				
Operations:				
Net income (loss)	$ (46)	(1,596)	(897)	(2,649)
Items which do not use (provide) cash:				
Net amortization of discounts, premiums and bond issuance costs	232	161	1,007	1,241
Decrease (increase) in accrued interest receivable	338	331	379	533
Decrease (increase) in claims receivable	(1,831)	(1,541)	(2,304)	(3,061)
Increase (decrease) in accrued interest payable	(76)	(77)	(36)	(32)
Net increase (decrease) in accrued expenses and other receivables	267	809	(2,409)	(1,737)
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	306	249	285	2,281
Financial resources provided (used) by operations	(810)	(1,664)	(3,975)	(3,424)
Transfer of subsidy from (to) other funds and debt collateralization	–	–	–	–
Mortgages sold to (purchased from) other funds	–	–	–	–
Mortgage and loan principal repayments	7,071	6,536	9,784	10,453
Net proceeds from sale of mortgage bonds	–	–	–	–
Decrease (increase) in cash	(7)	(6)	(9)	(15)
Total sources of financial resources	$ 6,254	4,866	5,800	7,014
Uses of financial resources:				
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ (1,831)	(3,019)	1,289	2,511
Payment of mortgage bonds	8,085	7,885	4,511	4,503
Total uses of financial resources	$ 6,254	4,866	5,800	7,014

Combining Statement of Changes in Financial Position – Insurance Funds

Year Ended June 30, 1988 (In Thousands)

	State Mortgage Insurance	Rural Housing Hazard Insurance	Rural Housing Title Insurance	Rental Program Insurance Fund	Combined
Sources of financial resources:					
Operations:					
Net income (loss)	$(6,828)	26	42	(3,143)	(9,903)
Items which do not use (provide) cash:					
Decrease (increase) in accrued interest receivable	76	2	3	(24)	57
Net increase in accrued expenses and other receivable	5,940	-	-	-	5,940
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	2,549	-	-	3,604	6,153
Financial resources provided by operations	1,737	28	45	437	2,247
Total sources of financial resources	$ 1,737	28	45	437	2,247
Uses of financial resources:					
Increase in investments and securities purchased from other funds under agreements to resell	$ 1,737	28	45	437	2,247
Total uses of financial resources	$ 1,737	28	45	437	2,247

Combined Home Mortgage Bond	Combined State Guaranteed Bond	Combined Medium Term Note and Secured Bond	Combined State Assisted Mortgage Bond	Combined Residential Mortgage Bond	Combined Homeowners Assistance Programs (HOAP)	Combined Other Bonds and Notes	Combined
(8,479)	(9,805)	3,321	3,917	(714)	(741)	11,810	(12,600)
5,724	2,218	2,063	1,494	84	436	4,377	16,795
–	–	–	–	–	–	–	80
2,578	486	(861)	1,081	(100)	(2,784)	(1,236)	(895)
(14,283)	(7,164)	(5)	(8,790)	–	–	(4,032)	(51,278)
(91)	(32)	(101)	(777)	(61)	5,248	1,726	5,912
(2,694)	(945)	267	(10,356)	2,482	(1,411)	1,704	(6,408)
6,133	4,119	573	7,326	856	–	6,069	54,691
6,297	(11,112)	(11,123)	5,257	(6,105)	2,547	748	20,418
(686)	99	4,558	3	2,762	42,468	48,467	–
(24,260)	(79,011)	(91,322)	576	–	–	(73,779)	–
74,067	87,177	17,428	93,551	2,250	–	131,076	448,448
–	–	–	–	–	–	6,000	70,284
49,900	49,470	–	–	–	178,531	157,567	435,468
1,388	1,609	(614)	1,921	(102)	(724)	511	4,752
89,297	48,221	(64,693)	89,946	7,457	221,023	290,260	965,249
(13,062)	(69,194)	(80,107)	24,762	(11,667)	221,023	153,766	277,171
–	–	–	–	14,124	–	3,855	249,890
102,359	117,415	15,414	65,184	5,000	–	121,745	427,117
–	–	–	–	–	–	–	177
–	–	–	–	–	–	10,894	10,894
89,297	48,221	(64,693)	89,946	7,457	221,023	290,260	965,249