

HB

256

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 10, 2003

FURTHER REFERRALS:

Date of Committee Action: 4/15/03

The FINANCE Committee considered:

HB 256

HOUSE BILL NO. 256

DIVIDEND PAYMENT TO STATE BY AHFC

"An Act relating to a dividend payment to the state made by the Alaska Housing Finance Corporation each fiscal year; and providing for an effective date."

Recommends it be replaced with HCS or CS for _____ (_____)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:

- ADM
- CED
- COR
- CRT
- EED
- DEC
- DFG
- GOV
- HSS
- LEG
- LAW
- LWF
- MVA
- DNR
- DPS
- REV
- DOT
- UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
REV				✓

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Meyer	✓			
DP ✓	FOSTER	X			
	STOLTZE			✓	
	MOSES			✓	
	Chenault	✓			
	Whitaker	✓			
	Hawker	✓			
Chair:	Harris	✓			
Chair:	Williams	✓			

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 256
 () Publish Date: 4/14/2003

Revision Date/Time _____ Dept. Affected: Revenue
 Title "An Act relating to a dividend payment
to the state made by the AHFC each fiscal year. BRU Alaska Housing Finance Corp.
 Component Operations
 Sponsor House Finance Committee
 Requester House Finance Committee Component No. 110

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 The passage of HB 256 would not have an impact on AHFC's operating budget.

 This bill would increase the dividend from AHFC to the State General Fund from the FY 2002 net income amount of \$75.6 million to \$103 million for FY 2004. The dividend for FY 2005 and FY 2006 would also be \$103 million. In FY 2007, the dividend would equal 95% of AHFC's net income, in FY 2008 the dividend would equal 85% of net income, and the dividend thereafter would be equal to 75% of AHFC's net income.

Prepared by: Bryan Butcher Phone 330-8445
 Division Alaska Housing Finance Corporation Date/Time 4/15/03 1:08 PM
 Approved by: Landa Baily, Special Assistant Date 4/15/2003
 Agency Department of Revenue

Alaska State Legislature

House Finance Committee

REPRESENTATIVE
BILL WILLIAMS

Co-Chair

(907) 465-3424

Fax: (907) 465-3793

INTERIM ADDRESS

50 Front Street, Suite 203

Ketchikan, Alaska 99901

(907) 247-4627

Fax: (907) 225-7157



State Capitol, Juneau, Alaska 99801-1182

REPRESENTATIVE
JOHN HARRIS

Co-Chair

(907) 465-4859

Fax: (907) 465-3799

INTERIM ADDRESS

State Capitol, Room 507

Juneau, AK 99801-1182

SPONSOR STATEMENT

House Bill 256, An Act relating to a dividend payment to the state made by the Alaska Housing Finance Corporation each fiscal year

House Bill 256 would amend and codify the agreement between the Alaska Housing Finance Corporation and the Legislature calling for the transfer of AHFC's net income to the State General Fund in the form of an annual dividend that funds debt service for certain bonds and capital projects.

Under the current plan, the transfer from AHFC for FY 2004 would be \$75.6 million, down from \$103 million for FY 2003. With the modifications in this bill, the transfer amount would remain at \$103 million for Fiscal Years 2004 through 2006.

In order to allow AHFC to make these payments in excess of net income without affecting their bond ratings, starting in FY2007 the payments from AHFC to the state would be a percentage of net income. This change would bring the AHFC dividend more in line with the AIDEA and Alaska Student Loan Corporation dividend plans. Currently the ASLC pays less than 35% of its net income and AIDEA pays 50% of its net income to the State, while this proposal has AHFC paying 95% in 2007, 85% in 2008 and 75% thereafter.

The purpose of this bill is to keep the transfers from AHFC at a predictable, sustainable level while assisting the Governor and the Legislature in finding a balance between state revenues and expenditures.

This orderly and sustainable approach to transfers will help AHFC and the State of Alaska maintain their strong bond ratings and access to capital markets—which will likely be critical to any fiscal plan developed by the State.

March 2003

Contact

New York

Wendy Berry
Florence Zeman

Phone

1.212.553.4104
1.212.553.4836

Unprecedented State Budget Deficits Across Nation Prompt Surge In HFA Transfer Proposals

*Raids Continue To Stress Many Hfas At A Time When Industry
Is Dealing With Its Own Market Challenges. Twelve Proposals
Totalling More Than \$360 Million Under Analysis- More State Raids Expected.*

Summary Opinion:

- For 2003, Moody's expects state governments to continue last year's trend of tapping their housing finance agencies (HFAs) to help close projected budget gaps. State raids of HFAs topped \$500 million in 2002 and Moody's expects similar, or even greater, amounts to be transferred in the coming months.
- In the last few weeks, Moody's has been advised of 12 proposals that, if enacted as currently proposed, would transfer \$364.76 million from HFA coffers for either general state purposes or other state-related housing activities. While most of the current proposals call for direct cash transfers, others are less burdensome and therefore have a less dramatic financial impact on the HFA.
- While no state HFA Issuer Rating or bond rating was downgraded in 2002 as a result of these raids, the risk of downgrades is far greater this year given the magnitude of fiscal imbalance for many states and the unprecedented challenges facing HFAs at this time. These HFA industry-wide challenges include decreasing asset bases and lower profitability caused in large part to the continuing record-low interest rate environment.
- Because state HFAs are creations of their parent state governments and tend to have healthy fund balances even during recessions, HFAs have often been called upon to help close state budget gaps through the transfer of monies to their state treasuries. In some cases, this money comes from rated single family or multi-family bond programs, and in other instances, the money is transferred from unrestricted and unpledged monies of the state HFA.
- Due to the ever-present risk of state raids, Moody's analyzes the potential of such transfers when assigning Issuer Ratings to state HFAs. Because each situation is unique, Moody's has taken several different actions when making credit decisions resulting from state transfers. These can include capping ratings, assigning negative outlooks, as well as maintaining the status quo.



Magnitude of State Budget Deficits Cause Greater Reliance on HFAs

Unlike their parent state governments, the financial condition of housing finance agencies has been historically very steady and predictable. As a result, state housing finance agencies tend to have healthy fund balances even during recessions. Consequently, state raids of housing finance agency reserves are an ever-present risk and represent one of the few negative credit factors affecting the otherwise strong credit position of the state housing finance sector.

While many states have counted on their HFAs to help plug projected deficits in the past, today's environment is much more grave. The nation's current economic slowdown has produced plummeting revenues over the past two years that have wrought staggering projected budget deficits for many states. Given the continued economic weakness and the concomitant decline in revenues - particularly from securities-related activities, the enormity of many projected state budget gaps for 2003 and 2004 is unprecedented. Fiscal experts have predicted cumulative deficits of over \$50 billion for 2003 and over \$75 billion for 2004.

These economic circumstances, in turn, have increased significantly the reliance of states on their HFAs for help in closing these projected budget gaps. It is therefore not surprising that since the beginning of the year Moody's has been made aware of 12 proposals that if enacted as proposed, would transfer over \$360 million from housing finance agency coffers to their respective state treasuries.

Some of these new transfer proposals would involve funds being withdrawn from rated single family or multi-family bond programs, and in other instances, the money would be transferred from the general monies of the state HFA. While most of the current proposals call for direct cash transfers, others are less burdensome and are likely to have a less dramatic financial impact on those HFAs. In these proposals the state raids take other forms such as having the HFA take on new expenses and responsibilities that the state would have otherwise financed itself. In these instances, monies would not flow from the HFA, rather, the state would not appropriate monies this year that it normally does, leaving the HFA to replace these amounts from internal sources. Still other types of state raids include having the HFA offer a line of credit, or reducing or eliminating state funding to the HFA for certain programs.

STATE RAID PROPOSALS COME AT A CRITICAL TIME FOR HFAS

While state reliance on housing finance agencies in the past has not been particularly burdensome to the HFAs, this year the industry is having its own stresses affecting the financial strength of many housing finance agencies. Indeed, the past two years of record low interest rates have caused HFA assets to decrease as a result of an unprecedented level of mortgage prepayments and the more competitive nature of mortgage originations. Transferring significant amounts of money from state HFAs this year may hurt their balance sheet and profitability more than ever before. Moody's has already made certain conclusions regarding some of the proposals and is in the midst of reviewing the details of others to determine if these raids will have any negative affect on credit ratings. Although most of the proposed amounts have yet to be finalized, thus far proposals include:

Alaska Housing Finance Corporation	\$75.66 million
Connecticut Housing Finance Authority	\$ 40 million
Hawaii Housing and Community Development Corporation	\$ 14 million
Maine State Housing Authority	\$ 1.9 million
Maryland Housing Fund/Maryland Community Development Admin.	\$ 10 million
Massachusetts Housing Finance Agency	\$ 4 million
New Jersey Housing and Mortgage Finance Agency	\$50 million
New York State Housing Finance Agency	\$1.5 million
State of New York Mortgage Agency (Mortgage Insurance Fund)	\$50 million
South Carolina State Housing Finance and Development Authority	\$5.7 million
Virginia Housing Development Authority	\$87 million *
West Virginia Housing Development Fund	\$25 million
	\$364.76 million

*Face amount of loans to be purchased. Purchase price expected to be discounted.

Current State Raid Proposals

Below is a list of this year's proposed transfers to date. Since these transfer proposals are a constantly moving target, the ultimate transfer amount is likely to change for many of these state HFAs.

Alaska Housing Finance Corporation - AHFC recently submitted a plan to the Legislature that would transfer \$76.55 million from the Corporation's General Fund to the state in fiscal year 2004. This transfer plan was not unexpected as the Corporation regularly sends monies to the State as part of a comprehensive long-term transfer agreement. Given the history of these annual transfers and the existence of the long-term agreement, Moody's does not

believe this latest transfer will affect any of the Corporation's ratings. Last year, the Corporation transferred \$96.3 million to the state for budgetary relief.

Connecticut Housing Finance Authority - CHFA is facing the second part of a raid that was negotiated last year that transfers a total of \$85 million over two years from its sole bond program - the Housing Mortgage Finance Bond Program - in exchange for state-owned housing assets. This \$3.1 billion bond program finances both single family and multi-family housing and is rated Aaa. Moody's has determined that the purchase of \$85 million of state-owned assets will not cause a rating downgrade on the program. Any further transfers, however, would need to be analyzed closely to determine the potential credit impact.

Hawaii Housing and Community Development Corporation - Because the State of Hawaii did not participate in the robust national economy of the 1990s, the Corporation has been subject to a number of transfers over the last decade totaling more than \$175 million. Another proposal is on the table to transfer a rather modest amount - \$14 million - from various Corporation funds to the State. In addition, the legislature has proposed other transfers but no dollar amount has been associated with those bills. Moody's is carefully monitoring these proposals as we currently have the Corporation's A1 Issuer Rating on watch for downgrade. Last year, the Corporation transferred just over \$25 million to the state for budgetary relief.

Maine State Housing Authority - The Legislature has submitted a proposal that may result in a raid of up to \$1.9 million each year over the next two years. Typically, the State realizes HOME funds in the amount of \$9 million each year from real estate transfer taxes. Under the proposed legislation, if HOME funding comes in at less than typical levels, Maine Housing would be expected to maintain funding at the current levels by covering the expense of a homeless shelter program. The maximum amount that the Authority may be expected to fund is \$1.9 million per year in fiscal years 2004 and 2005 as the State plans to take the first \$7.5 million of HOME funds in those years. If HOME funding comes in at historical levels, the Authority should receive HOME funds for the shelter program as has been the case in the past. The Authority reports that any funding it is asked to make will come from General Funds of the Authority. If this occurs, Moody's does not believe it will have an impact on the Authority's Issuer Rating.

Maryland Housing Fund/Maryland Community Development Administration - The Legislature has proposed transferring \$10 million from the Maryland Housing Fund's Unallocated Reserves to the State. The Maryland Housing Fund (MHF), a sister agency to the Maryland Community Development Administration (CDA), provides mortgage insurance for single family and multi-family loans, most of which are bond financed through the Maryland Community Development Administration. The proposal leaves intact all of the monies held in MHF's specific Multi-family and Single Family Reserves as well as a portion of the monies in the Unallocated Reserve. Given the level of MHF's remaining reserves and the financial strength of CDA's Single Family Program Bonds and Multi-family Housing Revenue Bonds (Insured Mortgage Loans) which rely on the Maryland Housing Fund, Moody's does not believe that the Aa2 ratings on these two programs would be negatively affected.

Massachusetts Housing Finance Agency - Massachusetts HFA is expecting the Commonwealth to withhold its annual SHARP payments to the Agency which was to be approximately \$4 million. This decrease in state appropriations is not expected to affect either the Agency's bond ratings or its Issuer Rating as the SHARP subsidies have been declining over time and the Agency has established sufficient reserves for the eventual termination of the SHARP subsidies within the next couple of years.

New Jersey Housing and Mortgage Finance Agency - New Jersey's HFA has already transferred \$25 million to state coffers in fiscal year 2003 and may be facing another \$25 million raid for fiscal year 2004. According to the current proposal, the additional \$25 million would be used for housing purposes at the state level, in keeping with Agency's mission. We expect that the funds will come from general Agency reserves, rather than bond related reserves. New Jersey Housing and Mortgage Finance Agency's Issuer Rating stands at Aa2 with a positive outlook. Given the strength of the Agency's financial position, even if the entire \$25 million is utilized, Moody's does not believe that Aa2 Issuer Rating will be negatively affected. These two \$25 million transfers are in addition to the \$25 million transferred to the state last year for fiscal year 2002 budgetary relief.

New York State Housing Finance Agency - For the second consecutive year, New York State HFA has funded the Small Cities Program in the annual amount of \$1 million, a program that has historically been funded through regular state appropriations. NYS HFA reports that it is expecting to fund the program again in fiscal year 2003/2004. The Agency is also expecting to be given the responsibility of funding a \$500,000 capital grant program that it has been administering but had previously been funded by the State through its Division of Housing and Community Renewal. Last year, the State relied on HFA for \$50 million of budgetary relief in addition to its \$1 million funding of the Small Cities Program.

State of New York Mortgage Agency - Subject to legislative approval, the New York State Executive Budget proposal authorizes the State of New York Mortgage Agency's (SONYMA) Mortgage Insurance Fund (MIF) to provide credit enhancement to the proposed Tobacco Settlement Financing Corporation. This new public benefit corporation is expected to be created in order to securitize New York State's future share of tobacco settlement monies. The

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

MIF currently insures single family and multi-family loans and is used extensively as credit enhancement on SONYMA's single family bond programs as well as a number of multi-family bond issuers including the New York State Housing Finance Agency. The amount of credit enhancement, if any, and how it would be funded is not yet clear but is expected to be at least \$50 million. SONYMA is looking to structure any such credit enhancement so as to not affect the Fund's ratings. While recent legislative negotiations make the Mortgage Insurance Fund's involvement less likely, nothing has yet been finalized. Last year, the Agency transferred \$150 million of MIF monies to the State for budgetary relief.

South Carolina State Housing Finance and Development Authority - For fiscal year 2004, South Carolina's House has passed a bill that would transfer \$5.7 million from the state's Housing Trust Fund - a Fund that resides with the State Treasurer. The proposal is currently awaiting Senate approval. The Authority receives monies from a percentage of the documentary stamp tax relating to real estate transactions within the State which are deposited into the Housing Trust Fund. This Fund is specifically segregated on the Authority's financials and is used for designated affordable housing projects and is not available for other purposes of the Authority. Moody's does not take these monies into account when assessing the issuer credit rating so there should be no impact on the Authority's Issuer Rating. Last year, the Authority transferred \$2.5 million of restricted assets to the state for budgetary relief.

Virginia Housing Development Authority - VHDA has committed to buying a portfolio of \$87 million face amount of loans from the Commonwealth at a price to be determined utilizing a third party evaluator. VHDA originated and continues to service these loans on behalf of the Commonwealth. These loans, however, are primarily very low-rate, high-risk, multi-family and single family loans, and accordingly the purchase price is expected to be at a discount. VHDA may issue taxable bonds to finance the acquisition of these loans.

West Virginia Housing Development Fund - West Virginia's HFA has been asked to fund a \$25 million economic development program for the state. According to WVHDF, the program will likely be financed through the issuance of WVHDF general obligation bonds and repaid over ten years. Despite this proposal, Moody's expects WVHDF to maintain its Issuer Rating of Aaa. Last year, the Fund transferred \$5 million to the state for budgetary relief.

Conclusion

The dramatic increase in state raids on HFAs over the past two years has not been unexpected. Moody's had anticipated that these types of raids on state HFAs would likely result from the budgetary pressures of the weakening national economy and the effects of the September 11th terrorist attacks. As stated in our October 2001 Special Comment on the Housing Bond Sector, "Moody's believes that the risk of future state raids has increased this year given the nation's weaker economy." Indeed, Moody's expects to see more state raid proposals as more states finalize their budgets. Moody's will review each transfer to determine what actions, if any, to take on single family and/or multi-family bond ratings, or in some cases, state HFA Issuer Ratings. This year's raids, however, come at a critical time for many state HFAs as they struggle with dwindling assets and lower profitability. Hence, the possibility of downgrades this year is far greater than at any other time in history.

To order reprints of this report (100 copies minimum), please call 1.212.553.1658.

Report Number:77761

Author

Wendy Berry

Production Associate

Phillip Stone

© Copyright 2003, Moody's Investment Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by or resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling. Pursuant to Section 17(b) of the Securities Act of 1933, MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to \$1,500,000.

Research:

Summary: Alaska Hsg Fin Corp; Housing, General Obligation

Publication date: 13-Nov-2002

Credit Analyst: Peter Block, San Francisco (1) 415-371-5044; Lawrence Witte, San Francisco (1) 415-371-5037

Credit Profile

\$35.1 mil muni debt muni issue ser 2002 A due 2012	AA-
Sale date: 13-NOV-2002	
\$60.3 mil muni debt muni issue ser 2002 C due 2022	AA-/A-1+
Sale date: 13-NOV-2002	
\$14.6 mil muni debt muni issue ser 2002 B due 2024	AA-
Sale date: 13-NOV-2002	

OUTLOOK: POSITIVE

Rationale

The 'AA-' rating on Alaska Housing Finance Corp.'s (AHFC) state capital project bonds series 2002 A, B, C, reflects the GO of the corporation. The 'A-1+' short-term rating on series 2002 C bonds reflects liquidity for tenders provided by the corporation. AHFC's key credit strengths are as follows:

- A large and liquid asset base,
- Capable management, and
- The ability to meet its legislative mandate.

Offsetting credit weaknesses include:

- Ongoing legislative appropriation of assets and earnings,
- A highly concentrated Alaska economy,
- A high-risk mortgage loan portfolio, and
- A GO pledge to all debt obligations.

This is the fourth state capital project bond issuance. Proceeds refund prior debt, finance the corporation's capital budget, and pay deferred maintenance on public housing facilities.

The series 2002A bonds are issued as fixed-rate bonds, the series 2002B bonds are initially issued as auction rate bonds, and the series 2002C bonds are initially issued as variable rate demand bonds in a weekly rate mode. AHFC has the option to convert auction and weekly rate bonds to bear interest in a daily, weekly, monthly, quarterly, semi-annual, fixed, or auction interest rate mode. The series 2002C bonds are subject to mandatory tender on interest mode conversion dates, and upon expiration, substitution, or early termination dates of the liquidity facilities. Series 2002 C bondholders may also optionally tender bonds. Scheduled expiration of AHFC's tender agreement for series 2002 C bonds is at final bond maturity, although the corporation may substitute the facility for an alternate liquidity facility at any time.

Outlook

The positive outlook for reflects the positive outlook on AHFC's issuer credit rating (ICR).

History and Accomplishments of Alaska Housing Finance Corporation

By Fiscal Year

Overview

Although the name has changed over the years, the Alaska Housing Finance Corporation (AHFC) has been providing "Housing For Alaskans" for more than 50 years.

The Alaska Territorial Legislature first created the Alaska Housing Authority (AHA) to help alleviate a serious post-war housing shortage. The Housing Act of 1949 then authorized the federal government to make up to \$1.5 billion in loans and grants nationwide for slum clearance and redevelopment. AHA was appointed the agency to work with Alaska's communities in urban renewal.

AHA fulfilled these roles until the 1959 Alaska Statehood Act, when AHA became known as the Alaska State Housing Authority (ASHA). (For a short time during the mid-'80s, ASHA was even known as the Alaska State Building Authority.) Throughout the '60s, ASHA was the key source of housing opportunities: affordable rental and homeownership programs; bonding for government office space; and urban renewal, especially following the devastation of the 1964 earthquake.

Then in 1971, the Legislature created the Alaska Housing Finance Corporation to expand affordable homeownership opportunities. During AHFC's first two years of operation, the staff of just 10 provided nearly \$10 million in conventional mortgages in 40 communities, along with financing a 98-unit apartment building in Juneau.

Just one year later, the 1972 Legislature created the Department of Community & Regional Affairs (DCRA), repealing ASHA's community planning authority and transferring those duties to DCRA.

For the next 20 years, AHFC, ASHA, and DCRA each provided needed housing services to a distinct segment of Alaska's population. Then, in 1992, the Legislature recognized a need for all of the state's housing programs to come together. A merger of AHFC, ASHA, and the housing and energy programs of DCRA accomplished this goal. Today, AHFC's Public Housing Division continues the role that AHA began 50 years ago, while the Research & Rural Development Division has assumed the duties previously administered by DCRA.

AHFC is the only housing finance corporation in the United States with the public housing program under its umbrella, and its public housing program is the only one with statewide jurisdiction. AHFC has been recognized with numerous national awards and continues to be looked to as a model for housing finance agencies throughout the country.

1971

Alaska Legislature Creates AHFC. Created as a public corporation having a legal existence independent of and separate from the State to provide affordable housing for low- and moderate-income residents. Enabling legislation allows for tax-exempt issuance of bonds to finance the purchase of mortgages on single-family dwellings. Enabling legislation requires AHFC, in determining the eligibility for assistance of persons of lower and moderate income, to take into consideration the amount of income available for housing needs, size of family, ability to compete successfully in the home mortgage market, and the cost and condition of housing available. (AS 18.56.010)

1972

Principal balance of mortgages held (at 11/72): \$10.2 million

1973

AHFC initiates **Conventional Loan Program**. Made possible by a \$5 million loan commitment by Alaska Department of Revenue for the housing development fund, the Legislature authorizes a special revolving fund to make mortgage and construction loans which are not federally insured or guaranteed. Assigns all loans to the Dept. of Revenue as security and pays 6 percent interest on borrowed funds.

Issues \$18,750,000 in bond debt

Principal balance of mortgages held (at 11/73): \$47.4 million

1974

AHFC enters **Agreements with State, ASHA; borrows \$3.9 million**. AHFC enters into an agreement with the State and Alaska State Housing Authority (ASHA) whereby AHFC borrows \$3.9 million from the State for a term of 36 years at an annual interest rate of 3 percent. AHFC then loans funds to ASHA for an equal term and interest rate for construction of a 98-unit high-rise apartment building (Marine View) for lower- and moderate-income families and elderly persons in Juneau.

Issues \$49 million in bond debt

Principal balance of mortgages held (at 11/74): \$86.4 million

1975

Legislature mandates State Mortgage Insurance Program, AHFC implements. AHFC implements the State Mortgage Insurance Program authorized under Alaska Statutes 18.56.095. The program was made operational with AHFC money pledged to the State Mortgage Insurance Fund. Conventional loans (with loan-to-value ratios of greater than 80%) made under this program are insured by private mortgage insurance and the State Mortgage Insurance Fund. Additionally, this statute allows AHFC to issue bonds for conventional mortgages which were previously funded by the State (see 1973).

AHFC initiates **two pilot programs** in remote areas using unrestricted funds: rehabilitation loans for homeowners with a \$2,000 maximum loan and material loans for construction of new homes.

Issues \$47 million in bond debt

Principal balance of mortgages held (at 11/75): \$105.3 million

1976

AHFC issues \$5,500,000 in bond debt.

Principal balance of mortgages held (at 11/76): \$145.6 million

1977

AHFC Issues \$83.5 million in bond debt.

Principal balance of mortgages held (at 11/77): \$248.9 million

1978

AHFC works to expand mortgage programs to rural Alaska.

Issues \$144,025,000 in bond debt

Principal balance of mortgages held (at 11/78): \$336.8 million (serving 55 Alaskan communities)

1979

AHFC establishes General Insured Rural Mortgage Program and issues \$5.6 million in bonds to expand mortgage programs to rural Alaska.

Issues \$171,620,000 in bond debt

Principal balance of 8782 mortgages held (at 11/79): \$496.6 million

1980

Legislature expands AHFC loan programs. In legislation enacted June 1980, the Legislature finds that the conventional sources of finance for residential dwellings in Alaska are inadequate and identifies the following problems: serious shortage of capital available to finance residential housing; continually fluctuating conventional mortgage interest rates; and mortgage interest rates far above what most Alaskans can afford. So it mandates AHFC to provide financing without regard to income limits. AHFC is no longer restricted to purchasing only those loans made to low- and moderate-income families. The statutes now allow refinancing for home improvements; purchase financing for owner-occupied, single-family and duplex residences without restrictive income limitations; and an easing of loan-to-value ratios. (AS 18.56)

Legislature fixes interest rate, mandates subsidy. Interest rate cannot exceed 9% on first \$90,000 of a mortgage for a veteran; cannot exceed 10% on first \$90,000 for other than a state veteran. (AS 18.56.098)

Legislature mandates HOF Program. Subsidy is increased for those of low- to moderate-incomes. (AS 18.56.091).

[Later, it was found that the net effect of Legislative action in FY80 caused loan volume to surge by \$850 million.]

Congress substantially reduces and limits AHFC's ability to raise lower-cost capital through the sale of tax-exempt Mortgage Revenue Bonds. (Mortgage Subsidy Bond Tax Act)

AHFC implements PAM (Pledged Account Mortgage), allowing borrowers to offset their monthly payment with accumulated savings.

Implements Rural Housing Loan Program and Non-Owner Occupied Rural Mortgage Purchase Program

Sets Up Mobile Home Loan Program

Issues \$148.8 million in bond debt

Principal Balance of 15,879 mortgages held (at 11/80): \$986.4 million

1981

Legislature fixes interest rate subsidy at no more than 3 percent. (AS 18.56.098)

Legislature mandates Seconds Program. AHFC allowed to purchase second mortgages for the purpose of improvement of the residences; not restricted to purchasing a second only if refinancing.

Legislature allows lenders to receive additional loan origination fees when lending in rural Alaska. (AS 18.56.107)

Legislature mandates that Mobile Home Loan Program be brought under Special Mortgage Loan Purchase Program. The effect of this directs AHFC to apply the lower-interest rates to mobile-home loans and treat the personal property as real estate. (AS 18.56.098)

Legislature expands rural programs. Loan maximums increase, loan-to-value ratios and terms increase to 95% on 30-year loan from 90% on a 20-year loan.

Legislature allows Mortgage Pass-Through Certificates as sources of funding.

Legislature requires implementation of due-on-sale provisions (assumptions not allowed).

AHFC issues \$620 million in bond debt.

Principal balance of 20,351 mortgages held (at 6/81): \$1.6 billion (fiscal year changed to bring into line with state fiscal year)

1982

Nationally, 1982 was considered a bad year for housing. However, it was a year of success and accomplishment for AHFC. By virtue of the state's generous appropriation of funds, AHFC continued to offer financing for mortgage loans at an interest rate far below the national average.

Legislature enacts programs establishing Owner-Occupied Loan Programs for triplexes and fourplexes. (AS 18.56.098)

Legislature votes to place an amendment to the State Constitution to allow General Obligation bonds for veterans housing.

Legislature approves international borrowing to obtain access to international capital markets. (AS 18.56.084)

Legislature transfers rural loan programs to the Alaska Department of Community & Regional Affairs.

AHFC implements HOF (Home Ownership Assistance Program) as mandated by the Legislature in 1982. The program was designed to assist low- to moderate-income families by further subsidizing the mortgage payments. The program was initially funded with an appropriation of \$2.5 million in cash and \$50 million in mortgages from the State. AHFC receives an additional \$43 million appropriation.

Implements the ABE Mortgage. Disruption and volatility in the capital markets cause mortgage interest rates to rapidly increase from previously fixed rate of 10 percent to 12-3/8 percent on the first \$90,000 of the loan. In response, AHFC implements the Alaska Building Equity (ABE) mortgage. The ABE mortgage enhanced the Corporation's ability to access the less expensive short-term capital mortgage market. (Under the ABE mortgage, the interest rate is fixed on the life of mortgage, but in years four through nine, the monthly payment increases by 5 percent each year, with the increased portion going directly to principal.

Issues \$802 million in bond debt

Principal balance of 29,037 mortgages held: \$2.075 billion

1983

Legislature raises loan limits for lending on single-family homes

Legislature creates Alaska Housing Finance Revolving Fund. The fund consists of appropriations made to the revolving fund by the Legislature, money or other assets transferred to the revolving fund, and unrestricted payments of principal on loans made or purchased by the Corporation. Amounts deposited into the revolving fund must be expended for purposes of the Corporation. (AS 18.56.082)

Legislature authorizes special election for voter approval of issuance of \$500 million of General Obligation bonds for the Veterans Mortgage Program.

Legislature requires AHFC to be in compliance with Executive Budget Act. (AS 18.56.089)

AHFC implements two new loan programs: The Triplex/Four-plex Program and the Veterans Mortgage Program. The Triplex/Four-plex Program is developed in response to the concerns about the shortage of rental units throughout the state and as mandated by the Legislature the prior year. The VMP Program is implemented after voter passage of an amendment to the Constitution and a bonding authorization of \$400 million.

Issues \$760 million in bond debt

Principal balance of 37,323 mortgages held: \$2.8 billion

1984

Loan activity increases due to long-awaited drop in interest rates.

Congress extends the ability of states to sell tax-exempt bonds for first-time homebuyers.

Voters approve second Veterans Mortgage Program General Obligation bond issue of \$500 million.

Legislature mandates changes to the HOF and Mobile Home Programs to expand the group of low- to moderate-income borrowers who are eligible to participate.

Legislature extends residential mortgage assistance for members of the Alaska Congressional Delegation. (AS 18.56.205)

AHFC obtains the first AAA rating on taxable bond issues, when an agreement is reached with Federal National Mortgage Association (Fannie Mae), a large national purchaser of mortgages in the secondary market.

Becomes first U.S. public agency to sell bonds in the European bond market

Issues \$980 million in bond debt

Principal balance of 46,973 mortgages held: \$3.8 billion

1985

Legislature establishes Non-Conforming Housing Loan Program in AHFC. The Non-Conforming Loan Program is for borrowers who are purchasing housing that does not meet typical structural standards as required by other private mortgage lenders. The program is transferred from the Alaska Department of Community & Regional Affairs. (AS 18.56.106)

Government National Mortgage Association (Ginnie Mac) approves AHFC as issuer.

AHFC receives no state general funds for the first time. All programs and operations now funded by Corporation funds.

Signs Pool Purchase Contract with Federal National Mortgage Association (Fannie Mae), allowing the funding of tax-exempt loans, and AAA ratings for the tax-exempt Home Mortgage Bonds and Veterans Mortgage Bonds

Implements Delegated Underwriting Program, allowing seller/servicers to approve and purchase loans, giving them more flexibility and resulting in shorter turnaround times for borrowers

Issues \$604,935,000 million in bond debt

Principal balance of 52,000 mortgages held: \$4.3 billion

1986

Legislature approves refinancing, allowing AHFC borrowers to take advantage of new low interest rates now at 9.25 percent. AHFC offers some of the lowest interest rates available in the country. Six-hundred eight borrowers take advantage of the program, saving an average of \$240 per month and making \$7 million available for spending elsewhere in the economy. Full credit and property package still required.

AHFC implements Rental Refinance Program, allowing AHFC borrowers an alternative to selling their homes.

Adopts regulations allowing assumptions. AHFC reached an agreement with the Federal National Mortgage Association (Fannie Mae) restructuring bond maturities to allow for refinancing

Sells second European bond issue for \$100 million

Obtains Approval of ABE Loan Structure from FHA, easing down-payment requirements for moderate-income borrowers

Issues \$1,277,445,000 in bond debt. This was a record year for obtaining capital because of refinancing and refunding of outstanding tax-exempt debt

Principal balance of 53,121 mortgages held: \$4.6 billion

1987

The Alaska economy slows; no employment growth; oil prices decline, cutbacks in industry. AHFC's delinquency rate increases; foreclosures on properties begin; loan portfolio balance decreases for the first time.

Homeowners and AHFC grapple with declining income and property values. AHFC experiences increasing delinquency and foreclosures due to the slow economy. Most private-mortgages insurers and mortgage lenders pull out of Alaska. AHFC implements new procedures and programs; and with multi-layers of insurance, weathers the situation without serious impact.

Legislature approves Refinance Program, allowing AHFC borrowers to refinance existing loans to lower-interest-rate loans with minimal qualifications and no appraisal. Program approval is for only one year, with a one-year extension.

Legislature allows non-conforming housing to be located on land to which borrower has agricultural rights. (AS18.56.106 (b))

AHFC expands Special Credits department; implements a real-estate-owned (REO) broker program, employing real-estate firms across Alaska.

Restructures the Mobile Home Loan Program, changing the basis of valuation from real estate to personal property

Purchases \$70 million in mortgage loans from the Alaska Department of Community & Regional Affairs, Housing Assistance Division

Issues \$482 million in bond debt

Principal balance of 51,973 mortgages held: \$4.25 billion

1988

Another difficult year for the economy and housing market. Population and employment drop, delinquency rates are in the double digits, and foreclosures are at record levels. AHFC's portfolio of foreclosed properties swells to more than 4,000. AHFC develops an extensive marketing plan. Forbearance and workout plans are developed and refined.

AHFC experiences first net loss. A \$12.6 million net loss results from substantial increases in loan-loss reserves, a decrease in the value of real-estate-owned, and a decrease in the collective value of the real-estate-owned

Legislature approves Housing Stabilization legislation to stabilize the market price and demand for residential housing. (AS 18.56.210) The legislation: 1) allows for conveyances for borrowers; 2) allows for exchanges of condominiums; 3) allows AHFC to demolish substandard housing; 4) allows AHFC to convert resident housing to other uses; 5) provides financing to promote the sale of resident housing owned by AHFC; and 6) establishes a stabilization fund to permit grants by the Corporation to fund the cost to demolish resident housing. Bulk sales of properties are allowed.

Legislature mandates loan servicing requirements. (AS 18.56.135)

AHFC implements HOAP, the Home Owners' Assistance Program, designed to make mortgage payments more affordable for AHFC borrowers experiencing involuntary economic hardships.

Signs \$200 million commitment contract with Federal Home Loan Mortgage Corporation (Freddie Mac). AHFC discontinues ABE mortgage

Doubles the size of the staff to 80 to take on the increasing number of properties and special programs

Issues \$447 million in bond debt

Principal balance of 44,815 mortgages held: \$3.76 billion

1989

Delinquency and foreclosure rates steadily decrease. Property sales increase substantially, averaging 200 to 400 percent higher than prior year.

Legislature permanently approves ability of AHFC to refinance mortgages. (AS 18.56.108)

AHFC purchases 9081 loans totaling \$868.4 million

Establishes the Condominium Stabilization Program

Adds 74 staff positions to handle increasing workloads; staff totals 154

Reports net loss of \$124 million due to increased loan losses and reduction in values of loan portfolio

Processes six thousand refinances under HOAP

Continues Condominium Stabilization Program by adding Special Retail Sales Financing Program and Condominium Association Loan Program

Implements Health and Safety Repairs Program for borrowers with AHFC loans who have properties in need of improvement because of a threat to the homeowners' health or safety

Opens branch office in Fairbanks

Issues \$635 million in bond debt

Principal balance of 42,785 mortgages held: \$3.52 billion

1990

Alaska's real estate market strengthens. Past-due loans decrease by 5 percent, foreclosure rate decreases to low of 120 properties per month from a high of 230 per month; portfolio of foreclosed properties down from 4653 to 2504.

Legislature mandates subsidy phaseout over three years. AHFC returns focus to serving low- to moderate-income Alaskans. (AS 18.56.098)

Legislature increases Board of Directors membership from five to seven. (AS 18.56.030)

Legislature mandates Construction Standards/Inspection Program effective June 1992. (AS 18.56.300)

Legislature creates Senior Housing Loan Program in Department of Community & Regional Affairs; appropriates \$10 million in AHFC funds to the program; authorizes AHFC to issue bonds not to exceed \$30 million. (AS 18.56.083)

AHFC earns \$34.3 million following two years of losses

Implements bulk sales

Issues \$567 million in bond debt

Principal balance of 42,330 mortgages held: \$3.39 billion

1991

Alaska's housing indicators improve; delinquencies at or below national averages. Real-estate-owned decreases to 1,000 properties.

Legislature allows AHFC to lend to public and private corporations to develop housing for low- to moderate-income Alaskans. (AS 18.56.900 (14)).

Legislature requires annual accounting of AHFC's assets. (AS 18.56.089)

Legislature requires five construction inspections of new homes to qualify for AHFC financing.

Board of Directors approves Dividend Plan; AHFC pays \$17,171,000 in dividends to State. Moody's Investors Service upgrades credit ratings of three AHFC bond issues, citing its ability to withstand economic and financial instability such as occurred in the 1980s.

AHFC posts \$99.9 million net income.

Leads collective effort in solving state's housing problems, including the Comprehensive Housing Affordability Strategy

Becomes first state or local housing entity in the U.S. to be assigned a short-term rating on an unsecured financing; Moody's Investors Service assigns Prime-1 rating to AHFC's Euro Commercial Paper Program

Issues \$831,103,544 million in bond debt

Principal balance of 42,723 mortgages held: \$3.2 billion

1992

Alaska's housing indicators favorable; 330 foreclosed properties in portfolio; phaseout of mortgage subsidy continues.

Legislature mandates merger of all State housing functions into AHFC; mandates purchase of rural housing portfolio from Alaska Department of Community & Regional Affairs; mandates that Public Housing report under the Executive Budget Act. Housing functions of the Alaska Department of Community & Regional Affairs and the Alaska State Housing Authority merge into AHFC. AHFC now has 350 employees in 27 offices statewide.

MGIC settles lawsuit, \$58 million in payments to AHFC.

Standard & Poor's affirms A+ rating of AHFC's general obligation debt, following passage of legislation which merges two State housing departments into the Corporation

U.S. Department of Energy recognizes AHFC's residential energy-efficiency program, Alaska Craftsman Home Program, as one of the most outstanding state energy programs in the nation.

AHFC posts a \$147.4 million profit; pays \$19.4 million dividend to the State

Revises Homeownership Assistance Program (HOF Program) to allow for subsidized loans to low- to moderate-income borrowers

Begins Multi-Family Loan Programs. Financed \$15.4 million purchase of 476 units in Anchorage, refinanced a property loan in Juneau

Grants \$285,000 for emergency shelters for homeless

Sells Anchorage property to the Salvation Army for \$10 to be used as a temporary home for women and children

Grants \$580,000 and the use of 10 Fairbanks properties to the Permafrost Technology Foundation for permafrost mitigation research

Issues \$831,104,544 in bond debt

Principal balance of 40,405 mortgages held: \$3.0 billion

1993

Survey shows average rents in Alaska up sharply since 1990; rental vacancy rates dropped significantly; single-family homes more affordable with lower interest rates and sales prices and higher incomes.

Moody's upgrades seven AHFC bond issues.

AHFC posts earnings of \$89.4 million; pays \$40.7 million dividend to State.

Implements Streamlined Refinance Program

Finances \$16.5 million in multi-family and special needs housing

Approves \$54 million in long-term financing for housing at Eielson Air Force Base in Fairbanks

Provides \$250,000 in homeless emergency grants

Receives \$269,000 HUD grant for prevention and elimination of drug problems in public housing and literacy and basic education

Receives award from the National Council of State Housing Agencies for Warm Homes for Alaskans program as most outstanding in the nation for serving low- and moderate-income citizens in the area of homeownership, home improvement, and rehabilitation

Implements rural loan program that allows a portion of the home to be used for in-home business purposes

Enters into agreement with Idaho, Oregon, and Washington to promote residential energy efficiency and export Alaska's energy know-how to the Pacific Northwest; enters into similar agreement with United Kingdom's National Energy Foundation

Grants property in the Anchorage Muldoon area to Habitat for Humanity for construction of a home for a low-income family

Issues \$200 million in bond debt

Principal balance of 35,310 mortgages held: \$2.56 billion

1994

Alaska's rental market continues to stabilize; rents unchanged in many markets; slight increase in overall vacancy rate; Anchorage construction costs increase less than inflation.

AHFC realizes net earnings of \$72,519,000; pays \$16,983,000 dividend to State of Alaska general fund; Board approves "State Payment Plan" calling for payment of \$200 million to the general fund in \$50 million installments over one year.

Implements Small Building Material Loan Program for rural Alaskans

Implements Interest-Rate Reduction for Energy Efficiency Program

Awards \$230,000 Emergency Housing Assistance Grant to build temporary emergency housing for Koyukuk flood victims

Develops HomeChoice, a statewide homebuyer counseling program

Installs three experimental multi-point, rigid-frame foundation systems (triodetic foundations) in rural Alaska

Implements Affordable Housing Enhanced Loan Program (AHELP)

Awards \$735,000 in grants to statewide electric utilities to develop electrical savings programs

Makes five-year commitment of \$37.4 million to the Warm Homes for Alaskans Initiative

Purchases 8,110 loans totaling \$732.5 million under Streamlined Refinance Program

Contributes \$8 million to Supplemental Housing Development Grant Program

Completes construction of 47 three- & four-bedroom units in Fairbanks to replace Birch Park public housing

Purchases 20 Family Self-Sufficiency housing units in Anchorage

Approves \$51 million in Multi-Family and Special Needs loans
Awards \$4.9 million in Low-Income Housing Tax Credits

Receives \$997,672 HUD grant for Housing Opportunities for Persons with AIDS

Commits to a \$54 million term take-out loan to provide 366 units of military housing on Eielson Air Force Base under Section 801 Military Construction Authority Act

Receives national "best in category" award for Energy Technology and Education from the U.S. Department of Energy for its role in transforming the state's housing market by mainstreaming the concept of energy efficiency through its Energy Rated Homes of Alaska Program

Awards \$728,000 in HOME grants to low-income homeowners for energy-efficiency and moderate rehabilitation improvements.; \$150,000 in CHDO operating assistance funds; and \$2.6 million under the Owner-Occupied Rehabilitation Program

Receives one of four National Agency Awards of Excellence in Program Innovation: Direct Client and Resident Services from the National Association of Housing & Redevelopment Officials for Juneau's "Breakfast Club"

Receives awards from the Alaska Chapter of the Public Relations Society of America: first place for "Mortgage Problems" brochure; third place for 1992 annual report; and third place for the video "Making Your House a Home."

Issues \$514,060,000 in bond debt

Principal balance of 35,320 mortgages held: \$2.25 billion

1995

Alaska's rental housing market continues to tighten, with average contract rents increasing in eight of ten selected areas of Alaska. Rural loan activity doubles to \$33.5 million.

Today's Environment features AHFC's energy-efficient mortgage on its national television series.

AHFC posts net earnings of \$96,058,000; pays \$20,043,000 dividend to the State.

Approves \$200 million "State Payment Plan"; pays to the State of Alaska general fund in four installments

Approves a Series (State) Transfer Plan and authorizes an agreement between the State of Alaska Commissioner of Revenue and the Corporation, which provides for the transfer of \$270 million to the State's general fund in a series of scheduled installments during the subsequent five fiscal years

Provides \$12 million for energy and weatherization programs

Awards grants totaling \$603,270 under the HOME Rental Development Program

Implements a 10-year modernization and rehabilitation plan for public housing
Completes reconstruction of 31 homes at Bethel Heights, Bethel, and 28 three- and four-bedroom units at Birch Park, Fairbanks

Provides \$5.6 million in financing under the Multi-Family and Special Needs Loan Program

Awards \$815,000 in Low-Income Housing Tax Credits

Awards \$8.3 million in grants and loans toward development of senior housing

Obtains judgments of more than \$75,000 in three fraud cases against former AHFC public housing tenants

Awards \$150,000 in Operating Assistance Funds

Awards \$2,720,758 in grants for acquisition, rehabilitation, or new construction of single-family, multi-family, and senior facilities

Funds \$460,000 in low-income rental assistance Coupons outside Anchorage

Establishes Family Self-Sufficiency (FSS) Program in Anchorage

Opens AHFC's first computer learning lab at Geneva Woods, Juneau

Awards \$9,443,310 in Supplemental Housing Development grants

Awards \$2.7 million in grants for emergency and supportive housing assistance

Offers Affordable Homeownership Guaranteed Loan Program—also known as the 5% Program. Purchased 910 loans, for a total of \$92.6 million, under the program

Maintains an average real-estate-owned (REO) inventory of 60; average mortgage portfolio delinquency rate of 3.9%; forecloses on 109 loans and disposes of 68 properties

Issues \$365 million in bond debt; reaches milestone of \$10 billion in bonds issued since inception

Principal balance of 31,426 mortgages held: \$2.27 billion

1996

Miller's Reach Fire devastates Wasilla/Big Lake area 60 miles north of Anchorage in June; more than 37,500 acres burn, 344 buildings destroyed, valued at \$8.8 million. Survey shows an increase in Alaska's homeless women and children; chronic homelessness increases; transient population in economically-distressed areas of the state declines. Alaska's homeownership increases by 7.5% from 1993 to 1996, while increasing 2% nationally. Construction costs decrease in rural Alaska; slight increase in urban areas.

Legislature authorizes the University of Alaska to borrow \$33 million from AHFC to finance the construction of student housing and dining facilities in Anchorage.

***Institutional Investor* names AHFC's \$335 million mortgage-backed governmental-purpose bond issue "Deal of the Year."**

Standard & Poor's issues improved outlook on AHFC's rating from negative to stable; affirms single 'A'-plus rating on AHFC's G.O. bonds and 'A-1' rating on its Eurocommercial paper program.

Family Self-Sufficiency Program has first successful "graduate" participant.

AHFC posts net earnings of \$114,805,000; pays \$70 million to the State of Alaska general fund pursuant to Series (State) Transfer Plan.

Provides grants, gap financing, and initial construction funds to nearly 100 fire victims

Awards \$8,879,010 in Supplemental Housing Development grants

Maintains an average real estate-owned (REO) inventory of 51; average mortgage portfolio delinquency rate of 4.24%

Purchases 417 home loans totaling \$51 million under the Conventional Loan Programs

Purchases 584 loans under the First-Time Homebuyer Program

Purchases \$1,762,300 in loans under the Non-Owner-Occupied Loan Program

Participates in Homeownership Demonstration Project by donating a 6250 sq. ft. lot in Mountain View, Anchorage, to establish affordable homeownership opportunities for five targeted communities

Receives a 1996 national "Significant Achievement" award from the National Council of State Housing Agencies for encouraging new production of affordable housing through *Building Homes to Build Communities*, a video and workbook package

Grants \$250,000 to organizations to assist homeless or near-homeless families

Receives HUD's "High Performer" rating for the 1995 Public Housing Management Assessment Program (PHMAP)

Provides Supportive Housing matching grants totaling \$775,000

Obtains a \$716,166 Housing Opportunities for Persons with AIDS grant

Provides grants of \$60,000 to the Alaska Native Health Board and \$175,000 to the Association of Alaska Housing Authorities

Uses \$6,229,967 for comprehensive weatherization of homes in rural Alaska

Obtains judgments of \$131,439 in two fraud cases against former public housing and Section 8 tenants

Amends public housing lease to allow evictions for "any drug-related activity on or off" AHFC's property to implement President Clinton's "One-Strike-You're-Out" Policy

Approves Resident Home Business Policy & Procedures to allow tenants in AHFC's public housing properties to operate home businesses

Offers new Interest-Rate Reduction for Energy Efficiency Program, for new and existing homes

Approves \$1 million loan to Fairbanks Neighborhood Housing Services under the Loans to Sponsors Program

Amends Multi-Family Loan Program to include participation from the private lending institutions and equity extraction

Commits to loans of \$11,440,250 under the Multi-Family and Special Needs Loan Program

Awards \$790,970 in Low-Income Housing Tax Credits

Purchases \$1,762,300 in loans under the Non-Owner-Occupied Loan Program

Originates \$283,850 in Building Material loans

Provides \$790,970 in start-up funding for senior housing

Awards \$100,000 in operating grants to development organizations

Awards \$3,661,400 in rental development grants

Issues \$365 million in long-term debt to continue various ongoing lending programs

Adopts Fiscal Policies for investments, securities lending, reverse-repurchase agreements, underwriter selection, and the issuance of long-term debt

Completes reconstruction of final 31 units at Bethel Heights, Bethel

Receives \$800,003 in HUD Supportive Housing grants

Completes replacement of 33 houses and an office/maintenance building at Beringvue, Nome; exterior/interior renovation of 17 units at Cedar Park Annex, Juneau; and demolition of 50 units at Cedar Park, Juneau

Establishes AHFC website, www.ahfc.state.ak.us

Issues \$370,055,000 in bond debt; completes refundings of two issues totaling \$5,055,000

Principal balance of 29,015 mortgages held: \$2.2 billion

1997

Survey shows continuing decline in percentage of homeless veterans.

AHFC posts net earnings of \$101,346,000; pays \$50 million to the State of Alaska general fund pursuant to Series (State) Transfer Plan.

Family Self-Sufficiency Program "graduates" 20 participants.

AHFC employees reject ASEA union representation.

AHFC finances \$180 million in home loans.

Issues 1024 HomeChoice Certificates of Completion at 71 classes held in 36 communities; holds record class of 139 participants.

Approves \$4 million in loans and \$1.8 million in grants for senior housing

Completes construction of the 50 replacement units and multipurpose room at Cedar Park, Juneau

Uses the Weatherization Assistance Program to increase energy efficiency of 1140 homes

Receives A *Blue Ribbon Practices in Community Development Award for 1997 for Effectively Leveraging HOME Funds* from HUD's Office of Community Planning and Development

Receives an *Annual Award for Significant Achievement for Homeownership: Home Improvement and Rehabilitation* from the National Council of State Housing Agencies

Receives a *1997 Merit Award for Administrative Innovation* from the National Association of Housing & Redevelopment Officials for "The Raven Makes a Home—Alaskar-miut enili Tulukaruum—Program"

Receives a *1996 International Blue Pencil Competition Award, First Place for Publications for a Technical Audience*, from the National Association of Government Communicators for the *Alaska Affordable Housing Development Workbook*

Receives a score of 100% on HUD's 1996 Public Housing Management Assessment Program (PHMAP)

Provides \$15 million to Alaska DEC for water and sewer projects and \$1.5 million to Alaska DHSS for Mental Health Trust beneficiaries

Provides \$33 million in financing to the University of Alaska to build student housing in Anchorage

Contributes \$2.6 million to DHSS for Pioneer Home renovations

Contributes nearly \$2 million toward construction of the Bethel sea wall and the Valdez Harborview study

Finances the purchase of the Bank of America building in Anchorage for future occupancy by State agencies, estimated to result in cost savings of more than \$100 million to the State over the life of the building

Contributes \$1 million toward the design and construction of a multipurpose center in Mountain View, Anchorage

Awards \$11,753,532 in development grants and Low-Income Housing Tax Credits

Grants \$250,000 under the Emergency Reconstruction HOME Program

Awards \$60,000 to match a USDA Emergency Housing Preservation Grant

Awards \$200,000 to the Northwest Arctic Borough to match a federal grant to study the feasibility of relocating the village of Kivalina

Awards \$7,353,828 in Supplemental Housing Development grants

Releases AkWarm, a Windows-based home-energy-rating-and-weatherization-assessment software developed by AHFC

Provides \$6.1 million in HOME Single-Family Owner-Occupied Program funds to improve the health and safety and energy efficiency of homes

Provides \$180 million in financing for 1535 Alaskans to purchase or refinance homes

Maintains an average real-estate-owned inventory of 41; average mortgage-portfolio delinquency rate of 3.92%

Purchases 821 home loans for more than \$76 million under the tax-exempt First-Time Homebuyer Program, 340 loans for \$52 million under the Veterans Mortgage Program, and 97 loans for nearly \$19 million under the taxable loan programs

Approves \$5 million loan commitment to Tlingit-Haida Regional Housing Authority under the Loans to Sponsors Program

Implements Interest-Rate Reduction for Low-Income Borrowers Program to provide a sliding-scale interest-rate reduction for borrowers with incomes at or below the median income for their location

Purchases \$2 million in loans under the Non-Owner-Occupied Loan Program

Approves nearly \$4 million in financing for senior housing

Revises Multi-Family and Special Needs Participation Loan Program to allow for equity extraction

Provides lower mortgage interest rates for 580 existing and new homes under the Interest-Rate Reduction for Energy-Efficient Homes

Purchases the largest volume of loans in the history of the rural loan program: 292 loans at \$40.1 million

Purchases first straw-bale home under the rural loan program

Provides loan commitments of more than \$27.1 million under the Multi-Family and Special Needs Program

Creates a Regional Housing Authority (RHA) Exchange Program to enable RHAs to initiate and service loans in rural Alaska to expand AHFC's housing services into remote areas of the state

Provides \$1,209,950 for Emergency Reconstruction loans to people who suffered a loss in the Miller's Reach fire

Issues \$594,781,477 in bond debt; reaches milestone of \$11 billion in bonds issued since inception

Principal balance of 27,466 mortgages held: \$2.05 billion

1998

Survey shows decrease in reported homeless; increase in homeless veterans. Alaska's rental vacancy rates continue to decline.

Legislature directs \$17,444,000 of AHFC's \$50 million dividend toward school funding, with the balance available for debt-service payment on capital-project bonds.

Legislature authorizes AHFC to issue \$224 million in bonds to finance projects of the State and municipalities.

Legislature appropriates \$37,795,000 of AHFC's capital budget for non-housing purposes, including \$33,246,700 for water and sewer projects.

Family Self-Sufficiency Program "graduates" eight participants.

AHFC posts net earnings of \$95,916,000; pays \$50 million to the State of Alaska general fund pursuant to Series (State) Transfer Plan.

Opens the Gateway Learning Center in Anchorage

Implements a Section 3 Program to give a preference to public housing tenants or applicants who qualify as low-income

Increases the energy efficiency of 1504 low-income homes

Processes more than 1500 home-energy ratings, a 50% increase from FY'97.

Becomes an Ally of the U.S. Environmental Protection Agency's ENERGY STAR Homes Program

Completes nearly \$1 million in statewide energy upgrades at public-housing properties

Provides \$112.5 million in lower-interest mortgage loans under the Energy Efficiency Interest-Rate Reduction program

Provides financing of \$33 million for the University of Alaska to build student housing in Anchorage

Contributes \$700,000 to DHSS for Pioneer Home renovations

Awards \$1 million to non-profits under the Owner-Occupied Rehabilitation Program

Finances \$2.7 million in senior housing complexes

Completes total renovation of Golden Ages, a 20-unit senior facility in Fairbanks

Provides \$706,541 in Low-Income Housing Tax Credits, \$1,878,300 in HOME funds, and \$1,581,700 in Senior Citizen Housing Development (SCHDF) funds

Develops the Assistance Provider Interest Rate Reduction Program

Provides loan commitments of nearly \$19 million under the Multi-Family and Special Needs Loan Program

Awards \$1.9 million in HOME rental development funds

Solicits and hires two firms for Investment Management Services (IMS)

Provides \$14.6 million to Department of Environmental Conservation for water and sewer projects throughout the state and \$1.7 million toward joint housing programs with the Alaska Department of Health & Social Service for Mental Health Trust beneficiaries

Transfers \$27.6 million from the State Mortgage Insurance Fund (SMIF) to the State after it became legally available upon the redemption of AHFC's remaining Insured Mortgage Program Bonds

Increases urban loan activity by 130%; rural loan activity by 88%

Conducts 114 HomeChoice workshops in 30 communities, with 2,219 certificates issued

Provides \$384 million in financing for 3159 Alaskans to purchase homes

Purchases 1615 First-Time Home Buyer loans totaling \$156 million

Provides \$85.5 million to finance 864 loans under the Interest-Rate Reduction for Low-Income Borrowers Program

Implements a Streamline Refinance Program, with \$99 million used to refinance 1145 loans

Provides financing for 597 low-interest loans under the Veterans Mortgage Program

Implements Rural Initiative Housing Pilot Program in Bethel and Aniak

Awards \$7,735,696 in Supplemental Housing Development Grants to regional housing authorities

Completes construction of 50 replacement units at Cedar Park and 45 new units at Riverbend in Juneau

Receives a score of 100% on HUD's 1997 Public Housing Management Assessment Program (PHMAP)

Receives John J. Gunther award from HUD for using HOME funds to provide assistance to low-income homeowners following the Miller's Reach fire

Contributes more than \$132.5 million toward state revenues and capital projects

Completes purchase of the Bank of America building

Contributes \$1 million toward the design and construction of a multipurpose community center in the neighborhood of Mountain View in Anchorage

Forms a Y2K team, writes a plan, accesses all hardware and software for compliancy, and begins remediation and testing of all systems

Uses \$233,500 in funds from the U.S. Department of Energy for consumer energy education, institutional conservation, Healthy House training, and rural technical assistance

Maintains a 2.2% average vacancy rate for the Conventional Low Rent Housing program

Provides public housing or Section 8 rental assistance to 1819 new individuals or families

Develops workshop curriculum for Realtors®, builders, and lenders; receives approval for Continuing Education Units for Realtor® training

Maintains an average real estate-owned inventory of 27; average mortgage portfolio delinquency rate of 3.83%

Maintains a delinquency rate of zero percent for multi-family loans

Approves \$1 million loan to Fairbanks Neighborhood Housing Services under the Loans to Sponsors Program

Receives a \$572,800 HUD grant for AIDS supportive services and rental assistance

Awards \$125,700 in matching funds under the USDA Housing Preservation Grant program and \$750,000 in grant matching funds under the Continuum of Care, Supportive Housing Program

Awards \$386,000 in grants under the Homeless Assistance Program

Holds statewide workshops for more than 200 agencies and individuals in housing quality standards, internal controls, supported housing, reasonable accommodations, and fair housing

Partners with the Department of Health & Social Services and the Alaska Mental Health Trust Authority for a housing-grant program to provide \$1.1 million to non-profit service providers for housing Alaskans with special needs and \$150,000 for home accessibility modifications

Issues \$470,404,750 in bond debt

Principal balance of 26,044 mortgages held: \$2.1 billion

1999

Loan portfolio increases slightly to 26,776; delinquency rate rests at less than 4%

Posts net earnings of \$79,850,000

Develops a northern housing and development Web site—www.north.rthn.org—in cooperation with the Canada Mortgage Corporation and Yukon College

Receives annual Award for Significant Achievement from the National Council of State Housing Agencies for *Homeownership: Encouraging New Production*, recognizing the Rural Initiative Housing Pilot Program

Approves new loan program: Interest-Rate Reduction for Housing for Disabled (later renamed Assistance Provider Interest-Rate Reduction Program)

Receives design award from the Pacific Northwest Regional Council and Award of Merit from the National Association of Housing & Redevelopment Officials for landscaping improvements and playground equipment installed on a special surface at Etolin Heights in Wrangell

Receives \$338,000 HUD Drug Elimination grant

Receives 100% score on HUD's 1998 Public Housing Management Assessment Program (PHMAP)

Receives National Recognition Award from the U.S. Department of Energy for outstanding contributions to the Weatherization Assistance Program

Issues \$93 million in non-housing bonds to pay for deferred maintenance and capital projects throughout Alaska; 10 percent of the bonds are purchased by Alaskan investors prior to major investor offering

Receives National Award of Merit for Project Design from the National Association of Housing & Redevelopment Officials for the Cedar Park Affordable Housing Program in Juneau

Receives National Award of Merit for Project Design from the National Association of Housing & Redevelopment Officials for the Riverbend Affordable Housing Program in Juneau

Receives 1998 Award of Excellence from the Alaska Chapter Public Relations Society of America for Second Place Tie for 1997 Annual Report

Principal balance of 26,776 mortgages held: \$2,367,754,221

2000

Loan portfolio increases to 28,325; delinquency rate rests at less than 3.8%; homeownership rate stabilizes at 66.4%

Alaska sees highest percentage increase of any state in homeownership throughout the '90s

Posts net earnings of \$81,802,000

Receives HUD Secretary's commendation in recognition as a High Performer

Receives Standard & Poor's highest rating of "strong" for AHFC's Public Housing Division

Receives 2000 HUD Best Practices Award for the HOME Opportunity Program

Receives HUD's John J. Gunther Blue Ribbon Best Practices Award for the Supplemental Housing Development Grant Program

Receives 1999 Award of Excellence from the Alaska Chapter Public Relations Society of America for Third Place for 1998 Annual Report

Contributes \$103.6 million toward state revenues and capital projects

Develops an Intranet

Becomes HUD contract administrator for 24 Section 8 Project-Based contracts throughout Alaska

Provides a \$6.75 million loan to Alaska Pacific University for housing and student-activity-center renovations

Approves a \$38.8 million loan to Aurora Military Housing LLC to build and own 780 units of military housing on Elmendorf Air Force Base

Awards 52 grants for a total of \$14.8 million

Awards \$6 million in Supplemental Housing Development grants for new construction of 222 houses in 27 communities statewide, including Kwigillingok, Koyuk, Chignik Lagoon, Rampart, Nanwalek, and Hoonah, leveraging \$30 million in federal funds

Increases Energy-Efficiency Interest-Rate Reduction Program (EEIRR) loans by 12%, to 1,345

Expands EEIRR program to include previously owned energy-efficient homes

Weatherizes 941 homes

Co-sponsors the Energy Northwest weatherization conference

Trains 405 persons in the application of computerized home-energy ratings and 118 builders in energy-efficient residential construction

Responds to 3,632 requests for energy and construction information from 2,979 users in 67 communities in Alaska and throughout the world

Issues \$103,980,000 in State Capital Project Bonds, 1999 Series B—the second of two issues to provide financing for capital projects throughout Alaska

Legislature authorizes AHFC to issue \$77 million in general obligation debt for state capital projects

Legislature authorizes AHFC (or a subsidiary) to purchase 40% of the State of Alaska's right to receive tobacco-settlement proceeds and issue bonds secured by the tobacco settlement payments to finance \$93 million of school construction projects

Legislature authorizes the issuance of bonds to fund the construction of various State capital projects; extends the Transfer Plan authorizing transfer of \$103 million annually from AHFC to the State until the year 2008

Conducts 214 HomeChoice workshops in 28 communities with 5,446 certificates issued

Holds 41 classes for 1,319 home buyers, home builders, housing agencies, subcontractors, lenders, real estate agents, and general audiences on AHFC loan and energy programs

Provides \$229 million to finance 2,205 homes under the Tax-Exempt First-Time Home Buyer Program

Implements Taxable First-Time Home Buyer Program; purchases 285 loans, totaling \$42.4 million

Provides \$561 million for 4,295 Alaskans to purchase homes

Increases 1-4 residential loan activity by 20% in the urban loan programs

Provides \$153 million to lower mortgage rates for 1,530 low-income borrowers under the Interest-Rate Reduction for Low-Income Borrowers Program

Graduates 22 families from the Family Self-Sufficiency Program

Receives a set-aside from HUD of 652 Welfare to Work vouchers

Provides \$250,000 to the Department of Health & Social Services for housing modifications for people with special needs

Expands role of Senior Housing Office to help special needs groups and developers increase accessible housing

Receives funding for 310 new vouchers with approximately 50 set aside for people with disabilities or families receiving a Medicaid waiver

Purchased/closed 76 Multi-Family Loans in 14 communities totaling \$54.5 million for 1,468 units of affordable housing

Provides \$6.2 million in funds under the Loans to Sponsors Program

Issues \$883,535,000 in long-term bond debt

Principal balance of 28,325 mortgages held: \$2,714,816,145

2001

Loan portfolio increases to 30,239; delinquency rate remains low at 3.47%; homeownership rate stabilizes at 66.4%

Posts net earnings of \$96,353,000, up 18% from FY00 and 21% from FY99.

Sees 13% increase in mortgage-loan interest from 16% increase in net mortgage loans

Submits score of 100% "High Performer" under HUD's Public Housing Assessment System (PHAS)

Submits score of 100% under HUD's Section 8 Management Assessment Program (SEMAP)

Receives 2000 Award of Excellence from the Alaska Chapter Public Relations Society of America for Third Place for 1999 Annual Report

Renovates five single-family public housing units in Anchorage for sale to low-income first-time home buyers

Increases loan applications from 3,940 to 4,742 and loan purchases to \$647.6 million

Completes construction of 15 low-income rental duplexes and a multi-purpose building at Spruce Park in Fairbanks

Provides grants of \$6,454,147 under the Supplemental Housing Development Grant Program to 11 regional housing authorities to facilitate the construction of 198 single-family homes and 68 multi-family units of housing in rural Alaska.

Constructs multi-purpose building at Riverbend public housing development in Juneau

Completes replacement of seven public-housing units in Valdez

Weatherizes 1,127 homes

Awards 92 grants for a total of \$25 million

Establishes AHFC Toastmasters Club

Completes video production of *Alaska Log Building Construction Techniques*

Conducts 198 HomeChoice workshops in 41 communities with 4,464 certificates issued

Graduates 11 families from the Family Self-Sufficiency Program; 112 participants enrolled in the program.

Responds to 4,056 requests for energy and construction information—the highest number on record—from 3,105 users in 56 communities in Alaska and throughout the world

Provides \$190 million for 1,230 home buyers under the Energy-Efficiency Interest-Rate Reduction

Provides \$176 million to finance 1,764 homes under the Tax-Exempt First-Time Home Buyer Program and \$270 million to finance 1,768 homes under the Taxable First-Time Home Buyer Program

Provides \$648 million for 4,816 Alaskans to purchase homes

Provides \$155 million to lower mortgage rates for 1,527 low-income borrowers under the Interest-Rate Reduction for Low-Income Borrowers Program

Purchased/closed 117 Multi-Family Loans in 14 communities totaling \$103.8 million for 2,976 units of affordable rental housing

Issues \$156,635,000 in Mortgage Revenue Bonds and \$62,450,000 Housing Development Bonds

In October 2001, AHFC creates subsidiary, the Northern Tobacco Securitization Corporation (NTSC), to purchase from the State 40% of the revenues to be received from the Master Settlement Agreement between major tobacco producers and the State of Alaska.

NTSC sells \$116,050,000 of Tobacco Settlement Asset-Backed Bonds, Series 2000. The net proceeds of \$93 million are made available for the capital projects authorized by the Legislature.

Legislature authorizes NTSC to purchase an additional 40% of the tobacco-settlement revenues for \$109,942,839, and issue bonds for additional State capital projects.

Issues \$74,535,000 in State Capital Project Bonds for State construction and renovation projects throughout Alaska

Principal balance of 30,239 mortgages held: \$3,215,722,000

2002

Loan portfolio increases to 30,263; delinquency rate steady at 3.8%; homeownership rate drops slightly to 65.2%

Posts net earnings of \$75,660,000, down 21% from FY02 and 8% from FY00

Receives HUD Secretary's commendation in recognition as a High Performer

Receives three national awards and a local award for the Assistance Provider Interest-Rate Reduction program for increasing the quality of life for Alaskans who experience a developmental disability

Receives award from the National Association of Housing and Redevelopment Officials (NAHRO) for the 5(h) Homeownership Program

Receives Award of Excellence from the Alaska Chapter Public Relations Society of America for Third Place for 2001 Annual Report

Distributes \$15.5 million to 30 grantees

Weatherizes nearly 900 homes

Responds to 3,525 requests from 2,955 users in 74 Alaskan communities for RIC library and information services

Completes sale of sixteenth former public housing home to first-time home buyer in Anchorage under HUD's 5(h) Public Housing Homeownership Program

Conducts 240 HomeChoice workshops in 35 communities with nearly 4,000 certificates issued

Provides \$514.8 million for 3,721 Alaskans to purchase homes

Provides \$160.2 million to finance 1,475 homes under the Tax-Exempt First-Time Home Buyer Program and \$159.1 million for 1,023 homes under the Taxable First-Time Home Buyer Program

Provides \$79.3 million to lower mortgage rates for 782 low-income borrowers under the Interest-Rate Reduction for Low-Income Borrowers Program

Provides \$125 million in financing for 791 homes under the Rural Owner-Occupied Loan Program

Closes 21 Assistance Provider Interest-Rate Reduction loans totaling \$4.4 million

Purchases/closes 94 Multi-Family Loans totaling \$58.477 million for 1,368 units of affordable housing

Issues \$370,170,000 in Governmental Purpose Bonds; \$137,190,000 in Mortgage Revenue Bonds; \$50 million in Veterans Collateralized Bonds; and \$200 million in Home Mortgage Revenue Bonds

Principal balance of 30,263 mortgages held: \$3,373,640,000

ALASKA HOUSING FINANCE CORPORATION

Alaska Housing Finance Corporation was originally developed to help families find homes after World War II. It has evolved into an organization that now contributes more than \$100 million annually to Alaska's state revenues through cash transfers, capital projects and debt-service payments.

Alaska's population increased from about 4,000 in 1940 to 9,000 just one year later. But when the war ended, families left by the hundreds—not because of a lack of employment, but because of a severe shortage of housing. To that end, the Alaska Territorial Legislature created the Alaska Housing Authority (AHA). When the Federal Housing Act of 1949 was passed, it authorized the federal government to make up to \$1.5 billion in loans and grants nationwide for slum clearance and redevelopment. AHA was appointed the agency to work with Alaska in urban renewal.

AHA fulfilled these roles until the 1959 Alaska Statehood Act, when AHA became known as the Alaska State Housing Authority (ASHA). Throughout the 1960s, ASHA was the key source of housing, including affordable rental and homeownership programs, bonding for government office space, and urban renewal, especially following the devastation of the 1964 earthquake.

In 1971 the Alaska Legislature created the Alaska Housing Finance Corporation, a public corporation having legal existence independent of and separate from the State of Alaska to



provide affordable housing for low- and moderate-income residents. During AHFC's first two years of operation, the ten-member staff provided nearly \$10 million in conventional mortgages in forty communities and financed a ninety-eight-unit apartment building in Juneau. In 1972 the Legislature created the Department of Community & Regional Affairs, repealing ASHA's community planning authority and transferring those duties to DCRA.

For the next twenty years, AHFC, ASHA, and DCRA each provided housing services to a distinct segment of Alaska's population. Products included programs for a state mortgage insurance program, rehabilitation loan programs, and rural and mobile home mortgage programs. In 1992 the Legislature recognized a need for all of the state's housing programs to come together, precipitating a merger of AHFC, ASHA, and the housing and energy programs of DCRA. Today, AHFC's Public Housing Division continues the role that AHA began fifty years ago, while the Research and Rural Development Division has assumed the duties previously administered by DCRA.

AHFC is the only housing authority in the United States with true statewide jurisdiction. The challenge of size and remoteness in Alaska, along with its extreme climate, demands innovative solutions that have become models



Above: The home of the Ward family in Haines, Alaska.

Below: Dormitories for the University of Alaska Anchorage.





for other housing authorities and housing finance agencies nationwide. Alaska's population of 620,000 is spread across an area one-fifth the size of the entire United States (Alaska is two and a half times the size of Texas!). From the tip of the Southeast Panhandle to the furthestmost island in Alaska's Aleutian Islands spans a distance equalling that from California to Florida. The majority of Alaska is accessible only by air.

Throughout its more than fifty years, AHFC has provided assistance to thousands of Alaskans in more than two hundred often-remote communities. While best known for financing single-family homes, its diverse programs include community planning and development, direct and pass-through grants, technical assistance, tax credits, affordable rental housing, energy/weatherization programs, drug-elimination programs, computer learning centers, breakfast for children, programs to coordinate services, self-sufficiency programs, and youth sports activities.

Through targeted programs, AHFC can have direct, positive impact on the community. For instance, in June 1996 the Miller's Reach fire devastated the Wasilla/Big Lake communities sixty miles north of Anchorage. More than 37,500 acres burned, destroying 344 buildings valued at \$8.8 million. AHFC's emergency loan program provided gap financing and initial

construction funds while fire victims awaited insurance settlements, private construction-loan financing or federal/state emergency assistance funds. Made available through AHFC's arbitrage funds, the loans provided zero interest for two years, then 3.875% interest for up to 13 years. During this crisis, AHFC took 86 applications and closed 42 loans for a total of \$1.05 million. AHFC received a national HUD award for its response to the crisis.

AHFC continues to make its most tangible impact on the Alaskan homebuyer through innovation. In 1999 AHFC provided financing under the tax-exempt program for 2,182 first-time homebuyers, bringing total homes financed under that program to 15,446 for \$1.3 billion. In August 2000 AHFC introduced a new loan program to reach a broader group of Alaskans by offering first-time homebuyer loans that do not restrict the purchase price or the income of the borrower.

AHFC has been recognized with numerous national awards, such as the annual Award for Significant Achievement from the National Council of State Housing Agencies, Award of Merit from the National Association of Housing & Redevelopment Officials, and one hundred percent on HUD's Public Housing Management Assessment Program four consecutive years.

A key to AHFC's success is its strong credit rating. AHFC's ability to issue highly rated taxable and tax-exempt bonds helps keep mortgages affordable and provides Alaska with the financial means to fund capital projects.



Above: Chugach Manor Senior Housing, Anchorage, Alaska.

Below: Bethel home ownership program, Bethel, Alaska.



March 2003

Contact	Phone
<i>New York</i>	
Wendy Berry	1.212.553.4104
Florence Zeman	1.212.553.4836

Unprecedented State Budget Deficits Across Nation Prompt Surge In HFA Transfer Proposals

Raids Continue To Stress Many Hfas At A Time When Industry Is Dealing With Its Own Market Challenges. Twelve Proposals Totalling More Than \$360 Million Under Analysis- More State Raids Expected

Summary Opinion

- For 2003, Moody's expects state governments to continue last year's trend of tapping their housing finance agencies (HFAs) to help close projected budget gaps. State raids of HFAs topped \$500 million in 2002 and Moody's expects similar, or even greater, amounts to be transferred in the coming months.
- In the last few weeks, Moody's has been advised of 12 proposals that, if enacted as currently proposed, would transfer \$364.76 million from HFA coffers for either general state purposes or other state-related housing activities. While most of the current proposals call for direct cash transfers, others are less burdensome and therefore have a less dramatic financial impact on the HFA.
- While no state HFA Issuer Rating or bond rating was downgraded in 2002 as a result of these raids, the risk of downgrades is far greater this year given the magnitude of fiscal imbalance for many states and the unprecedented challenges facing HFAs at this time. These HFA industry-wide challenges include decreasing asset bases and lower profitability caused in large part to the continuing record-low interest rate environment.
- Because state HFAs are creations of their parent state governments and tend to have healthy fund balances even during recessions, HFAs have often been called upon to help close state budget gaps through the transfer of monies to their state treasuries. In some cases, this money comes from rated single family or multi-family bond programs, and in other instances, the money is transferred from unrestricted and unpledged monies of the state HFA.
- Due to the ever-present risk of state raids, Moody's analyzes the potential of such transfers when assigning Issuer Ratings to state HFAs. Because each situation is unique, Moody's has taken several different actions when making credit decisions resulting from state transfers. These can include capping ratings, assigning negative outlooks, as well as maintaining the status quo.



Magnitude of State Budget Deficits Cause Greater Reliance on HFAs

Unlike their parent state governments, the financial condition of housing finance agencies has been historically very steady and predictable. As a result, state housing finance agencies tend to have healthy fund balances even during recessions. Consequently, state raids of housing finance agency reserves are an ever-present risk and represent one of the few negative credit factors affecting the otherwise strong credit position of the state housing finance sector.

While many states have counted on their HFAs to help plug projected deficits in the past, today's environment is much more grave. The nation's current economic slowdown has produced plummeting tax revenues over the past two years that have wrought staggering projected budget deficits for many states. Given the continued economic weakness and the concomitant decline in revenues - particularly from securities-related activities, the enormity of many projected state budget gaps for 2003 and 2004 is unprecedented. Fiscal experts have predicted cumulative deficits of over \$50 billion for 2003 and over \$75 billion for 2004.

These economic circumstances, in turn, have increased significantly the reliance of states on their HFAs for help in closing these projected budget gaps. It is therefore not surprising that since the beginning of the year Moody's has been made aware of 12 proposals that if enacted as proposed, would transfer over \$360 million from housing finance agency coffers to their respective state treasuries.

Some of these new transfer proposals would involve funds being withdrawn from rated single family or multi-family bond programs, and in other instances, the money would be transferred from the general monies of the state HFA. While most of the current proposals call for direct cash transfers, others are less burdensome and are likely to have a less dramatic financial impact on those HFAs. In these proposals the state raids take other forms such as having the HFA take on new expenses and responsibilities that the state would have otherwise financed itself. In these instances, monies would not flow from the HFA, rather, the state would not appropriate monies this year that it normally does, leaving the HFA to replace these amounts from internal sources. Still other types of state raids include having the HFA offer a line of credit, or reducing or eliminating state funding to the HFA for certain programs.

STATE RAID PROPOSALS COME AT A CRITICAL TIME FOR HFAS

While state reliance on housing finance agencies in the past has not been particularly burdensome to the HFAs, this year the industry is having its own stresses affecting the financial strength of many housing finance agencies. Indeed, the past two years of record low interest rates have caused HFA assets to decrease as a result of an unprecedented level of mortgage prepayments and the more competitive nature of mortgage originations. Transferring significant amounts of money from state HFAs this year may hurt their balance sheet and profitability more than ever before. Moody's has already made certain conclusions regarding some of the proposals and is in the midst of reviewing the details of others to determine if these raids will have any negative affect on credit ratings. Although most of the proposed amounts have yet to be finalized, thus far proposals include:

Alaska Housing Finance Corporation	\$75.66 million
Connecticut Housing Finance Authority	\$ 40 million
Hawaii Housing and Community Development Corporation	\$ 14 million
Maine State Housing Authority	\$ 1.9 million
Maryland Housing Fund/Maryland Community Development Admin.	\$ 10 million
Massachusetts Housing Finance Agency	\$ 4 million
New Jersey Housing and Mortgage Finance Agency	\$50 million
New York State Housing Finance Agency	\$1.5 million
State of New York Mortgage Agency (Mortgage Insurance Fund)	\$50 million
South Carolina State Housing Finance and Development Authority	\$5.7 million
Virginia Housing Development Authority	\$87 million *
West Virginia Housing Development Fund	\$25 million
	\$364.76 million

*Face amount of loans to be purchased. Purchase price expected to be discounted.

Current State Raid Proposals

Below is a list of this year's proposed transfers to date. Since these transfer proposals are a constantly moving target, the ultimate transfer amount is likely to change for many of these state HFAs.

Alaska Housing Finance Corporation - AHFC recently submitted a plan to the Legislature that would transfer \$76.55 million from the Corporation's General Fund to the state in fiscal year 2004. This transfer plan was not unexpected as the Corporation regularly sends monies to the State as part of a comprehensive long-term transfer agreement. Given the history of these annual transfers and the existence of the long-term agreement, Moody's does not

believe this latest transfer will affect any of the Corporation's ratings. Last year, the Corporation transferred \$96.3 million to the state for budgetary relief.

Connecticut Housing Finance Authority - CHFA is facing the second part of a raid that was negotiated last year that transfers a total of \$85 million over two years from its sole bond program - the Housing Mortgage Finance Bond Program - in exchange for state-owned housing assets. This \$3.1 billion bond program finances both single family and multi-family housing and is rated Aaa. Moody's has determined that the purchase of \$85 million of state-owned assets will not cause a rating downgrade on the program. Any further transfers, however, would need to be analyzed closely to determine the potential credit impact.

Hawaii Housing and Community Development Corporation - Because the State of Hawaii did not participate in the robust national economy of the 1990s, the Corporation has been subject to a number of transfers over the last decade totaling more than \$175 million. Another proposal is on the table to transfer a rather modest amount - \$14 million - from various Corporation funds to the State. In addition, the legislature has proposed other transfers but no dollar amount has been associated with those bills. Moody's is carefully monitoring these proposals as we currently have the Corporation's A1 Issuer Rating on watch for downgrade. Last year, the Corporation transferred just over \$25 million to the state for budgetary relief.

Maine State Housing Authority - The Legislature has submitted a proposal that may result in a raid of up to \$1.9 million each year over the next two years. Typically, the State realizes HOME funds in the amount of \$9 million each year from real estate transfer taxes. Under the proposed legislation, if HOME funding comes in at less than typical levels, Maine Housing would be expected to maintain funding at the current levels by covering the expense of a homeless shelter program. The maximum amount that the Authority may be expected to fund is \$1.9 million per year in fiscal years 2004 and 2005 as the State plans to take the first \$7.5 million of HOME funds in those years. If HOME funding comes in at historical levels, the Authority should receive HOME funds for the shelter program as has been the case in the past. The Authority reports that any funding it is asked to make will come from General Funds of the Authority. If this occurs, Moody's does not believe it will have an impact on the Authority's Issuer Rating.

Maryland Housing Fund/Maryland Community Development Administration - The Legislature has proposed transferring \$10 million from the Maryland Housing Fund's Unallocated Reserves to the State. The Maryland Housing Fund (MHF), a sister agency to the Maryland Community Development Administration (CDA), provides mortgage insurance for single family and multi-family loans, most of which are bond financed through the Maryland Community Development Administration. The proposal leaves intact all of the monies held in MHF's specific Multi-family and Single Family Reserves as well as a portion of the monies in the Unallocated Reserve. Given the level of MHF's remaining reserves and the financial strength of CDA's Single Family Program Bonds and Multi-family Housing Revenue Bonds (Insured Mortgage Loans) which rely on the Maryland Housing Fund, Moody's does not believe that the Aa2 ratings on these two programs would be negatively affected.

Massachusetts Housing Finance Agency - Massachusetts HFA is expecting the Commonwealth to withhold its annual SHARP payments to the Agency which was to be approximately \$4 million. This decrease in state appropriations is not expected to affect either the Agency's bond ratings or its Issuer Rating as the SHARP subsidies have been declining over time and the Agency has established sufficient reserves for the eventual termination of the SHARP subsidies within the next couple of years.

New Jersey Housing and Mortgage Finance Agency - New Jersey's HFA has already transferred \$25 million to state coffers in fiscal year 2003 and may be facing another \$25 million raid for fiscal year 2004. According to the current proposal, the additional \$25 million would be used for housing purposes at the state level, in keeping with Agency's mission. We expect that the funds will come from general Agency reserves, rather than bond related reserves. New Jersey Housing and Mortgage Finance Agency's Issuer Rating stands at Aa2 with a positive outlook. Given the strength of the Agency's financial position, even if the entire \$25 million is utilized, Moody's does not believe that Aa2 Issuer Rating will be negatively affected. These two \$25 million transfers are in addition to the \$25 million transferred to the state last year for fiscal year 2002 budgetary relief.

New York State Housing Finance Agency - For the second consecutive year, New York State HFA has funded the Small Cities Program in the annual amount of \$1 million, a program that has historically been funded through regular state appropriations. NYS HFA reports that it is expecting to fund the program again in fiscal year 2003/2004. The Agency is also expecting to be given the responsibility of funding a \$500,000 capital grant program that it has been administering but had previously been funded by the State through its Division of Housing and Community Renewal. Last year, the State relied on HFA for \$50 million of budgetary relief in addition to its \$1 million funding of the Small Cities Program.

State of New York Mortgage Agency - Subject to legislative approval, the New York State Executive Budget proposal authorizes the State of New York Mortgage Agency's (SONYMA) Mortgage Insurance Fund (MIF) to provide credit enhancement to the proposed Tobacco Settlement Financing Corporation. This new public benefit corporation is expected to be created in order to securitize New York State's future share of tobacco settlement monies. The

MIF currently insures single family and multi-family loans and is used extensively as credit enhancement on SONYMA's single family bond programs as well as a number of multi-family bond issuers including the New York State Housing Finance Agency. The amount of credit enhancement, if any, and how it would be funded is not yet clear but is expected to be at least \$50 million. SONYMA is looking to structure any such credit enhancement so as to not affect the Fund's ratings. While recent legislative negotiations make the Mortgage Insurance Fund's involvement less likely, nothing has yet been finalized. Last year, the Agency transferred \$150 million of MIF monies to the State for budgetary relief.

South Carolina State Housing Finance and Development Authority - For fiscal year 2004, South Carolina's House has passed a bill that would transfer \$5.7 million from the state's Housing Trust Fund - a Fund that resides with the State Treasurer. The proposal is currently awaiting Senate approval. The Authority receives monies from a percentage of the documentary stamp tax relating to real estate transactions within the State which are deposited into the Housing Trust Fund. This Fund is specifically segregated on the Authority's financials and is used for designated affordable housing projects and is not available for other purposes of the Authority. Moody's does not take these monies into account when assessing the issuer credit rating so there should be no impact on the Authority's Issuer Rating. Last year, the Authority transferred \$2.5 million of restricted assets to the state for budgetary relief.

Virginia Housing Development Authority - VHDA has committed to buying a portfolio of \$87 million face amount of loans from the Commonwealth at a price to be determined utilizing a third party evaluator. VHDA originated and continues to service these loans on behalf of the Commonwealth. These loans, however, are primarily very low-rate, high-risk, multi-family and single family loans, and accordingly the purchase price is expected to be at a discount. VHDA may issue taxable bonds to finance the acquisition of these loans.

West Virginia Housing Development Fund - West Virginia's HFA has been asked to fund a \$25 million economic development program for the state. According to WVHDF, the program will likely be financed through the issuance of WVHDF general obligation bonds and repaid over ten years. Despite this proposal, Moody's expects WVHDF to maintain its Issuer Rating of Aaa. Last year, the Fund transferred \$5 million to the state for budgetary relief.

Conclusion

The dramatic increase in state raids on HFAs over the past two years has not been unexpected. Moody's had anticipated that these types of raids on state HFAs would likely result from the budgetary pressures of the weakening national economy and the effects of the September 11th terrorist attacks. As stated in our October 2001 Special Comment on the Housing Bond Sector, "Moody's believes that the risk of future state raids has increased this year given the nation's weaker economy." Indeed, Moody's expects to see more state raid proposals as more states finalize their budgets. Moody's will review each transfer to determine what actions, if any, to take on single family and/or multi-family bond ratings, or in some cases, state HFA Issuer Ratings. This year's raids, however, come at a critical time for many state HFAs as they struggle with dwindling assets and lower profitability. Hence, the possibility of downgrades this year is far greater than at any other time in history.

To order reprints of this report (100 copies minimum), please call 1.212.553.1658.

Report Number: 77761

Author

Wendy Berry

Production Associate

Phillip Stone

© Copyright 2003, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. **NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.** Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling. Pursuant to Section 17(b) of the Securities Act of 1933, MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to \$1,500,000.

Research:

Summary: Alaska Hsg Fin Corp; Housing, General Obligation

Publication date: 13-Nov-2002

Credit Analyst: Peter Block, San Francisco (1) 415-371-5044; Lawrence Witte, San Francisco (1) 415-371-5037

Credit Profile

\$35.1 mil muni debt muni issue ser 2002 A due 2012	AA-
Sale date: 13-NOV-2002	
\$60.3 mil muni debt muni issue ser 2002 C due 2022	AA-/A-1+
Sale date: 13-NOV-2002	
\$14.6 mil muni debt muni issue ser 2002 B due 2024	AA-
Sale date: 13-NOV-2002	

OUTLOOK: POSITIVE

Rationale

The 'AA-' rating on Alaska Housing Finance Corp.'s (AHFC) state capital project bonds series 2002 A, B, C, reflects the GO of the corporation. The 'A-1+' short-term rating on series 2002 C bonds reflects liquidity for tenders provided by the corporation. AHFC's key credit strengths are as follows:

- A large and liquid asset base,
- Capable management, and
- The ability to meet its legislative mandate.

Offsetting credit weaknesses include:

- Ongoing legislative appropriation of assets and earnings,
- A highly concentrated Alaska economy,
- A high-risk mortgage loan portfolio, and
- A GO pledge to all debt obligations.

This is the fourth state capital project bond issuance. Proceeds refund prior debt, finance the corporation's capital budget, and pay deferred maintenance on public housing facilities.

The series 2002A bonds are issued as fixed-rate bonds, the series 2002B bonds are initially issued as auction rate bonds, and the series 2002C bonds are initially issued as variable rate demand bonds in a weekly rate mode. AHFC has the option to convert auction and weekly rate bonds to bear interest in a daily, weekly, monthly, quarterly, semi-annual, fixed, or auction interest rate mode. The series 2002C bonds are subject to mandatory tender on interest mode conversion dates, and upon expiration, substitution, or early termination dates of the liquidity facilities. Series 2002 C bondholders may also optionally tender bonds. Scheduled expiration of AHFC's tender agreement for series 2002 C bonds is at final bond maturity, although the corporation may substitute the facility for an alternate liquidity facility at any time.

Outlook

The positive outlook for reflects the positive outlook on AHFC's issuer credit rating (ICR).

Alaska State Legislature

House Finance Committee



REPRESENTATIVE
BILL WILLIAMS

Co-Chair

(907) 465-3424

Fax: (907) 465-3793

INTERIM ADDRESS

50 Front Street, Suite 203

Ketchikan, Alaska 99901

(907) 247-4627

Fax: (907) 225-7157

REPRESENTATIVE
JOHN HARRIS

Co-Chair

(907) 465-4850

Fax: (907) 465-3799

INTERIM ADDRESS

State Capitol, Room 507

Juneau, AK 99801-1182

State Capitol, Juneau, Alaska 99801-1182

SPONSOR STATEMENT

House Bill 256, An Act relating to a dividend payment to the state made by the Alaska Housing Finance Corporation each fiscal year

House Bill 256 would amend and codify the agreement between the Alaska Housing Finance Corporation and the Legislature calling for the transfer of AHFC's net income to the State General Fund in the form of an annual dividend that funds debt service for certain bonds and capital projects.

Under the current plan, the transfer from AHFC for FY 2004 would be \$75.6 million, down from \$103 million for FY 2003. With the modifications in this bill, the transfer amount would remain at \$103 million for Fiscal Years 2004 through 2006.

In order to allow AHFC to make these payments in excess of net income without affecting their bond ratings, starting in FY2007 the payments from AHFC to the state would be a percentage of net income. This change would bring the AHFC dividend more in line with the AIDEA and Alaska Student Loan Corporation dividend plans. Currently the ASLC pays less than 35% of its net income and AIDEA pays 50% of its net income to the State, while this proposal has AHFC paying 95% in 2007, 35% in 2008 and 75% thereafter.

The purpose of this bill is to keep the transfers from AHFC at a predictable, sustainable level while assisting the Governor and the Legislature in finding a balance between state revenues and expenditures.

This orderly and sustainable approach to transfers will help AHFC and the State of Alaska maintain their strong bond ratings and access to capital markets—which will likely be critical to any fiscal plan developed by the State.