

LEG. FINANCE BILLS 1977 - 1978 769

HB 637 thru HB 642

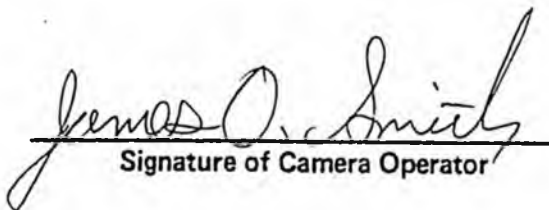
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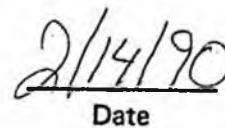


RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 637
 Title Creditable (Part-time) Outside Service Under TRS
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected Administration - Division of Retirement and Benefits
 Program Category Affected Retirement and Benefits (TRS)
 Budget Request Unit(s) Affected Teachers' Retirement System

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		42.8	47.1	51.8	57.0	62.7
100 BENEFITS		9.9	10.8	11.9	13.1	14.4
TOTAL	-0-	52.7	57.9	63.7	70.1	77.1

FUNDING (Thousands of Dollars)

GENERAL FUND		52.7	57.9	63.7	70.1	77.1
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

- Of the 3830 teachers who have less than 10 years outside service and the remaining 2421 teachers who have no outside service, it is estimated that 5% have taught on a part-time basis for less than 1 year.
- Estimate FY 79 covered TRS payroll to be \$214,000,000.
- Estimate future covered payrolls will increase at 10% annually.
- Increase in combined TRS State Match and employer contribution rate would be .04%.
- Administrative costs as attached.

IV. DATE 2/09/78 PREPARED BY Paul B. Arnoldt
 AGENCY Division of Retirement and Benefits
 PHONE 465-4460
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Rules Committee
 Office of the Governor (Keith Specking)
 33-001 (Rev. 12/77)

OK EST.

HB 637

ATTACHMENT

Bill/Resolution No. HB 637ASSUMPTIONS:

- | | | |
|--|---|---------------|
| 1. Estimated FY79 Payroll (Total System) | = | \$214,000,000 |
| 2. State Contribution Rate to Fund Bill | = | .02 % |
| 3. State TRS Matching Rate to Fund Bill | = | .02 % |
| 4. School District Rate to Fund Bill | = | .02 % |

COST ANALYSIS:

<u>Employer</u>	<u>Payroll</u>		<u>Rate</u>	<u>Cost</u>	<u>Appropriation</u>
1. Department of Education	\$ 5,800,000	X	.02 %	\$ 1,160	To Their Budget
2. University of Alaska	\$ 43,500,000	X	.02 %	\$ 8,700	To Their Budget
				<u>\$ 9,860</u>	
3. State TRS Matching	\$214,000,000	X	.02 %	\$42,800	To TRS Match
4. State TRS Regular Budget:					
Personal Services				\$ -0-	To Personal Services
Travel				\$ -0-	To Travel
Contractual				\$ -0-	To Contractual
Equipment				<u>\$ -0-</u>	To Equipment
				<u>\$52,660</u>	
5. All School Districts	\$164,700,000	X	.02 %	<u>\$32,940</u>	
				<u>\$85,600</u>	

REMARKS:

May 2, 1978

Steve Cowper, Chairman
House Finance Committee
Alaska State Legislature

Dear Representative Cowper:

RE: HB 820 (as amended)

HB 820, recently reported by the House HESS Committee, with a 60 years age limitation, is sorely marginal because it neither adequately nor fairly applies to an optimum range of deserving TRS retirees.

Age alone is not a satisfactory criterion, as is illustrated by the following substandard circumstances—i.e., HB 820 as amended allows any 60 year old retiree with the following "minimum levels" of creditable service to be entitled to the pension adjustment provisions...

- (1) with 15 years of creditable service
- (2) " 8 years of membership service
- (3) " 5 years of membership service & 3 years of BIA Alaska service
- (4) " 20 years of membership service
- (5) " 20 years of membership service, including BIA Alaska service

...to repeat, any of the above minimum levels of service would entitle the 60 year old retiree to the pension adjustment provisions in HB 820.

Not one of the above 5 examples achieves an exemplary level of service! The 60 years-of-age criterion with those substandard levels of service does not compare satisfactorily with the examples of other deserving TRS retirees between 50 and 60 years of age whose teaching careers extended over 25, 30, or more years of service.

Noteworthy cases of retirees who would be disqualified by the 60 years/age-only limitation are too numerous to be exceptional. For example:

Case #1: The retiree who at 56 with 27 years (23 in Alaska) of creditable service will not be eligible for pension adjustment for 4 years.

Case #2: The retiree who at age 55 with 31 years (27 in Alaska) of creditable service will not be eligible for pension adjustment for 5 years.

Case #3: The retiree who at age 54 with 30 years (23 in Alaska) of creditable service will not be eligible for pension adjustment for 6 years.

* Case #4: The retiree who at age 53 is now on "disability" due to heart problem and who meanwhile would be eligible for the pension adjustments under HB 820—but will be actually disqualified from such pension adjustments at the earlier event—upon (1) acquiring 25 years of creditable service or upon reaching age 55.

By contrast:

Case "A": The 60 years-old retiree with only 8 years of membership (in Alaska) service who becomes eligible on 7/1/78 for any declared pension adjustment thereafter.

Case "B": The 60 years-old retiree with only 15 years (5 in Alaska) of creditable service who is eligible on 7/1/78 for any declared pension adjustment.

* Note: It seems especially unfortunate that these occasional disability cases, often coincidental with age and stress, will all be converted to "normal retirement" status no later than age 55—also disqualified thereafter for eligibility under HB 820's pension adjustment provisions.

We earnestly contend that to discriminate among deserving retirees under the pressure of limited funds requires a more adequate and fairer means of qualifying retirees for the benefits to be granted.

Therefore, at the point on page #2, line 9, of the House HESS Committee's amending insertion (for the word "teachers") we urge that the following language be substituted:

... "those persons receiving disability or survivor benefits and to any other member currently receiving retirement benefits whose age is 50 years or older or whose creditable years of service total at least 25 years, provided further that the total sum of each such member's combined age and number of creditable years of service shall be at least 75 years". . .

In applying the amending language which we request, the basic requirements will become: (for example)

- (1) retiree with 25 years' creditable service + 50 years age = 75
- (2) retiree with 20 years' " " + 55 " " = 75
- (3) retiree with 15 years' " " + 60 " " = 75

. . . all of which seems to be in harmony with the need to base eligibility for the benefits being granted on broader, wider criteria—i.e., (a) age and (b) service.

Younger retirees in their mid-40's who qualify for 20 years' membership service retirement may not be entitled to HB 820's provisions—noting, our (ASRTA) retired teachers organization has never supported the 20 years' retirement eligibility.

Also, a number of TRS members with prior 20 years' military service pensions (age 20 to 40 in military service) will become qualified after 20 years' TRS membership service at age 60 (age 40 to 60 in teaching service) for HB 820's pension adjustment provisions—allowable but paradoxical—while other, better qualified TRS retirees (whose retirement credentials are more impressive, whose fund contributions were greater) but whose ages are less than 60—thereby disqualifying them from the pension adjustment provisions of HB 820.

As a 2nd change, noting the extremes between lower and higher salaried persons, as well as the limited availability of funds, we further propose that there be a built-in ceiling for pension adjustment amounts, based on one of the two following options:

Option #1: . . . "that the maximum amount of any pension adjustment increase received by any retiree shall be limited to no more than 25 % greater than the median (average) amount of all such benefit increases being granted". . .

-or-

Option #2: . . . "that the declared percentage (up to 4 %) of such pension adjustment to be granted shall be applied only to a maximum limit not exceeding the initial \$20,000 amount of any retiree's retirement benefit per annum.

The more optimum "option" above should be chosen—noting that #1 above may be, over time, more flexible and responsive to inflation—whereas #2 above may be somewhat easier to implement.

Whether higher salaried administrative personnel (public school or U. of Alaska) have a right to expect a full 4 % pension adjustment to be applied to their entire annual retirement benefit amounts which may range upwards to comparatively high levels—may be a sensitive issue. Considering again the (1) limitation of funds and (2) the possible magnitude of some retirement benefit amounts—our consensus is—we think not!

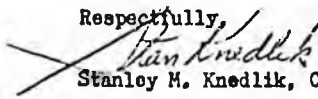
Therefore, it is fitting to implement the seemingly sound idea of an interim ceiling level whereby the limited funds available can be distributed more widely and effectively so as to render relief against inflation-caused loss of purchasing power—particularly to that portion of the retirees' incomes more directly connected with basic economic needs.

While we appreciate any effort and intent to constructively refer HB 820 onward in the legislative process, the 60 year/age-only limitation seems ill-advised, as careful study of the applied circumstances will indicate. We view the age-only criterion as being dysfunctional in that it creates a disparity involving "age" and "service".

In summary, we respectfully contend that these circumstances warrant the two basic changes recommended herein—namely:

- (1) Inclusion of both age and service criteria in the eligibility requirements for HB 820's pension adjustment provisions
- (2) Inclusion of a built-in ceiling (%) limit or a limited portion (maximum) to which only the declared percentage of pension adjustment would be applied.

Respectfully,


Stanley M. Knedlik, Chairman - Legislative
Committees
Alaska State Retired Teachers Association
Central Alaska Retired Teachers Association

cc: Chas. H. Farr, Chairman
House HESS Committee
Robt. Van Houte, NEA-Alaska
Mary Carle, President - ASRTA
Catherine Larson, President - CARTA

February 24, 1978

Legislative Board of Retirement Benefits analysis and recommendations
on:

CS for House Bill No. 637

The board believes that the fiscal impact of CSHB 637 will be minimal, but no more detailed analysis is available.

A majority of the board recommends that CSHB 637 do pass; one member has no recommendation; and one member was absent.

Original sponsor: By the Rules Committee
by request of the Legislative
Council (for the Interim
Committee on Retirement)

Offered: 2/22/78
Referred: Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 637

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to creditable outside service under
7 the teachers' retirement system."

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

9 * Section 1. AS 14.25.220(8) is repealed and re-enacted to read:

10 (8) "outside service" means service as

11 (A) a certificated full-time elementary or secondary
12 teacher or a certificated person in a position requiring a teaching
13 certificate as a condition of employment in an out-of-state public
14 school in the United States or in a public school outside the
15 United States supported by federal funds of the United States;

16 (B) a certificated full-time elementary or secondary
17 teacher or a certificated person in a position requiring a teaching
18 certificate as a condition of employment in an approved or ac-
19 credited nonpublic school in the United States, or in a school out-
20 side the United States supported by federal funds of the United
21 States;

22 (C) a person occupying a full-time position requiring
23 academic standing in an out-of-state institution of higher learning
24 accredited by a nationally recognized accrediting agency as listed
25 in the Education Directory: Colleges and Universities by the
26 National Center for Education Statistics;

27 (D) a full-time teacher in an approved or accredited
28 nonpublic institution of higher learning in Alaska;

29

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 637
 Title Creditable Part-time Outside Service Under TRS
 Requested by _____ Date _____

II. FISCAL DETAIL
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 Program Category Affected Retirement and Benefits (TRS)
 Budget Request Unit(s) Affected Teachers' Retirement System

EXPENDITURES (Thousands of Dollars)

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FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

- Of the 3830 teachers who have less than 10 years outside service and the remaining 2421 teachers who have no outside service, it is estimated that 5% have taught on a part-time basis for less than 1 year.
- Estimate FY 79 covered TRS payroll to be \$214,000,000.
- Estimate future covered payrolls will increase at 10% annually.
- Increase in combined TRS State Match and employer contribution rate would be .04%.
- Administrative costs as attached.

IV. DATE 2/09/78 PREPARED BY Paul B. Arnoldt
 AGENCY Division of Retirement and Benefits
 PHONE 465-4460
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Rules Committee
 Office of the Governor (Keith Specking)
 33-001 (Rev. 12/77)

Paul B. Arnoldt
OK *est.*

ATTACHMENT

Bill/Resolution No. HB 637ASSUMPTIONS:

1. Estimated FY79 Payroll (Total System)	=	\$214,000,000
2. State Contribution Rate to Fund Bill	=	.02 %
3. State TRS Matching Rate to Fund Bill	=	.02 %
4. School District Rate to Fund Bill	=	.02 %

COST ANALYSIS:

<u>Employer</u>	<u>Payroll</u>		<u>Rate</u>	<u>Cost</u>	<u>Appropriation</u>
1. Department of Education	\$ 5,800,000	X	.02 %	\$ 1,160	To Their Budget
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3. State TRS Matching	\$214,000,000	X	.02 %	\$42,800	To TRS Match
4. State TRS Regular Budget:					
Personal Services				\$ -0-	To Personal Services
Travel				\$ -0-	To Travel
Contractual				\$ -0-	To Contractual
Equipment				\$ -0-	To Equipment
				<u>\$52,660</u>	
5. All School Districts	\$164,700,000	X	.02 %	<u>\$32,940</u>	
				<u>\$85,600</u>	

REMARKS:

COMMITTEE REPORT

2/22/78

HOUSE

FURTHER: _____

Date: _____

Mr. Speaker:

The Committee on FINANCE has had HB 637
"An Act relating to creditable outside service under the teachers' retirement system."

under consideration and (a majority of the committee) (the committee reports it back as follows)

recommends it do pass recommends it do not pass

recommends it do pass with attached amendment(s)

recommends it be replaced with CS for _____

and _____ new title same title

AND attaches a Letter of Intent New Fiscal Note

reports it back without recommendation

and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

1/16/78

Date: _____

Mr. Speaker:

The Committee on HESS has had HB 637
"An Act relating to creditable outside service under the teachers' retirement system."

under consideration, and (a majority of the committee) (~~the committee reports it back as follows~~)

~~()~~ recommends it do pass () recommends it do not pass

() recommends it do pass with attached amendment(s)

() recommends it be replaced with CS for HB 637

and _____ () new title () same title

() AND attaches a Letter of Intent () New Fiscal Note

() reports it back without recommendation

() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Don Bennett Do Pass

[Signature]

P. O. LEE Do Pass

Buchholdt

[Signature]

Charles Han Do Pass

DO PASS

Charles Han
Chairman

4504

Baldwin

Original sponsor: By the Rules Committee
by request of the Legislative
Council (for the Interim
Committee on Retirement)

Offered: 2/22/78
Referred: Finance

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 637

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to creditable outside service under
7 the teachers' retirement system."

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

9 * Section 1. AS 14.25.220(8) is repealed and re-enacted to read:

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11 (A) a certificated full-time elementary or secondary
12 teacher or a certificated person in a position requiring a teaching
13 certificate as a condition of employment in an out-of-state public
14 school in the United States or in a public school outside the
15 United States supported by federal funds of the United States;

16 (B) a certificated full-time elementary or secondary
17 teacher or a certificated person in a position requiring a teaching
18 certificate as a condition of employment in an approved or ac-
19 credited nonpublic school in the United States, or in a school out-
20 side the United States supported by federal funds of the United
21 States;

22 (C) a person occupying a full-time position requiring
23 academic standing in an out-of-state institution of higher learning
24 accredited by a nationally recognized accrediting agency as listed
25 in the Education Directory: Colleges and Universities by the
26 National Center for Education Statistics;

27 (D) a full-time teacher in an approved or accredited
28 nonpublic institution of higher learning in Alaska;

29

Introduced: 1/16/78
Referred: Health, Education &
Social Services and Finance

4504
Baldwin

BY THE RULES COMMITTEE BY REQUEST
OF THE LEGISLATIVE COUNCIL (for
the Interim Committee on Retirement)

1 IN THE HOUSE

2 HOUSE BILL NO. 637

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to creditable outside service under
7 the teachers' retirement system."

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

9 * Section 1. AS 14.25.220(8) is repealed and re-enacted to read:

10 (8) "outside service" means service in a position on a full-
11 or part-time basis which requires a teaching certificate as a condition
12 of employment in

13 (A) out-of-state public schools;

14 (B) an out-of-state approved or accredited nonpublic
15 school;

16 (C) an institution of higher learning accredited by a
17 nationally recognized accrediting agency; or

18 (D) an approved and accredited nonpublic school in the
19 state.

ALASKA STATE LEGISLATURE

TENTH Legislature SECOND Session

HOUSE BILL NO. 637

By THE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE COUNCIL (for the Interim Committee on Retirement)

"An Act relating to creditable outside service under the teachers' retirement system."

creditable outside service

Introduced in the House 1-16-75, 19....

HISTORY IN THE HOUSE

19 78

Jan. 16

Read first time and referred to Committee on HESS AND FINANCE

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reconsideration

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused
Reported correctly engrossed
Signed by Speaker
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reconsideration

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused
Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:

Failed to concur in Senate amendment; asked Sen. to recede

Senate receded from amendment

Senate failed to recede from amendment

FCC appointed by House

FCC appointed by Senate

FCC adopted

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

2/14/90
Date

Original sponsors: Bradley and Carpenter

Offered: 2/27/78
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 639

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska longevity bonus; and
7 providing for an effective date."

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

9 * Section 1. AS 47.45.010(a) is amended to read:

10 (a) A person who is 62 [65] years of age or over, who was domici-
11 ciled in the territory on or before January 3, 1959 and who has main-
12 tained a continuous domicile in the territory or state for 25 years may
13 apply to the commissioner of administration for qualification to receive
14 a monthly bonus of \$125.

15 * Sec. 2. AS 47.45 is amended by adding a new section to read:

16 Sec. 47.45.015. ADJUSTMENT OF BONUS. (a) The commissioner of
17 administration shall adjust the bonus rate provided for in sec. 10 of
18 this chapter in accordance with changes in the Consumer Price Index for
19 Anchorage, Alaska, published by the Bureau of Labor Statistics, United
20 States Department of Labor. The Consumer Price Index for October 1977
21 is considered the initial Consumer Price Index.

22 (b) In making the adjustments under (a) of this section, the
23 commissioner shall comply with the following procedure:

24 (1) after November 30 and before December 31 of each year the
25 commissioner shall determine the change in the October Consumer Price
26 Index for the current year from the October Consumer Price Index for the
27 previous year;

28 (2) the commissioner shall then

29 (A) compute the percentage increase or decrease for that

1 period; and

2 (B) adjust the bonus rate set out in sec. 10 of this
3 chapter by the same percentage increase or decrease, rounded to the
4 nearest dollar;

5 (3) no later than the 10th day of each regular session of the
6 legislature, the commissioner shall submit the adjusted bonus rate to
7 the legislature; if not disapproved by the legislature by a resolution
8 concurred in by a majority of the members of each house within 45 days
9 after submission, or by the end of the session, whichever occurs first,
10 the new rate becomes law.

11 (c) The adjusted bonus rate becomes effective on July 1 of the
12 year in which it becomes law.

13 (d) If an adjusted bonus rate submitted to the legislature under
14 (b) of this section is disapproved by the legislature, the commissioner
15 may, within 15 days after the disapproval, submit a revised adjusted
16 bonus rate. That rate becomes law if not disapproved within 30 days or
17 by the end of the session, whichever occurs first, and becomes effective
18 July 1.

19 * Sec. 3. AS 47.45.170 is amended to read:

20 Sec. 47.45.170. PURPOSE. The sole purpose of this chapter is to
21 offer and provide all law-abiding Alaskans capable of managing their own
22 affairs who have maintained a domicile in the state for at least 25
23 years and have reached a retirement age of 62 [65], an incentive to
24 continue uninterrupted residency in the state. Under no circumstances
25 shall this chapter be considered a form, type, or manner, of public
26 relief. Bonuses made under this chapter are not predicated on need even
27 though they may appear to provide supplemental income to some qualified
28 persons who would otherwise be forced to become responsibilities of the
29 state. The legislature further finds and states that this legislation

1 recognizes the economic hardships suffered by many elderly Alaskans,
2 Alaskans who through their tenacity and perseverance molded Alaska as we
3 know it through skillful application of their talents. These pioneers
4 are the same Alaskans, who in the prime of their life were in effect
5 treated as second-class citizens by the federal government and who paid
6 much of their hard-earned income to a government in which they did not
7 have the right to participate through the power of the ballot. The
8 legislature also is aware of the fact that many of these pioneers have
9 been forced to live out their retirement years in areas far away from
10 the land they loved and nurtured and thereby also suffering, in many
11 cases, the loss of familial relationship with their own kin, an ex-
12 perience that is sad and frustrating to them as well as depriving new
13 generations of Alaskans of the benefits of their wisdom and experience.
14 This legislation hopefully will provide our pioneers with the economic
15 means to remain in and continue to serve their state and to enjoy the
16 opportunity of aiding the new Alaskan in making this state truly "The
17 Great Land."

18 * Sec. 4. This Act takes effect July 1, 1978.
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28
29

COMMITTEE REPORT

2/27/78

HOUSE

FURTHER: _____

Date: _____

Mr. Speaker:

The Committee on FINANCE has had HR 639

"An Act relating to the Alaska longevity bonus; effective date."

under consideration and (a majority of the committee) (the committee reports it back as follows)

recommends it do pass recommends it do not pass

recommends it do pass with attached amendment(s)

recommends it be replaced with CS for _____

and _____ new title same title

AND attaches a Letter of Intent New Fiscal Note

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MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

1/17/78

Date: _____

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 639
"An Act relating to the Alaska longevity bonus; eff. date."

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and _____ () new title same title

() AND attaches a Letter of Intent () New Fiscal Note

() reports it back without recommendation

() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

B. Bradley - do pass
[Signature]
[Signature]
Joe McKinnon

DO NOT
"

B. Bradley
Chairman

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST HB 639
Bill/Resolution No. _____
Title An Act reducing the Alaska Longevity Bonus eligibility age to 62
Requested by _____ Date 1/19/78

HB 639

II. FISCAL DETAIL
Agency Affected Department of Administration
Program Category Affected Social Services
Budget Request Unit(s) Affected Longevity Bonus

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES		16.0	17.0	18.0	19.1	20.3
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		3,588.0	3,744.0	3,898.5	4,053.0	4,207.5
TOTAL		3,604.0	3,761.0	3,916.5	4,072.1	4,227.8

FUNDING (Thousands of Dollars)

GENERAL FUND		3,604.0	3,761.0	3,916.5	4,072.1	4,227.8
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		/	/	/	/	/
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III) The above costs reflect population projections made by the Research and Analysis Section of the Department of Labor. These projections were based on the 1970 census with factors applied for outmitigation and mortality.

FY	Additional Eligibles	Additional Pay-Mo.	Pay Rate	Cost
79	2392	28,704	125	\$3,588.0
80	2496	29,952	125	3,744.0
81	2599	31,188	125	3,898.5
82	2702	32,424	125	4,053.0
83	2805	33,660	125	4,207.5

Additionally, one (1) Clerk Typist III is required to handle increased work load due to this large number of new participants.

IV. DATE 1/19/78 PREPARED BY Russell Clark
AGENCY Department of Administration
PHONE 465-2293

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named) Bradley
Governor's Office (Keith Specking)
33-001 Pioneers Benefits (V. Perry)
(Rev. 12/77)

2854
Baldwin

Original sponsors: Bradley and Carpenter

Offered: 2/27/78
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 639

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska longevity bonus; and
7 providing for an effective date."

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

9 * Section 1. AS 47.45.010(a) is amended to read:

10 (a) A person who is 62 [65] years of age or over, who was domi-
11 ciled in the territory on or before January 3, 1959 and who has main-
12 tained a continuous domicile in the territory or state for 25 years may
13 apply to the commissioner of administration for qualification to receive
14 a monthly bonus of \$125.

15 * Sec. 2. AS 47.45 is amended by adding a new section to read:

16 Sec. 47.45.015. ADJUSTMENT OF BONUS. (a) The commissioner of
17 administration shall adjust the bonus rate provided for in sec. 10 of
18 this chapter in accordance with changes in the Consumer Price Index for
19 Anchorage, Alaska, published by the Bureau of Labor Statistics, United
20 States Department of Labor. The Consumer Price Index for October 1977
21 is considered the initial Consumer Price Index.

22 (b) In making the adjustments under (a) of this section, the
23 commissioner shall comply with the following procedure:

24 (1) after November 30 and before December 31 of each year the
25 commissioner shall determine the change in the October Consumer Price
26 Index for the current year from the October Consumer Price Index for the
27 previous year;

28 (2) the commissioner shall then

29 (A) compute the percentage increase or decrease for that

COMMITTEE COPY

1 period; and

2 (B) adjust the bonus rate set out in sec. 10 of this
3 chapter by the same percentage increase or decrease, rounded to the
4 nearest dollar;

5 (3) no later than the 10th day of each regular session of the
6 legislature, the commissioner shall submit the adjusted bonus rate to
7 the legislature; if not disapproved by the legislature by a resolution
8 concurred in by a majority of the members of each house within 45 days
9 after submission, or by the end of the session, whichever occurs first,
10 the new rate becomes law.

11 (c) The adjusted bonus rate becomes effective on July 1 of the
12 year in which it becomes law.

13 (d) If an adjusted bonus rate submitted to the legislature under
14 (b) of this section is disapproved by the legislature, the commissioner
15 may, within 15 days after the disapproval, submit a revised adjusted
16 bonus rate. That rate becomes law if not disapproved within 30 days or
17 by the end of the session, whichever occurs first, and becomes effective
18 July 1.

19 * Sec. 3. AS 47.45.170 is amended to read:

20 Sec. 47.45.170. PURPOSE. The sole purpose of this chapter is to
21 offer and provide all law-abiding Alaskans capable of managing their own
22 affairs who have maintained a domicile in the state for at least 25
23 years and have reached a retirement age of 62 [65], an incentive to
24 continue uninterrupted residency in the state. Under no circumstances
25 shall this chapter be considered a form, type, or manner, of public
26 relief. Bonuses made under this chapter are not predicated on need even
27 though they may appear to provide supplemental income to some qualified
28 persons who would otherwise be forced to become responsibilities of the
29 state. The legislature further finds and states that this legislation

1 recognizes the economic hardships suffered by many elderly Alaskans,
2 Alaskans who through their tenacity and perseverance molded Alaska as we
3 know it through skillful application of their talents. These pioneers
4 are the same Alaskans, who in the prime of their life were in effect
5 treated as second-class citizens by the federal government and who paid
6 much of their hard-earned income to a government in which they did not
7 have the right to participate through the power of the ballot. The
8 legislature also is aware of the fact that many of these pioneers have
9 been forced to live out their retirement years in areas far away from
10 the land they loved and nurtured and thereby also suffering, in many
11 cases, the loss of familial relationship with their own kin, an ex-
12 perience that is sad and frustrating to them as well as depriving new
13 generations of Alaskans of the benefits of their wisdom and experience.
14 This legislation hopefully will provide our pioneers with the economic
15 means to remain in and continue to serve their state and to enjoy the
16 opportunity of aiding the new Alaskan in making this state truly "The
17 Great Land."

18 * Sec. 4. This Act takes effect July 1, 1978.
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Introduced: 1/17/78
Referred: State Affairs and
Finance

2854
Baldwin

1 IN THE HOUSE

BY BRADLEY AND CARPENTER

2 HOUSE BILL NO. 639

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska longevity bonus; and
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COMMITTEE COPY

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14 * Sec. 3. This Act takes effect July 1, 1978.
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ALASKA STATE LEGISLATURE

TENTH Legislature SECOND Session

HOUSE BILL NO. 639

By ERADLEY

"An Act relating to the Alaska longevity bonus; and providing for an effective date."

Alk. longevity bonus

Introduced in the House 1-17-78, 19.....

HISTORY IN THE HOUSE

1978	Read first time and referred to Committee on State Affairs and Finance										
Jan. 17	Reported back with recommendation that										
	Read second time and										
	Read third time and										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date										
Yeas	Yeas										
Nays	Nays										
Absent	Absent										
Excused	Excused										
	Reconsideration										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date										
Yeas	Yeas										
Nays	Nays										
Absent	Absent										
Excused	Excused										
	Reported correctly engrossed										
	Signed by Speaker										
	Sent to Senate										
CHIEF CLERK OF THE HOUSE											

HISTORY IN THE SENATE

19	Read first time and referred to Committee on										
	Reported back with recommendation that										
	Read second time and										
	Read third time and										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
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PASS	Effective Date										
Yeas	Yeas										
Nays	Nays										
Absent	Absent										
Excused	Excused										
	Reported correctly engrossed										
	Signed by President										
	Returned to House										
SECRETARY OF THE SENATE											

HISTORY IN THE HOUSE

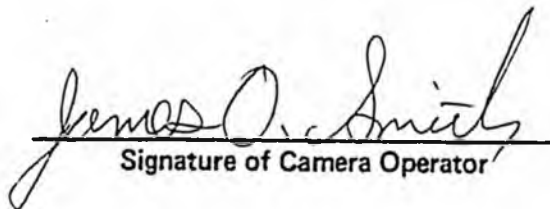
19	Received from Senate
	Concurred in Senate amendment thus adopting:
	Failed to concur in Senate amendment; asked Sen. to recede
	Senate receded from amendment
	Senate failed to recede from amendment
	FCC appointed by House
	FCC appointed by Senate
	FCC adopted
	To enrolling
	Reported correctly enrolled
	Sent to Governor
 by Governor
	Filed with Lt. Governor
	Chapter No.

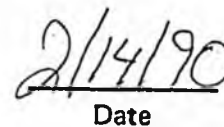


RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

COMMITTEE REPORT

HOUSE

1/27/78

FURTHER: _____

Date: 2/21/78

Mr. Speaker:

The Committee on FINANCE has had HR 647

"An Act making a special appropriation to the mortgage insurance fund of the Alaska Housing Finance Corporation; effective date."

under consideration and (a majority of the committee) (the committee reports it back as follows)

() recommends it do pass () recommends it do not pass

() recommends it do pass with attached amendment(s)

(X) recommends it be replaced with ^{Finance} CS for HR 647

and _____ () new title () same title

() AND attaches a Letter of Intent () New Fiscal Note

() reports it back without recommendation

() and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]
Chairman

4559
WALKER

Original sponsors: Meekins, Dankworth,
Gruening, et al

IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 642 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act making a special appropriation to the mortgage insurance fund of the Alaska Housing Finance Corporation; and providing for an effective date."

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

* Section 1. The sum of \$1,720,000 is appropriated from the general fund to the mortgage insurance fund of the Alaska Housing Finance Corporation for the period beginning with the effective date of this Act and ending December 30, 1978 to be paid to the mortgage insurance fund in the amounts requested by the corporation as necessary in connection with the issuance of insured mortgage program bonds of the corporation.

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-070(c).

MEMORANDUM

State of Alaska

DEPT. _____

DIV. _____

SEC. _____

TO:

Legislative Affairs

DATE : 2/21/78

FROM:

Becky Fritz
House Finance Committee
Room 411
Ph: 3795

SUBJECT: Finance CS for HB 642

Attached please find Finance Committee Substitute for
HB 642. Please return to me prior to Wednesday's House
Floor Session if possible.

Introduced: 1/17/78
Referred: State Affairs and
Finance

BY MEEKINS, DANKWORTH, GRUENING,
HAYES, LETHIN, MALONE, OSTERBACK,
PHILLIPS, RHODE, SNIDER AND
SWANSON

1 IN THE HOUSE

2 FINANCE CS FOR HOUSE BILL NO. 642

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the mortgage
7 insurance fund of the Alaska Housing Finance Corpora-
8 tion; and providing for an effective date."

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

10 * Section 1. The sum of \$1,720,000 is appropriated from the general fund
11 to the mortgage insurance fund of the Alaska Housing Finance Corporation for
12 the period beginning with the effective date of this Act and ending December
13 30, 1978 to be paid to the mortgage insurance fund in the amounts requested
14 by the corporation as necessary in connection with the issuance of insured
15 mortgage program bonds of the corporation.

16 * ~~Sec. 2.~~ The sum of \$2,880,000 is appropriated from the general fund to
17 the mortgage insurance fund of the Alaska Housing Finance Corporation for the
18 period beginning July 1, 1978 and ending December 31, 1979 to be paid to the
19 mortgage insurance fund in the amounts requested by the corporation as
20 necessary in connection with the issuance of insured mortgage program bonds
21 of the corporation.

22 * Sec. ~~3~~2. Section 1 of this Act takes effect immediately in accordance
23 with AS 01.10.070(c). ~~Section 2 of this Act takes effect immediately in accordance~~

24
25 CS FOR HB 642 -- DELETE SECTION 2. Change Section 3 to
26 Section 2 and delete last sentence of that section.
27
28
29

NEW ISSUE**RATING: Standard & Poor's: A**

In the opinion of Bond Counsel, interest on the 1977 Third Series Bonds is exempt from federal income taxes under existing law, except that no opinion is expressed as to the exemption from such taxes of interest on any Bond during any period that such Bond is held by a person who, within the meaning of Section 103(b)(7) of the Internal Revenue Code, is a "substantial user" of the facilities financed from the proceeds of the Bonds or a "related person". Under the Act, the 1977 Third Series Bonds and the interest thereon are exempt from taxation directly imposed thereon by the State of Alaska or any subdivision thereof, other than transfer, inheritance and estate taxes.

OFFICIAL STATEMENT**\$40,000,000**

Alaska Housing Finance Corporation

Insured Mortgage Program Bonds, 1977 Third Series

Dated: October 1, 1977

Due: December 1, as shown below

The 1977 Third Series Bonds maturing after December 1, 1987, are redeemable prior to maturity, at the option of the Corporation, as a whole or in part, on or after December 1, 1987, at 103% and at declining redemption prices thereafter. In addition, under certain circumstances, the 1977 Third Series Term Bonds due December 1, 2007, are redeemable in part at par at any time, as more fully set forth herein. The 1977 Third Series Term Bonds are also subject to mandatory redemption at par in part each year from Sinking Fund Payments commencing December 1, 1993. Further information with respect to the redemption provisions is set forth under "Description of the 1977 Third Series Bonds".

Interest is payable semi-annually on June 1 and December 1, commencing June 1, 1978 (eight months). The 1977 Third Series Bonds will be coupon bonds of \$5,000 denomination, registrable as to principal only, and fully registered bonds in denominations of \$5,000 or any whole multiple thereof. Coupon and registered bonds are interchangeable. Bank of America National Trust and Savings Association, San Francisco, California, is the Trustee. The Trustee and Chemical Bank, New York, New York, are the Paying Agents.

MATURITY SCHEDULE**\$12,750,000 Serial Bonds**

<u>Maturity</u> <u>(December 1)</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u> <u>or Price</u>	<u>Maturity</u> <u>(December 1)</u>	<u>Amount</u>	<u>Coupon</u>	<u>Price</u>
1978	\$450,000	6.50%	3.40%	1986	\$ 900,000	5.10%	100%
1979	550,000	6.50	4.00	1987	950,000	5.20	100
1980	600,000	6.50	4.25	1988	1,000,000	5.30	100
1981	650,000	6.50	4.50	1989	1,050,000	5.40	100
1982	675,000	6.50	4.70	1990	1,100,000	5.50	100
1983	750,000	4.85	100	1991	1,200,000	5.55	100
1984	800,000	5.00	100	1992	1,225,000	5.60	100
1985	850,000	5.05	100				

\$27,250,000 6 1/8% Term Bonds due December 1, 2007; Price: 100%*(Accrued Interest To Be Added)*

The 1977 Third Series Bonds will be issued for the purpose of providing the Corporation with funds to increase the supply of housing for persons of lower and moderate income and in remote, underdeveloped or blighted areas of Alaska by purchasing mortgage loans. Bonds issued under the Corporation's General Insured Mortgage Program Bond Resolution are secured by and payable from the Corporation's revenues from such mortgage loans together with certain other funds and assets legally available therefor. All mortgage loans to be financed through the issuance of the Bonds will be insured by the State Mortgage Insurance Fund, which is required to be maintained at an amount at least equal to 2% of the unpaid principal of mortgage loans insured thereby. In addition, all such mortgage loans must have an original loan to value ratio of less than 80% or be the subject of private or federal mortgage insurance to the extent that such ratio is greater than 80%. The Bonds are also secured by the Capital Reserve Fund held by the Trustee.

The Corporation has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State of Alaska or a pledge of its full faith and credit or taxing power.

The 1977 Third Series Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Wohlforth & Flint, Anchorage, Alaska, Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Cravath, Swaine & Moore, New York, New York.

It is expected that the 1977 Third Series Bonds in definitive form will be available for delivery in New York, New York, on or about October 25, 1977.

Dean Witter & Co.*Incorporated***Bache Halsey Stuart Shields***Incorporated***Merrill Lynch, Pierce, Fenner & Smith***Incorporated***John Nuveen & Co.***Incorporated*

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Pledged Receipts and Recoveries of Principal and to cause its Chairman on or before January 2 of each year to make and deliver his certificate to the Governor and the Chairmen of the House and Senate Finance Committees of the State stating the amount, if any, required to restore the Capital Reserve Fund to the Capital Reserve Fund Requirement established pursuant to the General Resolution. Pursuant to the Act, the Legislature is authorized but is not required to appropriate the amounts so certified.

7. The Agreement has been duly authorized and executed by the Corporation and the State, is in full force and effect and is valid and binding upon the Corporation and the State in accordance with its terms. Pursuant to the Act, the Insurance Fund has been validly created and the amounts therein may, in accordance with the provisions of the Agreement, be applied to the payment of losses incurred by the Corporation with respect to Mortgage Loans financed pursuant to the General Resolution.

8. Under the Constitution and laws of the State, the 1977 Third Series Bonds do not constitute a debt, liability or obligation of the State or any political subdivision thereof and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal and interest thereon nor are the 1977 Third Series Bonds payable out of any revenues, funds or assets other than the revenues, funds or assets of the Corporation pledged therefor.

9. Interest on the 1977 Third Series Bonds is exempt from Federal income taxes under existing law, except that no opinion is expressed as to the exemption from such taxes of interest on any Bond for any period during which such Bond is held by a person who is a "substantial user" of the facilities financed from the proceeds of the Bonds or a "related person" within the meaning of Section 103(b)(7) of the Internal Revenue Code of 1954, as amended.

10. The 1977 Third Series Bonds are negotiable instruments under the laws of the State of Alaska, within the meaning of and for all purposes of the Uniform Commercial Code of the State of Alaska, subject only to the provisions of the Bonds for registration.

We have examined the executed 1977 Third Series Bond numbered CC-1 and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,

WOHLFORTH & FLINT

By

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or other person has been authorized by the Alaska Housing Finance Corporation or the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Alaska Housing Finance Corporation and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Alaska Housing Finance Corporation since the date hereof.

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SUMMARY STATEMENT

The following summary is subject in all respects to the more complete information contained in this Official Statement.

Purpose. The \$40,000,000 1977 Third Series Bonds are being issued to provide funds to purchase from originating lending institutions mortgage loans for residential housing in the State for persons of lower and moderate income or for persons residing in remote, underdeveloped or blighted areas of the State under the Corporation's Insured Mortgage Program. The 1977 Third Series Bonds will rank on a parity with the currently outstanding \$132,980,000 Insured Mortgage Program Bonds and any Bonds issued hereafter under the General Insured Mortgage Program Bond Resolution.

The Corporation. The Corporation was created in 1971 as a public corporation and government instrumentality of the State for the primary purpose of increasing the supply of housing in the State. Since its establishment, the Corporation's activities have involved the purchase of mortgage loans which were primarily federally insured or guaranteed under its Mortgage Purchase Program, and more recently the purchase of both conventional and federally insured or guaranteed mortgages under its Insured Mortgage Program. To finance these activities the Corporation has previously issued bonds and notes and most of its present assets and revenues are pledged to the payment of outstanding bonds and notes issued for such Programs.

Mortgage Loans. Mortgage loans which may be purchased from Insured Mortgage Program Bond proceeds are limited to loans for owner-occupied dwellings for one to six families. All such loans are secured by a first lien mortgage, subject only to certain permitted encumbrances, and are required to have an original loan to value ratio of less than 80% or be the subject of private or federal mortgage insurance to the extent that such ratio is greater than 80%.

Security. The 1977 Third Series Bonds and all other Bonds issued under the Corporation's General Insured Mortgage Program Bond Resolution will be secured by a pledge of the revenues to be derived from mortgage loans financed under its Insured Mortgage Program (net of service fees and subject to the payment of certain operating expenses of the Corporation). The Bonds will also be secured by a Capital Reserve Fund which is required to be maintained in an amount at least equal to 10% of all outstanding Bonds. The \$4,000,000 Capital Reserve Fund Requirement in respect of the 1977 Third Series Bonds will be provided through a loan from the Commissioner of Revenue of the State. In the event of a deficiency in the Capital Reserve Fund, the Chairman of the Corporation is required to certify to the Governor and State Legislature the amount required to restore such Fund to an amount equal to the Capital Reserve Fund Requirement. The Alaska Statutes authorize, but do not require, the Legislature to appropriate for such purpose the amount so certified.

All mortgage loans purchased from Insured Mortgage Program Bond proceeds must be insured by the Insurance Account of the State Mortgage Insurance Fund established pursuant to an agreement between the Corporation and the Commissioner of Commerce and Economic Development of the State. The capital of the Insurance Account is required to be maintained at an amount at least equal to 2% of the unpaid principal amount of mortgage loans insured thereby. In connection with the issuance of the 1977 Third Series Bonds, the State will deposit \$605,000 in the Insurance Account pursuant to an appropriation for Insurance Account purposes by the State Legislature and the Corporation will deposit \$175,000 in the Insurance Account from its unrestricted surplus funds, as more fully explained herein under "The Insured Mortgage Program". At July 31, 1977, cash and securities aggregating \$2,741,971 were held by National Bank of Alaska as custodian of the Insurance Account. In the event of a deficiency in the Insurance Account, the Commissioner of Commerce and Economic Development is required to certify such deficiency to the Corporation and, in the event the Corporation's unrestricted surplus funds are inadequate to restore the Insurance Account to its required level, to certify the remaining deficiency to the Governor and State Legislature. The Alaska Statutes authorize, but do not require, the Legislature to appropriate the amount so certified.

The Corporation has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or a pledge of its faith and credit or taxing power.

All mortgage loans financed pursuant to the Insured Mortgage Program are required to be insured by the State Mortgage Insurance Fund (the "Insurance Fund") in accordance with the terms of an agreement dated December 6, 1975, between the State acting by and through its Commissioner of Commerce and Economic Development and the Corporation (the "Agreement"). We have also examined the Agreement, which provides, among other things, for the establishment of a separate account within the Insurance Fund for the benefit of such mortgage loans and the method and manner of payments to be made with respect to losses incurred by the Corporation thereon.

We are of the opinion that:

1. Under the Constitution and laws of the State, the Corporation has been duly created and validly exists as a public corporation and government instrumentality, performing an essential public function with good, right and lawful authority, among other things, to carry out the Insured Mortgage Program, to provide sufficient funds therefor by the adoption of the Resolutions and the issuance and sale of Insured Mortgage Program Bonds, including the 1977 Third Series Bonds, and to perform its obligations under the terms and conditions of the Resolutions, including purchasing and making of the mortgage loans and collecting and enforcing the collection of Pledged Receipts and Recoveries of Principal as covenanted in the General Resolution.

2. The Resolutions have been duly adopted by the Corporation, are in full force and effect, and are valid and binding upon the Corporation and enforceable in accordance with their terms.

3. The 1977 Third Series Bonds have been duly authorized, sold and issued by the Corporation in accordance with the Resolutions and Constitution and laws of the State, including the Act, and pursuant to the Act are issued by a body corporate and public of the State for an essential public and governmental purpose.

4. Subject to agreements heretofore or hereafter made with the holders of any notes or other bonds of the Corporation pledging any particular revenues or assets not pledged under the General Resolution and the exclusion by the Act of a pledge of funds in the Housing Development Fund (as described in the Act), the 1977 Third Series Bonds are valid and legally binding general obligations of the Corporation for the payment of which, in accordance with their terms, the full faith and credit of the Corporation have been legally and validly pledged, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

5. The Insured Mortgage Program Bonds, including the 1977 Third Series Bonds, are secured by a pledge in the manner and to the extent set forth in the General Resolution. The General Resolution creates a valid pledge of and lien on the revenues, assets and funds of the Corporation, including (i) the proceeds of the sale of the 1977 Third Series Bonds, (ii) the Pledged Receipts and Recoveries of Principal as defined in the General Resolution, and (iii) all the Funds and Accounts established by the General Resolution (including the Capital Reserve Fund established for the Bonds pursuant to the Act) and moneys and securities therein, which the General Resolution purports to create, subject only to the provisions of the General Resolution permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the General Resolution.

6. Pursuant to the Resolutions, the Corporation has validly covenanted in the manner and to the extent provided in the General Resolution, among other things, to continue the Insured Mortgage Program with the proceeds of the 1977 Third Series Bonds, including the purchasing or making of mortgage loans subject to the requirements of the General Resolution with respect thereto, to do all such acts and things necessary to receive and collect the

\$5,000 or any whole multiple thereof. The 1977 Third Series Bonds are lettered and numbered as follows: coupon 1977 Third Series Bonds are lettered CC and registered 1977 Third Series Bonds are lettered CCR; the coupon and registered bonds are numbered separately from one consecutively upwards.

The 1977 Third Series Bonds maturing on December 1, 2007, are subject to redemption at any time by operation of the 1977 Third Series Special Redemption Account established pursuant to the Resolutions, in part, from

(a) unexpended 1977 Third Series Bond proceeds transferred, at the election of the Corporation, to the 1977 Third Series Special Redemption Account, and

(b) Prepayments or Default Payments (or Sale Payments received in respect of mortgage loans purchased from Prepayments or Default Payments) which are received in respect of mortgage loans credited to the 1977 Third Series Mortgage Loan Account, and transferred, at the election of the Corporation, to the 1977 Third Series Special Redemption Account

at 100% of the principal amount thereof, plus accrued interest to the date of redemption.

In the event of such partial redemption, the amount to be credited to the reduction of each Sinking Fund Payment shall be determined on a pro rata basis, unless otherwise directed by the Corporation.

In addition, pursuant to the Resolutions, the 1977 Third Series Bonds are subject to redemption as a whole or in part at the election of the Corporation otherwise than by operation of said Special Redemption Account on or after December 1, 1987, in any of the periods shown in the following table at the respective Redemption Prices (expressed as percentages of the principal amount of such 1977 Third Series Bonds to be so redeemed) set opposite such period as set forth below, in each case together with accrued interest to the date of redemption:

Period (Both Dates Inclusive)	Redemption Prices (Expressed as a Percentage)
December 1, 1987 to November 30, 1990	103%
December 1, 1990 to November 30, 1993	102
December 1, 1993 to November 30, 1996	101
December 1, 1996 and thereafter	100

In addition and subject to the provisions of the Resolutions permitting amounts to be credited toward a part or all of any one or more Sinking Fund Payments, the 1977 Third Series Bonds maturing on December 1, 2007 shall be subject to mandatory redemption in part by operation of the Principal Account through application of Sinking Fund Payments as provided in the Resolutions on any December 1 on or after December 1, 1993, in each case at a Redemption Price equal to the principal amount of the 1977 Third Series Bonds, or portions thereof to be so redeemed, together with accrued interest to the Redemption Date.

If less than all of the 1977 Third Series Bonds of a like maturity are to be redeemed, the particular 1977 Third Series Bonds to be redeemed shall be selected by lot as provided in the General Resolution.

The Corporation is authorized to issue Insured Mortgage Program Bonds, in addition to the 1977 Third Series Bonds, upon the terms and conditions set forth in the General Resolution and such Bonds, when issued, shall with the 1977 Third Series Bonds and with all other such Bonds theretofore issued be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

OFFICIAL STATEMENT

\$40,000,000

ALASKA HOUSING FINANCE CORPORATION

Insured Mortgage Program Bonds, 1977 Third Series

The purpose of this Official Statement is to set forth certain information concerning the Alaska Housing Finance Corporation (the "Corporation") in connection with the proposed sale of its Insured Mortgage Program Bonds, 1977 Third Series (the "1977 Third Series Bonds"). Information contained on the cover and in the preceding Summary Statement is part of this Official Statement. All capitalized terms used in this Official Statement, except as otherwise defined herein, have the same meanings as in the General Insured Mortgage Program Bond Resolution adopted by the Corporation on December 6, 1975 (the "Resolution") authorizing the issuance of Insured Mortgage Program Bonds of the Corporation.

The 1977 Third Series Bonds are authorized to be issued pursuant to Chapter 56 of Title 18 of the Alaska Statutes (which Chapter as amended to the date of adoption of the Resolution is hereinafter called the "Act"), the Resolution and the 1977 Third Series Supplemental Resolution adopted by the Corporation on September 29, 1977 (the "Supplemental Resolution"). The 1977 Third Series Bonds, together with all other Insured Mortgage Program Bonds issued under the Resolution on a parity therewith, are herein called "Bonds". All other bonds of the Corporation are called "bonds".

THE CORPORATION

The Corporation was created by the Alaska Legislature in 1971 as a public corporation and government instrumentality of the State. To effectuate the purpose of increasing the supply of decent, safe and sanitary housing for persons of lower and moderate income and promoting the economic growth of remote, underdeveloped and blighted areas, the Corporation was authorized to make construction and permanent residential mortgage loans and to purchase permanent residential mortgage loans and to issue bonds and notes. The Corporation's existence may not be terminated as long as it has bonds or notes outstanding.

The Act requires the Corporation, in determining the eligibility for assistance of persons of lower and moderate income, to take into consideration such factors as the amount of income available for housing needs, size of family, ability to compete successfully in the home mortgage market, cost and condition of housing available and income standards established for federal housing programs. In determining the location within the State of remote, underdeveloped or blighted areas, the Corporation is required by the Act to consider such factors as the population, resources and environment of the area, the present availability and condition of residential housing, the cost of construction and rehabilitation of residential housing in the area, the availability of federal or State sponsored programs to facilitate the development of residential housing in the area and the ability of area residents to finance the purchase or rental of residential housing on terms comparable to those in effect elsewhere in the State.

Since its establishment the Corporation's activities have involved, under its "Housing Mortgage Program", the purchase from lending institutions of mortgage loans which were primarily federally insured or guaranteed. The Corporation may continue to issue bonds and notes for such program as well as to issue Bonds and notes to provide funds for the Insured Mortgage Program described herein. Implementing an amendment to the Act which became effective on

June 18, 1975, the Corporation established the Insured Mortgage Program providing for the purchase of mortgage loans which are not required to be federally insured or guaranteed but which must be the subject of a Mortgage Insurance Agreement with the Commissioner of Commerce and Economic Development of the State and must meet certain other criteria, all as hereinafter described.

The Corporation is governed by a Board of Directors, consisting of the Commissioner of Commerce and Economic Development of the State and six additional members appointed by the Governor. The powers of the Corporation are vested in and exercised by a majority of its Board of Directors then in office, who may delegate to one or more of its directors, officers, agents and employees such powers and duties as they may deem proper. On May 12, 1977, Elma L. Johnson, Finance Officer of the Corporation since its inception, became Acting Executive Director following the resignation of the Executive Director. The Corporation's directors and principal staff officer are as follows:

Directors

Richard T. Hall, Chairman, Anchorage
Senior Vice-President, National Bank of Alaska

H. Phillip Hubbard, Juneau
Commissioner of Commerce and Economic Development of the State

Carolyn G. Bushey, Fairbanks
Housewife

Robert L. Carnahan, Anchorage
Vice-President, Alaska Constructors, Inc.

Perry R. Eaton, Anchorage
Vice-President, United Bank Alaska

Charles W. Guinn, Bethel
Owner of hardware and lumber company

Franklin C. Roppel, Ketchikan
Sawmills Coordinator, Louisiana-Pacific Corporation (Ketchikan Division)

Officer

Elma L. Johnson, Anchorage
Acting Executive Director and Finance Officer

The Corporation's office is located at Suite 100, Plaza 201 East 3rd Avenue, Anchorage, Alaska (Tel. No. 907-274-4621). The Corporation's postal address is P.O. Box 1020, Anchorage, Alaska 99510.

Upon the delivery of the Insured Mortgage Program Bonds, 1977 Third Series, of the Alaska Housing Finance Corporation, Wohlforth & Flint proposes to issue an approving opinion in substantially the following form:

ALASKA HOUSING FINANCE CORPORATION
Plaza 201 East 3rd Avenue
Anchorage, Alaska 99501

Dear Sirs:

We have examined the Constitution and laws of the State of Alaska (herein called the "State") and a record of proceedings relating to the issuance of \$40,000,000 aggregate principal amount of Insured Mortgage Program Bonds, 1977 Third Series (herein called the "1977 Third Series Bonds") of the Alaska Housing Finance Corporation (herein called the "Corporation"), a public corporation and government instrumentality of the State created by and pursuant to Chapter 56 of Title 18, Alaska Statutes, as amended (herein called the "Act"), and organized and existing under the Act and the laws of the State.

The 1977 Third Series Bonds are authorized to be issued pursuant to the Act and the General Insured Mortgage Program Bond Resolution of the Corporation adopted December 6, 1975 (herein called the "General Resolution"), and are issued pursuant to a supplemental resolution adopted September 29, 1977 (herein together with the General Resolution called the "Resolutions"). Insured Mortgage Program Bonds, including the 1977 Third Series Bonds, are authorized to be issued for the purpose of providing funds to carry out the Insured Mortgage Program as described in the General Resolution. The Insured Mortgage Program includes, among other things, the making or purchasing or participating in the making or purchasing of mortgage loans for the purpose of increasing the supply of housing in the State for persons of lower and moderate income or promoting the economic growth of remote, underdeveloped or blighted areas of the State.

The 1977 Third Series Bonds will mature on December 1 of the years, in the principal amounts, and will bear interest at the respective rates per annum, as follows:

Maturity	Principal Amounts	Interest Rates	Maturity	Principal Amounts	Interest Rates
1978	\$450,000	6.50%	1986	\$ 900,000	5.10%
1979	550,000	6.50	1987	950,000	5.20
1980	600,000	6.50	1988	1,000,000	5.30
1981	650,000	6.50	1989	1,050,000	5.40
1982	675,000	6.50	1990	1,100,000	5.50
1983	750,000	4.85	1991	1,200,000	5.55
1984	800,000	5.00	1992	1,225,000	5.60
1985	850,000	5.05	2007	27,250,000	6.125

The 1977 Third Series Bonds are dated October 1, 1977, except as provided in the Resolutions with respect to registered 1977 Third Series Bonds. Interest on the 1977 Third Series Bonds is payable on June 1, 1978, and semi-annually thereafter on December 1 and June 1 in each year. Coupon and registered 1977 Third Series Bonds are interchangeable upon the terms and conditions set forth in the Resolutions. The 1977 Third Series Bonds are in the form of coupon bonds in denominations of \$5,000 or in registered form without interest coupons in denominations of

annual rental payments of approximately \$44,000. The Corporation is also obligated for a pro-rata portion of any increase in property taxes paid by the lessor.

PRIOR FINANCINGS

The Housing Mortgage Bond Program

The Corporation presently has outstanding \$106,685,000 principal amount of Housing Mortgage Bonds issued pursuant to its General Housing Mortgage Bond Resolution, adopted October 18, 1972. The Corporation's Housing Mortgage Bonds were secured at July 31, 1977, by (i) a portfolio of mortgage loans having an aggregate unpaid principal balance of \$103,534,255, (ii) other investments and cash aggregating \$6,066,374 and (iii) a Special Pledged Fund held by the Commissioner of Revenue of Alaska consisting of federally insured or guaranteed mortgage loans, other investments and cash aggregating \$20,867,428. These assets of the Corporation secure the Housing Mortgage Bonds issued pursuant to the Corporation's Housing Mortgage Program and will not afford any security for the 1977 Third Series Bonds or any other Insured Mortgage Program Bonds issued pursuant to the Insured Mortgage Program.

Notes

Bond anticipation notes in the aggregate amount of \$160,000,000 have previously been issued by the Corporation and paid at maturity. On February 23, 1977, the Corporation issued \$25,000,000 Mortgage Program Notes, 1977 First Series (the "1977 First Series Notes"), due March 14, 1978 and bearing interest at 3.83% per annum. A portion of the proceeds of the 1977 First Series Notes was used to provide funds to pay the Corporation's \$10,000,000 Mortgage Purchase Program Notes, 1976 First Series, due March 14, 1977. The balance of such proceeds was deposited in a Note Account used to accumulate mortgage loans which may be permanently financed under either the Housing Mortgage Program or the Insured Mortgage Program. At July 31, 1977, mortgage loans aggregating \$14,561,300, were held in the Note Account. Upon the issuance of the 1977 Third Series Bonds and other future series of bonds, bond proceeds equal to the unamortized principal balance of the mortgage loans held in the Note Account, plus accrued interest, will be deposited in the Note Account in exchange for the conveyance of the mortgage loans held in the Note Account. Moneys so deposited may be re-employed to accumulate additional mortgage loans in anticipation of permanent financing under the Corporation's bond programs. As the 1977 First Series Notes are retired, the Corporation expects to issue new notes for the continuation of the note-bond cycle.

In order to afford additional security for the holders of the 1977 First Series Notes, the Corporation entered into an agreement with the Commissioner of Revenue of the State which provides that in the event the Corporation shall not have sold bonds or renewal notes in an amount sufficient to pay the 1977 First Series Notes at maturity, the Commissioner will purchase such amount of mortgage loans at a price equal to the then unamortized principal balance thereof and interest accrued thereon as, when taken with other moneys of the Corporation available therefor (including any unrestricted funds of the Corporation), will be sufficient to pay the principal of and interest on such Notes at maturity. The Commissioner's obligation is subject only to the existence of surplus funds in the State Treasury sufficient at the time of such purchase to permit the State to meet its then current expenditure needs and to pay the aforesaid purchase price.

Housing Development Fund

Housing Development Fund Notes in the aggregate amount of \$9,150,000 have been issued by the Corporation to the Commissioner of Revenue of the State and proceeds thereof have been deposited in the Housing Development Fund for the purpose of financing a 98-unit housing project in Juneau and providing single-family mortgage loans in remote areas of the State. The outstanding balance of Housing Development Fund Notes at July 31, 1977, was \$6,876,374. No portion of the proceeds of sale of Bonds or revenues pledged under the Resolution will be deposited in the Housing Development Fund and amounts therein are expressly excluded by the Act from any pledge by the Corporation to the payment of the Bonds.

THE INSURED MORTGAGE PROGRAM

General

The Resolution authorizes Bonds to be issued only to provide funds for the Corporation's Insured Mortgage Program. The Insured Mortgage Program involves the purchasing of permanent mortgage loans for owner-occupied residential housing (which may include co-operative housing or condominiums) for occupancy by one to six families, the owner-occupant of which must be a person of lower or moderate income or a person residing in a remote, underdeveloped or blighted area of the State. Such mortgage loans are required to be insured by the State Mortgage Insurance Fund on the terms and conditions described below under "The State Mortgage Insurance Fund" and elsewhere herein. The Insured Mortgage Program permits the Corporation to purchase permanent mortgage loans for completed residential housing only and not to finance the construction of such housing.

The portfolio of mortgage loans which will afford security for the \$172,980,000 Insured Mortgage Program Bonds to be outstanding following the issuance of the 1977 Third Series Bonds is expected to be concentrated primarily in the greater Anchorage area, the business and population center of the State. Anchorage has recently experienced a rapid growth in population, creating a demand which exceeds the availability of new residential housing for persons of lower and moderate income. The Corporation believes that its Insured Mortgage Program is helping to meet this demand. The base annual income eligibility limit established by the Corporation for a family of four in the greater Anchorage area is \$31,270, subject to various adjustments. The maximum mortgage loan eligible for purchase in the greater Anchorage area by the Corporation is \$65,000.

The State Mortgage Insurance Fund

The State Mortgage Insurance Fund (the "Insurance Fund") created by the Act is held by the Commissioner of Revenue of the State and administered by the Commissioner of Commerce and Economic Development and the Corporation. The Insurance Fund currently consists of an account (the "Insurance Account") which was created under a Mortgage Insurance Agreement dated December 6, 1975 (the "Agreement"), between the Corporation and the Commissioner of Commerce and Economic Development for the purpose of insuring the Corporation against losses on mortgage loans purchased and held pursuant to the Resolution. The Resolution requires that all such mortgage loans must be insured by the Insurance Account and no other mortgage loans may be insured thereby. All losses incurred by the Corporation as a result of defaults on mortgage loans not otherwise reimbursed will, to the extent of amounts on deposit therein, be payable from the Insurance Account. Administration of the Insurance Account has been delegated by the Commissioner of Commerce and Economic Development to the Corporation. The Insurance Account is invested by National Bank of Alaska pursuant to a Custody and Investment Agreement with the Commissioner of Revenue and the Corporation which is subject in all respects to the terms of the Agreement. At July 31, 1977, National Bank of Alaska held cash and securities aggregating \$2,741,971 in the Insurance Account. For additional information concerning receipts, disbursements and assets held by the Insurance Account, see Note 6 to the Corporation's Financial Statements attached as Exhibit A to this Official Statement.

In order to meet the requirement that the capital in the Insurance Account equal at least 2% of the amount of mortgage loans insured thereby, the Insurance Account was initially funded

The Fund is held in trust by a commercial banking institution pursuant to a custody agreement entered into by the State of Alaska and administered by the management of the Corporation. A summary of the Fund's activity from inception in December, 1974 through May, 1977 follows:

Cash receipts:

Contribution from -	\$	
State of Alaska		959,400
Alaska Housing Finance Corporation		600,000
		1,559,400

Mortgage insurance premiums (through January, 1977)	219,346
Interest on investments	23,159
	1,801,905

Cash disbursements:

Security transaction fees	(160)
Receipts in excess of disbursements	\$1,801,745

Assets held in trust:

Investments	\$1,695,112
Cash in savings	106,633
	\$1,801,745

As shown above, the Corporation formerly charged an insurance premium equal to 1/2% of the principal amount on each conventional mortgage loan financed under the program. This charge was discontinued January 24, 1977.

NOTE 7 - COMMITMENTS:

At May 31, 1977 the Corporation had commitments to purchase first mortgage loans of approximately \$41,485,000. Accordingly, on July 12, 1977, the Corporation issued \$48,000,000 in Insured Mortgage Bonds, 1977 Second Series. In connection with that offering, the capital requirement of the State Mortgage Insurance Fund (see Note 6) was funded by a payment of \$935,600 by the State of Alaska.

The Corporation leases its office facilities and certain equipment for periods expiring between July, 1978 and October, 1980 with

mortgages. Further, the Board provided an additional appropriation from fund balances equivalent to 1/4 of 1% on mortgages then existing without private mortgage insurance. It also assigned one-half of any future commitment fees (1/2% of mortgage balance) on conventional mortgages, other than those held in the Insured Mortgage Bond Fund, to this reserve along with any earnings from the segregated assets. At May 31, 1977 and November 30, 1976, the segregated assets consisted solely of savings accounts amounting to \$184,451 and \$330,696, respectively.

The foregoing represents a restriction of fund balance rather than a reserve to which loan losses may be charged. All loan losses are charged against operations as more fully described at Note 1.

NOTE 6 - STATE MORTGAGE INSURANCE FUND:

In connection with the establishment of the Insured Mortgage Program described at Note 3, an Insurance Fund of the State of Alaska (the Fund) was created for the exclusive purpose of insuring the acquired mortgages. Mortgage loans which may be insured under the program must either have a loan to value ratio of less than 80% or be the subject of insurance or guarantee by the FHA, VA or other federal agency or by private mortgage insurance to the extent that such ratio is greater than 80%. The capital of the fund is required to be maintained at an amount equal to the greater of 2% of the unpaid principal amount of all acquired mortgages or a percentage which the Corporation and the State agree is actuarially sound for operation of the Fund. In this regard, the initial capital requirements associated with the 1975 through 1977 First Series Bonds were required by the State to be partially funded by contributions from the Corporation Operating Fund. The Corporation has considered these initial contributions to be permanent costs of initiating the program and has charged such amounts against operations; it is expected that subsequent contributions (if required) will be capitalized since the ongoing nature of the program is expected to produce a probable likelihood of return. Such return is, however, limited to amounts in excess of the capital requirement described previously and contingent upon that requirement having been continuously met for two consecutive fiscal years preceeding the withdrawal.

by a deposit of \$100,000 from the Corporation's unrestricted surplus funds in connection with the issuance of \$5,000,000 1975 First Series Bonds. The capital requirement of the Insurance Account in respect of subsequent series of Bonds has been funded by payments from the State aggregating \$1,895,000 pursuant to appropriations by the State Legislature for Insurance Account purposes and from contributions from the Corporation aggregating \$500,000. The capital requirement of the Insurance Account in respect of the 1977 Third Series Bonds will be funded by a payment from the State of \$605,000, the amount remaining available under a \$2,000,000 appropriation by the State on March 30, 1977, and by a payment from the unrestricted surplus funds of the Corporation of \$175,000. In order to sustain its Insured Mortgage Program at its current level through March 1978, the Corporation anticipates funding the Insurance Account from its unrestricted surplus funds in the amount of an additional \$825,000. Possible reimbursement of this amount and any further increase in the Insurance Account will depend upon future appropriations by the Legislature.

Each mortgage loan which is insured by the Insurance Account must either (1) have a loan to value ratio (the ratio of the loan to the appraised value of the property) at the time of insurance of less than 80% or (2) to the extent that the loan to value ratio is greater than 80%, be the subject of private mortgage insurance or federal insurance or guarantee, the benefits of which are payable before any loss on such mortgage loan is payable from the Insurance Account. The practice of the Corporation, however, in cases where the loan to value ratio of a mortgage loan is 80% or higher is to require that such mortgage loan be the subject of private mortgage insurance in an amount equal to 20% or 25% of such mortgage loan or be the subject of Federal insurance or guaranty.

In general, the Agreement requires that the capital of the Insurance Account must at all times be at least equal to 2% of the unpaid principal amount of all mortgage loans insured thereunder. The capital of the Insurance Account will be increased each year by income to the Insurance Account consisting of the earned portion of insurance premiums, if any, and investment income in excess of losses to the Insurance Account and will be decreased by any net losses. The Agreement requires that the Insurance Account be administered so that the income each year is in an amount at least equal to the claims against the Insurance Account for losses on mortgage loans in such year. If such requirement is not met in any year, the Agreement requires that either future insurance premiums be increased* or the capital of the Insurance Account be increased (as described below) to provide additional investment income, or both, so that income to the Insurance Account in future years will be at least equal to the expected losses in each such future year. In the event it becomes necessary to increase the capital of the Insurance Account, the Corporation has agreed to transfer to the Insurance Account unrestricted surplus funds to the extent available, and the Commissioner of Commerce and Economic Development has agreed, in the event such funds are insufficient, to certify any remaining deficiency to the Governor and State Legislature. The Act authorizes, but does not require, the State Legislature to appropriate such amounts for deposit in the Insurance Fund.

When the capital of the Insurance Account has been equal to or in excess of its requirements at all times for a two-year period, the amount of any excess may be withdrawn to the extent that

* The Corporation initially charged an insurance premium equal to 1/2% of the principal amount of each conventional mortgage loan financed under the Insured Mortgage Program. On January 24, 1977, in light of the absence of any claims against the Insurance Account, the Corporation discontinued charging an insurance premium. In the event the Insurance Account should be adversely affected by losses, the Corporation will consider re-establishing such a premium charge.

such withdrawals represent reimbursement to the Corporation for contributions to the capital of the Account which have not been reimbursed by previous withdrawals. In addition, whenever capital exceeds the capital requirement as a result of net income to the Insurance Account or the reduction of principal of mortgage loans insured thereby through the repayment of such mortgage loans, such excess may be credited toward meeting the capital requirement with respect to the insurance of additional mortgage loans.

Under the Act and the Agreement, the Corporation with the approval of the Commissioner of Commerce and Economic Development must determine, at least annually, the capital requirement necessary for the Insurance Account to operate on an "actuarially sound" basis, but such amount may not be less than 2% of the unpaid principal amount of mortgage loans insured thereby. In making such determination, the Act requires that various factors be considered, including estimates of defaults and losses on mortgage loans and recoveries in the event of default on the basis of actual experience on the loans insured or on similar loans in Alaska or elsewhere, and estimated investment income of the Insurance Account. In addition, as described above, the Agreement requires that the Insurance Account be administered so that its income is at least equal to its payments for losses in each year.

The Corporation did not engage independent actuarial or mortgage loan consultants to determine the optimum size of an insurance reserve. The Corporation believes that the amount required to be deposited in the Insurance Account in respect of mortgage loans to be insured thereby, together with investment income, will continue to be adequate, in the light of historic mortgage loan foreclosure and loss experience in Alaska, the original loan to value ratio and other mortgage insurance on such mortgage loans, to cover losses to the Corporation which may reasonably be expected to occur with respect to such mortgage loans. However, there can be no assurance that such amounts as may be in the Insurance Account will be adequate for the purposes intended. In the event of a deficiency in the Insurance Account, there can be no assurance that the Corporation will have available the necessary unrestricted surplus funds to make up such deficiency or that the State will appropriate any deficiency certified to it under the Act.

For more detailed information with respect to the provisions governing the administration of the Insurance Account and the source of unrestricted surplus funds of the Corporation to restore the Insurance Account in the event of a deficiency, see "Summary of Certain Provisions of the Mortgage Insurance Agreement".

Mortgage Loan Portfolio

The Corporation expects to hold a mortgage loan portfolio under its Insured Mortgage Program consisting of mortgage loans presently held in, or currently being purchased for, the various Mortgage Loan Accounts for previous Series of Bonds and mortgage loans to be purchased from proceeds of the 1977 Third Series Bonds for deposit in the 1977 Third Series Mortgage Loan Account. The payments of principal and interest from all mortgage loans comprising such portfolio will be pledged, together with amounts held in the Capital Reserve Fund and certain other cash and investments, to pay the principal or Redemption Price, if any, of and interest on the \$172,980,000 Bonds to be outstanding with the issuance of the 1977 Third Series Bonds. The Insured Mortgage Program mortgage loan portfolio is segregated and held by the Corporation apart from all other mortgage loans held in connection with its other

NOTE 4 - NOTES PAYABLE TO THE STATE OF ALASKA:

As part of the Corporation's Housing Development Fund programs, it entered into agreements with the State of Alaska and Alaska State Housing Authority, whereby the Corporation borrowed \$3,900,000 from the State for a term of 36 years at an annual interest rate of 3% which is collateralized by a deed of trust note receivable from the Authority. Concurrently, funds were loaned by the Corporation to the Authority for a term of 36 years at an annual interest rate of 3% for the construction of an apartment building in Juneau, Alaska. There is an additional note payable to the State of Alaska under the Housing Development Fund programs in the amount of \$3,031,871 bearing interest at 6% which matures in 2014 and is renewable at the option of the Commissioner of Revenue. Principal reductions are required on these notes until maturity in an amount equal to the principal portion of the loan payments on the mortgage loans assigned as security for the notes.

Under the Insured Mortgage Bond Program, the Corporation is required to maintain a Capital Reserve Fund equal to 10% of the outstanding balance of Insured Mortgage Bonds. In order to fulfill a portion of the requirement, the Corporation borrowed from the State as follows:

Balances at May 31, 1977

1975 First Series	\$ 498,000
1977 First Series	<u>3,500,000</u>
Total	<u>\$3,998,000</u>

The interest rate on the loans is equal to earnings on the proceeds of such loans deposited in the Capital Reserve Fund with principal reductions pro-rata to those required for the Insured Mortgage Bonds relating to such loans. No significant principal reduction is required in the forthcoming year.

NOTE 5 - RESTRICTED FUND BALANCE:

During 1974, the Board of Directors set aside \$100,000 of its assets arising from accumulated earnings and designated this restriction as a reserve for possible mortgage loan losses on conventional

any losses that might be incurred in the event of a sale of mortgage loans to retire the 1976 First Series Notes or substitute obligation. This arrangement expired upon payment of the notes at their maturity.

The following sources are available and pledged for the payment of Housing Mortgage Bond principal and interest: (1) the proceeds derived from the sale of such bonds, (2) the repayments from all mortgage loans financed under the program net of service fees and operating expenses of the Corporation, (3) all monies and securities of the Reserve Fund held by the Trustee (\$1,409,972 and \$1,400,227 at May 31, 1977 and November 30, 1976, respectively), and (4) a Special Pledged Fund (approximately \$20,617,000 and \$21,870,000 at May 31, 1977 and November 30, 1976, respectively) consisting of first mortgage loans, permitted investments and cash held by the Commissioner of Revenue for the State of Alaska. This latter fund is not reflected in the accompanying financial statements.

The following sources are available and pledged for the payment of Insured Mortgage Bond principal and interest: (1) the repayments from all mortgage loans financed under the program net of service fees and operating expenses of the Corporation, and (2) all monies and securities of the Capital Reserve Fund held by the Trustee (\$8,505,644 of principally short-term investments, at May 31, 1977). This latter fund is required to be maintained at an amount equal to 10% of the outstanding balance of Insured Mortgage bonds.

The remaining debt service payments on bonds outstanding at May 31, 1977 are as follows:

<u>During Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 30, 1978	\$ 1,850,000	\$ 10,945,375	\$ 12,795,375
November 30, 1979	1,985,000	10,657,662	12,642,662
November 30, 1980	2,135,000	10,506,424	12,641,424
November 30, 1981	2,295,000	10,348,088	12,643,088
November 30, 1982	2,465,000	10,179,215	12,644,215
	<u>10,730,000</u>	<u>52,636,764</u>	<u>63,366,764</u>
Thereafter	180,935,000	201,915,029	382,850,029
	<u>\$191,665,000</u>	<u>\$254,551,793</u>	<u>\$446,216,793</u>

The bonds are subject to certain early redemption provisions at the option of the Corporation.

programs. Such Bonds are expected to be secured by a portfolio of mortgage loans which at July 31, 1977, were held or will be obtained from the sources outlined below:

Pro Forma Insured Mortgage Program Portfolio

	<u>Type</u>	<u>Number</u>	<u>Unamortized Principal Balance</u>
Mortgage loans held in Mortgage Loan Accounts for previous Series of Bonds:	<u>Conventional*</u>		
	9.50%	92	\$ 4,807,291
	9.25	124	6,814,843
	9.00	219	11,322,675
	8.75	454	24,410,353
	8.25	335	18,925,446**
	7.75	590	33,656,350**
	7.00	44	1,475,409
		<u>1,858</u>	<u>101,012,367</u>
	<u>FHA/VA</u>		
	9.00%	4	224,379
	8.75	25	1,312,974
	8.50	109	6,106,057
	8.00	22	1,241,500**
	7.75	150	8,734,822
	7.50	68	3,848,743**
		<u>378</u>	<u>21,468,485</u>
Mortgage loans to be held in Mortgage Loan Account for 1977 Third Series Bonds***:		661	39,000,000
Total pro forma portfolio:		<u>2,897</u>	<u>162,380,852</u>

* Includes mortgage loans which are subject, in part, to private mortgage insurance.

** Includes \$23,075,955 mortgage loans to be purchased prior to November 1, 1977, from commitments outstanding on July 31, 1977.

*** Mortgage loans to be purchased with proceeds of the 1977 Third Series Bonds will be selected from all or any part of the following sources: loans held in the Note Account as of July 31, 1977 (8.00-9.25%)—\$14,561,300; remaining commitments outstanding as of July 31, 1977 (7.75-9.25%)—\$14,938,295; commitments made after July 31, 1977 (7.00-8.00%)—undetermined amount.

In the future, in addition to the purchase of mortgage loans with proceeds of 1977 Third Series Bonds as discussed above, mortgage loans may be purchased by the Corporation for its Insured Mortgage Program from moneys available under the Resolution from the sale of additional Bonds, Prepayments, condemnation or insurance proceeds, and the proceeds of the sale or other disposition of mortgage loans previously purchased and owned by the Corporation pursuant to the Resolution.

Commitments to purchase mortgage loans are made in writing by the Corporation to originating lending institutions and require a closing within 90 to 120 days of the effective date of the commitment letter. With respect to all mortgage loans, the Corporation presently collects a 1/2% commitment fee which is credited to its general funds and not pledged under the Resolution. If a mortgage loan is not purchased due to a failure to meet the Corporation's closing conditions, one-half of the commitment fee is non-refundable; the balance of the fee may be applied against the fee required in respect of future commitments. The interest rate on mortgage loans which the Corporation commits to purchase is adjusted periodically to reflect the Corporation's borrowing costs, changes in conventional mortgage lending rates, yield limitations required by applicable U.S. Treasury regulations and public policy considerations.

Prepayments of Mortgage Loans

All mortgage loans expected to be purchased under the Insured Mortgage Program will be subject to prepayment at any time without penalty or charge. The maturity schedule of the 1977 Third Series Bonds (after giving effect to the mandatory redemption of Term Bonds) has been based on the original repayment schedules of mortgage loans expected to be purchased from the proceeds of such Bonds. It is likely that a significant portion of such mortgage loans will be paid in advance of their scheduled maturities. Amounts received as Prepayments of mortgage loans may be invested in investment securities or used to purchase additional mortgage loans which, in general, are required by the Resolution to have scheduled monthly payments at least as great as and maturing not earlier than the original prepaid mortgage loans or which will provide sufficient monthly payments, together with other revenues estimated to be available to the Corporation, to pay principal and interest on the Bonds when due. The provisions of the Resolution and the Supplemental Resolution also permit Prepayments, or Sale Payments received in respect of mortgage loans purchased from Prepayments, to be applied to the redemption at par of 1977 Third Series Term Bonds at any time.

Servicing Arrangements

In purchasing a mortgage loan, the Corporation requires the originating institution to furnish to the Corporation (i) the mortgage note, (ii) the mortgage deed of trust, (iii) an assignment of the mortgage deed of trust, (iv) the mortgage insurance certificate, if applicable, (v) a title insurance policy in an amount equal to the unpaid principal due on the mortgage, (vi) evidence that all taxes, assessments and water and sewage charges have been duly paid and (vii) a hazard insurance policy in an amount equal to the unpaid principal due on the mortgage or the full insurable value of the improvements, whichever is less. The originating institution continues servicing the mortgage loan for a service fee, which is currently a monthly charge at an annual rate of $\frac{3}{8}$ of 1% of the unpaid principal due on such mortgage loan. Federal National Mortgage Association standards for servicing institutions have been adopted by the Corporation. The servicer is required to inspect and arrange for an appraisal of the mortgaged property, maintain required records, collect payments of principal and interest on the mortgage loan and render to the Corporation an accounting of funds collected. The servicing of a mortgage loan includes the responsibility for foreclosure, but not the bearing of any expenses thereof. The servicer is expected to encourage the curing of any default in scheduled mortgage payments, and from scheduled mortgage payments to pay taxes, assessments, levies and charges, and premiums for hazard insurance and mortgage insurance, at such times as the same may become due.

Upon receipt of the regularly scheduled mortgage payments on mortgage loans held by the Corporation pursuant to the Resolution, the servicers are required to deposit that portion of such payments representing the principal payment due on such mortgage loans and the interest thereon less their service fee with a depository bank or banks to be held in escrow for the Trustee. The balance of such payments, representing payments for such items as property taxes and mortgage insurance, are retained by the servicer and applied as necessary. Each month, mortgage loan receipts are forwarded to the Trustee to be held in a common fund created under the Resolution and known as the Revenue Fund. Moneys within the Revenue Fund are transferred on a monthly basis to the various Funds and Accounts established by the Resolution in the manner described under "Summary of Certain Provisions of the Resolution—Revenue Fund".

Commencing in March 1977, the Corporation revised its system for monitoring monthly servicer reports. The system is designed to reflect the timeliness of reporting and remittances of mortgage payments by servicers to the Corporation. The Corporation reviews the individual servicer reports to ascertain the extent of mortgagor payment delays and servicer processing delays in order to determine the appropriate corrective action, if any, to be taken by the Corporation or the servicer. Under the revised monitoring system, a servicer will be subject to special review when its monthly reports for two consecutive months show delinquency rates more than 1.50 times the average rates for the servicer group as a whole.

	Original Amount (in 000's)	Bonds Outstanding (cont'd)	
		May 31, 1977	November 30, 1976
1976 Second Series, 5.4%-8.0%, maturing serially in annual amounts varying from \$200,000 to \$390,000 from December 1, 1977 through 1986, and \$2,580,000 and \$19,575,000 in term bonds due December 1, 1991 and 2006, re- spectively, net of unamortized discount of \$433,863 and \$444,061	25,000	24,566,137	24,555,939
1977 First Series, 5.35%- 6.625%, maturing serially in annual amounts varying from \$450,000 to \$960,000 from December 1, 1978 to 1992, and \$24,920,000 in term bonds due December 1, 2007, net of un- amortized discount of of \$676,250	35,000	34,323,750	
Subtotal	85,000	83,528,658	49,212,861
	<u>\$194,500</u>	<u>\$189,872,800</u>	<u>\$156,898,001</u>

The principal security for the Corporation's outstanding mortgage program notes is the mortgages and investments purchased from note proceeds, including earnings thereon. In order to provide additional protection to holders of the 1977 First Series Notes maturing March 14, 1978, the Corporation entered into an agreement with the State of Alaska which provides that the State will purchase a sufficient amount of mortgages to retire the notes at maturity if other financing is not obtainable and the Corporation's unrestricted funds are insufficient for such purpose.

At November 30, 1976, the Corporation had set aside \$1,000,000 of its Operating Fund balance in a special reserve to be used to pay

Bonds Outstanding (cont'd)

	Original Amount (in 000's)	Bonds Outstanding (cont'd)	
		May 31, 1977	November 30, 1976
1975 Series B, 6.5%-7.75%, maturing serially in annual amounts varying from \$130,000 to \$470,000 from December 1, 1977 through 1995, and \$6,740,000 in term bonds due December 1, 2005, net of unamortized discount of \$216,736 and \$222,509	12,000	11,663,264	11,777,491
Subtotal	109,500	106,344,142	107,685,140
<u>Insured Mortgage Program:</u>			
1975 First Series, 7.9%-9.0%, maturing serially in annual amounts varying from \$40,000 to \$120,000 from December 1, 1977 through 1990, and \$3,945,000 in term bonds due December 1, 2005, net of unamortized discount of \$46,508 and \$47,669	5,000	4,933,492	4,952,331
1976 First Series, 6.5%-8.0%, maturing serially in annual amounts varying from \$165,000 to \$325,000 from December 1, 1977 through 1986, and \$2,250,000 and \$15,380,000 in term bonds due December 1, 1991 and 2006, respectively, net of unamortized discount of \$294,721 and \$295,409	20,000	19,705,279	19,704,591

DELINQUENCY EXPERIENCE OF THE CORPORATION

The table immediately below summarizes the Corporation's delinquency experience at the dates indicated in respect of all Corporation mortgage loans secured by one to six family dwellings, regardless of the Program under which such loans were acquired.

Date*	Percent of Mortgage Loans with Installments Past Due				Percent of Mortgage Loans in Foreclosure**
	Total	50 Days	80 Days	110 or More Days	
January 20, 1977 .	2.88	1.50	.69	.69	.69
April 20, 1977	2.71	1.33	.49	.89	.89
July 20, 1977	3.12	1.62	.48	1.02	1.02

*Dates are approximate due to minor variations in the cut-off dates of the servicer reports from which the Corporation has extracted the above data

**The loans in foreclosure are the same mortgage loans shown as having installments 110 days or more past due.

The following table, which shows the delinquency experience of commercial mortgage lenders in Alaska and in the United States generally with respect to one to four family mortgage loans, has been extracted from the latest available National Delinquency Survey, published by the Mortgage Bankers Association of America ("MBA"), for the quarter ending June 30, 1977. Although the categories of past due installments in the table above are not directly comparable to the figures in the table set forth below, the MBA delinquency statistics have been included herein since they present relevant ranges of delinquency rates on one to four family mortgage loans in Alaska and in the United States which may provide some comparative basis for evaluating the delinquency experience of the Corporation. It should be noted that delinquency statistics in general are subject to significant seasonal fluctuations and, accordingly, statistics relating to different quarterly periods may not be comparable.

	Percent of Mortgage Loans with Installments Past Due at June 30, 1977*				Percent of Mortgage Loans in Foreclosure
	Total	1 Mo.	2 Mo.	3 or More Mos.	
Alaska**	3.22	2.44	.45	.33	.12
USA**	4.35	3.15	.71	.49	.40

* A loan is considered one month delinquent if the June 1 installment has not been paid by June 30. A loan is two months delinquent if the May 1 installment is unpaid as of June 30, etc.

** Source: National Delinquency Survey, Data for June 30, 1977, prepared by the Economics and Research Department of the Mortgage Bankers Association of America.

In evaluating the delinquency experience reflected in the tables shown above, it should be noted that a preponderance of the mortgage loans currently held by the Corporation are FHA-insured or VA-guaranteed mortgage loans. Paralleling the data reflected in the MBA's National Delinquency Survey, the delinquency experience of the conventional mortgage loans owned by the Corporation has been better than the delinquency experience of its FHA-insured or VA-guaranteed mortgage loans.

SECURITY FOR THE BONDS

There is pledged to the payment of the principal or Redemption Price, if any, of and interest on the Bonds, the Pledged Receipts (which are the scheduled payments of principal of and interest on the mortgage loans anticipated to be financed from the proceeds of Bonds), Recoveries of Principal (which are any moneys received by the Corporation from Prepayments of mortgage loans, from proceeds of insurance or sale of the mortgaged premises as a result of default by the mortgagor, from proceeds of condemnation of the mortgaged premises or from the proceeds of sale or other disposition of the mortgage loans) and all amounts held in any Fund or Account under the Resolution, subject only to the provisions of the Resolution permitting application thereof for or to the purposes and on the terms and conditions set forth therein, including pay-

ment of reasonable or necessary expenses incurred by the Corporation and properly allocable to the Insured Mortgage Program in carrying out and administering that Program ("Program Expenses").

The 1977 Third Series Bonds and all other Series of Bonds issued under the Resolution are secured on a parity. Additional Bonds may be issued upon compliance with the provisions of the Resolution which include the filing of a Certificate of an Authorized Officer stating, in substance, that anticipated Pledged Receipts and Recoveries of Principal (together with any other funds estimated to be available therefor) will be, in each year, sufficient to pay debt service and Program Expenses in such year. The Bonds are general obligations of the Corporation for which its full faith and credit are pledged, subject to any agreements heretofore or hereafter made with the holders of any notes or other bonds of the Corporation pledging any particular revenues or assets not pledged under the Resolution and the exclusion by the Act of a pledge of funds in the Housing Development Fund.

The State Mortgage Insurance Fund

Acquired Obligations (consisting of mortgage loans financed from Bond proceeds and other moneys available under the Resolution) will be of the type described under "The Insured Mortgage Program". Such mortgage loans will be insured by the Insurance Account of the State Mortgage Insurance Fund. The capital of the Insurance Account is required to be maintained in an amount at least equal to 2% of the unpaid principal amount of mortgage loans insured thereby. In the event of a deficiency in the Insurance Account, the Commissioner of Commerce and Economic Development of the State has covenanted to certify such deficiency to the Corporation which, to the extent it has unrestricted surplus funds available, will transfer an amount equal to the deficiency to the Insurance Account. To the extent the Corporation's unrestricted surplus funds are insufficient to restore the Insurance Account, the Commissioner will certify any remaining deficiency to the Governor and the Chairmen of the House and Senate Finance Committees of the State Legislature. The Act authorizes, but does not require, the Legislature to appropriate the amount so certified. For information concerning the funding of the capital requirement of the Insurance Account in connection with the issuance of the 1977 Third Series Bonds and the future funding thereof, see "The Insured Mortgage Program".

The Capital Reserve Fund

The Act and the Resolution provide for a Capital Reserve Fund to be held by the Trustee, which is required to have on deposit an amount equal to 10% of all Outstanding Bonds (the "Capital Reserve Fund Requirement"). In the event that other funds available to the Corporation under the Resolution are insufficient to pay when due interest on the Bonds or the principal or Redemption Price thereof (whether redeemed from Sinking Fund Payments or otherwise), the Trustee is required to apply amounts in the Capital Reserve Fund to make such payments. Except for such payments, no withdrawal may be made which will reduce the amount in the Capital Reserve Fund to less than the Capital Reserve Fund Requirement and the Corporation has covenanted to make no withdrawals therefrom unless it determines that the amounts withdrawn are not necessary to make the scheduled payments of principal and interest on outstanding Bonds. The Resolution also provides that after the required monthly application of Pledged Receipts for Program Expenses and for the payment of principal and interest on the Bonds, any amounts remaining are to be deposited in the Capital Reserve Fund to the extent necessary to meet the Capital Reserve Fund Requirement. In the event that a deficiency exists and other revenues or funds are insufficient to restore the Capital Reserve Fund to the Capital Reserve Fund Requirement, Section 18.56.125(e) of the Act provides as follows:

"The chairman of the corporation shall annually, no later than January 2, make and deliver to the governor and chairmen of the house and senate finance committees his certificate stating the sum, if any, required to restore any capital reserve fund to the capital

	Original Amount (in 000's)	Bonds Outstanding	
		May 31, 1977	November 30, 1976
<u>Housing Mortgage Program:</u>			
1972 Series A, 5.4%-7%, maturing serially in annual amounts varying from \$220,000 to \$900,000 from December 1, 1977 through 2002, including unamortized premium of \$7,870 and \$8,117	\$ 13,500	\$ 12,837,870	\$ 13,048,117
1973 Series A, 5.5%-6.75%, maturing serially in annual amounts varying from \$210,000 to \$885,000 from December 1, 1977 through 2002	13,000	12,445,000	12,645,000
1973 Series B, 5.8%-7%, maturing serially in annual amounts varying from \$515,000 to \$1,105,000 from December 1, 1977 through 1989, and \$24,700,000 in term bonds due December 1, 2003, including unamortized premiums of \$23,958 and \$24,663	36,000	4,893,958	35,374,663
1975 Series A, 7%-8.75%, maturing serially in annual amounts varying from \$370,000 to \$1,410,000 from December 1, 1977 through 1995, and \$19,445,000 in term bonds due December 1, 2005, net of unamortized discount of \$155,950 and \$160,131	35,000	34,504,050	34,839,869

NOTE 3 - BONDS AND NOTES PAYABLE:

The Act of the Alaska Legislature which created the Corporation authorizes it to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as in the opinion of the Corporation will be necessary to provide sufficient funds for carrying out its purposes. Generally, mortgage or bond anticipation notes have been issued for the temporary accumulation of mortgage loans while long-term bonds have been issued for permanent mortgage financing. The Corporation's principal programs are its Housing Mortgage Program and Insured Mortgage Program. The principal distinction between the two is that mortgages purchased under the Insured Program are expected to be primarily conventional in nature carrying private mortgage insurance (rather than FHA, VA, etc.) and are also insured under a State Mortgage Insurance Fund described at Note 6.

The Corporation's obligations are not a debt of the State of Alaska and the State is not directly liable thereon. Obligations outstanding at May 31, 1977 and November 30, 1976 were as follows:

	Notes Outstanding	
	May 31, 1977	November 30, 1976
Mortgage program notes, 1976, First Series, 4.25% maturing March 14, 1977, including unamortized premium of \$89		\$ 10,000,089
Mortgage program notes, 1977, First Series, 3.83% maturing March 14, 1978, including unamortized premium of \$746	\$ 25,000,746	
	<u>\$ 25,000,746</u>	<u>\$ 10,000,089</u>

reserve fund requirement. The legislature may appropriate such a sum, and all sums appropriated during the then current fiscal year by the legislature for such restoration shall be deposited by the corporation in the proper capital reserve fund. Nothing in this section creates a debt or liability of the state."

The Corporation has covenanted in the Resolution to cause its Chairman to certify the amount of any deficiency in the Capital Reserve Fund at the time and in the manner required by the Act and to pay amounts received from any appropriation in respect thereof into the Capital Reserve Fund.

Under the Act and the Resolution, the Capital Reserve Fund may be funded from any money appropriated therefor by the State, from proceeds of the sale of Bonds or other money available to the Corporation therefor or from amounts received pursuant to loans by the Commissioner of Revenue of surplus State funds on such terms and conditions as the Commissioner and the Corporation may agree upon. The Capital Reserve Fund Requirement in respect of previous Series of Bonds was funded by deposits of Investment Securities* purchased from Bond proceeds valued under the Resolution at \$4,500,000 and by loans from the Commissioner of Revenue aggregating \$8,800,000 (of which \$8,798,000 remains outstanding). The \$4,000,000 Capital Reserve Requirement in respect of the 1977 Third Series Bonds will be provided through an additional loan from the Commissioner of Revenue of the State. The Resolution permits such loans to be repaid to the Commissioner directly from moneys in the Capital Reserve Fund, but only to the extent the amount therein exceeds the Capital Reserve Fund Requirement. Since the Capital Reserve Fund is funded by loans from the Commissioner as well as from the proceeds of Bonds, earnings of the Fund in excess of the Capital Reserve Fund Requirement attributable to amounts loaned by the Commissioner must be paid to the Commissioner.

APPLICATION OF 1977 THIRD SERIES BOND PROCEEDS

It is the Corporation's present intention to apply the proceeds of sale of the 1977 Third Series Bonds approximately as follows:

Purchase of mortgage loans	\$39,000,000
Payment of accrued interest on mortgage purchases and deposit in Interest Account	325,000
Bond discount	575,000
Costs of issuance	100,000
Total	<u>\$40,000,000</u>

Accrued interest on the 1977 Third Series Bonds to the date of delivery thereof will be deposited in the Interest Account.

DESCRIPTION OF THE 1977 THIRD SERIES BONDS

The 1977 Third Series Bonds will be dated October 1, 1977, and will bear interest payable semi-annually on June 1 and December 1, commencing June 1, 1978 (eight months), at the rates, and will mature on the dates and in the amounts, set forth on the cover page hereof.

* "Investment Securities" are defined to include (i) direct obligations of or obligations insured or guaranteed by the United States or agencies or instrumentalities thereof, (ii) bankers' acceptances and certificates of deposit of banks having a combined capital and surplus of at least \$200,000,000 or (iii) interest-bearing time deposits or certificates of deposit of banks collateralized by obligations of the type described in clause (i), or by obligations of the State of Alaska having a market value equal to any non-insured portion of any such deposit or certificate.

The 1977 Third Series Bonds will be issued as coupon bonds, in denominations of \$5,000, registrable as to principal, or as fully registered Bonds in denominations of \$5,000 or any whole multiple thereof. Coupon Bonds and fully registered Bonds are interchangeable. For every exchange or transfer of the 1977 Third Series Bonds, the Corporation or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

The Principal or Redemption Price, if any, of and interest on the 1977 Third Series Bonds are payable at the corporate trust office of Bank of America National Trust and Savings Association, San Francisco, California, or at the option of the holder at Chemical Bank, New York, New York.

The maturity schedule for the 1977 Third Series Bonds has been established on the assumption that Pledged Receipts will be received in accordance with the scheduled amortization of the underlying mortgage loans. Although it is likely that certain of such mortgage loans will be pre-paid or that other circumstances will occur that will result in the receipt of Recoveries of Principal, the Corporation will either acquire investment securities or finance new mortgage loans in such manner as to produce an approximately equivalent flow of Pledged Receipts, or call Bonds at par.

The 1977 Third Series Bonds are subject to redemption upon at least 30 days' notice as shown below.

Sinking Fund Redemption

The 1977 Third Series Bonds due December 1, 2007 (the "Term Bonds") are subject to mandatory redemption in part by lot, at 100% of the principal amount thereof plus accrued interest to the date of redemption, from Sinking Fund Payments which are required to be made in amounts sufficient to redeem on December 1 of each year the principal amount of such Bonds specified for each of the years shown below:

Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
1993	\$1,250,000	1998	\$1,650,000	2003	\$2,125,000
1994	1,300,000	1999	1,750,000	2004	2,200,000
1995	1,400,000	2000	1,850,000	2005	2,250,000
1996	1,475,000	2001	1,950,000	2006	1,950,000
1997	1,525,000	2002	2,025,000	2007*	2,550,000

* Final maturity.

The Sinking Fund Payments which the Corporation is required to make are sufficient in amount to retire all Term Bonds by maturity.

The amounts accumulated for each Sinking Fund Payment may be applied by the Trustee, at the direction of the Corporation, prior to the forty-fifth day preceding the due date of such Sinking Fund Payment, to the purchase or redemption of Term Bonds, at prices (including any brokerage and other charges) not exceeding the principal amount thereof, plus accrued interest to the date of purchase or redemption. Upon any such purchase or redemption an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward a part or all of one or more of such Sinking Fund Payments in direct chronological order.

Special Redemption

The 1977 Third Series Term Bonds are subject to redemption at any time by operation of the 1977 Third Series Special Redemption Account, in part, from

(a) unexpended 1977 Third Series Bond proceeds transferred, at the election of the Corporation, to the 1977 Third Series Special Redemption Account and

Short-Term Investments

Short-term investments are carried at the lower of cost or market value which excludes accrued interest.

Mortgage Loans

Mortgage loans are carried at their unpaid principal balance less net unamortized discount or premium.

Provision for Loan Losses

Provision for loan losses is determined from specific evaluation of delinquencies and charged directly against operations in the period that the loss exposure becomes known. However, only minor amounts have been involved for periods through May 31, 1977.

Amortization and Depreciation

Since December 1, 1976, mortgage discounts and premiums have been amortized on a yield method (sum of the months digits) over the lives of the related loans. In prior years, mortgage discounts and premiums were amortized by the straight-line method; the resulting credit to income is not significantly different under either method.

Discount, premium, and issuance expenses on debt are deferred and amortized, on a yield method, over the terms of the related issue.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives are generally 5 to 20 years.

NOTE 2 - UNAMORTIZED DISCOUNT AND PREMIUM ON MORTGAGES:

The net unamortized discount and premium on mortgages outstanding at May 31, 1977 is composed of the following:

Fund	Mortgage Principal Balance	Net Unamortized (Discount) Premium	Net
Corporation Operating	\$ 1,544,858	\$ (35,095)	\$ 1,509,763
Mortgage Program Note	14,924,506	(26,209)	14,898,297
Housing Mortgage Bond	106,528,471	(1,918,234)	104,610,237
Insured Mortgage Bond	62,627,889	(160,340)	62,467,549
Housing Development	3,007,437		3,007,437
	<u>\$ 188,633,161</u>	<u>\$ (2,139,878)</u>	<u>\$ 186,493,283</u>

ALASKA HOUSING FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING POLICIES:

The Alaska Housing Finance Corporation (the Corporation) is a tax-exempt public corporation and government instrumentality created by the Alaska Legislature to assist in the financing, development, sale and rental of dwelling units for persons of low and moderate income and for persons in remote, underdeveloped or blighted areas of the State. Generally, this is being accomplished by functioning as a secondary market for qualified real estate loans originated by financial institutions. Significant policies used in the preparation of its financial statements are as follows:

Fund Accounting

The financial activities of the Corporation, which are restricted by the Corporation's Bond Resolutions, Note Resolutions and Housing Development Fund Agreement, are recorded in various specific purpose funds and accounts as specified in such instruments. Financial activities and resulting account balances which are not so restricted are recorded in the Corporation Operating Fund.

Combined Totals

The "Note Funds" and "Bond Funds" columns contain the totals of the similar accounts of such Funds and the "Combined" column contains the total of all Funds of the Corporation. Since the assets of certain of the Funds are restricted by the Resolutions and Housing Development Fund Agreement, the totaling of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the Resolutions and Agreement relating to the separate funds.

(b) Prepayments or Default Payments (or Sale Payments received in respect of mortgage loans purchased from Prepayments or Default Payments) which are received in respect of mortgage loans credited to the 1977 Third Series Mortgage Loan Account and transferred at the election of the Corporation to the 1977 Third Series Special Redemption Account

at 100% of the principal amount thereof, plus accrued interest to the date of redemption.

In the event of such partial redemption, the amount to be credited to the reduction of each Sinking Fund Payment as a result of the redemption of Term Bonds shall be determined on a pro rata basis, unless otherwise directed by the Corporation.

Optional Redemption

The 1977 Third Series Bonds may be redeemed from any moneys available to the Corporation by operation of the General Redemption Account, at the election of the Corporation, at any time on and after December 1, 1987, either as a whole or in part and in such amounts of such maturity or maturities as selected by the Corporation (and by lot if less than all of a maturity is to be redeemed), at the following Redemption Prices, plus accrued interest to the date of redemption:

Period (Both Dates Inclusive)	Redemption Price (Expressed as a Percentage of Principal Amount)
December 1, 1987 to November 30, 1990	103%
December 1, 1990 to November 30, 1993	102
December 1, 1993 to November 30, 1996	101
December 1, 1996 and thereafter	100

Upon any purchase or redemption of the Term Bonds by use of moneys in the General Redemption Account, the amount of Sinking Fund Payments shall be reduced in such manner as the Corporation may direct.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The Resolution contains various covenants and security provisions certain of which are summarized below. Reference should be made to the Resolution for a full and complete statement of its provisions.

Resolution Constitutes Contract (Section 202)

The provisions of the Resolution constitute a contract between the Corporation, the Trustee and the holders of the Bonds and the related coupons and the provisions, covenants and agreements to be performed by or on behalf of the Corporation shall be for the equal benefit, protection and security of the holders of any and all of such Bonds and coupons.

Provisions for Issuance of Bonds (Sections 204, 206 and 711)

The Resolution authorizes Bonds to be issued from time to time without limitation as to amount except as provided by law, subject to the terms, conditions and limitations established by the Resolution. The Bonds of a Series are to be executed by the Corporation and delivered to the Trustee for authentication and delivery only upon receipt by the Trustee of:

- (1) A Counsel's Opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the Constitution

and statutes of the State, including the Act as amended the date of such Opinion, and in accordance with the Resolution;

(2) A written order as to the delivery of such Series;

(3) A copy of the Supplemental Resolution authorizing such Series;

(4) The amount of the proceeds of such Series to be deposited in any Fund or Account pursuant to the Resolution;

(5) Except in the case of Refunding Bonds, a certificate of an Authorized Officer stating that the Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution;

(6) Except in the case of Refunding Bonds, a certificate of an Authorized Officer setting forth for the current and each future Bond Year (i) separately, the amount of Pledged Receipts* and Recoveries of Principal** expected to be received in such Bond Year on all Acquired Obligations (exclusive of Acquired Obligations in default) and on the Mortgage Loans expected to be financed from the proceeds of the Bonds of such Series and (ii) the amount of Principal Installments and interest due in such Bond Year with respect to all Series of Bonds to be Outstanding immediately after the authentication and delivery of the Series of Bonds being issued, and showing that such Pledged Receipts and Recoveries of Principal (which may include Prepayments), together with any other revenues or funds estimated by the Corporation to be available therefor, are in each such Bond Year in excess of the amount of Principal Installments and interest due in such Bond Year with respect to all Bonds to be Outstanding immediately after the delivery of such Series of Bonds, and stating that the remaining balances will be sufficient to pay the Program Expenses estimated to be incurred by the Corporation; and

(7) Such further documents and moneys as are required by the provisions of the Resolution or any Supplemental Resolution.

The Corporation is not permitted to issue any obligations other than the Bonds or create any indebtedness which will be secured by a superior or equal charge or lien on the revenues or assets pledged under the Resolution, except that Series of Bonds may be issued as provided in the Resolution on a parity with the Bonds of all other Series and shall be secured by an equal charge and lien on such revenues and assets and payable equally therefrom. No Series of Bonds shall be issued unless the principal amount of all Bonds issued or to be issued shall not exceed any limitation imposed by law and unless, upon the issuance of such Bonds, the amount credited

* "Pledged Receipts" means scheduled payments of principal and interest required by any Acquired Obligation (i.e. a mortgage loan financed by the Corporation pursuant to the Resolution) and paid to the Corporation from any source, including both timely and delinquent payments with late charges (not retained by the Servicer), fees and charges and all other revenues and income paid to the Corporation on account of or in connection with any Acquired Obligation and, upon receipt thereof by the Corporation, all interest earned or gains realized upon the investment or deposit of amounts in any Fund or Account, but shall not include (i) Recoveries of Principal, (ii) any amount retained by any Servicer of any Acquired Obligation (other than the Corporation) as compensation for services rendered, (iii) Escrow Payments and any payments of ground rents, taxes, assessments or mortgage, fire or other hazard insurance premiums required by any Acquired Obligation or any like payments or (iv) interest earned or gains realized on investments which the Resolution requires to be retained in a particular Fund or Account.

** "Recoveries of Principal" means all amounts received by the Corporation as a recovery of the principal amount of an Acquired Obligation (i) as a result of the acceleration of the due date of any Acquired Obligation through foreclosure or other proceedings taken in the event of default, including proceeds of insurance or condemnation, (ii) as a result of the prepayment of any Acquired Obligation, including the amount of any penalty, fee, premium or additional charge, but not including the amount retained by the Servicer thereof as additional compensation as a result of such prepayment and (iii) on account of the sale, assignment, endorsement or other disposition of any Acquired Obligation.

ALASKA HOUSING FINANCE CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended November 30, 1975				
	Corporation Operating Fund	Housing Mortgage Note Fund	Housing Mortgage Bond Fund	Housing Development Fund	Combined
Sources of cash:					
From operations -					
Revenues over expenses	\$293,271	\$ 1,002,551	\$ 537,465	\$ 48,340	\$ 1,881,627
Add (deduct) items not requiring (providing) cash:					
Net amortization of discounts, premiums and bond issuance costs		(17,977)	(172,552)		(190,529)
Depreciation	746				746
(Increase) decrease in accrued interest receivable	(15,794)	(470,242)	(356,621)	(10,094)	(852,751)
Increase (decrease) in accrued interest payable		274,250	1,781,020	(1,379)	2,053,891
Net increase (decrease) in accrued and pre- paid expenses	23,340	(5,915)	11,436	(8,962)	19,901
Cash provided by operations	301,563	782,667	1,800,750	27,905	2,912,885
Transfer from (to) other funds	233,329	(84,497)	(25,509)	(123,323)	
Mortgages (purchased) sold to other funds		30,924,711	(30,924,711)		
Mortgage principal re- payments	287	9,333,943	7,125,447	87,002	16,546,679
Net proceeds from sale of housing mortgage bonds			46,330,221		46,330,221
Net proceeds from sale of bond anticipation notes		50,000,000			50,000,000
Total	535,179	90,956,824	24,306,198	(8,416)	115,789,785
Uses of cash:					
Increase (decrease) in short-term investments	450,000	30,505,000	9,749,061	(250,000)	40,454,061
Purchase of first mortgage loans		20,160,267	14,974,815	61,885	35,196,967
Home improvement loans	46,500				46,500
Payment of housing mort- gage bonds			555,000		555,000
Payment of bond antici- pation and mortgage finance notes		52,000,000			52,000,000
Payment of State of Alaska notes				154,133	154,133
Other	10,199				10,199
Total	506,699	102,665,267	25,278,876	(33,982)	128,416,860
Increase (decrease) in cash	28,480	(11,708,443)	(972,678)	25,566	(12,627,075)
Cash balance, beginning of period	174,801	11,718,579	1,562,568	256,096	13,712,044
Cash balance, end of period	\$203,281	\$ 10,136	\$ 589,890	\$281,662	\$ 1,084,969

See accompanying notes to financial statements

ALASKA HOUSING FINANCE CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended November 30, 1976						Combined
	Corporation Operating Fund	Housing Mortgage Note Fund	Mortgage Program Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing Development Fund	
Sources of cash:							
From operations -							
Revenues over							
(under) expenses	\$ (15,432)	\$ 433,881	\$ 110,936	\$ 714,857	\$ 94,282	\$ 33,684	\$ 1,372,208
Add (deduct) items							
not requiring							
(providing) cash:							
Net amortization							
of discounts,							
premiums and							
bond issuance							
costs	114,890		(415)	(250,217)	9,753		(125,989)
Depreciation	1,667						1,667
(Increase) decrease							
in accrued							
interest re-							
ceivable	(12,770)	1,382,557	(79,601)	(68,224)	(227,465)	8,597	1,003,094
Increase (decrease)							
in accrued							
interest payable		(2,061,250)	291,597	(28,993)	854,146	67,988	(876,512)
Net increase (de-							
crease) in							
accrued and							
prepaid expenses	(151,449)	(264)	3,275	9,147	7,862	1,683	(129,746)
Cash provided							
(used) by oper-							
ations	(63,094)	(245,076)	325,792	376,570	738,578	111,952	1,244,722
Transfer from (to)							
other funds	2,270,366	(2,270,366)					
Mortgages (purchased)							
sold to other funds	852,760	3,121,413	5,018,042	(1,969,797)	(7,022,438)		
Mortgage principal							
repayments	12,713	935	5,030	15,639,591	198,323	277,776	16,134,368
Net proceeds from sale							
of housing mortgage							
bonds					49,154,226		49,154,226
Net proceeds from sale of							
bond anticipation notes			10,000,300				10,000,300
Increase in notes							
payable to the State							
of Alaska					500,000		500,000
Total	<u>3,072,765</u>	<u>606,906</u>	<u>15,349,164</u>	<u>14,046,364</u>	<u>43,568,689</u>	<u>389,728</u>	<u>77,033,616</u>
Uses of cash:							
Increase (decrease)							
in short-term in-							
vestments	(324,008)	(51,604,000)	49,300	(6,611,402)	26,401,823		(32,088,287)
Purchase of first							
mortgage loans	2,879,150	2,221,042	14,437,389	19,772,745	16,756,531	124,200	56,191,057
Payment of housing							
mortgage bonds				835,000			835,000
Payment of mortgage							
notes		50,000,000					50,000,000
Payment of State of							
Alaska notes						279,858	279,858
Other	10,170						10,170
Total	<u>2,565,312</u>	<u>617,042</u>	<u>14,486,689</u>	<u>13,996,343</u>	<u>43,158,354</u>	<u>404,058</u>	<u>75,227,798</u>
Increase (decrease)							
in cash	507,453	(10,136)	862,475	50,021	410,335	(14,330)	1,805,818
Cash balance, beginning							
of period	<u>203,281</u>	<u>10,136</u>		<u>589,890</u>		<u>281,662</u>	<u>1,084,969</u>
Cash balance, end of							
period	<u>\$ 710,734</u>	<u>-0-</u>	<u>\$ 862,475</u>	<u>\$ 639,911</u>	<u>\$ 410,335</u>	<u>\$267,332</u>	<u>\$ 2,890,787</u>

See accompanying notes to financial statements

to the Capital Reserve Fund shall not be less than the Capital Reserve Fund Requirement and the "Account Requirement", as defined in the Mortgage Insurance Agreement, is met. The Corporation has reserved the right to adopt one or more additional general bond resolutions and to issue other obligations.

Provisions for Refunding Issues (Section 207)

One or more Series of Refunding Bonds may be authenticated and delivered pursuant to the Resolution to refund any Outstanding Bonds. Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of irrevocable instructions to the Trustee to give due notice of the redemption of all Bonds to be refunded and to give published notice of the refunding of such Bonds and upon receipt of either (i) moneys sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with interest accrued to the redemption date or (ii) direct obligations of, or obligations insured or guaranteed by, the United States of America or agencies or instrumentalities thereof which by their terms will provide moneys sufficient to provide for the payment of such Redemption Price and accrued interest. Any such moneys or obligations shall be held irrevocably in trust under the Resolution.

Regulations with Respect to Exchanges and Transfers (Section 308)

For every exchange or transfer of Bonds pursuant to the Resolution, the Corporation or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Corporation nor the Trustee is obliged (i) to make any such exchange or transfer of Bonds of any Series during the 60 days next preceding an Interest Payment Date on the Bonds of such Series or next preceding any selection of Bonds to be redeemed or thereafter until the first publication or mailing of any notice of redemption or (ii) to transfer or exchange any Bonds previously called for redemption.

Application of Bond Proceeds and Recoveries of Principal (Sections 401 and 402)

As soon as practicable upon the delivery of each Series of Bonds, other than Refunding Bonds, the amount necessary to cause the amount on deposit in the Capital Reserve Fund to equal the Capital Reserve Fund Requirement immediately after such delivery is required to be deposited in the Capital Reserve Fund. Proceeds of such Series of Bonds which are not to be deposited in the Capital Reserve Fund or in the Interest Account (as may be directed by a Supplemental Resolution) are to be deposited in the Mortgage Loan Account established for such Series.

Amounts in the respective Mortgage Loan Accounts, including proceeds of Bonds and Recoveries of Principal, may be applied only to the making or purchasing of Mortgage Loans, but only if the Mortgage securing such Mortgage Loan has been executed and recorded in accordance with existing laws. Each such Mortgage Loan shall:

- (1) Constitute a first lien, subject only to Permitted Encumbrances*, on real estate in fee simple or on a leasehold having a remaining term, at the time such Mortgage Loan is acquired, which does not expire for such number of years as the Corporation shall determine to be appropriate to secure the Corporation's interest in the premises or as may be required in order to obtain an insurance or guaranty endorsement from a Qualified Mortgage Insurance Company or the United States of America or an agency, department or instrumentality thereof, including the Department of Housing and Urban Development, the Farmers Home Administration or the Veterans Administration;

* "Permitted Encumbrances" means liens, encumbrances, reservations and other imperfections of title as, in the judgment of the Corporation, do not materially impair the use or value of the premises or as to which appropriate steps, in the judgment of the Corporation, have been taken to secure the interest of the Corporation.

(2) Be insured pursuant to the Mortgage Insurance Agreement;

(3) Be a Mortgage Loan for owner-occupied Residential Housing* for occupancy by one family and, in the case of rental occupancy, by not more than five additional families, the mortgagor of which must be eligible for assistance under the Act, as from time to time amended; and

(4) Be insured, at the sole expense of the mortgagor, by a mortgagee policy of title insurance issued by a title insurance company qualified to do business in the State and acceptable to the Corporation insuring the Corporation that the Mortgage on the premises is a valid and enforceable first mortgage, subject only to Permitted Encumbrances.

Recoveries of Principal may not be applied to the financing of new Mortgage Loans unless the Pledged Receipts and Recoveries of Principal (which may include Prepayments) expected to be received on such Mortgage Loans, together with any other revenues or funds estimated by the Corporation to be available therefor, will provide funds sufficient for the payment when due of the principal of and interest on all Outstanding Bonds. In the event that the maturities of a Series of Bonds were scheduled without anticipating the retirement of Bonds at maturity from Recoveries of Principal, Recoveries of Principal received with respect to Mortgage Loans financed by such Series of Bonds may also be applied to the financing of additional Mortgage Loans if (i) the aggregate amount of the monthly payments of principal and interest called for each month by the terms of the Mortgage Loans to be so financed is not less than the aggregate amount of the monthly payments of principal and interest called for each month on the original Mortgage Loans with respect to which such Recoveries of Principal were received and (ii) the Mortgage Loans to be so financed do not have a maturity date earlier than the date of the final Principal Installment on the Outstanding Bonds of such Series of Bonds. The purchase price (excluding accrued interest and Service Fees) for or net proceeds payable to the borrower with respect to Mortgage Loans financed by application of Recoveries of Principal shall not exceed the principal amount thereof.

Pledge Effected by the Resolution (Section 501)

The Pledged Receipts and Recoveries of Principal and all amounts held in any Fund or Account, including investments thereof, are pledged to secure the payment of the principal or Redemption Price, if any, of and interest on the Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for or to the purposes and on the terms and conditions therein set forth.

Establishment of Funds and Accounts (Section 502)

The Resolution establishes the following Funds and Accounts which are to be held by the Trustee:

- (1) Mortgage Loan Fund,
 - (a) Mortgage Loan Accounts (for each Series);

* "Residential Housing" means dwelling accommodations without limitation as to form of lawful occupancy, whether rental, under contract, fee ownership, cooperative housing, condominium or other lawful form of ownership for Persons of Lower and Moderate Income, or for persons residing in Remote, Underdeveloped or Blighted Areas, including such other non-housing facilities as may be incidental or appurtenant thereto.

ALASKA HOUSING FINANCE CORPORATION STATEMENT OF CHANGES IN FINANCIAL POSITION

	Six Months Ended May 31, 1976						Combined
	Corporation Operating Fund	Housing Mortgage Note Fund	Insured Mortgage Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing Development Fund	
Source of cash:							
From operations -							
Revenues over							
(under) expenses	\$ (46,751)	\$ 433,881	\$ 31,369	\$ 253,911	\$ 12,690	\$ 6,731	\$ 691,831
Add (deduct) items							
not requiring (pro-							
viding) cash:							
Net amortization of							
discounts, premi-							
ums and bond							
issuance costs	82,500		(57)	(108,712)	1,166		(25,103)
Depreciation	685						685
(Increase) decrease							
in accrued interest							
receivable	(5,377)	1,382,557	(106,818)	(15,863)	(52,914)	(48,612)	1,152,973
Increase (decrease)							
in accrued interest							
payable		(2,061,250)	79,097	(28,994)	222,832	58,927	(1,729,388)
Net increase (de-							
crease) in accrued							
and prepaid							
expenses	(95,859)	(264)	31	10,848	1,592		(83,372)
Cash provided (used)							
by operations	(64,802)	(245,076)	3,902	111,190	185,366	17,046	7,626
Transfer from (to)							
other funds	2,270,366	(2,270,366)					
Mortgages (purchased)							
sold to other funds		3,121,413		(1,969,797)	(1,151,616)		
Mortgage principal							
repayments	25,572	935	8,742	5,121,559	9,349	161,408	5,327,565
Net proceeds from sale							
of housing mortgage							
bonds					4,950,000		4,950,000
Net proceeds from sale							
of bond anticipation							
notes			10,000,300				10,000,300
Increase in notes pay-							
able to the State							
of Alaska					500,000		500,000
Total	<u>2,231,136</u>	<u>606,906</u>	<u>10,012,944</u>	<u>3,262,952</u>	<u>4,493,099</u>	<u>178,454</u>	<u>20,785,491</u>
Uses of cash:							
Increase (decrease)							
in short-term							
investments	554,032	(51,604,000)	9,329,000	(6,891,155)	743,800		(47,868,323)
Purchase of first							
mortgage loans	1,258,452	2,221,042	683,811	9,456,381	3,703,497	124,200	17,447,383
Payment of housing							
mortgage bonds				835,000			835,000
Payment of mortgage							
notes		50,000,000					50,000,000
Payment of State of							
Alaska notes						129,151	129,151
Other	5,788						5,788
Total	<u>1,818,272</u>	<u>617,042</u>	<u>10,012,811</u>	<u>3,400,226</u>	<u>4,447,297</u>	<u>253,351</u>	<u>20,548,999</u>
Increase (decrease)							
in cash	412,864	(10,136)	133	(137,274)	45,802	(74,897)	236,492
Cash balance, beginning							
of period	203,281	10,136		589,890		281,662	1,084,969
Cash balance, end of							
period	<u>\$ 616,145</u>	<u>-</u>	<u>\$ 133</u>	<u>\$ 452,616</u>	<u>\$ 45,802</u>	<u>\$206,765</u>	<u>\$ 1,321,461</u>

See accompanying notes to financial statements

ALASKA HOUSING FINANCE CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION

Six Months Ended May 31, 1977

	Corporation Operating Fund	Mortgage Program Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing Development Fund	Combined
Sources of cash:						
From operations -						
Revenues over						
expenses	\$ 287,323	\$ 150,068	\$ 450,076	\$ 166,165	\$ 2,538	\$ 1,056,220
Add (deduct) items not						
requiring (providing)						
cash:						
Net amortization of						
discounts, premiums	(1,192)	(555)	(174,750)	17,445		(159,052)
and bond issuance	1,119					1,119
costs						
Depreciation						
(Increase) decrease in						
accrued interest	16,361	(41,495)	61,366	(336,750)	(47,426)	(347,944)
receivable						
Increase (decrease) in						
accrued interest		(33,604)	(50,425)	1,537,276	(31,362)	1,421,885
payable						
Net increase (decrease)						
in accrued and pre-	32,037	1,664	(1,163)	37,651	(618)	69,571
paid expenses						
Cash provided (used)	335,648	76,078	285,104	1,421,787	(76,818)	2,041,799
by operations						
Transfer from (to) other	130,391	82,098		(212,489)		
funds						
Mortgages (purchased) sold	529,402	18,237,270		(20,403,385)	1,636,713	
to other funds						
Mortgage principal repay-	13,320	100,506	7,142,383	797,765	104,655	8,158,629
ments						
Net proceeds from sale of						
housing mortgage bonds				34,156,637		34,156,637
Net proceeds from sale of		25,001,002				25,001,002
bond anticipation notes						
Increase in notes payable				3,500,000		3,500,000
to the State of Alaska						
Total	<u>1,008,761</u>	<u>43,496,954</u>	<u>7,427,487</u>	<u>19,260,365</u>	<u>1,664,550</u>	<u>72,858,117</u>
Uses of cash:						
Increase (decrease) in						
short-term investments	575,132	10,468,300	418,328	263,339	14,500	11,739,599
Purchase of first mort-	25,000	23,820,654	5,691,333	19,274,934		48,811,921
gage loans						
Payment of housing mort-			1,350,000	22,000		1,372,000
gage bonds						10,000,688
Payment of mortgage notes		10,000,688				
Payment of State of					1,742,911	1,742,911
Alaska notes						8,895
Other	8,895					
Total	<u>609,027</u>	<u>44,289,642</u>	<u>7,459,661</u>	<u>19,560,273</u>	<u>1,757,411</u>	<u>73,676,014</u>
Increase (decrease) in cash	399,734	(792,688)	(32,174)	(299,908)	(92,861)	(817,897)
Cash balance, beginning of	710,734	862,475	639,911	410,335	267,332	2,890,787
period						
Cash balance, end of period	<u>\$1,110,468</u>	<u>\$ 69,787</u>	<u>\$ 607,737</u>	<u>\$ 110,427</u>	<u>\$ 174,471</u>	<u>\$ 2,072,890</u>

See accompanying notes to financial statements

- (2) Revenue Fund;
- (3) Debt Service Fund,
 - (a) Interest Account,
 - (b) Principal Account;
- (4) Redemption Fund,
 - (a) General Redemption Account,
 - (b) Special Redemption Accounts (for each Series);
- (5) Capital Reserve Fund.

Mortgage Loan Fund (Section 503)

Recoveries of Principal received with respect to Mortgage Loans financed by such Series of Bonds or from other amounts within such Account, constitute part of the Mortgage Loan Account established for such Series and are to be deposited promptly with a Depository and transmitted to the Trustee regularly or at least monthly. Except to the extent applied to the redemption of Bonds, amounts in the Mortgage Loan Accounts may be expended only to pay the cost of financing Mortgage Loans, to pay reasonable and necessary Costs of Issuance, to make deposits in the Principal Account as provided in a Supplemental Resolution or to pay the principal or Redemption Price, if any, of and the interest on the Bonds when due. At the direction of the Corporation, the Trustee may transfer amounts in any Mortgage Loan Account to the appropriate Account within the Redemption Fund or apply such amounts directly to the redemption, purchase or retirement of Bonds at any time that such Bonds shall be subject to redemption or payment from such amounts.

Revenue Fund (Section 504)

All Pledged Receipts are to be deposited promptly with a Depository and transmitted to the Trustee at least monthly for deposit in the Revenue Fund. On the date following receipt each month of a statement of account by the Corporation as to the Pledged Receipts and Recoveries of Principal received during such month, but in any event not later than the last day of the month, the Trustee is required to make payments from the Revenue Fund as follows:

FIRST: To the Corporation for the payment of Program Expenses or the establishment of reserves therefor, the amount needed and required prior to the tenth day of the next succeeding month, to pay reasonable and necessary Program Expenses in accordance with the Annual Budget.

SECOND: Into the Interest Account, the amount necessary to increase the amount in such Account so that it equals unpaid interest on the Outstanding Bonds accrued and to accrue to the last day of the then current month.

THIRD: Into the Principal Account, assuming the accrual of principal on the same basis as interest accrues, the amount necessary to increase the amount in such Account so that it equals the amount of unpaid Principal Installments on the Outstanding Bonds accrued and to accrue to the end of the then current month.

FOURTH: Into the Capital Reserve Fund, the amount, if any, necessary to cause the amount in such Fund to equal the Capital Reserve Fund Requirement.

FIFTH: Into each Mortgage Loan Account, in the order in which such Accounts were created, the amount, if any, by which (i) the principal amount of the Outstanding Bonds of the Series with respect to which such Account was created plus the amount, if any, specified in a

ALASKA HOUSING FINANCE CORPORATION
STATEMENT OF REVENUES AND EXPENSES AND FUND BALANCES

	Six Months Ended May 31, 1977						
	Corporation Operating Fund	Housing Mortgage Note Fund	Mortgage Program Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing Development Fund	Combined
Revenues:							
Interest income - Mortgages	\$ 83,726		\$345,747	\$4,287,119	\$2,010,708	\$166,050	\$ 6,893,350
Short-term invest- ments	50,426		212,626	107,285	427,007	6,009	803,353
Loan fees	134,152 273,447		558,373	4,394,404	2,437,715 107,787	172,059	7,696,703 381,234
Total revenues	407,599		558,373	4,394,404	2,545,502	172,059	8,077,937
Operating expenses:							
Interest on notes and bonds			379,246	3,573,594	2,101,538	166,507	6,220,885
Mortgage service fees	3,284		14,267	193,142	84,668	2,964	298,325
General and adminis- trative expenses	177,933		14,792	10,888	7,256		210,869
Legal, accounting and trustee fees	74,851						74,851
Insured Mortgage Program (Note 6)					107,787		107,787
Interfund operating charge (credit)	(244,792)			166,704	78,088		
Total operating expenses	11,276		408,305	3,944,328	2,379,337	169,471	6,912,717
Revenues in excess of operating expenses	396,323		150,068	450,076	166,155	2,586	1,165,220
Contribution to State Mortgage Insurance Fund (Note 6)	109,000						109,000
Revenues in excess of expenses	287,323		150,068	450,076	166,165	2,588	1,056,220
Fund balance, beginning of period	3,797,289		110,936	2,632,276	94,282	150,164	6,784,947
Transfer of net assets applicable to matured bond anticipation notes to the Corporation Operating Fund (Notes 6 and 7)	130,391		(130,391)				
Fund balance, end of period (Notes 6 and 7)	\$4,155,003		\$130,613	\$3,082,352	\$ 260,447	\$152,752	\$ 7,841,167
	Six Months Ended May 31, 1976						
Revenues:							
Interest income - Mortgages	\$ 9,741		\$ 1,020	\$4,103,161	\$ 158,798	\$217,408	\$ 4,490,128
Short-term invest- ments	55,219	\$1,170,445	109,432	166,180	25,024	5,050	1,531,353
Loan fees	64,960 102,877	1,170,445	110,452	4,269,341	183,822 24,273	222,461	6,021,481 127,150
Total revenues	167,837	1,170,445	110,452	4,269,341	208,095	222,461	6,148,631
Operating expenses:							
Interest on notes and bonds		736,564	79,083	3,624,104	164,379	207,754	4,812,383
Mortgage service fees	363			199,501	6,254	7,976	214,094
General and administra- tive expenses	246,907			11,021			257,928
Legal, accounting and trustee fees	48,122						46,122
Insured Mortgage Program (Note 6)					24,273		24,273
Interfund operating charge (credit)	(180,804)			180,804			
Total operating expenses	114,588	736,564	79,083	4,015,430	195,405	215,730	5,356,800
Revenues in excess of operating expenses	53,249	433,881	31,369	253,911	12,690	6,731	791,831
Contribution to State Mortgage Insurance Fund (Note 6)	100,000						100,000
Revenues in excess (less than) expenses	(46,751)	433,881	31,369	253,911	12,690	6,731	691,831
Fund balance, beginning of period	1,542,355	1,836,485		1,917,419		116,480	5,412,739
Transfer of net assets applicable to matured bond anticipation notes to the Corporation Operating Fund	2,270,366	(2,270,366)					
Fund balance, end of period	\$3,765,970		\$ 31,369	\$2,171,330	\$ 12,690	\$123,211	\$ 6,104,570

Resolution and any other amounts available therefor and determined by the Corporation to be deposited therein. Subject to the provisions of the Resolution or of any Supplemental Resolution requiring the application thereof to the purchase or redemption of any particular Bonds, the Trustee is required to apply the amounts deposited in any Special Redemption Account to the purchase or redemption of any of the Bonds of the Series with respect to which such Account was created at the time and in the manner provided in the Resolution and amounts in the General Redemption Account are to be applied to the purchase or redemption of Bonds at the election of the Corporation. Prior to the forty-fifth day upon which Bonds are to be redeemed from such amounts, the Trustee may apply amounts in any Account within the Redemption Fund to the purchase of any of such Bonds, except that the Corporation may require or prohibit such purchases. The purchase price paid for any Bond may not exceed the principal amount of such Bond unless such Bond may be redeemed within 13 months after such purchase in which event such price shall not exceed the applicable Redemption Price. If the Corporation is able to redeem a principal amount of Bonds equal to the amounts deposited in such Account any balance of the moneys remaining in such Account after such redemption is to be deposited in the Revenue Account.

Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in any Special Redemption Account, each future Sinking Fund Payment for such Bonds will be credited by an amount bearing the same ratio to such Sinking Fund Payments as the total principal amount of such Bonds so purchased or redeemed bears to the total amount of all such Sinking Fund Payments.

On or before the redemption date, the Trustee is required to pay to the Paying Agents from the applicable Account within the Redemption Fund the amounts required for the payment of the Redemption Price on any Bonds to be redeemed. When none of the Bonds of the Series relating thereto remain outstanding, a Special Redemption Account will be closed and the amounts therein will be withdrawn and deposited in the Revenue Fund. Except for amounts required to be retained therein for the redemption of Bonds for which notice of redemption has been given or for which the Trustee has received irrevocable instructions to give such notice on a future date, amounts in any Account in the Redemption Fund may be transferred to the Principal Account at the written request of an Authorized Officer of the Corporation.

Capital Reserve Fund (Sections 507 and 712)

If the amounts on deposit in the Principal Account or Redemption Fund and the Interest Account are less than the amounts required for the payments due on the Bonds on any Interest Payment Date or redemption date, the Trustee is to apply amounts from the Capital Reserve Fund to the extent required to make good the deficiencies.

The Corporation has covenanted, in compliance with the provisions of the Act, to cause the Chairman annually, on or before the second day of January of each year, to make and deliver to the Governor of the State his certificate stating the amount, if any, required to restore the Capital Reserve Fund to the Capital Reserve Fund Requirement. All moneys received by the Corporation from the State in accordance with the provisions of the Act pursuant to any such certification are to be paid to the Trustee for deposit and credit to the Capital Reserve Fund.

Amounts loaned to the Corporation by the Commissioner of Revenue pursuant to the Act for deposit in the Capital Reserve Fund are to be deposited in a special Account within the Capital Reserve Fund. All interest earned or gains realized as a result of the investment of amounts in such special Account are required to be retained therein. The Trustee may pay out any amount required to be paid to the State pursuant to the terms of any such loan, but only on December 2 of each year and only to the extent that such withdrawal shall not cause the amount on deposit in the Capital Reserve Fund to be less than the Capital Reserve Fund Requirement.

ALASKA HOUSING FINANCE CORPORATION

BALANCE SHEET

All income earned or gains realized as a result of investment of amounts on deposit in the Capital Reserve Fund are to be deposited therein. Whenever the Corporation causes Bonds to be redeemed from amounts on deposit in any other Fund or Account, the Trustee is required to apply amounts in the Capital Reserve Fund (other than amounts in the special Account) to the redemption of Bonds to the extent that such amounts would exceed the Capital Reserve Fund Requirement immediately following such redemption. If, concurrently with the monthly transfers of funds from the Revenue Fund, the amount on deposit in the Capital Reserve Fund shall be in excess of the Capital Reserve Fund Requirement, the Trustee, at the direction of an authorized officer of the Corporation, is to transfer (to the extent available other than from the special Account described above) the amount of such excess to the Revenue Fund. Bonds to be redeemed from amounts in the Capital Reserve Fund shall be selected in such manner as the Corporation shall specify in written instructions or, failing such instructions, as the Trustee shall, in its discretion, deem advisable.

Whenever the amount in the Capital Reserve Fund (other than in the special Account therein) together with the amount in the Debt Service Fund, is sufficient to pay the principal of and interest on all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof), all amounts on deposit in the Capital Reserve Fund (other than in the special Account) are to be transferred to the appropriate Account in the Debt Service Fund.

Deposits and Investments (Sections 509 and 510)

All amounts held by the Trustee, any Paying Agent or any Depository under the Resolution may be invested in demand or time deposits. All amounts held under the Resolution which are not held in trust for the payment of particular Bonds or which do not represent an investment of amounts held thereunder must be continuously and fully secured for the benefit of the Corporation and the holders of the Bonds by depositing Investment Securities with the Trustee or in such other manner as may then be required by applicable federal or state laws regarding the deposit of trust funds. In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made on the tenth day prior to each Interest Payment Date and, except in the case of the Capital Reserve Fund, on any particular date shall not include the amount of interest then earned or accrued to such date on any such moneys or investment.

Payment of Bonds (Section 701)

The Corporation covenants that it shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds and in the coupons thereto appertaining, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any Series of Bonds.

Powers as to Bonds and Pledge (Section 705)

The Corporation covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the Resolution and to pledge the assets and revenues purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution.

Tax Covenants (Section 706)

The Corporation covenants that (i) it will not permit at any time or times any of the proceeds of the Bonds or other funds of the Corporation to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an

	November 30, 1976					Combined
	Corporation Operating Fund	Mortgage Program Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing Development Fund	
ASSETS:						
Cash (Note 5) -						
Demand deposits	\$ 66,188	\$ 18,764	\$ 565,753	\$ 125,785		\$ 776,490
Savings accounts	644,546				\$ 267,332	911,878
Held in trust		843,711	74,158	284,550		1,202,419
	<u>710,734</u>	<u>862,475</u>	<u>639,911</u>	<u>410,335</u>	<u>267,332</u>	<u>2,890,787</u>
Short-term investments (Note 1) -						
Certificates of deposit	975,992	49,300	4,978,039	21,845,778		27,849,109
U.S. Treasury				4,495,265		4,495,265
Bank repurchase agree- ments			1,189,920	60,780		1,250,700
	<u>975,992</u>	<u>49,300</u>	<u>6,167,959</u>	<u>26,401,823</u>		<u>33,595,074</u>
First mortgage loans, less net unamortized discount or premium of \$2,143,557 (Notes 1 and 6)	2,021,825	9,414,521	105,866,647	23,581,528	4,748,805	145,633,326
Home improvement loans	38,376					38,376
Deed of trust note receiv- able from Alaska State Housing Authority (Note 4)	28,984	79,601	900,576	227,465	3,900,000	3,900,000
Accrued interest receivable	50,000				60,885	1,297,511
Prepaid expenses						50,000
Office equipment and improve- ments, net of accumulated depreciation of \$4,159 (Note 1)	22,604					22,604
Bond issuance costs, net of amortization (Note 1)			396,418	48,000		444,418
Total Assets	<u>\$3,848,515</u>	<u>\$10,405,897</u>	<u>\$113,971,511</u>	<u>\$50,669,151</u>	<u>\$8,977,022</u>	<u>\$187,872,096</u>
LIABILITIES AND FUND BALANCES:						
Bonds and notes payable, less net unamortized dis- count or premium of \$1,136,999 (Note 3) -						
Mortgage bonds			\$107,685,140	\$49,212,861		\$156,898,001
Notes payable		\$10,000,089				10,000,089
Payable to the State of Alaska				500,000	\$8,674,782	9,174,782
Accrued interest payable		291,597	3,615,018	854,146	150,392	4,911,153
Accrued expenses	\$ 51,226	3,275	39,077	7,862	1,684	103,124
Total Liabilities	<u>51,226</u>	<u>10,294,961</u>	<u>111,339,235</u>	<u>50,574,869</u>	<u>8,826,358</u>	<u>181,087,149</u>
Fund balances, designated for -						
Possible mortgage loan losses (Note 5)	330,696					330,696
Special reserve (Note 3) Purposes allowed within the respective funds (Note 6)	1,000,000					1,000,000
	<u>2,466,593</u>	<u>110,936</u>	<u>2,632,276</u>	<u>94,282</u>	<u>150,164</u>	<u>5,454,251</u>
Total Fund Balances	<u>3,797,289</u>	<u>110,936</u>	<u>2,632,276</u>	<u>94,282</u>	<u>150,164</u>	<u>6,784,947</u>
Commitments (Note 7)						
Total Liabilities and Fund Balances	<u>\$3,848,515</u>	<u>\$10,405,897</u>	<u>\$113,971,511</u>	<u>\$50,669,151</u>	<u>\$8,977,022</u>	<u>\$187,872,096</u>

See accompanying notes to financial statements

ALASKA HOUSING FINANCE CORPORATION

BALANCE SHEET

May 31, 1977

	Corporation Operating Fund	Mortgage Program Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing Development Fund	Combined
ASSETS:						
Cash (Note 5) -						
Demand deposits	\$ 69,144	\$ 66,327	\$ 562,751	\$ 106,025	\$ 4,130	\$ 808,377
Savings accounts	1,041,324				170,341	1,211,665
Held in trust		3,460	44,986	4,402		52,848
	<u>1,110,468</u>	<u>69,787</u>	<u>607,737</u>	<u>110,427</u>	<u>174,471</u>	<u>2,072,890</u>
Short-term investments						
(Notes 1 and 3) -						
Certificates of deposit		10,295,000	4,692,797	21,815,574		36,803,361
U.S. Treasury				4,492,888		4,492,888
Bank repurchase agreements	1,551,124	222,600	1,893,500	356,700	14,500	4,038,424
	<u>1,551,124</u>	<u>10,517,600</u>	<u>6,586,287</u>	<u>26,665,162</u>	<u>14,500</u>	<u>45,334,673</u>
First mortgage loans, less						
net unamortized discount						
or premium of \$2,139,878						
(Notes 1, 2 and 6)	1,509,763	14,898,297	104,610,237	62,467,549	3,007,437	186,493,283
Home improvement loans	33,906					33,906
Deed of trust note receivable						
from Alaska State						
Housing Authority (Note 4)					3,900,000	3,900,000
Accrued interest receivable	12,623	121,096	839,210	564,215	108,311	1,645,455
Office equipment and im-						
provements, net of ac-						
cumulated depreciation						
of \$5,278 (Note 1)	26,592					26,592
Bond issuance costs, net						
of amortization (Note 1)	3,790		385,530	204,198		593,518
Interfund receivable						
(payable)		(212,489)		212,489		
Total Assets	<u>\$4,248,266</u>	<u>\$25,394,291</u>	<u>\$113,029,001</u>	<u>\$90,224,040</u>	<u>\$7,204,719</u>	<u>\$240,100,317</u>
LIABILITIES AND FUND BALANCES:						
Bonds and notes payable,						
less net unamortized						
discount or premium of						
\$1,792,200 (Notes 3						
and 4) -						
Mortgage bonds			\$106,344,142	\$83,528,658		\$189,872,800
Notes payable		\$25,000,746				25,000,746
Payable to the State				3,998,000	\$6,931,871	10,929,871
of Alaska				2,391,422	119,030	6,333,038
Accrued interest payable		257,993	3,564,593	2,391,422	119,030	6,333,038
Accrued expenses	\$ 33,263	4,939	37,914	45,513	1,066	122,695
Total Liabilities	<u>33,263</u>	<u>25,263,678</u>	<u>109,946,649</u>	<u>89,963,593</u>	<u>7,051,967</u>	<u>232,259,150</u>
Fund balances, designated						
for -						
Possible mortgage loan						
losses (Note 5)	184,451					184,451
Purposes allowed within						
the respective funds						
(Notes 6 and 7)	4,030,552	130,613	3,082,352	260,447	152,752	7,656,716
Total Fund Balances	<u>4,215,003</u>	<u>130,613</u>	<u>3,082,352</u>	<u>260,447</u>	<u>152,752</u>	<u>7,841,167</u>
Commitments (Note 7)						
Total Liabilities and						
Fund Balances	<u>\$4,248,266</u>	<u>\$25,394,291</u>	<u>\$113,029,001</u>	<u>\$90,224,040</u>	<u>\$7,204,719</u>	<u>\$240,100,317</u>

See accompanying notes to financial statements

"arbitrage bond" as defined in Section 103(c)(2) of the Internal Revenue Code of 1954, as amended, and (ii) except in the case of Bonds held by a "substantial user" or "related person" within the meaning of Section 103(b)(7) of such Code, it will not permit such proceeds or other funds to be used in such manner as would result in the exclusion of any Bond from the treatment afforded by Section 103(a) of such Code by reason of the classification of such Bond as an "industrial development bond" within the meaning of said Code. It is expressly provided in the Resolution that the Corporation shall require that no person or "related person" shall purchase Bonds in an amount related to the Mortgage Loans to be acquired by the Corporation from such person or "related person".

Accounts and Reports (Section 707)

The Corporation covenants that it will keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Insured Mortgage Program and all Funds and Accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

On or before the twenty-fifth day of each month or as soon as practicable thereafter, the Corporation is required to submit to the Trustee a statement of account for the preceding month setting forth the individual totals of the amounts received as Recoveries of Principal and Pledged Receipts during such month.

The Corporation must annually, within 90 days after the close of each Bond Year, file with the Trustee, and with such officials of the State, if any, as may be required by the Act, (1) a copy of an annual report for such Bond Year, setting forth its operations and accomplishments during such Bond Year and (2) financial statements of the Corporation for such Bond Year setting forth in reasonable detail: (a) a statement of revenues and expenses in accordance with the categories or classifications established by the Corporation for its Insured Mortgage Program purposes, (b) a balance sheet for the Insured Mortgage Program showing its assets and liabilities at the end of such Bond Year and (c) a statement of changes in financial position for the Insured Mortgage Program for such Bond Year. The financial statements for the Insured Mortgage Program may be combined with financial statements for other programs and purposes of the Corporation so long as the said financial statements for the Insured Mortgage Program are separately identified. The financial statements shall be accompanied by the report of an accountant stating that the financial statements examined present fairly the financial position of the Corporation at the end of the Bond Year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles. A copy of each such annual report and accountant's report shall be mailed promptly thereafter by the Corporation to each Bondholder who shall have filed his name and address with the Corporation for such purpose.

Budgets (Section 708)

The Corporation shall prepare a preliminary budget covering its operating expenses for the succeeding year at least 60 days prior to December 1 of each year and a summary of such budget which shall be mailed to Bondholders who have filed their names and addresses with the Corporation for such purpose. The Corporation shall hold a public hearing on the budget if requested by the Holders of 10% or more of the Outstanding Bonds in the manner provided by the terms of the Resolution.

The Corporation shall adopt an Annual Budget covering its fiscal operations for the succeeding Bond Year not later than December 1 of each year, and file the same with the Trustee

and with such officials of the State as may be required by the Act, as then amended. The Annual Budget shall at least set forth for such Bond Year the estimated Pledged Receipts, Recoveries of Principal, Principal Installments and interest due and payable or estimated to become due and payable during such Bond Year and estimated Program Expenses. Whenever the Corporation anticipates that the amounts required for the payment of Operating Expenses will be in excess of the amounts provided in the Annual Budget, the Corporation shall and at any time may adopt and file with the Trustee an amended annual budget for the remainder of the then current Bond Year in the manner provided in the Resolution for the adoption of the Annual Budget. Copies of the Annual Budget and any amended Annual Budget shall be made available by the Trustee for inspection by any Bondholder.

Insured Mortgage Program (Section 709)

The Corporation from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, with the provisions of the Resolution and with sound banking practices and principles, shall (i) use and apply the proceeds of the Bonds (to the extent not reasonably or otherwise required for other purposes of the Insured Mortgage Program) to purchase or make Mortgage Loans, (ii) do all such acts and things necessary to receive and collect Pledged Receipts and, when applicable, Recoveries of Principal sufficient to pay Program Expenses and principal or Redemption Price, if any, of and interest on the Bonds and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to maintain any insurance on Acquired Obligations and to enforce all terms, covenants and conditions of Acquired Obligations.

The Corporation covenants not to sell or assign an Acquired Obligation, other than for the purpose of realizing the benefits of mortgage insurance with respect thereto, unless the amounts received in respect thereof shall be deposited in the appropriate Mortgage Loan Account and the Corporation shall have determined that there shall as a result of such sale be no material adverse effect on the ability of the Corporation to pay all Principal Installments and interest on Outstanding Bonds. Subject to such provisions, the Corporation may sell or assign any Acquired Obligation, and the Acquired Obligation so sold or assigned shall be released from the lien of the pledge of the Resolution.

The Corporation covenants not to terminate, modify or amend the Mortgage Insurance Agreement, but shall maintain and keep the same in full force and effect, shall not release or modify the obligation of the Commissioner of Commerce and Economic Development under the Mortgage Insurance Agreement, shall take all reasonable measures permitted by the Mortgage Insurance Agreement or otherwise by law to enforce prompt payment to it of any amounts due thereunder and shall at all times defend, enforce, preserve, and protect the rights, benefits and privileges of the Corporation, the Trustee and the holders of the Bonds under the Mortgage Insurance Agreement.

Powers of Amendment (Section 902)

Any modification or amendment of any provision of the Resolution or of the rights and obligations of the Corporation and of the holders of the Bonds and coupons may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution (a) of the holders of at least two-thirds in principal amount of the Outstanding Bonds, (b) in case less than all of the several Series of Bonds would be affected by such modifications or amendment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of each Series so affected or (c) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Outstanding



601 WEST FIFTH AVENUE, ANCHORAGE, ALASKA 99501 • 907-279-1424

August 12, 1977

To the Board of Directors
Alaska Housing Finance Corporation

In our opinion, the accompanying balance sheets and the related statements of revenues and expenses and fund balances and of changes in financial position present fairly the financial position of Alaska Housing Finance Corporation at May 31, 1977 and November 30, 1976, and the results of its operations and the changes in its financial position for the six months ended May 31, 1977 and 1976 and the years ended November 30, 1976 and 1975, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

vantage in processing applications. The Ombudsman found these complaints justified. On August 5, 1977, the Chairman of the Corporation and the office of the Attorney General, as legal counsel to the Corporation, filed a response with the Ombudsman refuting the principal allegations and pointing out that a variety of constraints, including applicable Treasury Regulations and the Corporation's bond and note resolutions, require periodic changes in the eligibility requirements and interest rates for mortgage loans acquired by the Corporation. However, the Corporation has indicated its willingness to adopt procedures which would facilitate greater public involvement in the formation of loan guidelines and has recently held two meetings for this purpose at which public comment was received. The Corporation also has under study the adoption of administrative regulations intended to assure such public participation in future guideline changes. The Corporation is also considering a forward commitment procedure designed, in part, to provide greater advance notice to originating lending institutions of periodic changes in its mortgage eligibility requirements. The Corporation believes it will be able to accommodate the principal suggestions of the Ombudsman in a manner which will not adversely affect the administration of its Insured Mortgage Program.

APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance, sale and delivery of the 1977 Third Series Bonds are subject to the approval of Wohlforth & Flint, Anchorage, Alaska, Bond Counsel. The approving opinion of said firm is expected to be printed on the 1977 Third Series Bonds in substantially the form attached to this Official Statement as Exhibit B. Certain legal matters will be passed on for the Underwriters by their counsel, Cravath, Swaine & Moore, New York, New York.

FINANCIAL STATEMENTS

Attached as Exhibit A are the audited Financial Statements of the Corporation for the six-month periods ended May 31, 1977 and 1976 and for the Corporation's fiscal years ended November 30, 1976 and 1975, together with the report thereon of Price Waterhouse & Co., independent certified public accountants. Such audited Financial Statements have been included herein in reliance upon such firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

All quotations from and summaries and explanations of the Act, the Agreement, the Resolution and the Supplemental Resolution contained herein do not purport to be complete and reference is made to the Act, the Agreement and said Resolutions for full and complete statements of their provisions. The Exhibits attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Act, the Agreement, the Resolution and the Supplemental Resolution may be obtained upon request directed to the Corporation, P.O. Box 1020, Anchorage, Alaska 99510, or to the Underwriters, c/o Dean Witter & Co. Incorporated, 130 Liberty Street, New York, New York 10006

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the purchasers or holders of any of the 1977 Third Series Bonds.

Dated: September 29, 1977

ALASKA HOUSING FINANCE CORPORATION

by /s/ ELMA L. JOHNSON
Acting Executive Director

Bonds of the particular Series and maturity entitled to such Sinking Fund Payment, except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

Events of Default (Section 1002)

Each of the following events is an "Event of Default": (a) the Corporation shall default in the payment of the principal or Redemption Price of any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds shall not be made within 30 days after the same shall become due; (c) the Corporation shall fail to comply with the provisions of the Resolution and the Act regarding certification to the Governor and the Legislature; (d) the Commissioner of Commerce and Economic Development shall fail to make the certification required pursuant to the Mortgage Insurance Agreement; or (e) the Corporation shall fail to comply with the provisions of the Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions contained therein, or in any Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

Remedies (Section 1003)

Upon the happening and continuance of any Event of Default specified in clauses (a), (b) and (c) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in clauses (d) and (e) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject to the Resolution, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the Corporation to receive and collect revenues and assets, including Pledged Receipts and Recoveries of Principal adequate to carry out the covenants and agreements as to, and pledge of, such revenues and assets, and to require the Corporation to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Acquired Obligations.

Compensation of Trustee (Section 1105)

The Corporation is required to pay to the Trustee and to each Paying Agent from time to time reasonable compensation for all services rendered under the Resolution, and also all reason-