

LEG. FINANCE - BILLS 1977 - 1978 771

CSHB 642 cont. ,

count purposes and from contributions from the Corporation aggregating \$675,000. A bill has been introduced in the Alaska Legislature to appropriate \$1,720,000 to the Insurance Account for the period beginning with the date of enactment and ending December 30, 1978, and an additional \$2,880,000 for the period beginning July 1, 1978, and ending December 31, 1979. The terms of the bill provide that the appropriation shall be paid to the Insurance Account in the amounts requested by the Corporation as necessary in connection with the issuance of additional Bonds. A second bill has been introduced which would appropriate only the \$1,720,000. If either bill is enacted, the Corporation will request the State to provide the \$825,000 necessary to fund the capital requirement of the Insurance Account in respect of mortgage loans purchased from 1978 First Series Bond proceeds. No assurance can be made, however, that either bill will be enacted. If neither bill is enacted, the capital requirement of the Insurance Account with respect to mortgage loans purchased from 1978 First Series Bond proceeds will be funded by payments aggregating \$825,000 from the unrestricted surplus funds of the Corporation which will be made in installments by the Corporation as such mortgage loans are purchased. Future increases in the Insurance Account may depend upon 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 to the Corporation 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 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

* 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.

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. The capital of the Insurance Account has exceeded the capital requirement at all times during the last two years and, after giving effect to the purchase of mortgage loans which the Corporation expects to purchase for deposit in the Mortgage Loan Accounts relating to currently outstanding Bonds, such excess will be approximately \$182,000. The Corporation may withdraw such excess or apply it toward meeting the capital requirement of the Insurance Account in connection with the purchase of additional mortgage loans pursuant to the Insured Mortgage Program.

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 1978 First Series Bonds for deposit in the 1978 First 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 \$219,800,000 Bonds to be outstanding following the issuance of the 1978 First 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 programs. Such Bonds are expected to be secured by a portfolio of mortgage loans which at December 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%	91	\$ 4,722,588
	9.25	117	6,439,565
	9.00	205	11,126,545
	8.75	462	24,720,321
	8.25	408	22,937,584**
	8.00	78	4,314,300
	7.75	819	46,353,821**
	7.50	99	5,512,450
	7.25	120	6,612,588
	7.00	44	1,459,899
		2,443	\$134,199,661
	<u>FHA/VA</u>		
	9.00%	4	\$ 223,628
	8.75	25	1,308,602
	8.50	109	6,085,728
	8.00	32	1,764,557**
	7.75	151	8,766,162
	7.50	123	7,048,575**
	7.00	43	2,479,183
		487	\$ 27,676,435
Mortgage loans to be held in Mortgage Loan Account for 1978 First Series Bonds***:		726	\$ 41,250,000
Total pro forma portfolio:		3,656	\$203,126,096

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

** Includes \$19,815,007 mortgage loans to be purchased prior to April 1, 1978, from \$31,603,500 of commitments outstanding on December 31, 1977.

*** Mortgage loans to be purchased with proceeds of the 1978 First Series Bonds will be selected from all or any part of the following sources: loans held in the 1977 First Series Note Fund as of December 31, 1977 (8.25-9.25%)—\$11,431,272; remaining commitments outstanding as of December 31, 1977 (7-8.75%)—\$11,788,493; commitments made after December 31, 1977 (7.25-8.00%)—undetermined amount.

In the future, in addition to the purchase of mortgage loans from proceeds of the 1978 First 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 ½% 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 1978 First 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 1978 First 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 and interest payments due on such mortgage loans 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.

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
October 20, 1977	2.58	1.36	.36	.86	.86

*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 ended September 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 September 30, 1977*				Percent of Mortgage Loans in Foreclosure
	Total	1 Mo.	2 Mo.	3 or More Mos.	
Alaska**	4.17	2.78	.78	.61	.25
USA**	4.56	3.25	.78	.53	.37

* A loan is considered one month delinquent if the September 1 installment has not been paid by September 30. A loan is two months delinquent if the August 1 installment is unpaid as of August 31, etc.

** Source: *National Delinquency Survey*, Data for September 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. General experience indicates that mortgage loan delinquencies rarely develop in the early months of a mortgage loan and a significant percentage of the Corporation's portfolio reflected in the table above consists of mortgage loans which originated within the last six months. Changing economic conditions over which the Corporation necessarily has no control may affect future delinquency levels.

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 payment 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 1978 First 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

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 1978 First 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 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 \$12,800,000 (of which \$12,794,000 remains outstanding). 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. The \$4,722,500 Capital Reserve Requirement with respect to the 1978 First Series Bonds will be funded by the deposit of Investment Securities purchased from proceeds of the 1978 First Series Bonds.

APPLICATION OF 1978 FIRST SERIES BOND PROCEEDS

It is the Corporation's present intention to apply the proceeds of sale of the 1978 First Series Bonds approximately as follows:

Purchase of mortgage loans	\$41,250,000
Deposit in Capital Reserve Fund	4,722,500
Payment of accrued interest on mortgage purchases	350,000
Bond discount	800,000
Costs of issuance	102,500
Total	<u>\$47,225,000</u>

Accrued interest on the 1978 First Series Bonds to the date of delivery thereof will be deposited in the Interest Account.

DESCRIPTION OF THE 1978 FIRST SERIES BONDS

The 1978 First Series Bonds will be dated March 1, 1978, and will bear interest payable semi-annually on June 1 and December 1, commencing December 1, 1978 (nine 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 1978 First 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 1978 First 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 1978 First 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 _____, New York, New York.

The maturity schedule for the 1978 First 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 expects to 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 1978 First Series Bonds are subject to redemption upon at least 30 days' notice as shown below.

Sinking Fund Redemption

The 1978 First 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:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
1993	\$1,300,000	1998	\$1,725,000	2003	\$2,375,000
1994	1,375,000	1999	1,850,000	2004	2,525,000
1995	1,425,000	2000	1,975,000	2005	2,700,000
1996	1,525,000	2001	2,100,000	2006	2,875,000
1997	1,625,000	2002	2,225,000	2007*	7,775,000

* 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 1978 First Series Term Bonds are subject to redemption at any time by operation of the 1978 First Series Special Redemption Account, in part, from

(a) unexpended 1978 First Series Bond proceeds transferred, at the election of the Corporation, to the 1978 First 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 1978 First Series Mortgage Loan Account and transferred at the election of the Corporation to the 1978 First 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 1978 First 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 covenant 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 to 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.

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)

Subject to compliance with applicable Treasury Regulations, 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.

- (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 Depositary 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 Depositary 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

Supplemental Resolution or the certificate of an Authorized Officer, as an addition to provide funds for the redemption of Bonds from amounts in such Account exceeds (ii) the sum of the unpaid principal amount (exclusive of amounts in default) of Acquired Obligations financed or deemed to be financed by application of amounts relating to such Series plus the aggregate amount then on deposit in the Capital Reserve Fund (exclusive of any amount deposited in the Capital Reserve Fund in connection with the issuance of any Series from sources other than the proceeds of such Series), the Principal Account and the Redemption Fund.

SIXTH: To the Commissioner of Revenue of the State for deposit in the "Alaska Housing Finance Corporation Insured Mortgage Program Account" within the Insurance Fund, the amount which may be stated in the Certificate of an Authorized Officer as necessary to provide amounts for such purpose pursuant to the Mortgage Insurance Agreement.

Immediately prior to the making of such payments in each month the Trustee, to the extent provided pursuant to a Supplemental Resolution, is required to transfer to the Principal Account from the Mortgage Loan Account for a particular Series of Bonds, to the extent of moneys available therein and assuming the accrual of such amounts on the same basis as interest accrues, the amount of Recoveries of Principal scheduled for the payment of the Bonds of such Series in the certificate delivered upon the issuance of such Series.

The Trustee is authorized to permit the withdrawal by the Corporation in December of each year, immediately following the payments required above, of any amount remaining in the Revenue Fund free and clear of any lien or pledge created by or pursuant to the Resolution, for any lawful purpose of the Corporation consistent with its covenants with respect to tax exemption.

Debt Service Fund (Section 505)

The Trustee is directed to pay to the Paying Agents from the Principal Account the amount required to make principal payments when due and to pay from the Interest Account (i) on or before each Interest Payment Date, the amounts required for the payment of interest due on the Outstanding Bonds on such date and (ii) on or before the redemption date or date of purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased. In addition, the amount accumulated in the Principal Account for a Sinking Fund Payment may and, if directed by the Corporation, is required to be applied by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Payment to the purchase or redemption of Bonds of the Series and maturity for which such Sinking Fund Payment was established at prices not exceeding the Redemption Price which would be payable for such Bonds upon redemption by application of such Sinking Fund Payments and upon any such purchase or redemption an amount equal to the principal amount of such Bonds is to be credited toward such Sinking Fund Payment. The amount of any excess of the principal amounts so credited over the amount of such Sinking Fund Payment is to be credited against future Sinking Fund Payments for such Series in direct chronological order.

As soon as practicable after the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee is to proceed to call for redemption on such due date Bonds of the Series and maturity for which such Sinking Fund Payment was established in a principal amount equal to the amount of such Sinking Fund Payment reduced by crediting thereto the principal amount of Bonds purchased or redeemed as described above. The Trustee is required to call such Bonds for redemption whether or not it then has moneys in the Principal Account sufficient to pay the applicable Redemption Price on the Redemption Date.

Redemption Fund (Section 506)

There are to be deposited in the General Redemption Account and the Special Redemption Accounts any amounts required to be deposited therein by the Resolution or any Supplemental

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.

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 Depositary 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

"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 Fledged 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 modification 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

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-

able expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution, and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it under the Resolution.

Defeasance (Section 1201)

If the Corporation shall pay or cause to be paid to the holders of the Bonds and coupons, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of any revenues and assets thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or coupons or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. Any Outstanding Bonds and all coupons appertaining to such Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to publish, as provided in the Resolution, notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or direct obligations of or obligations guaranteed by the United States of America the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the holders of such Bonds and coupons that the deposit required by (b) above has been made with the Trustee and that said Bonds and coupons are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of said Bonds. Neither the obligations nor the moneys so deposited with the Trustee nor principal or interest payments on any such obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds, but any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INSURANCE AGREEMENT

Provisions of the Act create a State Mortgage Insurance Fund held by the Commissioner of Revenue of the State and administered by the Commissioner of Commerce and Economic Development of the State and the Corporation for the purpose of insuring eligible mortgage

loans. The provisions have been implemented by a Mortgage Insurance Agreement dated as of December 6, 1975, between the Commissioner of Commerce and Economic Development and the Corporation. Certain provisions of the Agreement and the Act are summarized below. Reference should be made to the Agreement and the Act for a complete statement of their provisions.

Creation of Account

The Agreement creates within the Insurance Fund a special account designated as the Alaska Housing Finance Corporation Insured Mortgage Program Account (the "Insurance Account"). No amount deposited in the Insurance Account may be withdrawn except as permitted by the Agreement.

Mortgages Eligible for Insurance by the Account

Mortgage loans which may be insured by the Insurance Account are limited to Acquired Obligations pledged to the payment of the Bonds. No mortgage loan will be eligible for insurance by the Insurance Account unless such mortgage loan, upon becoming an Acquired Obligation, shall have a loan to value ratio* of less than 80% or shall be the subject of insurance or guarantee by the FHA, VA or other federal agency or by a Qualified Mortgage Insurance Company ** to the extent that such ratio is greater than 80%.

Other accounts in addition to the Insurance Account may be subsequently established within the Insurance Fund to insure other mortgage loans or obligations so long as claims for losses with respect to such obligations are not payable from, and shall not obligate, encumber or create any charge against, or liability with respect to, amounts in the Insurance Account. The Agreement further provides that no such other account shall be established with a priority over the Insurance Account with respect to payments received pursuant to the Act from any appropriations by the State or from unrestricted surplus funds of the Corporation.

The Account Requirement and Administration of the Insurance Account

The Act provides that mortgage loans may be insured by the Insurance Fund if the amount therein is equal to the greater of (a) 2% of the unpaid principal amount of the mortgage loans insured or (b) such other percentage as the Corporation with the approval of the Commissioner of Commerce and Economic Development determines is "actuarially sound" for operation of the Fund. In making such determination, the Act requires that various factors be considered, including estimates of future defaults and losses on mortgage loans insured based on actual default and loss experience of mortgage loans in Alaska or elsewhere, estimates of recoveries on defaulted or foreclosed mortgage loans based on such experience, the terms and conditions of the mortgage loans insured, estimates of earnings and income of amounts in the Insurance Fund, and any other appropriate factors. The Agreement establishes for the Insurance Account an Account Requirement with respect to Acquired Obligations to be insured thereby which is determined as provided in the Act and as described below.

Income of the Insurance Account is to consist of the amortization of any insurance premiums collected by the Corporation in respect of mortgage loans to be insured over the estimated average life of such mortgage loans, net earnings on investments in the Insurance Account and such other fees, charges and receipts as the Commissioner of Commerce and Economic Development and the Corporation may prescribe and collect. At the end of each Bond Year,

* Loan to value ratio means the ratio of the principal amount of the mortgage loan to the appraised value, as determined by an appraiser acceptable to the Corporation, of the residential housing securing the mortgage loan.

** A Qualified Mortgage Insurance Company is a mortgage insurance company satisfactory to the Corporation, qualified to do business in the State and to provide insurance on mortgages purchased by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association.

the capital of the Insurance Account shall be increased by the amount by which the portion of premium income earned, if any, and all investment income of the Insurance Account exceeds losses during such year or decreased by the amount by which losses to the Insurance Account exceed such income. Except to the extent necessary to satisfy claims for losses on Acquired Obligations, amounts may be withdrawn from the capital of the Insurance Account only to reimburse the Corporation for capital contributions to the Insurance Account and then only if the capital has not been less than the Account Requirement at any time within the two years preceding such withdrawal and the withdrawal will not cause the capital of the Insurance Account to be less than the Account Requirement, and only to the extent that such withdrawals represent reimbursement to the Corporation for contributions to the capital of the Account which have not been reimbursed by previous withdrawals. The capital of the Insurance Account has exceeded the capital requirement at all times during the last two years and, after giving effect to the purchase of mortgage loans which the Corporation expects to purchase for deposit in the Mortgage Loan Accounts relating to currently outstanding Bonds, such excess will be approximately \$182,000. The Corporation may withdraw such excess or apply it toward meeting the capital requirement of the Insurance Account in connection with the purchase of additional mortgage loans pursuant to the Insured Mortgage Program.

The Agreement provides that the Insurance Account shall be administered in such a manner that its income in each Bond Year is expected to at least equal the anticipated claims for losses in such Bond Year. If income is less than losses in any Bond Year, the Agreement requires the Commissioner of Commerce and Economic Development and the Corporation to (a) adjust the level of future insurance premiums charged by the Corporation, (b) determine that the Account Requirement requires the capital of the Insurance Account to be increased to a level which will provide adequate investment income or (c) take a combination of such actions, so as to ensure that income of the Insurance Account in future Bond Years will equal losses in such Bond Years.

Deficiencies in the Insurance Fund

With respect to deficiencies in the Insurance Fund, Section 18.56.095(f) of the Act provides as follows:

“On December 1 of each year the commissioner of commerce [and economic development] shall determine the amount on deposit in the mortgage insurance fund. If the amount in the fund is less than the fund requirement, the commissioner shall request the corporation to transfer from any available funds the amount necessary to restore the mortgage insurance fund to the fund requirement and the corporation shall promptly comply with the request from any funds available subject to agreements with holders of any of its obligations. If sufficient funds are not provided as the result of such requests, the commissioner shall, no later than January 2 of the following year, make and deliver to the governor and to the chairmen of the house and senate finance committees his certificate stating the sum required to restore the fund to the fund requirement and the sum so certified may be appropriated and paid to the fund during the then current state fiscal year. Nothing in this subsection creates a debt or liability of the state.”

In the Agreement, the Commissioner of Commerce and Economic Development and the Corporation have covenanted to determine the Account Requirement from time to time and at least annually on December 1. If, in such annual determination, the amount on deposit in the capital of the Insurance Account is less than the Account Requirement, the Commissioner has covenanted to certify to the Corporation the amount of any deficiency and the Corporation has covenanted, to the extent it has unrestricted surplus funds available for such purpose, to transfer to the Insurance Account the amount of such deficiency. If sufficient funds are not available to the Corporation, the Commissioner of Commerce and Economic Development has

covenanted to certify, at the time and in the manner required by the Act, such sum to the Governor and Chairmen of the House and Senate Finance Committees of the State Legislature as is necessary to restore the Insurance Account to the amount required by the Act. The Agreement provides that any sum appropriated in connection with any such certification shall be promptly paid in as part of the capital of the Insurance Account.

With respect to funds available to the Corporation to restore any deficiency in the Insurance Account, the Resolution provides that, after the required monthly deposits of revenues into the Funds and Accounts under the Resolution, any amounts remaining will be transferred to the Insurance Account to the extent certified by the Corporation as necessary to make up any deficiency. In addition, the Corporation may restore the Insurance Account from other available unrestricted surplus funds. In the absence of a deficiency in the Insurance Account, there is no requirement that present or future surplus funds, including any surplus under the Resolution, be retained by the Corporation for purposes of the Insurance Account, and such funds may be expended for general operating or other purposes of the Corporation. The Corporation's unrestricted surplus funds are principally provided by mortgage loans and investments purchased with proceeds of its bond anticipation notes and mortgage purchase commitment fees. However, there can be no assurance that in the event of a future deficiency in the Insurance Account the Corporation will have surplus funds available therefor.

Claims and Payment of Losses

Claims submitted by the Corporation in respect of Acquired Obligations insured by the Insurance Account may include unpaid principal and interest and unpaid expenses to the Corporation for real estate taxes, hazard and loan insurance premiums, repair and maintenance costs, collection and legal costs and similar costs. The Corporation, however, shall not be deemed to have incurred a loss in respect of an Acquired Obligation which is guaranteed or insured by the VA, FHA or other federal agency or by a Qualified Mortgage Insurance Company until it shall have first failed to obtain full and complete reimbursement of the loss from such guarantor or insurer.

Upon submission of a claim for loss, the Agreement provides that the Corporation shall establish the amount of loss on an Acquired Obligation by acquisition and sale of the mortgaged premises, by foreclosure or otherwise or by such other procedure as the Corporation may elect. Upon such determination, the Commissioner of Commerce and Economic Development shall promptly pay the amount of the loss established by the Corporation from the Insurance Account.

If at any time after payment from the Insurance Account to the Corporation for a loss on an Acquired Obligation, the Corporation recovers moneys in respect of the Acquired Obligation from another source, the Act and the Agreement require the Corporation to apply such moneys to repay the State to the extent of any prior appropriations into the Insurance Account pursuant to the Act and thereafter to reimburse the Insurance Account for its prior payment for such loss.

Incontestability of Insurance

Under the Agreement, upon the Corporation's endorsement of insurance of an Acquired Obligation by the Insurance Account, such insurance shall be valid and incontestable regardless of any deficiency or defect in the Acquired Obligation, and there are no conditions to such insurance except as provided in the Agreement.

Insurance Account Investments

The Agreement limits investments of moneys in the Insurance Account to (a) direct obligations of, or obligations insured or guaranteed by, the United States or its agencies or instrumentalities, (b) bankers acceptances drawn on and accepted by and certificates of deposit of banks with a combined capital and surplus aggregating at least \$200,000,000 or (c) interest-bearing deposits or certificates of deposit of a bank or trust company continuously secured by obligations of the types described in clause (a) above or by obligations of the State having a market value at all times at least equal to the amount of such deposit or certificate to the extent not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or any successors thereto.

Any amounts on deposit in the Insurance Account and investments thereof shall be in the custody of the Commissioner of Revenue and deposited in a segregated account in a bank or trust company having a capital and surplus of at least \$25,000,000.

At December 31, 1977, National Bank of Alaska held cash and securities aggregating \$3,556,803 in the Insurance Account, \$3,419,195 of which represented the capital in the Insurance Account. The amount of capital currently exceeds the capital requirement of the Insurance Account and, accordingly, the Corporation has the right to withdraw a portion of the capital as hereinabove described under "The Account Requirement and Administration of the Insurance Account".

Other Covenants

The Commissioner of Commerce and Economic Development has covenanted to maintain the Insurance Account in accordance with sound commercial practice, and the Corporation has covenanted to supervise its portfolio of Acquired Obligations and to maintain full benefits under any prior insurance or guarantee to which it is entitled, but the failure to do so shall not relieve the Commissioner of Commerce and Economic Development from the payment of losses from the Insurance Account as provided in the Agreement.

The State pledges and agrees with the holders of Bonds that it will not limit or alter the rights and powers of the Commissioner to fulfill the terms of the Agreement or impair the right of the Corporation to receive insurance from the Insurance Account in respect of Acquired Obligations.

The Commissioner of Commerce and Economic Development and the Commissioner of Revenue have covenanted to maintain at all times complete and accurate books and records for purposes of the Agreement and, pursuant to the Agreement, have delegated such responsibility to the Corporation. The Agreement provides that such books and records shall be audited at least annually by an independent certified public accountant.

The Corporation has covenanted to maintain complete and accurate books and records regarding Acquired Obligations, which may be inspected by the Commissioner of Commerce and Economic Development for the purpose of verifying insurance claims against the Insurance Account.

Delegation by Commissioner

In the Agreement the Commissioner of Commerce and Economic Development has delegated to the Corporation all his rights, duties, powers, responsibilities and obligations under the Agreement, except as to his obligations to determine the Account Requirement in conjunction with the Corporation and to certify annually any deficiencies in the Insurance Account in respect thereof.

RATING

As noted on the cover page of this Official Statement, Standard & Poor's Corporation ("Standard & Poor's") has given the 1978 First Series Bonds a rating of A. No application

has been made to any other rating agency for the purpose of obtaining a rating on the 1978 First Series Bonds. Any explanation of the significance of such rating should be obtained from Standard & Poor's. The Corporation furnished to such rating agency information and materials relating to the 1978 First Series Bonds and itself, certain of which information and materials have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that such rating will obtain for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of Standard & Poor's, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of holders of 1978 First Series Bonds any proposed change or withdrawal of such rating or to oppose any such proposed revision. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the 1978 First Series Bonds.

TAX EXEMPTION

In the opinion of Bond Counsel, interest on the 1978 First 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 of 1954, as amended, is a "substantial user" of facilities financed from proceeds of the Bonds or a "related person". Under the Act, the 1978 First 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.

The Commissioner of Internal Revenue has proposed amendments to Section 1.103-1 of the Income Tax Regulations relating to interest paid on obligations of state and local governmental units. If adopted, these proposed amendments would impose substantial limitations on the type of issuer whose obligations would be deemed to have been issued "on behalf of" a state for purposes of the exemption from federal income tax afforded by Section 103 of the Code. If adopted in the form published, the proposed regulations would have no effect on the 1978 First Series Bonds, but might require an amendment to the Act in order to preserve the tax-exempt nature of interest paid on obligations issued after the effective date of such regulations. Failure of the Corporation to preserve the tax-exempt status of interest paid on future obligations could affect its ability to sell future issues of bonds.

LEGALITY FOR INVESTMENT

Subject to any applicable federal requirements or limitations, the 1978 First Series Bonds are eligible for investment by all public officers and public bodies of Alaska and its political subdivisions and, to the extent controlled by Alaska law, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them, in the 1978 First Series Bonds.

ABSENCE OF MATERIAL LITIGATION

There is no controversy or litigation of any material nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the 1978 First Series Bonds, or in any way contesting or affecting the validity of the 1978 First Series Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 1978 First Series Bonds or the existence or powers of the Corporation.

APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance, sale and delivery of the 1978 First 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 1978 First 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.

UNDERWRITING

The 1978 First Series Bonds will be purchased by an underwriting group (the "Underwriters") represented by Dean Witter Reynolds Inc., Bache Halsey Stuart Shields Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated and John Nuveen & Co. Incorporated. The Contract of Purchase provides that the Underwriters will not be obligated to purchase any 1978 First Series Bonds unless all such Bonds are available for purchase. The initial public offering price set forth on the cover page may be changed by the several Underwriters. One or more of the Representatives of the Underwriters expects to make a market in the 1978 First Series Bonds after the initial public offering.

FINANCIAL STATEMENTS

The financial statements of the Corporation included in Exhibit A to this Official Statement have been examined by Price Waterhouse & Co., independent certified public accountants, to the extent and for the periods indicated in their report which appears in said Exhibit. Such financial statements have been included 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 Reynolds Inc., 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 1978 First Series Bonds.

Dated: February 21, 1978

ALASKA HOUSING FINANCE CORPORATION,

by /s/ RICHARD T. HALL
Chairman

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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 November 30, 1977 and 1976 and the results of its operations and the changes in its financial position for the years ended November 30, 1977, 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.

Anchorage, Alaska
December 30, 1977

ALASKA HOUSING FINANCE CORPORATION

BALANCE SHEET

November 30, 1977

	Corporation Operating Fund	Mortgage Program Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing Development Fund	Combined
ASSETS:						
Cash—						
Demand deposits	\$ 40,651	\$ 5	\$ 7,103	\$ 191		\$ 47,950
Savings accounts	316,443	51,730	788,684	614,641	\$ 187,710	1,959,208
Held in trust		60,242	4,164	4,469		68,875
	<u>357,094</u>	<u>111,977</u>	<u>799,951</u>	<u>619,301</u>	<u>187,710</u>	<u>2,076,033</u>
Investments (Note 1)—						
Certificates of deposit	3,870,000	10,000,000	4,033,028	17,258,454		35,161,482
U.S. Treasury				13,158,599		13,158,599
Bank repurchase agreements		4,566,589	8,011,631	22,978,765	12,015	35,569,000
	<u>3,870,000</u>	<u>14,566,589</u>	<u>12,044,659</u>	<u>53,395,818</u>	<u>12,015</u>	<u>83,889,081</u>
First mortgage loans, less net unamortized discount or premium of \$2,019,384 (Notes 1, 2 and 5)		11,395,383	99,566,908	133,127,954	2,812,911	246,903,156
Home improvement loans	257,847				48,209	306,056
Deed of trust note receivable from Alaska State Housing Authority (Note 4)					3,900,000	3,900,000
Accrued interest receivable	3,628	151,068	816,673	1,598,255	46,344	2,615,968
Bond issuance costs, net of amortization (Note 1)			374,614	307,820		682,434
Capital investment in State Mortgage Insurance Fund (Note 5)	175,000					175,000
Office equipment and improvements, net of accumulated depreciation of \$6,460 (Note 1)	27,377					27,377
Total Assets	<u>\$4,690,946</u>	<u>\$26,225,017</u>	<u>\$113,602,805</u>	<u>\$189,049,148</u>	<u>\$7,007,189</u>	<u>\$340,575,105</u>
LIABILITIES AND FUND BALANCES:						
Bonds and notes payable, less net unamortized discount or premium of \$2,980,327 (Notes 3 and 4)—						
Mortgage bonds			\$106,353,143	\$170,331,257		\$276,684,400
Notes payable		\$25,000,273				25,000,273
Payable to the State of Alaska				12,798,000	\$6,801,073	19,599,073
Accrued interest payable		736,743	3,564,593	5,298,565	58,291	9,658,192
Accrued expenses	\$ 48,917	3,577	34,473	52,731	907	140,605
Total Liabilities	<u>48,917</u>	<u>25,740,593</u>	<u>109,952,209</u>	<u>188,480,553</u>	<u>6,860,271</u>	<u>331,082,543</u>
Fund balances, designated for purposes allowed within the respective funds (Notes 3, 5 and 6)						
Total Fund Balances	<u>4,642,029</u>	<u>484,424</u>	<u>3,650,596</u>	<u>568,595</u>	<u>146,918</u>	<u>9,492,562</u>
Commitments (Note 6)						
Total Liabilities and Fund Balances	<u>\$4,690,946</u>	<u>\$26,225,017</u>	<u>\$113,602,805</u>	<u>\$189,049,148</u>	<u>\$7,007,189</u>	<u>\$340,575,105</u>

See accompanying notes to financial statements

ALASKA HOUSING FINANCE CORPORATION

BALANCE SHEET

November 30, 1976

	Corporation Operating Fund	Mortgage Program Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing Development Fund	Combined
ASSETS:						
Cash—						
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>
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 agreements			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>—</u>	<u>33,595,074</u>
First mortgage loans, less net unamortized discount or premium of \$2,143,557 (Notes 1 and 5)	1,873,085	9,414,521	105,866,647	23,581,528	4,683,882	145,419,663
Home improvement loans	187,116				64,923	252,039
Deed of trust note receivable from Alaska State Housing Authority (Note 4)					3,900,000	3,900,000
Accrued interest receivable	28,984	79,601	900,576	227,465	60,885	1,297,511
Bond issuance costs, net of amortization (Note 1)			396,418	48,000		444,418
Prepaid expenses	50,000					50,000
Office equipment and improvements, net of accumulated depreciation of \$4,159 (Note 1)	22,604					22,604
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 discount or premium of \$1,136,999 (Notes 3 and 4)—						
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>8,826,858</u>	<u>181,087,149</u>
Fund balances, designated for—						
Special reserves (Note 3)	1,330,696					1,330,696
Purposes allowed within the respective funds (Note 5)	2,466,593	110,936	2,632,276	94,282	150,164	5,454,251
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 6)						
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

STATEMENT OF REVENUES AND EXPENSES AND FUND BALANCES

	Year Ended November 30, 1977					Combined
	Corporation Operating Fund	Mortgage Program Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing Development Fund	
Revenues:						
Interest income—						
Mortgages	\$ 128,865	\$ 892,189	\$8,475,362	\$6,127,803	\$318,673	\$15,942,892
Investments	133,623	524,117	364,135	1,805,968	11,533	2,839,376
	262,488	1,416,306	8,839,497	7,933,771	330,206	18,782,268
Loan fees	591,915			107,787		699,702
Total revenues	854,403	1,416,306	8,839,497	8,041,558	330,206	19,481,970
Operating expenses:						
Interest on notes and bonds		857,523	7,147,188	6,859,107	313,141	15,176,959
Mortgage service fees	5,219	37,526	378,415	267,054	5,426	693,640
General and administrative expenses ..	407,759	16,088	32,592	5,309		461,748
Legal, accounting and trustee fees	140,840					140,840
Loan losses	69,496				14,885	84,381
Insured Mortgage Program (Note 5) ..				107,787		107,787
Interfund operating charge (credit)	(590,970)		262,982	327,988		
Total operating expenses	32,344	911,137	7,821,177	7,567,245	333,452	16,665,355
Revenues in excess (less than) operating expenses	822,059	505,169	1,018,320	474,313	(3,246)	2,816,615
Contribution to State Mortgage Insurance Fund (Note 5)	109,000					109,000
Revenues in excess (less than) expenses	713,059	505,169	1,018,320	474,313	(3,246)	2,707,615
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	131,681	(131,681)				
Fund balance, end of period (Notes 3, 5 and 6)	\$4,642,029	\$ 484,424	\$3,650,596	\$ 568,595	\$146,918	\$ 9,492,562

See accompanying notes to financial statements

ALASKA HOUSING FINANCE CORPORATION

STATEMENT OF REVENUES AND EXPENSES AND FUND BALANCES

Year Ended November 30, 1976

	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	\$ 72,402		\$ 58,364	\$8,425,808	\$ 801,750	\$449,308	\$ 9,807,632
Investments	117,504	\$1,170,445	347,719	315,046	137,586	10,521	2,098,221
	189,906	1,170,445	406,083	8,740,854	939,336	459,829	11,906,453
Loan fees	470,287				111,590		581,877
Total revenues	660,193	1,170,445	406,083	8,740,854	1,050,926	459,829	12,488,330
Operating expenses:							
Interest on notes and bonds		736,564	291,386	7,248,208	809,917	411,902	9,497,977
Mortgage service fees	1,363		3,761	394,140	32,819	14,243	446,326
General and administrative ex- penses	436,667			22,041	2,319		461,027
Legal, accounting and trustee fees Insured Mortgage Program (Note 5)	108,203						108,203
Interfund operating charge (credit)	(361,608)			361,608	111,589		111,589
Total operating expenses	184,625	736,564	295,147	8,025,997	956,644	426,145	10,625,122
Revenues in excess of operating ex- penses	475,568	433,881	110,936	714,857	94,282	33,684	1,863,208
Contribution to State Mortgage In- surance Fund (Note 5)	491,000						491,000
Revenues in excess (less than) ex- penses	(15,432)	433,881	110,936	714,857	94,282	33,684	1,372,208
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 (Notes 3 and 5)	\$3,797,289	\$ -	\$110,936	\$2,632,276	\$ 94,282	\$150,164	\$ 6,784,947

Year Ended November 30, 1975

Revenues:							
Interest income—							
Mortgages	\$ 514	\$ 849,678		\$6,425,219		\$464,413	\$ 7,739,824
Investments	91,417	2,827,101		553,563		19,055	3,491,136
	91,931	3,676,779		6,978,782		483,468	11,230,960
Loan fees	215,579						215,579
Total revenues	307,510	3,676,779		6,978,782		483,468	11,446,539
Operating expenses:							
Interest on notes and bonds		2,607,195		5,822,987		423,535	8,853,717
Mortgage service fees		25,112		316,078		11,593	352,783
General and administrative ex- penses	136,207	41,921		27,176			205,304
Legal, accounting and trustee fees Interfund operating charge (credit)	153,108			275,076			153,108
	(275,076)						
Total operating expenses	14,239	2,674,228		6,441,317		435,128	9,564,912
Revenues in excess of expenses	293,271	1,002,551		537,465		48,340	1,881,627
Fund balance, beginning of period ..	1,059,072	1,023,946		1,379,954		68,140	3,531,112
Transfer of net assets applicable to matured bond anticipation notes to the Corporation Operating Fund ..	190,012	(190,012)					
Fund balance, end of period	\$1,542,355	\$1,836,485	\$ -	\$1,917,419	\$ -	\$116,480	\$ 5,412,739

See accompanying notes to financial statements

ALASKA HOUSING FINANCE CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended November 30, 1977					Combined
	Corporation Operating 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	\$ 713,059	\$ 505,169	\$ 1,018,320	\$ 474,313	\$ (3,246)	\$ 2,707,615
Add (deduct) items not requiring (providing) cash:						
Net amortization of discounts, premiums and bond issuance costs ..	(2,146)	(3,048)	(380,427)	78,255		(307,366)
Depreciation	2,301					2,301
(Increase) decrease in accrued interest receivable	25,356	(71,467)	83,903	(1,370,790)	14,541	(1,318,457)
Increase (decrease) in accrued interest payable		445,146	(50,425)	4,444,419	(92,101)	4,747,039
Net increase (decrease) in accrued and pre-paid expenses	47,691	302	(4,604)	44,869	(778)	87,480
Loan losses	69,496				14,885	84,381
Cash provided (used) by operations	855,757	876,102	666,767	3,671,066	(66,699)	6,002,993
Transfer from (to) other funds	131,681	(131,681)				
Mortgages (purchased) sold to other funds	1,864,276	33,331,813	(3,934,795)	(32,898,007)	1,636,713	
Mortgage principal repayments	24,728	315,279	16,588,397	3,808,868	236,088	20,973,360
Net proceeds from sale of housing mortgage bonds ..				120,786,265		120,786,265
Net proceeds from sale of bond anticipation notes ..		25,001,002				25,001,002
Increase in notes payable to the State of Alaska				12,300,000		12,300,000
Total	<u>2,876,442</u>	<u>59,392,515</u>	<u>13,320,369</u>	<u>107,668,192</u>	<u>1,806,102</u>	<u>185,063,620</u>
Uses of cash:						
State Mortgage Insurance Fund	175,000					175,000
Increase (decrease) in investments	2,894,008	14,517,289	5,876,700	26,993,995	12,015	50,294,007
Purchase of first mortgage loans	154,000	35,625,724	5,933,629	80,443,231		122,156,584
Payment of housing and insured mortgage bonds ..			1,350,000	20,000		1,370,000
Payment of bond anticipation notes		10,000,000				10,000,000
Payment of State of Alaska notes				2,000	1,873,709	1,875,709
Other	7,074					7,074
Total	<u>3,230,082</u>	<u>60,143,013</u>	<u>13,160,329</u>	<u>107,459,226</u>	<u>1,885,724</u>	<u>185,878,374</u>
Increase (decrease) in cash ..	(353,640)	(750,498)	160,040	208,966	(79,622)	(814,754)
Cash balance, beginning of period	710,734	862,475	639,911	410,335	267,332	2,890,787
Cash balance, end of period ..	<u>\$ 357,094</u>	<u>\$ 111,977</u>	<u>\$ 799,951</u>	<u>\$ 619,301</u>	<u>\$ 187,710</u>	<u>\$ 2,076,033</u>

See accompanying notes to financial statements

ALASKA HOUSING FINANCE CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended November 30, 1976

	Corporation Operating Fund	Housing Mortgage Note Fund	Mortgage Program Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing Development Fund	Combined
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 dis- counts, 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 pay- able		(2,061,250)	291,597	(28,993)	854,146	67,988	(876,512)
Net increase (decrease) in accrued and pre- paid expenses	(151,449)	(264)	3,275	9,147	7,862	1,683	(129,746)
Cash provided (used) by operations	(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	852,780	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 invest- ments	(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 mort- gage bonds				835,000			835,000
Payment of bond anticipa- tion 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	203,281	10,136		589,890		281,662	1,084,969
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

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)	(10,091)	(852,751)
Increase (decrease) in accrued interest payable ..		274,250	1,781,020	(1,379)	2,053,891
Net increase (decrease) in accrued and prepaid expenses	23,340	(5,915)	11,438	(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 repayments	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	<u>535,179</u>	<u>90,956,824</u>	<u>24,306,198</u>	<u>(8,416)</u>	<u>115,789,785</u>
Uses of cash:					
Increase (decrease) in 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 mortgage bonds			555,000		555,000
Payment of bond anticipation notes		52,000,000			52,000,000
Payment of State of Alaska notes				154,133	154,133
Other	10,199				10,199
Total	<u>506,699</u>	<u>102,665,267</u>	<u>25,278,876</u>	<u>(33,982)</u>	<u>128,416,860</u>
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	<u>\$203,281</u>	<u>\$ 10,136</u>	<u>\$ 589,890</u>	<u>\$281,662</u>	<u>\$ 1,084,969</u>

See accompanying notes to financial statements

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.

Investments

Investments are carried at amortized cost, which approximates market.

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.

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 November 30, 1977 is composed of the following:

Fund	Mortgage Principal Balance	Net Unamortized Discount	Net
Mortgage Program Note	\$ 11,438,795	\$ (43,412)	\$ 11,395,383
Housing Mortgage Bond	101,341,169	(1,774,261)	99,566,908
Insured Mortgage Bond	133,329,665	(201,711)	133,127,954
Housing Development	2,812,911		2,812,911
	<u>\$248,922,540</u>	<u>\$ (2,019,384)</u>	<u>\$246,903,156</u>

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, 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 5.

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

	Notes Outstanding	
	November 30, 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 \$273	\$ 25,000,273	
	<u>\$ 25,000,273</u>	<u>\$ 10,000,089</u>

	Original Amount (in 000's)	Bonds Outstanding	
		November 30, 1977	November 30, 1976
<i>Housing Mortgage Program:</i>			
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 \$7,623 and \$8,117	\$ 13,500	\$ 12,837,623	\$ 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 \$23,253 and \$24,663	36,000	34,893,253	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 \$151,768 and \$160,131	35,000	34,508,232	34,839,869

	Original Amount (in 000's)	Bonds Outstanding (Cont'd)	
		November 30, 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 \$210,965 and \$222,509 ..	\$ 12,000	\$ 11,669,035	\$ 11,777,491
Subtotal	<u>\$109,500</u>	<u>\$106,353,143</u>	<u>\$107,685,140</u>
<i>Insured Mortgage Program:</i>			
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 \$45,347 and \$47,669	5,000	4,934,653	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 \$281,639 and \$295,409	20,000	19,718,361	19,704,591
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, respectively, net of unamortized discount of \$423,664 and \$444,061	25,000	24,576,336	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 unamortized discount of \$657,500	35,000	34,342,500	
1977 Second Series, 5.20%-6.50%, maturing serially in annual amounts varying from \$595,000 to \$1,355,000 from December 1, 1978 to 1992 and \$33,970,000 in term bonds due December 1, 2007, net of unamortized discount of \$669,301	48,000	47,330,699	
1977 Third Series, 4.85%-6.50%, maturing serially in annual amounts varying from \$450,000 to \$1,225,000 from December 1, 1978 to 1992 and \$27,250,000 in term bonds due December 1, 2007, net of unamortized discount of \$571,292	40,000	39,428,708	
Subtotal	<u>173,000</u>	<u>170,331,257</u>	<u>49,212,861</u>
	<u>\$282,500</u>	<u>\$276,684,400</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 \$1,330,696 of its Operating Fund Balance in special reserves. The majority of this amount, \$1,000,000, was to be used to pay any losses that might be incurred in the event of a sale of mortgage loans to retire the 1976 First Series Notes. This arrangement expired upon payment of the notes at their maturity. The remaining special reserve of

\$330,696 was removed by action of the Corporation's Board during the year ended November 30, 1977.

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 (\$1,999,750 and \$1,400,227 at November 30, 1977 and November 30, 1976, respectively), and (4) a Special Pledged Fund (approximately \$21,439,000 and \$21,870,000 at November 30, 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 (\$17,302,403 of principally U.S. Government obligations at November 30, 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 November 30, 1977 are as follows:

Housing Mortgage Program

<u>During Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 30, 1978	\$ 1,445,000	\$ 7,129,183	\$ 8,574,183
November 30, 1979	1,550,000	7,021,108	8,571,108
November 30, 1980	1,670,000	6,905,121	8,575,121
November 30, 1981	1,790,000	6,784,434	8,574,434
November 30, 1982	1,925,000	6,656,461	8,581,461
	<u>8,380,000</u>	<u>34,496,307</u>	<u>42,876,307</u>
Thereafter	<u>98,305,000</u>	<u>94,213,961</u>	<u>192,518,961</u>
	<u>106,685,000</u>	<u>128,710,268</u>	<u>235,395,268</u>

Insured Mortgage Program

<u>During Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 30, 1978	405,000	6,967,363	7,372,363
November 30, 1979	1,930,000	11,271,142	13,201,142
November 30, 1980	2,135,000	11,138,715	13,273,715
November 30, 1981	2,295,000	10,992,516	13,287,516
November 30, 1982	2,455,000	10,835,267	13,290,267
	<u>9,220,000</u>	<u>51,205,003</u>	<u>60,425,003</u>
Thereafter	<u>163,760,000</u>	<u>181,078,851</u>	<u>344,838,851</u>
	<u>172,980,000</u>	<u>232,283,854</u>	<u>405,263,854</u>
Total	<u>\$279,665,000</u>	<u>\$360,994,122</u>	<u>\$640,659,122</u>

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

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. No principal reduction is required until September 1, 1978 when the first of 30 equal annual debt service payments of \$198,974 begins.

There is an additional note payable to the State of Alaska under the Housing Development Fund programs in the amount of \$2,901,073 and \$4,774,782 at November 30, 1977 and 1976, respectively, 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 \$12,800,000 from the State with outstanding balances as follows:

Balances at November 30, 1977

1975 First Series	\$ 498,000
1977 First Series	3,500,000
1977 Second Series	4,800,000
1977 Third Series	4,000,000
Total	<u>\$12,798,000</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. The principal reduction required for the forthcoming year on December 2, 1977, is \$4,000.

Note 5—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. The initial capital requirements associated with the 1975 through 1977 First Series Bonds were partially funded by contributions from the Corporation Operating Fund. The Corporation considered these initial contributions of \$600,000 to be permanent costs of initiating the program and charged such amounts against operations; subsequent contributions of \$175,000 have been 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 preceding the withdrawal.

The Fund is held in trust by a commercial lending institution pursuant to a custody agreement entered into by the State of Alaska and administered by the management of the Corporation. Generally, the Fund's activities through November 30, 1977 have been limited to receipt of capital contributions, premiums and interest on investments. However, the premium charge, originally equal to 1/2% of the principal amount on each conventional mortgage loan financed under the program, was discontinued January 24, 1977.

A summary of the Fund's financial statements for the two years ended November 30, 1977 follows:

	November 30,	
	<u>1977</u>	<u>1976</u>
ASSETS:		
Cash and short-term investments	\$3,608,133	\$1,000,354
LIABILITIES:		
Deferred premiums	\$ 188,938	\$ 106,086
CAPITAL:		
Contributions from—		
State of Alaska	2,500,000	391,000
Alaska Housing Finance Corporation	775,000	491,000
Retained earnings	144,195	12,268
	<u>\$3,608,133</u>	<u>\$1,000,354</u>
	Year Ended November 30,	
	<u>1977</u>	<u>1976</u>
REVENUES:		
Interest on investments	\$ 107,272	\$ 6,825
Earned premiums	24,935	5,473
	<u>132,207</u>	<u>12,298</u>
	280	30
EXPENSES:		
Net Income	<u>\$ 131,927</u>	<u>\$ 12,268</u>

The Fund has not recorded any provision for loan losses since no losses have presently been experienced and an inadequate history exists within the State to form a credible basis for future loss projections. However, it is the opinion of management of the Corporation that such losses, if any, will be minimal in view of the traditional economic strength of the Alaska housing market and the previously described loan-to-value criteria which must be met by eligible loans in the Insured Mortgage Program.

Note 6—Commitments:

At November 30, 1977 the Corporation had commitments to purchase first mortgage loans of approximately \$28,129,000. Additionally, in connection with potential future bond offerings under the Insured Mortgage Program, the Corporation has authorized the funding of up to \$825,000 of any capital requirement of the Insurance Fund (see Note 5) from the unrestricted fund balance of the Corporation Operating Fund should such funds not be appropriated by the Alaska Legislature.

The Corporation leases its office facilities and certain equipment for periods expiring between July, 1979 and October, 1980 with annual rental payments of approximately \$56,000 in 1978 and decreasing to \$11,000 by 1980. The Corporation is also obligated for a pro-rata portion of any increase in property taxes paid by the lessor.

EXHIBIT B

Upon the delivery of the Insured Mortgage Program Bonds, 1978 First 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 \$47,225,000 aggregate principal amount of Insured Mortgage Program Bonds, 1978 First Series (herein called the "1978 First 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 1978 First 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 February 21, 1978 (herein together with the General Resolution called the "Resolutions"). Insured Mortgage Program Bonds, including the 1978 First 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 1978 First 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:

<u>Maturity</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
1978	\$100,000	6.25%	1986	\$ 825,000	5.30%
1979	550,000	6.25	1987	900,000	5.40
1980	575,000	6.25	1988	950,000	5.50
1981	625,000	6.25	1989	1,000,000	5.60
1982	650,000	4.90	1990	1,075,000	5.70
1983	700,000	5.00	1991	1,150,000	5.75
1984	750,000	5.10	1992	1,200,000	5.75
1985	800,000	5.20	2007	35,375,000	6%

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

\$5,000 or any whole multiple thereof. The 1978 First Series Bonds are lettered and numbered as follows: coupon 1978 First Series Bonds are lettered AA and registered 1978 First Series Bonds are lettered AAR; the coupon and registered bonds are numbered separately from one consecutively upwards.

The 1978 First Series Bonds maturing on December 1, 2007, are subject to redemption at any time by operation of the 1978 First Series Special Redemption Account established pursuant to the Resolutions, in part, from

(a) unexpended 1978 First Series Bond proceeds transferred, at the election of the Corporation, to the 1978 First 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 1978 First Series Mortgage Loan Account, and transferred, at the election of the Corporation, to the 1978 First 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 1978 First 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 1978 First 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 1978 First 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 1978 First Series Bonds, or portions thereto to be so redeemed, together with accrued interest to the Redemption Date.

If less than all of the 1978 First Series Bonds of a like maturity are to be redeemed, the particular 1978 First 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 1978 First Series Bonds, upon the terms and conditions set forth in the General Resolution and such Bonds, when issued, shall with the 1978 First 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.

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 1978 First 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 1978 First 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 1978 First 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 1978 First 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 1978 First 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 1978 First 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

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 1978 First 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 1978 First 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 1978 First 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 Bonds or a "related person" within the meaning of Section 103(b)(7) of the Internal Revenue Code of 1954, as amended. The 1978 First Series Bonds and the interest thereon are also exempt from taxation directly imposed thereon by the State of Alaska or any subdivision thereof, other than transfer inheritance and estate taxes.

10. The 1978 First 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 1978 First Series Bond numbered AA-1 and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,

ALASKA HOUSING FINANCE CORPORATION

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SETTLEMENT

ALASKA HOUSING FINANCE CORPORATION

PROJECTED FINANCING AND ACTIVITY

<u>COMMITMENT LEVEL</u>	<u>PERIOD</u>	<u>BOND FUNDS REQUIRED</u>	<u>APPROPRIATION REQUIRED FOR MORTGAGE INSURANCE FUND</u>
\$ 7,000,000	September, 1977 - March, 1978 (7 months)	\$ 50,000,000	\$1,000,000
\$12,000,000	April, 1978 - June, 1978 (3 months) Fiscal Year 1978	\$ 36,000,000	\$ 720,000
		<u>\$ 86,000,000</u>	<u>\$1,720,000</u>
\$12,000,000	July, 1978 - June, 1979 (12 months) Fiscal Year 1979	\$144,000,000	\$2,880,000
	TOTAL	<u>\$230,000,000</u>	<u>\$4,600,000</u>

This amount is within the range the Corporation's investment bankers indicate can be marketed over a one-year period and is estimated to be adequate for mortgage needs during the period.

During the calendar year 1977, the Corporation issued \$123 million in Insured Mortgage Program Bonds and \$25 million in Insured Mortgage Program Notes due in March, 1978. The Corporation has provided \$307,781,662 to 6,087 mortgage loans since its inception, through public bond financing, and currently holds 4,965 loans.

An issue of \$47,250,000 in bonds and \$25,000,000 in renewal notes is now planned for February 21, 1978, with delivery in March, 1978.

ALASKA HOUSING FINANCE CORPORATION

Commitments Received

FHA/VA and Conventional

<u>MONTH</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
December	\$ 3,823,600	\$ 3,938,210	\$ 7,037,650	\$ 8,348,620
January	3,242,900	1,242,025	5,688,600	
February	2,188,200	491,715	7,323,125	
March	3,344,450	1,814,247	13,968,500	
April	3,695,750*	2,956,050	14,722,500	
May	3,589,050*	6,597,400	15,964,600	
June	- 0 -	6,718,150	19,916,400	
July	550,850	8,532,975	13,983,050	
August	1,964,950	9,090,880	14,385,075	
September	4,384,000	9,287,750	6,325,750	
October	4,533,825	9,556,800	9,583,450	
November	<u>3,805,250</u>	<u>7,846,300</u>	<u>10,019,305</u>	
TOTALS	\$35,122,825	\$68,072,502	\$138,918,005**	

*From forward commitments

**70,845,503 increase over 1976, or 104.1%

ALASKA HOUSING FINANCE CORPORATION

Summary of Mortgages Held at 12/31/77
Number, Dollars, Percentage

	<u>Active Number Of Mortgages</u>	<u>% Of Loans</u>	<u>Unpaid Principal Balance</u>	<u>% Of Dollars</u>
Anchorage	3,723	73.4	\$189,796,413	74.3
Southcentral excluding Anchorage	456	9.0	21,615,008	8.6
<u>Total Southcentral</u>	<u>4,179</u>	<u>82.4</u>	<u>211,411,421</u>	<u>82.9</u>
Fairbanks	419	8.3	19,436,363	7.6
North excluding Fairbanks	74	1.4	2,934,179	1.2
<u>Total North</u>	<u>493</u>	<u>9.7</u>	<u>22,370,542</u>	<u>8.8</u>
Juneau	252	5.0	13,350,855	5.2
Southeast excluding Juneau	149	2.9	8,152,585	3.1
<u>Total Southeast</u>	<u>401</u>	<u>7.9</u>	<u>21,503,440</u>	<u>8.3</u>
 TOTAL ALASKA	 <u>5,073</u>	 <u>100.0%</u>	 <u>\$255,285,403</u>	 <u>100.0%</u>

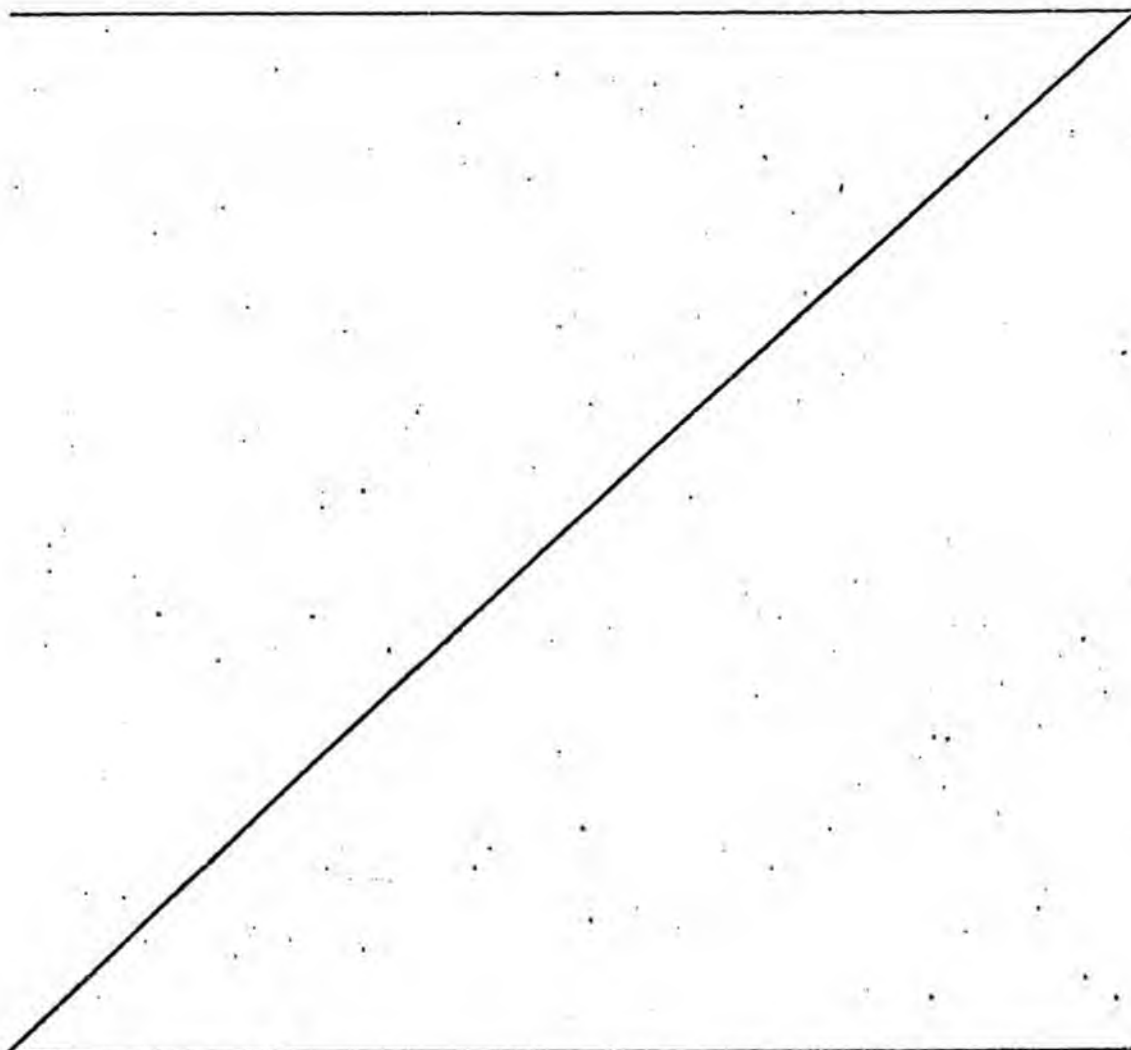
RESOLUTION NO. 156

RESOLUTION OF THE BOARD OF DIRECTORS OF
ALASKA HOUSING FINANCE CORPORATION
PROMOTING BUSH HOUSING LOANS

WHEREAS, the Board of Directors of the Alaska Housing Finance Corporation wishes to reaffirm its previous commitment to provide priority for home financing for the rural areas in the state of Alaska.

NOW THEREFORE, BE IT RESOLVED that the state requirements for providing home mortgage funds to rural Alaska is a major goal of the Board of Directors and staff of Alaska Housing Finance Corporation.

PASSED AND APPROVED this 1st day of April, 1977, by the Board of Directors of the Alaska Housing Finance Corporation.



P.O. Box 1020, Anchorage, Alaska 99510

TO: All Seller/Serviceers

DATE: October 3, 1977

FROM: E. L. Johnson *Elj*
Acting Executive Director

By further action of the Board of Directors of Alaska Housing Finance Corporation at a Special Meeting on September 29, 1977, the following changes were made effective immediately:

"RURAL" (BUSH) LOANS

1. Guarantee to lenders that AHFC will purchase all "rural" (bush) loans that meet AHFC requirements.
2. "Rural" (bush) loan applications will not affect monthly allocations.
3. No income limits on "rural" (bush) loans.
4. Must be owner occupied only - duplexes included.
5. Maximum loan amount:
 - a. Single family residence, owner occupied - \$90,000.
 - b. Duplex, owner occupied - \$130,000.
6. Term of commitment - Six (6) months.
7. AHFC cannot guarantee interest rates on "rural" (bush) loans.

"Rural" (bush) - These areas specifically include Aleutian Islands, Bristol Bay, Bethel, Nome, Wade Hampton area, Yukon-Kuskokwin, Ft. Yukon and Barrow.

KODIAK LOANS

In order to provide for a long standing commitment to assist in relieving the critical housing shortage in the suburban area of Kodiak, a special allocation of \$2,000,000 is available in addition to the \$7,000,000 of monthly allocated funds. These funds are for new construction only and will be used on a case by case, first come basis. Applications for residential loans on existing housing in Kodiak will be subject to allocation.

SECTION VII

ALASKA HOUSING FINANCE CORPORATION

COMMITMENTS RECEIVED
FISCAL YEAR 1977

	<u>CONVENTIONAL</u>	<u>FHA/VA</u>	<u>TOTAL</u>
December, 1976	\$ 6,480,300	\$ 557,350	\$ 7,037,650
January, 1977	5,243,450	445,150	5,688,600
February	6,203,375	1,119,750	7,323,125
March	11,708,900	2,259,600	13,968,500
April	11,408,250	3,314,250	14,722,500
May	11,475,200	4,489,400	15,964,600
June	15,534,792	4,381,608	19,916,400
July	10,906,779	3,076,271	13,983,050
August	11,937,625	2,447,450	14,385,075
September	4,471,200	1,254,550	6,325,750
October	6,635,400	2,948,050	9,583,450
November	<u>7,693,555</u>	<u>2,325,750</u>	<u>10,019,305</u>
TOTAL	\$109,698,826*	\$29,219,179	\$138,918,005

*The 9 month average for conventional commitments received, December through August, was \$10,099,852

*The 6 month average for conventional commitments received during peak months of March through August was \$12,161,924

The projected requirement to provide permanent financing for commitments received from September 1, 1977, through June, 1979, is as follows:

ALASKA HOUSING FINANCE CORPORATION

Mortgage Purchases at Cost

FHA/VA and Conventional

<u>MONTH</u>	<u>1974</u>	<u>1975</u>	<u>1975</u>	<u>1977</u>	<u>1978</u>
December	\$ 3,547,786.48	\$ 3,632,275.46	\$ 3,932,220.92	\$ 5,029,714.83	\$ 8,372,401.55
January	2,766,143.52	3,916,590.86	5,251,485.63	9,113,061.67	7,258,914.80
February	2,909,769.68	4,264,615.30	2,874,569.88	9,998,091.70	
March	2,237,011.70	3,228,289.23	2,252,411.88	8,085,048.76	
April	2,773,124.54	3,259,293.16	1,246,874.19	7,535,834.07	
May	2,406,919.94	4,133,878.20	1,672,391.74	9,312,154.45	
June	2,460,281.90	4,712,674.60	2,774,424.71	14,955,548.00	
July	4,202,463.77	3,714,131.82	3,880,423.06	13,085,986.22	
August	3,978,748.53		5,734,487.76	10,644,685.09	
September	2,771,390.50		8,326,228.02	13,772,526.78	
October	3,032,321.91	1,677,825.89	6,161,909.93	9,550,672.91	
November	2,947,751.32	2,337,556.31	8,780,721.76	11,581,373.48	
TOTAL	<u>\$36,033,713.79</u>	<u>\$34,877,130.83</u>	<u>\$52,888,149.48</u>	<u>\$122,664,697.96*</u>	

*\$69,776,548.48 increase over 1976, or 131.93%.

ALASKA HOUSING FINANCE CORPORATION

Mortgage Payoffs

<u>MONTH</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
December	\$	\$ 170,815.03	\$ 697,352.85	\$ 1,332,949.94	\$ 1,844,688.73
January	59,351.05	275,989.80	535,504.17	756,948.04	
February	143,461.09	202,627.88	646,677.41	654,932.27	
March	103,118.99	263,279.44	817,260.57	1,466,192.72	
April	45,280.49	570,946.03	604,179.09	1,247,298.42	
May	168,099.21	821,073.26	1,057,436.80	1,681,783.97	
June	184,986.41	607,626.20	1,271,978.43	2,367,647.13	
July	184,637.64	671,862.38	897,841.42	1,512,814.20	
August	366,538.52	597,079.88	1,316,800.32	2,156,302.70	
September	180,629.61	384,919.24	1,211,825.03	1,617,591.82	
October	241,406.26	585,723.95	1,143,248.73	1,684,926.47	
November	104,070.34	590,232.80	977,751.61	2,199,540.19	
	<u>\$1,781,579.61</u>	<u>\$5,742,175.89</u>	<u>\$11,177,856.43</u>	<u>\$18,678,927.87</u>	



P.O. Box 1020, Anchorage, Alaska 99510

TO: AHFC Board Members

DATE: December 15, 1977

FROM: Elma Johnson *ELJ*
Acting Executive Director

The allocation procedure of \$7,000,000 per month, implemented September 1, 1977, and further provision of funds allocated by action of the Board on September 29, has provided the following results:

	<u>ALLOCATION</u>	<u>BALANCE UNUSED</u>
September	\$ 7,002,280	\$ 676,380
October	9,312,380	3,078,072
November	10,075,000	3,160,655
December	10,256,350	4,577,634
January	11,580,811	

Of the \$2,000,000 special allocation to Kodiak, one commitment in the amount of \$37,500 has been received.

A total of nine rural loans not subject to allocation have been received in the amount of \$450,000. Commitments received for FHA/VA loans not subject to allocation as of October 1:

October	\$2,948,050
November	\$2,325,750
December	\$2,095,250

ELJ:bj

ALASKA HOUSING FINANCE CORPORATION

Mortgages Held at December 31, 1977

		<u>No.</u> <u>Loans</u>	<u>%</u> <u>of</u> <u>Loans</u>	<u>Unpaid</u> <u>Principal</u> <u>Balance</u>	<u>%</u> <u>of</u> <u>Dollars</u>
Dist. 1	Ketchikan, Prince of Wales	55	1.08	3,911,990	1.53
Dist. 2	Wrangell	34	.67	1,430,863	.56
Dist. 3	Sitka	42	.83	2,223,308	.87
Dist. 4	Juneau	252	4.97	13,350,855	5.23
Dist. 5	Lynn Canal	18	.35	586,424	.23
Dist. 6	Cordova, Valdez	39	.77	1,537,620	.60
Dist. 7	Mat-Su Borough	103	2.03	4,681,559	1.84
Dist. 8	Anchorage	3,723	73.39	189,796,413	74.35
Dist. 9	Seward	24	.47	775,306	.30
Dist. 10	Kenai, Cook Inlet	248	4.89	11,857,564	4.65
Dist. 11	Kodiak	42	.83	2,762,959	1.08
Dist. 12	Aleutian Islands	10	.20	436,002	.17
Dist. 13	Bristol Bay	8	.16	119,737	.05
Dist. 14	Bethel	24	.47	868,731	.34
Dist. 15	Aniak, Cantwell, McGrath Nenana, Mintc	11	.22	525,880	.21
Dist. 16	Arctic Circle, Fairbanks, Fort Yukon	419	8.26	19,436,363	7.61
Dist. 17	Barrow, Kotzebue	18	.35	671,769	.26
Dist. 18	Nome	3	.06	312,060	.12
Dist. 19	Wade Hampton	-	-	-	-
		<u>5,073</u>	<u>100.0%</u>	<u>\$255,285,403</u>	<u>100.0%</u>

ALASKA HOUSING FINANCE CORPORATION

Mortgage Payment Status Comparisons on a Monthly Basis

<u>Report Dates</u>	<u>Advance Payment</u>	<u>Current</u>	<u>Monthly Installments Unpaid</u>				<u>Total Loans</u>	<u>Total Past Due</u>
			<u>One Month</u>	<u>Two Months</u>	<u>Three Months</u>	<u>More Than Three Months</u>		
1/14/77 - 1/20/77	# 143 % 4.49%	2,692 84.47%	260 8.16%	48 1.50%	22 .69%	22 .69%	3,187 100%	92 2.88%
2/15/77 - 2/22/77	# 117 % 3.42%	2,958 86.47%	235 6.87%	51 1.49%	21 .61%	39 1.14%	3,421 100%	111 3.24%
3/15/77 - 3/21/77	# 133 % 3.71%	3,060 85.46%	271 7.57%	56 1.56%	23 .64%	38 1.06%	3,581 100%	117 3.26%
4/15/77 - 4/22/77	# 168 % 4.54%	3,153 85.26%	277 7.49%	49 1.33%	18 .49%	33 .89%	3,698 100%	100 2.71%
5/13/77 - 5/23/77	# 153 % 4.06%	3,266 86.59%	251 5.65%	52 1.38%	12 .32%	38 1.01%	3,772 100%	102 2.71%
6/14/77 - 6/20/77	# 161 % 4.16%	3,317 85.26%	308 7.92%	53 1.36%	15 .39%	36 .93%	3,890 100%	104 2.68%
7/14/77 - 7/28/77	# 153 % 3.70%	3,557 86.11%	292 7.07%	67 1.62%	20 .48%	42 1.02%	4,131 100%	129 3.12%
8/15/77 - 8/20/77	# 150 % 3.50%	3,675 85.65%	345 8.04%	65 1.51%	22 .51%	34 .79%	4,291 100%	121 2.81%
9/15/77 - 9/20/77	# 160 % 3.66%	3,771 86.19%	330 7.54%	65 1.49%	17 .39%	32 .73%	4,375 100%	114 2.61%
10/17/77-10/28/77	# 185 % 3.99%	3,991 85.98%	346 7.45%	63 1.36%	17 .36%	40 .86%	4,642 100%	120 2.58%
11/15/77-11/25/77	# N/A* % N/A*	4,375 91.03%	321 6.68%	51 1.06%	20 .42%	39 .81%	4,806 100%	110 2.29%

ELJ/12-30-77

*Combined with current.

ALASKA HOUSING FINANCE CORPORATION

Mortgage Payment Status Comparisons on a Monthly Basis

<u>Report Dates</u>	<u>Advance Payment</u>	<u>Current</u>	<u>Monthly Installments Unpaid</u>				<u>Total Loans</u>	<u>Total Past Due</u>
			<u>One Month</u>	<u>Two Months</u>	<u>Three Months</u>	<u>More Than Three Months</u>		
12/15/77-12/22/77	#	4,427	379	54	24	39	4,923	117
	%	89.92%	7.70%	1.10%	.49%	.79%	100%	2.38%
	#							
	%							

*Not available under current system. Prepaid mortgages included with current mortgages.

ALASKA HOUSING FINANCE CORPORATION

MATERIAL LOANS

June 1976	15,000 maximum loan 15 year maximum term @ 9.5%		
11 Loans-		150,000.00	
Balance Due 11 Loans 12/31/77			144,942.13
May 1977	15,000 maximum loan 15 year maximum term @ 9.0%		
13 Loans-		154,000.00	
Balance Due 13 Loans 12/31/77			150,351.76
		<u>304,000.00</u>	<u>295,293.89</u>

Corporation funds of 304M have provided homes in:

Bethel	8.
Kongiganek	5
Tuntutuliak	4
Naknek	2
Eck	2
Galena	1
Kipnuk	1
Napakiak	1
	<u>24</u>

Payment Status Report

24 Loans		
Principal Balance Due 12/1/77		295,293.89
Current	13 loans	54.2%
Delinquent 1 month	3 loans	12.5%
Delinquent 2 months	-	0.0%
Delinquent 3 months	1 loan	4.2%
Delinquent more than 3 months	7 loans	29.1%
	<u>24</u>	<u>100.0%</u>

ALASKA HOUSING FINANCE CORPORATION

HOME IMPROVEMENT LOANS

May 1975 2,000 maximum Loan
 5 year maximum term @ 8.5%
 26 Loans- 50,000.00
 Balance Due 24 Loans 12/31/77 30,763.59

Corporation funds of 50M have provided homes in:

Ekwok	- 9
Dillingham	5
New Stayahok	4
Sitkinak Island	1
Hooper Bay	1
South Nakenek	1
Tuntutuliak	2
Kongiganek	1
Atmautluak	1
Eek	1
	<u>26</u>

Payment Status Report

24 Loans		
Principal Balance Due 12/1/77		30,763.59
Current	6 loans	25.0%
Delinquent 1 month	1 loan	4.2%
Delinquent 2 months	2 loans	8.3%
Delinquent 3 months	1 loan	4.2%
Delinquent more than 3 months	14 loans	58.3%
	<u>24</u>	<u>100.0%</u>

ALASKA HOUSING FINANCE CORPORATION

	<u>Bonds Issued</u>		<u>Bonds Outstanding</u>
1. Housing Mortgage Bonds, 1972 Series A dated 10/1/72; due: 1973 thru 2002	13,500,000	5.68%	12,610,000
2. Housing Mortgage Bonds, 1973 Series A dated 6/1/73; due: 1974 thru 2002	13,000,000	5.716%	12,235,000
3. Housing Mortgage Bonds, 1973 Series B dated 10/1/73; due: 1974 thru 2003	36,000,000	6.0336%	34,355,000
4. Housing Mortgage Bonds, 1975 Series A dated 3/1/75; due: 1976 thru 2005	35,000,000	7.6789%	34,290,000
5. Housing Mortgage Bonds, 1975 Series B dated 6/1/75; due: 1976 thru 2005	12,000,000	7.736%	11,750,000
Total Housing Mortgage Bonds	<u>109,500,000</u>		<u>105,240,000</u>
6. Insured Mortgage Program Bonds, 1975 First dated 12/1/75; due: 1976 thru 2005	5,000,000	8.5361%	4,940,000
7. Insured Mortgage Program Bonds, 1976 First dated 8/1/76; due: 1977 thru 2006	20,000,000	7.5792%	19,835,000
8. Insured Mortgage Program Bonds, 1976 Second dated 11/1/76; due: 1977 thru 2006	25,000,000	7.23%	24,800,000
9. Insured Mortgage Program Bonds, 1977 First dated 4/1/77; due: 1978 thru 2007	35,000,000	6.746%	35,000,000
10. Insured Mortgage Program Bonds, 1977 Second dated 7/1/77; due: 1978 thru 2007	48,000,000	6.40%	48,000,000
11. Insured Mortgage Program Bonds, 1977 Third dated 10/1/77; due: 1978 thru 2007	40,000,000	6.09%	40,000,000
Total Insured Mortgage Program Bonds	<u>173,000,000</u>		<u>172,575,000</u>
Total All Bonds	<u><u>282,500,000</u></u>		<u><u>277,815,000</u></u>

P.O. Box 1020, Anchorage, Alaska 99510

TO: H. Phillip Hubbard Commissioner of
Commerce & Economic Development

DATE: November 30, 1977

FROM: *E. L. Johnson*
Elma L. Johnson
Acting Executive Director

SUBJECT: Supplemental Appropriation for Mortgage Insurance
Fund of the Alaska Housing Finance Corporation
for Fiscal Year Ending June 30, 1978 and Regular
Appropriation for Fiscal Year Ending June 30, 1979

Request is made for appropriations to the Mortgage Insurance
Fund of the Corporation as follows:

\$1,720,000 for fiscal year ending June 30, 1978
\$2,880,000 for fiscal year ending June 30, 1979

Supplemental Appropriation

The supplemental appropriation for fiscal year 1978 anti-
pates mortgage commitments in the amount of \$7 million per
month for the months of September, 1977 through March, 1978
and \$12 million per month for the months of April through June,
1978. Since the Corporation began allocating fixed amounts
for mortgage commitments in September, 1977, the level of
commitments requested for the conventional, non-federally in-
sured program has run at an approximate \$7 million a month
average level.

Prior to the allocation procedure begun in September, 1977,
actual commitments received for the previous nine months
(December, 1976 through August, 1977) averaged \$10,100,000
per month. The period of March through August of 1977, pro-
duced commitments in the amount of \$12,161,000 per month.
Therefore, the supplemental appropriation requested for fis-
cal year 1978 corresponds to the reduced level of activity
currently experienced with an increase projected for the
building season of April through June, 1978, where the average
demand is estimated at \$12 million per month. The \$1,720,000
requested appropriation would permit issued mortgage bond
financing in the amount of \$86,000,000 through June, 1978.

Regular Appropriation

The \$2,880,000 regular appropriation requested for the Mort-
gage Insurance Fund for the fiscal year ending June 30, 1979
anticipates average monthly commitments received in the
amount of \$12 million during that fiscal year. The appropri-

ation would permit bond financing in the amount of \$144 million for fiscal year ending June 30, 1979. This amount is within the range the Corporation's investment bankers indicate can be marketed over a one-year period and is estimated to be adequate for mortgage needs during the period.

It should be noted that the requested appropriations for the Insurance Fund exclude bond financing for federally insured mortgage loans. These mortgage loans are now being accommodated out of prepayments received by the Corporation under its mortgage programs financed during the years 1972 through 1975.

General

During the calendar year 1977, the Corporation issued \$123 million in Insured Mortgage Program Bonds and \$25 million in Insured Mortgage Program Notes due in March, 1978. The Corporation has provided \$282,500,000 in mortgage loans since its inception through public bond financing.

An issue of approximately \$55 million in bonds and \$25 million in renewal notes is now planned in February, 1978 with delivery planned in March, 1978.

ELJ:whk

Alaska HOUSING FINANCE CORPORATION



P.O. Box 1020, Anchorage, Alaska 99510

TO: Robert W. Sullivan
Executive Director

DATE: January 20, 1978

FROM: D. A. Wells
Manager, Mortgage Dept. *Dave*

RE: Applications for Commitments during 1977

During 1977, AHFC received 2,573 requests for Commitment Contracts from the Seller/Serviceicers. The Corporation found 287 requests unacceptable. The following charts show the location of the property, the number approved, the number that was returned, and the percentages:

<u>AREA</u>	<u>#APPROVED</u>	<u>#RETURNED</u>	<u>%RETURNED</u>
Urban	1,520	191	11.2
Suburban	738	95	11.4
Rural	28	1	3.4
Total	2,286	287	11.2

The following is a breakdown of the reasons for the return of the 287 submissions:

Over Income	99	34.5%
Property	43	15.0
Credit	79	27.5
Other	66	23.0
Total	287	100%

Material Loans:

Requests for 16 material loans were received and all but two were approved. The two that were declined were because of lack of adequate income.

ALASKA HOUSING FINANCE CORPORATION

Mortgages Held at December 31, 1977

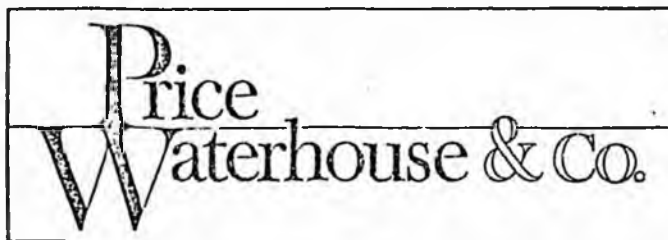
	<u>Number of Mortgages</u>	<u>% Of Loans</u>	<u>Unpaid Principal Balance</u>	<u>% Of Dollars</u>
Anchor Point	2	.04	91,748	.04
Anchorage	3,720	73.30	189,719,974	74.31
Auke Bay	3	.06	177,864	.07
Barrow	15	.30	544,536	.21
Bethel	24	.47	868,731	.34
Chitina	1	.02	12,189	-
Copper Center	1	.02	29,059	.01
Cordova	32	.63	1,384,386	.54
Delta Junction	7	.14	335,819	.13
Dillingham	3	.06	79,866	.03
Douglas	14	.28	488,229	.19
Fairbanks	399	7.87	18,584,542	7.29
Gambell	2	.04	15,747	.01
Girdwood	5	.10	215,943	.08
Glenallen	3	.06	142,366	.06
Haines	10	.20	311,593	.12
Healy	1	.02	25,738	.01
Homer	29	.57	1,305,523	.51
Hoonah	4	.08	124,814	.05
Iliamna	2	.04	26,383	.01
Juneau	235	4.63	12,684,762	4.96
Kasilof	1	.02	59,604	.02
Kenai	96	1.89	4,375,211	1.73
Ketchikan	53	1.04	3,821,234	1.50
Kiana	1	.02	6,820	-
Kodiak	42	.83	2,762,959	1.08
Kotzebue	3	.06	127,233	.05
McGrath	1	.02	18,031	.01
Moose Pass	2	.04	60,067	.02
Nenana	1	.02	49,565	.02
Ninilchik	1	.02	26,738	.01
Nome	3	.06	312,060	.12
North Pole	12	.24	468,430	.18
Palmer	62	1.22	2,806,986	1.10
Petersburg	30	.59	1,281,136	.50
Sand Point	10	.20	436,002	.17
Seldovia	5	.10	172,814	.07
Seward	22	.43	715,239	.28
Sitka	42	.83	2,223,308	.87
Skagway	4	.08	149,835	.06
Soldotna	70	1.38	3,448,468	1.34
Sterling	1	.02	34,975	.01
Sutton	1	.02	39,618	.02
Talkeetna	2	.04	89,482	.04
Tok	1	.02	47,573	.02
Valdez	10	.20	371,550	.15
Ward Cove	2	.04	90,756	.04
Wasilla	79	1.56	3,970,171	1.56
Wrangell	4	.08	149,727	.06
	<u>5,073</u>	<u>100.0%</u>	<u>\$255,285,404</u>	<u>100.0%</u>

SECTION III

ALASKA HOUSING
FINANCE CORPORATION

FINANCIAL STATEMENTS

MAY 31, 1977



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.

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	4,692,787	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 receiv-						
able 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		
	<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						
of Alaska				3,998,000	\$6,931,871	10,929,871
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	122,595
	<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>

ALASKA HOUSING FINANCE CORPORATION

BALANCE SHEET

November 30, 1976

	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	\$ 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)					3,900,000	3,900,000
Accrued interest receivable	28,984	79,601	900,576	227,465	60,885	1,297,511
Prepaid expenses	50,000					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	\$8,674,732	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)	1,000,000					1,000,000
Purposes allowed within the respective funds (Note 6)	2,466,593	110,936	2,632,276	94,282	150,164	5,454,251
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>

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

	Six Months Ended May 31, 1977						Combined
	Corporation Operating Fund	Housing Mortgage Note Fund	Mortgage Program Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing, Development Fund	
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
	134,152		558,373	4,394,404	2,437,715	172,059	7,696,703
Loan fees	273,447				107,787		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	166,165	2,588	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)	\$4,215,003		\$130,613	\$3,082,352	\$ 260,447	\$152,752	\$ 7,841,167

	Six Months Ended May 31, 1976						Combined
	Corporation Operating Fund	Housing Mortgage Note Fund	Mortgage Program Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing, Development Fund	
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	5,053	1,531,353
	64,960	1,170,445	110,452	4,269,341	183,822	222,461	6,021,481
Loan fees	102,877				24,273		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	79,063	3,624,104	164,878	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						48,122
Insured Mortgage Program (Note 6)					24,273		24,273
Interfund operating charge (credit)	(160,804)			180,804			
Total operating expenses	114,588	736,564	79,063	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	691,851
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

ALASKA HOUSING FINANCE CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

Six Months Ended May 31, 1977

	<u>Corporation Operating Fund</u>	<u>Mortgage Program Note Fund</u>	<u>Housing Mortgage Bond Fund</u>	<u>Insured Mortgage Bond Fund</u>	<u>Housing Development Fund</u>	<u>Combined</u>
Sources of cash:						
From operations -						
Revenues over expenses	\$ 287,323	\$ 150,068	\$ 450,076	\$ 166,165	\$ 2,588	\$ 1,056,220
Add (deduct) items not requiring (providing) cash:						
Net amortization of discounts, premiums and bond issuance costs	(1,192)	(555)	(174,750)	17,445		(159,052)
Depreciation	1,119					1,119
(Increase) decrease in accrued interest receivable	16,361	(41,495)	61,366	(336,750)	(47,426)	(347,944)
Increase (decrease) in accrued interest payable		(33,604)	(50,425)	1,537,276	(31,362)	1,421,885
Net increase (decrease) in accrued and pre-paid expenses	32,037	1,664	(1,163)	37,651	(618)	69,571
Cash provided (used) by operations	335,648	76,078	285,104	1,421,787	(76,818)	2,041,799
Transfer from (to) other funds	130,391	82,098		(212,489)		
Mortgages (purchased) sold to other funds	529,402	18,237,270		(20,403,385)	1,636,713	
Mortgage principal repayments	13,320	100,506	7,142,383	797,765	104,655	8,158,629
Net proceeds from sale of housing mortgage bonds				34,156,687		34,156,687
Net proceeds from sale of bond anticipation notes		25,001,002				25,001,002
Increase in notes payable to the State of Alaska				3,500,000		3,500,000
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 mortgage loans	25,000	23,820,654	5,691,333	19,274,934		48,811,921
Payment of housing mortgage bonds			1,350,000	22,000		1,372,000
Payment of mortgage notes		10,000,688				10,000,688
Payment of State of Alaska notes					1,742,911	1,742,911
Other	8,895					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 period	710,734	862,475	639,911	410,335	267,332	2,890,787
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

ALASKA HOUSING FINANCE CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION

Six Months Ended May 31, 1976

	Corporation Operating Fund	Housing Mortgage Note Fund	Insured Mortgage Note Fund	Housing Mortgage Bond Fund	Insured Mortgage Bond Fund	Housing Development Fund	Combined
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 (providing) cash:							
Net amortization of discounts, premiums 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 (decrease) in accrued and prepaid expenses	(95,859)	(264)	311	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 payable 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	(1,136)	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

	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	852,780	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>369,728</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						279,858	279,858
Alaska notes							10,170
Other	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	203,281	10,136		589,890		281,662	1,084,969
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>

ALASKA HOUSING FINANCE CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended November 30, 1975

	<u>Corporation Operating Fund</u>	<u>Housing Mortgage Note Fund</u>	<u>Housing Mortgage Bond Fund</u>	<u>Housing Development Fund</u>	<u>Combined</u>
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)	11,438	(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	<u>535,179</u>	<u>90,956,824</u>	<u>24,306,198</u>	<u>(8,416)</u>	<u>115,789,785</u>
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	<u>506,699</u>	<u>102,665,267</u>	<u>25,278,876</u>	<u>(33,982)</u>	<u>128,416,860</u>
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	<u>\$203,281</u>	<u>\$ 10,136</u>	<u>\$ 589,890</u>	<u>\$281,662</u>	<u>\$ 1,084,969</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.

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:

<u>Fund</u>	<u>Mortgage Principal Balance</u>	<u>Net Unamortized (Discount) Premium</u>	<u>Net</u>
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>

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:

	<u>Notes Outstanding</u>	
	<u>May 31, 1977</u>	<u>November 30, 1976</u>
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>

Original Amount (in 000's)	Bonds Outstanding	
	May 31, 1977	November 30, 1976

Housing Mortgage
Program:

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
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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
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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	34,893,958	35,374,663
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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
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Bonds Outstanding (cont'd)

	<u>Original Amount</u> (in 000's)	<u>May 31, 1977</u>	<u>November 30, 1976</u>
<p>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</p>	12,000	11,663,264	11,777,491
Subtotal	109,500	106,344,142	107,685,140
<u>Insured Mortgage Program:</u>			
<p>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</p>	5,000	4,933,492	4,952,331
<p>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</p>	20,000	19,705,279	19,704,591

	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