

LEG. FINANCE - BILLS 1983 - 1984 1873

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furnishing monies necessary for each finance agency on an on-going basis. It is contemplated the fund would be authorized by statute to borrow from or receive monies directly from the Permanent Fund.

Questions of constitutionality of a revolving loan fund receiving and retaining all earnings from its assets have been raised. The Task Force recommends steps be immediately taken to clarify the status of earnings of such a Fund and if it is determined such action may be unconstitutional, then the necessary legal steps be taken to place the matter before the voters to change the State's constitution. It is paramount that the principal and interest payments remain in the AHFF if it is ever to become self-perpetuating.

AHFF could be the vehicle with adequate state appropriations, investment from the Permanent Fund and by reinvesting mortgage prepayments and interest to effectively develop a self-perpetuating, revolving loan fund that would free the state housing industry from the vagaries of world money markets.

## AHFF POLICY BOARD

Recommendation #2: The Governor should appoint an Alaska Housing Finance Fund Policy Board to be comprised of five to seven members representing all existing State housing agencies and the Alaska Permanent Fund.

Narrative: The agencies that presently participate in housing programs may or may not currently benefit from unified policy making. Many of them have their own governing bodies or oversight committee. An Alaska Housing Finance Fund Policy Board could serve to reduce the number of like panels while promoting a consistent policy throughout each agency.

AIDA, ASIHA, CRA, AHFC, Commerce, and the Alaska Permanent Fund could each be represented along with public members. Financial policy and administrative policy would originate, be controlled and evaluated from the same board. The Policy Board could also be the single point of contact for legislative and administrative action.

Our present system may not be subject to recomposition. The Permanent Fund Trustees have a different charter than the governing bodies of ASIHA or AHFC. However, the special nature of each housing agency is not a defense for independence and the absence of common goals. Managerial tasks will provide independence under a common policy established by the Board.

A Policy Board could contribute to better definition of housing programs in the public's perception. One clearly defined source of information would certainly provide for better understanding of public policy.

Legislative funding and clarity in the budget process are other benefits. The Policy Board might receive and disburse the funds designated for the separate entities. The Policy Board then becomes the clearing house for the state housing agencies. Existing boards would then be reduced and a simplified, more efficient system evolve.

This Policy Board proposal does not create a panacea. It does, however, provide for an immediate improvement in the achievement of the housing program goal. In its simplest form it would insure that all state housing programs would be coordinated, clear in their missions and with suitable interagency distinctions to provide attainment of objectives.

## PURPOSE OF AHFF

Recommendation #3: The Governor shall direct the purpose of the Alaska Housing Finance Fund to make loans for all State housing loan programs. This fund will finance programs currently being administered by AHFC, CRA/HAD, AIDA, ASHA, Commerce or any other vehicle delivering housing loan services for the State.

Narrative: The Alaska Housing Finance Fund is recommended as an oversight fund for delivery of all housing services in Alaska. While like item agency requests would be maintained, appropriations (exclusive of grant funds) to meet those requests would go into the AHFF for annual allocation to each agency and program. Annual agency performance would be evaluated by AHFF managers and incorporate review of all state housing loan programs. Further, all new requests would be reviewed by AHFF. No direct appropriations to any individual, group or community for housing or housing related development should be funded without concurrence of AHFF managers. Finally, Fund managers are encouraged to contact any state agency currently providing employee housing and bring all future employee housing development under its review.

## FUNDING SOURCES

Recommendation #4: The funding sources for creation of the Alaska Housing Finance Fund are recommended to be principal repayment and interest earned from:

- a. Annual General Fund appropriations;
- b. Mortgage bond sales;
- c. Blended portfolio income from existing State housing agencies;
- d. Federal housing loan funds dedicated to Alaska; and
- e. Alaska Permanent Fund investments.

Narrative: The table below outlines current housing loan programs available in Alaska. Funding sources for FY'84 are presumed to be a continuation of the FY'83 levels described in this table. It should be noted that existing grant programs for housing are not included in financing of the AHFF in this report. It would be desirable, however, to have all housing grant funding reviewed by the AHFF Policy Board to avoid duplication of service for any one location or to any particular interest group.

HOUSING PROGRAMS

Service Agency	General Statement of Purpose	Program Titles Descriptions	1983 Appropriations/ Leverage (Millions of \$)	Current Interest Rates	No. of Units W/ FY '83 Funds	Comments
Alaska Housing Finance Corporation (AHFC)	<p>Provides secondary mortgage financing for large portion of residential financing done in state.</p> <p>Programs limited to owner-occupied single-family, duplex, triplex or four-plex residences or mobile homes.</p> <p>Funds generated through sale of taxable and tax-exempt bonds in addition to legislative appropriations.</p> <p>As of Nov. 30, 1982, the Corporation has 32,102 loans with a balance of \$2.3 billion.</p>	<p><u>TAXABLE BOND</u> No income limits, first \$90,000 subsidized to within 3% of cost of funds. \$160,500-Single-family \$205,000-Duplex</p>	<p>\$116      \$407</p>	<p>9.125 - 10.125 13.18 over \$90,000</p>	<p>4,500 Average Loan - \$91,200</p>	
		<p><u>TAX-EXEMPT (1)</u> Limited to first time homebuyers, purchase price limitations established. \$104,986-Existing Single-family \$128,143-Newly constructed \$122,029-Existing duplex</p>	<p>\$ 47      \$322</p>	<p>9.0 - 10.0 11.22 over \$90,000</p>	<p>4,276 Average Loan - \$75,300</p>	<p>(1) Program ends 31, 1983 as a result of Fed legislation.</p>
		<p><u>MOBILE HOME</u> Maximum Loan - \$72,500 95% LTV 20 year mortgage</p>	<p>\$ 45      \$ 45</p>	<p>9.125 - 10.125</p>	<p>1,737 Average Note - \$25,900</p>	
		<p><u>HOME OWNERSHIP ASSISTANCE FUND</u>  Provides monthly subsidies to qualified low-to-moderate income borrowers.</p>	<p>\$45 for HOF program used to purchase mobile home mortgages.</p>		<p>\$45 million appropriation could support 1,039 loans at a subsidy of \$3,250/year.</p>	<p>(2) Income limits purchase price limitations will be revised in mid-January.</p>
<p><u>STATE GUARANTEED VETERAN'S BOND PROGRAM (3)</u></p>	<p>\$ 14      \$110</p>	<p>N/A</p>	<p>N/A</p>	<p>(3) Program will be implemented in February, 1983.</p>		

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Service Agency	General Statement of Purpose	Program Titles Descriptions	1983 Appropriations/ Leverage (Millions of \$)	Current Interest Rates	No. of Units W/ FY '83 Funds	Comments
1. Housing Assistance Division; Community & Regional Affairs (HAD/DCRA)	<u>Loans:</u> Provides secondary market for mortgage loans in rural Alaska and all nonconforming properties statewide.	Loans are made from the Housing Assistance Fund (HALF) into three programs:  (a) Rural Owner - Occupied Housing Loans (ROO), 95% LTV, FNMA maximums.  (b) Rural Nonowner - Occupied Housing Loans (RNO), 80% LTV, 2-16 units, \$1.25M maximums.  (c) Nonconforming Loans (NC) - Urban & Rural, 95% LTV, FNMA maximums.	TOTAL HALF <u>\$44.5</u>  ROO \$29  RNO \$ 7  NC \$ 8.5	10.5 (annual fixed rate)  10.5 (annual fixed rate)  9.125-10.125 on first \$90,000 with balance at cost (per latest bond sale of AHFC)	322  75  18	60 new units also available in FY '82 carry over
	<u>Grants:</u> (a) Provides state grants to 12 regional housing authorities to supplement HUD funded projects.  (b) Provides state grants for the development of senior citizen housing.	(a) Supplemental Housing Development Fund (SHDF) - Leverages up to 20% total HUD project cost for water/sewer <ul style="list-style-type: none"> <li>• on-site electrical</li> <li>• on-site roads on-site</li> </ul> (b) Senior Citizen Housing Development Fund (SCHDF) - \$10,000 per unit total project cost inclusive of all funding sources	\$ 7.3M - \$36M (state) (HUD)  \$10M/Leveraged amounts decided on a project-by-project basis.	N/A  N/A	419  114	913 units '82 for total program total of 1,332 units  Since 1974 total of \$11M will consist total of 7,000 units of Senior housing.

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Service Agency	General Statement of Purpose	Program Titles Descriptions	1983 Appropriations/ Leverage (Millions of \$)	Current Interest Rates	No. of Units W/ FY '83 Funds	Comment
HUD	Low Income housing loans for Indian and low income public housing.	Mutual Help Home Ownership	\$20 (1)	5% - 8% (2)	343 (3)	(1) FY '82 fund no FY '83 appropriat' this time.  (2) 5% (at con- tlon); 8% term finan-  (3) FY '76-'8' total is 3.
BIA	Under the BIA Housing Improvement Grant Program, many houses are replaced with new units. This is done if unit is in bad shape or has burned down. Data includes only housing replacement to new units.	Housing Improvement Program	\$1.6 Million FY '82 funding	N/A	49 (1)	(1) From Fiscal 1976 - 1977 \$10.06 million funded 59.

Service Agency	General Statement of Purpose	Program Titles Descriptions	1983 Appropriations/ Leverage (Millions of \$)	Current Interest Rates	No. of Units W/ FY '83 Funds	Comments
Alaska Industrial Development Authority (AIDA)	AIDA provides funds for multi-family housing through sale of tax-exempt bonds. (1)	<u>Multi-Family</u>  75% LTV 5 units or more 20% of units available to persons of low-to- moderate income. Restrictions on condo conversions.	\$2M will support \$75M in multi-family construction.	11%	2,000 units (2)	(1) Program on Dec. 31, 1983 as a result of legislative action.  (2) These will rental units.
Alaska State Housing Authority (ASHA)	Finance, construct, and manage low-to-moderate income housing projects and programs in conjunction with federal Dept. of Housing and Urban Development (HUD), and to a limited degree, the state.	<u>Conventional Low Rent</u>  Tenants live in ASHA owned dwellings, pay maximum of 30% of monthly income for rent, subject to income limits.	\$5.5M	N/A Average Rent = \$159/month	1,095 (3)	(3) Rental units.

Service Agency	General Statement of Purpose	Program Titles Descriptions	1983 Appropriations/ Leverage (Millions of \$)	Current Interest Rates	No. of Units W/ FY '83 Funds	Comments
Alaska State Housing Authority (ASHA)	ASHA has four more programs providing 375 units. They are not programs with growth potential, so are not discussed here.	<p><u>Section 8 New** Construction</u></p> <p>ASHA finances development and management costs, HUD will pay rent subsidy.</p> <p><u>Section 8 Existing (4)</u></p> <p>Eligible participants find housing units in private market. ASHA pays rent subsidy.</p>	<p>\$1.7 State Grant (1)</p> <p>\$2.3 Federal Dollars (2)</p> <p>\$5.4 Federal 1982 funds</p>	<p>N/A</p> <p>N/A</p> <p>\$171 average rent paid</p>	<p>285 (3)</p> <p>78 in construction phase for elderly.</p> <p>1,355 rental units</p>	<p>(1) These figures 1976 - 1979.</p> <p>(2) 1982 amount HUD.</p> <p>(3) Rental units</p> <p>** This program could be used by the state for construction with state money and then use HUD money for subsidy.</p> <p>(4) This program being phased by HUD.</p>

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Service Agency	General Statement of Purpose	Program Titles Descriptions	1983 Appropriations/ Leverage (Millions of \$)	Current Interest Rates	No. of Units W/ FY '83 Funds	Comment
Regional Housing Authorities (RHAs)  14 agencies involved	Develop and operate home ownership projects and rental primarily for the benefit of natives, finan- cing them through sale of tax-exempt obligations.  Work with HUD and receive Federal and State Funds	Native Public Housing  For Ownership Program see HUD		N/A	416 (1)	(1) Rental unit.
Farmers Home Administration (FHA)	Provides adequate housing for persons of low-to- moderate income in rural area.	<u>Section 502 Program</u>  Provides direct loans for low-to-moderate income rural home buyers.  <u>Rural Rental Housing</u>  Provides loans for multiple family dwellings.	\$12.3 Federal funds FY 1982        \$2.4	1% - 3%        1%	176 Single-family        60 Rental units in three projects	

FUNDING DEMAND

Recommendation #5: The Task Force recommends meeting an FY'84 funding demand of \$1.244 billion for statewide housing programs and presumes no absorption of currently funded federal programs. A further recommendation is to institute a 18 month funding cycle for all housing loan programs.

Narrative: The Task Force reviewed projected FY'84 departmental budgets for the five state agencies involved with housing programs. The chart below outlines the total projected demand and the current budget request of each agency. The chart also identifies where additional funds will be needed, as labeled in the column titled "Unappropriated Balance"

<u>FY84 (In Millions)</u>		
<u>Projected Demand</u>	<u>Projected General Fund Appropriations</u>	<u>Unappropriated Balance</u>
AHFC	\$1,100	\$250
CRA/HAD	50	50
Commerce/Energy Loans	11	11
AIDA	75	-0-
ASHA	<u>8</u>	<u>8</u>
	\$1,244	\$319
		\$850 (2)

(1) AIDA operates in the tax exempt bond markets and passes 100% of the costs of its funds to its borrowers. In 1982 the Legislature appropriated \$21 million to AIDA in order to be pledged as reserves for tax exempt bond sales. Therefore, AIDA will not request an additional general fund appropriation for FY84 to sell a projected \$75 million in bonds.

(2) The unappropriated balance of \$850 million for AHFC can be funded by the following means:

Unappropriated Balance (in millions)		\$850
General Obligation Bonds (Veterans) projected	\$300	
Tax exempt bonds projected	100	
Other earnings projected	<u>50</u>	<u>(450)</u>
Subtotal		\$400
Amount funded through taxable bond sales and/or Permanent Fund investments		(400) (3)
Total Unfunded		-0-

(3) Most likely due to leveraging the general fund appropriation, the amount of additional borrowings will be close to \$500 million.

The Task Force recommends as further explained in recommendation #7 that the Permanent Fund be utilized as an investment vehicle to supply as much as \$500 million to the AHFF in FY84. This could save the AHFF millions of dollars of costs associated with marketing, advertising and underwriting massive bond sales as well as to bring home a portion of the Permanent Fund to Alaskans.

Further, the Task Force recommends a one time eighteen month appropriation to the AHFF. Subsequent sessions of the Legislature will only need to make a normal twelve month appropriation.

This will help create stability in the AHFF by eliminating the uncertainty that the public faces every spring. In recent years the capital budget has not been passed by the Legislature and signed by the Governor until May or June. This has caused considerable concern to the public by the fact that the entire existence of the various programs are up for renewed funding and possible restructuring, or even elimination by the Legislature or Governor.

## INTEREST RATES

Recommendation #6: The Governor should direct the AHFF to annually determine and publish the rates of interest to be charged on housing loan programs administered by any state agency. The Legislature shall have the power to adjust rates and vary features of the various loan programs administered by each agency through fund appropriations. The Task Force recommends an irrevocable rate schedule for all programs be published annually for the following calendar year. Further, the Task Force recommends the FY'84 Legislature seek maximum rates on the first \$90,000 at 10% for Conventional Financing, 9% for Veteran's Preference Financing. A 6% rate for HOF Programs and 5% rate for energy renovation programs is also recommended. In the event the Legislature does not see fit to establish a fixed rate annually, then the interest rate spread between the cost of funds and the mortgage rate made available to borrowers should be increased to 4% to reduce the impact of accelerating interest rates.

Narrative: The Task Force wrestled with the problem of establishing interest rates on the various loan programs administered or funded by state agencies. The obvious problem faced in this matter is the adverse affect on both the economy and the ability to acquire needed shelter by citizens of this state when rates accelerate or remain at high levels for a long period of time. High interest rates contributed significantly to the depressed housing conditions existing in the late 1970's and early 1980's. The Legislature adopted a means of controlling the amount of subsidy dollars that would be required in any given fiscal year by establishing a maximum spread of 3% between the cost of funds and the actual rate paid by the borrowers. This effectively assured that the required appropriations for covering the cost differential of interest could be controlled when using bonds to fund Alaska Housing Finance Corporation, but the effect on many individuals within the State of Alaska both home buyers and builders was disastrous when rates were moving upward. The Task Force was of the opinion that steps have to be taken to avoid the horrendous results of substantial increases in the mortgage interest rates during the middle of the construction season, particularly when it is impossible to obtain forward commitments for a sufficient time to protect the builder and the home buyer. In the last critical situation, the party most affected was the owner/builder who often was not able to qualify after the interest rate increase for the home he had built for his own occupancy. It is the position of the Task Force that the Governor should direct AHFF to annually determine and publish the rates of interest to be charged on housing loan programs administered by any

state agency. Appropriately, the Legislature shall have the power to adjust rates and vary features of the various loan programs on a fiscal basis. It is the position of the Task Force that steps should be taken to ascertain in advance the needs for mortgage financing and acquire those funds from whatever source at a cost that will meet the objectives and goals of the Legislature and provide housing to the home buyers at the lowest possible cost.

Further, the Task Force recommends that the fiscal year '84 legislature set maximum rates on the first \$90,000 at 10% for conventional financing and 9% for veterans financing wherein taxable bond funds must be used. It is recommended that the rate established for the homeowners fund (HOF) loans be set at a minimum of 6% and escalated in accordance with the prescribed methods of establishing rates under the existing Alaska Housing Finance Corporation program. The Task Force also recommends the continuance of the 5% energy renovation loan programs as being beneficial to citizens throughout the state.

Administration of the interest rates is a critical question and represents one of the most important reasons why the State of Alaska is involved in funding of loans. Certainly, the only other factor more important than the interest rate is the availability of funds for housing. Obviously, in times of tight money and high interest rates, to obtain a compatible situation may be impossible without a tremendous expense to the State of Alaska. If the legislature is unable to reach an agreement based upon the fixed rates, then we would recommend that the spread be increased from the above mentioned 3% to 4% for funds obtained through the sale of bonds. This would reduce the impact of accelerating interest rates and still give a measure of protection to our citizens.

In addition, it is our position that the policy board of AHFF be given authority to reduce interest rates on loans made by the revolving loan fund from time to time should the situation require.

There are many other programs wherein funds are provided by the Federal Government to assist in providing shelter for low to moderate income peoples. The State of Alaska should continue through its various agencies to make use of all such programs that will effectively reduce the required participation by the State of Alaska in funding subsidies for home finance.

## PERMANENT FUND

Recommendation #7: Permanent Fund contributions to the AHFF should begin immediately with an FY'84 investment of not less than 3% of the body of the Fund, up to the current allowable maximum for real estate mortgages of 15%. The Task Force further recommends new legislation and/or a constitutional amendment be originated by the Governor to allow for real estate mortgage investment by the Permanent Fund of up to 25% of the corpus.

Narrative: The Task Force recommends that the Governor instruct the trustees of the Permanent Fund and the Alaska Housing Finance Fund to develop a plan whereby a portion of the principal of the Permanent Fund can be invested in mortgages or securities of AHFF. Initially, mortgages and/or securities of AHFC would probably represent the most marketable investments for the Permanent Fund. It is also possible that the AHFF could provide securities of AIDA for investment by the Permanent Fund.

The Permanent Fund is currently authorized to invest up to 15% of its principal in mortgages which, by regulation, are limited to variable rate mortgages. The Fund is, however, authorized to invest up to 50% in corporate stocks and debt securities under Alaska Statute 37.13.120 (g), (8). Alaska Statute 37.13.120 (g), (8) permits the investment of the Permanent Fund in "corporate debt securities which are rated AA or better by a national recognized rating service". AHFC is presently issuing bonds which receive an AA rating. In theory, the Permanent Fund could invest up to 50% of its assets in these marketable securities.

It is the recommendation of the Task Force that steps be taken immediately for the Permanent Fund to invest in mortgage originations of AHFC not less than 3% of its assets. It would be contemplated that in not more than 5 years, 15% of the assets of the Permanent Fund would be invested in mortgages in the state of Alaska.

In addition, it is the position of the Task Force that steps should be taken to introduce legislation to allow the Permanent Fund a much larger investment in Alaskan loans. We believe it is totally compatible with the purpose of the Permanent Fund to invest up to 25% of its assets in housing finance in Alaska.

In compliance with the desire of the majority of the Alaskan people to see the Permanent Fund invested in Alaska in home mortgages, it would be reasonable that these funds be invested at less than market rates if the circumstances so dictate. Initially, it would be

appropriate in order to encourage the immediate investment in Alaskan mortgages by the Permanent Fund that appropriations be made to AHFF to subsidize any differential between established market rates and those of the loans purchased through AHFF and originated by AHFC.

Finally, in view of declining oil revenues, it is apparent that the only means of establishing an on-going revolving loan fund within the state of Alaska to bring stability to the housing finance industry and thereby provide adequate, affordable housing for all Alaskans, is the involvement of the Permanent Fund in the purchase of Alaskan mortgages. The Permanent Fund must become an investor in AHFF if the revolving loan fund is to be an assured success.

## DCRA HOF PROGRAM

Recommendation #8: The Task Force recommends legislation be introduced to create a Home Ownership Fund (HOF) Program within Community and Regional Affairs, Housing Assistance Division, for specific application in rural communities. Other legislation should be introduced to remove rural or urban distinctions from Nonconforming Loan Funds for FY'82 and thereafter as administered through this agency.

Narrative: The existing Home Ownership Fund Program administered by AHFC is not reaching into rural locations as extensively as it could. A parallel program should be created to be administered within DCRA/HAD. This deep subsidy program fills a large gap in reaching first time homebuyers. Many borrowers can meet monthly payments if they are not significantly increased from rental payments or mobile home mortgages. Meeting payments and accruing mortgage equity under the HOF program allows a homeowner to either achieve permanent ownership or finance more substantial investments at a later date. The Legislature should give authority to DCRA/HAD to adjust income criteria and maximum home values as required by circumstances.

The creation of this program should be done only in the context of an interest rate review for all housing programs. Currently, DCRA rates on rural programs for conventional financing are fixed by the Legislature. There does not exist a rural, veterans' preference rate. AHFC rates are currently tied to the most recent bond sale. Parity, therefore, does not exist and, depending upon the most recent market, rates may be weighted in favor of either rural or urban Alaska and may shift back and forth frequently during any given period of 90 days or more.

The Task Force recommends the Governor direct management of the AHFF, the Legislature and others involved in this discussion to affix reasonable rates of interest on all housing programs so as to achieve parity wherever housing services may be delivered in the State.

## DELEGATED UNDERWRITING

Recommendation #9: The Task Force encourages the Alaska Housing Finance Corporation to consider a program of delegated underwriting as described in a staff paper submitted to the Task Force. A recommendation is offered for the AHFC Board to prepare such a program after receiving suggestions from mortgage bankers, home builders, and other affected members of the public.

Narrative: The Task Force agreed that AHFC acting as a secondary mortgage market for mortgage lenders should immediately take steps to adopt regulations implementing delegated underwriting. The lending institutions making mortgage loans would then make the sole determination as to whether the borrower and property meet sound underwriting standards and the requirements of AHFC loan programs under which they will be ultimately funded. It was the position of the Task Force that this would be a very positive benefit by enabling the loan applicant to receive a commitment directly from the lending institution and allow for closing of the loan immediately, subsequent to approval. AHFC would not underwrite on a case-by-case basis, but would spot check loan originations by the mortgage lender. If non-compliance were found and the violation sufficiently flagrant, the mortgage lender would then be prohibited to continue to sell loans to AHFC. Any loans wherein fraud or serious malfeasance was evident would be repurchased by the mortgage lender.

It is understood that not all lending institutions would want to participate in this system and that AHFC must continue to underwrite loans for those institutions not able or willing to assume responsibility for their underwriting function. Further, from time to time, it will be necessary on a case-by-case basis to submit loans to AHFC for review and this should be permitted under the system of delegated underwriting adopted.

It is evident that a good system of delegated underwriting would not reduce the quality of loans ultimately sold to AHFC, but should reduce the dual expense of operating two underwriting offices, that of the lender and Alaska Housing Finance Corporation. Overall, it should be a much more efficient system, benefiting not only AHFC but also the mortgage lender and the public.

## REGIONAL INFORMATION OFFICES

Recommendation #10: The Task Force recommends regional housing information offices be opened in Fairbanks and Juneau as well as maintenance of rural field offices in Bethel, Nome, Kotzebue, and Dillingham within Community and Regional Affairs, Housing Assistance Division.

Narrative: Regional field offices can offer potential fund users located in or near that region more personalized service in distribution of housing information. Staff of AHFC to be located in field situations could disseminate information, track delayed applications or provide other housing services as instructed by the AHFC Board of Directors. DCRA staff in field services would continue to offer application processing and loan closing activities in addition to general information and education services whenever requested. Staffing in all locations by personnel completely familiar with loan processing procedures would be desirable.

The public can best be served by a regionalized office placed in visible street front locations in core areas of any given community. Community and Regional Affairs currently maintains regional offices in Anchorage, Fairbanks, Bethel, Dillingham, Kotzebue, and Nome.

The Fairbanks office serves the North Slope Borough, upper Yukon, and the Alaska highway system to Tok and Cantwell. It also offers service to McGrath and Fairbanks and vicinity. This office could be placed in close proximity to an AHFC Fairbanks office and relinquish its urban functions to AHFC staff while continuing to emphasize its primarily rural focus. Establishment of services to Southeast Alaska have long been contemplated by the Community and Regional Affairs Housing Assistance Division.

A minimal southeast office with one and a half positions for \$77,300 in Juneau is requested in the FY'84 operating budget of DCRA/HAD. Again, a consolidated housing information office with AHFC staff could be achieved and may be desirable.

Maintenance of the existing rural field offices in DCRA/HAD is recommended.

## TASK FORCE COMMENTS

Recommendation #11: The Task Force has identified the following housing related issues for further consideration and in need of in-depth investigation by another group charged with more specific responsibilities: forward commitments; reservation system for funding; shared appreciation mortgages; third party programs for participation, bridging sales and interest rate buy-downs; discount points; conventional and uniform underwriting standards; clear and concise lending and approval procedures; apportionment and restructuring of the various housing related boards; development of a housing interagency liason; masterplan for rental, low-income and special needs housing; develop incentive programs for low-income housing projects.

Narrative: When considering the primary issues of a housing program, participants were frequently reminded of numerous specific issues directly involved or closely related to public perceptions of housing.

Some of these "issue items" are mechanical. Some are administrative, and many others are conceptual. These items should be explored in detail and when found realistic and of public benefit be incorporated in the body of the housing program.

Employment of forward commitments and use of a Fund Reservation System are mechanical and during times of interest instability can be of benefit to consumers.

Third party participation vehicles also can benefit consumers in that more private investments can be attracted to worthwhile projects or in the case of guaranteed sales, equities be freed from existing homes to permit the purchase of new homes and, again, the burden is to private investment while the benefit is to the consumer.

Reintroduction of discount points may provide an optional method of avoiding interest rate increases and still provide for the consumers' ability to purchase or the developers' ability to initiate a multi-family project.

Use of conventional underwriting standards will permit a coherent lending policy that employs the same standards for rural or urban housing purchase. Buyers are evaluated on the basis of credit worthiness, commitment and ability to repay. The property is then evaluated as is common to the area.

Additional public benefit will also occur when present approval methods for multi-unit projects are standardized, and if the prerequisites are available to developers in clear, concise and consistent form.

Consistent with in-depth development of master plans for rental programs, low income and special needs categories is the creation of an Interagency Liaison. The very complex web of interrelated jurisdictions makes achievement of a housing plan difficult unless the various Federal, State, and local government units are working toward the same ends with mutual commitment.

Incentives for greater public-private cooperation can be devised to open the way for better housing development and redevelopment.

All of these "special" items and many others will enhance our ability to deliver a housing program. Each possesses a degree of complexity that requires in-depth, further investigation, and the Task Force recommends continuing the effort.

## PUBLICATIONS

Recommendation #12: The Task Force recommends publication and distribution of existing housing programs information in all public agency locations in Alaska.

Narrative: The publication and information distribution efforts of state housing agencies are found to be inadequate. Present materials may be located in various financial houses or agencies themselves, but do not appear to reach a large number of potential buyers, sellers, investors, or other fund users. Certain publications require more explanation than the reader may possess and should be more clearly marked with telephone numbers and addresses to assist the reader in obtaining further information. Outdated materials should be replaced at all distribution points as often as necessary. Mass mailings or distribution through targeted periodicals should occur at least once a year to inform the public of current interest rates, available terms and locations in their vicinity from which loan applications may be originated. This public information outreach effort should attempt to coordinate information on all existing housing programs and should be administered by the Department of Revenue on behalf of each housing agency.

Rural publications should be printed in languages indigenous to the region as well as in English. Desirable texts to be developed are those which are concise and simply stated. Industry jargon should be used only as necessary and the need for glossary development per publication should be reviewed.

## FURTHER INVESTIGATIONS

Recommendation #13: The Task Force concludes that a comprehensive report on housing issues must include an investigation of low and/or special incomes, elderly and disabled handicapped programs. It was also concluded that further investigation of these complex subjects was necessary. A special committee charged with publication of a Phase II Report has been created by the Task Force to accomplish this further investigation.

Narrative: In the charge to the Task Force, the Governor emphasized that the housing program should reach more of the population. Governor Sheffield went on to include that low income, elderly, handicapped and other special needs be considered and that the consideration reach rental as well as owned homes.

The Task Force recognizes that there are very complex underlying issues including some that would represent a departure from conventional development and funding practice. In spite of the complexities, the Task Force recommends that immediate steps be initiated to adopt these recommendations and to devise more creative forms of private investment participation in all special programs. Specific proposals include: a demonstration program to construct as many as 300 living units for low income and special needs citizens; a fund provided specifically to meet the needs of handicapped citizens of any income level. Too frequently handicapped citizens are restricted to their homes when simple adaptations could be retrofitted into their homes allowing greater mobility. Likewise, in the construction of new buildings in many respects this program would be similar to the energy conservation program now in effect. Several other provisions are also considered. They deal principally with the use and administration of funds as well as allowing a wider range of participants to compete for funding to develop the programs.

Public and private tax-exempt, nonprofit corporations might be more productive and recognizing non-traditional approaches to problem solving, they should be encouraged to participate.

An excellent model for this involvement is the Neighborhood Housing Service (NHS). NHS is a local arm of the Neighborhood Re-investment Corporation, a federally supported corporation. NHS pursues renovation of old or decaying housing, redevelopment of neighborhoods through new construction and a comprehensive use of various funds from a variety of public and private sources.

Another series of points is that low interest loans or incentive participation for investors be encouraged to provide rental housing. Traditionally, the vehicle is for low interest loans.

While the loan vehicle is most understood, incentive plans, third party investors and equity exchange programs might reduce reliance on government money and provide for expanded benefit while producing the housing stock. Whenever possible, the programs should be self-sustaining requiring a form of payback even if interest free. It is possible and practical that with specific executive direction and Legislative support that many innovative programs can be developed and operating in an immediate time frame.

The resources of the municipalities, private and public non-profit groups, the Regional Corporations, and private investors can be channeled to overcome many of the obstacles and permit the attainment of this very ideal goal.

## SUNSET PROVISIONS

Recommendation #14: The Task Force recommends extension of the sunset provision on tax-exempt revenue housing bonds known as the Uhlmann Act. The Governor and the Legislature are asked to convey this recommendation to our Congressional Delegation in Washington, D.C..

Narrative: The Task Force unanimously request that the Governor, by executive order, and the Legislature, by resolution, request that our congressional delegation immediately take steps to introduce legislation which will preempt the Sunset Provisions of the commonly referred to Uhlman Act which provides that tax-exempt revenue housing bonds may not be issued after December 31, 1983. It is critical for the future of AHFF to be able to issue tax-exempt revenue bonds for enhancement of housing finance and reduction of subsidies required by the State of Alaska.

SPECIFIC COMMENTS BY TASK FORCE MEMBERS

## SPECIFIC COMMENTS BY TASK FORCE MEMBERS

The Task Force members were polled as to their opinions of this report. The members approved the report generally as written with minor language modifications in certain areas. When points were voiced by members regarding specific concerns of theirs which were not necessarily those of the Task Force as a whole we agreed to summarize them below.

Comments by Andy Edge: Mr. Edge's main concern was that rural areas be provided with a lower interest rate for their programs within CRA/HAD than for comparable AHFC programs. The reasoning he gave was because construction costs are higher in rural areas, and the average income is lower.

Comments by Laurie Terrall: Ms. Terrall's main concern was that something should be done for those individuals who have an income slightly above the 6% HOF program limitations, and yet cannot afford to purchase a home at the substantially higher interest rates of other AHFC programs. Also, she wanted to see more stability within the HOF program. Apparently, new buyers are told that the program is subject to a 30 day notice of termination.

Comments by Frank Roppell: Mr. Roppell was in basic agreement with the Task Force recommendations. He did believe that the AHFF should be administered by and under the control of AHFC.

Comments by Commissioner Heath: Commissioner Heath was appointed after the Task Force had begun replacing Task Force member, Acting Commissioner of Revenue Joe Donahoe. Commissioner Heath did not have enough time to make a thorough review of this report. However, he had no major objections.

Comments by Richard Hall: Mr. Hall stated that "now is the time to establish a revolving loan fund." Mr. Hall believes the amount of dollars available will have to be prioritized into areas where the most need occurs, such as elderly and low income. Mr. Hall further stated, "AHFC already is in the process of providing \$450 million<sup>1</sup> in loans at less than market rates. If that is not enough, then an appropriation to a revolving fund or a subsidy concept for leverage purposes could be made."

<sup>1</sup>Apparently Mr. Hall was referring to the Congressionally legislated subsidy from the Federal Treasury of tax exempt bond sales of \$100 million for first time pruchasers and \$300 million estimated for veterans. Also, AHFC expects a cash flow of approximately \$50 million from prior mortgage investments.

Comments by Dave Rose: Written comments were received by Mr. Rose, Executive Director of the Alaska Permanent Fund Corporation, offering his opinions to the Task Force's recommendations. Mr. Rose restated that as presently legislated, the Permanent Fund cannot make investments at less than market rates. However, he said, the "simultaneous sale of AHFC paper on the market and sale to the Fund of the same paper at the same price and time can save the management fee associated with the sale of bonds." This could result in a savings of one-half percent. He further stated that the Permanent Fund "should not duplicate or replace AHFC" and that "the Permanent Fund can be a purchaser of securities backed by mortgages, not mortgages themselves." Mr. Rose was also concerned that we not recommend the abolishment of the well recognized and highly regarded AHFC in favor of a new and unknown debt issuer, namely, the AHFF. Also, Mr. Rose did not concur and stated he "would not recommend to the Trustees that the fund invest up to 25 percent of its assets in housing mortgages."

Comments by Commissioner Lewis, Department of Community and Regional Affairs: Commissioner Lewis' main concern was that unless the AHFF was administered under the Department of Revenue as recommended in this report, that the portion of the revolving fund relating to rural loans be administered under CRA.

INTERESTED PARTICIPANTS

INTERESTED PARTICIPANTS

Those individuals listed below attended one or more of the meetings held by this Task Force or its subcommittees. The Task Force would like to thank them for their verbal and written contributions to the discussion of issues and for their interest in our work.

Mrs. Mary Afcan

Mr. Willie Ratcliff

Mr. Clay McDowell

Rev. Howard Bess

Mr. Larry Dickerson

APPENDIX A

WORKING PAPERS AND MINUTES

## ALASKA PERMANENT FUND CORPORATION

PO BOX 88 - UPRCAU ALASKA 99511  
 TELEPHONE 907-465-2321

BOARD OF TRUSTEES:

GEORGE W. ROGERS, F.R.D. - CHAIRMAN  
 THOMAS K. WILLIAMS - VICE CHAIRMAN  
 YVESSENE L. CONDON  
 ARTHUR G. FLETCHER  
 BYRON L. MALLOTT  
 PETER R. MCCONNELL

MEMORANDUM ADDRESS

MEMORANDUM

TO: Housing Task Force  
 Office of the Governor

DATE: December 27, 1982

FROM: David A. Rose  
 Executive Director  
 Alaska Permanent Fund Corporation

SUBJECT: Housing

The following investment categories are permissible under current statutory law. Each of them could be used to finance housing within the state to some extent. There are two major concerns: the availability of money and the cost of money. This memorandum addresses the availability of money.

The Permanent Fund is required by statutory law to obtain nationally competitive market rates of return on its investments, and these categories cannot therefore address the cost of money.

1. Residential Mortgages. The Alaska Permanent Fund Corporation may purchase first lien residential mortgages which include owner occupied one-to-four unit dwellings, if they carry private mortgage insurance and the loan to value ratios do not exceed 90 percent. Minimum insurance coverage is computed as follows:

## Loan to Value Ratio

0 - 59	None
70 - 89	10%
90	20%

By regulation the Fund is limited to adjustable rate residential mortgages only. Terms and conditions are identical to FIMA program #8.

2. Commercial Mortgages. The Alaska Permanent Fund Corporation may purchase first lien commercial mortgages, including multi-family dwellings in excess of four units, if they carry private mortgage insurance and the loan to value ratio does not exceed 75 percent. Minimum coverage is computed as follows:

## Loan to Value Ratio

0 - 49	None
50 - 60	10%
61 - 75	15%

The Permanent Fund Corporation is not limited to adjustable rate mortgages and may purchase fixed rate commercial mortgages.

3. Corporate Debt. The Alaska Permanent Fund Corporation may purchase mortgage-backed debt securities which are rated "AA" by Moody's and S & P. This provision theoretically includes:
  - a) AHFC bonds.
  - b) privately insured pool certificates issued by MGIC or similar institutions.
  
4. Federally Guaranteed Debt. The Alaska Permanent Fund Corporation may purchase the guaranteed portion of debt issued by the following agencies of the federal government:
  - a) SBA,
  - b) VA,
  - c) FmHA.
  
5. Equity Real Estate. The Alaska Permanent Fund Corporation may participate in the direct ownership of income-producing real estate, including apartment buildings, as long as:
  - a) the participation does not exceed 40 percent of the total equity, and
  - b) the manager has at least five years institutional real estate experience.

ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY  
MULTI-FAMILY HOUSING PROGRAM

The 1982 session of the Legislature enacted Chapter 113 which authorizes the Authority to provide financing for Multi-Family Housing. Funding for the program is provided by selling bonds and using the proceeds to purchase participations in qualifying projects from private lending institutions. The Legislature also appropriated \$29 million to the Authority as security, should any projects default. The \$29 million was reduced to \$21 million based upon an opinion from the Attorney General's office.

The enabling legislation was drafted in such a manner that the Authority receives none of the principal, interest or any access to the security fund unless there is secondary debt on the project and the project defaults. The Authority has assumed this is a drafting error and has proceeded to implement a Multi-Family Program while simultaneously preparing remedial legislation for consideration.

The Authority has implemented a Multi-Family Program which will be effective until December 31, 1983. As of December 15, 1982, \$37,994,150 of pre-applications for 1015 units have been approved. The number of pre-applications which will become actual multi-family units is impossible to determine but 50% could be a reasonable estimate. Geographically the units are spread as follows:

Anchorage	886 units	\$33,536,300
Juneau	76 units	2,435,000
Homer	22 units	595,000
Ketchikan	5 units	360,000
Nome	14 units	607,500
Wasilla	6 units	190,350
Palmer	6 units	220,000

The Authority has issued commitments on 262 units totaling \$3,775,000. These projects are currently in various stages of construction. The units for which commitments have been issued are geographically spread as follows:

Anchorage	252 units	\$3,505,000
Homer	10 units	270,000

Synopsis of Multi-Family Program

- A. Maximum allowable loan is 75% of appraised value.
- B. Interest rate is 11% (set by Board, effective through 12/31/82). Should the bond rate exceed 11% the differential will be made up by increasing the loan payment beginning in year 2. Staff will recommend to the Board that the 11% be continued for 1983.
- C. The full faith and credit of the Authority are pledged to the bond issue.

- D. The Authority pays the capital reserve fund contribution.
- E. Five units or more.
- F. 20% of units must be made available to persons of lower or moderate income.
- G. Restrictions on condo conversion.
- H. The Authority purchases 90% of loan, originating financial institution retains 10% of loan.
- I. U.S. Treasury regulations on tax-exempt bonds apply.

ALASKA HOUSING FINANCE CORPORATION  
Branch Office Analysis

Estimated Annual Operating Expenses

<u>Personal Costs</u>	<u>Fairbanks</u>	<u>Ketchikan</u>	<u>Juneau</u>	<u>Total</u>
<u>Salaries (Note A)</u>				
Assistant loan officer (17)	\$ 35,292			
Assistant public information officer(14)	28,548	\$ 25,740	\$ 25,740	
Secretary/receptionist(10)	21,984		20,076	
	<u>85,824</u>	<u>25,740</u>	<u>45,816</u>	
Benefits (29% of salary)	24,889	7,465	13,287	
	<u>110,713</u>	<u>33,205</u>	<u>59,103</u>	\$203,021
 <u>Travel</u>				
One trip/month/office to Anchorage for each office	2,280	6,600	5,568	
Local travel	1,000	1,000	1,000	
	<u>3,280</u>	<u>7,600</u>	<u>6,568</u>	17,448
 <u>Contractual</u>				
Telephone	7,200	7,200	7,200	
Office rent	19,200	17,000	20,400	
Equipment maintenance	600	600	600	
Courier service (daily to Anchorage)	2,600	2,600	2,600	
Other	1,000	1,000	1,000	
	<u>30,600</u>	<u>28,400</u>	<u>31,800</u>	90,800
Commodities	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>7,500</u>
 Total Annual Operating Expenses	 <u>5147,093</u>	 <u>571,705</u>	 <u>599,971</u>	 <u>5318,759</u>

NOTE A: Assumes individual hired at indicated pay range and step A.

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ALASKA HOUSING FINANCE CORPORATION  
Estimated Start-Up Costs

	<u>Fairbanks</u>	<u>Ketchikan</u>	<u>Juneau</u>	<u>Total</u>
<u>Furniture and Equipment</u>				
Desks	\$ 2,400	\$ 800	\$ 1,600	\$ 4,800
Fireproof legal file cabinets	1,200	1,200	1,200	3,600
Non-fireproof legal file cabinets	500	500	500	1,500
Typewriter--Memory	3,900	3,900	3,900	11,700
Credenzas	1,950	650	1,300	3,900
Supply Cabinet	250	250	250	750
Bookcase	200	200	200	600
Conference Tabel & Chairs	700	700	700	2,100
Reception area couch	700	700	700	2,100
Six guest chairs	1,200	1,200	1,200	3,600
Computer Terminal	5,000	5,000	5,000	15,000
Copier	3,000	3,000	3,000	9,000
Miscellaneous office supplies	500	500	500	1,500
	<u>21,500</u>	<u>18,600</u>	<u>20,050</u>	<u>60,150</u>
<u>Travel</u>				
Two 2-day trips (interviewing)	920	1,100	928	2,948
One 2-day trip (office selection)	280	550	464	1,294
Training in Anchorage	1,100	790	704	2,594
	<u>2,300</u>	<u>2,440</u>	<u>2,096</u>	<u>6,836</u>
<u>Data Processing Modifications (1)</u>				
Software modifications to allow remote access	1,666	1,667	1,667	5,000
Additional computer core	6,667	6,667	6,666	20,000
	<u>8,333</u>	<u>8,334</u>	<u>8,333</u>	<u>25,000</u>
TOTAL	<u>\$32,133</u>	<u>\$29,374</u>	<u>\$30,479</u>	<u>\$91,986</u>

(1) Costs incurred to upgrade computer system to handle remote terminals. Total costs will be incurred if any branch offices are established.

## MINUTES OF THE GOVERNOR'S TASK FORCE

December 21, 1982  
3601 C Street, Room 758  
Anchorage, Alaska 99503

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The first meeting of the Governor's Housing Task Force convened shortly after 1:30 p.m. on December 21, 1982 at the Governor's Office, Frontier Building, in Anchorage.

An introduction was made by CHAIRMAN ROB GAIEL. Members of the task force, guests and observers then introduced themselves. Those present were:

MR. ROB GAIEL	MR. PETE SPIVEY
MR. JESS HALL	MS. LENNIE BOSTON
MR. CLARK GRUENING	MR. RAY PRICE
MR. RICHARD T. HALL	MR. JIM KELLY
MR. ANDY EDGE	MS. MARY AFCAN
MR. JESSIE ARRINGTON	MS. BARBARA HORSE-QUINN
MS. LAURIE TERRALL	MR. HARRY GOLDBAR
MR. DAVE RIBACCHI	MR. JOEL DIGANGHI
COMMISSIONER DICK LYON	MR. MARK CAMERON
COMMISSIONER JOE DONAHOE	MS. LUCILLE STEITZ

A short discussion of general purpose preceded GOVERNOR SHEFFIELD'S entrance. The Governor thanked those present for their participation and charged them with assisting him in the creation of a sound housing program, inclusive of new construction, multi-family and rental unit development. Other desirable criteria for a housing program mentioned by the Governor were self-perpetuity of funds and availability of housing for first time homebuyers on limited incomes. The group was asked to suggest ways to prevent costly, duplicative efforts of the public and private sectors, and to review outreach efforts, particularly in the Fairbanks region. GOVERNOR SHEFFIELD concluded his remarks and departed the meeting.

Extensive conversations as to the focus and purpose of the task force followed the Governor's remarks. This informal dialogue resulted in the creation of two subcommittees of the task force, which were:

The Subcommittee on Socio/Economic Considerations of Housing Policies; and  
The Subcommittee on Administration and Finance.

A core group was appointed to each subcommittee with others invited to participate in the group of their choice.

Further discussion then ensued regarding uses of the Permanent Fund, subsidies, bonding costs and a general review of the Governor's "Blueprint For Building Affordability Into Alaska's Housing Picture".

A general timetable was discussed with the conclusions that the January 3, 1983 deadline for a report could only bring a preliminary document to the Governor. February 1, 1983 was suggested as a more realistic goal for a final report.

A date for the next meeting was set for December 28, 1982 at 1:30 p.m. (AST) in the same location. Teleconfering with Juneau, Bethel and Fairbanks participants was suggested.

CHAIRMAN GNIEL adjourned the meeting at approximately 3:45 p.m. with each subcommittee convening immediately thereafter. Subcommittee chairmen were selected by each group with IIR. DAVE RIBACCHI chairing the Subcommittee on Socio/Economics and IIR. DICK HALL chairing the Subcommittee on Administration and Finance.

Respectfully submitted,

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Rob Gamel  
Chairman

MINUTES OF THE GOVERNOR'S TASK FORCE ON HOUSING

January 3, 1983  
AHFC Board Room  
Anchorage, AK 99503

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Present in Anchorage for the teleconference meeting were the following task force members:

MR. ROB GAIEL, CHAIRMAN  
MR. JESS HALL  
MR. CHARLES HOVAN

MR. DAVE RIBACCHI  
MS. LAURIE TERRALL  
MR. DICK HALL

In Bethel: MR. ANDY EDGE

In Fairbanks: MR. JESS ARRINGTON

In Juneau:

MR. DAVE ROSE  
COMMISSIONER MARK LEWIS

MR. JOE DONAHOE

Anchorage task force and administration staff present:

MS. BARBARA MORSE-QUINN  
MR. ERIC HOHLFORTH  
MR. JOEL DIGANGHI

MR. HARRY GOLDBAR  
MR. RAY PRICE

Juneau administration staff members present:

MR. PETE BUSHRE

MR. JIM KELLY

The following members of the public also participated in this meeting: MS. LUCILLE STIETZ, MS. MARY AFCAN, MR. CLAY MCDOWELL and MR. WILLIE RATCLIFFE.

With MR. ROB GAIEL chairing, the minutes from the previous meeting were read, and the two subcommittees reported. (MR. EDGE in Bethel and MR. ARRINGTON in Fairbanks both eventually dropped out of the teleconference due to poor audio. Notes were to be forwarded to them for their comments.)

The Subcommittee on Administration and Finance presented their findings:

Item 1. It was unanimously agreed that AHFC be authorized to develop a system of forward commitments for owners and builders.

Item 2. The task force recommended AHFC consider a program of delegated underwriting as described in a staff paper submitted to the Task Force. A recommendation is offered for the AHFC Board to prepare such a program after receiving suggestions from mortgage bankers, home builders, and other affected members of the public.

Item 3. The subcommittee recommended a revolving AHFF Fund and, if required, an amendment to the constitution authorizing the statute. MR. DONAHOE reported that MR. RON LORENSEN, the Deputy Attorney General, has a draft opinion stating the use of interest in this case is likely unconstitutional but it is defensible. MR. GAHEL suggested adopting this suggestion with MR. HALL pointing out that the Legislators may want the option of allocating the interest. The Task Force adopted the subcommittee recommendations.

Item 4. The subcommittee recommends a revised FY84 18 month appropriation for subsidy purposes paid into the AHFC Fund. A long discussion ensued on this point, but no concurrence was reached. It was decided to table and redraft this point and submit it to the committee again. Four sub-points are to be considered:

1. 18 month appropriation
2. Appropriate to revolving and subsidy.
3. Interest rate question.
4. Prioritization.

MR. WILLIE RADCLIFFE spoke up to say he would like to see fee simple loans, the use of church groups to reach people currently unable to afford a home, and cutting out the heavy financing fees now being charged.

Item 5. The Task Force tabled any action on the subcommittees recommendation on prioritization.

Item 6. The Task Force agreed with this recommendation. It was recommended that the Trustees of the Permanent Fund and the Board of Alaska Housing Finance Corporation develop a plan whereby up to 15% of the principal of the Permanent Fund be invested in a combination of mortgages or securities of the Corporation. Currently, the Fund is authorized to invest up to 15% of its principal in variable rate mortgages. However, the Fund is authorized to invest up to 50% in corporate debt securities which are rated "AA" or better by a nationally recognized rating service. It was further recommended that the 15% investment of the Permanent Fund be accomplished over five years and that not less than three percent of the Permanent Fund be so invested during the first year.

Item 7. This item pertains to revolving funds for the Housing Assistance Division and eliminates the distinction between urban and rural from the Housing Assistance Fund Program. It also establishes A Home Ownership Fund (HOF) Program within the Housing Assistance Division. HIS MORSE-QUINN recommended that the third line be changed to eliminate rural and urban from the "nonconforming HAD loan fund and that the the HOF be under this division. In debate over this particular point, it was agreed that parity should be addressed, though it was pointed out that legislation had been aimed at making up for the higher construction costs in rural Alaska. MR. GAIEL suggested they explore this further at a later time. However, he felt the committee should take a stand in support of extending the sunset provision for tax exempt bonds (Ulman Act). MR. HALL supported this and recommended having the Governor send letters to get a resolution passed in our state legislatures. The Task Force agreed.

MR. RIBACCHI provided his first preliminary report for the Subcommittee on Socio/Economics.

Item 1. He pointed out that housing is a social/economic issue. A commonality of language doesn't exist and snags will result because of this. There are three types of housing: conventional, rental, and low income or special income. The subcommittee developed three time frames for action: immediate, intermediate (within ten months), and long-range (two or three to five years).

Item 2. The Subcommittee Report suggested that conventional loans be dealt with first because a commonality of language already exists and that the others be studied further. MR. RIBACCHI also suggested announcing AHFC meetings, teleconferences and follow-up. He also suggested information centers for the public with a variety of possibilities. For instance, there are many agencies in scattered towns throughout the state which could provide information to people without the expense of a staff for just this purpose. Item 3. The key problem is that it isn't clear what is to be dealt with or what's available in other programs. It was suggested that appointments and reappointments to AHFC executive staff be accomplished as soon as possible.

The Subcommittee Report suggested the following for intermediate action:

- A. Delegated underwriting was agreed upon by everyone.
- B. As a political issue, the AHFC restructuring should be defined and taken care of ASAP.
- C. There should be an intergovernment liaison thru existing departments.
- D. Planning and effecting a consolidation of state housing is suggested breaking it into more applicable programs.

Items 4 and 5. MR. CLAY MCDOWELL was introduced by subcommittee member, Laurie Terrall, and pointed out that a crisis need for shelter exists for the handicapped. It was suggested that these items be given immediate action. The Phase I report of the Alaska Statewide Housing Needs Study is available and should be reviewed by Task Force members seeking further information on these subjects.

A subcommittee consisting of MS. BARBARA MORSE-QUINN, MR. ROB GAMEL, MR. DICK HALL, Mr. Chuck Homan, and MR. DAVID RIBACCHI was appointed to draft a preliminary report to the Governor outlining the work thus far accomplished and identifying areas needing further research. (Phase I Report.)

An additional subcommittee was established to research and define goals for the low or special incomes, disabled and/or senior citizen needs. MS. TERRALL, MR. RIBACCHI, MR. DICK PRYOR and an AHFC representative will form this subcommittee. (Phase II Report.)

The meeting was adjourned at approximately 3:45 p.m. AST.

Respectfully Submitted,

\_\_\_\_\_  
Rob Gamel  
Chairman

# Alaska State Legislature

POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4821



REPRESENTATIVE RICK UEHLING  
CHAIRMAN  
REPRESENTATIVE WALT FURNACE  
REPRESENTATIVE NILO KOPONEN  
REPRESENTATIVE JERRY WARD  
REPRESENTATIVE RON WENDTE

## House Special Committee on State Loans

### MEMORANDUM

TO: Representative Al Adams, Chairman, <sup>PAC</sup> House Finance Committee  
FROM: Representative Rick Uehling  
DATE: May 9, 1983  
  
RE: House Bill 302

The House Special Committee on State Loans has passed out CSHB 302 (Loans), "An Act relating to state housing loan and state alternative technology loan programs; and providing for an effective date," a copy of which is attached. As you are aware, House Finance is the bill's next committee of referral.

I request your and the Finance Committee's support for this important legislation.

Having won the support of the Department of Community and Regional Affairs Housing Assistance Division, the Alaska Housing Finance Corporation, and the Department of Commerce and Economic Development Division of Investments, the Loans Committee Substitute for HB 302 represents a series of major improvements to the state's largest housing loans programs and to a subsidiary program. These improvements are described below.

(1) Section 13 of CSHB 302 (Loans) creates a Home Ownership Assistance Fund in the Housing Assistance Division of the Department of Community and Regional Affairs for low and moderate income Alaskans. While this program would provide qualified borrowers with a valuable subsidy (resulting in an effective interest rate as low as 6% in some cases), the Loans CS is careful to ensure that the new program is targeted at those who need the assistance most.

(2) Sections 4, 5, 6, 7, and 8 of the Loans CS raise the maximum subsidized portion of AHFC mortgage loans from \$90,000 to \$100,000. Expert testimony supports the Loans Committee contention that this increased subsidy will provide some additional incentive to the state's housing construction industry and will make it possible for moderate income Alaskans to secure a somewhat more attractive blended rate on first mortgages. Actually, it is perhaps most important to remember that the \$90,000 limit was imposed in 1980

and that inflation alone justifies raising this subsidy level to \$100,000.

(3) Section 3 of CSHB 302 (Loans) allows AHFC to make first mortgage loans for single-family residences that exceed the limitations on first mortgages for similar housing purchased by the Federal National Mortgage Association as to principal amount by up to 10%. With the FNMA running at \$160,000, this provision will allow AHFC to lend up to \$176,000 on first mortgages. This increase reflects the higher housing costs in Alaska as compared to other states.

(4) Sections 1 and 2 of the CS make it clear that the increase described in (3) above applies to AHFC loans for single-family residences only. This provision specifically excludes duplexes, triplexes, and four-plexes.

(5) Section 14 allows the C&RA Housing Assistance Division to make rural and non-conforming housing mortgage loans to persons with one outstanding nonowner-occupied housing loan. This section eliminates a clear discrimination against rural borrowers.

(6) Section 15 of CSHB 302 requires that the interest rate on urban nonconforming housing loans is  $\frac{1}{4}\%$  more than the interest rate on AHFC mortgages and that the interest rate on rural housing loans is 1% less than AHFC mortgages. The effect of this provision is two-fold -- it eliminates an inflexible 10 $\frac{1}{2}\%$  interest rate for rural housing loans and it provides a  $\frac{1}{4}\%$  disincentive for urban nonconforming housing loans.

(7) Section 16 of the Loans CS establishes a rational, consistent definition of rural as it applies to rural housing loans under the Department of Community and Regional Affairs. Similar to the definition offered by the Governor, the definition of rural offered in CSHB 302 (Loans) is supported by C&RA.

(8) Section 18 of the CS repeals AS 44.47.385, known as the 80/20 split. The repeal of this law will free C&RA to use appropriated money fairly and according to need.

(9) Section 17 of the bill amends extant law to allow the Department of Commerce to make loans for multi-fuel heating systems.

(10) Section 11 of the bill allows AHFC to make mortgage loans to members of the Alaska Congressional delegation to purchase houses in or near the District of Columbia, providing the applicant

Page three  
CSHB 302 (Loans)  
May 9, 1983

otherwise qualifies.

In addition to these policy changes, CSHB 302 (Loans) also makes certain administrative and technical corrections:

Section 4 eliminates the out-dated "Rogers' Ratchet" and replaces it with similar, but more concise and workable language.

Section 7, among other things that are described earlier in this memo, clarifies the method of determining the effective interest rate for mortgages purchased by AHFC with funds which were produced by interest or fees.

Section 9 cleans up references to the veterans' interest rate on some AHFC home loans and eliminates a one-year residency requirement to receive the veterans' rate; this section also deletes the potentially unconstitutional provision that widows and widowers of veterans are only eligible for veterans' preferential interest rates if the veteran had been an Alaskan resident for one year before induction into the service.

Section 10 makes the AHFC financial advisor an optional office, as opposed to a statutorily requisite one.

Section 12 makes the Housing Assistance Loan Fund a revolving loan fund, and therefore more self-sustaining.

As you can see, the bill makes several relatively minor changes in the Alaska Housing Finance Corporation, but adds a whole new program to the Department of Community and Regional Affairs for low and moderate income Alaskans in rural areas. This new program adds approximately \$15 million onto the C&RA capital funding request, which is reflected in CSHB 315 (Loans), also pending before Finance.

I hope this information is valuable as you and the other members of the Finance Committee consider CSHB 302 (Loans). I would be glad to offer my assistance in your deliberations.

RAU/wtl  
Attachment



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

May 3, 1983

MEMORANDUM

TO: Representative Rick Uehling  
FROM: Leslie Longenbaugh, <sup>LL</sup> Research Staff  
RE: Housing Loans: Background Information  
Research Request 83-160

Bill Lovell asked that we provide the following:

1. a copy of the administrative regulations of the Alaska Housing Finance Corporation (AHFC);
  2. a book of amortization tables;
  3. the year in which the legislature set a limit of \$90,000 for the subsidized portion of loans financed through AHFC's Special Mortgage Loan Purchase Program;
  4. the median household income in rural Alaska;
  5. the mean amount of AHFC's Home Ownership Assistance mortgages, and the mean household income of borrowers; and
  6. the maximum monthly mortgage payments and maximum allowable mortgages for borrowers with annual household incomes from \$5,000 to \$50,000 in multiples of 5,000.
1. I have enclosed a copy of AHFC's regulations, taken from the Alaska Administrative Code, revised 1982. AHFC has promulgated additional regulations since the code was revised, but these new regulations have not yet been engrossed formally.
  2. Capital Office Supply expects to have books of amortization tables available by Wednesday at the earliest; Yukon Office Supply does not stock the books and Baranof Bookstore carries a book that covers interest rates only from 15 percent to 25 percent.
  3. In 1980, when it first enacted the Special Mortgage Loan Purchase Program, the legislature declared that "the interest rate on the first \$90,000 of a mortgage loan purchased with the proceeds of a second or subsequent issue of taxable bonds of the corporation..." would be set at the cost of the funds (AS 18.56.098 (g)(2)).

4. The most recent figures available for median income in rural Alaska are from 1979, and are published by the U.S. Bureau of the Census.<sup>1</sup> The bureau offers median income data for two units, the household and the family. The census bureau defines "household" to include "all the persons who occupy a housing unit"; a "family" "consists of a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption."<sup>2</sup>

According to my information, banks tend to make housing loans based on an assessment of the family's income rather than on the income of the household. I have included both in the table below.

In calculating the figures that appear in Table 1, I used the definition of rural that is presently used by the Division of Housing Assistance in awarding loans through the Rural Owner-Occupied and Rural Non-Owner-Occupied Housing Loan Programs. This definition includes all places that have fewer than 4,500 population and are outside access to Fairbanks or Anchorage by road or rail if within the second, third or fourth judicial districts (AS 44.47.560).

TABLE 1  
Median Annual Income in Rural and Urban Alaska, 1979

Unit	Rural	Urban	Statewide
Household	\$15,451	\$27,650	\$25,421
Family	\$17,341	\$31,214	\$28,406

House Research Agency 5/3/83

Source: U.S. Bureau of the Census (1980)

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<sup>1</sup> Neither the U.S. Department of Housing and Urban Development in Anchorage (271-4170) nor the Alaska Department of Labor, Division of Research and Analysis (465-4500), has more recent data.

<sup>2</sup> U.S. Department of Commerce, Bureau of the Census, 1980 Census of Population and Housing, Report PHC80-3-3, Summary Characteristics for Governmental Units and Standard Metro-politan Statistical Areas: Alaska, pages B-1 and B-2.

5. Attached is a summary sheet prepared by the staff at AHFC for the March 1983 edition of the corporation's monthly report, Selected Corporation and Program Information. You will note that the average amount of Home Ownership Assistance mortgages made between July 1982 and February 1983 is \$69,410. This compares to a average of \$90,833 for all first mortgages purchased by AHFC during this period.

The average monthly income, \$1,987 (or \$23,844 annually), for borrowers who received Home Ownership Assistance between July 1982 and February 1983 compares to an average monthly income of \$4,066 (\$48,792 annually) for all first-time homeowners who borrowed from AHFC during those months.

6. Table 2 illustrates the maximum monthly payments, calculated at 25 percent of gross earnings, and the maximum note amount over a 30-year term at these monthly payments on a loan bearing interest of 6 percent. The third column is the maximum purchase price, assuming a down payment of 5 percent.

TABLE 2  
Maximum Mortgages at Selected Levels of Annual Income

Annual Income (Gross)	Maximum Monthly Payment (25% of Income)	Maximum Loan Amount (30 years at 6%)	Maximum Purchase Price
\$ 5,000	\$ 104.17	\$ 17,374.68	\$ 18,243.41
10,000	208.34	34,747.70	<u>36,485.09</u>
15,000	312.50	52,122.38	<u>54,728.50</u>
20,000	416.66	69,495.39	<u>72,970.16</u>
25,000	520.83	86,870.08	<u>91,213.58</u>
30,000	625.00	104,244.76	<u>109,456.99</u>
35,000	729.17	121,619.44	127,700.41
40,000	833.33	138,992.46	145,942.08
45,000	937.50	156,367.14	164,185.40
50,000	1,041.67	173,741.82	182,428.91

House Research Agency, 5/3/83

If you have any questions or further needs for research, please call.

Attachments

SENIOR CITIZENS HOUSING DEVELOPMENT FUND

FUND STATUS

FY'82-83 APPROPRIATIONS	\$26,000,000
COMMITTED TO PROJECTS	<u>\$22,696,676</u>
AVAILABLE TO COMMIT	\$ 3,303,324

The \$22,696,676 is committed to the following projects:

ANCHORAGE	\$ 7,836,000
ANGOON	\$ 30,000
CHUGIAK/EAGLE RIVER	\$ 2,500,000
FAIRBANKS	\$ 4,052,176
HOMER	\$ 2,400,000
KENAI	\$ 1,066,000
KLAWOCK	\$ 30,000
KODIAK	\$ 52,500
NINILCHIK	\$ 500,000
PETERSBURG	\$ 50,000
SITKA	\$ 50,000
ST. PAUL	\$ 30,000
VALDEZ	\$ 1,500,000
WASILLA	\$ 1,600,000
WRANGELL	\$ 1,000,000
 TOTAL	 \$22,696,676

Projects in the planning and grant application process:

ANGOON	\$1,200,000
BARROW	\$1,600,000
DILLINGHAM	\$ 30,000
KLAWOCK	\$1,000,000
METLAKATLA	\$1,500,000
SITKA	\$1,800,000
ST. PAUL	\$1,400,000
ST. MARYS	<u>\$ 300,000</u>
 TOTAL	 <u>\$9,330,000</u>

If all these projects currently in the grant application process successfully complete their grant applications and require the full \$100,000/unit funding we will have a \$6,026,676 fund shortfall:

GRANT APPLICATIONS PENDING	\$9,330,000
FUNDS AVAILABLE	\$3,303,324
 FUNDS SHORTFALL	 \$6,026,676

SENIOR CITIZENS HOUSING DEVELOPMENT FUND  
APRIL 21, 1983  
PAGE 2 OF 2

If we receive the 2.5 million dollars requested in the FY'84 budget we could still have a \$3,526,676 shortfall.

CURRENT SHORTFALL	\$6,026,676
FY84 BUDGET REQUEST	-\$2,500,000
POSSIBLE SHORTFALL	\$3,526,676

We anticipate that all of the projects being planned may not successfully complete the grant application process and some may receive HUD funding thereby reducing the amount of state funding required. We therefore expect to have adequate funding to meet the needs of these projects.

# STATE OF ALASKA

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

May 11, 1983

BILL SHEFFIELD, GOVERNOR

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225 CORDOVA STREET - BLDG B  
ANCHORAGE, ALASKA 99501  
PHONE: (907) 264-2294

The Honorable Albert P. Adams  
Representative  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Representative Adams:

RE: SUPPLEMENTAL HOUSING DEVELOPMENT FUND

Attached is the information requested by Louann Cutler of your staff in a telephone conversation with Barbara Morse-Quinn, Director, Housing Assistance Division on May 10, 1983.

I hope this information meets your needs. If you have further questions or require additional information, please call us.

Sincerely,



Mark Lewis  
Commissioner

Enclosures

## SUPPLEMENTAL HOUSING DEVELOPMENT FUND

Attached is a listing of all currently approved HUD housing projects for which supplemental funding is required in accordance with AS.18.55.998.

The report indicates that \$9,810,756 is required to fund the projects that will be going under construction this year. We currently have available in the Supplemental Housing Development Fund \$6,009,332.

In addition to the projects on this listing, HUD has recently received an allocation of an additional 170 units of housing for Alaska. They are in the process of allocating these units to projects that have been submitted by the Regional Housing Authorities. It is anticipated that supplemental funding for these projects over the next two years will be approximately \$3,000,000.

REPORT # 0010-SU  
DATE: 05/01/83

PAGE 1 OF 1

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
HOUSING ASSISTANCE DIVISIONMASTER LIST - SUPPLEMENTAL HOUSING DEVELOPMENT PROGRAM  
FY '82 & FY '83 APPROPRIATIONS

<u>PROJECT LOCATION</u> <u>HUD NO.</u>	<u># OF</u> <u>UNITS</u>	<u>HOUSING</u> <u>AUTHORITY</u>	<u>AMOUNT</u> <u>ANTICIPATED</u>	<u>AMOUNT</u> <u>REQUESTED</u>	<u>AMOUNT</u> <u>COMMITTED</u>	<u>REMARKS</u>	<u>DISBURSEMENTS</u>
<u>ARIACHAK</u> AR06-B009-042	15	AVCP	260,000				
<u>ARIACHAK</u> AR05-B009-024	09	AVCP	165,960				
<u>ARIAK</u> AR02-B009-025	20	AVCP		352,000	352,000		
<u>ARUTAN</u> AR06-07	18	ALEUT		293,760	293,760		264,384
<u>ALEKNAGIK</u> AR10-05	09	BB		165,960	165,960		
<u>ATKA</u> AR02-B016-009	18	ALEUT		331,912	331,912		298,721
<u>BUCKLAND</u> AR01-B006-015 AR02-B006-020	22	NANA		405,000	405,000		
<u>CANTARELL</u> AR11-1	12	CRB	20,000				
<u>CHALKYTTSIK</u> AR02-B007-014	15	IR	276,600				
<u>CHEFORNAK</u> AR02-B009-026 AR06-B009-054	30	AVCP	320,000				
<u>CIENEGA</u> AR06-B015-007	21	NPR	387,240				
<u>CHEVAK</u> AR02-B009-030 AR06-B009-047	49	AVCP	106,000				
<u>COPPER CENTER</u> AR02-B011-005	40	CRB	737,600				
<u>DILLINGHAM</u> AR02-P010-011	20	BB		45,000	190,000		36,746
<u>EGEGIK</u> AR10-10	07	BB		122,000	122,000		109,800

EMMONAK

AK06-B009-046	17	AVCP	376,176			
<u>ENGLISH BAY</u> AK15-03	20	NPR		199,000	199,000	179,100
<u>EYAK</u> AK02-B015-006	26	NPR	479,440	479,440	479,440	
<u>FAIRBANKS</u> AK02-B007-019	50	IR				
<u>GRAYLING</u> AK02-B007-015	14	IR		258,160	258,160	232,344
<u>HOLY CROSS</u> AK02-B007-017	20	IR		368,800	368,800	
<u>HOOPER BAY</u> AK06-B009-044	23	AVCP	24,120			
<u>IGLOO GIG</u> AK	05	BB	92,200			
<u>ILIAMNA</u> AK02-B010-013	62	BB		885,120	885,120	
<u>KALTAG</u> AK02-B007-001	16	IR		295,040	295,040	
<u>KIYANA</u> AK02-B006-028	14	NANA		30,000	30,000	27,000
<u>KING COVE</u> AK06-B016-012	30	ALEUT	553,200			
<u>KODIAK</u> AK02-P013-011	48	KI		869,762	869,762	782,786
<u>KOKHANUK</u> AK02-B010-015	12	BB	221,280			
<u>KOTLICK</u> AK02-B009-023 AK02-B009-041	29	AVCP	200,000			
<u>KOTZEBUE</u> AK02-P006-017	44	NANA		350,900	350,900	315,810
<u>KOTZEBUE</u> AK06-B006-027	20	NANA	368,800			
<u>KWETHLUK</u> AK-02-B009-020	11	AVCP	202,840			
<u>KWIGILLINGOK</u> AK02-B009-21	11	AVCP	66,000			
<u>LARSON BAY</u> AK06-B013-013	13	KI	239,720			
<u>LEVELOCK</u> AK10-07	15	BB		276,600	276,600	276,600
<u>LOWER KALSKAG</u> AK02-B009-011	26	AVCP		479,440	479,440	

<u>MENTASTA</u> AR11-02	10	CRB		184,000	184,000	165,600
<u>METLARATLA</u> AK02-B002-005	24	METLA		442,560	442,560	398,304
<u>METLAKAITA</u> AK02-B002-007	20	METLA	368,800			
<u>MINTO</u> AK02-B007-018	30	IR	560,208	560,208		
<u>MINTO-BARTLETT</u> AK02-B007-005	19	IR	343,352	343,352		
<u>MOUNTAIN VILLAGE</u> AK-B007-014 & 039	74	AVCP		1,364,560	1,364,560	1,228,104
<u>NEWHALEN</u> AK02-B010-016	10	BB	184,400			
<u>NEWICK</u> AK02-B009-028	09	AVCP	96,500			
<u>NIKOLSKI</u> AK16-06/AK16-08	17	ALEUT		87,622	87,622	87,622
<u>NONDALTON</u> AK02-B010-017	14	BB	258,160			
<u>NORHWAY</u> AK07-09	20	IR		368,800	278,500	250,650
<u>NULATO</u> AK07-08 AK02-B007-010	40	IR	400,000			
<u>OUZINKIE</u> AK02-B013-010	10	KI		144,000	144,000	144,000
<u>PILOT STATION</u> AK02-B009-022 AK02-B009-039	51	AVCP		940,440	940,440	846,396
<u>PORT GRAHAM</u> AK15-04	31	NPR		187,625	187,625	168,862
<u>PORT HEIDEN</u> AK02-B010-012	14	BB		258,160	258,160	232,344
<u>PORT LYONS</u> AK13-08/AK13-09	35	KI		645,400	645,400	645,400
<u>QUINEBAGAK</u> AK06-B009-056	06	AVCP	110,640			
<u>SCAMMON BAY</u> AK02-B009-031 AK06-B009-045	39	AVCP	719,160			
<u>SEWARD</u> AK02-P015-008	24	NPR	442,560	442,560	442,560	
<u>SHUNGNAK</u> AK02-B006-011	18	NANA		214,360	214,360	192,924

<u>SOUTH NAKNEK</u>	15	BB		181,000	181,000	162,900
<u>ST. PAUL</u> AK06-B016-013	20	ALEUT	368,800			
<u>TAIENNA</u> AR07-07	25	IR		450,000	450,000	157,500
<u>TATITLER</u> AR02-B015-005	18	NPR		331,920	331,920	298,728
<u>TOUSOOK BAY</u> AR02-B009-017	25	AVCP		461,000	461,000	
<u>TUNTUTULLAK</u> AR02-B009-029	25	AVCP	461,000			
<u>UPPER KALOWAG</u> AR02-B009-043	13	AVCP		239,720	239,720	
<u>UNALASKA</u> AK-16-5	20	ALEUT		28,473	28,473	25,626
<b>TOTALS:</b>	<b>1,507</b>		<b>\$9,810,756</b>	<b>\$14,083,654</b>	<b>\$13,234,794</b>	<b>\$7,528,251</b>

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 21, 1983

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225 CORDOVA STREET - BLDG B  
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PHONE: (907) 264-2294

The Honorable Rick Uehling  
Representative  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Representative Uehling:

Per your request, the following report provides background materials to justify the \$45,000,000 loan fund appropriation found in HB 315 for the Housing Assistance Division. Specific information in this report includes current delinquency/default data; general description of the Division's existing portfolio, including the number of loans, geographical distribution, and average amount currently loaned; and how much money has been carried forward at the end of each fiscal year.

I. Background

The Housing Assistance Division was created by the 1980 Legislature, (Chapter 120, SLA 1980) to administer the Nonconforming Housing Loan Program. Loan funds were to be distributed on a statewide basis with emphasis on rural Alaska. Administration of these loans were to be through seller-servicer agreements with financial institutions. The initial mandate from the Legislature was twofold; (1) to form a central office and five field offices and (2) to offer loans for nonconforming housing. First year loan funds were appropriated at \$10 million.

The 1981 Legislature continued funding the Nonconforming Program at a rate of \$40 million and directed the Division to divide such funds between rural and urban Alaska at an, 80%:20% ratio. The Legislature further directed the Division to offer funds directly to eligible borrowers who could not otherwise get service in rural Alaska (Chapter 82, SLA 1981). This mandate is known as direct lending and has recently been instituted by the Division.

The Nonconforming Loan Fund was renamed the Housing Assistance Loan Fund during the 1982 Legislature (Chapter 113, SLA 1982). This fund combined the Nonconforming Loan Program with the Rural Mortgage

Purchase Programs for both owner occupied and non owner-occupied loans that were originally administered by Alaska Housing Finance Corporation (AHFC). FY-82 appropriation to the newly combined Housing Assistance Loan Fund was in the amount of \$45 million bringing total appropriations to date to \$94.5 million.

## II. Programs

The Housing Assistance Division (HAD) offers four loan programs; the Rural Owner Occupied, Rural Non Owner-Occupied, the Nonconforming Housing Program, and the Housing Rehabilitation Program. The following is a brief summary of these programs.

Rural Owner-Occupied Program - Provides financing to qualified borrowers for the construction and purchase of single family and duplex housing for owner occupancy. The interest rate for this program is 10.5%. The maximum dollar amount a borrower may receive is \$162,450 for single units and \$207,750 for duplexes.

Rural Non Owner-Occupied Program - Provides financing to qualified borrowers for the construction purchase or rehabilitation of non owner-occupied rental housing units. The interest rate for this program is 10.5% with a maximum loan term of 30 years. The project may involve two to sixteen units in a single community or specific area. The principal amount of the loan or loans for non owner-occupied housing from the Division must not exceed \$1,250,000. Also, the loan must not exceed 80% of the appraised value or 80% of the purchase price, whichever is less. The borrower may not reside in the housing financed.

Nonconforming Housing Loan Program - Provides both rural and urban areas with financing for the construction or purchase of housing which exhibits one or more characteristics, with respect to design, construction practices, materials, foundation systems, utilities and minimum space requirements, which are not common to the community in which the property is located and which would ordinarily preclude financing by private financial institutions. Such non-conforming characteristics could include unconventional utilities

such as private electric power, no electric power, shallow wells, cisterns, surface water collection systems, water holding tanks, water haul systems, sewage haul systems, graywater systems, or outhouses. The maximum dollar amount a borrower may receive is \$162,450 for single units and \$207,750 for duplexes.

Housing Rehabilitation Program - Provides financing to qualified borrowers for the repair, remodeling or rehabilitation of existing single family and duplex housing. In addition, the Division may provide first or second deeds of trust financing.

For first deeds of trust the amount financed may not exceed the lesser of 85% of the appraised value of the property, or \$138,000 for single families and \$176,500 for duplexes. For second deeds of trust, the Division may finance up to \$45,000.

Under the Rehabilitation Program, the amount financed may include costs for contracted labor/services. The maximum term of the loan is 30 years. In the event a borrower requires financing for building materials only (no labor), the Division may provide rehab financing up to 80% of the appraised value of the subject property or \$45,000, whichever is less, and the maximum term is 15 years. This program does not apply to Rural Non-owner Occupied loans.

Rural interest rates are set by the Legislature at 10.5%. Nonconforming rates in urban Alaska are tied to the AHFC bond sale rates (Rogers Ratchet) and are currently at 9% for veterans and 10% for non veterans on the first \$90,000 with the balance at cost.

### III. Attachments

The attached bar chart (Attachment A) illustrates loan activity of the Housing Assistance Loan Fund. The chart covers loan fund activity for FY81, FY82, and FY83 to date.

The attached loan data (Attachments B - C) provides a general overview of loan commitments made during FY81,

The Honorable Rick Uehling  
April 21, 1983  
Page 4

FY82, and FY83 to date; average loan amounts for the same period; commitment projections for the remainder of FY83; and a breakdown of previous appropriations. Additional data includes available funds by program; status of FY-82 carryforward funds; and loan fund distribution by location.

IV. Conclusions

1) The Housing Assistance Division continues to provided mortgage loans to an ever increasing user group. This is evident by the annual increase in rural activity and in the total amount of funds committed each year.

2) Projections for FY-83 Loan Fund closeout indicates a volume of \$52 million in loans will be made for the fiscal year ending 6-30-83. This figure exceeds the current year's appropriation of \$44.5 million by \$7.5 million. The FY-83 shortfall will be absorbed by available funds from a prior year appropriation (FY-82 Non-conforming Rural).

3) The FY-84 appropriation request of \$45 million is expected to provide 82% of the \$55 million in loan commitments the division expects to commit in FY-84. As in previous years a portion of a prior year's appropriation will be used to supplement FY-84 funds.

*Raise in Loan Amount*

I appreciate the opportunity to provide your office with information relating to the Housing Assistance Loan Fund. If I can be of further assistance, please advise.

Sincerely,

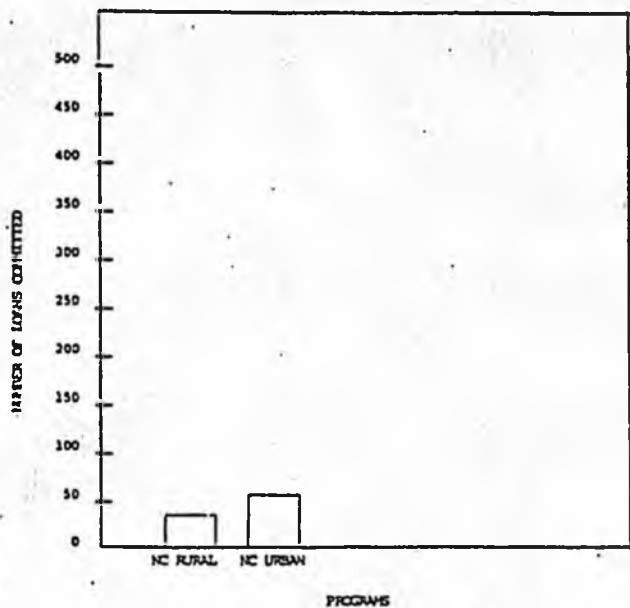
Mark Lewis  
Commissioner

Attachments

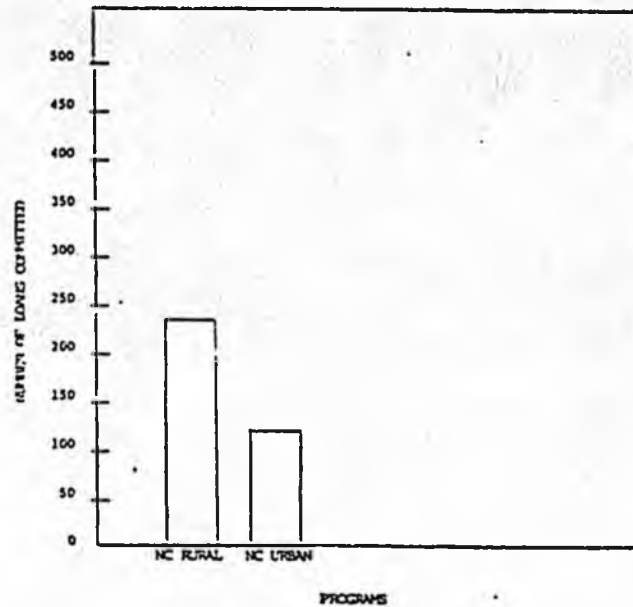
ATTACHMENT A

HOUSING ASSISTANCE LOAN FUND ACTIVITY

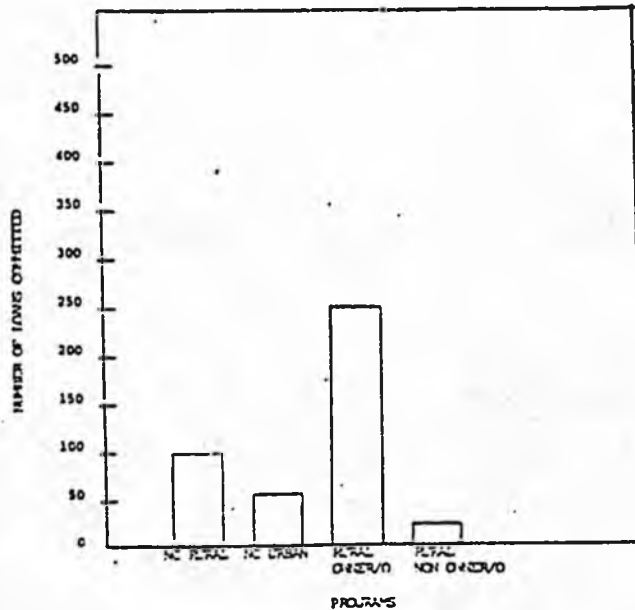
FY-81 Loan Fund Activity



FY-82 Loan Fund Activity



FY-83 Loan Fund Activity



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ATTACHMENT B  
HOUSING ASSISTANCE LOAN FUND  
FISCAL YEAR ACTIVITY  
(Loan Commitment Totals)

I. FY-81

<u>Program</u>	<u>Total No. Loans</u>	<u>Total Amount</u>	<u>Average Loan</u>
Nonconforming Rural	41	\$ 2,938,350	\$ 71,675
Nonconforming Urban	+ 54	+ 3,069,100	56,850
Totals	95	\$ 6,007,450	63,250

II. FY-82

<u>Program</u>	<u>Total No. Loans</u>	<u>Total Amount</u>	<u>Average Loan</u>
Nonconforming Rural	240	\$ 17,278,652	\$ 72,000
Nonconforming Urban	+ 125	+ 8,139,992	65,125
Totals	365	\$ 25,418,644	69,650

III. FY-83

<u>Program</u>	<u>Total No. Loans</u>	<u>Total Amount</u>	<u>Average Loan</u>
Nonconforming Rural	101	\$ 5,706,625	\$ 56,500
Nonconforming Urban	+ 55	+ 3,986,950	72,500
Subtotals	156	9,693,575	62,150
Rural Owner-occupied	251	22,320,950	88,925
Rural Non Owner-occupied	+ 22	+ 6,544,500	297,475
Totals	429	\$ 36,583,325	85,275
Projections for Remainder of FY-83	+ 170	+ 14,514,881	85,000
Totals for FY-83 (including projections)	599	\$ 52,053,706	86,901

IV. PROJECTIONS FOR REMAINDER OF FY-83 BY PROGRAM

Nonconforming		
Rural		\$ 6,961,799
Urban		3,147,957
Rural Owner-occupied		3,449,625
Rural Non Owner-occupied	+	<u>955,500</u>
Total		\$ 14,514,881

V. OVERVIEW (Activity and Projections)

	<u>Commitments</u>		
	<u>Total No. Loans</u>	<u>Total Amount</u>	<u>Average Loan</u>
FY-81 Commitments	95	\$ 6,007,450	\$ 63,250
FY-82 Commitments	365	25,418,614	69,650
FY-83 Commitments	+ <u>429</u>	+ <u>36,583,325</u>	85,275
Totals	889	\$ 69,985,119	78,725

<u>Year</u>	<u>Amount</u>	<u>Historical Carryover</u>
FY-81	\$ 10,000,000	\$ 3,992,550
FY-82	40,000,000	19,000,000
FY-83	+ <u>44,500,000</u>	7,916,675
Totals to date	94,500,000	
Total Committed to date	- <u>69,985,119</u>	
Available Funds	24,514,881	
Projections for remainder of FY-83	- <u>14,514,881</u>	
Projected carry forward to FY-84	\$ 10,000,000	

HOUSING ASSISTANCE LOAN FUND

VI. PORTFOLIO SUMMARY

	<u>No. Loans</u>	<u>Total Amount</u>	<u>Average Loan</u>
Total Committed	889	\$ 69,985,119	\$ 78,725
Total Closed	- <u>718</u>	- <u>54,119,617</u>	75,375
Total to be Closed	171	\$ 15,865,500	

FY-83 Activity to Date

	<u>No. Loans</u>	<u>Total Amount</u>
Total Committed to Date	429	\$ 36,583,325
Projections for remainder of FY-83	+ <u>170</u>	+ <u>14,514,881</u>
Projections for FY-83 closeout	599	\$ 52,053,706

REMAINING BALANCES BY PROGRAM

<u>Program</u>	<u>Amount</u>
Nonconforming Program	
Rural	\$ 16,961,799
Urban	3,147,957
Rural Owner-occupied	3,449,625
Rural Non Owner-occupied	+ <u>955,500</u>
Total remaining balances	\$ 24,514,881
Projections for remainder of FY-83	- <u>14,514,881</u>
Projected carryover for FY-83	\$ 10,000,000

(4)

FY-82 APPROPRIATION  
CARRY FORWARD FUND TO FY-83

	<u>Amount</u>
FY-82 carry forward amount (Non conforming rural allocation)	\$ 19,000,000
FY-83 allocation (Non conforming rural)	+ 6,800,000
Total amount available 7/1/82	<u>25,800,000</u>
FY-83 commitments	- 1,838,202
Subtotal	<u>23,961,798</u>
Transferred to non-conforming urban	- 4,000,000
Subtotal	<u>19,961,798</u>
Transfer to rural owner occupied	- 3,000,000
Balance to date	<u>16,961,798</u>
Proposed transfer to rural non-owner occupied	- 1,500,000
Subtotal	<u>15,461,798</u>
Projected activity for remainder of FY-83	- 5,461,798
Projected carry forward amount	\$ <u>10,000,000</u>

AVERAGE LOAN AMOUNTS (Closed Loans)

<u>Total No. Loans</u>	<u>Total Amount</u>	<u>Average Loan</u>
718	\$ 54,119,619	\$ 75,375

RURAL/URBAN DISTRIBUTION (Closed Loans)

<u>Location</u>	<u>Number of Loans</u>	<u>Amount of Loans</u>	<u>Percentage of Portfolio</u>
Rural	499	\$ 40,103,919	74%
Urban	+ 219	+ 14,015,698	<u>26%</u>
Totals	718	\$ 54,119,619	100%

DELINQUENT LOANS

6 Delinquencies \$7,791.16 (45-60 days)  
 \$344.28 (61-90 days)

Delinquency ratio .01%

## ATTACHMENT C

HOUSING ASSISTANCE LOAN FUND  
GEOGRAPHICAL DISTRIBUTION

<u>1st JUDICIAL DISTRICT</u>	<u>NO. LOANS</u>	<u>AMOUNT</u>
Craig	15	\$1,034,100
Haines	13	724,894
Hoonah	3	163,400
Juneau	27	2,275,544
Ketchikan	17	1,163,700
Klawock	1	94,500
Kupreanof	1	55,000
Pelican	1	52,250
Petersburg	21	1,584,400
Sitka	14	1,033,450
Skagway	8	599,400
Wrangell	11	758,600
Yakutat	<u>1</u>	<u>80,000</u>
TOTAL	133	\$9,619,238

HOUSING ASSISTANCE LOAN FUND  
GEOGRAPHICAL DISTRIBUTION

<u>2nd JUDICIAL DISTRICT</u>	<u>NO. LOANS</u>	<u>AMOUNT</u>
Barrow	1	80,750
Kiana	2	196,400
Kotzebue	20	2,012,050
Nome	74	7,328,200
Selawik	1	70,000
Unalakleet	<u>2</u>	<u>392,150</u>
TOTAL	100	\$10,079,550

HOUSING ASSISTANCE LOAN FUND  
GEOGRAPHICAL DISTRIBUTION

<u>3rd JUDICIAL DISTRICT</u>	<u>NO. LOANS</u>	<u>AMOUNT</u>
Anchorage	61	4,462,900
Beluga	2	196,500
Big Lake	3	177,250
Chitna	1	43,750
Chugiak	7	519,850
Cooper Landing	4	203,450
Copper Center	1	51,450
Copperville	1	31,500
Cordova	15	1,365,650
Dillingham	21	1,974,150
Eagle River	4	219,200
Gakona	1	48,900
Girdwood	1	67,900
Glennallen	1	58,500
Halibut Cove	1	49,950
Homer	4	240,450
Iliamna	2	220,000
Indian	3	185,000
Kenai	3	163,450
Kenny Lake	1	58,950
King Salmon	6	1,806,150
Kodiak	35	3,434,700
Lake Louise	1	52,250
Manokotak	2	59,650
Naknek	2	205,000
Newhalen	1	57,000
Niskishka	1	75,000
Palmer	8	328,200
Peters Creek	3	285,000
Seward	3	160,550
Slana	1	33,250
Soldotna	1	47,500
Stariski	1	61,750
Sterling	2	132,050
Trappers Creek	1	36,100
Unalaska	7	845,700
Wasilla	11	727,350
Willow	<u>2</u>	<u>58,000</u>
TOTAL	225	\$18,743,950

HOUSING ASSISTANCE LOAN FUND  
GEOGRAPHICAL DISTRIBUTION

<u>4th JUDICIAL DISTRICT</u>	<u>NO. LOANS</u>	<u>AMOUNT</u>
Anderson	3	135,300
Aniak	2	142,000
Bethel	47	4,475,100
Central	1	68,000
Chevak	1	28,500
Delta Junction	4	180,600
Eagle	1	30,000
Ester	1	40,300
Fairbanks	167	8,498,406
Fort Yukon	6	187,875
Fox	1	63,650
Galena	4	482,000
Healy	2	153,200
Kasigluk	2	125,000
McGrath	5	386,650
McKinley	1	62,050
Mekoryuk	2	95,000
Nenana	3	234,550
North Pole	4	171,850
Ruby	1	25,000
Tanana	1	40,000
Tok	<u>1</u>	<u>51,750</u>
 TOTAL	 260	 \$15,676,881

GEOGRAPHICAL DISTRIBUTION SUMMARY

<u>JUDICIAL DISTRICT</u>	<u># OF LOANS</u>	<u>AMOUNT OF LOANS</u>
01	133	\$ 9,619,238
02	100	\$10,079,550
03	225	\$18,743,950
04	<u>260</u>	<u>\$15,676,881</u>
GRAND TOTALS	718	\$54,119,619

Alaska

HOUSING



FINANCE CORPORATION

May 4, 1983

The Honorable Rick Uehling  
Chairman, House Special  
Committee on Loans  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Chairman Uehling:

Re: Reduction in AHFC's capital budget

The recent reduction in AHFC's capital budget request for the Special Mortgage Loan Purchase Program (the "Program") from \$67.5 million to \$7 million is the result of a determination by the Corporation that the General Obligation Fund ("the Fund") is no longer necessary and its assets should be reallocated to be used to subsidize loans purchased under the Program. A concern had been expressed by the bond rating agency Standard & Poors regarding the Board's policy of upgrading the Corporation's unrestricted assets to meet any potential deficiency in funds available to meet debt service requirements. This question arose in connection with this rating of State Assisted Mortgage Bonds Series, B & C during August, 1981. The previous issue, Series A, had been rated "A" to the surprise of the Corporation. Continued access to the taxable bond market at reasonable rates was felt to be possible only if "AA" ratings were obtained. The Corporation responded by creating the Fund by Resolution adopted October 21, 1981.

The Fund was to consist of certain assets which would become available upon expiration of their pledge to two 1980 tax-exempt bond issues. This lapse occurred in January, 1983. The latest published financial statements were dated December 31, 1982. Consequently, the Fund has not appeared as such in any financials. The assets transferred to the Fund, however, were included in the State Assisted Mortgage Fund and reflected in the statements.

The initial source of the assets designated by the Board to go into the Fund was a 1980 appropriation of mortgage loans. A portion of the \$236 million of mortgage loans transferred were originated and serviced

The Honorable Rick Uehling  
Page 2  
May 4, 1983

by the State of Alaska Division of Veterans Affairs. The Board's Resolution transferred the balance of such loans on that date to the Fund effective upon their release from pledge.

Subsequent to the release, the Corporation renewed discussions with its financial advisor, John Nuveen & Co. and senior managing underwriter, Solomon Brothers Inc. regarding the need for utilizing these assets to increase its unrestricted asset base. Both felt the Corporation had met the rating agency's concerns through specific security enhancements to its bonds including mortgage pool insurance and hazard insurance covering earthquake risk. A decision was also made to put the servicing of the loans out for proposal to private lending institutions to decrease the cost and enhance the ability to utilize the mortgage as collateral.

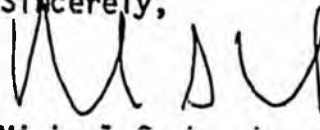
As a result of the above, the Corporation now feels it can utilize the Fund assets to subsidize its mortgage programs without impairing the ratings on its bonds. The FY 84 capital budget has been reduced to reflect this reallocation.

The attached Exhibit A details the revised budget request and reflects the reduced capital budget request for the Special Mortgage Loan Purchase Program based upon the existing statutes of the Corporation.

As set forth in the fiscal notes submitted relative to HB 302, the increase in the subsidized portion of mortgage loans from \$90,000 to \$100,000 will require an additional \$12.5 million appropriation to the Program for FY 84.

If you should have any question regarding the above or require any additional information do not hesitate to contact me.

Sincerely,



Michael S. Lynch  
Executive Director

MSL:MKC:jas

Enclosure

EXCERPT of the transcript of the AHFC Board Meeting  
held October 21, 1981.

PARRISH: We may have to modify the documents because if we contract with the borrower for something that's maybe not quite legal under the statute, I mean, if the statute requires owner-occupancy, at least that's our interpretation of the statute and yet we've contracted in a manner that doesn't require owner-occupancy and we have no right to default.

KENNEDY: There is some precedence in that Farmers Home Administration, for example, requires continued occupancy as a term of the, as term condition and lack of occupancy constitutes a default.

PARRISH: I know in the past in the Appeals Committee on some particular loans, we've made it very clear that if the owner-occupancy is violated that the Corporation will foreclose. I mean we just stated it as a condition of approval. But I think that there should be no doubt that the documents provide for them.

ROPPEL: So we don't have, we don't need any resolutions..

GOLDBAR: No, I think the policy is very clear.

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ROPPEL: We'll move on. The next item is, Harry, deals with pertaining to loans appropriated for the Department of Affairs as a general asset. (inaudible) There's no agenda item for that.

GOLDBAR: I wanted to bring this to the Board's attention and see if we can get a positive Board approval on this. We have about \$85,000,000 worth of loans that were transferred from the Veterans Administration, the State VA Program that are not of a quality, nor of an interest rate structure, mortgage rate structure, that would make them desirable necessarily as loans that we would want to appropriate through a particular mortgage pool to back a bond sale. We've looked very hard at

GOLDBAR:  
(Con't.)

those loans as a potential source of upgrading our ability to meet a general obligation kind of liability in the event of taxability of a mortgage subsidy bond, for example, or in the event of a major earthquake, or other problem, a major depression that would cause an enormous amount of defaults on loans. In order to get a double A rating, one of the processes that we have to satisfy for Standard & Poors was to show them that our general obligation was substantially insulated from the potential of an imposition of an enormous liability on (inaudible) General obligation cannot meet an enormous liability. At one point S & P was considering downgrading previous issues to a B rating because of their concern about our ability to meet a general obligation liability. Because we've put our general obligation up for every bond sale throughout the years that AHFC has undertaken. One of their very pointed questions was what is the Board's policy on upgrading the general assets of the Corporation in order to meet a general obligation liability in the event that it ever arises. So we searched around for areas from which we could avail ourselves of actual assets to dedicate to our general assets in order to meet the potential liability on our general obligation. This \$85,000,000, approximately \$85,000,000 pool of State VA loans works like a very good source for that, to dedicate principal and income to our general assets in order to meet general obligations if need arises.

ROPPEL: Where are they now? ✓

GOLDBAR: They are in the SAM fund now. They're SAM fund mortgages. And the reversion on those is not relinquished yet. As far as their, I shouldn't say reversion, I should say their dedication to the potential mandatory redemption which will never occur now. But, which we have to live with, until 1983. The reversion on those

GOLDBAR: mortgages was removed by the last legislative session.  
(Con't.) Originally they were intended to revert back to the State of Alaska in the event that they did not have to be used for mandatory redemption.

ROPPEL: Can't we just do that? ✓

GOLDBAR: We haven't had the lawyers take a look at it yet, but ✓ my proposal is that if there are no legal impediments that we be allowed to dedicate those mortgages through our general asset base, to further satisfy Standard and Poor's that we can respond to a liability that might arise against our general obligation.

ROPPEL: There's no affect on the homeowner at all? Absolutely ✓ no affect...

GOLDBAR: On the person who has the, who holds the mortgage, the mortgagor under the program? No. Absolutely not. All we're looking for is an additional source of general asset, as a security device for a general obligation.

PARRISH: Mr. Chairman? These are a general asset and if something were to happen right now, they would be available. We just have not dedicated them solely for that purpose, is that what you're saying?

GOLDBAR: Exactly, we would like to say that.

PARRISH: So if we wanted to use them in the future right now instead of getting a letter of credit, or instead of getting a zero coupon CD, we could use them for those purposes?

GOLDBAR: Well, they would probably, what we're really looking at is more than using them as alternative to that device. Simply insuring the rating agencies and the bondholders

GOLDBAR:  
(Con't.)

that we do have an asset that is dedicated to the proposition that will meet the general obligation that we've put forth to the point where it's essentially diluted--essentially a non-general obligation anymore, because it's been used as a security device for every bond sale AHFC has undertaken.

PARRISH:

There would be no restriction on the revenues from these bonds, is that correct?

GOLDBAR:

On the revenues from the mortgages?

PARRISH:

Oh, excuse me. The revenues from the mortgages, right. And as they come in, we could take the revenue each year and dedicate as we see fit, or you know, just take all the revenue and hold it. You can take the revenue put it into a mortgage and then put that mortgage into a particular fund, is that correct?

GOLDBAR:

Sure, that could be done. Yes, my idea certainly wasn't to lock up all the revenues, but to dedicate both the principal and the revenues. I mean, not to maintain them as a pristine fund, but to dedicate both the principal of these mortgages and the revenues to our ability to meet a general obligation liability and what I'm really saying is that the revenues can be used to purchase additional mortgages which will remain in that pool.

PARRISH:

Okay, well that's my question. If a particular one of these loans was to prepay and we used that money to fund a new loan, where would that new loan go? Could we use that new loan in the same manner that we use appropriated subsidy to secure a future bond sale or would that revenue, that loan then remain in this dedicated fund to secure the general obligation?

GOLDBAR:

I would propose that the loan remain in the dedicated

GOLDBAR: fund. Otherwise, we have a declining balance fund  
(Con't.) while we're increasing our potential liability under  
the general obligation.

WILLIAMS: But the fact that it remained a general asset, in the  
general asset fund or whatever, wouldn't prevent it  
from being invested mortgage?

PARRISH: Right.

WILLIAMS: It's just that it would not be used, I mean the subsidy  
appropriation and the mortgages that are made with  
that are a wasting asset of the Corporation. They  
ultimately go to the holders of the bonds, because it  
makes up the difference. This would not be a wasting  
asset. It could be dedicated to the same purpose and  
on comparable terms, it simply would not flow back to  
the Corporation instead of ultimately going to the  
bondholders, unless there was a default, in which case  
there was a call.

PARRISH: But it would require a larger appropriation from the  
Legislature. I mean, if now we're taking those funds  
and using them as subsidy, the prepays and the interest  
and using them as subsidy, when we make the new loan,  
then the Legislature is going to have to come up with  
more money to replace at least what we've estimated we  
could use. Right?

WILLIAMS: Mr. Chairman? They will have to come up with money  
regardless because at some point we're not going to be  
able to sell bonds with the rating that we want to  
sell bonds at unless we have general assets that are  
providing security for us.

GOLDBAR: The alternative would be, to ask....

ROPPEL: Excuse me, Harry..Plus, these particular, this particular group is not of the quality that can be...

PARRISH: I'm not, I don't have any question about this group, but what I have question about is, once we eliminate one of these groups by prepay or whatever, then we make a new good mortgage that could be used to back a bond. You know, one that we would make, as opposed to one that someone would make.

GOLDBAR: Yeah, well, my proposal is that we reinvest the income in mortgages but not necessarily that would be then dedicated as appropriated funds toward our SAM Bond Sale.

PARRISH: So you're talking about a whole separate fund here.

GOLDBAR: I'm talking about a separate fund.

ROPPEL: Yes. (inaudible)

GOLDBAR: It is a general asset. The wording isn't that accurate. What I'm asking the Board for, is dedication of that asset for this purpose.

ROPPEL: Do we need a resolution?

GOLDBAR: Yes, and I apologize for not having one prepared.

ROPPEL: We're going to have another Board Meeting, why don't you prepare, or even if you want to take a break and prepare a resolution.

GOLDBAR: I was going to say...

ROPPEL: Okay, let's see, what else do we have here...warehousing.

WILLIAMS: Mr. Chairman? Do we anticipate an extended discussion on the budget?

ROPPEL: I don't anticipate one.

WILLIAMS: We have resolutions that are prepared for that. Why don't we go through those and then come back to E & F and go to G and take those out, and that will give them more time for typing up of whatever it is, but we should probably take a break now.

ROPPEL: Okay, let's take a fifteen minute recess, and we'll meet back here at 10:30 a.m. and that will give us time to start that resolution.

GOLDBAR: Sure.

ROPPEL: While we're waiting on other items, the resolution can be typed, okay.

\* \* \* \* \*

RECESS

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ROPPEL: Okay, let's resume. Harry will be back shortly. Don, they're preparing those resolutions. What we would like to do is start with Item G, which is Corporation Budgets. And could you join us here, while we go through those, please?

PARRISH: What's the next resolution, 287?

SHINN: Yes, 287.

ROPPEL: We'll be working on approval of the Corporation's budgets that are prepared and submitted as part of the fact that the items G and this is the first year that the Corporation is required to be under the Executive Budget Act, as dictated by the Legislature. Our staff has not had a lot of, well we haven't had any prior experience of it, and from my understanding, it looks

PARRISH: If it is \$125 and that is a make or break on the loan, then maybe we shouldn't be making the loan in the first place.

ROPPEL: What we would like to have you do here, Harry, is have you go ahead and identify and come up with some proposals that might solve the problem and will take care of it self-supporting.

GOLDBAR: Mr. Chairman, I had anticipated having AMBA's position on this by today or I wouldn't have included it.

ROPPEL: That's too bad, but that's okay. Anyhow we were asked, The Corporation was asked to take a look at it by ABA and certain individuals in the banking community that felt that it was a bum deal and I told them that we would take a look at it and Harry had done the same thing and I think that's fair. And if we decide to make a policy change or deal with it in some other fashion, it will be policy matter and the Board can deal with that.

PARRISH: Okay.

\*\*\*End of Tape 4\*\*\*

ROPPEL: I need that resolution.

GOLDBAR: Yes, I passed out a copy to everyone, Mr. Chairman.

ROPPEL: Okay, the next item will be the resolution establishing the General Obligation Fund and Dedicating Certain Veterans Affairs Mortgages and Revenues to Said Fund. We need a motion and a resolution number for that.

WILLIAMS: Mr. Chairman?

ROPPEL: Yes sir?