

LEG. FINANCE - BILLS 1985 - 1986 2429

HB 530 cont. - CS HB 530 2429

## Applause loud for new-mortgage bill

By JOHN CREED  
Staff Writer

A bill allowing Alaskans to refinance state-backed home loans to take advantage of lower interest rates should also help Alaska Housing Finance Corp. battle its rising loan delinquency rate.

"This is one of those few bills where everybody benefits," said Ron Lehr, executive director of the Alaska Housing Finance Corp. "AHFC benefits, the homeowner benefits, and the state as a whole benefits. It's a win-win situation all the way around."

House Bill 530, introduced by Rep. Jim Duncan, D-Juneau, would allow as many as 10,000 homeowners to seek new financing on more than \$1 billion in loans issued by the Alaska Housing Finance Corp., the state's chief mortgage lender. The new loans could also be assumed by subsequent buyers of the property.

"I think it's a great idea, in terms of actual business created for the support people," said local appraiser E. Chilton Hines. "The banks, the engineers, the title companies, appraisers—all will benefit because of the fees involved."

The delinquency rate on Alaska Housing's loans has risen steadily over the past year to more than 6.5 percent, which now equals the national average, according to Lehr. That figure rises above 7 percent when actual foreclosures are added to the list, he said.

"The average homeowner could save up to \$200 a month in loan payments through this proposal," Lehr said.

That should help people statewide who may be struggling against default on their loans, he said, and those not struggling will have more dollars to spend in the local economy.

Alaska Housing lent Alaskans millions of dollars to buy houses while interest rates soared in the early 1980s. Today, in a slowed economy with much lower interest rates, Alaskans statewide seem to be pushing for the refinancing option.

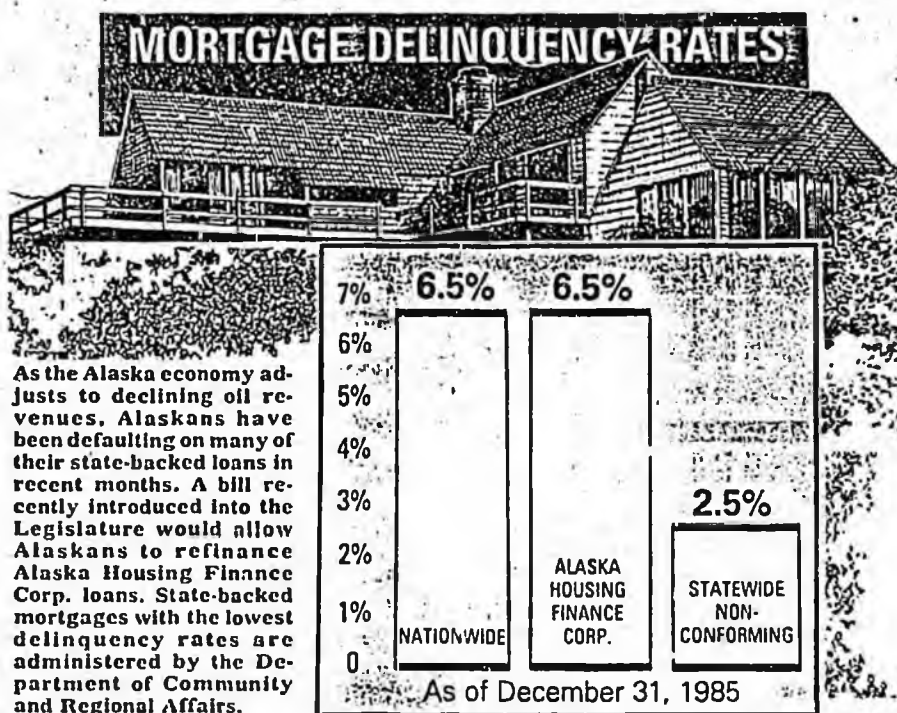
"It's definitely a positive development," said Rick Solie, a real estate agent in Fairbanks. "It means Alaska Housing is getting a lot more flexible. They are realizing to remain competitive to keep their lending level up because if they are too strict and inflexible, they won't be as attractive as some of the other loan programs."

The homeowner would benefit, Lehr said, because people who have financed their homes at 11 1/2 or more could see payments slashed by as much as \$200 a month with refinancing.

"It could help many homeowners hang onto their houses," he said.

The measure would also benefit Alaska Housing by helping it reduce the state subsidy on individual loans. Alaska Housing subsidizes the first \$90,000 of its home loans. The amount of subsidy depends on the interest garnered on the Wall Street bond market.

Rates have not always been the best. For example, when Alaska Housing first went into the taxable bond market on Wall Street in 1981, the state-owned corporation paid 17 percent interest. Later, the cost of some bond sales soared to more than 19 percent interest.



As the Alaska economy adjusts to declining oil revenues, Alaskans have been defaulting on many of their state-backed loans in recent months. A bill recently introduced into the Legislature would allow Alaskans to refinance Alaska Housing Finance Corp. loans. State-backed mortgages with the lowest delinquency rates are administered by the Department of Community and Regional Affairs.

Consequently, homebuyers were paying more than 12 percent interest on the (subsidized) first \$90,000 of their mortgages and as high as 15 1/2 percent for any money they needed above \$90,000, according to officials. That pushed loan subsidies by Alaska Housing as high as 7 percent, Lehr said.

Interest rates have since subsided. Alaska Housing's most recent taxable bond sale, for exam-

ple, came in at 11.23 percent interest. That means AHFC's current 10-percent interest rate reflects a subsidy of only 1.23 percent—far lower than the early 1980s.

Lower subsidies reduce Alaska Housing's operating costs significantly, Lehr said, and Alaska's economy should benefit because smaller payments "will give many Alaskans more money to save or spend for other purposes."

Economic times in Alaska have changed with the nation's falling interest rates. As oil revenues decline, Alaska's growth rate is cooling. Unemployment has increased and some homeowners have begun to lose their jobs.

Many Alaskans are also losing their homes. Mortgage delinquency rates have steadily crept up to the national average over the past year, with mobile home loan de-

faults climbing even higher. Alaska Housing refinancing is offered as one way of helping the economy, according to officials who estimate that an extra \$10.5 million a year could be injected into the state's economy.

"Since this is cash in residents' pockets that would otherwise be passed through to Wall Street investors, it will affect virtually all sectors of the economy when it is needed most," Lehr said.

As of last month, the state held \$1 billion worth of loans with interest rates higher than 11 1/4 percent, according to state officials. Overall, Alaska Housing holds 53,301 home loans worth some \$4.5 billion. Refinancing would be available only on the unpaid balance plus the cost of refinancing.

Homeowners wanting to refinance their properties would be required to obtain a brand-new loan, meaning their property would have to be re-appraised with the borrower's credit worthiness scrutinized.

The local housing market has "stabilized" over the past 12 months, said local property appraiser Hines.

"Property values over the past year have been fairly stable," he said. "In some cases, there has been some decline. People in a hurry have to discount their price."

Highest hit are the higher priced housing—\$150,000 to \$200,000, Hines said.

"Below \$100,000 seems to have held up pretty well," he said. "The largest number of people can qualify. There's no significant increase in value, but they are definitely in the highest demand. But I think Fairbanks definitely has a bright future in the housing market."

## Lawmakers seek to increase eligibility

A bill allowing Alaskans to refinance home loans at lower interest rates is restricted to existing Alaska Housing Finance Corp. loans; but some legislators may want to include more Alaskans.

"This is a perfect opportunity to make sure they don't neglect the constituents I represent," said Rep. Mike Davis, D-Fairbanks.

Davis and others would like to see House Bill 530 amended to include more homeowners in the 49th state.

The original bill, which is scheduled for hearings in Juneau Monday and Tuesday, would restrict refinancing to homeowners who have their homes financed through state-owned Alaska Housing.

Alaskans holding home loans secured from other sources, such as from the state Department of Community and Regional Affairs, would be ineligible to refinance through Alaska Housing.

DCRA bought about \$50 million in non-conforming housing loans in the state's urban areas in the early 1980s.

"They're not our loans," said AHFC spokeswoman Denna Cline. "Non-conforming loans would not be eligible. But the Legislature in the process could decide to include DCRA."

"We do look for fairness and try to insure that all Alaskans have

equal access to our oil wealth," said Senate President Don Bennett. "We'll have to make sure this bill is fair to everybody."

What is a non-conforming loan? One of the more common features includes a home with a water holding tank, which allows families to have running water without drilling an expensive well. Non-conforming homes are particularly popular in the Fairbanks area, but they exist in urban and rural areas throughout the state.

Rep. Nillo Koponen, D-Fairbanks, said "myths" about non-conforming housing abound around the state.

"It does not mean sub-standard housing," he said. "It doesn't mean it's unfinished. And it certainly doesn't mean it's unliveable. In many ways, it's just more Alaskan."

One of the most compelling reasons homeowners go non-conforming is cost. For example, wells in Fairbanks can cost more than \$20,000. As an alternative, a holding tank system can cost less than \$2,000, and the cost can be guaranteed before it is installed.

"Drilling a well is a crap shoot," said Bennett. "We have many people, in the ridge country especially, who cannot afford a well."

Regional Affairs still handles housing loans in the state's roadless areas, last year the Legislature moved the urban non-conforming housing portion from DCRA to AHFC.

Almost immediately, Interior Alaskans found non-conforming loan applications rejected because AHFC officials changed the guidelines.

"I've heard from constituents that there still is a problem getting non-conforming loans through Alaska Housing," said Davis. "This bill might be an opportunity to alleviate many problems with urban non-conforming loans throughout the state."

Alaska Housing has so far bought 25 non-conforming loans ranging from \$36,000 to \$96,000 since it took over the program seven months ago, Cline said. Seventeen additional loans were rejected, she said, for various reasons. Only two were unacceptable properties, Cline said.

Non-conforming housing is an excellent risk to the lender, said Koponen.

"The fact is, these houses are less expensive and in very high demand," he said. "And the people who buy them are some of the most stable, longtime Alaskans in the state."

The current interest rate for con-

Alaska Housing is 10 percent for the first \$90,000, and 11.2 percent for any money above \$90,000.

Before DCRA lost the program to AHFC last year, DCRA had issued more than 800 urban non-conforming house loans worth some \$51.6 million.

Alaska Housing officials discourage non-conforming housing loans for a variety of reasons, the main one being that non-conforming loans cannot be sold on the Wall Street bond market, so that the loans must be made from direct legislative appropriations.

Alaska Housing originally received a total of about a half-billion dollars in legislative appropriations to date and have secured about \$4.5 billion for in housing loans in the state.

According to Hank Hodge, loan manager in DCRA's housing division, DCRA loans are backed from direct legislative appropriations and not by bonds on Wall Street. But he said the program is a "revolving" fund, which means new loans are issued from payments coming in on existing loans.

As of Dec. 31, urban non-conforming housing's delinquency rate was less than 1 percent, according to DCRA's Hodge. Rural non-conforming rates are slightly

All urban non-conforming

Information Provided  
by HAD

<u>INTEREST RATE</u>	<u>#</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPLE BALANCE</u>
11%	202	13,476,100.00	13,304,972.62
12%	111	7,115,500.00	6,958,989.40
13%	3	393,850.00	385,309.82
14%	2	265,050.00	262,508.32
15%	2	346,250.00	343,395.14
			<hr/>
			21,255,175.30

<u>INTEREST RATE</u>	<u>#</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPLE BALANCE</u>
12%	111	7,115,500.00	6,958,989.40
13%	3	393,850.00	385,309.82
14%	2	265,050.00	262,508.32
15%	2	346,250.00	343,395.14
			<hr/>
			7,950,202.68

→ Some of these  
may refinance

<u>INTEREST RATE</u>	<u>#</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPLE BALANCE</u>
13%	3	393,850.00	385,309.82
14%	2	265,050.00	262,508.32
15%	2	346,250.00	343,395.14
			<hr/>
			991,213.28

→ The ones  
expected  
to refinance

Introduced: 1/31/86  
Referred: House Special Committee on  
State Loans and Finance

BY DUNCAN, M.M. MILLER, SUND,  
MARROU, TAYLOR AND LARSON

1 IN THE HOUSE

2 HOUSE BILL NO. 530

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the special mortgage loan pur-  
7 chase program."

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

9 \* Section 1. AS 18.56.098(a) is amended to read:

10 (a) The corporation shall establish a special mortgage loan  
11 purchase program. Under the special mortgage loan purchase program,  
12 the corporation may purchase refinancing loans or first or second  
13 mortgage loans, including graduated payment mortgage loans, made for  
14 the purchase, improvement, or rehabilitation of residences.

15 \* Sec. 2. AS 18.56.098(f) is amended to read:

16 (f) In this section and in AS 18.56.099,

17 (1) "graduated payment mortgage loan" means a mortgage loan  
18 the terms of which provide for monthly principal and interest payments  
19 which

20 (A) during the first year of the mortgage loan are  
21 lower than the monthly principal and interest payments tha' would  
22 be required under the terms of a level payment mortgage loan made  
23 at the same interest rate; and

24 (B) during subsequent years of the mortgage loan are  
25 graduated to provide for the same return over the term of the  
26 loan that would have been provided by a level payment mortgage  
27 loan made at the same interest rate;

28 (2) "mortgage loan" includes a beneficial interest or  
29 participation in a mortgage loan;



**COMMITTEE REPORT**  
**SENATE**

FURTHER:

2/18/86

Date 3/4/86

Mr. President

The Committee on FINANCE considered CSHB 530 (Loans) am  
relating to refinancing loans under the special mortgage loan purchase  
program; efd.

and (a majority of the committee) (the committee) reports it back with  
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation ~~OHFC~~
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

*John Sackett*  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

*Ken Fick* NO Rec  
*Paul Gible* NO Rec  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Jan Fick*  
Co-Chairman  
*do pass*  
Chairman recommendation

SENATE FINANCE COMMITTEE

LETTER OF INTENT

TO ACCOMPANY CSHB 530 (Loans)

It is the intent of the legislature that refinances permitted under this legislation meet the following conditions:

- (1) they must meet underwriting standards applicable at the time of the refinancing;
- (2) any refinancing loan must be based upon an appraisal that is current at the time of the refinancing; and
- (3) the loan to value ratio of the new loan cannot exceed standards acceptable to major national secondary lending programs, such as the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and the Federal Housing Administration.

02  
2/12

116

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: 2/11/86

## REQUEST

## FISCAL DETAIL

Bill/Resolution No.: CSHB 530 (Loans) Agency Affected: AHFC  
 Title: An Act relating to refinancing loans under the special mortgage loan purchase program. BRU: \_\_\_\_\_  
 Sponsor: Duncan, MM Miller, Sund, et Components: \_\_\_\_\_  
 Requestor: Rep. John Sund  
 Date of Request: 2/10/86

### EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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### FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

### POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: Ron Lehr, Executive Director Phone: 276-5599  
 Division: Alaska Housing Finance Corp. Date: 2/11/86

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Offered: 2/12/86  
Referred: Finance

Original sponsors: Duncan, M.M.Miller,  
Sund, et al.

1 IN THE HOUSE

BY THE HOUSE SPECIAL  
COMMITTEE ON STATE LOANS

2

CS FOR HOUSE BILL NO. 530 (Loans) am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to refinancing loans under the  
7 special mortgage loan purchase program; and providing  
8 for an effective date."

9

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

10

\* Section 1. AS 18.56.098(a) is amended to read:

11

(a) The corporation shall establish a special mortgage loan  
12 purchase program. Under the special mortgage loan purchase program,  
13 the corporation may purchase refinancing loans or first or second  
14 mortgage loans, including graduated payment mortgage loans, made for  
15 the purchase, improvement, or rehabilitation of residences.

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\* Sec. 2. AS 18.56.098(f) is amended to read:

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(f) In this section and in AS 18.56.099,

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(1) "graduated payment mortgage loan" means a mortgage loan  
19 the terms of which provide for monthly principal and interest payments  
20 which

21

(A) during the first year of the mortgage loan are  
22 lower than the monthly principal and interest payments that would  
23 be required under the terms of a level payment mortgage loan made  
24 at the same interest rate; and

25

(B) during subsequent years of the mortgage loan are  
26 graduated to provide for the same return over the term of the  
27 loan that would have been provided by a level payment mortgage  
28 loan made at the same interest rate;

29

(2) "mortgage loan" includes a beneficial interest or

1 participation in a mortgage loan;

2 [(3) REPEALED]

3 (3) "refinancing loan" means a loan refinancing one of the  
4 following loans through another mortgage loan the amount of which may  
5 not exceed the unpaid balance of the loan being refinanced plus clos-  
6 ing costs:

7 (A) a first or second mortgage loan purchased under  
8 (a) of this section;

9 (B) a loan for which the interest rate is established  
10 under AS 44.47.410(a); or

11 (C) a loan for which the interest rate is established  
12 under AS 44.47.410(b) other than a nonconforming housing loan or  
13 a nonowner occupied housing loan;

14 (4) "residence" means an owner-occupied, single family  
15 residence, including a mobile home, or an owner-occupied duplex,  
16 triplex or fourplex.

17 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
18 10.070(c).

SECTIONAL ANALYSIS FOR CS HOUSE BILL 530

An Act relating to refinancing loans under the special mortgage loan purchase program and providing for an effective date

SECTION 1

Amends current law having to do with the special mortgage loan purchase program by allowing AHFC to purchase refinancing loans.

SECTION 2

Defines a refinancing loan as obtaining another loan in which the amount may not exceed the unpaid balance of the first loan being refinanced plus closing costs. Only first or second AHFC mortgage loans may be refinanced including non-conforming loans.

SECTION 3

Immediate effective date.

There is no fiscal impact.

# Alaska State Legislature

CO-CHAIRMAN  
FINANCE COMMITTEE  
907-465-3740

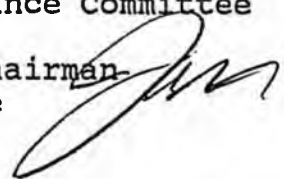
JAN FAIKS  
POUCH V  
CAPITOL BUILDING  
JUNEAU, ALASKA 99811

## Senate

February 27, 1986

### MEMORANDUM

TO: All Members, Senate Finance Committee

FROM: Senator Jan Faiks, Co-Chairman  
Senate Finance Committee 

SUBJECT: House Bill 530/AHFC

Attached is a copy of Dave Ribacchi's testimony from this morning's Senate Finance Committee meeting on House Bill 530.

OUT OF SESSION

1024 WEST SIXTH AVENUE, SUITE 302 ANCHORAGE, ALASKA 99501 907-274-6611

ALASKA STATE SENATE FINANCE COMMITTEE

LEGISLATION RELATING TO  
ALASKA HOUSING FINANCE CORPORATION

-TESTIMONY-

Senator Faiks, Senator Sackett. Thank you for this opportunity.

My name is Dave Ribacchi. I live in Anchorage and hold a Real Estate Brokers License and am a member of the Alaska Real Estate Commission. I have been involved in Alaska real estate brokerage and finance and have long been a supporter of AHFC and it's programs.

The question of AHFC refinancing it's loans leaves me questioning the wisdom of such a move in the present mortgage money market and in view of future needs that will be experienced if current economic trends continue.

Any conforming home in Alaska can presently be refinanced with existing loan programs. No further debt, actual or implied, will be charged to the State. AHFC will experience the same cash-out rate and long term mortgage holdings will be shifted from the State to national and international pool investors.

In testimony last Tuesday, I heard one banker comment that mortgage product to facilitate this refinance wasn't readily or widely available. A simple telephone survey will provide you the answer to that.

The proposal suggests selling \$100 million for this refinance provision, yet it appears that 6,000 to 10,000 borrowers have been identified. If those numbers are correct, \$585,000,000 to \$900,000,000 will be required..

That's assuming an average loan of \$90,000.

The argument continues - noting that AHFC can substitute \$100 million in debt at high interest for \$100 million in debt at a lower rate. The net result is now debt still at \$100 million. The conventional refinance market will replace the debt of AHFC entirely. No substitution.

When the national mortgage market worked against us, AHFC was the bright hope. Now mortgage financing works for us. To compete in the current mortgage market environment, without exhaustive research, could very well produce a disaster at AHFC, preventable only by the strength of the permanent fund.

I will offer some questions - that are of real concern to me.

Are consumers being shown unreal expectations in the hopes offered by this legislation?

Where will the mortgage insurance come from?

If AHFC is going to self insure, the liability, is 100% of the loan amount, plus holding and sales costs, ~~at default~~? Obligations that would total over 100% of the asset.

Should AHFC loans provide an income stream to the State? Maybe it's time to consider this idea. Even Robert Kuttner writing in the February 17, New Republic makes the point that ".....repayment of these loans (FHA) produces income for the Treasury. Selling a government loan (read Refinance by Bonding) does not really reduce the deficit, but only borrows from future income."

How does the consumer benefit? Attached is a reproduction of page 88 from Albert Santi's publication, "Questions and Answers for FHA, VA or conventional loans", copyright 1985 (ISBN: 0-9615886-0-8) second edition.

Completing this quick exercise will determine a real approach to a refinance.

Does the loan make sense? Here is my model.

Purchase date	<u>February 1983</u>	
Interest rate	12.75%	
Purchase price	\$160,000	
Down payment	\$ 8,000	\$8,000
① Loan amount	\$152,000	
Principal and interest		1,652
② Remaining balance	<u>\$150,401</u>	
① Minus 2	1,596	<u>\$1,596</u>
Equity		<u>\$9,596</u>
New loan amount	\$150,404	
Plus 3.5% acquisition cost	X <u>1.035</u>	
Adjusted new loan	\$155,668	
Equity calculation	\$155,668	
	- <u>150,404</u>	
	\$ 5,264	\$9,596
		- <u>5,264</u>
New Equity Amount		<u>\$4,332</u>

New Payment

Principal and interest @ 10.25	\$1,395
Minus old payment	<u>1,652</u>
Difference	\$ 257

Savings to Borrower	\$257 per month
Equity Adjustment	5,264 loss

The consumer must pay this out of pocket or refinance it. In either event, they've lost \$5,264 or it's beneficial use.

With this \$257 per month saving, it will take 20.48 months to recover the loss of \$5,264 in savings or equity.

However, this model borrower has already lived in this house for three years. It's now February of 1989 and they want to sell.

(Note: Assume the same appreciation since February of 1983, 3% in this case)

1989 Sales Price	\$164,800
(160,000 X 1.03 = \$164,800)	
Cost of sale 7.75%	<u>(12,772)</u>
Gross Proceeds	\$151,228
Remaining Balance	<u>\$152,948</u>
Difference (Net Proceeds)	(1,720)

This model buyer will pay \$1,720 out of pocket. If they are at a net loss, perhaps AHFC, in 1989, will allow that loss to be financed by an unsecured promissory note?

The reward to the consumer, in this model, over six years, is an equity or cash loss of \$6,984.

But, will this borrower qualify for the refinance in the first place?

With an appraisal of \$164,800 and a loan amount of \$155,668, a loan-to-value ratio of 94% exists. If the appraisal, at a cost of \$350, up front, supports the price. If that appraisal comes in less than \$163,861, every dollar under must come from the consumer's bank account.

W

Back to my first question:

Are consumers being shown unreal expectations...?

and will \$257 save a homeowner from a bankruptcy or foreclosure?

Is this legislation needed in 1986? Do we need to protect AHFC from the competitive market or throw them into it? Should the bond market access be preserved until the need is great?

Erer Rabbit begged to be thrown into the briar batch. But, he was born and raised there.

One final question.

If this proposal is as good as we think, will the permanent fund buy the \$100 million in bonds?

Thank you for this opportunity. I hope the questions posed and information given help to provide some of the solutions to the problems we are challenged with. Many significant triumphs evolved from debate, synthesis of ideas and critiques to test assumptions. This devil advocates a long hard look.

FIGURE 14

Q  
M. S.  
B. G.

### SHOULD YOU REFINANCE THAT COSTLY MORTGAGE?

A rule of thumb is a 2% to 3% lower interest rate makes refinancing worthwhile. Eliminate guess work by using this formula for a more exact cost savings.

#### REFINANCE WORKSHEET

Present monthly payments ..... \$ \_\_\_\_\_  
 Number of months to pay ..... x \_\_\_\_\_  
 Total payments ..... \$ \_\_\_\_\_ A

Payments at alternative  
 lower rate ..... \$ \_\_\_\_\_  
 Number of months to pay ..... x \_\_\_\_\_  
 Total payments ..... \$ \_\_\_\_\_ B

Difference in total payments  
 (A minus B) ..... \$ \_\_\_\_\_ C

Refinancing costs:  
 Any prepayment penalty ..... \$ \_\_\_\_\_ D  
 Closing costs of new mortgage,  
 including any "points" ..... \$ \_\_\_\_\_ E  
 Added income taxes over term  
 of mortgage because of  
 reduced deduction from  
 lower interest ..... \$ \_\_\_\_\_ F  
 Total (D plus E plus F) ..... \$ \_\_\_\_\_ G

Netsavings over life  
 of mortgage (C minus G) ..... \$ \_\_\_\_\_

2/25/86

TESTIMONY TO SENATE FINANCE COMMITTEE  
TUESDAY, 25TH OF FEBRUARY, 1986

My name is Jim Crawford, President and Chairman of the Board of City Mortgage Corporation, an Alaskan owned and operated mortgage producer with offices in Anchorage, Eagle River, Homer, Wasilla, Fairbanks and Juneau. City Mortgage is an authorized lender for Alaska Housing Finance Corporation, as well as nine other secondary mortgage markets.

The purpose of my testimony today is to present a financial opportunity to the State of Alaska. Mortgage bankers, for the past 5 years, have come to this Legislature with an open hand. That hand out has taken the form of subsidized interest rates through Alaska Housing Finance Corporation. It's my feeling that now, mortgage bankers should give the State a hand by declining further subsidized mortgage interest rates.

The State of Alaska has a unique opportunity to bring mortgage banking back to the private sector and away from subsidy by amending this Bill to require market rates. The first question a mortgage banker asks regarding a loan, after judging quality and stability of the borrower, is, "What is the return on investment?" I am suggesting that the State of Alaska should adopt the same standard of the return of investment from the hundreds of millions of dollars appropriated for State housing loan mortgage programs. The unique opportunity for the State is to recover \$756,000,000 by allowing the private sector to refinance the Alaska Housing Finance Corporation mortgage portfolio.

The need for subsidy has passed as interest rates have dramatically fallen. Today, the private sector can offer interest rates of 10½, with no commitment fee, with no subsidy and with no risk to the State of Alaska. The private mortgage industry can provide adjustable rate mortgages down to 8 3/8ths by utilizing the flexibility and innovation of the private mortgage banking national marketing system. Five years ago, when AHFC was expanded to include all qualified borrowers, the mortgage-backed securities market did not exist. 90% of loans were made by institutions and either held in portfolio or sold to savings and loan associations or savings banks. Wall Street's active pursuit of the mortgage-backed securities business to pool investors for the purchase of mortgages creates a consistent demand for competitively priced 1-4 family dwelling mortgages. The primary purpose of the expansion of AHFC was access to investor dollars to fund the mortgage needs in Alaska.

With a national system of access to said investment, AHFC's role is duplicative, at excessive cost, of the national mortgage system. Rates and terms at or below AHFC rates and terms are available today and, in my estimation, will be available 6 months from now, a year from now, 5 years from now. In short, the mortgage banking business has gone through a funding revolution materially changing the requirements of the industry. In my view, the State of Alaska need no longer subsidize mortgage lending. A competitive marketplace can provide the innovation and flexibility and rate structure necessary to deliver quality mortgage loans, at acceptable prices. The unique opportunity for the State of Alaska is the recovery of funds appropriated in prior years to AHFC. By way of example, AHFC staff has indicated that, in the case of a \$90,000 loan, \$60,000 was bond funded and \$30,000 was funded through appropriations. If Alaska Housing does refunding bonds currently, to drop the rate of the \$60,000 portion, the State maintains the original cash investment. AHFC staff has indicated an average subsidy cost, per loan, of \$2,400, annually, on it's existing portfolio. If you start with a \$30,000 cash appropriation, deduct two years for average subsidy, at \$4,800, you net \$25,200 in cash invested by the State per \$90,000 loan. AHFC has estimated some 30,000 homeowners may qualify for refinancing. If the private sector funds the \$90,000, thereby recovering the unspent subsidy of \$25,200, the general fund of the State, or potentially the permanent fund of the State, could be enriched by \$756,000,000. Additionally, AHFC has over \$350,000,000 in cash. Adding this to the above-stated amount could present an opportunity to the State of Alaska to recover in excess of 1.1 billion dollars.

Would this recovery hurt the consumer? I think the answer is simply - no, given the availability of refinancing programs currently available, without AHFC assistance and without one dime of State subsidy at comparable rates.

Let me make it clear that I am not suggesting the demise of Alaska Housing Finance Corporation. There are appropriate mechanisms, utilizing tax-exempt bonding, which appropriately should be the realm of AHFC. Utilizing the federal tax mechanisms for Alaska Veterans or for first-time homebuyers is entirely appropriate. Subsidizing low and moderate income clientele, in my view, is a worthy, social purpose. Economic subsidy, however, should not be mixed with social subsidy, nor left for State agencies, rather than the Legislature, to determine the level of subsidy. If refunding bonds are sold by AHFC to recover the greater amount of cash that the private sector could supply, you run into the problem of the debt load of the State of Alaska. Governor Sheffield, as well he should, has stated a serious concern

about the overall debt load of the State. I share that concern and do not advocate refunding bond issuance by AHFC to recover the initial investment. If Alaska Housing Finance Corporation simply sent a letter to every borrower with an interest rate above 11%, suggesting that they seriously consider refinancing their mortgage through private, unsubsidized programs, AHFC would accomplish the correct governmental purpose of reducing the cost of housing to the Alaska consumer. The cost of the mailing would be negligible on a comparative basis to the enormous subsidy costs which are currently ongoing or, alternatively, the tremendous bond sales costs. The fiscal note to HB 530, in my view, is inaccurate and I think should be analyzed, not from the basis of merely current appropriated dollars, but what the real buried costs are of the program.

When Alaska Housing Finance Corporation was formed, it was for the purpose of reducing housing costs for Alaskans. I believe Alaska Housing has admirably fulfilled that duty. Continued expansion of Alaska Housing Finance Corporation, however, into refinances or into FHA, merely continues a government-sponsored monopoly within the State of Alaska. Frankly, the mortgage industry, over the last 5 years, has become lazy with easy State dollars. Two years ago, I determined that innovation and flexibility was not a long suit of government agencies and began to look for other competitive secondary markets. What I found was almost shocking. Literally hundreds of markets are available for over 300 different loan programs, not one of which requires the State of Alaska to subsidize. In my view, it is time for the mortgage banking industry to dig in it's <sup>own</sup> pocket, rather than the State's and rejoin the national mortgage banking market. Competitively, most commercial banks have endorsed the refinancing Bill. From a competitive viewpoint, I understand the reasoning. The current market shares, due to the availability of programs other than AHFC, should be of substantial concern to commercial banks.

Without AHFC's ability to refinance, the institutions who hold the majority of Alaska Housing Finance Corporation mortgages will then have to compete with the increasing number of private mortgage banking firms for each loan. In my view, it is not an appropriate role of government to continue to lock in for the benefit of a few financial institutions, the mortgage industry within this State, certainly not with subsidized lending. Open competition creates innovation, flexibility and an excellence of service for the Alaska consumer. What I request is open competition.

A number of difficulties have arisen over the last few years regarding AHFC's portfolio. To a great extent, these problems are due to the market dominance which,

at one time, was 90%, or better, of the Alaska mortgage market. It's plain to see that with the emergence of private sector programs and the different needs of the Alaskan consumer, AHFC's volume has dropped dramatically. Anti-competitive, monopolistic protection of AHFC's market share, by an increase back to a 90% market domination, exposes the State of Alaska to substantially increased risk, unnecessarily, I might add.

In summary, the State of Alaska has a unique opportunity to gain a return on investment of up to a billion dollars, with no damage to Alaska consumers, realtors, home-builders, or mortgage bankers.

I urge the Committee to return Alaska mortgage banking to unsubsidized rates and the national mortgage market. With oil revenue in decline, it is critical that each program of the State operate in a cost-effective manner. Simply put, subsidy is unnecessary in mortgage lending. - *afp*

**ALASKA MORTGAGE BANKERS ASSOCIATION**

P.O. BOX 4-2691/ANCHORAGE, ALASKA 99509

February 12, 1986

Honorable Al Adams, Chairman  
House Finance Committee  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Adams:

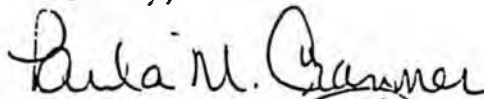
The Alaska Mortgage Bankers Association (AMBA) supports the enactment of House Bill 530 enabling Alaska Housing Finance Corporation (AHFC) to purchase refinances of AHFC mortgages.

The benefit of an AHFC refinance program are clear and far-reaching. A homeowner could reduce their monthly housing expense substantially under the new program in light of interest rate reductions over the past few years. The State of Alaska could greatly reduce the amount of subsidy dollars paid on existing AHFC loans. The general economy will be strengthened because consumers will be able to apply less of their income to housing expense and, therefore, put their money to work in other segments of the Alaskan economy. Consumers who are now experiencing difficulty making their payments because of increased house payments under an ABE structured mortgage or increases in other living expenses will now be able to better afford their home and keep their mortgages current. A reduced inventory of Real Estate Owned (REO) by institutional investors will assist in the recovery of the housing market, in general.

We strongly urge your passage of this bill as it truly represents a benefit to all citizens of the State of Alaska.

Thank you for your time.

Sincerely,



Paula M. Cranmer  
President

PMC:rm

## Alaska Pacific Mortgage

A KeyCorp Affiliate



Post Office Box 100420  
Anchorage, Alaska 99510-0420  
(907) 562-6100

February 11, 1986

Honorable Al Adams, Chairman  
House Finance Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99511

Re: HB 530

Dear Representative Adams:

Alaska Pacific Mortgage wishes to express support for HB 530. We feel that the immediate passage of this bill will allow the consumers to take advantage of the current market low interest rates.

In addition the consumer will benefit by lower payments, assumable loans and putting off for another three years the ABE (Alaska Building Equity) 5% increase that occurs in years four through nine.

Also this refinance could lower the cost of Alaska Housing Finance Corporation by paying off older and higher cost bond issues more quickly.

Lastly, this refinance program could help stimulate the Alaska real estate industry. The ripple effect throughout our economy would be very beneficial and could potentially impact other sectors. We wish to again stress the importance of a timely enactment of this bill to allow benefits from the current low interest rates.

Thank you for this opportunity.

Sincerely,

A handwritten signature in cursive script that reads "Jon R. Boyd".

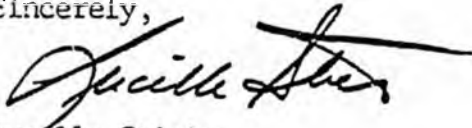
Jon R. Boyd  
President

JRB/mc

Honorable Al Adams, Chairman  
February 11, 1986  
Page 2

We applaud the efforts of the members of the Alaska Legislature in considering this bill and urge rapid action in order to provide refinancing while AHFC is able to obtain funds at low interest rates.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lucille Stietz". The signature is written in dark ink and is positioned above the typed name.

Lucille Stietz  
Vice President

ry



# National Bank of Alaska

Mortgage Loan Department: P.O. Box 7-025 • Anchorage, Alaska 99510-7025 • (907) 265-2856

February 11, 1986

Honorable Al Adams, Chairman  
House Finance Committee  
Alaska House of Representatives  
Pouch V  
Juneau, Alaska 99811

RE: House Bill 530 amending AS 18.56.098

Dear Representative Adams:

It is not often we have an opportunity to do something which is good for all Alaskans. House Bill 530 gives us this opportunity. By allowing refinancing of existing AHFC loans and allowing inclusion of closing costs in the new loan, we feel this bill would provide many benefits.

First, to the homeowners. Many homeowners obtained AHFC loans during times of high interest rates. Concurrent with those high rates, the ABE structure was created, as a way to keep the rates as low as possible. Therefore, there are many homeowners who not only have a loan with an interest rate higher than is available today, but in addition, a loan on which the 5% annual increase under the ABE structure either has or will soon take effect, further increasing monthly payments on their homes. House Bill 530, if enacted quickly while rates are down, would allow these homeowners to reduce monthly payments immediately because of reduced interest rates. By writing a new loan on a 30-year amortization, the homeowners would also benefit by lengthening the term of the loan and by deferring the 5% increase under the ABE structure until the 4th year of the new loan. The net result and immediate benefit to homeowners is to increase their spendable income. An additional and important benefit is that by reducing mortgage payments, homeowners will encounter less difficulty in meeting their mortgage payments, which should result in lowering the number of delinquencies and homes lost due to foreclosure. Finally, the homeowner would, in most instances, exchange a non-assumable loan for one which is assumable. The State of Alaska would also benefit by reduction of subsidy costs.

Another benefit would be infusion of these "saved" dollars into the Alaska economy, dollars which currently go to Investors outside the State. Passage of the bill would also result in increased activity in mortgage-related fields, which could increase employment in those fields.

# ALASKA MUTUAL BANK

February 12, 1986

Honorable Al Adams, Chairman  
House Finance Committee  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Adams:

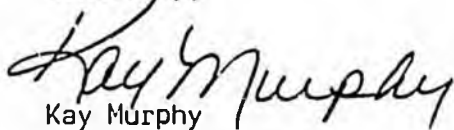
Alaska Mutual Bank strongly supports House Bill 530 giving Alaska Housing Finance Corporation (AHFC) the ability to refinance existing AHFC loans. We currently service 1358 loans totaling \$149,200,000 that have interest rates of 11% or higher. We service 3606 AHFC loans totaling \$371,891,000 which are ABE structured mortgages requiring payment increases that have either already gone into effect or will do so in the very near future.

This refinance program will enable homeowners to reduce their monthly housing expense and delay, for a period of time, the increases required under an ABE structured loan. A reduction in interest rate for the borrower will mean a reduction in subsidy dollars paid by the State.

We urge you to enact legislation authorizing AHFC to purchase refinance mortgages. A loan program designed to reduce the consumer's housing expense and, at the same time, reduce state expenditures can only serve to benefit all citizens of the State.

Thank you for your attention to this matter.

Sincerely,



Kay Murphy  
Vice President

KM:rm



0548 530 (Loans  
am)

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF ANCHORAGE, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	32	2,975,900
14.5% OR GREATER	101	10,620,664
14.0% OR GREATER	239	27,870,213
13.5% OR GREATER	471	56,998,145
13.0% OR GREATER	847	103,178,436
12.5% OR GREATER	1,475	177,806,601
12.0% OR GREATER	3,985	358,876,581
11.5% OR GREATER	5,241	498,739,041
11.0% OR GREATER	7,185	694,776,277

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF BETHEL, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	0	0
13.0% OR GREATER	0	0
12.5% OR GREATER	0	0
12.0% OR GREATER	10	260,157
11.5% OR GREATER	11	225,635
11.0% OR GREATER	14	364,897

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF CHUGIAK, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	2	3,776
14.0% OR GREATER	4	537,895
13.5% OR GREATER	16	1,993,704
13.0% OR GREATER	33	4,083,086
12.5% OR GREATER	61	7,427,133
12.0% OR GREATER	149	14,606,319
11.5% OR GREATER	198	20,262,736
11.0% OR GREATER	283	29,063,715

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF CORDOVA, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	0	0
13.0% OR GREATER	0	0
12.5% OR GREATER	0	0
12.0% OR GREATER	16	531,695
11.5% OR GREATER	17	649,959
11.0% OR GREATER	22	931,136

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF DELTA JUNCTION, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	0	0
13.0% OR GREATER	0	0
12.5% OR GREATER	2	191,093
12.0% OR GREATER	15	954,575
11.5% OR GREATER	19	1,302,512
11.0% OR GREATER	25	1,342,070

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF DOUGLAS, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	1	139,382
14.0% OR GREATER	1	139,382
13.5% OR GREATER	2	252,475
13.0% OR GREATER	4	519,315
12.5% OR GREATER	4	519,315
12.0% OR GREATER	15	1,401,620
11.5% OR GREATER	22	2,003,474
11.0% OR GREATER	32	3,126,689

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF EAGLE RIVER, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	5	377,873
14.5% OR GREATER	9	813,231
14.0% OR GREATER	23	2,544,520
13.5% OR GREATER	56	6,609,142
13.0% OR GREATER	132	15,669,969
12.5% OR GREATER	230	26,947,283
12.0% OR GREATER	415	44,551,585
11.5% OR GREATER	580	65,154,227
11.0% OR GREATER	851	96,598,325

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF FAIRBANKS, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	2	173,618
14.5% OR GREATER	3	305,307
14.0% OR GREATER	13	1,546,237
13.5% OR GREATER	46	5,523,798
13.0% OR GREATER	86	10,669,854
12.5% OR GREATER	181	22,604,309
12.0% OR GREATER	667	60,277,565
11.5% OR GREATER	932	86,675,760
11.0% OR GREATER	1,440	135,590,377

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF GIRDWOOD, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	2	48,022
14.5% OR GREATER	2	48,022
14.0% OR GREATER	2	48,022
13.5% OR GREATER	3	174,602
13.0% OR GREATER	9	347,797
12.5% OR GREATER	14	1,423,461
12.0% OR GREATER	37	3,233,433
11.5% OR GREATER	41	3,700,485
11.0% OR GREATER	43	4,231,409

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF HOMER, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	1	123,049
13.0% OR GREATER	1	123,049
12.5% OR GREATER	6	622,950
12.0% OR GREATER	21	1,783,553
11.5% OR GREATER	25	2,042,522
11.0% OR GREATER	45	3,572,624

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF JUNEAU, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	3	312,624
14.5% OR GREATER	4	458,522
14.0% OR GREATER	11	1,384,462
13.5% OR GREATER	43	5,653,702
13.0% OR GREATER	83	10,407,437
12.5% OR GREATER	143	17,572,610
12.0% OR GREATER	440	37,748,295
11.5% OR GREATER	611	56,285,050
11.0% OR GREATER	872	81,516,290

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF KENAI, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	8	917,342
13.0% OR GREATER	17	2,056,870
12.5% OR GREATER	30	3,631,511
12.0% OR GREATER	100	8,518,364
11.5% OR GREATER	140	12,287,458
11.0% OR GREATER	210	18,179,019

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF KETCHIKAN, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	2	148,748
14.0% OR GREATER	3	279,346
13.5% OR GREATER	5	344,240
13.0% OR GREATER	14	1,458,114
12.5% OR GREATER	27	2,732,127
12.0% OR GREATER	111	5,620,853
11.5% OR GREATER	147	12,164,023
11.0% OR GREATER	217	18,617,841

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF KODIAK, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	1	130,909
14.0% OR GREATER	2	239,643
13.5% OR GREATER	4	481,019
13.0% OR GREATER	9	1,057,657
12.5% OR GREATER	15	1,892,393
12.0% OR GREATER	61	4,403,153
11.5% OR GREATER	89	7,145,663
11.0% OR GREATER	124	10,157,357

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF NORTH POLE, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	1	146,134
13.5% OR GREATER	1	146,134
13.0% OR GREATER	1	146,134
12.5% OR GREATER	5	725,693
12.0% OR GREATER	31	2,734,916
11.5% OR GREATER	51	4,886,163
11.0% OR GREATER	94	9,339,447

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF PALMER, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	3	420,459
13.0% OR GREATER	9	1,199,594
12.5% OR GREATER	23	2,625,456
12.0% OR GREATER	126	10,319,793
11.5% OR GREATER	180	15,362,949
11.0% OR GREATER	255	22,463,257

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF PETERSBURG, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	0	0
13.0% OR GREATER	0	0
12.5% OR GREATER	0	0
12.0% OR GREATER	7	156,959
11.5% OR GREATER	3	218,587
11.0% OR GREATER	10	304,164

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF SEWARD, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	0	0
13.0% OR GREATER	2	211,430
12.5% OR GREATER	5	527,010
12.0% OR GREATER	20	1,424,162
11.5% OR GREATER	30	2,309,159
11.0% OR GREATER	38	2,654,785

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF SITKA, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	2	74,341
14.5% OR GREATER	3	220,617
14.0% OR GREATER	4	344,418
13.5% OR GREATER	7	687,066
13.0% OR GREATER	10	1,023,277
12.5% OR GREATER	19	2,002,931
12.0% OR GREATER	69	5,237,342
11.5% OR GREATER	93	7,863,976
11.0% OR GREATER	144	11,718,504

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF SLODINA, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	1	117,787
13.5% OR GREATER	3	362,185
13.0% OR GREATER	10	1,178,823
12.5% OR GREATER	13	2,048,116
12.0% OR GREATER	99	7,909,273
11.5% OR GREATER	136	11,644,987
11.0% OR GREATER	202	17,279,805

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ALASKA HOUSING FINANCE CORPORATION

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ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF STERLING, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	0	0
14.0% OR GREATER	0	0
13.5% OR GREATER	0	0
13.0% OR GREATER	1	110,482
12.5% OR GREATER	2	125,948
12.0% OR GREATER	17	1,253,350
11.5% OR GREATER	21	1,650,344
11.0% OR GREATER	35	2,244,493

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

PAGE 22

ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF VALDEZ, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	1	33,314
14.5% OR GREATER	4	454,900
14.0% OR GREATER	6	609,359
13.5% OR GREATER	14	1,536,497
13.0% OR GREATER	24	2,592,399
12.5% OR GREATER	34	3,691,512
12.0% OR GREATER	67	5,437,576
11.5% OR GREATER	79	6,476,231
11.0% OR GREATER	104	8,742,517

DATE 2/13/86

ALASKA HOUSING FINANCE CORPORATION

PAGE 23

ACTIVE LOANS BY INTEREST RATE RANGE FOR CITY OF WASILLA, AK

INTEREST RATE	ACCUMULATIVE # OF LOANS	ACCUMULATIVE UNPAID PRINCIPAL BALANCE
15.0% OR GREATER	0	0
14.5% OR GREATER	1	173,306
14.0% OR GREATER	6	869,773
13.5% OR GREATER	14	1,818,723
13.0% OR GREATER	43	5,236,748
12.5% OR GREATER	91	10,793,341
12.0% OR GREATER	386	33,927,947
11.5% OR GREATER	547	47,459,298
11.0% OR GREATER	779	70,053,486

Alaska Housing Finance Corporation's (the "Corporation") cost of funding mortgage loans has dropped substantially. Since May 17, 1985, the interest rate on the subsidized portion of mortgage loans purchased by the Corporation has been 10%, the lowest rate permitted by Statute unless the cost of funds is below 10%. When AHFC first accessed the taxable bond market in 1981 to continue to provide financing for the loan program initiated by the Legislature in the previous year, it did so at a total cost of 17.05%. Subsequent bond sales resulted in costs at rates as high as 19.4%. During this period of escalating interest rates, the interest rate on the subsidized portion of a mortgage loan rose to 12.375% with blended rates on loans in excess of \$90,000 reaching as high as 15-1/2%. The level of subsidy (difference between the Corporation's cost of funds and the subsidized rate) provided by AHFC during this period exceeded 7%.

The last taxable bond issue sold by the Corporation resulted in a total cost of 11.23% and a resultant level of subsidy of 1.23%. This significant reduction in interest rates has been a boon to the State and AHFC in that the cost to operate the loan program is greatly reduced. However, for those individuals who purchased their homes during the period of high interest rates, there does not currently exist a way for them to directly benefit from this rally short of selling their current home and purchasing another home with financing provided by AHFC. This unfortunate situation results from the Corporation's lack of statutory authority to purchase mortgage loans the purpose of which was to refinance an existing loan.

The Corporation is seeking statutory authority to purchase loans made to refinance existing higher rate debt. Implementation of such a program would obviously benefit a significant number of homeowners through a reduction in monthly mortgage payments and would additionally provide a number of economic benefits to AHFC and the State. As of January 1986, AHFC held 9,167 loans aggregating almost \$1 billion with an interest rate of 11.25% or greater. The lower interest rates combined with other borrower benefits listed below will result in a substantial portion of these borrowers refinancing their loans if such a program were to be made available through AHFC.

Benefit to the Borrower

- The average borrower under a refinance program should achieve a savings in their monthly payments of approximately \$150 to \$175 per month.
  
- The majority of the loans expected to be refinanced under the program would be of a type requiring increases in the payments beginning in the fourth year. While these increases will be applied to the principal balance of the loan, they will result in the borrowers having less funds available to meet other living expenses. The new loan provided the borrowers would also have the increasing payment structure; however, an additional 3 years "grace" period would be provided.

- Loans purchased by AHFC subsequent to August 1985 can be assumed. Virtually all of the loans likely to be refinanced are subject to a "due on sale" clause requiring the loan to be paid off if title is transferred. In addition to achieving a lower interest rate and reduced monthly payments, the borrowers would be "exchanging" a non-assumable loan for one permitting qualified assumptions.

#### Benefit to AHFC

- The mortgage loans owned by the Corporation with high interest rates were financed by AHFC bonds with even higher costs. The prepayment amounts can be used directly to retire the high cost bonds. These bonds are generally not able to be paid off with other than principal repayments on the loans pledged as collateral. The net result is the retirement of a loan subsidized at a minimum level of 3% and more likely 5% to 7% and substituting it with a loan with a subsidy level of 1.24%.
- A decrease in the interest rate and corresponding reduction in monthly payments will decrease the likelihood of borrower default. A borrower struggling with payments based upon a 13% loan will be more able, and psychologically more inclined, to keep their loan current.

Benefit to the State

- Assuming approximately one-half of those borrowers with an interest rate in excess of 11-1/4% refinance with an average savings in monthly payments of \$175, an extra \$10,500,000 each year will be available for injection directly into the Alaskan economy. Since this is cash in residents' pockets which would have otherwise been passed through to Wall Street investors, it will impact virtually all sectors of the economy at a time when it is needed most.

Program Criteria

- Refinancing would be restricted to existing AHFC loans.
- The new loan amount would be limited to the principal outstanding on the existing loan plus costs associated with the refinancing.
- Maximum loan-to-property value ratios applicable to the refinance loans will be as follows:

TYPES OF MORTGAGE INSURANCE

Conventional	90%
FHA	95% to 97%
VA	100%

- A complete loan package will be required in connection with obtaining a new loan. A new property appraisal will be necessary and the borrower's credit worthiness and ability to meet financial obligations will need to be documented.

ALASKA HOUSING FINANCE CORPORATION  
REFINANCING PROPOSAL  
ANALYSIS OF POTENTIAL INTEREST RATE SAVINGS

Estimated average level of subsidy prior to refinancing	4.50%
Estimated average level of subsidy subsequent to refinancing	<u>1.25%</u>
Estimated decrease in level of subsidy	<u>3.25%</u>

Based upon the above, for each \$100 million of refinancing activity, the reduction in the level of subsidy will result in an annual savings of \$3,250,000.

The savings to the Corporation, while accruing from the date of the refinance, becomes available to AHFC only upon complete retirement of a particular issue of bonds. This is the case since the mortgages, and the funds related to their earnings and prepayments, remain pledged to the bond issue until the last bondholder has been paid off.

While the refinancing activity will accelerate the date when the complete retirement of a particular high rate bond issue is accomplished, the financial benefit of the refinancing is "tied up" until then. Prior to the complete retirement of the issue, what essentially is occurring is a reinvestment of the mortgage loan principal prepayments received pursuant to the refinancing at the rate of interest being paid on the bonds.

For most of these bond issues, the final retirement date will be moved forward from 1990 or 1991 to 1988 or 1989. At that time, the Corporation will have paid off the bonds and the balance of the loans pledged to the issue will be released from their pledge to the bondholders and available to the Corporation for continuation of the Special Mortgage Loan Purchase Program.

It is important to note that while this effectively represents a return of the original up-front subsidy related to the pool of loans pledged to that particular bond issue, it is going to be received in the form of mortgage loans as opposed to cash or liquid investments. The Corporation would expect to use these mortgage loans to facilitate the financing of future loan production in much the same manner as they were originally utilized.

ALL Urban non-conforming

Information Provided  
by HAD

<u>INTEREST RATE</u>	<u>#</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPLE BALANCE</u>
11%	202	13,476,100.00	13,304,972.62
12%	111	7,115,500.00	6,958,989.40
13%	3	393,850.00	385,309.82
14%	2	265,050.00	262,508.32
15%	2	346,250.00	343,395.14
			<hr/>
			21,255,175.30

<u>INTEREST RATE</u>	<u>#</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPLE BALANCE</u>
12%	111	7,115,500.00	6,958,989.40
13%	3	393,850.00	385,309.82
14%	2	265,050.00	262,508.32
15%	2	346,250.00	343,395.14
			<hr/>
			7,950,202.68

→ Some of these  
may refinance

<u>INTEREST RATE</u>	<u>#</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPLE BALANCE</u>
13%	3	393,850.00	385,309.82
14%	2	265,050.00	262,508.32
15%	2	346,250.00	343,395.14
			<hr/>
			991,213.28

→ The ones  
expected  
to refinance

ALASKA HOUSING FINANCE CORPORATION  
 SAVINGS REALIZED FROM PROPOSED REFINANCE BILL  
 (HB 530)

MONTHLY PAYMENT SCHEDULE  
 ON  
 LOAN AMOUNTS  
 \$110,000 - \$130,000

<u>LOAN DATE</u>	<u>\$ 110,000</u>	<u>\$ 120,000</u>	<u>\$ 130,000</u>
<u>11/81 - 5/81</u>			
Principal & Interest	\$ 1,270.83	\$ 1,433.76	\$ 1,591.98
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
12 3/4% on First \$90,000 19.411% on balance	<u>1,420.83</u>	<u>1,583.76</u>	<u>1,741.98</u>
<u>Today's Rates</u>			
Principal & Interest	\$ 985.82	\$ 1,075.44	\$ 1,177.15
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
10% on First \$90,000 11.2% on balance	<u>1,135.82</u>	<u>1,225.44</u>	<u>1,327.15</u>
SAVINGS	\$ 285.01	\$ 358.32	\$ 414.83

ALASKA HOUSING FINANCE CORPORATION  
 SAVINGS REALIZED FROM PROPOSED REFINANCE BILL  
 (HB 530)

MONTHLY PAYMENT SCHEDULE  
 ON  
 LOAN AMOUNTS  
 \$110,000 - \$130,000

<u>LOAN DATE</u>	<u>\$ 110,000</u>	<u>\$ 120,000</u>	<u>\$ 130,000</u>
<u>10/20/82 - 2/83</u>			
Principal & Interest	\$ 1,227.60	\$ 1,362.72	\$ 1,501.89
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
12 3/4% on First \$90,000 16.59% on balance	<u>1,377.60</u>	<u>1,512.72</u>	<u>1,651.89</u>
<u>Today's Rates</u>			
Principal & Interest	\$ 985.82	\$ 1,075.44	\$ 1,177.15
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
10% on First \$90,000 11.2% on balance	<u>1,135.82</u>	<u>1,225.44</u>	<u>1,327.15</u>
SAVINGS	\$ 241.78	\$ 287.28	\$ 324.74

ALASKA HOUSING FINANCE CORPORATION  
 SAVINGS REALIZED FROM PROPOSED REFINANCE BILL  
 (HB 530)

MONTHLY PAYMENT SCHEDULE  
 ON  
 LOAN AMOUNTS  
 \$110,000 - \$130,000

<u>LOAN DATE</u>	<u>\$ 110,000</u>	<u>\$ 120,000</u>	<u>\$ 130,000</u>
<u>12/82 - 2/83</u>			
Principal & Interest	\$ 1,016.51	\$ 1,131.48	\$ 1,250.34
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
10.125% on First \$90,000 13.8% on balance	<u>1,166.51</u>	<u>1,281.48</u>	<u>1,400.34</u>
<u>Today's Rates</u>			
Principal & Interest	\$ 985.82	\$ 1,075.44	\$ 1,177.15
Reserves	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
10% on First \$90,000 11.2% on balance	<u>1,135.82</u>	<u>1,225.44</u>	<u>1,327.15</u>
SAVINGS	\$ 30.69	\$ 56.04	\$ <del>223.19</del>

73-19-correction

## Applause loud for new-mortgage bill

By JOHN CREED  
Staff Writer

A bill allowing Alaskans to refinance state-backed home loans to take advantage of lower interest rates should also help Alaska Housing Finance Corp. battle its rising loan delinquency rate.

"This is one of those few bills where everybody benefits," said Ron Lehr, executive director of the Alaska Housing Finance Corp. "AHFC benefits, the homeowner benefits, and the state as a whole benefits. It's a win-win situation all the way around."

House Bill 530, introduced by Rep. Jim Duncan, D-Juneau, would allow as many as 10,000 homeowners to seek new financing on more than \$1 billion in loans issued by the Alaska Housing Finance Corp., the state's chief mortgage lender. The new loans could also be assumed by subsequent buyers of the property.

"I think it's a great idea, in terms of actual business created for the support people," said local appraiser E. Chilton Hines. "The banks, the engineers, the title companies, appraisers—all will benefit because of the fees involved."

The delinquency rate on Alaska Housing's loans has risen steadily over the past year to more than 6.5 percent, which now equals the national average, according to Lehr. That figure rises above 7 percent when actual foreclosures are added to the list, he said.

"The average homeowner could save up to \$200 a month in loan payments through this proposal," Lehr said.

That should help people statewide who may be struggling against default on their loans, he said, and those not struggling will have more dollars to spend in the local economy.

Alaska Housing lent Alaskans millions of dollars to buy houses while interest rates soared in the early 1980s. Today, in a slowed economy with much lower interest rates, Alaskans statewide seem to be pushing for the refinancing option.

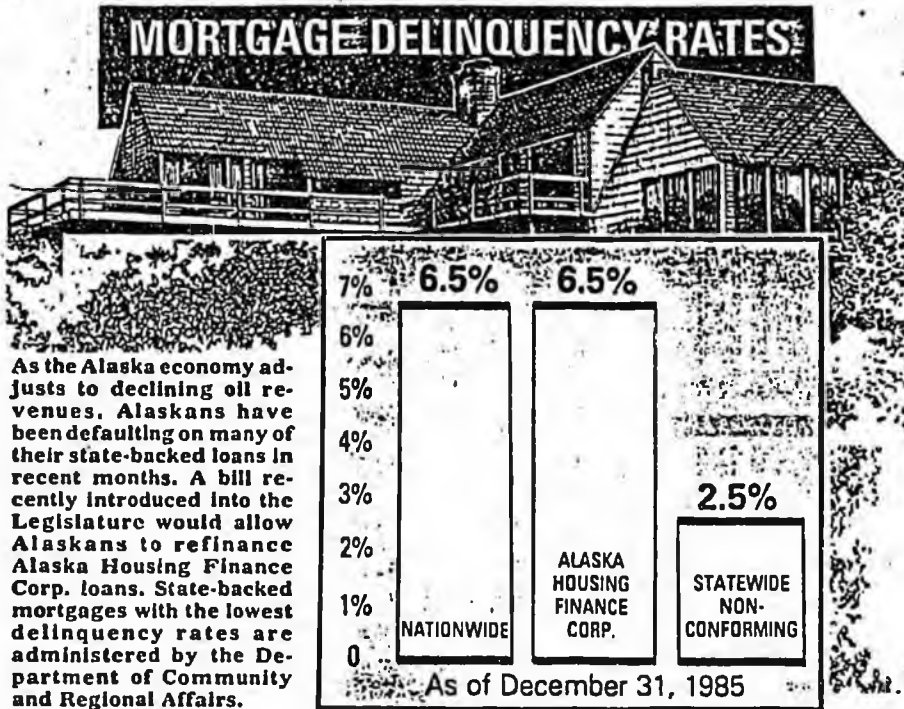
"It's definitely a positive development," said Rick Solie, a real estate agent in Fairbanks. "It means Alaska Housing is getting a lot more flexible. They are realizing to remain competitive to keep their lending level up because if they are too strict and inflexible, they won't be as attractive as some of the other loan programs."

The homeowner would benefit, Lehr said, because people who have financed their homes at 11½ or more could see payments slashed by as much as \$200 a month with refinancing.

"It could help many homeowners hang onto their houses," he said.

The measure would also benefit Alaska Housing by helping it reduce the state subsidy on individual loans. Alaska Housing subsidizes the first \$90,000 of its home loans. The amount of subsidy depends on the interest garnered on the Wall Street bond market.

Rates have not always been the best. For example, when Alaska Housing first went into the taxable bond market on Wall Street in 1981, the state-owned corporation paid 17 percent interest. Later, the cost of some bond sales soared to more than 14 percent interest.



As the Alaska economy adjusts to declining oil revenues, Alaskans have been defaulting on many of their state-backed loans in recent months. A bill recently introduced into the Legislature would allow Alaskans to refinance Alaska Housing Finance Corp. loans. State-backed mortgages with the lowest delinquency rates are administered by the Department of Community and Regional Affairs.

Consequently, homebuyers were paying more than 12 percent interest on the (subsidized) first \$90,000 of their mortgages and as high as 15½ percent for any money they needed above \$90,000, according to officials. That pushed loan subsidies by Alaska Housing as high as 7 percent, Lehr said.

Interest rates have since subsided. Alaska Housing's most recent taxable bond sale, for exam-

ple, came in at 11.23 percent interest. That means AHFC's current 10-percent interest rate reflects a subsidy of only 1.23 percent—far lower than the early 1980s.

Lower subsidies reduce Alaska Housing's operating costs significantly, Lehr said, and Alaska's economy should benefit because smaller payments "will give many Alaskans more money to save or spend for other purposes."

Economic times in Alaska have changed with the nation's falling interest rates. As oil revenues decline, Alaska's growth rate is cooling. Unemployment has increased and some homeowners have begun to lose their jobs.

Many Alaskans are also losing their homes. Mortgage delinquency rates have steadily crept up to the national average over the past year, with mobile home loan de-

faults climbing even higher. Alaska Housing refinancing is offered as one way of helping the economy, according to officials who estimate that an extra \$10.5 million a year could be injected into the state's economy.

"Since this is cash in residents' pockets that would otherwise be passed through to Wall Street investors, it will affect virtually all sectors of the economy when it is needed most," Lehr said.

As of last month, the state held \$1 billion worth of loans with interest rates higher than 11¼ percent, according to state officials. Overall, Alaska Housing holds 53,301 home loans worth some \$4.5 billion.

Refinancing would be available only on the unpaid balance plus the cost of refinancing.

Homeowners wanting to refinance their properties would be required to obtain a brand-new loan, meaning their property would have to be re-appraised with the borrower's credit worthiness scrutinized.

The local housing market has "stabilized" over the past 12 months, said local property appraiser Hines.

"Property values over the past year have been fairly stable," he said. "In some cases, there has been some decline. People in a hurry have to discount their price."

Hardest hit are the higher priced housing—\$150,000 to \$200,000, Hines said.

"Below \$100,000 seems to have held up pretty well," he said. "The largest number of people can qualify. There's no significant increase in value, but they are definitely in the highest demand. But I think Fairbanks definitely has a bright future in the housing market."

## Lawmakers seek to increase eligibility

A bill allowing Alaskans to refinance home loans at lower interest rates is restricted to existing Alaska Housing Finance Corp. loans; but some legislators may want to include more Alaskans.

"This is a perfect opportunity to make sure they don't neglect the constituents I represent," said Rep. Mike Davis, D-Fairbanks.

Davis and others would like to see House Bill 530 amended to include more homeowners in the 49th state.

The original bill, which is scheduled for hearings in Juneau Monday and Tuesday, would restrict refinancing to homeowners who have their homes financed through state-owned Alaska Housing.

Alaskans holding home loans secured from other sources, such as from the state Department of Community and Regional Affairs, would be ineligible to refinance through Alaska Housing.

DCRA bought about \$50 million in non-conforming housing loans in the state's urban areas in the early 1980s.

"They're not our loans," said AHFC spokeswoman Denna Cline. "Non-conforming loans would not be eligible. But the Legislature in the process could decide to include DCRA."

"We do look for fairness and try to insure that all Alaskans have

equal access to our oil wealth," said Senate President Don Bennett. "We'll have to make sure this bill is fair to everybody."

What is a non-conforming loan? One of the more common features includes a home with a water holding tank, which allows families to have running water without drilling an expensive well. Non-conforming homes are particularly popular in the Fairbanks area, but they exist in urban and rural areas throughout the state.

Rep. Nillo Koponen, D-Fairbanks, said "myths" about non-conforming housing abound around the state.

"It does not mean sub-standard housing," he said. "It doesn't mean it's unfinished. And it certainly doesn't mean it's unliveable. In many ways, it's just more Alaskan."

One of the most compelling reasons homeowners go non-conforming is cost. For example, wells in Fairbanks can cost more than \$20,000. As an alternative, a holding tank system can cost less than \$2,000, and the cost can be guaranteed before it is installed.

"Drilling a well is a crap shoot," said Bennett. "We have many people in the ridge country especially, who cannot afford a well."

Global Affairs still handles housing loans in the state's roadless areas, last year the Legislature moved the urban non-conforming housing portion from DCRA to AHFC.

Almost immediately, Interior Alaskans found non-conforming loan applications rejected because AHFC officials changed the guidelines.

"I've heard from constituents that there still is a problem getting non-conforming loans through Alaska Housing," said Davis. "This bill might be an opportunity to alleviate many problems with urban non-conforming loans throughout the state."

Alaska Housing has so far bought 25 non-conforming loans ranging from \$36,000 to \$96,000 since it took over the program seven months ago, Cline said. Seventeen additional loans were rejected, she said, for various reasons. Only two were unacceptable properties, Cline said.

Non-conforming housing is an excellent risk to the lender, said Koponen.

"The fact is, these houses are less expensive and in very high demand," he said. "And the people who buy them are some of the most stable, longtime Alaskans in the state."

The current interest rate for con-

Alaska Housing is 10 percent for the first \$90,000, and 11.2 percent for any money above \$90,000.

Before DCRA lost the program to AHFC last year, DCRA had issued more than 800 urban non-conforming house loans worth some \$51.6 million.

Alaska Housing officials discourage non-conforming housing loans for a variety of reasons, the main one being that non-conforming loans cannot be sold on the Wall Street bond market, so that the loans must be made from direct legislative appropriations.

Alaska Housing originally received a total of about a half-billion dollars in legislative appropriations to date and have secured about \$4.5 billion for in housing loans in the state.

According to Hank Hodge, loan manager in DCRA's housing division, DCRA loans are backed from direct legislative appropriations and not by bonds on Wall Street. But he said the program is a "revolving" fund, which means new loans are issued from payments coming in on existing loans.

As of Dec. 31, urban non-conforming housing's delinquency rate was less than 1 percent, according to DCRA's Hodge. Rural non-conforming rates are slightly

## EXCERPTS REGARDING INTEREST RATE PROJECTIONS

Economic Research, January 1986 from Goldman Sachs.

'With advance refunding activity cramped by potential tax reform, with long rates and the yield curve already discounting lower inflation and short-term rates than now exist, with negligible dealer short positions, with a discount rate cut unlikely soon, with economic activity picking up slowly but surely, and with implementation of Gramm-Rudman and substantially lower oil prices apparently taken for granted, there is little or no room in current yields to withstand contrary developments. Because such comfort shattering events seem unlikely in the next month or two, bond yields may fall and the yield curve flatten modestly further, with a difficult-to-time reversal now a more realistic prospect. Short-term (90-day dealer-placed commercial paper, now 7.60%) and long-term (20- to 30-year maturity Treasury issues, now around 9.40%) interest rates seem likely to rise 75-100 basis points above current levels this year, with increasing risk that this occurs sooner rather than later.'

Prospects for Financial Markets in 1986 from Salomon Brothers Inc

'As the U.S. economy gathers strength during the spring of next year, however, the decline in U.S. interest rates will come to a halt. This slide in rates, which began in May 1984, has occurred in the context of slow U.S. economic growth - 2.4% at an annual rate since the second quarter of 1984 - and moderating inflation. The Fed will continue to supply reserves liberally to the banking system, such that emerging upward pressure on interest rates will be modest. However, the pressure will become more pronounced in the second half of 1986, when U.S. economic growth is expected to average about 4% at an annual rate, and as the markets anticipate several additional developments: ' ...

'Under these circumstances, long-term bond yields are likely to climb by 75-125 basis points from their lows reached early in the year. Even though the Federal Reserve will eventually respond to these developments, it will be following market forces, rather than leading'

Presently the Alaska Housing Finance Corporation does not have a program that allows current AHFC borrowers the option of refinancing their existing home loans. This is an undesirable situation because interest rates have dropped substantially lately, and if refinancing of AHFC loans were permitted, both borrowers and AHFC could achieve considerable savings. For instance:

- Currently, AHFC has nearly 10,000 loans totaling over \$1 billion at an interest rate of 11-1/8% and above.
- In the current market, interest rates to borrowers under AHFC's taxable program would range from 10% to about 10-5/8%, depending upon the size of the loan.
- Although it will vary depending upon a borrower's current interest rate, we estimate that the average current borrower with a mortgage interest rate of 11-1/8% and above should save about \$200 a month in interest if they were able to refinance under AHFC's current loan programs.
- All new AHFC loans are assumable, so in most cases a borrower would be refinancing from a non-assumable loan to an assumable loan.
- The majority of the loans expected to be refinanced under the program would be of a type requiring increases in the payments beginning in the fourth year. While these increases will be applied to the principal balance of the loan, they will result in the borrowers having less funds available to meet other living expenses. The new loan provided the borrowers would also have the increasing payment structure; however, an additional 3 years "grace" period would be provided.
- AHFC also benefits in two significant ways. First, since its current cost of capital is lower than before, less subsidy is needed per loan. Second, a decrease in a borrower's monthly payment will make it easier for a borrower to pay and, hence, decrease the likelihood of borrower default.
- Finally, the entire Alaskan economy should benefit, since the reduced monthly payment would result in the borrowers having more money available to save or spend for other purposes.

# Alaska HOUSING FINANCE CORPORATION



February 6, 1986

The Honorable Jim Duncan  
 Alaska House of Representatives  
 P.O. Box V  
 Juneau, AK 99811

Dear Representative Duncan:

You requested an explanation of what effect the ability to refinance the Corporation's existing loans will have on AHFC. I am unable to give a very precise estimate, since I don't know how many AHFC borrowers will choose to refinance.

According to various lenders, it will cost about 3% to refinance. Current interest rates for non-veterans will range between 10% and 10-5/8%, depending upon the size of the loan (9% for the first \$90,000 for a qualified veteran). AHFC currently has approximately 10,000 loans totaling about \$1 billion in principal balance at an interest rate of 11-1/8% and above, with about half of these loans at 12% and above. Based upon this, it seems safe to assume that at a minimum, a few thousand loans totaling a few hundred million will choose to refinance. On balance, it also seems safe to assume that the average borrower who decides to refinance will save \$200 a month or more in mortgage payments.

Savings will, of course, also accrue to AHFC. The refinancing of an existing high rate mortgage loan will enable the Corporation to retire outstanding high rate bonds. The bond agreements generally allow early retirement of the bonds only from prepayments of the loans purchased with their original proceeds. The example below demonstrates the savings to the Corporation in what is expected to be a typical refinance:

	<u>Existing Bond Issue</u>	<u>New Bond Issue</u>
Total cost of funds	19.153	11.125
Mortgage rate (\$125,000 loan)*	<u>14.250</u>	<u>10.375</u>
Subsidy Level	4.903%	.75%
Savings to AHFC	4.153%	

\* Based upon a subsidized rate applicable to the first \$90,000 of the loan at 12.375% for the existing loan and 10% for the new loan.

The Honorable Jim Duncan  
February 6, 1986  
Page 2

The above example demonstrates that for the remaining term of the loan, the Corporation will be reducing the difference between the cost of its borrowing and the rate the mortgage is paying by 4.153%. This represents an annual savings to the Corporation as a result of the refinancing in excess of \$5,000. At the same time, the borrower has reduced their interest rate from 14.25% to 10.375%, representing an annual interest savings of over \$4,500.

The benefit of converting from high rate debt to current rates is being split between the borrower and AHFC. In the example above, the total savings is 8.028% (existing bond cost of 19.153% less estimated current cost of 11.125%). This savings is split as follows:

Reduced AHFC subsidy	4.153%
Reduced mortgage rate to borrower	<u>3.875%</u>
Total interest savings	<u>8.028%</u>

The savings to the Corporation, while accruing from the date of the refinance, becomes available to AHFC only upon complete retirement of a particular issue of bonds. This is the case since the mortgages, and the funds related to their earnings and prepayments, remain pledged to the bond issue until the last bondholder has been paid off.

While the refinancing activity will accelerate the date when the complete retirement of a particular high rate bond issue is accomplished, the financial benefit of the refinancing is "tied up" until then. Prior to the complete retirement of the issue, what essentially is occurring is a reinvestment of the mortgage loan principal prepayments received pursuant to the refinancing at the rate of interest being paid on the bonds. Since these bonds have a yield to the investor as high as 18.375%, this reinvestment process has significant economic benefit to the Corporation.

For most of these bond issues, the final retirement date will be moved forward from 1990 or 1991 to 1988 or 1989. At that time, the Corporation will have paid off the bonds and the balance of the loans pledged to the issue will be released from their pledge to the bondholders and available to the Corporation for continuation of the Special Mortgage Loan Purchase Program.

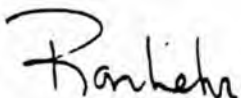
It is important to note that while this effectively represents a return of the original up-front subsidy related to the pool of loans pledged to that particular bond issue, it is going to be received in the form of mortgage loans as opposed to cash or liquid investments. The Corporation would expect to use these mortgage loans to facilitate the financing of future loan production in much the same manner as they were originally utilized.

The Honorable Jim Duncan  
February 6, 1986  
Page 3

I once again want to advise you of our strong support for your bill, HB530. In a time of some rather downbeat economic news, it's heartening to have legislation that will save Alaska's money, boost the economy, and save the State money all at the same time!

Please let me know if I can provide any additional information.

Sincerely,



Dr. Ronald D. Lehr  
Executive Director

RDL:lmg



WHOLE EARTH CATALOG

February 1986

ALASKA HOUSING FINANCE CORPORATION

Selected Corporation and Program Information

Revised February 1986

ALASKA HOUSING FINANCE CORPORATION

Selected Corporation and Program Information

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ALASKA HOUSING FINANCE CORPORATION

Selected Information

	<u>Number</u>	<u>Amount</u>
Loans owned at 1/31/86	53,380	\$ 4,488,874,381
Outstanding loan commitments at 1/31/86	750	\$ 75,457,410
Bonds outstanding at 2/19/86		\$4,499,145,585

Delinquency Rates

	<u>Mobile Homes</u>	<u>First Mortgage Loans</u>	
	<u>AHFC at 1/31/86</u>	<u>AHFC at 1/31/86</u>	<u>U.S. at 9/30/85 *</u>
30 days	7.63%	3.75%	3.89%
60 days	1.69%	1.10%	1.00%
90 days or more and loans in foreclosure	<u>2.03%</u>	<u>1.86%</u>	<u>1.67%</u>
Total Delinquent and in Foreclosure	<u>11.35%</u>	<u>6.72%</u>	<u>6.56%</u>
Real Estate Owned	<u>4.50%</u>	<u>.76%</u>	<u>**</u>

Budget Information

	<u>Operating</u>	<u>Capital</u>
Actual amounts Fiscal Year 1982	\$2,276,200	\$265,000,000
Actual amounts Fiscal Year 1983	3,441,000	150,000,000
Actual amounts Fiscal Year 1984	2,713,000(1)	49,051,000
Actual amounts Fiscal Year 1985	2,913,900(1)	
Approved budget Fiscal Year 1986	3,311,900(1)	

(1) Excludes trustee fees which are included in the capital budget.

\* Delinquency statistics from the National Delinquency Survey published by the Mortgage Bankers Association.

\*\* Statistics on real estate owned are not provided by the Mortgage Bankers Association.

## INTRODUCTION

The implementation of the Special Mortgage Loan Purchase Program had a dramatic and profound effect upon the economy and housing markets of the State of Alaska. Pursuant to the 1980 Legislation, the program offers interest rates below current interest rates offered in the traditional secondary mortgage markets.

Through the varied programs offered by AHFC, a large segment of the population's housing needs are being met. Not only is AHFC providing affordable housing for the citizens of the State of Alaska, the benefits are disbursed to a much larger segment of the population. The tradesmen, suppliers, realtors, builders, appraisers, bankers and retailers benefit either directly or indirectly from AHFC's participation in the mortgage market of the State of Alaska.

Although the Corporation's activities now constitute a significant portion of the Alaskan residential mortgage market, AHFC does not lend funds directly. Rather, the Corporation is a secondary market for mortgage loans originated by private lenders. The majority of the funds used to purchase the mortgage loans are generated through the issuance of taxable and tax-exempt bonds. Additionally, the Corporation has received direct appropriation from the Legislature that has allowed AHFC to purchase mortgages that bear interest rates below the national average.

The Corporation purchased \$836.2 million in loans in FY '85 and received bond authorization for up to \$1.5 billion of which \$605 million was utilized. The Capital Budget for FY '85 appropriated \$16 million in cash to the Alaska Housing Finance Revolving Fund. This appropriation was recinded during the 1985 legislative session. The Corporation has not requested an appropriation for FY '86 but will fund the operations of its programs from amounts available in the Revolving Fund.

The Corporation enjoys substantial financial support from the State of Alaska which, to date, has appropriated \$747,871,000 in cash (exclusive of \$16,000,000 FY '85 appropriation subsequently recinded) and \$286,000,000 in mortgage loans to the Corporation to support its various programs. AHFC has also borrowed \$45,070,000 from the State for various purposes. Through December 31, 1985, the Corporation has issued \$1,752,000,000 taxable bonds and notes and \$3,365,505,000 tax-exempt bonds.

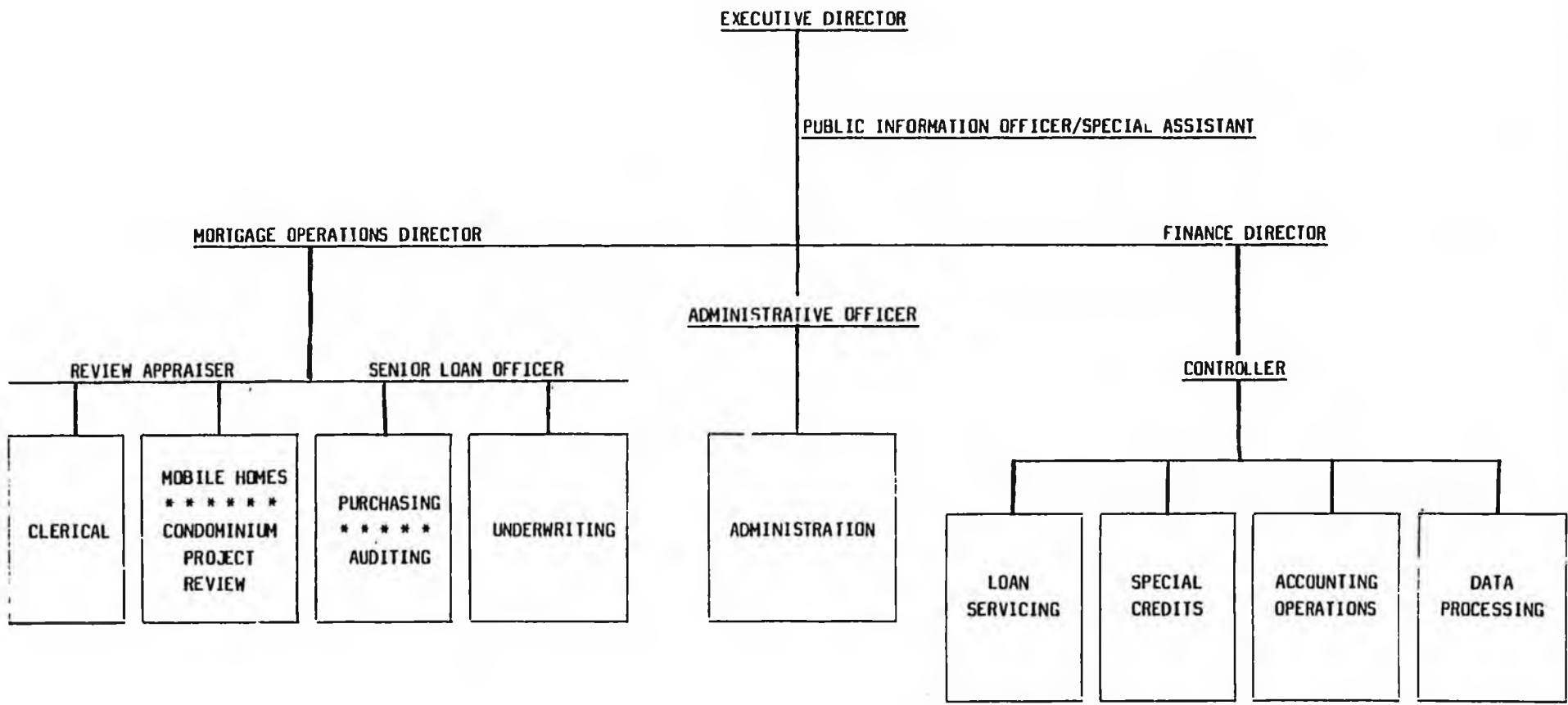
In 1981, legislation was enacted which significantly impacted the method of determining mortgage interest rates. The legislation eliminated the previously "fixed" interest rates of 10 percent on the first \$90,000 of the mortgage loan (9 percent if the loan was made to an eligible State veteran) and replaced it with a "sliding" rate to reflect the increased cost of funds to the Corporation. The "sliding" rate is designed to keep the interest rate on the first \$90,000, the amount subsidized by the State, to within 3 percent of the cost of funds to the Corporation.

Disruption and volatility in the capital markets during 1981 and 1982 caused mortgage interest rates to increase from the previously fixed rate of 10 percent to 12-3/8 percent on the first \$90,000 of the loan and from 12.29 percent to 19.411 percent on the balance of the loan in excess of \$90,000. In response to the increasing rates, AHFC implemented the Alaska Building Equity (ABE) Mortgages on June 1, 1982. The ABE Mortgage enhanced the Corporation's ability to access the shorter-term and less expensive capital markets.

The interest rate on an ABE mortgage remains fixed for the entire life of the mortgage, and the monthly payments are amortized on a 30-year level payment basis. However, beginning in years four through nine, the monthly payment is increased by 5 percent each year with the increased portion of the monthly payment applied directly to the outstanding principal of the mortgage loan. As a result, the loan is fully repaid within 16 to 18 years, depending on the interest rate, and the amount of total interest paid during the life of the mortgage is approximately half of that paid if the same loan was repaid over a 30-year period.

The ABE structured mortgage applies to all of the Corporation's programs, with the exception of the Mobile Home Loan Purchase Program and the Second Mortgage Loan Program.

Due to AHFC's significant role in providing affordable housing to the citizens of the State of Alaska and AHFC's commitment to keep the public and elected officials informed, we offer this guide as a reference for your use in reviewing AHFC's programs and activities.



ALASKA HOUSING FINANCE CORPORATION

SUMMARY OF STATE FINANCIAL SUPPORT

Alaska Housing Finance Revolving Fund\*

FY 85 \$ \*\*

Special Mortgage Loan Purchase Program - SAM Fund\*

FY 81		
Appropriation		
Mortgage Loans		236,000,000
Cash		238,000,000
FY 82		222,000,000
FY 83		105,000,000
FY 84		6,801,000

Mobile Home Loan Purchase Program

See Notes 1 and 2 for additional funds appropriated to purchase loans under this program.

FY 80		
Loans through Department of Revenue	(\$10,000,000 at 9.5%)	
FY 81		
Appropriation		12,500,000*

Rural Non-Owner Occupied Mortgage Purchase Program

See Note 1 for additional funds appropriated to purchase loans under this program.

FY 79		
Loans through Department of Revenue	(\$2,600,000 at 8.5%)	
FY 81		
Appropriation		4,500,000*

Rural Mortgage Loan Purchase Program

See Note 1 for additional funds appropriated to purchase loans under this program.

FY 79		
Appropriation - Training Costs		100,000
Hazard Insurance Fund		250,000
Title Insurance Fund		250,000
Mortgage Insurance Account		500,000
FY 80		
Bond Sale to State of Alaska	(\$5,600,000 at 7-1/2%)	
FY 81		
Bond Sale to State of Alaska	(\$4,400,000 at 7-1/2%)	
Appropriations		
Mortgage Purchases		6,500,000*
Title Insurance Fund		130,000
Mortgage Insurance Fund		325,000

\*\*In FY 85 the legislature appropriated \$16 million to the Alaska Housing Finance Revolving Fund. This appropriation was rescinded the following year.

(continued on Page 2)

ALASKA HOUSING FINANCE CORPORATION

SUMMARY OF STATE FINANCIAL SUPPORT  
(continued)

Home Ownership Assistance Program ("HOF" Fund)\*

FY 81		
Appropriation		
Mortgage Loans		\$ 50,000,000
Cash		2,500,000
FY 82		43,000,000 (1)
FY 83		45,000,000 (2)
FY 84		42,250,000 (2)

<u>State Mortgage Insurance Fund</u>	<u>Total Appropriated</u>	<u>Appropriation Requested and Received</u>
Prior to FY 80	7,100,000	7,125,000
FY 80	6,000,000**	3,000,000
FY 81	12,500,000	6,640,000

** Total Appropriation	\$ 6,000,000
Less Amount Unavailable from Veterans Revolving Loan Fund	2,000,000
Less Amount for Mobile Home Insurance Funds Only	1,000,000
	<u>\$ 3,000,000</u>

Other State Loans

Loan for Multi-Family Project	(\$4,420,000 at 3.47%)
Loan for Rural Mortgages	(\$5,250,000 at 6.00%)
Loans to Fund Capital Reserve Requirement for Insured Mortgage Bond Program	(\$12,800,000) (3)

(1) Home Ownership Assistance Program appropriation to be utilized to purchase mortgages as follows:

Mobile Home Loans	\$18,000,000
Rural	20,000,000
Rural Non-Owner Occupied	5,000,000

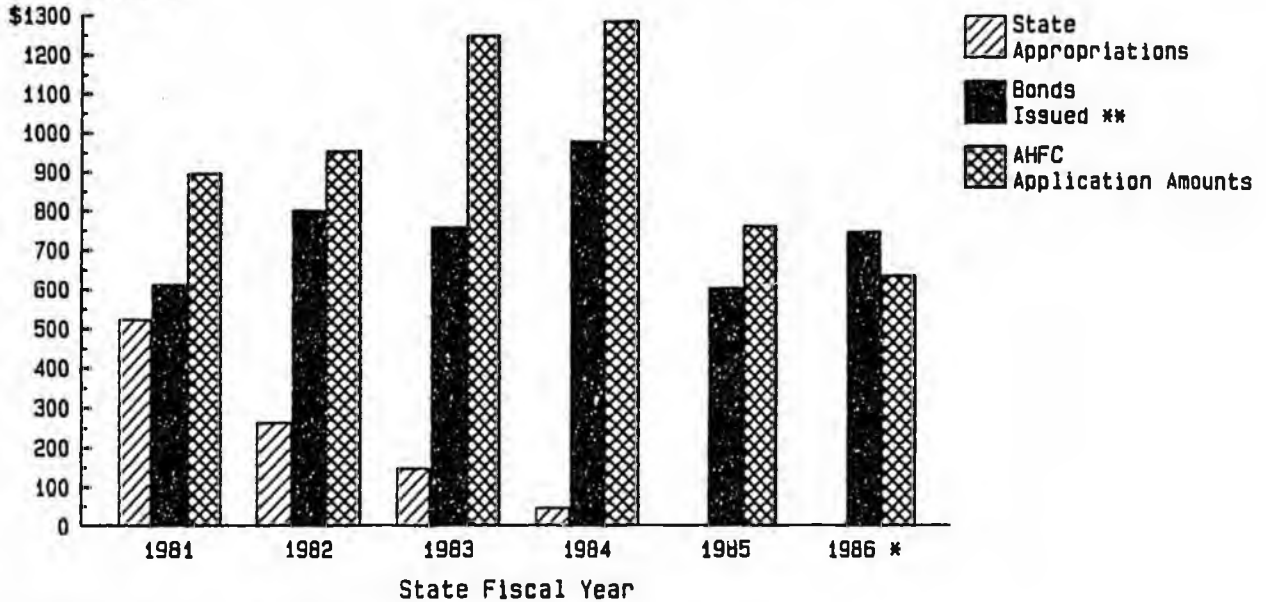
(2) To be utilized to purchase Mobile Home loans.

(3) Interest rates on loans are equal to the earnings of the investments made with the loans.

\* On June 30, 1984 the SAM Fund, HOF Fund and direct appropriated mortgage loan program amounts were consolidated into the Alaska Housing Finance Revolving Fund.

**ALASKA HOUSING FINANCE CORPORATION  
SUBSIDY, BONDING & MORTGAGE LEVELS**

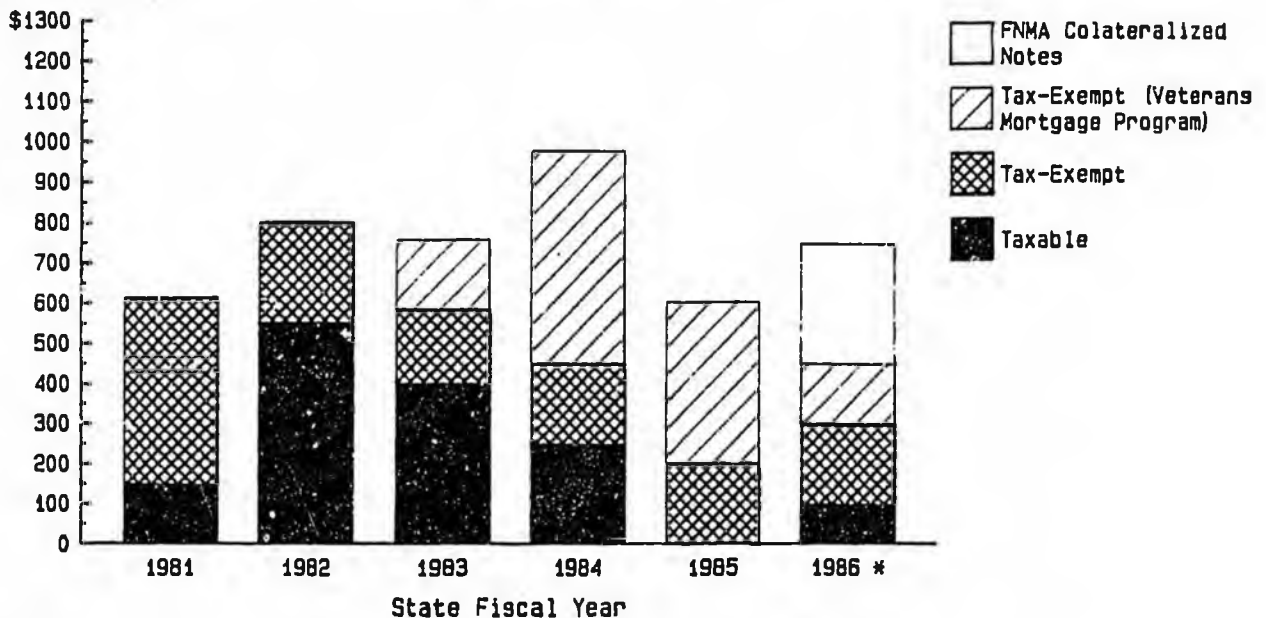
Millions of Dollars



\*\* FY 1986 includes \$300 million in closings on FNMA Collateralized Notes.  
AKFUNDS

**ALASKA HOUSING FINANCE CORPORATION  
SUMMARY OF BONDS ISSUED BY TYPE**

Millions of Dollars



\* Projected

BONDSOLD

ALASKA HOUSING FINANCE CORPORATION  
MORTGAGE INVESTMENT, STATE APPROPRIATION AND FINANCING LEVELS

Year Ending June 30, 1985

Loan Commitments - Actual	\$ 674.8
Loan Purchases - Actual	836.2
State Appropriations	0.
Bonds - Authorized	1,500.0
- Issued	604.935

Year Ending June 30, 1984

Loan Commitments - Actual	\$1,217.8
Loan Purchases - Actual	1,326.8
- Estimated Previous Year	1,228.0
State Appropriations	49.1
Net Subsidy Utilized	89.4
Bonds - Authorized	980.0
- Issued	980.0

ALASKA HOUSING FINANCE CORPORATION

Summary of Program Information

<u>State Fiscal Year</u>	<u>Bonds Issued</u>	<u>Bond Authorization</u>	<u>Appropriations</u>	<u>Mortgage Commitments (All Programs)</u>	<u>Operating Budget</u>	<u>Full-Time Staff Positions</u>
FY 81	\$614,400,000	N/A	\$562,955,000	\$ 755,258,150	\$1,800,000 <sup>(1)(3)</sup>	31
FY 82	\$802,000,000	\$ 802,000,000	\$265,000,000	\$ 765,189,300	\$2,276,200 <sup>(3)</sup>	43
FY 83	\$760,000,000	\$ 980,000,000	\$150,000,000	\$1,137,970,700	\$3,441,000 <sup>(3)</sup>	45
FY 84	\$980,000,000*	\$ 980,000,000	\$ 49,051,000	\$1,239,963,225	\$2,713,000 <sup>(2)(3)</sup>	45
FY 85	\$604,935,000*	\$1,500,000,000	-0-	\$ 674,750,343	\$2,913,900 <sup>(2)</sup>	46

(1) AHFC was not under the Executive Budget Act for the State's fiscal year. The Corporation's fiscal year did not coincide with that of the State. The \$1.8 million is an estimate based upon actual expenses for the period 7-1-80 through 6-30-81.

(2) Does not include Trustee fees previously included in operating budget. Beginning in FY 84 these fees are included in the Capital Budget.

(3) Actual annual operating expense amounts.

\* Does not include \$175 million and \$125 million collateral notes committed sold directly to FNMA during FY 87.

ALASKA HOUSING FINANCE CORPORATION

BOND ISSUE RATINGS

	Issue Size (Thousands)	Ratings		
		Standard & Poors	Moody's	Fitch
<u>Housing Mortgage Bonds</u>				
1972 Series A	\$ 13,500	AA	Aa	
1973 Series A	13,000	AA	Aa	
1973 Series B	36,000	AA	Aa	
1975 Series A	35,000	AA	Aa	
1975 Series B	12,000	AA	Aa	
<u>Insured Rural Mortgage Bonds</u>				
1979 First	5,600			
1980 First	4,400			
<u>Home Mortgage Bonds</u>				
1981 First	100,000	AA-*	Aa	
1981 Second	100,000	AA-**	Aa	
1982 First	85,000	AA-	Aa	
1982 Second	100,000	AA-	Aa	
1983 First	75,000	AA-	Aa	
1983 Second	125,000	AA-	Aa	
<u>Insured Mortgage Program Bonds</u>				
1975 First	5,000	A	A	
1976 First	20,000	A	A	
1976 Second	25,000	A	A	
1977 First	35,000	A	A	
1977 Second	48,000	A	A	
1977 Third	40,000	A	A	
1978 First	47,225	A	A	
1978 Second	55,000	A	A	
1978 Third	44,000	A	A	
1979 First	60,000	A	A	
1979 Second	105,000	A	A	
1980 First	39,400	A	A	
1980 Second	230,000	A	A	
1980 Third	230,000	A	A	
<u>State Assisted Mortgage Bonds</u>				
Series A	150,000	A	A	
Series B & C	150,000	AA		
Series D & E	150,000	AA*		AA
Series F	225,000	AA		AA

\* Subsequently downgraded to A- as a result of a reduction in the rating of Bank of America which provided backup credit support.

\*\* Subsequently downgraded to A as a result of a reduction in the rating of Crocker Bank which provided a backup credit support.

(continued on Page 2)

## ALASKA HOUSING FINANCE CORPORATION

BOND ISSUE RATINGS  
(continued)

	Issue Size (Thousands)	Ratings		
		Standard & Poors	Moody's	Fitch
<u>State Assisted Mortgage Bonds</u>				
Series G	100,000	AA	Aa	AA
Series H	50,000	AA	Aa	AA
Series I	50,000	AA	Aa	AA
Series J	50,000	AA	Aa	
Series K	75,000	AA	Aa	
Series L	75,000	AA	Aa	
Series M	75,000	AA	Aa	
Series N	75,000	AA	Aa	
Series O	50,000	AAA	Aaa	
Series P	50,000	AAA	Aaa	
<u>Home Improvement Loan Bonds</u>				
1982 Series A**	15,000	A-	A	
<u>Second Mortgage Bonds</u>				
Series A	27,000	AA		
<u>State Guaranteed Bonds</u>				
1983 First Series	50,000	AA	Aa	
1983 Second Series	125,000	AA	Aa	
1983 Third Series	75,000	AA	Aa	
1983 Fourth Series	100,000	AA	Aa	
1983 Fifth Series	50,000	AA	Aa	
1983 Sixth Series	75,000	AA	Aa	
1984 First Series	130,000	AA	Aa	
1984 Second Series	100,000	AA	Aa	
<u>Collateralized Bonds</u>				
1984 First Series	100,000	AAA	Aaa	
1984 Second Series	302,500	AAA	Aaa	
1985 First Series	150,000	AAA	Aaa	
<u>Collateralized Home Mortgage Bonds</u>				
1984 Series A	75,000	AAA	Aaa	
1984 Series B	127,435	AAA	Aaa	
1985 Series A	100,000	AAA	Aaa	
1985 Series B	102,445	AAA	Aaa	
<u>AHFC Overseas Finance NV</u>	100,000	AAA	Aaa	
<u>Fairbanks North Star Borough</u>	35,000	AA*	Aa	

\* Subsequently downgraded to A- as a result of a reduction in the rating of Bank of America which provided backup credit support.

\*\* Bonds redeemed in their entirety on June 1, 1983.

ALASKA HOUSING FINANCE CORPORATION

Bonds and Notes Outstanding at February 19, 1986

	<u>Bonds Issued</u>	<u>NIC (TIC)</u>	<u>Mortgage Interest Rates</u>	<u>Bonds Outstanding</u>
Insured Mortgage Program Bonds, 1975 First, dated 12/1/75; Due: 1976-2006	5,000,000	8.5361% (8.5998%)	9.280%	4,465,000
Insured Mortgage Program Bonds, 1976 First, dated 8/1/76; Due: 1977-2006	20,000,000	7.517% (7.579%)	8.911%	17,955,000
Insured Mortgage Program Bonds, 1976 Second, dated 11/1/76; Due: 1977-2006	25,000,000	7.16% (7.23%)	8.816%	22,545,000
Insured Mortgage Program Bonds, 1977 First, dated 4/1/77; Due: 1978-2007	35,000,000	6.632% (6.69%)	8.254%	30,445,000
Insured Mortgage Program Bonds, 1977 Second, dated 7/1/77; Due: 1978-2007	48,000,000	6.38% (6.42%)	7.998%	42,015,000
Insured Mortgage Program Bonds, 1977 Third, dated 10/1/77; Due: 1978-2007	40,000,000	6.09% (6.12%)	7.646%	34,675,000
Insured Mortgage Program Bonds, 1978 First, dated 3/1/78; Due: 1978-2007	47,225,000	6.365% (6.40%)	7.843%	42,475,000
Insured Mortgage Program Bonds, 1978 Second, dated 7/1/78; Due: 1979-2008	55,000,000	7.465% (7.53%)	8.828%	49,730,000
Insured Mortgage Program Bonds, 1978 Third, dated 12/1/78; Due: 1980-2008	44,000,000	7.062% (7.10%)	8.688%	40,240,000
Insured Mortgage Program Bonds, 1979 First, dated 3/1/79; Due: 1980-2008	60,000,000	7.247% (7.29%)	8.849%	55,650,000
Insured Mortgage Program Bonds, 1979 Second, dated 7/1/79; Due: 1980-2009	105,000,000	7.086% (7.14%)	8.702%	96,500,000
Insured Mortgage Program Bonds, 1980 First, dated 1/1/80; Due: 1981-2009	39,400,000	8.748% (8.85%)	10.370%	37,525,000
Insured Mortgage Program Bonds, 1980 Second, dated 7/1/80; Due: 1981-2010	230,000,000	9.171% (9.248%)	*	218,615,000
Insured Mortgage Program Bonds, 1980 Third, dated 12/1/80; Due: 1982-2011	<u>230,000,000</u>	11.066% (11.29%)	*	<u>223,625,000</u>
<u>TOTAL INSURED MORTGAGE BONDS</u>	<u>\$983,625,000</u>			<u>\$916,460,000</u>

	<u>On First \$90,000</u>	<u>On Balance</u>
* 1980 Second Series	9% & 10%	10.25%
1980 Third Series	9% & 10%	12.29%

ALASKA HOUSING FINANCE CORPORATION

Bonds and Notes Outstanding at February 19, 1986

	<u>Bonds Issued</u>	<u>NIC (TIC)</u>	<u>Mortgage Interest Rates</u>	<u>Bonds Outstanding</u>
Housing Mortgage Bonds, 1972 Series A dated 10/1/72; Due: 1973-2002	\$ 13,500,000	5.68%	7.712%	\$ 10,280,000
Housing Mortgage Bonds, 1973 Series A dated 6/1/73; Due: 1974-2002	13,000,000	5.716%	7.398%	9,955,000
Housing Mortgage Bonds, 1973 Series B dated 10/3/73; Due: 1974-2003	36,000,000	6.0336%	7.491%	28,740,000
Housing Mortgage Bonds, 1975 Series A dated 3/1/75; Due: 1975-2005	35,000,000	7.6789%	8.454%	29,930,000
Housing Mortgage Bonds, 1975 Series B dated 6/1/75; Due: 1976-2005	<u>12,000,000</u>	7.735%	8.572%	<u>10,260,000</u>
<u>TOTAL HOUSING MORTGAGE BONDS</u>	<u>\$109,500,000</u>			<u>\$ 89,165,000</u>
Insured Rural Mortgage Program Bonds 1979 First, dated 9/1/79; Due: 1980-2009	\$ 5,600,000	7.50%	8.75%	\$ 2,779,000
Insured Rural Mortgage Program Bonds 1980 First, dated 12/2/80; Due: 1981-2010	<u>4,400,000</u>	7.50%	8.75%	<u>2,787,000</u>
<u>TOTAL INSURED RURAL MORTGAGE BONDS</u>	<u>\$ 10,000,000</u>			<u>\$ 5,566,000</u>
<u>HOME MORTGAGE BONDS</u>			<u>First \$90,000 Balance</u>	
1981 First Series, dated 11/1/81; Due: 1983-2001	\$100,000,000	12.50% (12.54%)	<u>10%</u> 13.158%	\$ 67,255,000
1981 Second Series, dated 12/1/81; Due: 1983-2012	100,000,000	(11.8228%)	<u>10%</u> 13.19%	80,785,000
1982 First Series, dated 9/1/82; Due: 1984-2001	85,000,000	(11.45%)	<u>10%</u> 12.12%	73,300,000
1982 Second Series, dated 11/1/82; Due: 1984-2000	100,000,000	(10.55%)	<u>10%</u> 11.22%	89,135,025
1983 First Series, dated 8/15/83; Due: 1985-2010	75,000,000	(10.386%)	<u>10%</u> 11.21%	69,062,560
1983 Second Series, dated 10/15/83; Due: 1985-2010	<u>125,000,000</u>	(10.0874%)	<u>10%</u> 10.93%	<u>115,700,000</u>
<u>TOTAL HOME MORTGAGE BONDS</u>	<u>\$585,000,000</u>			<u>\$495,237,585</u>