

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1142 SCOMM 34: HOUSE SPEC. COMMITTEE ON STATE LOANS 1983-84 309



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SCOMM

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State of Alaska

211 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
907-452-3421
907-452-3471



ROOM 500, CAPITOL BUILDING
POUCH V
JUNEAU, ALASKA 99811
907-465-4984

LEGISLATIVE BUDGET & AUDIT COMMITTEE
REP. ROBERT BETTISWORTH, CHAIRMAN

January 23, 1984

Michael S. Lynch, Executive Director
Alaska Housing Finance Corporation
P.O. Box 1020
Anchorage, AK 99510

Dear Mr. Lynch:

In response to a recent inquiry from my office we received a letter from Renee Devereaux regarding delegated underwriting. Her letter indicated that your agency was in the process of developing regulations and guidelines necessary for implementation of the procedure.

I am glad to know that things are being done to initiate the planing for delegated underwriting. However, I am disapointed that we are not farther along on implementation and have evidently not even established a schedule for implementation. Please provide me a schedule showing when you plan to begin this program.

Thank You

Sincerely,

A handwritten signature in cursive script that reads "R. Bettisworth".

Robert H. Bettisworth, Chairman
Legislative Budget and Audit Committiee

c.c. Rick Uehling, Chairman
House Special Committiee on Loans

Alaska

HOUSING



FINANCE CORPORATION

JAN 25 1984

January 23, 1984

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

Dear Representative Uehling:

Enclosed is the information you requested in your January 10, 1984 letter. The information I have provided is in regards to the loan program appropriations and not the Corporation's operating budget. Please let me know if there is any additional material you think would be helpful.

Sincerely,

Michael S. Lynch
Executive Director

MSL:sel

Enclosures

LOAN BUDGET INFORMATION
FOR
HOUSE SPECIAL COMMITTEE ON LOANS

1. Amounts budgeted for FY '82, FY '83, and FY '84:

	<u>FY '82</u>	<u>FY '83</u>	<u>FY '84</u>
Special Mortgage Loan Purchase Program (SMLPP)	\$222.0M	\$105.0M	\$ 6.801M
HOF Fund	\$ 43.0M	\$ 45.0M	\$42.25M

To be utilized to purchase mobile homes and mortgages.

2. Amounts requested for FY '85:

Special Mortgage Loan Purchase Program	\$71.0M*
Mobile Home Loan Purchase Program	\$34.0M*

*It is estimated that these figures will be revised downward in March. It is currently estimated the request for the Mobile Home program will decline to \$22.0M.

3. Amounts actually expended by program in FY '82 and FY '83:

	<u>FY '82</u>	<u>FY '83</u>
	(Millions)	
Special Mortgage Loan Purchase Program	\$376.564	\$190.566
HOF Fund	\$ 34.813	\$ 61.637
	Used to purchase mortgages	Used to purchase Mobile Home loans

4. Loans approved for purchase in FY '82 and FY '83:

	<u>Total Mortgages Approved for Purchase</u>
FY '82	10,091
FY '83	13,216

Also, attached (Exhibit A) is a program profile for FY 1983 showing the number and percentage of loans in all of the programs operated by the Corporation.

Loan Budget Information for
House Special Committee on Loans
Page 2

5. The average amounts of loans awarded for FY '82 and FY '83, by program, are shown in Exhibits B and C.
6. To date, the following amounts have been expended for the SMLPP and the Mobile Home Purchase Program:

July 1, 1983 - December 31, 1983

Special Mortgage Loan Purchase Program	\$57.63 million
Mobile Home Purchase Program	\$33.98 million

PROGRAM PROFILE FOR FISCAL YEAR 1983
Breakdown by programs of the 11,202 loans purchased in FY '83

	No. Loans	% Total Loans	Dollar Amount	% Total Dollars
Taxable (Includes triplex & four-plex)	4,581	40.9	\$462,065,500	\$51.9
Pledged Account (PAM)	238	2.1	23,004,150	2.6
Veterans (VMP) (Implemented 2/83)	484	4.3	54,376,200	6.1
Tax-Exempt	2,204	19.7	183,989,750	20.7
Homeownership Assistance (HOF)	1,082	9.7	75,538,700	8.5
Mobile Home	1,872	16.7	58,735,850	6.6
*Rural & Non-Occupied Rural	98	0.9	11,435,400	1.3
2nd - Home Improvement	307	2.7	8,474,950	0.9
2nd - Purchase	336	3.0	12,196,000	1.4
Total	11,202	100%	\$889,816,500	100%

*The rural program was transferred to Community and Regional Affairs on 7/1/82.

BORROWER & PROGRAM COMPARISON FOR FISCAL YEAR 1983
Compares the Average Borrower and Loan on Four AHFC Programs

	<u>Taxable Program</u>	<u>HOF Program</u>	<u>Mobile Home Program</u>	<u>Veterans Program</u>
Sales Price	\$118,913	\$75,002	\$34,235	\$124,846
Loan Amount	\$100,866	\$69,814	\$31,376	\$112,348
Ratio - Loan to Sales Price	84.82%	93.08%	91.65%	89.99%
Interest Rate	11.39%	10.31%	11.39%	9.06%
Principal & Interest Payment	\$ 1,001	\$ 629*	\$ 343	\$ 909
Monthly Income	\$ 4,572	\$ 1,996	\$ 2,864	\$ 4,823
Age - Borrower	35.8	29.5	31.9	37.8

*Includes AHFC's average contribution of \$189 per month to principal and interest on HOF loans.

BORROWER & PROGRAM COMPARISON FOR FISCAL YEAR 1982
Compares the Average Borrower and Loan on Four AHFC Programs

	<u>Taxable Program</u>	<u>HOF Program</u>	<u>Mobile Home Program</u>	<u>Veterans Program</u>
Sales Price	\$105,999	\$68,684	\$27,966	No Program
Loan Amount	\$ 91,233	\$64,381	\$25,878	
Ratio - Loan to Sales Price	86.07%	93.74%	92.54%	
Interest Rate	11.53%	11.12%	11.34%	
Principal & Interest Payment	\$ 921.24	\$ 620.18*	\$285.20	
Monthly Income	\$ 4,097	\$ 1,932	\$ 2,710	
Age - Borrower	34.9	30.0	32.9	

*Includes AHFC's average contribution of \$189 per month to principal and interest on HOF loans.

Sectional Analysis of SBA Bill

Section 1: This section deletes the reference to a project, as defined in AS 44.88.220. This deletion is requested to ensure that there is no difficulty with the Authority purchasing the SBA guaranteed portion of working capital and inventory loans. Presently, it could possibly be interpreted that the Authority is prohibited from buying these loans because of the project description of AS 44.88.220(6).

Section 2: This section is an effort to resolve the difficulty of differential rates being applied to the same loan program. Presently the maximum rate allowed by the U.S. Small Business Administration (SBA) on loans guaranteed by them is the prevailing prime rate plus: 2-1/4% if the loan is less than seven years; or 2-3/4% if the loan is longer than seven years. The present AIDA "buy rate" for the SBA guaranteed portion is Moody's Aa corporate index - in essence, AIDA is loaning funds to the banks at this rate. The bank may then add 1-1/2% to this rate for loans under \$100,000, or 1% to this rate for loans over \$100,000. Generally, there has not been a problem, but with two different rates, particularly one being a "short term" rate (SBA/Prime) and one being a "long term" rate (AIDA/Moody's Aa) the potential exists for the rates to be such that AIDA effectively cannot buy these loans. For instance, the present (mid-March) rates are: Prime = 10.5%; Moody's Aa = 12.4%. For a loan of less than 7 years, the SBA ceiling is 12.75% (10.50% + 2.25%). AIDA will "buy" this loan (i.e. provide funds to the bank) at 12.4%, and allow the bank to charge 1 to 1-1/2% in excess of the 12.4%. Since the SBA ceiling is lower, it will be the effective rate. So the bank would have to loan funds to the borrower at 12.75%, and get funds from AIDA at 12.4%. This spread is inadequate to induce the bank to sell SBA loans to AIDA. This does not mean that a bank will not make an SBA loan based upon some other source of funds, however it does significantly lessen the possibility that a bank will make an SBA loan (the SBA estimates that AIDA purchases 70% of all new SBA guaranteed loans in Alaska).

A simple way to eliminate this problem would be to tie the AIDA rates to prime. However this could create a situation where a borrower was confronted with rates in excess of 20% (prime exceeded 20% during 1980 and 1981, and peaked at 17% during 1982). Section 2 represents a compromise. It sets the AIDA buy rate at the lesser of prime, or Moody's Aa, with a 10% floor. This should allow AIDA to "stay in the SBA business" even if Moody's Aa exceeds prime, as in the example, but still protects the borrower from the egregious rates that could result from being strictly tied to prime. The rationale for the 10% floor is that if rates drop below 10%, AIDA assistance should not be needed.

Sectional Analysis of Multi-Family Legislation

Section 1: This additional language will enable the Authority to use the multi-family housing loan security fund for capital reserve fund purposes. Capital reserve funds are normally equal to one years average annual debt service.

Section 2: This revised language removes the \$10 million limit on capital reserve funds for multi-family housing projects. The original \$10 million limit was based upon the same limit being imposed by the federal tax code.

Section 103(b)(6) of the federal tax code is the "small issue exemption" that allows the Authority to issue tax free industrial development bonds for business financing, up to a limit of \$10 million per project.

Most of the Authority's activities are based on this portion of the tax code. The multi-family program, however, is based on Section 103(b)(4) of the tax code, and no \$10 million limit is applied in this case. Hence, this modification would allow the Authority the opportunity of taking advantage of the greater flexibility of this section of the federal tax code.

Section 3(f): This makes technical corrections to allow the Authority to utilize the reserve fund for bond issues and also prohibits bond proceeds to be used for secondary debt.

Section 4(h): This once again restates that the multi-family housing loan security fund may be used to provide funds for capital reserve purposes and also used for a loan loss reserve.

Section 5(2): This removes the January 1, 1984 sunset provision and allows the multi-family housing to be an ongoing program.

18.56.098 (g) (1-4)

27 ch 106 SLA 1980

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Chapter 106

chapter which exceeds the limitations on mortgage loans purchased by the Federal National Mortgage Association as to principal amount and loan-to-value ratio.

Sec. 18.56.097. COLLATERAL FOR LOANS. Under procedures established by regulations of the corporation adopted in accordance with AS 18.56.088 a person may pledge as security for the repayment of a loan made, purchased or insured by the corporation under this chapter a preference right he holds to receive title to land he occupies as a primary place of residence, primary place of business, subsistence campsite, or as headquarters for reindeer husbandry. The preference right must be conveyed to the person by the Native corporation to which the land was granted under section 14 of the Alaska Native Claims Settlement Act (85 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended P.L. 94-204) before it may be pledged as security under this section. The Department of Community and Regional Affairs shall prescribe procedures and standard forms for establishing and appraising the value of a preference right held by a person to secure the repayment of a loan made, purchased or insured by the corporation under this chapter.

Sec. 18.56.098. SPECIAL MORTGAGE LOAN PURCHASE PROGRAM. (a) The corporation shall establish a special mortgage loan purchase program. Under the special mortgage loan purchase program, the corporation may purchase mortgage loans, including graduated payment mortgage loans, made (1) for the purchase of residences; or (2) for the refinancing of mortgage loan on a residence if the purpose of the refinancing is to provide money for the improvement or rehabilitation of the residence.

(b) The corporation shall adopt regulations under AS 18.56.088 to establish minimum construction standards which a residence must meet before the corporation may purchase a mortgage loan on the residence under (a) of this section. The minimum construction standards shall

include standard deviations from the minimum construction standards to allow the corporation to purchase mortgage loans which do not meet the minimum construction standards but which are approved by an engineer to be within the standard deviations. The standards shall include, but are not limited to, provisions for water holding tanks, on-site water and sewer systems.

(c) The corporation may pledge mortgage loans purchased under (a) of this section, mortgage loans purchased by the corporation for the special mortgage loan purchase program, to the special mortgage loan purchase program to pay the interest and redemption premium, if any, on bonds or bonds issued by the corporation for the special mortgage loan purchase program.

(d) The corporation shall determine the interest rate for a mortgage loan purchased under (a) of this section as follows:

(1) the interest rate may not exceed the interest rate on the first \$90,000 of the loan if the loan is made to a person other than a person under AS 18.56.101;

(2) the interest rate may not exceed the interest rate on the first \$90,000 of the loan if the loan is made to a person who is an eligible veteran under AS 18.56.101;

(3) the interest rate for the amount of the loan which exceeds \$90,000 shall equal the mortgage program interest rate attributable to that part of the loan.

(e) The corporation shall establish regulations under AS 18.56.088 to implement the special mortgage loan purchase program in order to discourage the speculative use of

include standard deviations from the minimum construction standards to allow the corporation to purchase mortgage loans on residences which do not meet the minimum construction standards but which are certified by an engineer to be within the standard deviations. The standard deviations shall include, but are not limited to, provisions relating to water holding tanks, on-site water and sewer systems, and foundations.

(c) The corporation may pledge mortgage loans purchased by the corporation under (a) of this section, mortgage loans assigned to the corporation for the special mortgage loan purchase program, and mortgage loans purchased with amounts appropriated to the corporation for the special mortgage loan purchase program to pay the principal, interest, and redemption premium, if any, on bonds or bond anticipation notes issued by the corporation for the special mortgage loan purchase program.

(d) The corporation shall determine the interest rate charged on a mortgage loan purchased under (a) of this section in accordance with the following:

(1) the interest rate may not exceed nine percent for the first \$90,000 of the loan if the loan is made to an eligible veteran under AS 18.56.101;

(2) the interest rate may not exceed 10 percent for the first \$90,000 of the loan if the loan is made to a person other than an eligible veteran under AS 18.56.101;

(3) the interest rate for the amount of the loan which exceeds \$90,000 shall equal the mortgage program costs to the corporation attributable to that part of the loan.

(e) The corporation shall establish regulations in accordance with AS 18.56.088 to implement the special mortgage loan purchase program. In order to discourage the speculative use of mortgage credit under the

*Dept of Revenue
Heath.*

January 9, 1984

The Honorable Robert Mulcahy
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Mulcahy:

In this letter I would like to briefly respond to your questions regarding Alaska Housing Finance Corporation.

- I. What would happen if there were a dramatic downturn in the Alaska economy and homeowners began defaulting on their Alaska Housing Finance Corporation loans?

The results would depend on the type of loan because Alaska Housing Finance Corporation's different loan programs have different security features. In general, losses on default would be covered first by primary mortgage insurance (PMI), then by mortgage pool insurance, proceeds of disposition of the mortgaged property upon foreclosure, cash assets in the pool (unloaned bond proceeds or mortgage repayments and prepayments), general assets of the corporation, and finally, in the case of state guaranteed bonds, by state appropriation in the event of Alaska Housing Finance Corporation's potential default. For future taxable bond issues, Alaska Housing Finance Corporation expects to obtain in essence the guarantee of the Federal Home Loan Mortgage Corporation (Freddie Mac) on the mortgage purchases. This will eliminate the possibility of Alaska Housing Finance Corporation defaulting and result in a AAA rating on the agency's bonds.

To illustrate the level of coverage provided solely by the insurance security features consider the following example of a mortgage loan from a recent taxable bond issue:

January 9, 1984

The Honorable Robert Mueshy

Page 2

Purchase Price of Home	\$100,000
Loan Amount (95%)	95,000
Primary Mortgage Insurance (PMI) (25% of Loan Amount)	(23,750)
Mortgage Pool Insurance (15% of Loan Amount)	<u>(14,250)</u>
Uninsured Loan Balance	\$ 57,000
Foreclosure Costs (25% of Uninsured Loan Balance)	<u>14,250</u>
Breakeven Price on Sale of Foreclosed Property	\$ 71,250

Thus, property values would have to decline almost 30% in this case, from \$100,000 down to \$71,250, before Alaska Housing Finance Corporation would have to look to other assets.

It should be noted that the pool insurance, 15% in this case, is established at a level that assures that the combination of PMI, pool insurance, and proceeds from foreclosure sales fully covers the loan amounts, based on certain rating agency assumptions about foreclosure sales. The assumptions about foreclosure sales vary with the desired bond rating and with the type of loan, geographic distribution, and loan-to-value ratios. The assumptions of the rating agencies focus on two factors--the percent of loans foreclosed and the percent of loss on sale.

- II. What kind of policy decision would the Legislature and Executive Branches face if Alaska Housing Finance Corporation were to ever default on non-state guaranteed bonds?

The state would want to make whatever decisions were needed to hopefully avoid default before it occurred. If default should occur, the state would face the following questions:

- a) what obligation does the state have to pay off the bonds?

- 1) legally, none;
- 2) for certain bond issues, formal consideration of this question would be triggered before default by notice to the Governor and Legislature of a deficiency in reserve funds backing up debt service payments; these funds are known as "capital reserve funds" and the issue is said to have the state's "moral

January 9, 1983

The Honorable Robert Mulcahy

Page 3

obligation"; the state may at its discretion appropriate funds to make the reserve fund whole; still, no legal obligation;

3) a moral obligation of a different sort might be felt to exist because of Alaska Housing Finance Corporation's close relationship with the state:

A) a majority of Alaska Housing Finance Corporation's board are commissioners;

B) Alaska Housing Finance Corporation is subject to the executive budget act;

C) Alaska Housing Finance Corporation has received substantial appropriations from the state for subsidies and reserve funds;

D) the sheer size of its debt relative to all public debt in the state;

b) would default mean the termination of all future Alaska Housing Finance Corporation activity and programs? would its access to the bond market be denied? what housing programs, if any, would the state attempt to operate in the future?

c) would the state have the financial wherewithal to either bail out the agency or continue housing programs? presumably, events so momentous as to result in default by Alaska Housing Finance Corporation will not leave the state unscathed;

d) what effect would failure to bail out Alaska Housing Finance Corporation have on the ability of the state, other state agencies, and municipalities to borrow money? this is similar to your last question, namely:

III. How would a bond default by Alaska Housing Finance Corporation affect the state's bond rating and the state's ability to sell other kinds of bonds?

January 9, 1984

The Honorable Robert Mulcahy

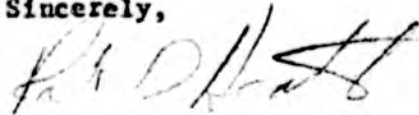
Page 4

As previously mentioned, any external event that precipitates a default by Alaska Housing Finance Corporation is very likely also to have lowered bond ratings, raised interest costs, or limited credit market access for the state, other state agencies, and municipalities as well.

Beyond these effects, the state's financial advisor does feel that an Alaska Housing Finance Corporation default would hurt state borrowing and possibly eliminate the ability of agencies and municipalities to borrow. The advisor stresses that the previously discussed close association of the state and Alaska Housing Finance Corporation would result in the bond market perceiving it to be to large extent a state responsibility.

By comparison, the default of the Washington Public Power Supply System (WPPSS or "Whoops") which had no association with the state, resulted in an approximate 1% interest penalty on the state of Washington's first issue subsequent to the default. However, even a WPPSS participant was able to issue bonds subsequent to the default at only a slightly greater penalty. The participant, Snohomish PUD, sold \$240 million at a penalty estimated at roughly 1 1/2% after having their ratings downgraded.

Sincerely,



Robert D. Heath
Commissioner of Revenue

RDR:MB:mw

NOTICE OF PROPOSAL TO ADOPT REGULATIONS
OF THE ALASKA HOUSING FINANCE CORPORATION

NOTICE IS HEREBY GIVEN that the Alaska Housing Finance Corporation under authority vested by AS 18.56.088, proposes to adopt amendments to its regulations. These amendments would constitute permanent regulations and includes the following:

15 AAC 118.342. HOME OWNERSHIP ASSISTANCE PROGRAM. There exists instances where a borrower exceeds the income limitations for a HDF loan, yet does not have enough income to qualify for a standard AHFC loan. The proposed changes to the HDF program are intended to "close the gap" for these borrowers by allowing participation in the subsidized program. The major change to the regulations is the elimination of income restrictions. The borrower will be required to contribute a minimum of 28% of his gross monthly income to the mortgage payment. Limitations on assets and purchase price and/or value of the home will remain. Additional changes to the program include the expansion of the program to include Class II mobile home loans and Federal VA loans, and deletion of the subsidy calculation based on the difference between the actual principal and interest payment and 20% of the borrowers' income.

Notice is also given that any person may present oral or written statements or arguments relevant to the action proposed at hearings to be held telephonically at 9:00 am on Wednesday, January 4, 1984 at the following locations:

1. Legislative Information Office, 1024 West 6th Avenue,
Anchorage, Alaska
2. Legislative Information Office, Behrends Building, Room 208,
Juneau, Alaska
3. Kenai Peninsula Information Office, Cordova Building, Spur
Highway, Soldotna, Alaska
4. Fairbanks Information Office, 315 Barnette Street, Suite 101,
Fairbanks, Alaska

Copies of the proposed changes to the regulations may be obtained by contacting the Alaska Housing Finance Corporation at 235 East 8th Avenue, Anchorage, Alaska or upon application by mail or telephone at the Alaska Housing Finance Corporation, PO Box 101020, Anchorage, AK 99510. (907-276-5599)

At the time and places referred to above, a representative of the Corporation shall give each interested person or any authorized representative, or both, the opportunity to present statements, arguments or contentions in writing, and will give members of the public an opportunity to present oral statements, oral arguments or contentions. The Board of the Corporation will consider all relevant information presented at the hearing before taking action on the proposed regulations. The time and place for that Board meeting will be announced. The Corporation may continue to postpone the hearing set forth above to times and places which it determines. Any amendment of a regulation which is adopted after the hearing may vary in content from the summary in this notice if the subject matter in the amendment remains the same.

DATED this 12th day of December, 1983, Anchorage, Alaska.

BY ORDER OF THE BOARD OF DIRECTORS
/s/Franklin C. Roppel
Chairman of the Board

JAN 12 1984

TRANSCRIPT OF

COPY

THE ALASKA HOUSING FINANCE CORPORATION
BOARD OF DIRECTORS
SPECIAL MEETING

DECEMBER 7, 1983

9:00 a.m.

ANCHORAGE/FAIRBANKS/JUNEAU/SOLDOTNA

MURPHY: JUDY, CAN YOU HEAR ME?

DESPAIN: YES, I CAN. JUST A MOMENT, I'M GONNA PUT YOU ON THE SPEAKER.
JUDY, DO WE HAVE THE OTHER LOCATIONS ON THE LINE?

MURPHY: OKAY.

DESPAIN: I'M ASKING YOU THAT.

MURPHY: YES.

DESPAIN: OKAY. JUST A MOMENT. OKAY, WE'RE ON THE SPEAKER SYSTEM NOW.

RUDD: HELLO?

MURPHY: YES.

RUDD: THIS IS COMMISSIONER RUDD IN JUNEAU.

DESPAIN: JUDY?

MURPHY: YES, JUDY.

DESPAIN: YES, WE CAN HEAR YOU. IT'S FAINT, BUT YOU ARE COMING THROUGH.

MURPHY: ALLRIGHT.

VILLIOS: THIS IS LYNN VILLIOS, AT BLYTH EASTMAN IN NEW YORK.

ROPPEL: BOY, THAT SOUNDED OMINOUS.

MURPHY: YES.

CONFERENCE

OPERATOR: I THINK WE LOST ALEX SOME PLACE ALONG THE LINE. HELLO, IS...
ALEX? JUST A MINUTE, LET ME GET HIM BACK... LET ME GET HER
BACK ON THE LINE.

ROPPEL: COMMISSIONER RUDD, THIS IS FRANK ROPPEL. CAN YOU HEAR ME
OKAY? JUDY, CAN YOU HEAR ME?

DESPAIN: YES, I CAN HEAR YOU, FRANK. IT'S FAINT, BUT I AM... BUT WE
CAN HEAR.

CONFERENCE

OPERATOR: JUST A MINUTE, I HAVE TO GET... LET... GET ALEX BACK ON THE
LINE. SHE HUNG UP FOR SOME REASON. JUST A SECOND.

ROPPEL: COMMISSIONER RUDD?

(inaudible)

CONFERENCE

OPERATOR: OPERATOR REPORTING. WE WERE CUT OFF FROM ALEX.

JUNEAU: YES, HANG ON JUST A MOMENT, PLEASE.

CONFERENCE

OPERATOR: OKAY.

ALEX: HELLO. CAN YOU HEAR US?

ROPPEL: GO AHEAD.

CONFERENCE
OPERATOR: HELLO, IS THIS ALEX?

ALEX: YES, IT IS.

CONFERENCE
OPERATOR: OKAY, JUDY MURPHY?

MURPHY: YES.

CONFERENCE
OPERATOR: DEE? HELLO, DEE?

ROPPEL: ASK HER TO CHECK 'EM BY LOCATION.

MURPHY: JUDY?

CONFERENCE
OPERATOR: MAM'M?

MURPHY: JUDY DESPAIN?

DESPAIN: YES, WE'RE HERE.

MURPHY: CAN YOU CHECK ALL THE LOCATIONS ONCE MORE, PLEASE? WE'RE NOT HEARING THAT.

CONFERENCE
OPERATOR: IS DEE THERE? HELLO, DEE? JUST A MINUTE. I DON'T KNOW WHAT HAPPENED. YOUR STILL CONNECTED HERE.

DEE: THIS IS DEE IN SOLDOTNA.

CONFERENCE

OPERATOR: OKAY.

ROPPEL: WHERE IS DEE?

MURPHY: SOLDOTNA.

CONFERENCE

OPERATOR: I HAVE LYNN VILLIOS, ALEX, DEE, JUDY MURPHY, AND JUDY DESPAIN.
ARE ALL OF YOU THERE?

DESPAIN: DESPAIN IS HERE, OPERATOR.

MURPHY: MURPHY IS HERE.

VILLIOS: VILLIOS IS HERE.

ALEX: ALEX IS HERE.

ROPPEL: COMMISSIONER RUDD, CAN YOU HEAR ME OKAY?

RUDD: YES.

ROPPEL: OKAY. THANK YOU. WE HAVE A QUORUM AND THE ALASKA HOUSING
FINANCE BOARD MEETING SCHEDULED FOR DECEMBER 7TH AT FAIRBANKS
IS CONVENED. JUDY MURPHY, WOULD YOU CALL THE ROLL FOR US,
PLEASE?

MURPHY: YES, MR. CHAIRMAN. COMMISSIONER RUDD?

RUDD: I'M HERE IN JUNEAU.

MURPHY: MILT BARKER.

BARKER: HERE, FAIRBANKS.

MURPHY: TERRY ELDER?

ELDER: HERE.

MURPHY: KENNETH CALHOON?

CALHOON: HERE.

MURPHY: FRANK ROPPEL?

ROPPEL: HERE. OKAY. WE HAVE A QUORUM. ALL OF THE COMMISSIONERS ARE EITHER PRESENT... ALL OF THE BOARD MEMBERS ARE EITHER PRESENT OR REPRESENTED BY THEIR AUTHORIZED DESIGNEE. BEFORE WE START THE BOARD MEETING, I'D LIKE TO LET YOU ALL KNOW WHAT OUR NORMAL PROCEDURES FOR THE BOARD IS. WE HAVE AN AGENDA WE WOULD LIKE TO GO THROUGH. AFTER WE FINISH WITH THE REGULAR AGENDA ITEMS, WE'LL HAVE A PERIOD FOR PUBLIC COMMENT IN WHICH WE WOULD ENCOURAGE ANYONE HERE THAT HAS ANY COMMENTS OR QUESTIONS ABOUT ALASKA HOUSING FINANCE BUSINESS, THEIR POLICIES OR IDEAS THAT MIGHT AFFECT OUR BUSINESS... WE'D APPRECIATE HEARING THE COMMENTS, AND WE WILL ALSO TAKE THOSE COMMENTS FROM LOCATIONS OF SOLDOTNA, JUNEAU, AND ANCHORAGE SHOULD THERE BE ANYONE THERE THAT WISH TO MAKE COMMENTS TO THE CORPORATION.

DESPAIN: THIS IS JUDY IN ANCHORAGE. WE ABSOLUTELY ARE NOT RECEIVING YOU AT ALL.

ROPPEL: JUDY, CAN YOU HEAR ME NOW?

DESPAIN: IT'S A LITTLE BIT BETTER. IT'S JUST CUTTING IN AND OUT. IT'S REALLY VERY POOR RECEPTION HERE.

ROPPEL: TRY JUDY MURPHY... JUST A MINUTE. WE'LL TRY HER MICROPHONE AND SEE IF IT'S ANY BETTER.

DESPAIN: OKAY. GREAT.

MURPHY: JUDY, CAN YOU HEAR ME?

DESPAIN: YES, I CAN. IT IS SOMEWHAT BETTER, JUDY.

MURPHY: OKAY. WE'LL TRADE MICROPHONES.

LYNCH: FRANK, YOU'LL HAVE TO HOLD THE KEYS.

(inaudible)

ROPPEL: HOW'S THAT NOW, JUDY.

DESPAIN: OH, MUCH BETTER.

ROPPEL: MR. LYNCH HAS INSTRUCTED ME IN THE USE OF THE MICROPHONE.

DESPAIN: GREAT.

ROPPEL: OKAY. LET'S PROCEED WITH THE MINUTES OF THE NOVEMBER 22ND SPECIAL MEETING. COULD WE HAVE A RESOLUTION ON THE MINUTES, PLEASE?

RUDD: MR. CHAIRMAN? MR. CHAIRMAN?

ROPPEL: YES, COMMISSIONER.

RUDD: THIS IS COMMISSIONER RUDD. THE FIRST THING I'D LIKE TO SAY IS THAT SINCE WE ARE SO SPREAD OUT TODAY, I WOULD REALLY APPRECIATE IT IF ANYTIME, ANYONE SPEAKS THEY WOULD SAY WHO THEY ARE. THE SECOND THING I WOULD LIKE TO SAY IS THAT I WOULD MOVE FOR ADOPTION OF THE MINUTES OF THE NOVEMBER 22ND MEETING.

ROPPEL: COMMISSIONER RUDD HAS MOVED FOR ADOPTION OF THE NOVEMBER 22ND MINUTES. IS THERE A SECOND?

ELDER: THIS IS TERRY ELDER. I'LL SECOND IT.

ROPPEL: OKAY. THE MINUTES HAVE BEEN MOVED AND SECONDED. IS THERE A QUESTION? QUESTION'S BEEN CALLED. BECAUSE WE'RE SPREAD OUT, JUDY, WOULD YOU READ THE ROLL, PLEASE?

MURPHY: YES, MR. CHAIRMAN. COMMISSIONER RUDD?

RUDD: YES.

MURPHY: MILT BARKER?

BARKER: YES.

MURPHY: TERRY ELDER?

ELDER: YES.

MURPHY: KEN CALHOON?

CALHOON: YES.

MURPHY: FRANK ROPPEL.

ROPPEL: YES. OKAY. WE'LL MOVE ON TO NEW BUSINESS THEN. THE FIRST BUSINESS WILL BE CONSIDERATION OF THE PROPOSED REGULATIONS ON THE HOME OWNERS' ASSISTANCE.... HOMEOWNERSHIP ASSISTANCE PROGRAM, AND THAT'S ITEM 3, SUB TAB A. IN YOUR AGENDA.

RUDD: MR. CHAIRMAN?

ROPPEL: YES.

RUDD: MR. CHAIRMAN?

ROPPEL: YES, COMMISSIONER.

RUDD: THIS IS LISA RUDD IN JUNEAU. WHEN WE VOTE, I CANNOT HEAR THE VOTES OF THE VARIOUS PEOPLE WHO ARE VOTING, SO I WOULD

RUDD: APPRECIATE IT IF THE PERSON WHO CALLS THE ROLL FOR VOTES, WOULD ANNOUNCE THE TOTAL.

ROPPEL: OKAY. WE'LL DO THAT.

RUDD: THANK YOU.

ROPPEL: MIKE, WILL YOU EXPLAIN... WILL YOU EXPLAIN THE HOMEOWNER-SHIP ... THE REG, PLEASE?

LYNCH: YES, MR. CHAIRMAN. THIS IS MIKE LYNCH IN FAIRBANKS. MR. CHAIRMAN. WE HAVE EXAMINED THE H.O.F. PROGRAM OVER THE LAST SIX MONTHS, AND FOUND THAT THERE ARE CERTAIN GAPS IN THE PROGRAM. THE PURPOSE OF THIS PROPOSED CHANGE IN REGULATION IS TO ELIMINATE THOSE GAPS. IT DOES THREE PRINCIPAL THINGS. NUMBER ONE, ALTHOUGH WE SUBSIDIZE DOWN TO 6 PERCENT, BECAUSE OF OUR INCOME LIMITS, THERE WERE SOME PEOPLE WHO NEITHER COULD GET DOWN TO QUALIFY FOR THE 6 PERCENT LIMIT NOR HAD ENOUGH INCOME TO PAY THE NORMAL 10 OR 11 PERCENT RATE. THIS... THE FIRST CHANGE IS THAT WE WILL ELIMINATE INCOME LIMITS AND WORK STRICTLY ON THE BASIS OF 28 PERCENT OF INCOME, WHICH WILL MEAN THAT YOU MAY BE SUBSIDIZED TO 6 PERCENT, OR 7 PERCENT, OR 8 PERCENT, BUT IT WILL CLOSE THE GAP FOR THOSE PEOPLE WHO DIDN'T HAVE LITTLE ENOUGH INCOME TO QUALIFY OR ENOUGH INCOME TO GET THE REGULAR RATE. THE SECOND IS THAT WE HAVE TALKED TO THE VETERANS ADMINISTRATION AND THEY ARE NOW WILLING TO INSURE LOANS, VETERANS' LOANS, UNDER THE H.O.F. PROGRAM SO WE WILL BE MAKING VETERANS' LOANS WITH H.O.F. SUBSIDY FOR THE VETERAN QUALIFIED. THE THIRD IS THAT WE HAVE TAKEN A LOOK AT OUR MOBILE HOME ACTIVITY AND MOBILE HOME INCOME LIMITS AND WE ARE GOING TO EXTEND THE H.O.F. PROGRAM TO MOBILE HOMES. THIS WILL MEAN THAT A PERSON BUYING A \$20,000.00 MOBILE HOME WILL NEED ABOUT A \$1,000.00 DOWN AND AN INCOME OF ABOUT \$1,300.00 A MONTH TO QUALIFY FOR A \$20,000.00 MOBILE HOME PURCHASE OR A \$19,000.00 LOAN. FINALLY, WE DID HAVE REQUIREMENTS IN THE PROGRAM THAT, ALTHOUGH WE... WE'RE ASKING A PERSON TO COMMIT 28 PERCENT OF THEIR INCOME TO THE PAYMENTS FOR THEIR HOUSING,

LYNCH: THAT WE LIMITED OUR SUBSIDY TO 20 PERCENT OF THEIR GROSS INCOME. THIS ALSO CREATED A SLIGHT GAP AND KNOCKED A FEW PEOPLE OUT OF THE PROGRAM. THERE WAS NO GOOD REASON FOR THE 20 PERCENT LIMITATION IN THE PROGRAM SO WE'VE TAKEN IT OUT. BASICALLY, WHAT WE'RE DOING IS SAYING THAT IF A PERSON HAS 5 PERCENT DOWN AND 28 PERCENT OF THEIR INCOME, WE'LL COVER A 6 PERCENT MORTGAGE ON THE HOUSE. WE WILL MAKE THE LOAN... WE WILL TRY TO TAKE ALL THE GAPS OUT OF THE PROGRAM.

ROPPEL: OKAY. DOES ANYONE HAVE ANY QUESTIONS OR DISCUSSION ON THIS? ALLRIGHT.

BARKER: MR. CHAIRMAN, THIS IS MILTON BARKER. I WANTED TO ASK WHAT THE IMPACT WOULD BE ON THE FY '85 BUDGET, IF ANY? I TRUST HE INDICATED THE COST WOULD BE AN ADDITION TO A MILLION DOLLARS. THAT WE HAVE THE FUNDS, I GUESS, FOR FY '84?

LYNCH: THIS IS MIKE LYNCH. MR. CHAIRMAN, THE HOMEOWNERSHIP FUND HAS EARNINGS IN EXCESS OF ITS REQUIREMENTS, WHICH ARE ROLLED OVER AND CONTINUOUSLY INVESTED AND WE HAVE ADEQUATE INCOME TO COVER THE MILLION DOLLARS IN '85 AND IN THE FUTURE. IT WILL NOT CHANGE OUR BUDGET REQUEST.

RUDD: MR. CHAIRMAN?

ROPPEL: YES, COMMISSIONER.

RUDD: THIS IS LISA RUDD. I HAVE NO COMMENT ON THIS PROPOSAL, BUT I DO WANT TO TELL YOU THAT ANSELM STAACK AND JOHN RUBINI HAVE BOTH JOINED THE MEETING HERE IN JUNEAU.

ROPPEL: THANK YOU. ARE THERE ANY OTHER COMMENTS OR QUESTIONS RELATING TO THESE PROPOSED CHANGES?

RUDD: MR. CHAIRMAN, DO YOU NEED A MOTION OR DO YOU SIMPLY JUST WANT TO GO AHEAD ON CONSENSUS?

LYNCH: MR. CHAIRMAN, I BELIEVE WE NEED A MOTION AUTHORIZING THE STAFF TO GO OUT AND HOLD PUBLIC HEARINGS. I MIGHT ALSO ADD THAT THE PROPOSED REGULATIONS HAVE BEEN REVIEWED BY THE A.G.'S OFFICE AND BY BOND COUNSEL ON OUR END... PROPER FORM.

RUDD: MR. CHAIRMAN?

ROPPEL: YES, COMMISSIONER.

RUDD: THIS IS LISA RUDD. I WOULD MOVE TO AUTHORIZE THE STAFF TO PROCEED WITH THE PUBLIC HEARING PROCESS.

ROPPEL: OKAY. IT'S BEEN MOVED. IS THERE A SECOND?

BARKER: THIS IS MILT BARKER. I'LL SECOND THAT, MR. CHAIRMAN.

ROPPEL: IT'S BEEN MOVED AND SECONDED. IS THERE ANY MORE DISCUSSION?

ELDER: MR. CHAIRMAN?

ROPPEL: TERRY.

ELDER: I JUST LIKE TO COMMEND THE STAFF FOR THEIR SENSITIVITY TO THE NEEDS OF LOW AND MODERATE INCOME PEOPLE. I THINK THESE PROPOSED REGULATIONS REFLECT THAT SENSITIVITY.

ROPPEL: ANY OTHER COMMENTS?

CALHOON: JUST ONE QUESTION, MR. CHAIRMAN. THIS IS KEN CALHOON IN FAIRBANKS. WHEN... AS I UNDERSTAND IT, WE'RE GOING OUT FOR PUBLIC HEARINGS ON THIS. IS THAT CORRECT, MIKE?

LYNCH: THAT IS CORRECT.

CALHOON: AND WHEN WOULD BE THE EARLIEST THAT THIS COULD BE ADOPTED?

LYNCH: I CAN'T ANSWER THE EARLIEST BECAUSE WE HAVEN'T GOT A MEETING SCHEDULED IN JANUARY, BUT I WOULD EXPECT THAT THE LATEST IT WOULD BE ADOPTED WOULD BE AT THE FEBRUARY MEETING.

CALHOON: THANK YOU. THAT ANSWERS MY QUESTION.

ROPPEL: HEARING NO OTHER QUESTIONS, JUDY WOULD YOU READ THE ROLL, PLEASE?

MURPHY: YES, MR. CHAIRMAN. COMMISSIONER RUDD?

RUDD: YES.

MURPHY: MILT BARKER?

BARKER: YES.

MURPHY: TERRY ELDER?

ELDER: YES.

MURPHY: KEN CALHOON?

CALHOON: YES

MURPHY: FRANK ROPPEL?

ROPPEL: YES. THE VOTE IS UNANIMOUS FOR ADOPTION OF THE RESOLUTION... THE MOTION. THE NEXT ITEM ON OUR AGENDA DEALS WITH THE \$75 MILLION ALASKA HOUSING FINANCE VETERANS MORTGAGE BOND SALE. MIKE, WOULD YOU PROCEED, PLEASE?

End of Subject.

LYNCH: MR. CHAIRMAN, WE HAVE MIKE CAMERON WITH US WHO'S THE FINANCE DIRECTOR. HE'LL OUTLINE THE REASONS FOR THE PROPOSED BOND SALE.

CAMERON: THE RESOLUTION BEFORE YOU TODAY IS A RESOLUTION THAT WOULD AWARD THE BONDS TO THE SUCCESSFUL BIDDER. THE RESOLUTION IS FOR THE 1983 SIXTH SERIES, VETERANS MORTGAGE PROGRAM BONDS THAT ARE TO BE SOLD TODAY PURSUANT TO A RESOLUTION BY THE BOARD ON NOVEMBER 22ND AND ON THAT SAME DAY, THE STATE BOND COMMITTEE APPROVED THE AMOUNT AND TIMING OF THE SALE AS REQUIRED BY STATUTE. THE SIXTH SERIES WILL BRING THE TOTAL OF STATE GUARANTEED BONDS TO \$475 MILLION FOR THIS YEAR. IT'S BEEN A VERY ACTIVE PROGRAM AND THE RECENT ACTIVITY SHOWS THAT IT WOULD BE ONE TO ASSUME...

DESPAIN: MARK, WE'RE NOT RECEIVING YOU IN ANCHORAGE.

CAMERON: OKAY. JUDY, DID YOU RECEIVE THE FIRST PART, OR SHOULD I START OVER?

DESPAIN: NO. I DON'T THINK YOU NEED TO START OVER, MARK, BUT IT'S VERY DIFFICULT HEARING YOU. YOUR FADING IN AND OUT A LOT.

CAMERON: OKAY. AS I MENTIONED THIS WILL BRING THE TOTAL OF STATE GUARANTEED BONDS TO \$575 MILLION. THE PROGRAM HAS BEEN VERY ACTIVE AND RECENT ACTIVITY WOULD INDICATE THAT IT WOULD STAY VERY ACTIVE. IT RUNS ROUGHLY, ONE-THIRD OF OUR TOTAL MORTGAGE APPLICATIONS' VOLUME. THE SIXTH SERIES REPRESENTS THE FIRST ISSUANCE OF BONDS PURSUANT TO THE NOVEMBER 8TH, 1983 SPECIAL ELECTION WHICH APPROVED A TOTAL OF \$500 MILLION OF THOSE TYPE OF BONDS. I THINK, AT THIS TIME, IT MAY BE APPROPRIATE TO REQUEST THE FINANCIAL ADVISOR, BLYTH EASTMAN, TO PRESENT THE BIDS THAT THEY RECEIVED IN NEW YORK. LYNN, ARE YOU ON THE PHONE?

VALLIOS: I AM.

CAMERON: COULD YOU PRESENT THE BIDS...

VALLIOS: I DO NOT KNOW IF BOB WAS IN OR STEWART. WE RECEIVED THREE BIDS IN NEW YORK. THE FIRST BID WHICH WAS THE BID WITH THE

VALLIOS: LOWEST T.I.C. WAS A BID FROM SALOMON BROTHERS. T.I.C. ON THAT
 BID WAS 9.9648 PERCENT. THAT HAS BEEN VERIFIED BY US. THE
 SECOND BID WHICH WE RECEIVED WAS FROM GOLDMAN SACHS. THEIR
 T.I.C. WAS 9.980267. IT ALSO WAS VERIFIED. THE THIRD BID
 THAT WE RECEIVED WAS FROM THE CITIBANK WITH A T.I.C. OF
 10.0306.

LYNCH: LYNN, COULD YOU PLEASE READ US THE BIDS GIVING THE PRINCIPAL
 AMOUNTS, INTEREST RATE, BY EACH YEAR?

VALLIOS: I'M SORRY, I DIDN'T CATCH ALL OF THAT.

LYNCH: I SAY, COULD YOU PLEASE, STARTING WITH THE SALOMON BID FORM,
 READ US THE BID LISTING THE PRINCIPAL AMOUNT AND INTEREST
 RATE IN EACH MATURITY, AND THE PRICE...

VALLIOS: ONCE AGAIN, I GOT AS FAR AS WOULD YOU PLEASE READ THE BID
 STARTING WITH SALOMON. DO YOU WANT THE AMOUNT, DOLLAR AMOUNTS
 OF THE BID?

LYNCH: YES, THAT'S CORRECT.

CAMERON: EXCUSE ME, LYNN, I THINK HE WAS ASKING FOR MORE. HE WANTS THE
 ENTIRE... THE PRINCIPAL AMOUNT OF THE DEBT SERVICE SCHEDULE
 AND THE APPLICABLE INTEREST RATE, AN INDICATION OF WHETHER IT
 WAS A MATURITY OR A SINKING FUND PAYMENT.

RUDD: MR. CHAIRMAN, WE CAN'T HEAR YOU AT ALL IN JUNEAU.

VALLIOS: NO. I CAN'T HEAR YOU IN NEW YORK EITHER.

ROPPEL: HANG ON, JUST A SECOND. WE'RE GOING TO OVERHAUL THE SYSTEM
 HERE IN JUST A MINUTE. MARK...

VALLIOS: OKAY. THAT SOUNDED GREAT.

ROPPEL: CHAIRMAN'S PRIVILEGE. NEW YORK, WHAT WE WOULD LIKE TO HAVE ARE THE COMPLETE DETAILS THAT MATCH UP WITH THE RESOLUTION AND THE FINANCIAL DETAILS OF THE BID PACKAGE.

VALLIOS: ALLRIGHT. LET ME GIVE YOU ON SALOMON BROTHERS THE INTEREST RATES FOR EACH MATURITY. IT WAS STRUCTURED AT ALL SERIAL MATURITIES. 1984, 6 PERCENT; '85, 6 1/2 PERCENT; '86, 7 PERCENT; '87, 7.4 PERCENT; '88, 7.80 PERCENT; '89, 8.20; '90, 8.50; '91, 8.75; '92, 9 PERCENT; '93, 9.25; '94, 9.50; '95, 9.70; '96, 9.80; '97, 9.90; AND THE YEARS 1998 THROUGH 2001, TEN PERCENT IN EACH YEAR. THE PURCHASE PRICE ON THE SALOMON BROTHERS BID WAS \$73,419,438.75. THAT'S A DISCOUNT OF \$1,580,561.25.

CAMERON: LYNN, THIS IS MARK IN FAIRBANKS. CAN YOU INDICATE WHICH OF THOSE WERE MATURITIES AND WHICH WERE SINKING FUND?

VALLIOS: THEY WERE ALL MATURITIES. NO SINKING FUND.

CAMERON: THANK YOU.

ROPPEL: DO YOU WANT HER TO PROCEED WITH THE OTHER BIDS, TOO? OKAY. LYNN, WOULD YOU PROCEED WITH THE OTHER BIDS, ALSO?

VALLIOS: ALLRIGHT. THE GOLDMAN SACHS BID. FIRST I WILL READ TO YOU THE INTEREST RATES. IN THE YEARS 1984 THROUGH 1987, IN EACH YEAR, THE RATE WAS 7.25 PERCENT. THESE, ONCE AGAIN ARE ALL SERIAL MATURITIES. NO SINKING FUNDS. 1988, 7.75; 1989, 8.20; 1990, 8.60; 1991, 9; 1992, 9.10; 1993, 9.30; 1994, 9.50; 1995, 9.60; 1996 AND 1997, EACH 9.75; YEARS 1998 THROUGH 2001, 10 PERCENT EACH YEAR, ALL AT SERIAL MATURITIES. THE PURCHASE PRICE FROM THE GOLDMAN SACHS BID WAS \$73,313,049.20, WHICH IS A DISCOUNT OF \$1,686,950.80.

ROPPEL: OKAY. THANK YOU.

VALLIOS: AND LET ME READ YOU THE CITIBANK'S BID, PLEASE. FIRST WITH INTEREST RATES. IN 1984, 6 PERCENT; 1985, 6 1/2; 1986, 7; '87, 7 1/2; '88, 8 PERCENT; '89, 8.25; '90, 8 1/2; 1991, 8.75; 1992, 9 PERCENT; 1993, 9 1/4; 1994, 9 1/2; 1995, 9.70; 1996, 9.90; 1997, 1998, AND 1999, 10 IN EACH YEAR ALL AT SERIAL MATURITIES; 2000 AND 2001, 10.10 BOTH AT SERIAL MATURITIES. THE PURCHASE PRICE WAS \$73,312,500.00, WHICH IS A DISCOUNT OF \$1,687,500.00. OH...

ROPPEL: OKAY. THANK YOU, LYNN. MARK, I THINK WE'RE READY FOR A... DO YOU HAVE STAFF OPINION ON THIS?

CAMERON: I THINK IT MAY BE APPROPRIATE TO ASK BOB WALSH WITH BLYTH EASTMAN TO COMMENT ON THE BOND SALE AT THIS POINT.

DESPAIN: MARK?

CAMERON: YES, JUDY.

DESPAIN: IT IS IT POSSIBLE TO GET THE... WE DID NOT HEAR THE WINNING BID, THE TRUE INTEREST COST, OR THE OTHER FIGURES CONNECTED WITH THAT WINNING BID.

VALLIOS: LET ME READ TO YOU THE T.I.C. AND THE OTHER NUMBERS CONNECTED WITH SALOMAN BROTHERS' BID. THE T.I.C. IS 9.9648. THE INTEREST RATES BEGINNING IN '84 ARE 6 PERCENT; '85, 6 1/2; '86, 7; '87, 7.40; '88, 7.80; '89, 8.20; '90, 8 1/2; '91, 8 3/4; '92, 9; '93, 9 1/4; '94, 9 1/2; '95, 9.70; '96, 9.80; '97, 9.90; AND IN THE YEARS 1998 THROUGH 2001, 10 PERCENT. ALL OF THOSE WERE SERIAL MATURITIES. THE PURCHASE PRICE WAS \$73,419,438.75, WHICH IS A DISCOUNT OF \$1,580,561.25.

DESPAIN: THANK YOU.

VALLIOS: YOUR WELCOME.

WALSH: MR. CHAIRMAN, THIS IS BOB WALSH FROM BLYTH EASTMAN PAINE WEBBER. IN REVIEWING THE THREE BIDS THAT WERE RECEIVED AND IN COMPARISON WITH THE TREMENDOUS SUPPLY OF HOUSING REVENUE BONDS IN THE MARKETPLACE, THIS WEEK, FOR THE PAST TWO WEEKS, AND FOR THE FOLLOWING COUPLE OF WEEKS, I'M VERY HAPPY WITH THE BIDS RECEIVED, AND WOULD RECOMMEND TO THE CORPORATION THAT THEY ACCEPT THE WINNING BID FROM SALOMON BROTHERS. I THINK ITS PROBABLY NOT THE APPROPRIATE TIME TO HAVE SOLD BONDS BUT THE CORPORATION IS IN NEED OF THE PROCEEDS TO MAKE VETERANS' MORTGAGE MONEY RIGHT AT THE PRESENT TIME. I'M VERY HAPPY WITH THE BIDS RECEIVED, AND WOULD STRONGLY RECOMMEND ACCEPTANCE.

RUDD: MR. CHAIRMAN?

ROPPEL: YES, COMMISSIONER.

RUDD: THIS IS LISA RUDD. ARE YOU READY FOR A MOTION?

ROPPEL: WE ARE READY FOR A MOTION.

RUDD: I WOULD MOVE FOR RESOLUTION NUMBER... WHAT WOULD BE THE NUMBER?

ROPPEL: IT WILL BE 83-54.

RUDD: I WOULD MOVE RESOLUTION 83-54, RESOLUTION AWARDING \$75,000,000.00 ALASKA HOUSING FINANCE CORPORATION STATE GUARANTEED BONDS, 1983 SIXTH SERIES.

ROPPEL: OKAY. IT'S BEEN MOVED. IS THERE A SECOND, PLEASE?

CALHOON: THIS IS KEN CALHOON IN FAIRBANKS. I'LL SECOND THE MOTION, MR. CHAIRMAN.

ROPPEL: THANK YOU. IS THERE ANY MORE DISCUSSION? MIKE, IS THERE ANYTHING ELSE THAT NEEDS TO BE COVERED?

LYNCH: MR. CHAIRMAN, I ASSUME THE MOTION IS MADE ON THE BASIS THAT ON PAGE 3, SECTION 4, WE ARE FILLING IN THE NAME SALOMON BROTHERS INC, AND ON PAGE 4 AT THE TOP, WE'RE FILLING IN A PRICE OF \$73,419,438.75., AND POSSIBLY BEFORE WE VOTE ON THE MOTION, WE SHOULD ASK BOND COUNSEL IF ALL LEGAL REQUIREMENTS OF THE SALE HAVE BEEN MET?

ROPPEL: OKAY. JUST A MOMENT, PLEASE.

RUDD: MR. CHAIRMAN?

ROPPEL: YES, COMMISSIONER.

RUDD: THIS IS LISA RUDD. I THINK MIKE LYNCH READ MY MIND.

ROPPEL: OKAY. WE'RE GOING ALONG OKAY.

VASSAR: YES, MR. CHAIRMAN. THIS IS KEN VASSAR IN FAIRBANKS. THE LEGAL REQUIRMENTS HAVE BEEN MET AND IF YOU HAVE ANY QUESTIONS, I'LL BE HAPPY TO ANSWER THEM.

ROPPEL: OKAY. ANYTHING ELSE, MIKE? OKAY. IT APPEARS THAT ALL OF THE REQUIREMENTS NECESSARY TO APPROPRIATELY SELL THE BONDS HAVE BEEN MET. ARE YOU READY FOR THE QUESTION? QUESTION'S BEEN CALLED. JUDY, WOULD YOU CALL THE ROLL, PLEASE?

MURPHY: YES, MR. CHAIRMAN. COMMISSIONER RUDD?

RUDD: YES.

MURPHY: MILT BARKER?

BARKER: YES.

MURPHY: TERRY ELDER?

ELDER: YES.

MURPHY: KEN CALHOON?

CALHOON: YES.

MURPHY: FRANK ROPPEL?

ROPPEL: YES. ALL OF THE BOARD MEMBERS HAVE VOTED AFFIRMLY THAT THE MOTION PASSES BY UNANIMOUS VOTE. SO, SALOMON BROTHERS, YOU HAVE THE BONDS AND WE'LL PROCEED ON WITH THE NEXT ITEM ON THE AGENDA. AT THIS POINT IT MIGHT... AT THIS POINT IT MIGHT BE APPROPRIATE TO TAKE A COUPLE OF MINUTES RECESS WHILE WE GET OUR PAPER WORK IN ORDER.

Recess

ROPPEL: ANCHORAGE STILL ON THE LINE? WOULD... STARTING WITH ANCHORAGE, WOULD YOU SPEAK UP PLEASE, SO THAT WE KNOW YOUR THERE?

DESPAIN: WE CAN HEAR YOU, FRANK, BARELY.

ROPPEL: SOLDOTNA, CAN YOU HEAR US, PLEASE? JUNEAU?

RUBINI: EXCUSE ME, THIS IS JOHN RUBINI. COMMISSIONER RUDD'S LEFT THE MEETING. ANSELM STAACK'S OUT OF THE ROOM, RIGHT NOW. HE WILL BE BACK THOUGH.

ROPPEL: OKAY. WE HAVE... EXCUSE ME. JOHN, WE HAVE A QUORUM. WE'LL PROCEED WITH THE NEXT ITEM ON THE AGENDA, AND YOU SAY THAT ANSELM'S THERE?

RUBINI: HE'S NOT IN THE ROOM, RIGHT NOW, BUT HE WILL BE BACK IN A MINUTE.

ROPPEL: OKAY. WE'LL JUST HANG ON FOR A MINUTE THEN. SOLDOTNA, ARE YOU ON THE LINE, PLEASE? IN AS MUCH AS THERE IS NO PUBLIC

ROPPEL: ATTENDANCE IN SOLDOTNA, WE'LL PROCEED WITHOUT THEIR INVOLVEMENT. JOHN, WOULD YOU LET US KNOW WHEN EITHER ANSELM OR COMMISSIONER RUDD RETURNS, PLEASE?

RUBINI: OKAY. I'LL GO GET ANSELM. COMMISSIONER RUDD I DON'T BELIEVE WILL BE BACK AT THE MEETING.

ROPPEL: OKAY.

(Pause)

RUBINI: MR. CHAIRMAN, WE'RE READY TO GO AHEAD IN JUNEAU.

ROPPEL: OKAY. WE'RE GOING TO SKIP ITEM D. ON THE AGENDA AND MOVE ON TO ITEM E.

LYNCH: MR. CHAIRMAN, IF I COULD INTERRUPT. WE SKIPPED OVER ITEM B.

ROPPEL: I'M SORRY. LET'S MOVE BACK TO ITEM B. WE'LL GET OUR DUCKS IN THE ROAD TODAY. MIKE, WOULD YOU PROCEED WITH ITEM B. DEALING WITH THE MOBILE HOME ISSUE?

LYNCH: YES, MR. CHAIRMAN. AS YOU WILL RECALL AT THE LAST... WELL, THE LAST REGULAR MEETING WHICH, I GUESS, WAS IN NOVEMBER, WE PASSED A EMERGENCY REGULATION REDUCING THE INSURANCE REQUIREMENTS OF MOBILE HOMES FROM 100 PERCENT TO 40 PERCENT. THE HEARINGS HAVE BEEN HELD ON THAT EMERGENCY REGULATION BUT THE TRANSCRIPTS WERE NOT READY IN TIME TO GET 'EM TO THE BOARD PRIOR TO THIS MEETING, SO STAFF IS NOT ASKING FOR ANY ACTION ON THAT RESOLUTION. HOWEVER, WE HAVE REVIEWED THE RESULTS OF THOSE HEARINGS AND HAVE A COUPLE OF COMMENTS TO MAKE. SOMETHING TO COME OUT AT THE HEARINGS INDICATES SOME INEQUITY IN THE MOBILE HOME PROGRAM AND WE HAVE TAKEN STEPS TO CORRECT THEM. NUMBER ONE, IT BECAME APPARENT THAT WE WERE NOT ALLOWING THE SELLER OF A MOBILE HOME UNIT TO PAY THE FIRST YEAR'S CREDIT INSURANCE SIMILAR TO THE WAY WE ALLOW THE SELLER

LYNCH:

OF A SINGLE-FAMILY HOUSE TO PAY THE FIRST YEAR'S CREDIT INSURANCE. WE HAVE CHANGED THAT AND WE ARE NOW ALLOWING THE PAYMENT OF THE FIRST YEAR'S INSURANCE BY THE SELLER. SECONDLY, IT CAME TO LIGHT THAT THE BANKS AND MORTGAGE COMPANIES THAT WERE PROCESSING THESE LOANS WERE, SO TO SPEAK, GROSSING UP THEIR FEES. THEY WERE CHARGING A FEE NOT ONLY ON THE AMOUNT BEING BORROWED BUT THEY WERE CHARGING ON THE AMOUNT BEING BORROWED FOR THE INSURANCE ALSO. WE CANNOT SET THE BANK'S FEES AT ALASKA HOUSING, BUT I HAVE DISCUSSED THE PROBLEM WITH THE HEAD OF THE ANCHORAGE MORTGAGE BANKERS AND WILL DO ALSO WITH THE HEAD OF THE FAIRBANKS MORTGAGE BANKERS, AND ASK THEM TO TALK TO THEIR MEMBERS ABOUT THIS PRACTICE. THEY EXPECT TO BRING IT UP AT THEIR MEETINGS AND I BELIEVE IT WILL BE STOPPED. THE BANKS WILL GO BACK TO CHARGING THEIR FEES BASED ON THE AMOUNT OF LOAN BEING BORROWED NOT THE... THE AMOUNT OF THE LOAN FOR THE PURCHASE NOT THE LOAN FOR THE PURCHASE AND THE INSURANCE. WE SHOULD SEE SOME REDUCTION IN FEES OR AT LEAST A MORE CORRECT EXPRESSION OF THE FEES. THIRDLY, THERE'S BEEN SOME QUESTION ABOUT CREDIT INSURANCE, WHETHER WE NEED IT AT ALL. AS YOUR AWARE, WE DO WISH TO GET THE PROGRAM IN AN SELF-SUSTAINING BASIS SO WE DO NOT HAVE TO GO BACK TO THE STATE EACH YEAR FOR APPROPRIATIONS. AT THIS TIME, OUR CURRENT REQUEST FROM THE STATE IS \$31 MILLION, I BELIEVE, FOR NEXT YEAR'S MOBILE HOME PROGRAM. WE HAVE BEEN LOOKING FOR A WAY TO BOND THE PROGRAM AND IN ORDER TO ACHIEVE AN A. OR A DOUBLE A. RATING ON THE BOND, THE CREDIT INSURANCE IS NECESSARY. WE WERE BACK IN NEW YORK LAST WEEK. WE MET WITH THE RATING AGENCIES AGAIN TO DISCUSS ALTERNATIVES. THE ONLY THING I CAN SAY IS THAT, YOU KNOW, THERE DOES EXIST AN ALTERNATIVE AND THAT/IS THE STATE SHOULD WISH TO CREATE AN INSURANCE FUND RATHER THAN HAVE THE HOME OWNER BUY THE INSURANCE./ THEY COULD PROBABLY STRUCTURE SOMETHING THAT THE HOME OWNER... THE MOBILE HOME BORROWER WOULD PAY THE SAME INSURANCE RATE AS THE SINGLE-FAMILY HOUSE AND THE BULK OF THE COVERAGE WOULD BE MADE UP BY THE INSURANCE FUND. WE'RE GOING TO PURSUE THIS OPTION BUT IT WILL NOT BE AN OPTION IN TIME

LYNCH: THESE REGS COME TO THE BOARD. WE EXPECT TO HAVE THE TESTIMONY ON THE REGS TO THE BOARD BEFORE THE NEXT MEETING AND I BELIEVE THAT WE'LL BE RECOMMENDING THAT WE ADOPT THE 40 PERCENT INSURANCE AT THAT TIME.

DESPAIN: JUST YOUR LAST FEW SENTENCES, WE COULD NOT HEAR AT ALL. WE HAVE MANY FOLKS IN THE AUDIENCE HERE THAT ARE INTERESTED IN THIS SUBJECT.

LYNCH: JUDY, THIS IS MIKE LYNCH. WHAT WAS THE LAST SENTENCE YOU HEARD?

DESPAIN: WELL, ACTUALLY WE HEARD THE PART THAT IT WAS POSSIBLE TO SET UP AN INSURANCE FUND TO MAKE UP FOR THE PAYMENT AND PAST THAT WE HEARD NO MORE.

LYNCH: ALLRIGHT. I'LL EXPAND A LITTLE BIT. FOR SUCH AN INSURANCE FUND TO COME INTO EXISTENCE, IT WOULD HAVE TO BE DONE BY THE LEGISLATURE, WHICH MEANS THAT IT REASONABLY WOULD NOT HAPPEN UNTIL AFTER THE END OF THE FIRST QUARTER OF 1984. WE, THEREFORE, EXPECT THAT WE WILL CONTINUE TO REQUIRE INSURANCE, AND BASED ON A QUICK READING OF THE TESTIMONY THAT'S IN SO FAR, PROBABLY STAFF WILL BE COMING BACK AND RECOMMENDING THE ADOPTION OF THE 40 INSURANCE, BUT WE DO NOT HAVE ALL THE TESTIMONY IN YET.

DESPAIN: OKAY. THANKS, MIKE.

ROPPEL: MIKE, WERE NOT GONNA... WE'RE NOT GONNA ACT ON IT? THERE'S NOTHING TO ACT ON?

LYNCH: NO, MR. CHAIRMAN, THERE'S NO ACTION TO BE TAKEN TODAY.

ROPPEL: DO ANY OF THE BOARD MEMBERS HAVE ANY COMMENTS OR QUESTIONS REGARDING THE INSURANCE PROGRAM FOR MOBILE HOMES?

CALHOON: YES, MR. CHAIRMAN. KEN CALHOON IN FAIRBANKS. MIKE, AS I UNDERSTAND IT ON SINGLE-FAMILY HOMES, THE MORTGAGE INSURANCE COVERS 20 PERCENT AND MOBILE HOMES IT'S GOING TO BE STAFF'S RECOMMENDATION...

DESPAIN: AT ALL...

CALHOON: I WOULD... AGAIN, THIS IS KEN CALHOON IN FAIRBANKS REQUESTING FROM MIKE LYNCH JUST TO EXPLAIN A LITTLE BIT AS TO WHY THE DIFFERENTIAL BETWEEN CREDIT INSURANCE THAT'S REQUIRED IN THE AMOUNT OF 40 PERCENT ON MOBILE HOMES AND NORMAL MORTGAGE INSURANCE THAT THE HOME OWNERS ARE PAYING TODAY. WHY THE DIFFERENTIAL?

LYNCH: THE DIFFERENTIAL IS SET BY OUR... BASED ON OUR RISK ANALYSIS THAT'S DONE BY THE RATING AGENCIES. THEIR FEELING IS THAT 40 PERCENT INSURANCE, AT LEAST AT THIS TIME THEY'RE FEELING 40 PERCENT POSSIBLY BOXED, BACKED UP BY A SMALL POOL INSURANCE POLICY SUCH AS WE HAVE ON THE OTHER... ON SINGLE-HOUSES, IS THEIR REQUIREMENT TO GET AN A. RATING ON OUR... WE'RE NOT EVEN SURE, QUITE FRANKLY, WHETHER WE CAN GET A DOUBLE A. RATING.

CALHOON: OKAY.

LYNCH: JUST A... MR. CHAIRMAN, JUST ONE FINAL COMMENT. I WOULD SAY THAT... I WOULD HAVE TO SAY THAT THIS IS SORT OF AN AREA IN EVOLUTION. THERE HAVE BEEN VERY FEW MOBILE HOME BONDS DONE AROUND THE COUNTRY. IN FACT, THE BULK OF THEM THAT HAVE BEEN DONE... I THINK THAT ALL OF THEM THAT HAVE BEEN DONE SO FAR HAVE ACTUALLY BEEN DONE WITH THE 100 PERCENT INSURANCE. WHAT WE'RE TRYING TO DO IS FORCE THE RATING AGENCIES TO RATE OUR BONDS WITH LESS INSURANCE. THERE SEEMS TO BE SOME MOVEMENT UNDER FOOT IN THE SENSE THAT THEY'VE MOVED BACKED AND THINK THAT POSSIBLY THAT IT COULD BE DONE WITH 40 PERCENT INSURANCE. IF WE CAN GET THEM LOWER, WE WILL.

CALHOON: I THINK THAT... THAT WAS THE POINT THAT I WANTED TO MAKE, MR. CHAIRMAN, WAS THAT IS WAS NOT... IT'S NOT A.H.F.C. THAT'S PUTTING THIS LIMITATION OF 40 PERCENT MORE FOR CREDIT INSURANCE, IT'S THE BONDING COMPANIES WHICH WILL THEN ENABLE US TO SELL THE MOBILE HOME BONDS. IS THAT CORRECT?

LYNCH: YES, MR. CHAIRMAN.

ROPPEL: IS THERE ANY OTHER DISCUSSION RELATING TO THE MOBILE HOME PROGRAM? IT'S ANTICIPATED THAT THERE MAY BE SOME QUESTIONS ON THIS PARTICULAR ISSUE BY MEMBERS OF THE PUBLIC AND IN AS MUCH AS WE'RE TAKING NO ACTION ON IT TODAY, IT WOULD APPROPRIATE TO HAVE THOSE COMMENTS AT THE PUBLIC INPUT PERIOD OF THE BOARD MEETING. SO, WE'LL MOVE ON NOW TO THE NEXT ITEM WHICH IS ITEM E. ON THE AGENDA. ITEM E. DEALS WITH THE CORPORATION'S EXPANDED FINANCING WITH SELLING SOME OF OUR MORTGAGE PACKAGES THROUGH FREDDIE MAC AND USING SOME FINANCING VEHICLES WHICH WILL ALLOW THE CORPORATION TO DO A BETTER JOB AND HOPEFULLY AT LOWER COST. MIKE, DO YOU WANT TO EXPLAIN THAT PROGRAM, PLEASE?

LYNCH: MR. CHAIRMAN, JUST BRIEFLY WHAT WE INTEND TO DO IS TO SUBSTITUTE THE CREDIT OF FREDDIE MAC, THE FEDERAL HOME LOAN MORTGAGE CORPORATION, FOR THE CREDIT OF A.H.F.C. BEHIND THE BOND AND ACHIEVE A TRIPLE A. RATING WHICH WILL TURN INTO A SAVED COST ON THE RATE OF THE BONDS. MARK CAMERON IS HERE AND IS GONNA TALK ABOUT THE SPECIFICS IN THE FREDDIE MAC STRUCTURE.

ROPPEL: MARK, USE MIKE'S MICROPHONE. I THINK IT WORKS.

CAMERON: THANK YOU. THE CORPORATION HAS BEEN WORKING WITH FREDDIE MAC OVER THE LAST COUPLE OF YEARS TO SEE WHETHER THEY CAN SOMEHOW ADD SOMETHING TO OUR BOND STRUCTURE WHICH WOULD ENHANCE OUR INTEREST COSTS AND ORIGINALLY WE WERE LOOKING AT A FREIGHT SALE OF THE LOAN, THE WHOLE LOAN SALE TO FREDDIE MAC, BUT THAT

CAMERON:

HAD ITS DRAWBACKS IN THAT WE WOULD LOOSE THE RESIDUAL OF THE MORTGAGES WHICH ACCRUED TO THE CORPORATION AS THE BONDS ARE RETIRED AND THAT WAS A SUBSTANTIAL AMOUNT AND WOULD HAVE RESULTED IN AN INCREASED SUBSIDY COST OVER THE LONG-TERM. THE ARRANGEMENTS THAT WE HAVE WORKED OUT NOW WITH FREDDIE MAC IS FOR THE CORPORATION TO ORIGINATE MORTGAGES, WE WOULD DELIVER THE MORTGAGES TO FREDDIE MAC TO... TECHNICALLY IT'S PURCHASING THEM BUT IN FACT, IN ESSENCE IS ADDING THEIR GUARANTEE TO THE MORTGAGES IN A FORM IN ISSUING A PARTICIPATION CERTIFICATE IN THE MORTGAGE POOL AND THOSE PARTICIPATION CERTIFICATES WOULD HAVE THE FULL GUARANTEE OF FREDDIE MAC ON THEM. WE WOULD TAKE THE P.C.'S WHICH WOULD REPRESENT AN UNDIVIDED INTEREST IN THE SAME MORTGAGES THAT WE WOULD HAVE PLEDGED TO THE BONDS UNDER OUR CURRENT STRUCTURE AND PLEDGED THEM TO THESE BONDS. THE RESULT WOULD BE AN INCREASE IN THE RATING OF THE BONDS FROM DOUBLE A. TO TRIPLE A. THAT RESULTS BECAUSE OF THE RATING AGENCY'S PERCEPTION THAT THE GUARANTEE BY FREDDIE MAC OF THE TIMELY PAYMENT OF PRINCIPAL AND INTEREST ON THE PARTICIPATION CERTIFICATES IS OF A SUPERIOR QUALITY TO THE ACTUAL MORTGAGES BEING HELD BY THE CORPORATION EVEN WITH THE MORTGAGE INSURANCE AND OTHER SECURITY FEATURES WE WOULD PLACE OR HAVE PLACED IN THE ISSUES. THE FINANCIAL BENEFITS OF THE TRANSACTION TO THE CORPORATION WOULD BE THE ELIMINATION OF ALL THE MORTGAGE INSURANCE COSTS WHICH ON A TAXABLE ISSUE RUN AT 34 1/2 BASIS POINTS. WITH THE FREDDIE MAC GUARANTOR'S FEE WHICH THEY HAVE PROPOSED AT 24 BASIS POINTS, THERE IS A TEN BASIS POINTS SAVINGS RIGHT THERE. ADDITIONAL SAVINGS WOULD RESULT FROM THE INCREASE IN THE CORPORATION'S RATING FROM DOUBLE A. TO TRIPLE A. AND THE ESTIMATE NOW IS THAT THAT COULD TAKE THE CORPORATION ANYWHERE FROM 15 TO 20 BASIS POINTS. THERE IS PRESENTED IN THE AGENDA PACKET A SUMMARY OF THE TERMS OF THE AGREEMENT, THE PROPOSED AGREEMENT, WITH FREDDIE MAC THAT WAS PREPARED BASED ON DISCUSSION AND SOME PRELIMINARY INFORMATION. WE RECEIVED YESTERDAY A DRAFT OF THE AGREEMENT WITH FREDDIE MAC AND THAT IS BEFORE THE MEETING TODAY, AND WE HAVE REVIEWED THAT AND WHILE THERE MAY BE SOME CHANGES, WE THINK THAT IT IS

CAMERON: A VERY GOOD DRAFT FOR THE AGREEMENT THAT OR FOR THE DISCUSSIONS THAT WERE ENTERED INTO WITH FREDDIE MAC AND ACCOMPLISHES BASICALLY THE THINGS THAT ARE OUTLINED IN THE SUMMARY THAT IS IN THE AGENDA PACKET. STAFF WOULD BE REQUESTING THE BOARD TO APPROVE THE RESOLUTION THAT IS PRESENTED AUTHORIZING THE CORPORATION TO ENTER INTO THE AGREEMENT TO DELIVER NOT LESS THAN \$500 MILLION MORTGAGE BONDS TO FREDDIE MAC FOR THEIR CONVERSION TO FREDDIE MAC PARTICIPATION CERTIFICATES, AND THIS PROGRAM WOULD APPLY ONLY TO THE TAXABLE PROGRAM AT THIS TIME, SINCE FREDDIE MAC IS STILL REVIEWING WHETHER IT LEGALLY CAN DO THE SAME THING FOR A TAX-EXEMPT ISSUE.

ROPPEL: MARK, THIS IS FRANK ROPPEL. WHAT WAS THE... IS THE PROJECTED VOLUME OF THE TAXABLE ISSUES FOR 19... FOR THE NEXT FISCAL YEAR?

CAMERON: WE'RE LOOKING AT A VOLUME OF SOMEWHERE RIGHT AROUND THE \$500 MILLION, SO THIS PROGRAM OR THIS AGREEMENT IS INTENDED TO COVER APPROXIMATELY ONE YEAR'S ACTIVITY IN THE TAXABLE MORTGAGE PROGRAM.

LYNCH: MR. CHAIRMAN, BUT THE AGREEMENT WILL HAVE AN 18-MONTH PERIOD TO SEE IF THERE IS ANY WAY FOR THE VOLUME TO GO DOWN.

ROPPEL: OKAY. THE QUESTION I HAD WAS DO WE HAVE ANY LIABILITY IF WE DON'T MAKE THE \$500 MILLION BECAUSE THE AGREEMENT SAYS NOT LESS THAN \$500 MILLION.

LYNCH: THE LIABILITY WOULD BE THE FORFEITURE OF THE UP FRONT FEE THAT WE'RE PAYING. WE'RE PAYING A REFUNDABLE 25 BASIS POINT FEE WHICH WILL COME BACK TO US AS WE DELIVER MORTGAGES. I BELIEVE THAT WOULD BE THE LIABILITY, BUT WITH THE 18-MONTH PERIOD, WE EXPECT TO HAVE NO PROBLEM MEETING THE \$500 MILLION.

ROPPEL: OKAY. AND... THIS IS FRANK ROPPEL AGAIN. WE NEED TO MAKE SURE THAT EVERYONE UNDERSTANDS THAT THE LOAN LIMITS ARE THE SAME AS

ROPPEL: WE HAVE UNDER OUR EXISTING LOAN PROGRAM, SO THERE'S NO... ESSENTIALLY THERE'S NO IMPACT TO OUR EXISTING LOAN PROGRAMS EXCEPT THAT WE WILL HOPEFULLY BE ABLE TO ACQUIRE MONEY AT A LOWER INTEREST COST.

LYNCH: MR. CHAIRMAN, WE WILL BE USING FREDDIE MAC'S LOAN LIMITS AND THEY ARE DIFFERENT THAN OURS BY ABOUT \$2,000.00, I BELIEVE IT IS, AT THE TOP END FOR THOSE FEW MORTGAGES, AND THEY ARE VERY FEW, THAT FIT INTO THAT CATEGORY. WE WILL USE THEM IN ONE OF OUR OTHER PROGRAMS. THE MAN ON THE STREET, THE BORROWER, WILL SEE NO DIFFERENCE IN WHAT WE ARE DOING EXCEPT THAT HE WILL HAVE A LOWER INTEREST RATE.

ROPPEL: ARE THERE ANY MARKETS THAT WE CAN SELL A TRIPLE A. BOND INTO THAT WE CAN'T SELL A DOUBLE A.?

CAMERON: I'M SURE THAT THERE ARE CERTAIN INVESTORS WHO HAVE TRIPLE A. REQUIREMENTS. I WOULD THINK THAT THERE WOULD BE VERY FEW, HOWEVER, BECAUSE OF THE ENHANCED VIEW OF THE CREDIT FROM THE TRIPLE A., THAT WOULD BE WILLING TO ACCEPT A LOWER YIELD, BUT IT WILL, JUST THE PERCEPTION THAT WILL SURROUND THE UPGRADE TO TRIPLE A... WILL BROADEN THE INVESTOR RATE. I THINK THOSE INVESTORS ARE STILL ABLE TO INVEST IN THE DOUBLE A. BONDS, JUST THAT THEY WILL HAVE RENEWED INTEREST IN OUR BONDS WITH A TRIPLE A. RATING.

LYNCH: ALSO, MR. CHAIRMAN, JUST A SECOND COMMENT. IN TIMES OF MARKET UNCERTAINTY, WHICH IS NOT THE CASE NOW BUT COULD BE THE CASE IN THE FUTURE, IT IS ALWAYS EASIER TO SELL A TRIPLE A. BOND THAN A DOUBLE A. BOND. GENERALLY, IN TIMES OF UNCERTAINTY, THE MARKET MOVES TOWARDS QUALITY SO IF YOU CAN HAVE A TRIPLE A. BOND, YOUR FAR BETTER OFF.

CALHOON: MR. CHAIRMAN, I'D LIKE TO KNOW FROM STAFF... UNDERSTAND THAT WE'RE PERHAPS SAVING 15 TO 20 BASIS POINTS IN THE EVENT THAT OUR RATING GOES FROM A DOUBLE A. TO A TRIPLE A., BUT WHAT DOES

CALHOON: IT COST? OBVIOUSLY, FREDDIE MAC ISN'T DOING IT FOR FREE. THERE MUST BE... IS THERE SOME ADMINISTRATION FEES THAT WE'RE NOT SEEING HERE OR IS THERE SOME... WHAT DOES IT COST?

CAMERON: THE FEE TO FREDDIE MAC WOULD BE THE UPFRONT FEE OF 25 BASIS POINTS ON THE AMOUNT OF THE AGREEMENT THAT WOULD BE PAYABLE AT THE TIME THAT WE EXECUTE THE AGREEMENT, SO IT WOULD BE \$1,250,000.00.

LYNCH: DON'T WE GET THAT BACK?

CAMERON: RIGHT. THAT FEE IS FULLY REFUNDABLE UPON DELIVERY OF THE LOAN. THE ONLY OTHER ADDITIONAL FEE IS THE 24 BASIS POINTS FOR FREDDIE MAC'S GUARANTOR FEE AND THAT IS THEIR FEE FOR PLACING THEIR GUARANTEE ON THE FREDDIE MAC PARTICIPATION CERTIFICATE. THERE IS A SMALL LOSS OF FLOAT EARNINGS... WHAT THIS PROGRAM WILL BE DOING IS TAKING THE FLOW OF FUNDS OUT OF A.H.F.C.'S HANDS OR ACTUALLY OUR BOND TRUSTEE'S HANDS FOR A SHORT PERIOD OF TIME. THAT'S DEPENDING UPON WHETHER THE CASH FLOW RESULTS FROM A MORTGAGE PREPAYMENT OR FROM NORMAL PRINCIPAL OR INTEREST COLLECTED TO BE BETWEEN 15 AND 45 DAYS, BUT THE AVERAGE WOULD BE CLOSER TO THAT 15-DAY PERIOD. THE COST ASSOCIATED WITH THAT IS VERY MINIMAL.

LYNCH: I THINK, MR. CHAIRMAN, THE ANSWER IS THAT WE'RE SAVING 34 BASIS POINTS ON AN INSURANCE, SPENDING 24 BASIS POINTS ON THE GUARANTEE FEE, SO WE PICK UP ABOUT 10 BASIS POINTS THERE, AND THEN ON TOP OF THAT WE PICK UP THE VALUE OF GOING TO TRIPLE A... FROM DOUBLE A. TO TRIPLE A. THERE ARE NO HIDDEN COSTS. THE 24 BASIS POINTS TO FREDDIE MAC IS THE ONLY COST.

CALHOON: THAT'S THEIR BENEFIT?

LYNCH: YES, SIR.

ROPPEL: ARE THERE ANY OTHER QUESTIONS REGARDING THIS?

BARKER: MR. CHAIRMAN, THIS IS MILTON BARKER. YOU INDICATED THAT POSSIBLY THERE WOULD HAVE BEEN THE OPTION OF SELLING THOSE LOANS DIRECTLY TO FRDIE MAC. I GUESS YOU'D SAY, RETURN TO THE SYSTEM?

CAMERON: THAT IS CORRECT. THAT WAS AN ALTERNATIVE THAT STAFF PURSUED AND PRESENTED TO THE BOARD JUST OVER A YEAR AGO. THAT WAS REJECTED BECAUSE OF THE... OR POSTPONED FOR FUTHER REVIEW. DON'T RECALL EXACTLY WHICH BECAUSE OF THE LOSS OF RESIDUALS. THE FACT THAT MORTGAGES WOULD BE GONE WHERE UNDER OUR CURRENT STRUCTURE AT THE END OF THE 10TH YEAR WHEN BONDS PAYOFF DEPENDING UPON MORTGAGE PREPAYMENT, WE COULD HAVE AN AMOUNT SOMEWHERE CLOSE TO THE ORIGINAL SUBSIDY THAT WAS... WAS PUT INTO THE DEAL WILL COME BACK TO THE CORPORATION. GETS DOWN TO THE FACT THAT AN INVESTOR IS NOW WILLING TO GIVE THE SAME CREDENCE TO OUR EPIC, SAY PREPAY EXPERIENCE OR MORTGAGE PREPAYMENT EXPERIENCE THAT THE CORPORATION WOULD GIVE TO IT.

BARKER: MR. CHAIRMAN, IF I COULD ASK ONE MORE QUESTION? IF (inaudible) WAS DONE ON THAT BASIS, WOULD THERE BE A NEED TO ISSUE BONDS?

LYNCH: THE ANSWER, MR. CHAIRMAN, IS NO, BUT LET ME... MAYBE I COULD GIVE YOU THE ARITHMETIC. WE SELL A \$100 MILLION BOND ISSUE. TO SECURE IT BECAUSE OF THE REDUCED RATE, WE DO OUR LOAN'S ACT. WE TAKE A \$130 MILLION MORTGAGE POOL, WHICH MEANS THAT WE GET A \$100 MILLION WORTH OF BONDS AND WE PUT UP \$130 MILLION OF THE STATE MONEY. IF YOUR WERE TO SELL THOSE BONDS... THOSE MORTGAGES IN THE MARKET, YOU WOULD GET A \$100 MILLION BACK. THAT WOULD BE THE END OF IT. BY DOING THE WAY WE DO IT AND BASED ON OUR PREPAYMENT RATE, AT THE END OF THE 10-YEAR PERIOD, WE EXPECT TO GET ABOUT \$30 MILLION BACK BECAUSE BE HAVE A VERY HIGH PREPAYMENT RATE. WHILE, WHEN YOUR SELLING MORTGAGES, THEY DISCOUNT IT BASED ON YIELD. WHEN YOU APPLY PREPAYMENT, IT'S A HUNDRED CENTS ON THE DOLLARS AND THAT'S WHERE THE DIFFERENCE COMES IN.

ELDER: MR. CHAIRMAN?

ROPPEL: YES, TERRY.

ELDER: I JUST WANT TO FOLLOW UP ON THAT A LITTLE BIT BECAUSE A LOT OF THESE TERMS, I THINK, ARE NEW TO NEW ALASKANS AND CERTAINLY NEW TO PEOPLE IN THE AUDIENCE. JUST EXACTLY HOW DOES THIS PARTICIPATION CERTIFICATE WORK? SAY WE'RE DOING IT FOR THE INDIVIDUAL. EXACTLY, WHAT IS A PARTICIPATION CERTIFICATE?

DESPAIN: MR. CHAIRMAN, THIS IS JUDY IN ANCHORAGE, AND WE HAVE ALL BUT LOST OUR RECEPTION HERE.

ROPPEL: OKAY.

DESPAIN: IS IS POSSIBLE TO SPEAK LOUDER?

ROPPEL: WE'RE GOING TO TRY A DIFFERENT MICROPHONE. SOME OF THESE MICROPHONES WORK GOOD AND SOME DON'T WORK AT ALL. SO, MIKE'S GOT ONE DOWN AT THAT END OF THE TABLE. WHY DON'T YOU FELLOWS DOWN THERE USE THAT AND WE'LL WORK OFF THIS ONE UP HERE?

WOHLFORTH: MR. CHAIRMAN, THIS IS ERIC. I WANT TO TELL YOU THAT I'VE JOINED THE MEETING NOW AND YOUR VOICE CAME THROUGH, JUST NOW, BEAUTIFULLY, IF THAT'S OF ANY HELP TO YOU.

ROPPEL: UNFORTUNATELY, I DIDN'T SAY ANYTHING. SO, THE FELLOWS DOWN AT THE END OF THE TABLE ARE GOING TO USE ONE MICROPHONE, AND WE'LL USE ONE UP HERE. SO, GO AHEAD, TERRY.

ELDER: MR. CHAIRMAN, I'LL JUST REPEAT THE QUESTION FOR THE BENEFIT OF THE FOLKS IN ANCHORAGE, AND THAT IS THAT BECAUSE OF THE FACT WE'RE THROWING AROUND TERMS TO US, I JUST WANTED THE STAFF TO EXPAND A LITTLE BIT FOR THE FOLLOW-UP ON MILT'S QUESTION, AND TALK ABOUT WHAT EXACTLY ARE PARTICIPATION CERTIFICATES AND IN

ELDER: WHAT WAY DOES THIS ALLOW THE CORPORATION TO CONTINUE TO RECEIVE THE RESIDUAL, CAUSE IT SEEMS LIKE THAT IS QUITE A BENEFIT THAT WE WANT TO MAINTAIN.

CAMERON: THE PARTICIPATION CERTIFICATE IS MERELY A SECURITY INSTRUMENT REPRESENTING AN UNDIVIDED INTEREST IN THE MORTGAGE POOL THAT IS AGGREGATED WITH THAT PARTICIPATION CERTIFICATE. JUST AS THE CORPORATION NOW, IN MIKE'S EXAMPLE, SELLS \$130 MILLION OR SELLS \$100 MILLION IN BONDS AND HAS A POOL OF \$130 MILLION OF MORTGAGES, THE HOLDER OF THE BOND BECAUSE OF THE BOND STRUCTURE IS GETTING IN EFFECT AN INTEREST IN OUR MORTGAGE POOL. WE ARE JUST FURTHER BREAKING DOWN THAT \$130 MILLION OF MORTGAGES BY DIFFERENT INTEREST RATES. WE WILL COMBINE INTEREST RATES AND HAVE AS MANY AS 6 TO 10 DIFFERENT INTEREST RATE P.C.'S, WHICH WILL REPRESENT A GROUP OF MORTGAGE LOANS WHICH WILL BE INCLUDED IN THE PARTICIPATION CERTIFICATE. THE... REALLY IT AMOUNTS TO ONLY AN ACCOUNTING GROUPING BY FREDDIE MAC THAT THEY WILL USE TO PRESENT INFORMATION ON THE MORTGAGE PREPAYMENT AND ALLOW THEM TO PASS ON THE FUNDS THAT WE WOULD TRANSFER TO THEM BACK TO THE BOND TRUSTEE AND SPECIFIED BY INDIVIDUAL PARTICIPATION CERTIFICATES. IT'S A... THE PROGRAM THAT HAS BEEN IN EXISTENCE FOR SOME TIME WITH FREDDIE MAC AND THE ADDITIONAL BENEFIT TO THE PROGRAM WOULD BE THE FACT THAT THE PARTICIPATION CERTIFICATES ARE HIGHLY LIQUID SECURITY, PRIMARILY BECAUSE OF THE INFORMATION THAT FREDDIE MAC PROVIDES AND THE GUARANTEE BY FREDDIE MAC. THEY ARE TRADED VERY EASILY WHICH WOULD ALLOW THE CORPORATION TO, IN THE END OF THE 10TH YEAR, WHERE THE BOND PEOPLE THEY RETIRED, AND THERE TO BE A POOL OF PARTICIPATION CERTIFICATES THAT ARE FREE AND CLEAR OF ANY PLEDGE, WOULD ENABLE THE CORPORATION TO LIQUIDATE THOSE INVESTMENTS MUCH MORE READILY THAN THE CORPORATION WOULD BE ABLE TO LIQUIDATE MORTGAGES IF IT WAS DETERMINED THAT IS WAS DETERMINED THAT IT WAS APPROPRIATE TO DO SO AT THAT TIME.

LYNCH: ALSO, MR. CHAIRMAN, WE WILL HAVE THE OPTION WITH FREDDIE MAC, IF WE WISH TO AT THE END OF THE 10 YEARS WHEN THE BONDS ARE PAID, UNDUE THE P.C.'S AND GO BACK TO OWNING MORTGAGES. WE WILL... WE WILL HAVE THAT OPTION.

DESPAIN: FRANK, THIS IS JUDY IN ANCHORAGE AND WE HAVE AN URGENT MESSAGE HERE FOR BOB WALSH TO CALL JOE LOTTA, IS IT? LOTTA, IMMEDIATELY.

ROPPEL: HE'S GOT THE MESSAGE AND OFF TO THE PHONE.

DESPAIN: THANKS.

ROPPEL: THIS IS FRANK ROPPEL. BASICALLY, THE... THIS PUTS ANOTHER... ANOTHER LOOP IN THE FINANCING CIRCLE THAT BRINGS IN SOME GUARANTEES THAT ESSENTIALLY HAVE A SUBSTANTIAL AMOUNT OF FULL FAITH AND CREDIT OF THE FEDERAL GOVERNMENT. THIS IS A FEDERAL HOME LOAN MORTGAGE CORPORATION... WAS CREATED BY THE FEDERAL GOVERNMENT TO ASSIST WITH FINANCING AND WHAT'S THE AMOUNT OF THE LETTER OF CREDIT THAT THEY HAVE, MARK?

LYNCH: EIGHT AND A QUARTER BILLION.

ROPPEL: AND THAT'S WHERE WE PICK UP THE ADDITIONAL CREDIT FACILITY OR THE ADDITIONAL CREDIT TO OUR MORTGAGES WHICH GIVES US A BETTER INTEREST RATE IN THE MARKETPLACE. IF THERE'S A TIM CERNY HERE, HE'S SUPPOSED TO GO TO THE PHONE IN THE ADMINISTRATION OFFICE. OKAY. IS THERE ANY OTHER QUESTION REGARDING THE P.C.'S? OKAY. WE'RE READY FOR A MOTION, AND THIS WILL BE RESOLUTION NO. 83-55 AND IT'S A RESOLUTION AUTHORIZING AN AGREEMENT BETWEEN ALASKA HOUSING FINANCE CORPORATION AND THE FEDERAL HOME LOAN MORTGAGE CORPORATION, ALLOWING FOR THE SIMULTANEOUS SALE OF MORTGAGE LOANS AND DELIVERY OF PARTICIPATION CERTIFICATES, AND AUTHORIZING AND APPROVING RELATED MATTERS.

ELDER: MR. CHAIRMAN?

ROPPEL: YES.

ELDER: I'LL MAKE A MOTION THAT WE ADOPT THE RESOLUTION THAT YOU READ AND (inaudible).

ROPPEL: OKAY. TERRY ELDER HAS MADE THE MOTION, DO WE HAVE A SECOND, PLEASE?

STAACK: MR. CHAIRMAN, THIS IS ANSELM STAACK IN JUNEAU, I SECOND THE MOTION.

ROPPEL: OKAY. ANSELM HAS SECONDED THE MOTION. IS THERE ANY FURTHER DISCUSSION, PLEASE?

CALHOON: I WOULD ASSUME... THIS IS KEN CALHOON IN FAIRBANKS. I WOULD ASSUME THAT OUR BOND COUNSEL, LEGAL COUNSEL HAS LOOKED OVER THE AGREEMENT OR WILL LOOK OVER THE PROPOSED AGREEMENT PRIOR TO THE CHAIRMAN SIGNING IT?

LYNCH: THAT IS CORRECT, MR. CHAIRMAN. IT HAD NOT BEEN REVIEWED BY THE LEGAL COUNSEL YET. IT WAS ONLY RECEIVED YESTERDAY, BUT IT WILL BE REVIEWED BOTH BY BOND COUNSEL AND BY OUR OWN COUNSEL BEFORE WE INSTITUTE.

ROPPEL: HAS THE... HAS RUBINI BEEN INVOLVED IN THIS, OR SHOULD HE BE INVOLVED IN THIS?

LYNCH: MR. CHAIRMAN, WHEN I SAY OUR OWN COUNSEL, I MEAN THE A.G.'S OFFICE AND THAT IS JOHN RUBINI. HE WILL BE INVOLVED.

ROPPEL: IS THERE ANY OTHER DISCUSSION? JUDY, WOULD YOU READ THE ROLL, PLEASE?

MURPHY: YES, MR. CHAIRMAN. ANSELM STAACK?

STAACK: YES.

MURPHY: MILT BARKER?

BARKER: YES.

MURPHY: TERRY ELDER?

ELDER: YES.

MURPHY: KEN CALHOON?

CALHOON: YES.

MURPHY: FRANK ROPPEL?

ROPPEL: YES. ALL OF THE BOARD MEMBERS HAVE VOTED AFFIRMATIVE AND THE MOTION PASSES UNANIMOUSLY. AS A RELATED ITEM TO THIS, WE HAVE ANOTHER RESOLUTION THAT DEALS WITH SOME REQUIRED SHORT-TERM FINANCING TO GO ALONG WITH IT. MIKE, DO YOU WANT TO EXPLAIN THAT, PLEASE?

LYNCH: YES, MR. CHAIRMAN. IN ORDER TO FACILITATE THE ASSEMBLY OF MORTGAGE FOR P.C.'S, WE NEED A WAY TO CARRY MORTGAGES UNTIL WE GET THEM INTO LARGE BLOCKS. WE WILL OBVIOUSLY ALWAYS HAVE THE OPTION TO DELIVER TO FANNIE MAE IN SMALLER... TO FREDDIE MAC IN SMALLER AMOUNTS, BUT THE SYSTEM WORKS BEST IF WE DELIVER IN LARGE BLOCKS. WE PROPOSE TO ENTER INTO A COMMERCIAL PAPER FACILITY THROUGH GOLDMAN SACHS. IN ORDER TO DO THIS, MARK CAMERON IS HERE TO TALK ABOUT THE SPECIFICS.

CAMERON: THANK YOU. THE REASON FOR THE NEED TO UTILIZE THE COMMERCIAL PAPER PROGRAM IS AGAIN GOING BACK TO HOW THOSE PARTICIPATION CERTIFICATES ARE FORMED. FREDDIE MAC REQUIRES THAT UPON EACH DELIVERY OF MORTGAGE LOANS, THE MORTGAGES BE SATISFIED BY INTEREST RATES AND P.C.'S FORMED. WHEN YOU SELL A BOND ISSUE, WE PURCHASE OUT OF THOSE BOND PROCEEDS FOR AS LONG AS FOUR MONTHS. THE RESULT WOULD BE FOR THE CORPORATION TO BE FORMING

CAMERON:

P.C. GROUPS, EACH TWO WEEKS THAT A PURCHASES' LONG IS DUE, END UP WITH AS MANY AS A 100 TO 120 INDIVIDUAL PARTICIPATION CERTIFICATES. THAT WOULD PRESENT ADMINISTRATION PROBLEMS TO THE CORPORATION AS WELL AS TO FREDDIE MAC. SO, WHAT WOULD WORK BEST TO OPERATE THE PROGRAM IS TO SELL THE \$100 MILLION OF BONDS, HAVE A \$130 MILLION OF COMBINED BOND PROCEEDS AND SUBSIDIES AVAILABLE FOR MORTGAGE PURCHASES, ACQUIRE THE MORTGAGES AND WAREHOUSE THEM IN EFFECT WITH A ONE TIME DELIVERY TO FREDDIE MAC. THAT WOULD REQUIRE THAT BASED ON AN ANALYSIS THE CORPORATION PERFORMED, AS MUCH AS \$230 MILLION IN LOANS MAY BE WAREHOUSED AT ANY ONE TIME AND ACCORDINGLY THE CORPORATION WOULD LOOK FOR A COMMERCIAL PROGRAM WHICH WOULD ACCOMMODATE THE ISSUANCE OF \$200 MILLION OF COMMERCIAL PAPER. THE ADDITIONAL \$30 MILLION, WERE WE TO GET UP TO THAT LEVEL, WOULD BE FUNDED WITH THE CORPORATION'S OWN FUNDS. THERE'S A CHART THAT'S PRESENTED IN THE AGENDA PACKET THAT KIND OF GOES THROUGH THE FLOW OF FUNDS AND REALLY... AND ORIGINATES THEM TO MORTGAGE LOAN AND THEN AS WE PURCHASE THE LOANS, WE WOULD AGAIN BE FUNDING THEM ON SHORT-TERM BASIS. IT IS IMPORTANT TO NOTE THAT WE WOULD BE SELLING THE COMMERCIAL PAPER AND PURCHASING LOANS ONLY AFTER WE HAVE SOLD THE BONDS, AND THE BONDS WILL GUARANTEE THE ULTIMATE LONG-TERM FUNDING OF THE MORTGAGES, SO, THERE IS... THERE'S NO RISK THAT THE CORPORATION IS TAKING IN PURCHASING THE MORTGAGES AND ISSUING THE COMMERCIAL PAPER. WE HAVE THE ABILITY THROUGH THE FREDDIE MAC AGREEMENT TO MERGE THEM WITH P.C.'S, AND THE FACT THAT BOND PROCEEDS ARE AVAILABLE AND ARE VESTED AT THE... WITH THE TRUSTEE TO PURCHASE THE PARTICIPATION CERTIFICATES THEREBY RATING THE LIQUIDITY THAT'S NECESSARY TO RETIRE THE COMMERCIAL PAPER AS IT IS SCHEDULED IN THE TERMS. THE RESOLUTION THAT IS PREPARED AND PRESENTED IN THE PACKET AUTHORIZES THE CORPORATION TO ENTER INTO THE AGREEMENT THAT WOULD BE NECESSARY TO IMPLEMENT A COMMERCIAL PAPER PROGRAM. THOSE AGREEMENTS WOULD INCLUDE CERTAIN AGREEMENTS WITH THE RATING AGENCIES TO PROVIDE FOR THE RATING OF THE COMMERCIAL PAPER PROGRAM AS WELL AS THE DEALER AGREEMENT, AND THE CORPORATION

CAMERON:

HAS DISCUSSED THE COMMERCIAL PAPER PROGRAM WITH GOLDMAN SACHS WHO... THAT WE WOULD RECOMMEND OPERATING THE COMMERCIAL PAPER PROGRAM. THEIR FUNCTION WOULD BE TO ACTUALLY MARKET THE COMMERCIAL PAPER AS WELL AS UNDERWRITE IT IN THE EVENT THAT WE WANTED TO ISSUE MORE COMMERCIAL PAPER THAN THEY COULD FIND BUYERS FOR ON THAT DAY. BUT WE WOULD EXPECT IN RECEIVING RATINGS ON THE COMMERCIAL PAPER PROGRAM THAT WE WOULD OBTAIN THE HIGHEST RATING AVAILABLE FOR COMMERCIAL PAPERS WHICH WOULD BE A.1 - E.1 FROM STANDARD AND POOR'S AND MOODY'S. THE OTHER THING THAT WOULD GUARANTEE THE LIQUIDITY IN THE COMMERCIAL PAPER PROGRAM IS A BACK UP BANK LINE THAT THE CORPORATION WOULD EXPECT TO ENTER INTO WITH A GROUP OF COMMERCIAL BANKS THAT WOULD, ON AN AS NEEDED BASIS, PROVIDE THE FUNDS NECESSARY TO RETIRE THE COMMERCIAL PAPER. WE WOULD NOT EXPECT TO EVER NEED TO UTILIZE THAT FACILITY SINCE WE HAVE THE LONG-TERM FUNDING IN PLACE, HOWEVER, TO ACHIEVE THOSE RATINGS, IT IS FELT BY GOLDMAN SACHS THAT SOME BANK LINE BE NECESSARY. THE CORPORATION IS REVIEWING THE... HOW THE DISCLOSED FUNDS WOULD WORK TO DETERMINE WHAT THE TOTAL AMOUNT OF THE BANK LINE WOULD BE, AND IT IS ASSUMED AT THIS POINT THAT IT WOULD NOT BE IN EXCESS OF 50 PERCENT OF THE AMOUNT OF THE TOTAL COMMERCIAL PAPER PROGRAM. SO, FOR A \$200 MILLION PROGRAM, IT WOULD NOT EXCEED \$100 MILLION. THE FEE THAT WOULD BE EXPECTED FOR THAT BACK UP BANK FUND WOULD BE 25 BASIS POINTS WHICH WOULD BE TAKEN INTO CONSIDERATION IN DETERMINING THE ALL IN-COST OF THE COMMERCIAL PAPER PROGRAM, AND THE CORPORATION WOULD LOOK AT THE AMOUNT OF FUNDS THAT IT HAD AVAILABLE INTERNALLY IN ACCOUNTS WHICH ARE ABLE TO PURCHASE MORTGAGE LOANS IN DETERMINING WHETHER IT'S ECONOMICALLY MORE ATTRACTED TO ACCESS THE COMMERCIAL PAPER MARKET OR UTILIZE ITS OWN FUND.

LYNCH:

MR. CHAIRMAN, IF I COULD JUST MAKE ONE FURTHER COMMENT, A COUPLE OF COMMENTS. NUMBER ONE, WE WILL ALWAYS CONTROL THE BONDS AND, THEREFORE, HAVE THE ULTIMATE WAY TO PAYOFF THE COMMERCIAL PAPER. WE WILL BE ASSEMBLING THESE MORTGAGES WHICH COULD, AS I SAID, BE DELIVERED TO FREDDIE MAC AT ANY TIME. WE

LYNCH:

DON'T HAVE TO WAIT UNTIL WE HAVE THE ENTIRE POOL FOR A REGULAR BOND ISSUE IS ASSEMBLED IF THE MARKET STATISTICS ARE RUNNING AGAINST US. SO THAT BASED ON FREDDIE MAC'S COMMITMENT THAT THEY CAN DELIVER P.C.'S WITHIN 15 DAYS, OUR RISKS GENERALLY... THE LIQUIDITY RISK ON THOSE MORTGAGES THAT WE'RE CARRYING WITH COMMERCIAL PAPER IS ABOUT 15 DAYS. ON TOP OF THAT, WE HAVE SUBSTANTIAL FUNDS BOTH IN THE SAM FUND, OUR GENERAL FUND, AND IN THE H.O.F. FUND, WHICH ARE INVESTED GENERALLY SHORT-TERM, AND IF THERE WERE A DISRUPTION IN THE COMMERCIAL PAPER MARKET, WE COULD LIQUIDATE THOSE INVESTMENTS AND USE THOSE FUNDS TO CARRY OUR MORTGAGES TO PAY OFF THE COMMERCIAL PAPER. WITH COMMERCIAL PAPER, THE CONCERNS OF THE ISSUERS ARE NOT GENERALLY CREDITED CONCERNS, THEY'RE LIQUIDITY CONCERNS. THEY WORRY ABOUT THAT TIME WHEN THERE'S BEEN A DISRUPTION IN THE MARKET SUCH AS WHEN PENN-CENTRAL WENT DOWN, AND SUDDENLY NO ONE WANTED TO BUY COMMERCIAL PAPER AND WILL A.H.F.C. BE ABLE TO PAYOFF ITS COMMERCIAL PAPER THAT COMES DUE ON THE DAY THAT THERE IS A MAJOR CRISIS AND NO ONE WANTS TO BUY COMMERCIAL PAPER. THAT IS REASON FOR THE BANK LINE. THE BANK LINES ARE NOT A CREDIT FACILITY, THEY ARE A LIQUIDITY FACILITY TO COVER THAT ONE, TWO, OR TEN DAY DISRUPTION IN THE MARKET.

ROPPEL:

OKAY.

CAMERON:

EXCUSE ME, MR. CHAIRMAN. THERE IS ONE CHANGE TO THE RESOLUTION THAT I WOULD LIKE TO READ INTO THE RESOLUTION IF I COULD. IT IS IN SECTION TWO, AFTER LITTLE I., FREDDIE MAC SWAP PROGRAM, WE RECOMMEND ADDING: IN PARTICIPATION CERTIFICATES HELD IN A MORTGAGE PURCHASE ACCOUNT PENDING PURCHASE BY A P.C. FUND ESTABLISHED PURSUANT TO AN INDENTURE, AND WHAT THIS WOULD DO IS ALLOW US TO HAVE THE TRUSTEE DELIVER THE PARTICIPATION CERTIFICATES TO THE MORTGAGE PURCHASE ACCOUNT WHICH IS THE WAREHOUSING ACCOUNT SO THAT WHEN WE ARE SCHEDULING THE COMMERCIAL PAPER TO BE MATURING IN ANY ONE... ONE DAY, WE WOULD BE ABLE TO ANTICIPATE THE FULL AMOUNT OF THE PARTICIPATION CERTIFICATE BEING DELIVERED OVER TO THE P.C.

CAMERON: FUND WHICH IS THE FUND THAT IS ESTABLISHED UNDER THE BOND INDENTURE TO PURCHASE THE P.C.'S. WITH THE FREDDIE MAC PROGRAM, THE CORPORATION IS UNABLE TO USE THE BOND PROCEEDS TO PURCHASE MORTGAGE LOANS. IT IS RESTRICTED TO PURCHASING PARTICIPATION CERTIFICATES AND THIS RESTRICTION IS NECESSARY TO MAINTAIN THE TRIPLE A. RATING THAT WE WOULD EXPECT FOR THE BONDS FOR THE FREDDIE MAC AGREEMENT.

ROPPEL: WILL YOU MIND, MIKE? I DON'T KNOW WHAT YOU WANT. OKAY. DO YOU HAVE ANY... BOARD MEMBERS DO HAVE ANY QUESTIONS ABOUT THIS?

BARKER: MR. CHAIRMAN, MILT BARKER. JUST WANT TO MAKE SURE I UNDERSTAND THE NEED FOR COMMERCIAL PAPER. I TAKE IT THE PROBLEM IS IN THE NEED TO DELIVER UP P.C'S FOR THE MORTGAGES TO FREDDIE MAC IN EXCHANGE FOR P.C.'S ALL ON ONE DAY.

DESPAIN: MR. CHAIRMAN, WE'RE NO LONGER RECEIVING YOU IN ANCHORAGE.

ROPPEL: OKAY. THANK YOU, JUDY. WE'RE SWAPPING MICROPHONES AGAIN.

BARKER: MILT BARKER. WANTED TO ASK A.H.F.C. STAFF THE REASON FOR THE COMMERCIAL PAPER IS THAT THE DELIVERY OF THE MORTGAGES TO FREDDIE MAC RESULT IN A PARTICIPATION CERTIFICATE THAT CARRIES AN INTEREST RATE REFLECTED IN THE MARKET ON THE DAY THAT THE EXCHANGE IS MADE AND... OKAY, I THINK I NEED A FURTHER EXPLANATION.

LYNCH: MR. CHAIRMAN, THE P.C. REFLECTS THE INTEREST RATE ON THE MORTGAGES DELIVERED. IT ALSO IS KEYED OFF OF THE LOWEST RATE MORTGAGE IN THE POOL. FREDDIE MAC ALSO HAS SOME SIZE REQUIREMENTS FOR THE POOL IN A \$1 MILLION MINIMUM AND IF YOU START MAKING SMALL DELIVERIES AND MIXING INTEREST RATES WITHIN THE POOL, YOU END UP WITH A P.C. THAT HAS A LOW RATE... A LOW STATED RATE ON IT AND THEN THE ADDITIONAL INTEREST EARNED BY THE HIGHER RATE MORTGAGES IN THE POOL TURNS INTO SERVICE

LYNCH: INCOME TO THE CORPORATION. THIS SERVICE INCOME CANNOT BE PASSED ON TO THE TRUSTEE... WELL, IT CAN BE PASSED ON TO THE TRUSTEE BUT, SINCE IT WOULD BE FLOWING THROUGH A.H.F.C., IT WOULD NOT GET A TRIPLE A. RATING, THEREFORE, THE BONDS WOULD NOT BE TRIPLE A. RATED. TO MAKE THE FREDDIE MAC ARRANGEMENT WORK, AND TO BE ECONOMICAL, AND HOLD DOWN THE SUBSIDY AMOUNT, WE NEED TO HAVE P.C.'S THAT HAVE MORTGAGES IN THEM THAT ARE ALL THE SAME AMOUNT. THE ONLY WAY TO DO THAT IS TO DO IT WITH LARGE P.C.'S.

ROPPEL: MILT?

BARKER: MR. CHAIRMAN, MILT BARKER AGAIN. WELL, MY UNDERSTANDING IS THAT THE RATE ON MORTGAGES WOULD BE DETERMINED BY THE RATES ON THE MOST RECENT BOND ISSUES. IS THAT NOT CORRECT? THAT WOULD BE THE COST OVER A PERIOD OF TIME?

LYNCH: MR. CHAIRMAN, ALL MORTGAGES THAT ARE \$90,000 WITHIN A BOND RATE HAVE THE SAME RATE, BUT WHEN YOU GET ABOVE THAT IT STARTS VARYING ALL OVER THE LOT. IT'S ROUGHLY A THREE PERCENT SPREAD, YOU KNOW, AS YOU GO UP SO THAT YOU GET PAY RATE MORTGAGES, AND IT'S COMPOUNDED BY THE FACT THAT WE PROJECTED MORTGAGES WILL COME IN OVER FOUR MONTHS BUT ACTUALLY THEY COULD COME IN OVER AS MANY AS SEVEN. THAT'S ACTUALLY THE EXTREME, AND YOU'VE GOT TWO DELIVERIES A MONTH SO YOU GET IT IN DRIPS AND DRABS.

BARKER: THANK YOU, MR. CHAIRMAN. THAT WAS THE ADDITIONAL INFORMATION I WAS (inaudible).

ROPPEL: ARE THERE ANY OTHER QUESTION RELATED TO THIS P.C. PROGRAM? EXCUSE ME, THE CREDIT... THE COMMERCIAL CREDIT PAPER PROGRAM. OKAY. THE RESOLUTION THAT IS BEFORE US IS RESOLUTION NUMBER 83-56. THIS RESOLUTION AUTHORIZES THE ISSUANCE AND SALE OF COMMERCIAL PAPER TO FINANCE THE PURCHASE OF MORTGAGE LOANS, AND AUTHORIZES AND APPROVES RELATED MATTERS. NOW WE NEED A MOTION AND SECOND.

CALHOON: MR. CHAIRMAN, THIS IS KEN CALHOON IN FAIRBANKS. I'LL MAKE THAT MOTION.

BARKER: MR. CHAIRMAN, MILT BARKER IN FAIRBANKS. I'LL SECOND THAT.

ROPPEL: ALLRIGHT. IT'S BEEN MOVED AND SECONDED. IS THERE ANY FURTHER DISCUSSION?

CALHOON: AND THAT DID INCLUDE THE CHANGES SO IT SHOULD BE AS AMENDED.

ROPPEL: HAVE WE... MARK, HAVE THE... WHEN YOU GO TO SELL THIS PAPER, WILL YOU DO IT THROUGH GOLDMAN SACHS? IS THAT SELECTION BEEN MADE YET?

CAMERON: STAFF IS RECOMMENDING THAT GOLDMAN SACHS BE SELECTED AS THE DEALER FOR THE COMMERCIAL PAPER.

LYNCH: MR. CHAIRMAN, THE RECOMMENDATION IS MADE ON THE BASIS THAT GOLDMAN SACHS IS THE LARGEST SELLER IN THE WORLD OF ACTUAL COMMERCIAL PAPER AND THEY ARE A FIRM WE HAVE DONE BUSINESS WITH FOR A NUMBER OF YEARS, AND HAVE A GOOD RAPPORT WITH. ALSO, WE ARE NOT A LARGE ENOUGH ISSUER TO DO IT THROUGH THEM MORE THAN ONE ISSUE. THE AVERAGE FOR GOLDMAN SACHS ISSUERS IS ABOUT \$130 - \$140 MILLION. WE'RE SLIGHTLY HIGHER THAN THAT. WE WOULD HAVE TO HAVE TO ISSUE SUBSTANTIAL MORE PAPER THAN WE DO TO HAVE A ENOUGH TO DO IT MORE THAN ONE DEAL.

STAACK: MR. CHAIRMAN?

ROPPEL: YES, ANSLEM.

STAACK: I JUST HAVE ONE QUESTION, AND I GUESS THERE'S... THAT'S THE LAST PART. I MUST OF MISSED IT SOMEWHERE. THAT'S... YOUR SAYING THAT YOU CAN CONTINUE WITH THIS PROGRAM, YOU ARE IN FACT GOING TO DO IT WITH GOLDMAN SACHS, AND THAT IS A FOREGONE CONCLUSION?

ROPPEL: ANSLEM, THAT HAS BEEN RECOMMENDED BY THE STAFF. IT HAS NOT COME BEFORE THE BOARD AS AN ISSUE YET.

STAACK: OKAY. THE REASON I... THE ONLY REASON I ASK THAT QUESTION IS AND I'M SEARCHING... THE ONLY REASON THAT I ASK THAT QUESTION IS NOT SO MUCH TO SAY THAT PERHAPS THAT'S, YOU KNOW, THAT'S... IT APPEARS THAT THE REASONING IS GOOD, BUT I WOULD JUST SAY FOR... JUST FOR SIMPLY THE PURPOSES OF THE RECORD THAT THERE BE A VERY WELL DOCUMENTED WRITE UP SOMEWHERE THAT SAYS EXACTLY WHY FOR THE REASONS THAT MIKE LYNCH DESCRIBED... WHY YOU BELIEVE GOLDMAN SACHS OR ANYBODY ELSE OUGHT TO DO THIS JUST IN CASE THERE ARE QUESTIONS LATER ON. I THINK YOU WOULD DO WELL TO WELL DOCUMENT WHY WE DECIDED TO SIMPLY DO GOLDMAN SACHS... IN WRITING.

ROPPEL: OKAY, ANSLEM, YOUR POINT'S WELL MADE, AND THAT'S EXACTLY WHY THE ISSUE HAS BEEN RAISED. WE'LL DO THAT AND I'M ASSUMING THAT THEY HAVE BEEN SELECTED OR ARE BEING RECOMMENDED BECAUSE WE'RE GOING TO GET THE BEST DEAL THERE.

LYNCH: THAT IS CORRECT, MR. CHAIRMAN.

STAACK: COULD I ASK, MR. CHAIRMAN, IF WE PASS ON THIS PARTICULAR COMMERCIAL PAPER ISSUANCE THING, I MEAN THAT'S... WHAT'S... GOLDMAN SACHS' STANDARD, SO IF WE JUSTIFY AFTER THE FACT, THAT'S KINDA MOOT ANYWAY. I MEAN, IT IS A FOREGONE CONCLUSION, ONCE WE PASS THIS ITEM, THAT GOLDMAN SACHS IS IT AND THAT'S IT.

ROPPEL: GOLDMAN SACHS IS NOT NAMED IN THE RESOLUTION AND I THINK IT'S UP TO THE BOARD TO DISCUSS THAT.

LYNCH: MR. CHAIRMAN, GOLDMAN SACHS IS NAMED IN SECTION 4 OF THE RESOLUTION.

RUBINI: MR. CHAIRMAN, THIS IS JOHN RUBINI IN JUNEAU. MAY I ASK MIKE A QUESTION QUICKLY? MIKE, ARE THERE OTHER FIRMS WHICH COULD PROVIDE THIS SERVICE AND HAVE WE EXPLORED THAT?

WOHLFORTH: MR. CHAIRMAN, I CAN'T... WE COULDN'T... MR. RUBINI WAS INAUDIBLE TO US HERE. IS HE COMING THROUGH FROM JUNEAU OR IS HE THERE WITH YOU?

RUBINI: I'M IN JUNEAU, ERIC.

WOHLFORTH: ALLRIGHT.

ROPPEL: OKAY, JOHN. GO AHEAD, ONE MORE TIME. WILL YOU PLEASE?

RUBINI: LET ME TRY TO GET CLOSER TO THE PHONE, FIRST. THE QUESTION TO THE EXECUTIVE DIRECTOR AND THAT IS WHETHER OR NOT THERE ARE ALTERNATIVE FIRMS WHO COULD PROVIDE THIS SERVICE AND IF SO WHAT STEPS HAVE WE TAKEN TO EXPLORE THE POSSIBILITIES?

LYNCH: MR. CHAIRMAN, THERE ARE ALTERNATIVE FIRMS. WITHIN THE COMMERCIAL PAPER MARKET, GOLDMAN SACHS DOES ROUGHLY ONE-THIRD OF ALL THE VOLUME. THE FEES ARE SIMILAR ACROSS THE BOARD, THEY ALL CHARGE IN 8 PER ANNUM, THEY ALL HAVE VOLUME DISCOUNTS ABOVE \$150 MILLION OF OUTSTANDINGS WHICH ARE RELATIVELY THE SAME, NOT NOTICEABLY DIFFERENT. GOLDMAN SACHS IS RECOGNIZE BY ALL AS BEING THE NUMBER ONE COMMERCIAL DEALER IN THE WORLD. FOR THAT REASON, WE SELECTED THEM.

ROPPEL: ANSELM, WHAT'S YOUR PLEASURE?

STAACK: MR. CHAIRMAN, I WOULD SAY THAT IF YOU ADOPT... I WOULD HAVE HOPED THAT THAT WOULD HAVE BEEN IN A WRITTEN FORM AND THERE WOULD HAVE BEEN SOME KIND OF REVIEW LIKE A, YOU KNOW, A WRITTEN FORM (inaudible) THE... (inaudible) THE RESOLUTION WOULD BE A MUCH MORE PREFERABLE POSITION, BUT IF... I WOULD SAY AT THIS POINT IN TIME, THE REASONS MIKE LYNCH HAS GIVEN ARE VERY GOOD REASONS, AND I CAN'T ARGUE WITH HIM. THEY ARE THE NORMAL KIND OF THINGS WHEN ONE WOULD BE DOING A SOLE SOURCE TYPE OF REQUEST. IT'S JUST THAT I REALLY WISH IT WERE IN SOME FORM OF WRITTEN FORM WHICH ANALYSED THE SITUATION AND

STAACK: KIND OF, YOU KNOW, IN A PAGE AND A HALF OR WHATEVER, MAKE THE GOOD SOLE SOURCE KIND OF CONDITION. IF WE MAKE MIKE'S COMMENT A SPECIFIC PART OF THE RECORD, I PRESUME I COULD GO ALONG WITH THAT. I FEEL UNCOMFORTABLE ABOUT IT. I WISH IT WERE IN A WRITTEN FORM BEFOREHAND, BUT IF IT'S ABSOLUTELY NECESSARY TO ENACT THE FREDDIE MAC OPERATION, TO GET IT DONE NOW, AND THAT THESE FUNDS ARE ABSOLUTELY.... THIS FORM OF CERTIFICATE, I'M MEAN THESE FORM OF COMMERCIAL... FOR INSTANCE, A.H.F.C. DOES NOT HAVE ENOUGH SELF-DEVELOPED FUNDS TO CARRY IT ON UNTIL WE CAN GET THIS TECHNICALITY STRAIGHTED OUT AND ADMITTEDLY I ALWAYS COME FROM THE BUREAUCRATIC SIDE, LITTLE BIT ON THIS, I'D RATHER GO WITH IT THAT WAY.

ROPPEL: ALLRIGHT, ANSELM. LET'S SEE WHAT STAFF WILL HAVE TO SAY. SOLE SOURCE...

LYNCH: MR. CHAIRMAN, THE COMMERCIAL PAPER INDUSTRY HAS VERY STANDARD FEES. WE'RE NOT TALKING ABOUT LOOKING AT DIFFERENT FIRMS BASED ON THEIR FEES. IF YOU WISH TO SAY SOLE SOURCE, I GUESS, WE ONLY PRESENTED YOU WITH ONE ALTERNATIVE BASED ON OUR REVIEW OF THE MARKET, SO, YES, IT'S SOLE SOURCE. WE NEED TO PUT THE FACILITY IN PLACE AND WE HAVE THE MECHANISM IN PLACE TO DO IT. IF THE BOARD WANTS TO APPROACH IT ON SOME OTHER WAY, IF THEY WANT TO REVIEW ALL THE COMMERCIAL PAPER DEALERS, WELL, YOU KNOW, FINE, WE'LL DO THAT. TELL US YOUR PLEASURE.

RUBINI: MR. CHAIRMAN?

ROPPEL: IF I MAY, THIS IS JOHN RUBINI. I THINK I WOULD OFFER A SUGGESTION WHICH WOULD HELP US OUT A LITTLE BIT. IT WOULD BE POSSIBLE FOR THE CORPORATION TO SUBMIT A REQUEST FIRST, THROUGH THE DEPARTMENT OF ADMINISTRATION, TO HAVE THE AUTHORITY TO EXECUTE A SOLE SOURCE CONTRACT, AND I THINK WE CERTAINLY HAVE SUFFICIENT FACTS HERE TO JUSTIFY THAT, AND THAT WOULD NOT BE A TIME CONSUMING PROCESS, AND WHAT WE COULD DO IN THE INTERIM WOULD BE AT THE CORPORATION'S PLEASURE TO APPROVE

ROPPEL: THE RESOLUTION SUBJECT TO APPROVAL BY THE DEPARTMENT OF ADMINISTRATION. I THINK THAT WOULD TAKE CARE OF THE LEGAL PROBLEMS PRESENTED.

ROPPEL: THAT'S, JOHN. OKAY. THAT LOOKS LIKE THAT'S OKAY. ARE YOU READY FOR THE QUESTION? JUDY, WOULD YOU READ THE ROLL, PLEASE?

MURPHY: YES, MR. CHAIRMAN. ANSELM STAACK? ANSELM STAACK?

STAACK: YES.

MURPHY: MILT BARKER?

BARKER: MR. CHAIRMAN, CAN I ASK A POINT OF INFORMATION HERE?

ROPPEL: GO AHEAD.

BARKER: THE MOTION BEFORE US THEN IS AN AMENDED MOTION THAT...

DESPAIN: MR. CHAIRMAN, WE'RE NOT GETTING MR. BARKER'S COMMENTS AT ALL.

ROPPEL: MR. BARKER IS ASKING IF THE MOTION BEFORE US IS AN AMENDED MOTION THAT INDICATES THAT MR. RUBINI'S COMMENTS REGARDING SENDING THE REQUEST THROUGH THE DEPARTMENT OF ADMINISTRATION FOR SOLE SOURCE APPROVAL IS CONTINGENT ON... AS A PART OF THE MOTION. THERE WAS NO FORMAL AMENDMENT TO THE MOTION. I AM HEARING YOU CORRECTLY THAT'S WHAT YOU'D LIKE TO HEAR? WHAT THE... ANSELM, WITH YOUR PERMISSION, WOULD YOU MIND IF BE BACKED UP AND AMENDED THE RESOLUTION AND THEN PROCEEDED?

STAACK: I WOULDN'T HAVE ANY PROBLEM WITH THAT.

ROPPEL: ALLRIGHT. LET'S DO THAT. DO YOU WANT TO DO IT?

BARKER: YES, MR. CHAIRMAN. MILT BARKER. I WOULD AMEND CALHOON'S MOTION TO MAKE THE RESOLUTION SUBJECT TO THE APPROVAL BY THE DEPARTMENT OF ADMINISTRATION OF THE SUPPLIER OF THE COMMERCIAL PAPER.

ROPPEL: OKAY. IS THERE A SECOND?

ELDER: TERRY ELDER. I'LL SECOND.

ROPPEL: OKAY. THE AMENDMENT HAS BEEN MOVED AND SECONDED. LET'S VOTE ON THE AMENDMENT FIRST. JUDY?

MURPHY: ANSELM STAACK?

STAACK: YES.

MURPHY: MILT BARKER?

BARKER: YES.

MURPHY: TERRY ELDER?

ELDER: YES.

MURPHY: KEN CALHOON?

CALHOON: YES.

MURPHY: FRANK ROPPEL?

ROPPEL: YES. OKAY. THE AMENDMENT IS ADDED TO THE RESOLUTION. NOW ON THE MAIN RESOLUTION IS THE 83-56 WITH THE... TO AUTHORIZE. JUDY?

MURPHY: ANSELM STAACK?

STAACK: YES.

MURPHY: MILT BARKER?

BARKER: YES.

MURPHY: TERRY ELDER?

ELDER: YES.

MURPHY: KEN CALHOON?

CALHOON: YES.

MURPHY: FRANK ROPPEL?

ROPPEL: YES. OKAY. THE MOTION HAS PASSED UNANIMOUSLY WITH THE AMENDMENT TO GO TO THE DEPARTMENT OF ADMINISTRATION FOR CONCURRENCE. ITEM G. HAS... WE HAVEN'T GOT SOME OF THE TECHNICAL INFORMATION COMPLETED AND WE'RE GOING TO SET THAT OFF UNTIL THE NEXT BOARD MEETING. THE NEXT ITEM ON YOUR AGENDA WILL BE ITEM H. THIS HAS TO DO WITH DELEGATED UNDERWRITING. MIKE?

LYNCH: MR. CHAIRMAN, YOU HAVE IN YOUR PACKAGE A MEMO THAT SETS FORTH THE CURRENT STATUS OF DELEGATED UNDERWRITING. BRIEFLY, WE HAD TO FIRST PUT IN NEW SELLER/SERVICER AGREEMENTS, WHICH WERE DONE, BOARD APPROVED, AND THEY WERE IMPLEMENTED THE END OF LAST SUMMER. WE NOW NEED TO COME UP WITH REGULATIONS AND SELLER/SERVICER GUIDE PROVISIONS COVERING DELEGATED UNDERWRITING. STAFF PLANS TO WORK ON THAT OVER THE FIRST QUARTER OF 1984. WE ALSO NEED TO PUT INTO PLACE A... SOME FORM OF A APPRAISER REVIEW WHICH... SO WE CAN CONTROL THE APPRAISALS, SINCE WE'RE NOT GOING TO BE SEEING THE APPLICATIONS PRIOR TO APPROVAL. IN FACT, UNDER DELEGATED UNDERWRITING WE WON'T SEE ANYTHING UNTIL WE PAY FOR THE

LYNCH: LOAN. THAT, THE QUESTION OF THE APPRAISAL IS PART OF THE 1985 BUDGET. AS YOU RECALL IT WAS THE ONE ADDITION TO STAFF, AND THE ONLY REAL CHANGE IN THE BUDGET BETWEEN 1984 AND '85.

ROPPEL: OKAY. WE'LL HAVE THE REGS IN FORM FOR PUBLIC HEARING, AND... ABOUT WHEN?

LYNCH: MR. CHAIRMAN, I NAILED STAFF DOWN TO DURING THE FIRST QUARTER. I WOULD SUGGEST THAT WE HAVE... WE PLAN ON THE MARCH MEETING.

ROPPEL: OKAY. THAT'S THE END OF THE AGENDA ITEMS I HAVE. ARE THERE ANY OTHER AGENDA ITEMS THAT THE BOARD WISHES TO RAISE? FAR AS I KNOW, WE HAVE NOTHING FOR EXECUTIVE SESSION. ANY OTHER ITEMS? OKAY. THAT CONCLUDES THE AGENDA ITEMS FOR ALASKA HOUSING FINANCE CORPORATION. AT THIS POINT, WE WOULD WELCOME COMMENTS BY EMINENT MEMBERS OF THE PUBLIC THAT ARE HERE. IF YOU HAVE A COMMENT TO MAKE, IF YOU WOULD PLEASE STEP UP HERE TO THE PODIUM WITH US AND STATE YOUR NAME AND THEN IF YOU HAVE A AFFILIATION WITH SOME SORT OF AN ORGANIZATION, A BANK, OR WHATEVER, PROCEED TO MAKE YOUR PUBLIC COMMENT. IS THERE ANYONE HERE IN FAIRBANKS THAT WOULD LIKE TO MAKE ANY COMMENTS? OKAY. JUDY, DO HAVE ANYONE IN ANCHORAGE THAT WOULD LIKE TO MAKE ANY COMMENTS?

DESPAIN: YES, FRANK. I HAVE MAYBE FOUR OR FIVE PERSONS HERE THAT WOULD LIKE TO ADDRESS THE BOARD.

ROPPEL: OKAY. LET'S PROCEED AND IF YOU'D STATE YOUR NAME AND WHATEVER YOUR BUSINESS AFFILIATION IS OR WHATEVER AFFILIATION, JUST GO AHEAD. WE CAN HEAR YOU WELL FROM FAIRBANKS.

TAYLOR: THIS IS ANNETTE TAYLOR WITH THE ANCHORAGE TIMES. WHY DIDN'T YOU DRAW UP ALTERNATIVE BOND STRUCTURE AND EUROBOND DISCUSSION?

ROPPEL: WOULD YOU SAY YOUR QUESTION AGAIN A LITTLE MORE SLOWLY, PLEASE. WE DIDN'T HEAR IT REAL WELL.

TAYLOR: WHY HAVE YOU FELLOWS CALLED DISCUSSION ON THE ALTERNATIVE BOND STRUCTURE AND THE EUROBOND?

ROPPEL: THE CREDIT FACILITY IS NOT IN PLACE YET AND WE CAN'T PROCEED ANY FURTHER UNTIL THAT'S DONE.

TAYLOR: I'M SORRY. WHAT'S NOT IN PLACE?

ROPPEL: THE CREDIT FACILITY.

TAYLOR: THANK YOU.

MARTIN: THIS IS SHEILA MARTIN WITH MOBILE HOME MANAGEMENT. I'M GLAD TO HEAR THAT YOUR GOING TO LET THE SELLER PAY THE FIRST YEAR OF THE CREDIT INSURANCE, AND I WANT TO KNOW WHEN THAT CAN START?

LYNCH: MR. CHAIRMAN, I BELIEVE THAT THE MEMO IS OUT TO THE SELLER/ SERVICERS AND IT HAS STARTED ALREADY.

MARTIN: OKAY. NOW, I'M APPRECIATING THE FACT THAT WE'RE GETTING THE CREDIT INSURANCE SO THAT WE CAN GET THE MOBILE HOME MONEY FROM THE BOND SALES, BUT I DON'T UNDERSTAND WHY WE'RE HAVING... WHY WE HAVE TO QUALIFY THE BUYERS WITH THE CREDIT INSURANCE AND IT'S TAKING A WEEK TO GET THESE POLICIES FROM FOREMOST AND WE WERE TOLD WE WOULD HAVE THEM IN ONE DAY. (pause) ARE YOU THERE?

LYNCH: YES, WE'RE...

ROPPEL: HANG ON JUST A SECOND. WE'RE TRYING TO FIND THE RIGHT PERSON HERE THAT CAN RESPOND TO YOUR QUESTION AND IF YOU HANG ON JUST A MINUTE...

LYNCH: I GUESS I DON'T QUITE UNDERSTAND THE QUESTION. I WOULD HAVE ASSUMED THAT YOU WOULD HAVE BEEN SUBMITTING THE BUYER'S APPLICATION TO FOREMOST AT THE SAME TIME THAT YOUR SUBMITTING

LYNCH: IT TO A.H.F.C. SINCE WE HAVE A THREE OR FOUR DAY TURNAROUND OURSELVES, FOREMOST'S TURNAROUND SHOULD BE ABOUT THE SAME, SIMILAR TO WHAT'S DONE ON SINGLE-FAMILY HOUSES WITH THE MORTGAGE INSURANCE. I DON'T QUITE UNDERSTAND THE PROBLEM.

MARTIN: THEY'RE WAITING FOR THE BONDS TO COME BACK FROM ALASKA HOUSING APPROVED, AND THEN THEY'RE CALLING FOREMOST, AND THEN THEY'RE SENDING IT OVER THERE, AND IT'S TAKING A WEEK.

LYNCH: WELL, I THINK THAT'S SOMETHING WE'LL BE GLAD TO TALK TO THE SELLER/SERVICERS ABOUT IT, BUT OBVIOUSLY WE CAN'T TELL THE SELLER/SERVICER WHEN TO SUBMIT IT TO FOREMOST.

MARTIN: WELL, ALASKAN COULDN'T EVEN GET FOREMOST TO ANSWER THE PHONE. THEY WERE STANDING OUT THERE ALL DAY TRYING TO GET PACKAGES IN AND NOBODY WOULD EVEN... THEY WOULDN'T EVEN OPEN THE BUILDING.

LYNCH: THE ONLY THING I CAN SAY, MR. CHAIRMAN, IS THAT I'M UNAWARE OF THE PROBLEM BUT WE WILL LOOK INTO IT. FOREMOST IS REPRESENTED TO US THAT THEY WOULD HAVE A FULL SERVICE OFFICE AND GIVE TIMELY SERVICE AND IF THEY'RE NOT, WE'LL GET ON THEM ABOUT IT.

MARTIN: AND THEN, YOU KNOW, AT THE AUGUST 31ST MEETING, THE QUESTION WAS ASKED IF THE CREDIT INSURANCE WOULD EFFECT THE QUALIFYING RATIOS FOR THE BUYER AND MIKE LYNCH SAID IT WOULD NOT. NOW I'VE TALKED TO GAIL AND SHE SAID THAT THIS WAS A MISUNDERSTANDING ON MIKE'S PART BUT WE DIDN'T KNOW MIKE MISUNDERSTOOD THE QUESTION. HAD WE KNOW THAT, WE COULD HAVE (inaudible) FOR THE PAST COUPLE OF MONTHS ON TRYING TO GET THIS SO THAT THE CREDIT INSURANCE DOESN'T EFFECT THE QUALIFYING RATIOS.

LYNCH: I THINK, YOU KNOW, I THINK THERE WAS A MISUNDERSTANDING. AT THE TIME, I THOUGHT YOU WERE ASKING ABOUT THE AMOUNT OF DOWN PAYMENT AND THE RATIO OF DOWN PAYMENT, AND AS YOU ARE AWARE, THERE'S NO ADDITIONAL DOWN PAYMENT REQUIRED FOR THE INSURANCE,

LYNCH: HOWEVER, YES, IF YOUR GONNA MAKE A MONTHLY PAYMENT IT DOES EFFECT THE AMOUNT. THE PAYMENT IS OBVIOUSLY TAKEN INTO CALCULATION FOR QUALIFYING JUST AS WE DO IN SINGLE-FAMILY HOMES. THAT'S PART OF THE PAYMENT ON A SINGLE-FAMILY HOME ALSO, AND IS PART OF THE QUALIFICATION RATIO THERE.

MARTIN: I REALIZE THAT PART OF IT BUT, YOU KNOW, BUT WHEN FOREMOST IS THE ONLY COMPANY IN TOWN THAT WE CAN BUY THESE THINGS FROM AND WE'RE FORCED TO PAY THE HIGH RATE...

LYNCH: WE HAVE COME UP WITH SOME OTHER INSURERS, DEPENDABLE INSURERS WISHES TO... TO A...

MARTIN: LOWER THE...

LYNCH: COME INTO THE STATE AND SUPPOSEDLY LOWER THE RATE, ALTHOUGH WE HAVEN'T SEEN THEIR RATES. THEY ARE NOT A RATED COMPANY. WE HAVE SUGGESTED TO THEM THAT THEY GET A RATING AT WHICH TIME THEY COULD BE IN THE INSURANCE BUSINESS. THEY'RE AWARE OF THIS. THERE HAS BEEN COMMUNICATION BETWEEN US GOING BACK AND FORTH. WE HAVE NO DESIRE TO LIMIT IT TO ONE INSURANCE COMPANY BUT WE MUST HAVE RATED COMPANIES.

ROPPEL: MIKE, YOU MIGHT JUST COMMENT HOW HARD IT WAS TO FIND ANYBODY TO DO THIS.

MARTIN: HOW ABOUT... HAVE YOU DECIDED ON DEPENDABLE YET?

LYNCH: WE'VE TOLD DEPENDABLE THAT CAN DO IT IF THEY GET THE RATING.

MARTIN: HOW MUCH LONGER DO YOU HAVE TO WORK ON THAT? WHERE'S IT AT?

LYNCH: WE DON'T HAVE ANYTHING TO DO WITH IT. THEY HAVE TO GO TALK TO STANDARD & POOR'S AND MOODY'S AND GET THEMSELVES RATED. IT COULD TAKE A DAY, A WEEK, OR A MONTH. IT SHOULDN'T TAKE LONG.

MARTIN: IS THERE ANYWAY AT THAT ALL WE CAN JUST QUALIFY THE BUYERS, JUST ON THE REGULAR PRINCIPAL AND INTEREST WITHOUT THIS CREDIT INSURANCE? JUST BECAUSE IT MAKES IT THAT MUCH MORE DIFFICULT TO GET THE BUYER IN.

LYNCH: YOU KNOW, IT IS A MONTHLY PAYMENT AND OUR REQUIREMENTS ARE THAT WE QUALIFY IT BASED ON THEIR MONTHLY PAYMENTS, SO I THINK THE ANSWER IS NO.

MARTIN: OKAY.

ROPPEL: DO YOU WANT TO MAKE A COMMENT ABOUT ON HOW HARD WE HAD TO LOOK TO FIND INSURANCE COVERAGE? INSURING MOBILE HOMES LOANS IS NOT REAL POPULAR.

MARTIN: I HAVE ANOTHER QUESTION. ON THE MOBILE HOME H.O.F. THING. I COULD HARDLY HEAR YOU WHEN YOU WERE TALKING ABOUT THAT EARLIER. I DO HAVE A COPY OF THE REGULATIONS BUT I DIDN'T SEE MOBILE HOME WRITTEN IN THERE ANYWHERE. AM I TO ASSUME THAT THESE REGULATIONS ARE FOR MOBILE HOMES AS WELL?

LYNCH: YES. THE H.O.F. REGULATIONS CHANGES THAT YOU SEE THERE APPLY TO MOBILE HOMES. THE INCLUSION OF MOBILE HOMES IN THE H.O.F. PROGRAM WAS ACTUALLY DONE, I BELIEVE, WITHIN THE SELLER/SERVICER GUIDE. IT WAS NOT PART OF REGULATION AND SO, I HAVE TO CHECK ON THIS, BUT I DON'T BELIEVE WE EVEN HAVE TO WAIT TO GO THROUGH THE REGULATORY PROCESS TO GET THE H.O.F. REGULATIONS, THE H.O.F. APPLYING TO MOBILE HOMES. JUST A MINUTE, LET ME CHECK. (inaudible) I TAKE THAT BACK. APPARENTLY YOU HAVE TO GET INTO ASSUME THE DEFINITION OF SINGLE-FAMILY HOMES... IS THAT HOW YOU DO IT? I'M... IF YOU LOOK AT THE PROPOSED H.O.F. REGULATIONS WHERE IT... DOWN IN THE ONE, TWO, THREE, FOUR, FIVE, SIXTH LINE, YOU SEE THE NUMBER RIGHT IN THE CENTER, 283, THAT'S THE MOBILE HOME PROVISION AND THAT'S WHERE WE INCLUDE THE MOBILE HOMES IN THE H.O.F. WE INCLUDE BY REFERENCE IN OTHER WORDS.

MARTIN: WHERE'S THAT? OKAY. SO WE CAN'T USE THE H.O.F. PROGRAM YET FOR MOBILE HOMES?

LYNCH: NO. I TAKE BACK WHAT I STARTED TO SAY. AS I SAID AT THE MEETING IT WILL PROBABLY BE... COME UP FOR FINAL APPROVAL AT THE FEBRUARY MEETING.

MARTIN: IS IT GONNA HAVE A HEARING OR ANYTHING?

LYNCH: YES.

MARTIN: WHEN WILL THE HEARING BE?

LYNCH: THEY'RE NOT SCHEDULED YET.

ROPPEL: ABOUT WHEN?

LYNCH: WE HAVE A LIST OF PEOPLE INTERESTED IN MOBILE HOMES AND IF YOUR NAME ISN'T ON IT, WE'LL PUT IT ON IT AND WE'LL SEND YOU A NOTICE OF THE HEARING.

MARTIN: OKAY. I THINK MY NAME'S ON IT ALREADY.

ROPPEL: ABOUT WHEN WOULD... WHEN WOULD THE HEARING BE?

MARTIN: THANK YOU. OH! OH, IS CREDIT INSURANCE GONNA BE ON THE H.O.F. FOR MOBILE HOMES?

LYNCH: CREDIT INSURANCE IS ON ALL MOBILE HOME LOANS.

MARTIN: THANK YOU.

DESPAIN: MIKE, WE HAD... WE'RE NOT QUITE SURE WHAT HAPPENED AS A RESULT OF THE DISCUSSION ON DELEGATED UNDERWRITING. WE DID NOT HEAR ACTUALLY WHAT TRANSPIRED AT THE MEETING.

LYNCH: JUDY, IT WAS JUST A REPORT ON THE STATUS AND THE FACT THAT STAFF IS PREPARING SELLER/SERVICER REGS, AND THE REGS WE NEED, AND THAT THEY WOULD COME TO THE BOARD NO LATER THAN MARCH. THERE WAS NO ACTION TAKEN BY THE BOARD.

DESPAIN: OKAY. THANK YOU.

ROPPEL: JUDY, DO YOU HAVE ANYONE ELSE AT ANCHORAGE THAT WISHES TO MAKE COMMENTS?

DESPAIN: YES, WE DO, FRANK.

SAWYER: MY NAME IS STEVE SAWYER. I'M WITH ERA ROCKER REALTY AND ONE OF THE CO-VICE CHAIRMANS OF THE ANCHORAGE MOBILE HOME LISTING EXCHANGE. I'M SORRY I WAS NOT HERE FOR THE BULK OF YOUR MEETING THIS MORNING. WE HAD A MOBILE HOME LISTING EXCHANGE THIS MORNING WHICH I WAS NEEDED TO PRESIDE SO I MAY HAVE MISSED SOME THINGS THAT WERE BROUGHT UP DURING YOUR DISCUSSIONS EARLIER. I AM VERY CONCERNED ABOUT SOLE SOURCE OF INSURANCE AT THE PRESENT TIME AND I UNDERSTAND THAT THERE'S ALWAYS BEEN COMMENT ABOUT THAT AND DISCUSSION. I WONDER WHY THE BOARD DECIDED THAT A STANDARD & POOR'S RATING WAS NEEDED?

LYNCH: I DON'T THINK IT'S FAIR TO THE BOARD TO SAY THAT THEY DECIDED THAT. IT'S BEEN DISCUSSED AT THE BOARD THAT WE WANT TO BOND THESE LOANS SO THAT WE COULD REDUCED THE DEPENDENCE ON THE STATE APPROPRIATIONS AND IT'S BEEN... FRANKLY, IT'S A STAFF FEELING THAT WOULD BE INCORRECT TO LET SOMEBODY COME INTO ANCHORAGE AND SET UP A MOBILE HOME INSURANCE OPERATION KNOWING THAT WE'RE PLAN ON SELLING BONDS SOMETIME IN THE FIRST QUARTER OF NEXT YEAR, AND THEY'D HAVE TO HAVE THE RATING THEN, AND IF THEY DIDN'T, THEY'D BE OUT OF BUSINESS. WE THINK IT WOULD BE IMPROPER FOR US TO FIGHT SOMEBODY IN THE BUSINESS THAT WASN'T GONNA BE ABLE TO CONTINUE TO OPERATE THE PROGRAM ON A... ON A CONTINUOUS BASIS.

SAWYER: I MAY BE INCORRECT. MY INFORMATION MAY BE INCORRECT, BUT I UNDERSTAND THAT THERE ARE OTHER RATING SYSTEMS THAT COULD HAVE BEEN USED OTHER THAN STANDARD & POOR'S, AND THAT VERY FEW PROPERTY AND CASUALTY INSURANCE COMPANIES ARE RATED BY STANDARD & POOR'S, AND THAT THE DECISION TO HAVE THESE INSURANCE COMPANIES MEET A STANDARD AND POOR'S RATING WAS MADE 17 DAYS AFTER THE REGULATIONS WENT EFFECT... WENT INTO EFFECT. TO THE BEST OF MY KNOWLEDGE, 17 NOVEMBER '83?

LYNCH: I PERSONALLY CAN'T RESPOND TO THAT. IF YOU MEAN BEST RATINGS, BEST RATINGS ARE NOT NECESSARILY S.&P.'S RATINGS. THEY DO THEIR OWN RATINGS OR MOODY'S, YOU KNOW. S.&P. IS THE ONE THAT RATES OUR BONDS, MOODY'S RATE OUR BONDS SO, THEREFORE, THEY RATE ALL COMPONENTS OF THE BONDS SO AN INSURANCE COMPANY USED TO INSURE LOANS THAT WE ARE PLEDGING ON OUR BONDS WOULD HAVE TO BE RATED BY S.&P. AND MOODY'S.

SAWYER: I DO APPLAUDE THE EFFORT TO BRING THE MOBILE HOME LOANS PROGRAM MORE IN LINE WITH THE PROGRAMS AVAILABLE FOR REAL ESTATE LOANS. I WONDER WHY MOBILE HOME LOANS MUST BE INSURED TO A 40 PERCENT REQUIREMENT WHEREAS REAL ESTATE IS INSURED TO 35 PERCENT?

LYNCH: AS YOU SAID, YOU WERE NOT HERE DURING THE MEETING. IT WAS STATED THAT WE SPENT LAST WEEK IN NEW YORK DISCUSSING MOBILE HOME LOANS WITH THE RATING AGENCY, AND AT THIS TIME, THEIR REQUIREMENT APPEARS FOR A A. OR DOUBLE A. RATING, PROBABLY ONLY AN A. RATING, IS 40 PERCENT INSURANCE. THEY'VE BACKED DOWN FROM THE 100 PERCENT REQUIREMENT THEY WERE TALKING ABOUT SEVERAL MONTHS AGO. THAT'S THE BASIS OF THE 40 PERCENT REQUIREMENT. JUST AS THE REQUIREMENT PLACED ON SINGLE-FAMILY HOMES ARE BASED ON THE REQUIREMENTS OF S.&P. AND MOODY'S, THE DOUBLE A. RATING ON SINGLE-FAMILY HOMES.

SAWYER: I UNDERSTAND ALSO THAT FOREMOST BASED THEIR RATE FOR INSURANCE UPON A 12 PERCENT DELINQUENCY RATE. IS THAT CORRECT?

LYNCH: I HAVE NO IDEA.

SAWYER: MY UNDERSTANDING OF THAT IS TRUE BUT THE ACTUAL DELINQUENCY RATE IS LESS THAN ONE PERCENT. DO YOU HAVE ANY IDEA WHAT THE ACTUAL DELINQUENCY RATE IS?

LYNCH: DELINQUENCY RATE IS ABOVE THREE PRECENT AND FOREMOST D'D LOOK AT OUR RECORDS AND OUR DELINQUENCY EXPERIENCE IN SETTING THEIR RATES.

SAWYER: THANK YOU, VERY MUCH.

TAYLOR: THIS IS ANNETTE TAYLOR AGAIN. MIKE, WOULD YOU CALL ME AT MY OFFICE IN ABOUT A HALF HOUR SO I CAN SPEAR YOU OVER THE TELEPHONE?

LYNCH: ANNETTE, I MAY BE ON A PLANE.

TAYLOR: OKAY. WHEN ARE YOU GONNA BE COMING BACK?

LYNCH: WE'RE COMING BACK ON THE, I DON'T KNOW, THE 12:00 OR 1:00 O'CLOCK PLANE.

TAYLOR: OKAY. WOULD YOU CALL ME THIS AFTERNOON, PLEASE?

LYNCH: CERTAINLY.

TAYLOR: THANK YOU.

WOHLFORTH: THEN THAT WAS... THAT ANSWERS MY INQUIRY. I TAKE IT YOU ARE HEADING RIGHT BACK AND I'LL MEET WITH BOB WALSH THEN SOMETIME IN THE EARLY AFTERNOON ON THE COMPLETION OF THE OFFICIAL STATEMENT IN ANY DETAILS LIKE THAT... THAT UNDERSTOOD?

ROPPEL: YEAH.

LYNCH: BOB SAYS, YES.

WOHLFORTH: VERY GOOD. THANK YOU, MIKE. THANK YOU, VERY MUCH.

DESPAIN: FRANK, WE HAVE NO ONE ELSE IN ANCHORAGE THAT WISHES TO ADDRESS THE BOARD.

ROPPEL: OKAY. THANK YOU. WE APPRECIATE YOUR COMMENTS.

WOHLFORTH: I'LL BE OVER HERE IN YOUR OFFICE AT 6:30 P.M.

ROPPEL: OKAY. JUNEAU, DO YOU HAVE ANYONE THERE IN THE OFFICE THAT WISHES TO MAKE ANY COMMENTS?

JUNEAU: NO, WE DON'T.

ROPPEL: IS... AND WE ASSUME SOLDOTNA IS OFF THE LINE STILL? OKAY. IS THERE ANY OTHER BUSINESS TO COME BEFORE THE BOARD?

ELDER: JUST SOMETHING THAT CAME TO MIND AND THAT IS THAT WITH THE PROPOSED CHANGES IN THE H.O.F. PROGRAM, I WONDER IF WE COULD JUST ASK STAFF TO CONTACT, AS A COURTESY, THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS... JUST INITIATED A H.O.F. PROGRAM AND I THINK THEY PATTERNED IT AFTER A.H.F.C. AND THEY WOULD BE INTERESTED IN THE CHANGES.

ROPPEL: OKAY. GOOD DEAL. DO YOU HAVE A COMMENT HERE, PLEASE?

CROWELL: I'M SHERRY CROWELL FROM PROGRESSIVE REALTY.

ROPPEL: SAY IT AGAIN.

(spontaneous talking, inaudible)

CROWELL: SHERRY CROWELL FROM PROGRESSIVE REALTY.

ROPPEL: HANG ON, JUST A SECOND, PLEASE.

(spontaneous talking, inaudible)

WOHLFORTH: IS THERE ADJOURNMENT, NOW?

DESPAIN: MR. CHAIRMAN, IS THE MEETING ADJOURNED?

ROPPEL: NO, THE MEETING IS NOT ADJOURNED AND WE HAVE AN ADDITIONAL COMMENT HERE COMING FROM FAIRBANKS, SO IF YOU COULD HANG ON FOR JUST A MINUTE, WE'D APPRECIATE IT.

DESPAIN: OKAY. THANK YOU.

CROWELL: THIS IS SHERRY CROWELL IN FAIRBANKS FROM PROGRESSIVE REALTY. I HAVE TWO QUESTIONS OF MIKE. COULD WE GET A COPY OF THE MEMO WHICH INDICATES THE STATUS OF THE DELEGATED UNDERWRITING PROGRAM OR A SUMMARY OF THE STATUS?

LYNCH: THAT WAS SENT TO THE BOARD OF REALTORS? IS THAT CORRECT?

KAY MURPHY: WE HAVE IT IN THE BACK OF THE BOARD PACKET.

LYNCH: IT'S IN THE BOARD PACKET. WE'LL BE GLAD TO GIVE YOU ONE.

ROPPEL: WE'VE GOT ONE HERE.

LYNCH: (inaudible) YOUR QUESTION. I THINK WE'VE SENT IT TO THE ANCHORAGE... FAIRBANKS BOARD OF REALTORS, BEFORE WE CAME UP HERE, TO BROWN? BROWN ALREADY HAS ONE BUT WE'LL BE GLAD TO GIVE YOU ONE.

CROWELL: OKAY. MY SECOND QUESTION. DID I UNDERSTAND YOU CORRECTLY THAT THE APPRAISAL REVIEW IS BUDGETED FOR '85? DOES THAT MEAN WE WILL NOT HAVE AN APPRAISAL REVIEW PROCESS... THAT UP UNTIL JULY OF NEXT YEAR?

LYNCH: THAT'S POSSIBLE, YES.

CROWELL: SO AT THIS PARTICULAR TIME, DO YOU HAVE ANY TIME FRAME ON WHEN THIS DELEGATED UNDERWRITING COULD ACTUALLY BE IN EFFECT?

LYNCH: NO, I DON'T THINK WE DO. I THINK AT THE TIME WE GET EVERYTHING ELSE IN PLACE, THE BOARD WILL HAVE AN OPPORTUNITY TO DECIDE IF IT WANTS TO GO AHEAD WITHOUT THE APPRAISAL FUNDING. SINCE WE DON'T HAVE EVERYTHING ELSE DONE, I DON'T THINK IT WOULD BE TIMELY OR APPROPRIATE TO ASK THEM THAT QUESTION NOW.

CROWELL: THANK YOU.

ROPPEL: THANK YOU. NOW DOES ANYONE HAVE ANY ADDITIONAL COMMENTS? IS THERE A MOTION TO ADJOURN?

BARKER: MOTION.

ROPPEL: MOTION'S BEEN MOVED TO ADJOURN. ANY OBJECTION? SO ORDERED.

Alaska State Legislature

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



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

House Special Committee on State Loans

January 10, 1984

Mr. Michael Lynch
Alaska Housing Finance Corporation
P.O. Box 1020
Anchorage, Alaska 99510

Dear Mr. Lynch,

The House Special Committee on State Loans will be reviewing the appropriations for all Loans programs within the State during the current session of the Legislature. It is my intent, as Chairman of the Committee to schedule these hearings as early in the session as possible, and when our calendar is set we will let you know as much in advance as possible.

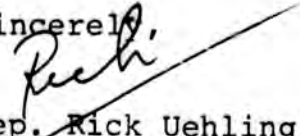
In an effort to have the Committee members informed and up to date on the Alaska Housing Finance Program, I would request that you provide the following specific information:

- 1) Amounts budgeted for FY '83 and FY '84.
- 2) Amounts requested for FY '85.
- 3) Amounts actually expended for FY '82 and for FY '83, by specific programs.
- 4) Statistical information on how many loans were awarded during FY '82 and FY '83.
- 5) The average amounts of individual loans awarded.
- 6) Current fiscal year monies expended to December.

I do apologize in advance for the short notice, but we would like to have as much of the information as possible by January 23rd. Hopefully, most of the data has already been put together for the Governor's Budget.

Thank you very much for your assistance, I look forward to working with you once again.

Sincerely,


Rep. Rick Uehling

RU/AS/tm

Table of Contents:

Communities Currently Served	1
Letter to the Governor	2
Board of Directors	3
The Corporation	4
AHFC Programs	6
Impact	11
Legislative Changes	12
Goals & Performance	13
Financial Statement	14

Service



Anchor Point
 Anchorage
 Aniak
 Auke Bay
 Barrow
 Bethel
 Cantwell
 Chitina
 Chugiak
 Clam Gulch
 Cooper Landing
 Copper Center
 Cordova
 Craig
 Delta Junction
 Dillingham
 Douglas
 Eagle River
 Elfin Cove
 Ester
 Fairbanks
 Ft. Yukon
 Gakona
 Galena
 Gambell
 Girdwood
 Glennallen
 Haines

Healy
 Homer
 Hoonah
 Hope
 Hydaburg
 Iliamna
 Indian
 Juneau
 Kake
 Kasilof
 Kenai
 Ketchikan
 Kiana
 King Salmon
 Klawock
 Kodiak
 Kodiak, Coast
 Guard Station
 Kotzebue
 Manokotak
 McGrath
 Metlakatla
 Moose Pass
 Mountain Village
 Naknek
 Nenana
 Nikolai
 Ninilchik

Nome
 North Pole
 Nunapitchuk
 Ouzinkie
 Palmer
 Pelican
 Petersburg
 Port Alexander
 Port Lions
 Ruby
 Russian Mission
 Sand Point
 Seldovia
 Seward
 Sitka
 Skagway
 Skwentna
 Soldotna
 St. Marys
 St. Michaels
 St. Paul Island
 Sterling

Sutton
 Talkeetna
 Tanana
 Tatitlek
 Tok
 Unalaska
 Usibelli
 Valdez
 Ward Cove
 Wasilla
 Willow
 Wrangell
 Yakutat

(Top):
 Anchorage:
 Photo Courtesy
 Municipality of
 Anchorage/
 Dennis Hellawell

(Middle):
 Fairbanks:
 Photo Courtesy
 Fairbanks
 Convention and
 Visitors Bureau/
 Susan Hall

(Bottom):
 Juneau:
 Photo Courtesy
 Alaska Division
 of Tourism

Dear Governor Sheffield:

Alaska Housing Finance Corporation (AHFC) is pleased to present to you, the Legislature, and the citizens of Alaska, its Annual Report for the fiscal year ending June 30, 1982. AHFC's most significant accomplishment represented in this report is, of course, the service provided to the Alaskan public. In Fiscal Year 1982, AHFC provided 10,028 below market rate mortgages to Alaskans. This converts to \$819,221,250 in total mortgage money to Alaska residents in all income groups statewide. Nationally, 1982 was considered a bad year for housing. However, it was a year of success and accomplishment for AHFC. By virtue of the State's generous appropriation of funds, AHFC continued to offer financing for mortgage loans at an interest rate far below the national average.

In early 1981, the Federal Congress substantially reduced and limited AHFC's ability to raise lower cost capital through the sale of Tax-Exempt Mortgage Revenue Bonds. In quick response to the modifications of the Mortgage Subsidy Bond Tax Act of 1980, AHFC was one of the first entities to sell its maximum allocation of \$200 million in tax-exempt bonds and the first to raise capital through the sale of taxable bonds. The Corporation issued approximately \$300 million in bonds over any previous fiscal year for a total of \$802 million in taxable and tax-exempt issues. As a result, funds generated from these sales increased the mortgage loan portfolio by 42 percent over FY 81. As of June 30, 1982, the Corporation held in its portfolio 29,037 loans to Alaskan homeowners with outstanding principal balances totaling \$2,075,912,888.



In addition to introducing new programs, legislation passed in 1982 substantially increased the Corporation's ability to respond to a volatile bond market and established a procedure which allowed a commitment to a specific interest rate on individual mortgage loans. To avoid duplication of programs, legislation also transferred AHFC's Rural Programs to the Department of Community and Regional Affairs.

Among the new programs implemented in FY 82 were the Second Mortgage Loan Program and the Tax-Exempt Mortgage Loan Program. The Second Mortgage Loan Program provides a vehicle for borrowers to improve their present residence or to assume an older first mortgage, where allowed, in order to maintain a lower average interest rate. The Tax-Exempt Program offers attractive interest rates of 10 percent on the first \$90,000 (9 percent to eligible State veterans) to borrowers throughout the State who meet the federal requirements.

AHFC has become a leader among state housing finance entities, from its development of computer programs to its innovations in mortgage instruments. In addition, it has developed new techniques to raise capital that have substantially reduced its costs of borrowing. While we are pleased with these accomplishments, they are merely the necessary means implemented to fulfill AHFC's essential purpose -- the importation of massive amounts of money to finance Alaska's mortgage market at the lowest possible cost to our ultimate constituency, the Alaskan public.

Respectfully yours,

Franklin C. Roppel

Franklin C. Roppel
Chairman

Harry F. Goldbar

Harry F. Goldbar
Executive Director

Board of Directors



Franklin C. Roppel
Chairman
President, Sealaska
Timber Corporation
Ketchikan, Alaska



Lance C. Parrish
First Vice-Chairman
Attorney
Fairbanks, Alaska



Thomas K. Williams
Second Vice-Chairman
Commissioner of Revenue
State of Alaska, Juneau, Alaska



Lee McAnerney
Commissioner of
Community and Regional
Affairs
State of Alaska, Juneau, Alaska



Charles R. Webber
Commissioner of
Commerce and Economic
Development
State of Alaska, Juneau, Alaska

AHFC Directors



Harry F. Goldbar
Executive Director



Leroy J. Rothe
Mortgage Operation
Director



Mark K. Cameron
Finance Director

The Corporation

The Formation of AHFC

In 1971, the Legislature created the Alaska Housing Finance Corporation (AHFC) to assist in providing decent, safe, and sanitary housing. The Corporation was created as a public corporation and government instrumentality. While administratively, the Corporation is within the Department of Revenue, it has a legal existence that is independent and separate from the State. The original purpose was to provide mortgage financing for persons of low to moderate income and to promote the economic growth of the remote, underdeveloped or blighted areas of the State.

In 1980, the Legislature found that the conventional sources of financing for residential dwellings in Alaska were inadequate. Recognizing these inadequacies, the State Legislature identified the following problems: a serious shortage of capital available to finance residential housing, continually fluctuating conventional mortgage interest rates, and mortgage interest rates far above what most Alaskans could afford. To redress these problems, state statutes under which the Corporation operates were substantially amended and its purpose was expanded. The amended legislation allowed AHFC to provide mortgage loan financing without regard to income limitations. As a result of this action, the Corporation currently functions as a secondary mortgage market providing the principal source of residential financing in the State.

How AHFC Works

As a provider of secondary mortgage financing, the Corporation purchases 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. In addition, the Corporation receives direct appropriations from the Legislature which allow for the purchase of mortgages bearing an interest rate far below national market rates.

The Staff of AHFC

The Corporation currently employs 37 persons and can be segregated into four functions: Executive, Administrative, Mortgage Underwriting, and Finance.

Executive

Harry F. Goldbar serves as Executive Director of the Corporation; LeRoy J. Rothe, Mortgage Operations Director; and Mark K. Cameron, Finance Director. In addition to the formation of policy and the development of regulations, these individuals are responsible for the coordination of funding and the overall management of the Corporation.

Administrative

The administrative staff acts as a support system to the Executive, Mortgage Underwriting, and Financial Staff. They are responsible for the day-to-day operation of the office, dissemination of program information, and coordination of legislative activities.

Mortgage Underwriting

All prospective residential mortgage loans submitted to AHFC are reviewed by a staff underwriter. The underwriting process assesses the prospective purchaser's ability to repay the mortgage loan and the adequacy of the home as collateral. If acceptable, the underwriter then issues a commitment on behalf of the Corporation. The staff also reviews recommendations for project approval of condominiums and planned unit developments.

Finance

The accounting and loan servicing functions are performed within finance and encompass the preparation of budgets, coordination of financial audits, maintaining demographical information on the property and borrower, and working with the Seller/Serviceers to minimize

delinquencies and foreclosures. These functions are assisted by a recently expanded in-house data processing system which allows the Seller/Serviceers to report only exceptions to the normal monthly mortgage payment.



Administration

(Left) Administrative Staff reviews the latest board minutes. (Right) A recently installed Reuter Monitor System allows up-to-the-minute information regarding capital market rates and money news.



Mortgage Underwriting

(Left) Staff gathers for a weekly meeting to discuss underwriting questions and criteria. (Right) The plans of a proposed condominium project are reviewed.



Finance

(Left) The bi-monthly purchase of mortgages is given final review. (Right) The expanded data processing system makes information regarding the Corporation's mortgages readily available.

Programs

Special Mortgage Loan Purchase Program

The largest and most comprehensive program offered is the Special Mortgage Loan Purchase Program (SMLPP), which includes individualized assistance programs to meet specific borrower needs. The Corporation currently follows the Federal National Mortgage Association loan limits for the State of Alaska which are \$160,500 for a single-family residence and \$205,200 for a duplex. A borrower may choose a VA guaranteed loan, the maximum loan amount may not exceed the current limitations established by AHFC.

For FY 82, the Legislature appropriated \$222 million to the SMLPP program. A portion of this amount, coupled with the earnings from currently held mortgage loans, was used to subsidize the difference between the interest rate offered to the public and the cost of obtaining funds to the Corporation.

In FY 82, AHFC purchased 8,497 loans under this program totaling \$765,799,950.

In 1981, legislation was enacted which significantly impacted the method of determining mortgage interest rates. The legislation eliminated the previously "fixed" interest rate 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 eventually bring the mortgage interest rate on the first \$90,000 of the mortgage loan (the amount subsidized by the State) to within 3 percent of the cost of funds to the Corporation.

The ABE Mortgage

Disruption and volatility in the capital markets caused mortgage interest rates to rapidly increase from the previously fixed rate of 10 percent to 12 3/8 percent on the first \$90,000 of the loan. 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 less expensive shorter-term 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 balance 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 Program and the Second Mortgage Loan Program.

Loan and Borrower Profile
Averages on all first mortgages (taxable and tax-exempt) for FY 82.

Sales Price	\$104,521
Note Amount	90,300
Monthly Income	4,041
Age of Borrower	34.6
Size of Household	2.7
Weighted Average Interest Rate	11.43

Home Ownership Assistance Program

The Special Mortgage Loan Purchase Program includes individualized assistance programs in order to meet the needs of specific borrowers. One such program is the Home Ownership Assistance (HOF) Program. Initially funded through an appropriation of \$2.5 million in cash and \$50 million in mortgages from the State, the HOF Program exists solely to assist low and moderate income families in purchasing a home. An additional \$43 million in cash from the State was appropriated to the HOF Program in 1982. The assistance under the HOF program is provided by further subsidizing the interest rate a borrower must pay, thus reducing the amount of the monthly payment. The borrower is required to contribute a minimum of 25 percent of their gross monthly income to the total monthly payment. The computation of the subsidy is based upon the lesser of the two following formulas: 1) principal and interest at the current rate less principal and interest at the rate of 6 percent; or 2) principal and interest at the current interest rate less 20 percent of the borrower's gross monthly income.

Because this is a special assistance program, income and asset limitations, as well as a purchase price ceiling, have been established. Income limits vary according to family size; assets may not exceed twice the borrower's annual income limit, (this figure is increased to three times annual income for borrowers over 65); and the maximum loan amount may not exceed \$76,000, with the appraisal or sales price not to exceed \$80,000. After two years of experience with the program, the Corporation is currently proposing modifications in an effort to better meet the needs of the low to moderate income families throughout the State.

The Corporation purchased 903 mortgage loans under the HOF Program in FY 82, committing \$58,136,000 in funds.

Pledged Account Mortgage Program

Also included in the Special Mortgage Loan Purchase Program is the Pledged Account Mortgage (PAM) Program which offers a graduated payment mortgage to prospective borrowers. With a PAM mortgage, the borrower places part of the down payment in an interest bearing savings account which is pledged as additional collateral. This account is used to supplement the monthly mortgage payments in the early years of the loan. In accordance with a prearranged schedule, withdrawals are made from the savings account on a monthly basis for a period not to exceed five years. The borrower(s) making application under this system would typically be in a line of employment that demonstrates upward mobility. Both the Home Ownership Assistance Program and the Pledged Account Mortgage Program significantly broadens the home ownership potential for Alaskan families.

In FY 82, \$62,450,300 in funds was committed to the PAM Program for a total of 607 mortgages.

Tax-Exempt Mortgage Loan Program

The Mortgage Subsidy Bond Tax Act of 1980, limits the Corporation's bonding authority to \$200 million in tax-exempt Mortgage Revenue Bonds per year. Mortgage loans offered under this program are subject to regulations that have been established by the U.S. Department of Treasury. The Act terminates all tax-exempt mortgage revenue bonding authority except General Obligation bonding for veteran's housing at the end of calendar year 1983. Since the Program is federally regulated, restrictions have been placed on the individual's eligibility. For example, the dwelling must be the borrower's principal residence, established purchase price limitations cannot be exceeded, and requirements relating to prior home ownership must be met.