ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1317 SCOMM 50: HOUSE SPECIAL COMMITTEE ON STATE LOANS 1985-86

- bailee's liability
- elevator collision liability
- garage keeper's liability
- host liquor liability
- workers' compensation and employer's liability
- contractual liability

The insurer's limit of liability per occurrence for personal injury, bodily injury, or property damage under the terms of the above coverages must be at least $1 million.

(b) Multifamily properties. A multifamily rental property must be covered by liability insurance to the extent required of a PUD or condominium owners' association.

6408

Fidelity insurance requirements for planned unit developments and condominiums

The PUD or condominium owners' association must carry fidelity insurance covering losses resulting from dishonest or fraudulent acts committed by the association's directors, managers, trustees, employees, or volunteers who manage the funds collected and held for the benefit of the PUD or condominium unit owners. This coverage must have the following characteristics:

- the coverage must equal the maximum amount of funds in the association's custody at any one time but must be no less than the sum of three months of assessments on the entire project plus reserves;
- the PUD or condominium owners' association must be named as the insured;
- a professional management firm must be insured to the same extent as a PUD or condominium owners' association managing its own operation and must submit evidence of such coverage to the association.

6409

Mortgage clause

All insurance policies must have the standard mortgage clause commonly used by private institutional mortgage investors. Such clause must provide that the insurer will notify the named mortgagee at least 10 days before any reduction in coverage or cancellation of the policy.

If the mortgage is owned in whole by Freddie Mac, "(name of Servicer), its successors and assigns" should be named as mortgagee instead of Federal Home Loan Mortgage Corporation. In deed-of-trust jurisdictions, the mortgagee should be designated as "(name of Servicer), its successors and assigns, beneficiary."

The mortgage clause of insurance policies obtained by PUD or condominium owners' associations must be endorsed to fully protect Freddie Mac's interest or the interests of Freddie Mac and the Servicer where applicable.

Regardless of how the mortgage clause is endorsed, the Servicer must arrange for all insurance drafts, notices, policies, invoices, etc., to be delivered directly to the Servicer. If the Federal Home Loan Mortgage Corporation must be named as mortgagee, the endorsement must show the Servicer's address in lieu of Freddie Mac's, as shown in the example below:

Federal Home Loan Mortgage Corporation
c/o ABC Savings and Loan Association
100 Main Street
Hometown, USA 12345

When a mortgage clause is not applicable (e.g., in a separate policy of comprehensive general liability), a certificate of insurance must be provided to the Servicer. This certificate must contain the information required for certificates or other evidence of insurance in section 6410, with the Servicer named as certificate holder instead of the mortgagee.

6410

Evidence of Insurance

For each property securing a mortgage owned by Freddie Mac, the Servicer must maintain the following documentation:

- for 1–4 family properties, an original of the hazard insurance policy, flood insurance policy (if applicable), and any related endorsement;
- for properties covered under a blanket PUD or condominium association policy, an original of the blanket policy, any flood insurance policy, and any related endorsement;
- for multifamily properties, an original of the blanket policy, any flood insurance policy, and any related endorsement.

Microfilm or microfiche copies of the required policies are acceptable if they meet the requirements of section 6204.

In lieu of a policy, the Servicer may maintain a certificate or other evidence of insurance showing at least the following information:

- named insured and mortgagee (named insured association, unit owner, and unit owner mortgagee if a PUD or condominium unit);
- property address;
- type, amount, and effective dates of coverage;
- deductible amount;
- any endorsement or optional coverage obtained and made part of the original policy;
- insurer's agreement to provide at least 10 days' notice to the mortgagee (or applicable unit owner mortgagee if for a PUD or condominium unit) before any reduction in coverage or cancellation of the policy; and
- signature of an authorized representative of the insurer, if required by law.

The Policy Declarations page of an NFIP policy is acceptable evidence of flood insurance.

The Servicer must possess a specimen of each policy and endorsement for which a certificate or other evidence of insurance is maintained in lieu of the policy or endorsement.

The Servicer must carry mortgage impairment or mortgagee interest insurance if it elects not to maintain the documentation described above. The mortgage impairment or mortgagee interest policy must meet the following requirements:

- be underwritten by an insurer currently rated B/IX or better in Best's Insurance Reports (policies issued by Lloyd's of London are also acceptable) and licensed or otherwise authorized by law to conduct business in the jurisdictions where the properties are located;
- provide coverage for the Servicer and/or Freddie Mac;
- provide coverage in scope and amounts at least equal to those required under section 6403;
- provide for at least 180 days' written notice to the Servicer and, if applicable, Freddie Mac before canceling or terminating the coverage;
- be approved by any regulatory authority to which the Servicer is subject, if such approval is required.

In addition to all other remedies of Freddie Mac provided for in the purchase documents, the Servicer will indemnify Freddie Mac for any loss Freddie Mac sustains due to the Servicer's failure to verify that the required insurance is in force on the mortgaged premises. The Servicer's obligation shall in no way be limited to the amount of coverage in force under a mortgage impairment or mortgagee interest policy.

6411

Insurance charges

Premiums for insurance covering the mortgaged premises will be paid when due by borrowers or the Servicer if the Servicer collects escrows for such purposes.

Premiums for insurance obtained by a PUD or condominium owners' association for the benefit of the PUD or condominium project will be paid by the association as a common expense assessable to all unit owners.

6412

Changes in insurance requirements

The Servicer must require the borrower to obtain appropriate insurance coverage in accordance with the terms of the security instrument when the following conditions exist:

- the Servicer becomes aware that existing coverage does not adequately protect the mortgaged premises;
- the area where the mortgaged premises are located was not subject to flood insurance requirements at inception of the

mortgage or when Freddie Mac purchased the mortgage, but has now been classified as a Special Flood Hazard Area and the Servicer has become aware of such classification.

The Servicer will follow up to verify that adequate coverage has been obtained and remains in force. If the borrower does not obtain such coverage, the Servicer must do so. The Servicer will then adjust the borrower's escrow payments accordingly or bill the borrower to recover the advance if the Servicer does not maintain an escrow account for the borrower. If the borrower refuses to reimburse the Servicer, the Servicer may recommend acceleration to Freddie Mac for the borrower's default under the terms of the security instrument.

If the additional coverage cannot be obtained, the Servicer will immediately make appropriate recommendations to Freddie Mac.

The Servicer may authorize the borrower to discontinue flood insurance coverage upon verification of map revision or receipt of a Letter of Map Amendment from FEMA.

6413

Insurance loss settlements

Upon notification of loss or damage to the mortgaged premises, the Servicer will monitor and coordinate the claim process with the borrower and the insurer. The Servicer must take appropriate action to

- verify the extent of the loss or damage;
- ensure judicious disbursement of insurance proceeds for the necessary repairs;
- protect the priority of the mortgage by obtaining waivers of materialman's or mechanic's liens; and
- document completion of the repairs.

The Servicer may be named as loss payee on insurance drafts and must comply with any applicable law and, where applicable, any requirement of the FHA, VA, or MI. Details concerning the loss or damage and disposition of the insurance proceeds must be recorded in the loan file.

The Servicer need not submit a report and related recommendations to Freddie Mac unless

- the mortgage is in foreclosure or the mortgaged premises have been acquired by the Servicer through foreclosure or deed in lieu of foreclosure;
- the insured improvements have suffered a total or near total loss;
- the Servicer wishes to apply insurance proceeds to the mortgage debt instead of repairing the property; or
- insurance proceeds exceed the amounts required to restore the property to its original condition.

6414

Natural disaster losses

When a natural disaster (earthquake, flood, tornado, etc.) results in losses or damages to the mortgaged premises, the Servicer must promptly

- ascertain the number of such mortgaged premises;
- determine the extent of the losses or damages;
- secure any abandoned mortgaged premises;
- assist the affected borrower in filing for any disaster relief aid available;
- assist the affected borrower through counseling and any appropriate repayment plan as provided under sections 6510-6513;
- notify the applicable Freddie Mac regional office with appropriate recommendations.

6415

Mortgage insurance requirements

†The mortgage insurance required under sections 1406 and 1601 may be canceled at the Servicer's option and the collection of mortgage insurance premiums discontinued when the conditions below are met.

(a) Owner-occupied properties. Mortgage insurance coverage may be canceled when the unpaid balance of the mortgage is reduced to 80 percent or less of the original purchase price or original appraised value, whichever is less, and the borrower has a history of timely payments.

Mortgage insurance coverage may also be canceled upon transfer of ownership, if the unpaid balance of the mortgage is reduced to 80 percent or less of the current purchase price or current appraised value, whichever is less. This appraised value must be based on an appraisal made within 60 days by an appraiser acceptable to the Servicer, using the applicable Freddie Mac appraisal report form.

(b) Nonowner-occupied properties. Mortgage insurance coverage may be canceled when the unpaid balance of the mortgage is reduced to 65 percent or less of the original purchase price or original appraised value, whichever is less, and the borrower has a history of timely payments.

Mortgage insurance coverage may also be canceled upon transfer of ownership, if the unpaid balance of the mortgage is reduced to 65 percent or less of the current purchase price or current appraised value as explained above, whichever is less.

discontinued, all fees and costs incurred are to be collected from the borrower unless prohibited by law, in which case Freddie Mac will share the expenses with the Servicer in proportion to Freddie Mac's interest in the mortgage.

(e) Foreclosure instruments. The Servicer must prepare and forward with the foreclosure recommendation any necessary papers for execution by Freddie Mac. When appropriate, the Servicer will request the note from Freddie Mac. If the note is sent to the Servicer, the Servicer will be responsible for its safe storage and must return it to Freddie Mac promptly should the foreclosure proceedings be discontinued.

(f) Servicing. Freddie Mac reserves the right to direct the Servicer to relinquish servicing of a mortgage in default and resume servicing when appropriate.

6603

Action during foreclosure

(a) Protection of the mortgaged premises. The Servicer must take appropriate action during the foreclosure process to protect the mortgaged premises. The Servicer must obtain Freddie Mac's prior approval for any expenditure over $500 to protect the property. When delaying protective action might result in impairment of the mortgaged premises, the Servicer should call the applicable Freddie Mac regional office for immediate approval. Freddie Mac will send the Servicer a confirmation of the cost and nature of the protective action approved.

(b) Escrow funds. The Servicer must retain the borrower's escrow funds and unapplied funds, if any. The Servicer must obtain bills for and effect payment of all expenses to be paid under the security instrument. Such expenses include taxes, special assessments, ground rents, and other charges that are or may become first liens on the mortgaged premises. If the borrower's escrow funds are insufficient to pay these items as they become due during foreclosure, the Servicer must advance funds to pay these expenses when and to the extent necessary to protect Freddie Mac's interest.

(c) Buydown account. Any funds remaining in the buydown account of a mortgage in foreclosure must be disposed of according to the terms of the buydown agreement. The funds must not be automatically applied to reduce the principal balance of the borrower's mortgage or to reduce any other of the borrower's obligations under the mortgage. The funds may be so applied with the borrower's consent when the application of funds is sought.

(d) Inspection. The Servicer must inspect the mortgaged premises at least monthly and more frequently when circumstances warrant.

68

Home mortgage and HIL servicing: partial prepayment (curtailment); escrow; adverse matters

6801

Partial prepayments (curtailments)

Partial prepayments of principal in any amount may be accepted by the Servicer according to the terms of the note. Upon request by the borrower, the monthly principal and interest installments may be reduced provided that

- the monthly payments (including payments to superior lienholders, for a HIL) are current;
- there is no extension of the maturity date of the note;
- FHA, VA, or MI approval is obtained, if applicable;
- the rate of interest stated in the note remains unchanged.

If the monthly payments are reduced, a modification agreement must be prepared and executed by or consented to in writing by all necessary parties, such as the holder of the note, the borrower and any comaker, guarantor, surety, or other obligor. Freddie Mac need not approve any modification meeting these requirements.

Freddie Mac's execution of any document submitted by the Servicer does not imply that it has reviewed the document for legal adequacy. This is the Servicer's responsibility. When required by local law or practice, the Servicer must obtain the consent of any statutory or contractual lienholder and binding confirmation by the title insurer that no loss in the dignity of the lien is incurred. The Servicer must make any necessary recordation. To the extent of local law and practice, the Servicer may require the borrower to reimburse the Servicer's costs and pay expenses incurred in preparing or recording the modification agreement. For mortgages purchased in whole by Freddie Mac, the Servicer must send the original modification agreement to Freddie Mac for its records. See section 8011 for Freddie Mac's accounting requirements regarding this subject.

6802

Escrow for taxes, ground rents, assessments, and other charges

The FNMA/FHLMC uniform security instruments provide for the collection of escrow, subject to applicable law, unless waived by the lender. If escrow is being collected when the mortgage is purchased by Freddie Mac, the Servicer must continue to collect one-twelfth of the yearly charge for escrow with each monthly installment of principal and interest. The Servicer may, if requested by the borrower, also collect and administer funds to pay expenses not provided for in the mortgage, such as life insurance on the borrower. The escrow must be held in an account insured by an agency of the United States.

The Servicer must obtain bills for and pay all escrow items before the applicable penalty or termination date. The Servicer must maintain adequate records to prove payment of all taxes, ground rents, assessments, and other charges that are or may become first liens on the mortgaged premises.

At least annually, the Servicer must compute the required escrow payment based on reasonable estimates of assessments and bills to determine that sufficient funds are being collected to meet all escrow payments. If the amount held in escrow by the Servicer, together with the future monthly installments of escrow, exceeds the amount required to pay charges as they fall due, the Servicer must either repay the excess promptly to the borrower (if there is no default under the terms of the security instrument) or credit the excess to the borrower by a reduction in monthly escrow installments. Any interest payable to the borrower for escrow or any other funds held by the Servicer, whether due to contractual agreement or operation of law, must be paid by the Servicer at its own expense.

If the amount held in escrow by the Servicer is deemed insufficient to pay charges when due, the Servicer should obtain the necessary additional funds from the borrower before the latest date on which the charges may be paid prior to penalty, lapse of insurance policies, etc. If the borrower fails to remit the deficient amount, or if there is insufficient time to obtain the amount, the Servicer must pay any charges due and reflect a shortage in the borrower's escrow account.

The Servicer may, without Freddie Mac's approval, start collecting escrow not previously required. The Servicer may discontinue collecting escrow if

- the mortgage has not been delinquent for 30 days or more at any time during the previous 6 months;
- the Servicer retains the right to resume collection of escrow if there is any nonpayment of the items for which escrow had previously been collected.

If the Servicer chooses not to collect escrow or if the terms of the security instrument or applicable law do not provide for collection of escrow, the Servicer must require proof of payment of all taxes, ground rents, assessments, and other charges or use other means commonly employed by private institutional mortgage investors to satisfy itself that those items are promptly paid. The Servicer must notify Freddie Mac immediately of any charge not promptly paid and recommend to Freddie Mac a course of action to be followed in this event.

6803

Adverse matters: notice of liens, vacancy, waste, etc.

It is the Servicer's responsibility to act in the most timely, efficient, and responsible manner to protect the interests of Freddie Mac, or the respective interests of the Servicer and Freddie Mac. The Servicer must exercise diligence to prevent any losses, and must immediately advise and make appropriate recommendations to the applicable Freddie Mac regional office, on notification or discovery of any of the following conditions:

- attachment of prior liens to the mortgaged premises (for a HIL, prior liens other than those on record at the origination of the HIL);
- vacancy of the mortgaged premises;
- deterioration of, waste of, or lack of repair to the mortgaged premises;
- default under the terms of the security instrument, note, superior lien obligations (HILs only), condominium or PUD constituent documents, or similar borrower's obligations;
- sale or transfer of the mortgaged premises not approved by the Servicer;
- litigation involving the mortgaged premises that may adversely affect the secured position of Freddie Mac or the Servicer and Freddie Mac; or
- any other situation that may have an adverse impact on the mortgage.

For each case, the Servicer must maintain accurate records of any of these conditions, detailing its actions to prevent losses.

6804

Adverse matters: bankruptcies

The Servicer must take appropriate action to best protect Freddie Mac's interest in the mortgaged premises during state insolvency or federal bankruptcy proceedings in which the borrower is the "debtor." The Servicer is responsible to effectively handle such mortgages. The Servicer should act with the advice of competent legal counsel well-versed in the Bankruptcy Reform Act of 1978 and other relevant areas of law.

(a) Attorney's fees. The amount of the attorney's fees incurred in connection with the proceedings must be consistent with fees commonly charged for similar services in the area where the mortgaged premises are located. The Servicer should attempt to obtain payment of the attorney's fees and costs resulting from the proceedings directly from the borrower or from the bankruptcy court.

(b) Notification to Freddie Mac. The Servicer is not required to submit to Freddie Mac any special notice regarding such proceedings involving a mortgage purchased by Freddie Mac. However, if a mortgage involved in such proceedings is delinquent, the Servicer must report to Freddie Mac according to section 6205 by submitting Form 102. The following additional items should be included in the Servicer's comments on Form 102 when a delinquent borrower is involved in such proceedings:

- the date the petition was filed;
- the Chapter of the Bankruptcy Act or citation to relevant law cited in the petition;
- the date the Servicer received notification of the proceedings;
- a copy of the proof of claim, including the date it was filed;
- a list of all lienholders and any unpaid taxes or assessments;
- a copy of the Chapter 11 or 13 Plan, if accepted.

Follow-up reports should be submitted monthly to update the status of the case. If a Freddie Mac mortgage is current when the bankruptcy petition is filed and the mortgage remains current, no notification need be submitted to Freddie Mac.

6805

Adverse matters: reimbursement of expenses

In any situation described in sections 6803-6804, expenses incurred by the Servicer to comply with Freddie Mac's instructions will be reimbursed to the Servicer in proportion to Freddie Mac's interest in the mortgage, unless collection from the borrower is allowed under applicable law. Freddie Mac's prior written approval of these expenses is required under the same circumstances as described in chapters 66-67. Any reimbursement will not prejudice any rights Freddie Mac may have against a Seller or Servicer with respect to the sale or servicing of the mortgage.

When delaying protective action might result in impairment of the mortgaged premises, the Servicer should call the applicable Freddie Mac regional office for immediate approval. Freddie Mac will send the Servicer a confirmation of the cost and nature of the protective action approved.

70

Multifamily mortgage servicing

7001

Inspection of property; financial statements

A periodic inspection of the mortgaged premises and a review of the profit and loss statements for the mortgaged premises are important tools in preventing default of a multifamily mortgage. Annually, the Servicer must inspect the mortgaged premises and, when permitted by the mortgage documents, obtain a rent roll and a signed profit-and-loss statement for the mortgaged premises. The Servicer must forward copies of the inspection report, rent roll, and profit-and-loss statement to Freddie Mac for any mortgage with an original amount of $250,000 or more. Any inspection report or profit-and-loss statement that indicates deferred maintenance, an operating loss, or any other potential servicing problem must be forwarded to the applicable Freddie Mac regional office, regardless of loan balance.

Freddie Mac reserves the right to require more frequent inspections when loans are delinquent or when Freddie Mac deems necessary. Where commonly required by private institutional mortgage investors, profit-and-loss statements must be prepared by a certified public accountant.

7002

Reserves for replacements and other escrows

The Servicer must hold and administer in accordance with the applicable documents all funds or bonds that constitute the reserve for replacements, working capital deposits, escrow for latent defects, operational deficiency deposits, or other escrow required by the mortgage, the security instrument, and other related documents.

If the applicable documents provide that a fund shall be in cash, or obligations of, or securities fully guaranteed as to principal and interest by the United States, Freddie Mac authorizes the Servicer to accept monthly deposits in either cash or bonds, provided such bonds are in bearer form. If the borrower proposes to substitute bonds for cash already deposited in such a fund, the Servicer may approve the substitution, provided the amount of cash disbursement to the borrower from the fund does not exceed the market value of the bonds, as computed on the basis of the price quoted for such bonds on the date they are received by the Servicer. Before the bonds are deposited in the fund, the Servicer must obtain written general authority from the borrower to permit the Servicer, acting for Freddie Mac, to sell or redeem such bonds at any time and deposit the cash proceeds, less brokerage fees, in the fund. The Servicer must require additional deposits in the event of a decrease of more than 5 percent in the market value of the bonds, if permissible under the applicable agreement.

The Servicer may not purchase bonds or disburse cash from the fund to the borrower to purchase bonds. The Servicer must collect interest on the bonds as it becomes due and, if the borrower is not in default, must promptly pay the interest to the borrower. In addition, the Servicer must collect the principal of the bonds as they mature. Only to collect the interest and proceeds of the bonds may the Servicer release the bonds. If it becomes necessary to convert the bonds into cash to carry out the purpose of a fund, the Servicer must request, in writing, Freddie Mac's written approval. After obtaining the written approval and notifying the borrower, the Servicer may effect the conversion.

7003

General requirements for dealing with delinquencies

The Servicer should treat each delinquency individually, based on its knowledge of the borrower, the location and type of mortgaged premises, and the extent of the delinquency. Generally, the Servicer may assume that it is dealing with a knowledgeable real estate investor. If it becomes apparent that this is not so, the Servicer must emphasize to the borrower the seriousness of not promptly paying all mortgage installments when due.

The Servicer must contact the borrower on or before the 10th day after a payment is due and remains unpaid to ascertain the reason for the late payment and the borrower's intentions for curing the delinquency. Any promise for payment must be followed closely, and the borrower must be contacted immediately if payment is not received when promised. When contacting a delinquent borrower, the Servicer must try to obtain a current rent roll with the names of all tenants, the amount of rent for each unit, the date to which rent has been paid, and the details of all leases.

Before the 20th day after the payment due date, the Servicer must inspect the mortgaged premises unless it has received a promise of payment. An immediate inspection is required when a payment promise has been broken. The mortgaged premises must be inspected monthly after the loan becomes more than one month delinquent. Inspection reports must accompany the monthly servicing reports that the Servicer sends to Freddie

FED VA

b. **Interest on Advances.** Interest on advances made pursuant to VA Regulation 4313 may not be in excess of the rate reported by the lender when requesting evidence of guaranty or insurance.

c. **Late Charge.** A late charge, not to exceed 4 percent of any installment paid more than 15 days after due date, is permitted, if the loan instruments so provided. If a payment is due on the first day of the month, a late charge cannot be claimed unless the payment is first received after the 16th day of the month; i.e., the 17th or later. Late charges must not be deducted from regular installment payments and are collectible only on installments actually paid. (Also see sec. F, par. 7.)

7. **FEES AND CHARGES**

a. **Allowable Fees And Charges.** In making a guaranteed or insured loan, no charge may be made against, or paid by the borrower except those expressly permitted under schedules established in advance by VA. The approved schedule for a particular area is available at the VA regional office serving the specific area involved and lenders should obtain this particular schedule prior to the closing of any loans. In general, however, the veteran may pay reasonable and customary amounts for any of the following items:

(1) Fee of VA appraiser and compliance inspector if designated by VA, except appraisal fees incurred for the predetermination of reasonable value requested by other than veteran or lender.

(2) Recording fees or recording taxes or other charges incident to recordation.

(3) Credit report.

(4) That portion of taxes, assessments, and other similar items for the current year chargeable to the borrower and an initial deposit (lump-sum payment) for the tax and insurance escrow account.

(5) Hazard insurance as required by VA Regulation 4326.

(6) Survey, if required by lender or veteran; except that any charge for a survey in connection with a loan under VA Regulation 4358 (Condominium Loans) must have the prior approval of VA.

(7) Title examination and title insurance, if any.

(8) Such other items authorized in advance by VA as proper in a particular local situation.

(9) A lender may also charge and the veteran may pay a flat charge not exceeding 1 percent of the loan amount provided that this flat charge shall be in lieu of all other charges relating to costs of origination not expressly specified and allowed in this schedule.

(10) If the lender makes advances to a veteran during the progress of construction, alteration, improvement or repair (either under a commitment of the VA to issue a guaranty certificate or insurance credit upon completion, or if the lender would be entitled to guaranty or insurance on such advances when reported under automatic procedure) the lender may make a charge against the veteran of not exceeding 2 percent of the amount of the loan for its services in supervising the making of advances and the progress of construction notwithstanding that the holdback or final advance is not actually paid out until after the construction, alteration, improvement, or repair is fully completed; provided that the major portion (51 percent or more) of the loan proceeds is paid out during the actual progress of the construction, alterations, improvement or repair. Such charge may be in addition to the 1 percent charge described in subparagraph (9) above.

(11) In construction, alteration, improvement or repair loans, including supplemental loans made pursuant to VA Regulation 4355, when no charge is permissible under provisions of subparagraph (10) above, the lender may charge and the veteran may pay a flat sum not exceeding 1 percent of the loan amount. Such charge may be in addition to the 1 percent allowed under subparagraph (9) above.

(12) **Allowable Discounts**

(a) The veteran-borrower, subject to the limitations below, may pay a discount required by a lender when the loan proceeds will be used as follows:

(b) The letter of credit is assigned to a third-party escrow agent or trustee. Ordinarily, this will be the mortgagee who must be either a supervised lender or an FHA approved mortgagee. However, if there is an identity of interest between the builder and the mortgagee, it is necessary to obtain an independent third party as trustee. The trustee is obligated to complete all delayed work in a manner acceptable to VA if the builder fails to do so.

(c) A trust agreement setting forth the duties, obligation and responsibilities of the trustee is required. For this purpose, VA Form 26-1849 or VA Form 26-6378, as appropriate, may be used. The trust agreements and the letters of credit are reviewed by the VA District Counsel.

(d) A letter of credit, to be acceptable, must be irrevocable and must be a valid and binding obligation of the issuing bank. It must be for a term extending at least 6 months beyond the final date for completion of the improvements specified in the escrow agreement. It should be clearly understood that if the builder fails to perform and it is intended that the issuer of the letter of credit be called upon to pay, the holder of the letter must make demand prior to expiration of the term of the letter of credit. The issuer has no liability after that date. Approval by VA of any request for an extension will be conditioned upon receipt of written assurance that the supporting letter of credit is likewise extended for a term ending not less than 90 days after the new date for performance by the builder. However, no extension will be granted except for the most cogent reasons.

(e) The builder will be required to furnish a copy of the letter of credit and trust agreement for the regional office files. A letter of credit file will be established for each subdivision covered thereby and a control will be maintained on the balance of credit available. A VA Form 26-1847 must be executed by the veteran to reflect that the property is included in the section or subdivision covered by the letter of credit and trust agreement which has been accepted by the VA.

(f) A letter of credit accepted by FHA conforming to the standards set forth here will also be acceptable for VA purposes, provided the escrow agent or trustee agrees to keep the VA apprised of all sums charged against the letter of credit for VA and FHA loans so that control may be maintained on the balance of credit available.

g. **Relation to FHA**. If funds for the completion of postponed improvements exterior to the dwelling units are withheld in an escrow account established under FHA procedure, the amount may be considered for VA purposes as available for completion of the improvements provided. When an agreement assuring completion of offsite improvements has been entered into between the FHA and a local governmental authority, such an agreement will be acceptable provided the VA has approved it.

13. **COLLECTION FOR TAXES, INSURANCE AND ASSESSMENTS**. The loan instrument may provide that a proportion of the annual taxes, ground rents, special assessments, and fire and other hazard insurance premiums shall be paid with each regular amortization payment and that failure to make such payments will constitute a default.

14. HAZARD INSURANCE

a. **General**. Hazard insurance must be procured and maintained in an amount sufficient to protect the property which is the security for a loan against the risks or hazards to which it may be subjected to the extent customary in the locality. Ordinarily, this requirement would be met by maintaining insurance for fire protection and such extended coverage as is customary in the area where the property is located, in an amount at least equal to the outstanding loan balance or the insurable value of the improvements, whichever is less. Insurance value generally is defined as the reproduction cost of the improvements less physical depreciation.

b. **Flood Insurance**. Effective July 1, 1975, or within 1 year after formal identification, whichever is later, no loan may be guaranteed or insured when the security is located in an identified flood-prone area, unless the community has qualified for the National Flood Insurance Program by adopting effective land use and land management controls, and the individual security for the loan is covered by flood insurance. Flood insurance will be required in an amount equal to the outstanding loan balance or the maximum limit of coverage available through the National Flood Insurance Program, whichever is less.

c. If insurance becomes unavailable, the fact should be reported to the VA for determination as to a waiver or declaration of the loan to be in default.

d. All moneys received under such policies covering payment for insured losses must be applied to the restoration of the security or to the loan balance.

e. **Insurance Less Than Mortgage.** If a mortgagee wishes to obtain hazard insurance for an amount less than the mortgage balance, the lender may request information about the land value from the appropriate VA office. Such lender must request this on its own form which will be endorsed by VA to show the land value and then will be returned to the lender. In prior approval cases, the request should be made with the loan application package. In automatic cases, the request can be made at any time after the issuance of the CRV.

15. SECURITY FOR LOANS

a. Any loan for the purchase of real property or a leasehold estate as limited in the regulations must be secured by a first lien on the property.

b. Any loan for the alteration, repair or improvement of real property and for more than $1,000 and more than 40 percent of the reasonable value of the property or estate before alteration, repair or improvement, must be secured by a first lien, except a lien of lesser dignity will suffice if it is immediately junior to the lien securing the original guaranteed or insured loan.

c. Any loan for the alteration, repair or improvement of real property and for more than $1,000, but 40 percent or less of the prior reasonable value of the property, shall be secured by a first or second lien.

d. Any loan for $1,000 or less for the alteration, repair or improvement of real property need not be secured and, in lieu of a title examination, the lender may obtain a statement from the borrower that he or she has an interest in the property not less than prescribed in VA Regulation 4350(A).

16. INTEREST IN REAL ESTATE. Any loan for the purchase of any interest in residential realty, or for the cost of any construction, alteration, repair or improvement of realty owned by the veteran will be eligible for guaranty or insurance only if the veteran has or will become vested with an estate in the property no less than a fee simple estate, legal or equitable; a leasehold estate running or renewable at the option of the lessee for a period of not less than 14 years from the maturity of the loan, or to any earlier date at which the fee simple title will vest in the lessee, which is assignable or transferable, if the same be subjected to the lien; or a life estate, provided that the remainder and reversionary interests are subjected to the lien. In rare instances a leasehold which is not freely assignable may, on a prior approval basis, be accepted by the VA.

17. JOINT OBLIGORS

a. **Prior Approval.** The prior approval of the VA is necessary in respect to the guaranty or insurance of any loan made to an eligible veteran, whether made solely to the veteran, or to the veteran and another and the veteran is to acquire only an undivided interest in the property; i.e., when title to the property is to be vested in the names of the veteran and a person other than his or her spouse.

b. **Effect of Spouse.** The prior approval of the VA is not required in respect to the guaranty or insurance of a loan when there is a joinder of a veteran and spouse in the ownership of residential property. In such cases, the full amount of the loan may be the basis for guaranty or insurance. If both spouses are eligible veterans, either or both may utilize available entitlement within the limitations on the maximum proportion of a loan which may be guaranteed or insured and on the maximum entitlement available to each.

c. **Computation of Entitlement.** In respect to a joint loan to two or more persons (other than when a veteran and spouse are to join in the ownership of residential property), one or more of whom, but not necessarily all, are eligible veterans, the guaranty or insurance will be computed on and will relate to only that portion of the loan allocable to the veteran which represents the proper contribution of that veteran to the transaction. The amount of the loan shown on the evidence of guaranty will be only the veteran's portion of the loan.

AHFC

lender determines that such declaration will impair or limit any rights of the lender under any mortgage insurance policy.

8. Additional Security Rider (Pledged Account Mortgage).

This rider must be a part of the deed of trust for any Pledged Account Mortgage (PAM) loan. The rider specifies the savings/share account pledged as additional security for the loan.

(b) Appraisal Reports. AHFC accepts appraisal reports completed on the current FNMA/FHLMC Residential Appraisal Report, AHFC Appraisal Reports, VA Certificates of Reasonable Value, or FHA Conditional Commitments, as applicable.

Please refer to various sections of this guide for detailed descriptions of required appraisal reports.

.02 Amortization and Deposit Requirements.

AHFC requires full amortization of the mortgage amount over the term of the loan by level installment of principal and interest payable the first day of each month. Loans structured with the Alaskan Building Equity (ABE) will have periodic increases in monthly payments with the entire increase applied to principal reduction.

AHFC will usually require that deposits for taxes, ground rents, special assessments, fire and other hazard insurance premiums, and mortgage insurance premiums, if applicable, be paid with the regular monthly payments.

Part 1. Custodial Accounting.

6001.1 General.

The Servicer must establish appropriate custodial accounts for the deposit of funds collected in connection with AHFC mortgages. All accounts and related records will be maintained in accordance with sound and generally accepted accounting practices and in such a manner as will permit representatives of AHFC, at any time, to examine and audit such accounts and records.

The Servicer must establish and maintain separate custodial accounts for each mortgage payment reporting system. The two systems currently in effect are:

1) Aggregate Exception System (AES)

2) Actual Loan Collection System (ALCS)

The Servicer may elect to combine the custodial accounts provided the Servicer maintains detailed records sufficient to identify each payment reporting system's contribution to the combined account. Mortgage reserve payments should be maintained in an account separate from principal and interest.

6001.2 Custodial Account Requirements.

The following conditions apply to the establishment and maintenance of custodial accounts:

1) The accounts must be established with a depository institution (commercial bank, mutual savings bank, savings and loan association or credit union), the

deposits of which are insured by FDIC, FSLIC, or NCUA. A Servicer whose accounts are insured by FSLIC or FDIC may establish and maintain custodial accounts within its own internal operating account.

2) The accounts are to be denominated in the name of the Servicer acting as agent for borrower payments in order to show that the accounts are custodial in nature. The Lender must maintain records identifying each borrower, the amount of each borrower's payment and the account into which each payment is deposited.

3) AHFC must be notified each time there is a change in account number or depository. The notification should include account title, account number, depository name and address, and effective date of change.

4) The Servicer must establish a reasonable daily cutoff of its work to ensure that collections are credited to the appropriate custodial account no later than the business day following their receipt; and,

5) Upon sale of a mortgage to AHFC by the Servicer, the Servicer must transfer any funds on hand related to mortgages to the appropriate custodial accounts.

6001.3 Clearing Accounts

Where the systems and procedures of the Servicer necessitate the use of clearing accounts, all such clearing accounts will be governed by the following conditions:

1) The titles of such accounts must reflect that they are custodial in nature and the depository in which the accounts are maintained must be informed, in writing, that they are custodial accounts;

2) A check drawn on a custodial account and its deposit to a disbursement clearing account must be concurrent with or prior to the issuance of any checks on the clearing account;

3) A single clearing account must not be utilized as both a collection and disbursement clearing account;

4) The accounts must be established with depository institutions, the accounts of which are insured by FDIC, FSLIC, or NCUA; and

5) The Servicer must maintain adequate records and audit trails to support all credits to, and charges from, the mortgagors' payment records and accounts.

Use Of Loan

Home mortgage loans approved under the Housing Loan Program can be used to purchase, construct, improve or renovate a year-round residence designed for use as a single family or duplex residence. The structure must serve as the borrower's principal residence. **Vacation homes, fishing cabins, similar seasonal properties, condominiums, and mobile homes are not eligible.**

Borrowers who receive a home mortgage loan under this program will not be eligible to receive another loan under the program unless the original loan has been paid off or assumed by another purchaser with the Division's approval.

Borrowers with an owner-occupied home mortgage under Alaska Housing Finance Corporation will not be eligible to receive another loan under this program unless the AHFC loan is paid off.

Assumption

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(AT END OF MANUAL - AFTER PAGE 64)

Loans made under the Housing Loan Program may not be assumed unless the subsequent purchaser of the property meets borrower eligibility requirements and **the assumption is approved by the Division.**

If the subsequent purchaser is not eligible to receive a veteran's interest rate reduction, the regular interest rate in effect at the time the original loan was made will be charged.

The Division must determine that the assumptor(s) is not currently obligated for a Division or AHFC loan.

Fees/Costs

Direct Loans - Construction/Purchase

- Loan Origination Fee - One (1) percent of the principal loan amount approved by the Division **may** be charged to the borrowers.

- Extension Fee - on request, a construction commitment contract may be extended for 30 days. A fee of one-eighth (1/8) of one (1) percent **may** be charged to the borrower for this service.

- Tax Service Registration Fee - \$30.00 on the first \$100,000, plus \$2.50 for each additional \$50,000.00.
- Recording Fees.
- Deed Preparation (Attorney's Fees).
- Homeowners Dues (Subdivision, etc.).
- Survey.
- Appraisal.
- Reserve For Hazard Insurance - Flood Insurance.
- Reserve for Taxes.
- Tax Pro-Ration.
- Title Insurance (ALTA policy or standard policy).
- Credit Report.

Insurance

The housing for which the loans are made under this program must be insured against loss equal to or exceeding the unpaid principal balance of the loan less the value of the land, but not less than the replacement cost of the residential structure. **The Division shall be named loss payee on the insurance policy.** Insurance coverage must include:

- o Extended coverage.
- o Loss by fire.
- o Loss by flood, if the structure is located in a federally designated, 100-year flood plain.

For homes which are located in areas where fire and/or hazard insurance are not normally available, the borrower may be assisted by the Division's Field Office Staff in securing other sources of insurance. Also, the Director of the Division has the authority to waive, in full or in part, any insurance requirements if the borrower can show the cost is unreasonably high.

Health/Safety

The Division may not originate or purchase a loan for any property that poses a health or safety threat to occupants unless the threat will be eliminated as a result of the application of loan proceeds. Such a threat is considered to exist if:

- o Exterior walls, roof, floor, foundation, or other weight bearing members are structurally unsound.
- o Any on-site water supply system is contaminated or in danger of becoming contaminated by sewage, refuse, excessive micro-organisms, or other pollutants.
- o Any on-site sewage system does not provide adequate sanitary disposal of waste and/or poses an on-site or off-site contamination threat to water supplies.

11. Closing - Direct Loans

The closing for any Direct Loan will be conducted by the Housing Assistance Division closing staff utilizing the Division-approved closing documents for the program.

The borrower must be present to execute the closing documents. In cases where the borrower cannot be present because of inclement weather, distance, or other factors, an alternative arrangement will be made for closing.

A Division representative who is authorized to execute Note purchase documents on behalf of the Division also must be present.

Closing Documents

At the loan closing, the following documents will be executed by the borrower:

- Mortgage note in favor of the lender (Form **DCRA-HA-17**).
- Deed of trust in favor of the lender (Form **DCRA-HA-18**).
- Warranty deed (Form **DCRA-HA-20**).
- Waiver and release of liability of the Division (Form **DCRA-HA-20A**).
- Monthly payment estimate (Form **DCRA-HA-21**).
- Loan Settlement Form (Form **DCRA-HA-22**).

Additional Documents

Other exhibits to the closing will include, when required:

- Fire insurance policy with the lender as mortgagee (Loss Payee).
- Hazard insurance policy.
- Flood insurance policy.
- Construction insurance (covering builder's risk) policy or binder.

Key Documents

At the closing, an authorized representative of the Division will execute the closing documents:

- Note.
- Deed of Trust.

Closing Costs

At the time of closing, the borrower will pay closing costs, including the following:

- Fire, hazard and flood insurance premiums, if required.
- First installment on tax reserve.
- First installment on insurance reserve.
- Down payment.
- Other applicable charges for appraisal, filing, recording, or the survey.
- Real estate commission, if applicable.
- Title insurance fee.
- Other charges related to the loan, as outlined on the Loan Settlement Form (Form **DCRA-HA-22**).

Disbursements

The disbursements may include items such as:

- Origination fee.
- Interest adjustment.
- Alaska realty tax.
- Recording fees.
- Hazard/flood insurance reserves.
- Tax pro-ration.
- Survey.
- Appraisal.
- Title insurance.
- Deed preparation.
- Credit report.

A state certified warrant (check) for the loan principal along with the cashier's check from the borrower for the total closing costs will be deposited into a bank controlled checking account. Funds from this account will be disbursed according to the instructions in the closing documents.

Actions After Closing

When the Direct Loan is closed, the Division will:

- Secure title clearance.
- Record the closing documents with the title company.

The closing documents will be recorded simultaneously.

Construction Loans

An interim loan can be executed while construction is taking place on residential units financed as new construction. At the completion of the construction phase, the permanent mortgage loan for new construction will be closed.

The interest rate for the interim loan during the construction phase will be the same as that established for the permanent loan.

12. Closing - Indirect Loans

Closing

The closing for any Indirect Loan will be conducted by the participating private financial institution.

The borrower must be present to execute the closing documents. In cases where the borrower cannot be present because of inclement weather, distance, or other factors, an alternative arrangement will be made for closing.

Action After Closing

When the Indirect Loan is closed, the participating lender will:

- Secure title clearance.
- Record the closing documents with the title company and assign them to the Division.
- Prepare the loan package for submission to the Division for loan purchase.

13. Loan Purchase Procedures - Indirect Loans

The Loan Purchase Agreement is an agreement between the Division and the lender in which the Division agrees to purchase Notes originated by the lender. Every Note purchased by the Division will be closed with a commitment contract executed by the Division in accordance with this program handbook, and fully executed Note Purchase Folder.

Non-Recourse Purchase. The Division will purchase Notes evidencing loans approved under the Housing Assistance Loan Program on a non-recourse basis, subject to the conditions of the Note Purchase Agreement.

Commitment Date. The commitment date to purchase the loan is the date which the completed loan file must be delivered to the Division's Anchorage office.

Purchase Date. The purchase date shall be that date upon which the participating private financial institution receives the funds after the Division approves the Note Purchase Folder. The Division will purchase only closed loans with fully completed documentation.

Purchase Price. The price paid by the Division for the mortgage loan Note will be equal to the face amount of the Note.

Loan Purchase Checklist

The Loan Purchase Checklist (Form **DCRA-HA-23A**) is used to assist lenders and the Division staff in making sure all necessary documents are executed for a loan purchase. Included on the checklist are the following documents:

- Promissory Note, which must bear the endorsement "Pay to the order of State of Alaska, Department of Community and Regional Affairs, Housing Assistance Division, Without Recourse." The Note must be an original.

- Waiver and Release of Liability of the Department, properly executed.

- Deed of Trust, along with the additional standard form rider when the security instrument covers property located in a planned unit development project.

- Assignment of Deed of Trust to "State of Alaska, Department of Community Affairs, Housing Assistance Division" -- duly recorded.

- Title Insurance Policy copy, including 100 and 116 endorsements to an ALTA policy.

- Survey, certified by a licensed surveyor or engineer if not included in the title policy.

- Inspection certificates by the seller, or other evidence of compliance with any condition on the appraisal report or the Division's commitment contract.

- Certification by the appraiser, in cases of recently completed property, that the improvements to the property have been completed in substantial compliance with the plans and specifications reviewed by the appraiser for the preparation of the appraisal report. Deviation from the plans and specifications must be explained in detail and the effect of such noncompliance on the original estimate of value must be reported. If the original appraiser is unavailable, the certification must be made by another appraiser acceptable to the Division. Minor items not affecting livability, whether on or off site, may be incomplete on delivery provided that the seller assumes the responsibility for establishing an escrow to guarantee timely completion.

- Photographs of completed property, if the property has been approved as proposed construction. Include front and rear views, and a street scene with the property indicated with an arrow.

- Settlement sheets (copies).
- Hazard insurance policy or binder (copies).
- Flood insurance policy or binder (copies), if applicable.
- Security agreement (nonowner-occupied).
- Uniform Commercial Code financing statements (nonowner occupied).
- Certification that funds were used only for building materials and/or contract labor for new construction, renovation, and building materials loans (Form **DCRA-HA-35C**).

Loan Purchase

Participating lenders must submit a completed Note Purchase Folder (Form **DCRA-HA-23**) to the Housing Assistance Division for review and approval before an Indirect Loan is accepted. The following steps can occur:

Loan Purchase Rejection. If the Division finds the loan unacceptable, it will so advise the participating lender in writing of the reasons for the rejection.

Loan Purchase Approval. If the Division accepts the loan, it will:

- Issue a loan purchase approval letter indicating that funds for the purchase have been ordered and when they can be expected.
- Complete and execute a **Loan Purchase Voucher** (Form **DCRA-HA-16**) and forward it to the Administrative Services Division of the Department of Community and Regional Affairs for transmittal to the Department of Revenue, Housing Assistance Loan Account.

FORM DCRA-HA-1 (SAMPLE ONLY)

ESTIMATED CLOSING COSTS

Purchase Price ______________________ Buyer ______________________

Loan Amount ______________________ Seller ______________________

Rate __________ Term __________ Date ______________________

Loan To Value Ratio ______________________

Down Payment			________
Hazard Ins. Premium			________
Flood Ins. Premium			________
Tax Reserve	________		
Hazard Ins. Reserve	________		
M.I.P. Reserve	________		
Flood Ins. Reserve	________		
Total Reserve			________
Credit Report			________
Warranty Deed		________	
Private Mortgage Insurance		________	________
Bank Fee		________	________
Commitment Fee		________	________
Appraisal Fee		________	________
Filing & Recording Fees		________	________
Tax Registration		________	________
Mortgagees Title Insurance		________	________
Owners Title Insurance		________	________
Assessments		________	________
Discount		________	________
Real Estate Commission		________	________
Survey		________	________
Daily Interest			________
Other		________	________
APPROXIMATE TOTALS		________	________

Payments to begin ______________

Principal and Interest	________
1/12 annual Mortgage Insurance	________
1/12 annual Fire Insurance	________
1/12 annual Taxes	________
1/12 annual Flood Insurance	________

TOTAL MONTHLY PAYMENT: $ ______________

RESPA BOOKLET RECEIVED AND ESTIMATE OF CLOSING COSTS ACKNOWLEDGED:

______________________ ______________ DATE __________

Borrower

FORM DCRA-HA-22 (SAMPLE ONLY)

CLOSING STATEMENT FOR MORTGAGOR

Loan Number__________________ Date of Closing__________________

Mortgagor(s)____

Mailing Address____

Address of Security Property______________________________________

CREDITS

Loan Amount.................................... $________

.... ________

On Deposit.................................. ________

TOTAL NET CREDITS $________

DEBITS

Closing costs:

Title Insurance Premium......... $________

Tax Registration Fee............ ________

Recording Fees.................. ________

As-Built Survey................. ________

Credit Report................... ________

Appraisal Fee................... ________

Bank Service Charge............. ________

Legal Expenses.................. ________ $________

Other disbursements:

Interest________to__________ ________

Balance of Purchase Price due... ________

Insurance Premium Due........... ________

Mortgage Reserves............... ________

__________________________ ________

__________________________ ________

__________________________ ________

TOTAL PREPAID ITEMS $________

TOTAL DISBURSEMENTS $________

Net amount to mortgagor(+) or net amount due DCRA (-) $________

TOTAL DEBITS $________

First payment due____________ APPROVED______________________________

For DCRA

Principal & Interest$________ ______________________________

Reserves ________ Mortgagor

TOTAL ________ ______________________________

Taxes___Ins.______ Mortgagor

IX. PURCHASE PROCEDURES

Requests for funds must be accompanied by the documents listed on the appropriate checklist based on loan type (Exhibits F, G, H and I) in the order shown.

A. Standard documents for all loan types:

1. Original Note and one copy.

2. Verification that Assignment of Deed of Trust to Seafirst has been recorded or sent for recording (must be obtained prior to release of funds). Certified copy of documents going for recording (with copies of signatures) should be in file.

3. All taxes due, prior to or within 15 days after assignment of the loan to Seafirst, shall be paid by the broker/closer in closing, thereby holding Seafirst harmless against any and all liability, cost, damage or expense that may be suffered or incurred by reason of any failure to pay such taxes.

4. Any impound advances and/or prepaid interest buydown fees shall be net funded at the time the loan is purchased. Impounds must be collected in an amount sufficient to pay the taxes and insurance when they are next due.

5. Tax Service must be ordered and paid for by closing agent. Use Transamerica Tax Service in California, Colorado and Utah; Realty Tax (Ticor) in all other states. On Seconds, and nonreserve loans, request type "B" Service (delinquency), on all others request type "C" (tax reserve).

   See Exhibit F (pg. 1) attached for Tax Schedule by state and Exhibit F (pg. 2 & 3) for examples of the contracts with Ticor and Transamerica.

6. HUD-1 or estimated costs (original within three days).

7. Truth-in-Lending Disclosure with signatures and an Itemization of the Prepaid Finance Charge. Notice of Right to Cancel and Acknowledgement of Non-Rescission, if appropriate.

8. Binder or original hazard policy with first year premium paid and Lender's Loss Payable Endorsement. Hazard policy must have coverage equal to loan amount or have 100% replacement cost coverage for the structure. The mortgagor's last name must be correct, and if possible, the whole names should read the same as the Deed of Trust. Property address must read the same as Deed of Trust. Loss Payee may read Seafirst Mortgage Corporation and/or assigns, or originating lender with copy of change to agent.

9. Flood insurance determination and policy, if flood insurance is required. (Policy may follow in 15 days if copy of application for insurance is in file).

10. Preliminary Title Report: Check the property address if shown on the sketch and legal against the Deed of Trust for accuracy.

11. Purchase Agreement/Deposit Receipt: If the loan is not insured, check to see that any special agreements between buyer and seller regarding payment of closing costs agree with final closing statement.

12. Appraisal: Applicable appraisal must be in file, with evidence that any conditions set by the appraiser have been met. Conventional appraisal (or completion certification) must be no more than 90 days old at time of closing.

13. Letter to Borrower advising them of sale of the loan. Not required on concurrent fundings.

14. All forms required for compliance with state and federal regulations, i.e., good faith, fair lending, truth-in-lending, Initial ARM Disclosure, etc.

15. Original, signed, handwritten application.

B. Government Loans:

1. The credit package must be included in the file consisting of the same documents listed in Section C, 2 (A-E) except the Underwriters Loan Analysis Form.

2. A copy of the LGC/MIC request must be in file.

3. Certificate of Loan Disbursement (VA-1876) or (VA 1820) Report of Home Loan Processed on Automatic Basis.

4. Firm Commitment - Check percent of entitlement on VA loans to be sure it is sufficient for FNMA/GNMA requirements. File must contain documentation to satisfy any conditions indicated on the commitment.

5. Photos are not required.

6. FHA 92080 - only on warehouse purchases.

C. Conventional Loans:

1. PMI Certificate if required.

2. Credit Package Accompanied by Completed Underwriter's Loan Analysis Form.

A. Application: The employment and deposit information is checked against the verifications of employment and deposit to make sure they are all in the file. Mortgage Ratings should be in the file for any other real estate indicated on the application. Application must be signed by Lender's representative above typed name on line provided. On balloon loans, the Comptroller's Notice must be attached (Balloon Info. Form GS6954).

B. Credit Report: Employment information and debts are checked against the application. All slow accounts, judgements and bankruptcies must have a written explanation in the file. If mortgage ratings on other property indicate late payments, obtain an explanation for this also. The Credit Report may be no more than 90 days old at time of closing.

C. Employment Verification: Verifications are checked against application to ensure they are all in the file. At least two years of employment must be verified and lapses of employment must have a letter of explanation. Tax returns must be signed by Borrower. Employment Verification must be no more than 90 days old at time of closing.

D. Deposit Verification: Verifications are checked against application to ensure that we have one for each account listed. Must be signed by depository, and no more than 90 days old at closing.

E. The file is checked to make sure that any miscellaneous items such as divorce finals, rental agreements, etc., are in the file when applicable.

F. If the loan is an ARM, the file should contain evidence that the Initial ARM disclosure appropriate for the particular ARM loan was provided to the borrower with the application or earlier. Acknowledgement from the borrower of the form will suffice, or a copy of the form used with an indication of date provided must be in the file.

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D E E D   O F   T R U S T
*   *
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AHFC
H.O.

THIS DEED OF TRUST is made this 19 ,

among the Trustor

(herein "Borrower"),

(herein "Trustee"), and the Beneficiary

a corporation organized and existing under the laws of , whose address is (herein "Lender").

BORROWER, in consideration of the indebtedness herein recited and the trust herein created, irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the

Recording District Judicial District,

State of Alaska.

which has the address of

[Street] [Borrower's Post Office Address, if Different] (herein "Property

[City] [State and Zip Code]

Address");

TOGETHER with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents (subject however to the rights and authorities given herein to Lender to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are herein referred to as the "Property";

TO SECURE to Lender (a) the repayment of the indebtedness evidenced by Borrower's note dated (herein "Note"), in the principal sum of Dollars, with interest thereon, providing for monthly installments of principal and interest, with the balance of the indebtedness, if not sooner paid, due and payable on ; the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Deed of Trust; and the performance of the covenants and agreements of Borrower herein contained; (b) the repayment of any future advances, with interest thereon, made to Borrower by Lender pursuant to paragraph 21 hereof (herein "Future Advances"); and (c) any amounts declared owing under an Assistance Agreement dated 19 , and any successor agreements thereto.

Borrower covenants that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property, that the Property is unencumbered, and that Borrower will warrant and defend generally the title to the Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. **Payment of Principal and Interest.** Borrower shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Note, prepayment and late charges as provided in the Note, and the principal of and interest on any Future Advances secured by this Deed of Trust.

2. **Funds for Taxes and Insurance.** Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly installments of principal and interest are payable under the Note, until the Note is paid in full, a sum (herein "Funds") equal to one-twelfth of the yearly taxes and assessments which may attain priority over this Deed of Trust, and ground rents on the Property, if any, plus one-twelfth of yearly premium installments for hazard insurance, plus one-twelfth of yearly premium installments for mortgage insurance, if any, all as reasonably estimated initially and from time to time by Lender on the basis of assessments and bills and reasonable estimates thereof.

The Funds shall be held in an institution the deposits or accounts of which are insured or guaranteed by a Federal or state agency (including Lender if Lender is such an institution). Lender shall apply the Funds to pay said taxes, assessments, insurance premiums and ground rents. Lender may not charge for so holding and applying the Funds, analyzing said account or verifying and compiling said assessments and bills, unless Lender pays Borrower interest on the Funds, and applicable law permits Lender to make such a charge. Borrower and Lender may agree in writing at the time of execution of this Deed of Trust that interest on the Funds shall be paid to Borrower, and unless such agreement is made or applicable law requires such interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this Deed of Trust.

If the amount of the Funds held by Lender, together with the future monthly installments of Funds payable prior to the due dates of taxes, assessments, insurance premiums and ground rents, shall exceed the amount required to pay said taxes, assessments, insurance premiums and ground rents as they fall due, such excess shall be, at the Borrower's option, either promptly repaid to Borrower or credited to Borrower on monthly installments of Funds. If the amount of the Funds held by Lender shall not be sufficient to pay taxes, assessments, insurance premiums and ground rents as they fall due, Borrower shall pay to Lender any amount necessary to make up the deficiency within 30 days from the date notice is mailed by Lender to Borrower requesting payment thereof.

Upon payment in full of all sums secured by this Deed of Trust, Lender shall promptly refund to Borrower any Funds held by Lender. If under paragraph 18 hereof the Property is sold or the Property is otherwise acquired by Lender, Lender shall apply, no later than immediately prior to the sale of the Property or its acquisition by Lender, any Funds held by Lender at the time of application as a credit against the sums secured by this Deed of Trust.

3. **Application of Payments.** Unless applicable law provides otherwise, all payments received by Lender under the Note and paragraphs 1 and 2 hereof shall by applied by Lender first in payment of amounts payable to Lender by Borrower under paragraph 2 hereof, then to interest payable on the Note, then to the principal of the Note, and then to interest and principal on any Future Advances.

4. **Charges; Liens.** Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property which may attain a priority over this Deed of Trust, and leasehold payments or ground rents, if any, in the manner provided under paragraph 2 hereof or, if not paid in such manner, by Borrower making payment, when due, directly to the payee thereof. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event Borrower shall make payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments, Borrower shall promptly discharge any lien which has priority over this Deed of Trust; provided, that Borrower shall not be required to discharge any such lien so long as Borrower shall agree in writing to the payment of the obligation secured by such lien in a manner acceptable to Lender, or shall in good faith contest such lien by, or defend enforcement of such lien in legal proceedings which operate to prevent the enforcement of the lien or forfeiture of the Property or any part thereof.

5. **Hazard Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage", and such other hazards as Lender may require and in such amounts and for such periods as Lender may require; provided, that Lender shall not require that the amount of such coverage exceed that amount of coverage required to pay the sums secured by this Deed of Trust.

The insurance carrier providing the insurance shall be chosen by Borrower subject to approval by Lender; provided, that such approval shall not be unreasonably withheld. All premiums on insurance policies shall be paid in the manner provided under paragraph 2 hereof or, if not paid in such manner, by Borrower making payment, when due, directly to the insurance carrier.

All insurance policies and renewals thereof shall be in form acceptable to Lender and shall include a standard mortgage clause in favor of and in form acceptable to Lender. Lender shall have the right to hold the policies and renewals thereof, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, provided such restoration or repair is economically feasible and the security of this Deed of Trust is not thereby impaired. If such restoration or repair is not economically feasible or if the security of this Deed of Trust would be impaired, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. If the Property is abandoned by Borrower, or if Borrower fails to respond to Lender within 30 days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of the monthly installments referred to in paragraphs 1 and 2 hereof or change the amount of such installments. If under paragraph 18 hereof the Property is acquired by Lender, all right, title and interest of Borrower in and to any insurance policies and in and to the proceeds thereof resulting from damage to the Property prior to the sale or acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

6. **Preservation and Maintenance of Property; Leaseholds; Condominiums; Planned Unit Developments.** Borrower shall keep the Property in good repair and shall not commit waste or permit impairment or deterioration of the Property and shall comply with the provisions of any lease if this Deed of Trust is on a leasehold. If this Deed of Trust is on a unit in a condominium or a planned unit development, Borrower shall perform all of Borrower's obligations under the declaration or covenants creating or governing the condominium or planned unit development, the by-laws and regulations of the condominium or planned unit development, and constituent documents. If a condominium or planned unit development rider is executed by Borrower and recorded together with this Deed of Trust, the covenants and agreements of such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Deed of Trust as if the rider were a part hereof.

7. **Protection of Lender's Security.** If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender at Lender's option, upon notice to Borrower, may make such appearances, disburse such sums and take such action as is necessary to protect Lender's interest, including, but not limited to, disbursement of reasonable attorney's fees and entry upon the Property to make repairs. If Lender required mortgage insurance as a condition of making the loan secured by this Deed of Trust, Borrower shall pay the premiums required to maintain such insurance in effect until such time as the requirements for such insurance terminates in accordance with Borrower's and Lender's written agreement or applicable law. Borrower shall pay the amount of all mortgage insurance premiums in the manner provided under paragraph 2 hereof.

Any amounts disbursed by Lender pursuant to this paragraph 7, with interest thereon, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof, and shall bear interest from the date of disbursement at the rate payable from time to time on outstanding principal under the Note unless payment of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate permissible under applicable law. Nothing contained in this paragraph 7 shall require Lender to incur any expense or take any action hereunder.

8. **Inspection.** Lender may make or cause to be made reasonable entries upon and inspections

of the Property, provided that Lender shall give Borrower notice prior to any such inspection specifying reasonable cause therefore related to Lender's interest in the Property.

9. **Condemnation.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. In the event of a partial taking of the Property, unless Borrower and Lender otherwise agree in writing, there shall be applied to the sums secured by this Deed of Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking, with the balance of the proceeds paid to Borrower.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of the monthly installments referred to in paragraphs 1 and 2 hereof or change the amount of such installments.

10. **Borrower Not Released.** Extension of the time for payment or modification of amortization of the sums secured by this Deed of Trust granted by Lender to any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower and Borrower's successors in interest.

11. **Forbearance by Lender Not a Waiver.** Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

12. **Remedies Cumulative.** All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or afforded by law or equity, and may be exercised concurrently, independently or successively.

13. **Successors and Assigns Bound; Joint and Several Liability; Captions.** The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of paragraph 17 hereof. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not be be used to interpret or define the provisions hereof.

14. **Notice.** Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Deed of Trust shall be given by mailing such notice by certified mail addressed to Borrower at the Property Address or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by certified mail, return receipt requested, to Lender's address stated herein or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated herein.

15. **Uniform Deed of Trust; Governing Law; Severability.** This form of deed of trust combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property. This Deed of Trust shall be governed by the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision, and to this end the provisions of the Deed of Trust and the Note are declared to be severable.

16. **Borrower's Copy.** Borrower shall be furnished a conformed copy of the Note and of this Deed of Trust at the time of execution or after recordation hereof.

17. **Transfer of the Property.** Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable if either (1) the property ceases to be

the principal residence of the Borrower, or (2) if all or any part of the Property or an interest therein is sold or transferred by Borrower without Lender's prior written consent excluding (a) the creation of a lien or encumbrance subordinate to this Deed of Trust, (b) the creation of a purchase money security interest for household appliances, (c) a transfer by devise, descent or by operation of law upon the death of a joint tenant or (d) the grant of any leasehold interest of three years or less not containing an option to purchase.

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration in accordance with paragraph 12 hereof. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may without further notice or demand on Borrower, invoke any remedies permitted by paragraph 18 hereof.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

18. **Acceleration; Remedies.** Except as provided in paragraph 17 hereof, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, including the covenants to pay when due any sums secured by this Deed of Trust, Lender prior to acceleration shall mail notice to Borrower as provided in paragraph 14 hereof specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, not less than 30 days from the date the notice is mailed to Borrower, by which such breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand, and those remedies permitted by applicable law may be invoked. Lender shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this paragraph 18, including, but not limited to, reasonable attorney's fees.

If the power of sale is invoked, Trustee shall execute a written notice of the occurrence of an event of default and of the election to cause the Property to be sold and shall record such notice in each Recording District in which the Property or some part thereof is located. Lender or Trustee shall mail copies of such notice to the persons and in the manner prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto.

19. **Borrower's Right to Reinstate.** Notwithstanding Lender's acceleration of the sums secured by this Deed of Trust, Borrower shall have the right to have any proceedings begun by Lender to enforce this Deed of Trust discontinued at any time prior to the earlier to occur of (i) the sale of the Property pursuant to the power of sale contained in this Deed of Trust or (ii) entry of a judgment enforcing this Deed of Trust if: (a) Borrower pays Lender all sums which would be then due under this Deed of Trust, the Note and notes securing Future Advances, if any, had no acceleration occurred; (b) Borrower cures all breaches of any other covenants or agreements of Borrower contained in this Deed of Trust; (c) Borrower pays all reasonable expenses incurred by Trustee in enforcing the covenants and agreements of Borrower contained in this Deed of Trust and in enforcing Trustee's remedies as provided in paragraph 18 hereof, including, but not limited to, reasonable attorney's fees; and (d) Borrower takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's interest in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired. Upon such payment and cure by Borrower, this Deed of Trust and the obligations secured hereby shall remain in full force and effect as if no acceleration had occurred.

20. **Assignment of Rents; Appointment of Receiver; Lender in Possession.** As additional security hereunder, Borrower hereby assigns to Lender the rents of the Property, provided that Borrower shall, prior to acceleration under paragraph 18 hereof or abandonment of the Property, have the right to collect and retain such rents as they become due and payable.

Upon acceleration under paragraph 18 hereof or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver, shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender and the receiver shall be liable to account only for those rents actually received.

21. **Future Advances.** Upon request of Borrower, Lender, at Lender's option prior to full reconveyance of the Property by Trustee to Borrower, may make Future Advances to Borrower. Such Future Advances, with interest thereon, shall be secured by this Deed of Trust when evidenced by promissory notes saying that said notes are secured hereby.

22. **Reconveyance.** Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation, if any.

23. **Substitute Trustee.** Lender, at Lender's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

_______________________ Borrower	_______________________ -Borrower
_______________________ Borrower	_______________________ -Borrower

STATE OF ALASKA,...Judicial District ss:

On this day of , 19 , before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared

to me known and known to me to be the person(s) named as Trustor(s) in the foregoing deed, and acknowledged to me that ..he.. executed the same freely and voluntarily for the uses and purposes therein mentioned.

Witness my hand and official seal the day and year in this certificate first above written.

My Commission expires: _______________________

Notary Public for Alaska

REQUEST FOR RECONVEYANCE

TO TRUSTEE:

The undersigned is the holder of the note or notes secured by this Deed of Trust. Said note or notes, together with all other indebtedness secured by this Deed of Trust, have been paid in full. You are hereby directed to cancel said note or notes and this Deed of Trust, which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled thereto.

Date:..................................... ....

_______________ (Space Below This Line Reserved for Lender and Recorder) _______________

[Space Above This Line For Recording Data]

AMB LOAN NO.______________

DEED OF TRUST

THIS DEED OF TRUST ("Security Instrument") is made on ...., 19...... The Trustor is .... ("Borrower"). The trustee is .... ("Trustee"). The beneficiary is **ALASKA MUTUAL BANK,** which is organized and existing under the laws of **STATE OF ALASKA,** and whose address is **601 West Fifth Avenue, Anchorage, Alaska 99501** ("Lender"). Borrower owes Lender the principal sum of .... Dollars (U.S. $.................). This debt is evidenced by Borrower's note dated the same date as this Security Instrument ("Note"), which provides for monthly payments, with the full debt, if not paid earlier, due and payable on .... This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest, and all renewals, extensions and modifications; (b) the payment of all other sums, with interest, advanced under paragraph 7 to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the .... Recording District, ... Judicial District, Alaska:

which has the address of ...., ...,
[Street] [Borrower's Post Office Address, if Different]

...., Alaska .... ("Property Address");
[City] [Zip Code]

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water rights and stock and all fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

[Space Above This Line For Recording Data]

AMB LOAN NO.__________

DEED OF TRUST

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which has the address of ...., ...,
[Street] [Borrower's Post Office Address, if Different]

...., Alaska .... ("Property Address");
[City] [Zip Code]

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water rights and stock and all fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

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THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest; Prepayment and Late Charges. Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any prepayment and late charges due under the Note.

2. Funds for Taxes and Insurance. Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly payments are due under the Note, until the Note is paid in full, a sum ("Funds") equal to one-twelfth of: (a) yearly taxes and assessments which may attain priority over this Security Instrument; (b) yearly leasehold payments or ground rents on the Property, if any; (c) yearly hazard insurance premiums; and (d) yearly mortgage insurance premiums, if any. These items are called "escrow items." Lender may estimate the Funds due on the basis of current data and reasonable estimates of future escrow items.

The Funds shall be held in an institution the deposits or accounts of which are insured or guaranteed by a federal or state agency (including Lender if Lender is such an institution). Lender shall apply the Funds to pay the escrow items. Lender may not charge for holding and applying the Funds, analyzing the account or verifying the escrow items, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. Borrower and Lender may agree in writing that interest shall be paid on the Funds. Unless an agreement is made or applicable law requires interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this Security Instrument.

If the amount of the Funds held by Lender, together with the future monthly payments of Funds payable prior to the due dates of the escrow items, shall exceed the amount required to pay the escrow items when due, the excess shall be, at Borrower's option, either promptly repaid to Borrower or credited to Borrower on monthly payments of Funds. If the amount of the Funds held by Lender is not sufficient to pay the escrow items when due, Borrower shall pay to Lender any amount necessary to make up the deficiency in one or more payments as required by Lender.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender. If under paragraph 19 the Property is sold or acquired by Lender, Lender shall apply, no later than immediately prior to the sale of the Property or its acquisition by Lender, any Funds held by Lender at the time of application as a credit against the sums secured by this Security Instrument.

3. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied: first, to late charges due under the Note; second, to prepayment charges due under the Note; third, to amounts payable under paragraph 2; fourth, to interest due; and last, to principal due.

4. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Borrower shall pay these obligations in the manner provided in paragraph 2, or if not paid in that manner, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien or forfeiture of any part of the Property; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within 10 days of the giving of notice.

5. Hazard Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgage clause. Lender shall have the right to hold the policies and renewals. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. If Borrower abandons the Property, or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Security Instrument, whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of the payments. If under paragraph 19 the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

6. Preservation and Maintenance of Property; Leaseholds. Borrower shall not destroy, damage or substantially change the Property, allow the Property to deteriorate or commit waste. If this Security Instrument is on a leasehold, Borrower shall comply with the provisions of the lease, and if Borrower acquires fee title to the Property, the leasehold and fee title shall not merge unless Lender agrees to the merger in writing.

7. Protection of Lender's Rights in the Property; Mortgage Insurance. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Security Instrument, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 7, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 7 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

(Space Above This Line For Recording Data)

AMB LOAN NO.____________

DEED OF TRUST

THIS DEED OF TRUST ("Security Instrument") is made on ...., 19....... The Trustor is .... ("Borrower"). The trustee is .... ("Trustee"). The beneficiary is ALASKA MUTUAL BANK, which is organized and existing under the laws of STATE OF ALASKA, and whose address is 601 West Fifth Avenue, Anchorage, Alaska 99501 ("Lender"). Borrower owes Lender the principal sum of .... Dollars (U.S. $....................). This debt is evidenced by Borrower's note dated the same date as this Security Instrument ("Note"), which provides for monthly payments, with the full debt, if not paid earlier, due and payable on .... This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest, and all renewals, extensions and modifications; (b) the payment of all other sums, with interest, advanced under paragraph 7 to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the .... Recording District, ... Judicial District, Alaska:

which has the address of .... [Street], ... [Borrower's Post Office Address, if Different],

.... [City], Alaska .... [Zip Code] ("Property Address");

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water rights and stock and all fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest; Prepayment and Late Charges. Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any prepayment and late charges due under the Note.

2. Funds for Taxes and Insurance. Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly payments are due under the Note, until the Note is paid in full, a sum ("Funds") equal to one-twelfth of: (a) yearly taxes and assessments which may attain priority over this Security Instrument; (b) yearly leasehold payments or ground rents on the Property, if any; (c) yearly hazard insurance premiums; and (d) yearly mortgage insurance premiums, if any. These items are called "escrow items." Lender may estimate the Funds due on the basis of current data and reasonable estimates of future escrow items.

The Funds shall be held in an institution the deposits or accounts of which are insured or guaranteed by a federal or state agency (including Lender if Lender is such an institution). Lender shall apply the Funds to pay the escrow items. Lender may not charge for holding and applying the Funds, analyzing the account or verifying the escrow items, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. Borrower and Lender may agree in writing that interest shall be paid on the Funds. Unless an agreement is made or applicable law requires interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this Security Instrument.

If the amount of the Funds held by Lender, together with the future monthly payments of Funds payable prior to the due dates of the escrow items, shall exceed the amount required to pay the escrow items when due, the excess shall be, at Borrower's option, either promptly repaid to Borrower or credited to Borrower on monthly payments of Funds. If the amount of the Funds held by Lender is not sufficient to pay the escrow items when due, Borrower shall pay to Lender any amount necessary to make up the deficiency in one or more payments as required by Lender.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender. If under paragraph 19 the Property is sold or acquired by Lender, Lender shall apply, no later than immediately prior to the sale of the Property or its acquisition by Lender, any Funds held by Lender at the time of application as a credit against the sums secured by this Security Instrument.

3. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied: first, to late charges due under the Note; second, to prepayment charges due under the Note; third, to amounts payable under paragraph 2; fourth, to interest due; and last, to principal due.

4. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Borrower shall pay these obligations in the manner provided in paragraph 2, or if not paid in that manner, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien or forfeiture of any part of the Property; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within 10 days of the giving of notice.

5. Hazard Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgage clause. Lender shall have the right to hold the policies and renewals. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. If Borrower abandons the Property, or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Security Instrument, whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of the payments. If under paragraph 19 the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

6. Preservation and Maintenance of Property; Leaseholds. Borrower shall not destroy, damage or substantially change the Property, allow the Property to deteriorate or commit waste. If this Security Instrument is on a leasehold, Borrower shall comply with the provisions of the lease, and if Borrower acquires fee title to the Property, the leasehold and fee title shall not merge unless Lender agrees to the merger in writing.

7. Protection of Lender's Rights in the Property; Mortgage Insurance. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Security Instrument, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 7, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 7 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

H351

STATE OF ALASKA

SALES AND SERVICING AGREEMENT

I. THIS AGREEMENT is made and entered into as of June 2, 1983 ________ in the State of Alaska between Alaska Mutual Bank (employer identification number 92-00283-15) herein called "Seller-servicer", and STATE OF ALASKA DEPARTMENT OF REVENUE, herein called "Buyer", for mutual consideration herein evidenced.

II. This agreement under which the Buyer, having conditions of purchase, may offer to buy and the Seller-servicer, having met the conditions of purchase may offer to sell first mortgage loans on residential or commercial real estate, herinafter called collectively "mortgages" and individually "the mortgage", shall govern the sale and transfer of such mortgages by Seller-servicer to Buyer, and the servicing and other incidents thereof, and each such mortgage shall be subject to warranties, representations and agreements herein. The Buyer's conditions to purchase are set forth in the document transmitted concurrently with the mortgage funds from the Buyer to the Seller-servicer. Basic conditions to purchase are established at the time of each commitment in an attachment called "Commitment Requirements". In addition, the Seller-servicer shall underwrite all loans for the Buyer using standard industry practices as given by either FNMA or FHLMC guidelines. Approval prior to closing will be required. These standards will be amended only upon written notice from the Seller-servicer with justification and the acceptance in writing from the Buyer of the amendment(s).

III. Seller-servicer represents and warrants as to each such mortgage offered for sale under this Agreement that:

A. The mortgage has been duly executed by the mortgagor, acknowledged and recorded, is valid, and is a first lien on the real property held in fee simple.

B. The Seller-servicer is the sole owner of the mortgage and has authority to sell, transfer, and assign the same on the terms herein set forth; and there has been no assignment, sale, hypothecation thereof by Seller-servicer except the usual past hypothecation of the papers in connection with Seller-servicer's normal banking transactions in the conduct of its business; and that the sale is free and clear of claims or encumbrances of any type.

C. The full principal amount of the mortgages has been advanced to the mortgagor, either by payment direct to him or by payment made on his request or approval; the unpaid principal balance is as stated; all costs, fees and expenses incurred in making, closing, and recording the mortgage have been paid, no part of the mortgage property has been released from the lien of the mortgage; the terms of the mortgage have in no way been changed or modified, and the mortgage is current and there has not been any prior default.

D. Each mortgage which the Seller-servicer represents to be insured by the Federal Housing Administration (FHA), or by a private mortgage insurance company, or to be guaranteed by the Veterans Administration (VA) or Small Business Administration (SBA) guaranteed portion is so insured or guaranteed.

E. The mortgage was originated and has been serviced since the date of its origination by the Seller-servicer or the mortgage in a new loan package submitted for commitment to purchase before the loan is closed.

F. The security for the mortgage is real property located in the State of Alaska.

G. All applicable State and Federal rules and regulations have been complied with, and all conditions within the control of the Seller-servicer as to the validity of the insurance or guaranty as requir . by the National Housing Act of 1934, as amended, and the rules and regulations thereunder, or as required by the Servicemen's Readjustment Act of 1944, or the Small Business Act of 1953, as amended, and the rules and regulations thereunder, or by the private mortgage insurance companies, have been properly satisfied, and said insurance or guaranty is valid and enforceable.

H. Each mortgage which shall have qualified for mortgage assistance or rent assistance program of the National Housing Act of 1934, the Housing and Urban Development Act of 1965 or the United States Housing Act, shall contain such provisions as shall be required in order to establish and maintain the qualification of the mortgage for such assistance or subsidy payments, and all such assistance or subsidy payments shall be current and there shall not have been any prior default in the payment thereof.

I. There is in force a paid-up title insurance policy on the mortgage issued by an accredited title company in an amount at least equal to the outstanding principal balance of the mortgage.

J. There is in force for each such loan, hazard insurance policies meeting the specification of Clause VIII.

K. The assignment, if any, of the mortgage from the Seller-servicer to the Buyer is valid and sufficient.

L. All documents submitted in connection with obtaining the mortgage, any insurance thereon or any assistance or subsidy payments in respect thereof and the purchase by the Buyer hereunder are genuine, and all other representations as to each such mortgage are true and correct and meet the requirements and specifications of all parts of this Agreement.

IV. The Seller-servicer agrees to perform all acts necessary to perfect title to the mortgages in the Buyer, and shall sell, assign and deliver to the Buyer with respect to the purchase of each such mortgage the following supporting documents where applicable, all subject to the approval of the Buyer and its legal counsel as to the proper form and execution:

A. Mortgage note properly endorsed by the Seller-servicer without recourse, and if an FHA or a mortgage insurance company insured mortgage, duly endorsed by Federal Housing Commissioner or the mortgage insurance company, and if a VA or SBA guaranteed mortgage, accompanied by the Loan Guaranty Certificate duly executed by the Veterans' Administration or Small Business Administration.

B. Mortgage, accompanied by those documents and instruments necessary to record and perfect ownership thereof in the Buyer.

C. Appraisal report of an appraiser whose qualifications are acceptable to the Buyer with pictures and when applicable a completion certificate.

D. Mortgagee title insurance policy, with any exceptions therein subject to approval of Buyer's legal counsel, and proper assignment thereof if required in event a mortgage assignment is being placed of record.

E. Survey of premises identifying property by address and legal description, this being required only if title policy contains an exception as to boundary and building line restrictions.

F. If an FHA mortgage, application, commitment, amortization schedule, notice of transfer and all required documents of a similar nature; if a VA or SBA mortgage, all such required documents of a similar nature.

G. Hazard insurance certificates that meet the specifications of Clause VIII.

H. Statement showing unpaid principal balance on mortgage, amount of periodic installments and date to which interest is paid.

I. Certified copy of resolution of Seller-servicer authorizing sale of the mortgage.

J. Evidence of authority of Seller-servicer to act as a servicer of FHA, VA and SBA mortgages.

K. Individual Participation Certificates are required on all participation loans.

L. Original private mortgage insurance certificate endorsed to Buyer.

V. The Seller-servicer shall comply with, and shall use its best efforts to cause each mortgagor to comply with all applicable state and federal rules and regulations or requirements of the mortgage insurance companies, including those requiring the giving of notice. Where applicable, the Seller-servicer shall comply with the National Housing Act of 1934, as from time to time amended, the Housing and Urban Development Act of 1965, the United States Housing Act and with the Servicemen's Readjustment Act of 1944 and Small Business Act of 1953, as amended, and with all rules and regulations issued under either, and with the requirements of mortgage insurance companies, including the giving of all notices and submitting of all claims required to be given or submitted to the Federal Housing

Administration, the Veterans Administration, the Small Business Administration, or to the mortgage insurance companies to the end that the full benefit of either the Federal Housing Administration insurance, the guaranty of the Veterans Administration, or Small Business Administration, or the mortgage insurance will insure to the Buyer. The seller-servicer will forward copies of all such notices or claims to the Buyer.

VI. The Seller-servicer agrees to repurchase any mortgage covered by this agreement within one year after date of the Buyer's remittance if any misstatement of material fact is disclosed by actual inspections by the Buyer or its representative, or otherwise, for an amount equal to its then unpaid principal based on the same percentage rate at which it originally was purchased, plus accrued interest and costs incurred by the Buyer for action taken, but this provision shall not apply to FHA insured, VA guaranteed, SBA guaranteed, or mortgage insurance company insured mortgages. In the case of insured or guaranteed mortgages, if the FHA insurance, the VA guaranty, SBA guaranty, or the insurance of a mortgage insurance company with respect to any of the mortgages lapses as a result of the Seller-servicer's act or omission, the Seller-servicer upon the Buyer's request shall repurchase such mortgage for an amount equal to its then unpaid principal based on the same percentage rate at which it originally was purchased, plus accrued interest and costs incurred by the Buyer for action taken, and remit the aggregate of said amounts to the Buyer.

VII. The Seller-servicer, at its own expense, shall keep in force during the term of this agreement or any extension thereof, a Fidelity Bond and a policy or policies of insurance, covering errors and omissions on the part of any and all of their employees involved with the mortgages bought, sold, serviced or assigned under this contract. The Bond or Bonds shall insure the Buyer against loss arising from dishonest, criminal or fraudulent acts of any above referenced employee of the Seller-servicer.

VIII. The Seller-servicer shall see that the improvements on the premises, securing each mortgage, are kept insured by hazard insurance policies issued by a company acceptable to the Buyer in an amount at least equal to the outstanding principal of the mortgage or the full insurable value of the improvements, whichever is less, and of a type at least as protective as fire and extended coverage, containing a mortgagee clause naming the Buyer as an insured, substantially in the form of the standard New York mortgagee clause, and containing suitable provisions for payment on all present and future mortgages on such premises in order of precedence. Seller-servicer shall hold for the Buyer's account such policies and renewals thereof.

IX. The Seller-servicer shall furnish a detailed statement of its financial condition, not later than ninety days after the close of the Seller-servicer's fiscal year, and give the Buyer or its authorized representative opportunity at any time during business hours to examine the Seller-servicer's books and records. The Seller-servicer agrees to keep records satisfactory to the Buyer pertaining to each mortgage, and such records shall be the property of the Buyer and upon termination of this Agreement, shall be delivered to the Buyer.

X. Until the principal and interest of each such mortgage is paid in full the Seller-servicer shall:

A. Proceed diligently to collect all payments due under the terms of each mortgage as they become due.

B. Keep a complete and accurate account of and properly apply all sums collected by it from the mortgagor on account of each such mortgage for principal and interest, taxes, assessments, and other public charges, hazard insurance premiums and FHA insurance or private mortgage insurance premiums, and upon request to furnish Buyer with evidence acceptable to the Buyer of all expenditures for taxes, assessments and other public charges, hazard insurance premiums and FHA insurance or private mortgage insurance premiums. In the event any mortgagor fails to make a payment to said Seller-servicer required to be made under the terms of said mortgage, Seller-servicer agrees to notify the Buyer of such fact within thirty days after the same shall have become due and payable.

C. Deposit all funds received in respect of such mortgage, subject to withdrawal on demand, in a segregated trust or custodial account in a state or national bank, the deposits of which are insured by the Federal Deposit Insurance Corporation. Such account shall be held by Seller-servicer as trustee or custodian and the Seller-servicer shall maintain detailed records to show the respective interests of each individual mortgagor in the account. Each such account shall be established and maintained in a manner which complies with the applicable rules and regulations of the Federal Deposit Insurance Corporations.

D. From the funds so deposited, (1) pay promptly to the proper parties when and if due FHA, VA, SBA and private mortgage insurance premiums, taxes, special assessments, ground rents, and premiums on hazard insurance, and (2) pay and report, within five working days of the established cut off, to the Buyer all amounts of principal and interest due to it under its participation in the mortgage, and (3) on loan payoffs pay and report to the Buyer within five working days of the payoff all amounts of principal and interest due to it under the mortgage. Any amount not timely remitted, shall bear interest payable to the Buyer at the interest rate of the note(s) per day times the balance from the date that such remittance was actually postmarked. (4) Submit monthly reports which consist of a Summary of Remittance, Principal Trial Balance, and Delinquency Reports for all loans over thirty days delinquent.

(5) Retain as full compensation for all services performed hereunder, the earned portion of the servicing fee per annum agreed to in the commitment for each specific loan or block of loans, plus "late charges", if any collected, from the mortgagor pursuant to the terms of the mortgage.

E. Have prior written approval from the buyer to modify any Notes or Deeds of Trust.

F. Upon request submit to the Buyer an audit of the balance in each such trust account, together with a certificate that all disbursements were made for proper purposes, and that all payments required to be made hereunder have been made, with exceptions, if any.

G. Perform such other customary duties, furnish such other reports and execute such other documents in connection with its duties hereunder as the Buyer from time to time reasonably may require.

XI. The Seller-servicer shall use due diligence to ascertain, and shall forthwith notify the Buyer of the failure of any mortgagor to perform any obligations under the mortgage, and also of any of the following which might come to the attention of the Seller-servicer;

A. The vacating of or any change in the occupancy of any premises securing a mortgage.

B. The sale or transfer of any such premises, to the degree of liability of original mortgagor. If original mortgagor has been released from liability a credit package on new mortgagor must be furnished buyer.

C. The death, bankruptcy or insolvency of a mortgagor.

D. Any loss or damage to any such premises, in which event, in addition to notifying the Buyer, the Seller-servicer shall also promptly notify the insurance companies concerned.

E. Any lack of repair or any other deterioration or waste suffered or committed in respect of the premises covered by the mortgage. It is understood, however, that the Seller-servicer shall not be obligated to give notice to the Buyer of any facts other than those of which the Seller-servicer shall have actual notice, and those of which it would, except for its negligence, have had notice.

F. Any loss of eligibility of the mortgagor, either in whole or in part, for any mortgage assistance or rent subsidy payments under any programs providing therefore and for which the mortgage has qualified.

XII. The Seller-servicer shall not accept any prepayment of mortgage principal, except as permitted by the terms of the mortgage, nor waive, modify, release or consent to postponement on the part of the mortgagor of any term or provision of the mortgage without the written consent of the Buyer.

XIII. The Seller-servicer shall be required to reinspect only those properties on which the mortgage becomes sixty or more days delinquent. The Seller-servicer must notify the Buyer in writing of all action taken to collect the delinquencies and list methods and recommendations to bring the loans current or for foreclosure.

XIV. The Seller-servicer shall upon the request and under the direction of the Buyer assist in the foreclosure or other acquisition of the property securing any mortgage, the transfer of such property to the FHA or VA and the collection of any applicable mortgage insurance, and pending completion of these steps, protect such property from waste and strip. At the option of the Buyer, Buyer may assign such mortgage to the Seller-servicer which shall then conduct all such proceedings in its own name, promptly thereafter assigning or conveying to the Buyer any title, equity, or other property or right acquired by such proceedings. Seller-servicer will take title to the property in the name designated by the Buyer. Buyer agrees to reimburse the Seller-servicer for its reasonable out-of-pocket expenses so incurred, including attorney's fees mutually agreed upon in advance at the percentage of Buyers participation in the mortgage. All property foreclosed in the name of the Buyer will be managed by the Seller-servicer or an approved management firm. The Buyer will be advised of all management efforts monthly. The Seller-servicer will be required to interpret all legal requirements and financial obligations for each loan foreclosed on.

XV. In the event the Buyer shall assign its interest under the terms of this contract and in the mortgages to a third party, the assignee shall accede to all of the rights and obligations hereunder of the Buyer and this Agreement shall remain in full force and effect, and the Seller-servicer shall remit all principal and interest installments payable under the mortgages so assigned directly to such third party after deduction of the service fee as herein provided. The obligation to make direct remittances to such third party shall arise upon thirty days written notice of such assignment given by the Buyer to the Seller-servicer.

XVI. Compensation of the Seller-servicer shall be as agreed at the time each mortgage is accepted and as evidenced by each commitment to purchase made by the Buyer. Such compensation shall be earned, computed and payable as of the time interest on each individual mortgage is paid to Buyer, except that the compensation represented by late charges, if any, shall be retained as paid by the mortgagor. Compensation shall be earned and computed only upon mortgages on which payment of principal and interest actually occurs. No additional compensation shall be payable to the Seller-servicer in the event of termination of this Agreement, except as provided in Clause XVII.

XVII. The Buyer may, by notice to the Seller-servicer, terminate this Agreement as to mortgages being serviced if:

A. The Seller-servicer becomes insolvent or bankrupt or is placed under conservatorship or receivership.

B. The Seller-servicer assigns or attempts to assign the rights and obligations hereunder, or there is a transfer of a controlling interest in Seller-servicer, without written consent of the Buyer.

C. The Seller-servicer fails to take positive action to correct any deficiency in the performance of its obligations hereunder within sixty days after the Buyer has given Seller-servicer written notice of such deficiency.

D. In any event, and without cause, upon sixty days written notice and payment to the Seller-servicer of a sum equal to 1/2 of 1 percent of the aggregate principal amounts then outstanding of all of the mortgages subject to this Agreement.

XVIII. This Agreement may be terminated as to the future acceptance of mortgages by either party at any time upon giving thirty days written notice of termination to the other party, but such termination shall not in any respect change or modify the obligation of the Seller-servicer to service mortgages then already accepted, and the Seller-servicer shall continue to service such mortgages unless the Buyer shall act pursuant to Clause XVII hereof.

XIX. Upon any termination of this Agreement under Clause XVII the Seller-servicer shall account for and turn over to the Buyer all funds collected under each mortgage, less only the compensation then due the Seller-servicer, and deliver to the Buyer or its representative all records and documents relating to each such mortgage described in Clauses IV and VIII that it may have in its possession.

XX. The words "mortgage" and "mortgages" as used herein shall include mortgages, security deeds, trust deeds, and deeds of trust, and the words "mortgagor" and "mortgagors" shall be deemed to mean mortgagors, trustors of trust deeds and deeds of trust, and the grantors of any security deeds, it being agreed that the appointment of any trustees under any trust deeds or deeds of trust shall be subject to the approval of the Buyer.

XXI. In the event of a dispute between the Buyer and the Seller-servicer or any of their assigns, said dispute will initially be reviewed and if possible settled by reference to this contract, and its addendum(s), and if this contract or its addendum(s) are ambiguous or silent on the point or points in question, the prevailing conditions in the industry as set forth in a current updated copy of the Servicer's Guide, issued by the Federal National Mortgage Association, shall apply.

XXII. This document contains the entire agreement between the parties hereto and cannot be modified in any respect except by an amendment in riting signed by both parties. The invalidity of any portion of this Agreement shall in no way affect the balance thereof. This Agreement shall remain in effect until the Buyer's interests in all of the mortgages referred to, including the underlying security, are liquidated completely.

XXIII. From the effective date of this agreement all other agreements and its addendums are superseded by this agreement. All State of Alaska statutes and amendments to statutes effecting mortgage investments will automatically be an integral part of this Agreement and will, when applicable, replace any phraseology in this Agreement. Outstanding commitments to purchase effected by amendments will be honored. (State of Alaska Statutes, Exhibit A -PERS, Exhibit B - TRS)

IN WITNESS WHEREOF, each party has caused its seal to be affixed hereto and this instrument to be signed in its name on its behalf by its proper officials duly authorized.

Effective this 2nd day of June, 1983.

SELLER-SERVICER:

Alaska Mutual Bank

By Wesley W. Clubb

Wesley W. Clubb

Title Vice President

Date June 2, 1983

(SEAL)

BUYER:

State of Alaska, Department of Revenue

By Milton B. Barker

Title Deputy Commissioner

Date 6-8-83

Effect of amendments. — The 1977 amendment, in subsection (b), substituted "record" for "[illegible]" in the first sentences of paragraphs (1) and (2), deleted "shall be credited as of the date of deduction or payment, as the case may be" from the end of the first sentences of paragraphs (1) and (2), substituted "retirement" for "granting a pension" near the beginning of the third sentence of paragraph (1), deleted "an employee's" preceding "retirement, the amount," in the fourth sentence of paragraph (2), substituted "savings account" for "contribution account" in two places in the fourth sentence of paragraph (2), and deleted an exception from the end of the second sentence of paragraph (3). The amendment also, in paragraph (4) of subsection (b), deleted "credited with all contributions of employers for the purposes of meeting their respective proportion of the total administrative expenses of the system during each fiscal year, and it shall be" following "This account shall be" near the beginning of the second sentence and rewrote the third sentence.

Sec. 39.35.110. Investments. (a) When, in the opinion of the commissioner of administration, there is on hand in the pension fund a surplus over and above a reasonably safe amount to take care of current demands upon the fund, the surplus, or so much of it as in the judgment of the commissioner of administration is considered proper, may be invested at competitive national market rates by the commissioner of revenue in

(1) Repealed by § 15 ch 122 SLA 1980.

(2) Repealed by § 15 ch 122 SLA 1980.

(3) Repealed by § 15 ch 122 SLA 1980.

(4) Repealed by § 15 ch 122 SLA 1980.

(5) shares of federally chartered savings and loan associations in Alaska, to the extent that the investment is insured by the federal government or an agency of the federal government;

(6) deposits with mutual savings banks in Alaska, to the extent that the investment is insured by the federal government or an agency of the federal government;

(7) deposits with state and national banks in Alaska to the extent that the investment is insured by the federal government or an agency of the federal government;

(8) Repealed by § 15 ch 122 SLA 1980.

(9) the guaranteed portion of Small Business Administration loans;

(10) first lien real estate mortgages guaranteed by the federal Veterans Administration;

(11) notes secured by mortgages of commercial or residential buildings if the mortgages are insured by a private mortgage insurance corporation which is authorized to do business in Alaska and has combined capital, surplus and reserves aggregating at least $20,000,000; however,

(A) no mortgage insurance is necessary for commercial loans having loan-to-value ratios of less than 50 percent and the minimum coverage of other commercial loans shall be 10 percent for those having a loan-to-value ratio of 50-60 percent and 15 percent for those having a loan-to-value ratio greater than 60 percent but no more than 75 percent, and

(B) no mortgage insurance is necessary for residential loans having a loan-to-value ratio of less than 70 percent and the minimum coverage of other residential loans shall be 10 percent for those having a loan-to-value ratio greater than 70 percent but less than 90 percent and 20 percent for those having a loan-to-value ratio of 90 percent;

(12) conventional residential mortgages if the originating financial institution retains at least 25 percent of the mortgage for a minimum of two years;

(13) notes secured by mortgages of commercial buildings if the originating financial institution retains at least 25 percent of the mortgage until maturity;

(14) FHA guaranteed portion of business and industrial loans made under the Rural Development Act of 1972;

(15) Repealed by § 15 ch 122 SLA 1980.

(16) Repealed by § 15 ch 122 SLA 1980.

(17) bankers' acceptances which are eligible for discount at the Federal Reserve Bank and certificates of deposit issued by United States domestic banks which are members of the Federal Deposit Insurance Corporation if a generally recognized secondary market exists for the certificates of deposit;

(18) obligations of, or obligations insured by or guaranteed by, the United States or agencies or instrumentalities of the United States;

(19) obligations secured by reserves paid in by the United States or agencies or instrumentalities of the United States or obligations of corporations in which the United States is a shareholder or member;

(20) corporate debt securities with a minimum rating of "A" or an equivalent rating by a nationally recognized rating organization;

(21) preferred and common stock of companies which have paid dividends in each of the three years immediately preceding the investment;

(22) commercial paper bearing the highest rating of a nationally recognized rating organization;

(23) securities of foreign governments, foreign governmental agencies, and foreign corporations the principal, interest or dividends on which are payable in either United States dollars or foreign currencies; however, investments under this paragraph may not exceed 10 percent of the total investments of the pension fund;

(24) foreign time deposits of both United States-owned and foreign-owned banks and trust companies denominated in either United States dollars or foreign currencies; however, investments under this paragraph may not exceed 20 percent of the total investments of the pension fund;

(25) gold bullion certified as to fineness of at least 9½ percent; however, investments under this paragraph may not exceed 10 percent of the total investments of the pension fund; the commissioner of revenue shall purchase gold bullion produced in Alaska to the extent

that Alaska gold bullion is available if it can be obtained at a price comparable to out-of-state sources.

(b) Repealed by § 15 ch 122 SLA 1980.

(c) In making investments the commissioner of revenue shall exercise the judgment and care under the circumstances then prevailing which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. However, no more than 50 percent of the pension fund may be invested at a given time in corporate stocks and debt securities, nor may more than five percent of the voting stock of one corporation be owned. Stocks eligible for purchase are restricted to stocks which, except for bank stocks and insurance stocks, are listed upon an exchange registered with the Federal Securities and Exchange Commission.

(d) Except as provided in this section, the commissioner of revenue may

(1) invest and reinvest the principal and income of the pension fund without distinction between principal and income;

(2) sell, exchange, convey, transfer, or otherwise dispose of an investment of the pension fund held in the name of the system by private contract or at public auction;

(3) vote upon a stock, bond, or other security; give a general or special proxy or power of attorney with or without power of substitution; exercise a conversion privilege, subscription right, or other option and make payments incidental to it; consent to or participate in a corporate reorganization or other change affecting corporate securities, delegate discretionary power, pay an assessment or charge in connection with the delegation; and generally exercise any of the powers of an owner with respect to stocks, bonds, securities, or other investments held in the pension fund;

(4) make, execute, acknowledge, and deliver documents of transfer and conveyance and instruments necessary or appropriate to carry out the powers granted;

(5) register investments held in the pension fund in the name of the system;

(6) do all acts whether or not expressly authorized which are considered necessary or proper for the protection of the investments held in the pension fund.

(e) To qualify as a mortgage which may be purchased under (a)(11), (12), or (1. of this section,

(1) the originating financial institution must certify that the mortgage being sold has been made in compliar e with law and that liens supporting the mortgage have been perfected;

(2) the mortgage may not have been held by the originating financial institution for a period greater than 90 days.

(f) When more than one-half of one per cent of the aggregate of all loans purchased from a financial institution becomes delinquent for 60 days, the pension fund shall discontinue purchasing loans from that financial institution until the delinquency is reduced to less than one-half of one per cent.

(g) Repealed by § 15 ch 122 SLA 1980.

(h) The commissioner of revenue may enter into futures contracts for the sale of investments purchased under (a) of this section only for the purpose of hedging an existing equivalent ownership position in the investments.

(i) The commissioner of revenue may transfer at any time a portion of the assets of the pension fund to a trust which is qualified under sec. 401(a) of the Internal Revenue Code (26 U.S.C. sec. 401(a)) and exempt from taxation under sec. 501(a) of the Internal Revenue Code (26 U.S.C. sec. 501(a)) and which is maintained as a medium for pooling a portion of the funds of pension and profit-sharing trusts for diversifying investments in real estate and interests in real estate.

(j) The commissioner of revenue may enter into a contract or trust agreement necessary to effectuate the transfer of assets of the pension fund or to maintain the assets of the pension fund to be transferred to a trust under (i) of this section. (§ 37 ch 143 SLA 1960; am § 1 ch 129 SLA 1961; am § 1 ch 150 SLA 1962; am § 2 ch 4 SLA 1964; am §§ 1 — 3 ch 80 SLA 1964; am § 1 ch 111 SLA 1964; am § 1 ch 56 SLA 1967; am § 4 ch 73 SLA 1969; am §§ 3, 4 ch 17 SLA 1970; am § 2 ch 112 SLA 1972; am §§ 3, 4 ch 25 SLA 1974; am §§ 3, 4 ch 59 SLA 1977; am §§ 7 — 10, 15 ch 122 SLA 1980)

Cross references. — As to custody and investment of the teachers retirement fund, see AS 14.25.180. As to investment of surplus funds of the state, see AS 37.10.070.

Effect of amendments. — The 1977 amendment, in subsection (a), inserted "private mortgage insurance" in paragraph (11), added the language beginning "however, (A) no mortgage insurance is necessary" to the end of that paragraph, and added paragraphs (16) and (17).

The 1980 amendment, in subsection (a), inserted "at competitive national market rates" near the end of the introductory paragraph, repealed former paragraphs (1) — (4), (8), and (15) and (16), substituted "the" for "such" preceding "investment" in paragraphs (5) and (6), substituted "of the federal government" for "thereof" at the end of paragraphs (5) and (6), substituted "buildings" for "real estate or other security" near the beginning of the introductory paragraph of paragraph (11), substituted "buildings" for "real estate" and added "until maturity" in paragraph (13), and "negotiable time" preceding "certificates of deposit" in paragraph (17), substituted "United States domestic" for "commercial" near the middle of paragraph (17), added the material at the end of paragraph (17), which begins: "which are members of" and ends: "certificates of deposit," and added paragraphs (18) — (25). The amendment, in subsection (c), substituted "an institutional investor" for "a man," and "large investments entrusted to it" for "his own affairs" near the beginning of the subsection, deleted "his" following "permanent disposition of" and "the" preceding "probable safety of capital" near the middle of the subsection, inserted "safety of capital as well as probable" preceding "income" and deleted "from them as well as the probable safety of his capital" at the end of the first sentence, deleted "mutual funds and" preceding "corporate stocks" near the beginning of the second sentence, substituted "debt securities" for "bonds," and "may" for "any" near the middle of the second sentence, substituted "and" for a comma following "bank stocks," and deleted "and shares in mutual funds" following "insurance stocks" near the middle of the third sentence; rewrote subsection (e); added subsections (h) — (j); and repealed subsections (b) and (g).

Article 2. Membership.

Sec. 39.35.120. Commencement of participation. (a) An employee of the state shall be included in this system upon commencement of his employment with the state, or on January 1, 1961, whichever is later. An employee of a political subdivision or public organization which becomes an employer shall be included in the system on the effective date of the employer's participation or the date of the employee's commencement of employment with the employer, whichever is later.

(b) **[Effective until January 1, 1981]** Inclusion in the system is a condition of employment for an employee except an elected official.

[Effective January 1, 1981] Inclusion in the system is a condition of employment for an employee except as otherwise provided for an elected official. (§ 4 ch 143 SLA 1960; am § 1 ch 155 SLA 1966; am § 28 ch 13 SLA 1980; am § 27 ch 146 SLA 1980)

Effect of amendments. — The first 1980 amendment deleted "or quasi-public" preceding "organization" near the beginning of the second sentence in subsection (a).

The second 1980 amendment, effective January 1, 1981, inserted "as otherwise provided for" preceding "an elected official" near the end of subsection (b).

Negotiability of retirement system benefits. — Given subsection (b) of this section and AS 39.35.170, which make inclusion in the public employees retirement system (AS 39.35) a condition of employment for state employees and contributions to it mandatory, the conclusion is that the legislature intended the statutory provisions of the public employees retirement system to apply to all state employees, and benefits under the public employees retirement system may not be negotiated under the Public Employment Relations Act (AS 23.40.070 — 23.40.260). January 23, 1978, Op. Att'y Gen.

Sec. 39.35.125. Participation of elected officials. [Effective until January 1, 1981] (a) An elected official, other than a state legislator who is an active member of the teachers' retirement system, may be included in the system if, within 60 days after taking the oath of his office or within 60 days after May 12, 1966,

Exhibit B

TEACHERS RETIREMENT SYSTEM

(d) The board may impose conditions on granting a waiver which it considers equitable. These conditions may include requiring the member or beneficiary to make additional contributions to the system.

(e) The board may reconsider a ruling under this section upon request of the member or beneficiary or the administrator if the request is received within 30 days after the initial ruling. Any modification of the initial ruling must be made within 30 days after receipt of a request for reconsideration.

(f) Rulings and modifications of rulings under this section must be by a majority of a quorum of the board.

(g) Rulings on appeals and requests for reconsideration under this section may be appealed by an aggrieved member or beneficiary to the superior court for abuse of discretion. (§ 1 ch 81 SLA 1979)

Sec. 14.25.177. Effect of amendments. (a) An amendment to this chapter is not retroactive unless its retroactivity is expressly stated in the amendment.

(b) The monthly amount of a benefit payable under this chapter shall be determined in accordance with the provisions of this chapter in effect on the date of termination of the member's last segment of employment. (§ 4 ch 169 SLA 1976; am § 21 ch 13 SLA 1980)

Effect of amendment. — The 1980 amendment, effective July 1, 1980, rewrote the section.

Sec. 14.25.180. Custody and investment.

(b) When, in the opinion of the commissioner of administration, there is on hand in the retirement fund a surplus over and above a reasonably safe amount to take care of current demands upon the fund, the surplus or so much of it as in the judgment of the commissioner of administration is considered proper may be invested at competitive national market rates by the commissioner of revenue in

(1) (repealed);

(2) (repealed);

(3) (repealed);

(4) shares of federally chartered savings and loan associations in Alaska, to the extent that the investment is insured by the federal government or by an agency of the federal government;

(5) deposits with mutual savings banks in Alaska, to the extent that the investment is insured by the federal government or an agency of the federal government;

(6) deposits with state and national banks in Alaska to the extent that the investment is insured by the federal government or an agency of the federal government;

(7) (repealed);

(8) (deleted);

(9) the guaranteed portion of Small Business Administration loans;

(10) first lien real estate mortgages guaranteed by the federal Veterans Administration;

(11) notes secured by mortgages of commercial or residential buildings if the mortgages are insured by a private mortgage insurance corporation which is authorized to do business in Alaska and has combined capital, surplus and reserves aggregating at least $20,000,000; however,

(A) no mortgage insurance is necessary for commercial loans having loan-to-value ratios of less than 50 percent and the minimum coverage of other commercial loans shall be 10 percent for those having a loan-to-value ratio of 50-60 percent and 15 percent for those having a loan-to-value ratio greater than 60 percent but no more than 75 percent, and

(B) no mortgage insurance is necessary for residential loans having a loan-to-value ratio of less than 70 percent and the minimum coverage of other residential loans shall be 10 percent for those having a loan-to-value ratio greater than 70 percent but less than 90 percent and 20 percent for those having a loan-to-value ratio of 90 percent;

(12) conventional residential mortgages if the originating financial institution retains at least 25 percent of the mortgage for a minimum of two years;

(13) notes secured by mortgages of commercial buildings if the originating financial institution retains at least 25 percent of the mortgage until maturity;

(14) FHA guaranteed portion of business and industrial loans made under the Rural Development Act of 1972;

(15) (repealed);

(16) (repealed);

(17) bankers' acceptances which are eligible for discount at the Federal Reserve Bank and certificates of deposit issued by United States domestic banks which are members of the Federal Deposit Insurance Corporation if a generally recognized secondary market exists for the certificates of deposit;

(18) obligations of, or obligations insured by or guaranteed by, the United States or agencies or instrumentalities of the United States;

(19) obligations secured by reserves paid in by the United States or agencies or instrumentalities of the United States or obligations of corporations in which the United States is a shareholder or member;

(20) corporate debt securities with a minimum rating of "A" or an equivalent rating by a nationally recognized rating organization;

(21) preferred and common stock of companies which have paid dividends in each of the three years immediately preceding the investment;

(22) commercial paper bearing the highest rating of a nationally recognized rating organization;

(23) securities of foreign governments, foreign governmental agencies, and foreign corporations the principal, interest or dividends on which are payable in either United States dollars or foreign currencies; however, investments under this paragraph may not exceed 10 percent of the total investments of the retirement fund;

(24) foreign time deposits of both United States-owned and foreign-owned banks and trust companies denominated in either United States dollars or foreign currencies; however, investments under this paragraph may not exceed 20 percent of the total investments of the retirement fund;

(25) gold bullion certified as to fineness of at least 99-½ percent; however, investments under this paragraph may not exceed 10 percent of the total investments of the retirement fund; the commissioner of revenue shall purchase gold bullion produced in Alaska to the extent that Alaska gold bullion is available if it can be obtained at a price comparable to out-of-state sources.

(c) In making investments the commissioner of revenue shall exercise the judgment and care under the circumstances then prevailing which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. However, no more than 50 percent of the retirement fund may be invested at any given time in corporate stocks and debt securities, nor may more than five percent of the voting stock of a corporation be owned. Stocks eligible for purchase are restricted to stocks which, except for bank stocks and insurance stocks, are listed upon an exchange registered with the Federal Securities and Exchange Commission.

(d) Except as provided above, the commissioner of revenue may:

(1) invest and reinvest the principal and income of the retirement fund without distinction between principal and income;

(2) sell, exchange, convey, transfer or otherwise dispose of any investment of the retirement fund held in the name of the system by private contract or at public auction;

(3) vote stocks, bonds or other securities; give general or special proxies or powers of attorney with or without power of substitution; exercise conversion privileges, subscription rights or other options and make payments incidental thereto; consent to or otherwise participate in corporate reorganizations or other changes affecting corporate securities and delegate discretionary powers and pay assessments or charges in connection therewith; and generally exercise the powers of an owner with respect to stocks, bonds, securities or other investments held in the retirement fund;

(4) make, execute, acknowledge and deliver documents of transfer and conveyance and other instruments necessary or appropriate to carry out the powers granted by this subsection;

(5) register investments held in the retirement fund in the name of the system;

(6) do all acts whether or not expressly authorized which he considers necessary or proper for the protection of the investments held in the retirement fund.

(e) To qualify as a mortgage which may be purchased under (b)(11), (12) or (13) of this section,

(1) the originating financial institution must certify that the mortgage has been made in compliance with law and that liens supporting the mortgage have been perfected;

(2) the mortgage may not have been held by the originating financial institution for a period greater than 90 days.

(g) The commissioner of revenue may enter into futures contracts for the sale of investments purchased under (b) of this section only for the purpose of hedging an existing equivalent ownership position in the investments.

(h) The commissioner of revenue may transfer at any time a portion of the assets of the retirement fund to a trust which is qualified under sec. 401(a) of the Internal Revenue Code (26 U.S.C. sec. 401(a)) and exempt from taxation under sec. 501(a) of the Internal Revenue Code (26 U.S.C. sec. 501(a)) and which is maintained as a medium for pooling a portion of the funds of pension and profit-sharing trusts for diversifying investments in real estate and interests in real estate.

(i) The commissioner of revenue may enter into a contract or trust agreement necessary to effectuate the transfer of assets of the retirement fund or to maintain the assets of the retirement fund to be transferred to a trust under (h) of this section.
(am §§ 1, 2 ch 59 SLA 1977; am §§ 1 — 5 ch 122 SLA 1980)

Cross references. — As to investment of surplus funds, see AS 37.10.070. As to investments, see AS 39.35.110.

Effect of amendments.

The 1977 amendment, in subsection (b), inserted "private mortgage insurance" in paragraph (11), added the language beginning "however, (A) no mortgage insurance is necessary" to the end of that paragraph, and added paragraphs (16) and (17).

The 1980 amendment, effective July 1, 1980, in subsection (b), inserted "at competitive national market rates" in the introductory language; deleted paragraphs (1) — (3), (7), and (15) and (16), relating to certain governmental bonds or other interest-bearing obligations and securities, certain first lien real estate mortgage securities, corporation bonds and preferred and common stocks, loans guaranteed by the division of veteran's affairs, guaranteed portion of loans made under the Federal Ship Financing Act of 1972, and certain Canadian bonds, debentures, notes or other obligations, respectively; substituted "buildings" for "real estate or other security" in the introductory language of paragraph (11); substituted "buildings" for "real estate" and inserted "until maturity" in paragraph (13); deleted "negotiable time" preceding "certificates" and substituted the language beginning "United States domestic banks" for "commercial banks" in paragraph (17); and added paragraphs (18) — (25). In subsection (c), the amendment substituted "an institutional investor" for "men," "exercises" for "exercise," "large investments entrusted to it" for "their own affairs" and "probable safety of capital as well as probable income" for "the probable income therefrom as well as the probable safety of their capital" in the first sentence, deleted "their" preceding "funds" in the first sentence, and substituted "debt securities" for "bonds" and "a corporation" for "any corporation" in the second sentence. In addition, the amendment inserted "held in the retirement fund" in paragraph (5) of subsection (d), rewrote subsection (e), and added subsections (g) — (i).

Sec. 14.25.200. Exemption from taxation and process. Benefits and other amounts held in the retirement fund on behalf of the members are exempt from Alaska state and municipal taxes and are not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary before they are received by the person entitled to the amount under the terms of the system, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of any right to amounts accrued in the retirement fund is void. (§ 22 ch 145 SLA 1955; am § 17 ch 89 SLA 1960; am § 13 ch 84 SLA 1969; am § 22 ch 13 SLA 1980)

Effect of amendment. — The 1980 amendment, effective July 1, 1980, substituted "Benefits" for "Teachers' retirement salaries" at the beginning of the section, substituted "members" for "teachers" following "on behalf of the" near the beginning of the section, inserted "Alaska" preceding "state and municipal taxes" near the beginning of the section, and substituted "is void" for "shall be void" at the end of the section.

As the rest of the section was not affected by the amendment, it is not set out.

Cited in Gutterman v. First Nat'l Bank, Sup. Ct. Op. No. 1876 (File No. 3996), 597 P.2d 969 (1979).

Sec. 14.25.205. Time limit for application. If no application for benefits or for refund has been filed with the administrator by July 1 following the date on which an inactive member (except a member on leave of absence without pay) would attain age 75, or if no application for benefits or for refund has been filed with the administrator within the 50 years following the most recent date on which the person was an active member, no benefits or refunds may be paid under this chapter and the member's records may be destroyed. (§ 14 ch 84 SLA 1969; am § 23 ch 13 SLA 1980)

Effect of amendment. — The 1980 amendment, effective July 1, 1980, rewrote the section.

Sec. 14.25.220. Definitions. In this chapter, unless the context requires otherwise,

(1) "active member" means a member who is employed by an employer, is receiving compensation on a full-time or part-time basis and is making contributions to the system, or a member making contributions under AS 14.20.330 or 14.20.345;

STATE OF ALASKA

SALES AND SERVICING AGREEMENT ADDENDUM

In conjunction with and as an addendum to the Agreement between Alaska Mutual Bank, (employer identification number 92-00283-15) herein called "Seller-servicer", and the State of Alaska Department of Revenue, herein called "Buyer", and dated June 2, 1983, the following uniform guidelines regarding the submission, purchase, and servicing of mortgages are hereby established and made part of said Agreement. Because it addresses specific procedures and the format of reports, this addendum should be distributed to all sections of the Seller-servicer mortgage department. All correspondence and inquiries should be directed to the attention of the Mortgage Section at:

Alaska Department of Revenue
Treasury Division
Pouch SB
Juneau, Alaska 99811
907/465-2354 - 907/465-2353

All correspondence to Buyer must bear the loan name, fund name (PERS-TRS-SPFM-MOP-BLIP), loan type (FHA-VA-SBA-CONV), interest rate, percent of participation, brief legal description of property, if available, and all previous owners (if applicable).

GENERAL REQUIREMENTS

All loans submitted for purchase must have private mortgage insurance, 25% bank participation, FHA insurance, VA guarantee or SBA guarantee, if required. No take-out refinances will be purchased. Loan to value ratios will be established by investment program in a separate requirement letter. All loans will be purchased at par unless advised otherwise. Usury rate applies on loans under $100,000. Specific conditions to purchase will be detailed in a "Commitment Requirement" attachment sent out at the time of each general commitment. Standard industry underwriting criteria will apply as detailed by FNMA or FHLMC.

REQUIREMENTS FOR COMMITMENT TO PURCHASE

Commitment fee requirements will be established by investment program and when applicable must accompany the original loan submission package. This fee is non-refundable, except as noted below, and no loan substitutions may be made. Deposit of commitment check does not mean the loan is approved. Official notification will be sent regarding commitment. Commitment fee will only be returned or credit given on loans refused. Buyer will not commit to purchase and/or honor existing commitments to purchase mortgages from any Seller-servicer when they exceed the delinquency ratio established by individual Alaska statutes. Buyer will commit to purchase and/or honor existing commitments to purchase mortgages when the delinquency is reduced to these requirements.

Requests for commitments and/or purchase must include, but is not necessarily limited to, copies of the following documents:

RESIDENTIAL

1. Loan application (including gross interest rate and service rate) (Must be a standard industry form such as FNMA #1003)
2. Copy of Private Mortgage Insurance application (if applicable)
3. Original appraisal (with plat layout and original pictures)
4. Credit report and credit letters
5. Earnest money agreement
6. Verification of all bank accounts
7. Employment verification
8. Tax returns (if self-employed)
9. Financial statements (if applicable)
10. Other pertinent information

COMMERCIAL

1. Offering sheet - containing but not necessarily limited to the following information:
   a. Borrower(s)
   b. Loan amount
   c. Purpose of loan
   d. Gross interest rate and service rate

e. Fee

f. Terms

g. Account relationship with Bank

h. Financial data (Assets - Liabilities - Net Worth)

i. Security (Land - Improvements)

j. Income statement - projected

k. Analysis:

- Loan to value ratio
- Debt service
- Debt service coverage
- Default ratio
- Loan per square foot
- Gross rent multiple
- Mortgage multiple
- Other ratios if applicable

l. Participants

m. Recommendations

n. Other pertinent information

2. Loan application

3. Maps/plats

4. Original photos

5. Plans and specifications

6. Appraisal

7. Financial statement for 3 years - Balance Sheets, Profit and Loss Statements

8. Credit report and credit letters

9. Bank balance verifications

10. Federal tax returns for 3 years if applicable

11. Private Mortgage Insurance application if applicable

12. Earnest Money Agreement if applicable

REQUIREMENTS FOR PURCHASE

The following documents must be delivered to Buyer by the 10th of the month for purchase by the end of that month.

In the event questions arise as to settlement date Buyer must be contacted before the delivery schedule is prepared.

DELIVERY SCHEDULE

The Delivery Schedule must be completed by the Seller-servicer for each mortgage sale to Buyer using the form supplied by Buyer (sample A & B). The Delivery Schedule will be audited by the Buyer before purchased, and in the event it is not prepared timely purchase will be delayed until the following month. All requested information must be supplied. Numbered columns are explained as follows:

1. Price column is used to indicate the percentage of participation.
2. Service rate will be established by each investment program.
3. Per diem interest rate is computed on a 360 or 365 day basis. Please indicate which when the delivery schedule is prepared.
4. The amount in column (3) times the days in the next column equal the amount in this column. Accrued or prepaid interest must be computed in order to eliminate adjustments to the first payment.
5. Service fees are computed according to the information in column (2). Each interest group (ie. 9.625% @ 100% @ 3/8 of 1%) must be totaled with a grand total at the end of the schedule to verify the amount of the total sale.
6. Columns (A), (B), (C), and (D) must foot and cross foot.

FINAL LOAN DOCUMENTS

Final loan documents must be delivered to Buyer at time of purchase or within 60 days of closing and endorsed when applicable:

1. Note

   (a) Endorsed as follows:

   Pay to the order of the State of Alaska
   Department of Revenue ________________
   ____
   without recourse this _________ day of
   _________________, 19___.
   Bank__________________________________
   Name__________________________________
   Title_________________________________

2. Deed of Trust -recorded
3. Assignment of Deed of Trust - recorded (one for each mortgage)

4. Title Insurance (conformed copy) ALTA policy whenever possible.

5. Certificate of Hazard Insurance Coverage

6. Mortgage Insurance or Guarantee Certificate (if required)

   a. Private Mortgage Insurance

   b. FHA or VA certificate

7. When applicable original completion certificate from the appraiser with pictures

8. Participation Certificate (one for each participation loan)

Original documents are required on items 1 through 7 for all 100% loans. Copies of all documents of items 1 through 7 are required for participation loans plus original pictures and Participation Certificate.

REQUIREMENTS FOR SERVICING

All mortgages will be serviced by Seller-servicer from one office, unless special arrangements are made at the time of purchase or commitment.

REPORTING

A. SETTLEMENT REMITTANCE SUMMARY:

The Settlement Remittance Summary is required with each remittance and must include the following information that pertains to the % of Buyer participation:

1. Loan type
2. Percent of participation
3. Interest rate
4. Service rate
5. Interest collected
6. Service fee withheld
7. Net interest
8. Principal collected
9. Net principal and interest (sum of 7 and 8, above)
10. All columns must foot and crossfoot.

Normal monthly remittance must be received by the Buyer within five working days of cutoff using the Settlement Remittance Summary form designed by Buyer (sample C). List all 100% participation loan groups first with lowest rate on top. Then list participation percentages in declining order. Columns must foot and crossfoot and must balance with the Principal Trial Balance report attached. All "adjustments" must be explained giving at least the same amount of detail listed in the upper part of the form. (Use space provided)

B. PRINCIPAL TRIAL BALANCE

A monthly Principal Trial Balance report is required that includes the following information that pertains only to the % of Buyer participation:

1. Loan type
2. Gross Interest Rate
3. Service Rate (eg. 3/8 of 1% or .375)
4. Loan number
5. Names of borrowers
6. Beginning principal balances on manual reports
7. Ending principal balances
8. Interest paid through or to date
9. Amount of interest collected
10. Amount of principal collected

The Principal Trial Balance form designed by the Buyer (sample D) or an appropriate computerized report with at least the same type of information provided may be used at the option of the Seller-servicer.

The Principal Trial Balance report must include a balance on all mortgages with the last interest paid to date whether or not a payment has been made that month. These trial balances must be prepared on an individual group basis. (see definition of group page 9) The percentage of participation must be listed (across from the words "State Participation only" on manual reports). The interest rate shown must be the gross paid before deduction of service charge; the service rate must also be noted. Columns must foot and crossfoot and page totals must agree with the figures brought forward to the Settlement Remittance Summary which serves as the cover page to the remittance package.

The information required in the Principal Trial Balance can be provided by computerized reports with such titles as "Serviced Loan

Report", "Monthly Remittance Report", and "Investor Remittance Report" in conjunction with a simple Principal Trial Balance. However, all information listed above must be provided. Loan names must appear on one of these reports. Loan numbers alone are not acceptable. The loan names may be added by hand or typed in.

C. DELINQUENCY REPORTS

The Seller-servicer must submit monthly a separate Delinquency Report for each Loan Type and Fund which contains at a minimum certain standard information (sample E). Other formats are acceptable provided that the information described below is included.

In the event that no loans are delinquent at the end of any reporting period, the Seller-servicer must submit a Delinquency Report indicating "-0- loans delinquent."

Each report must be self contained and show the following type of information:

1. Fund name (PERS, TRS, SPFM, BLIP, MOP)
2. Type of loan (FHA-VA, SBA, CONV)
3. Loan number
4. Loan name
5. Gross interest rate
6. % of participation
7. Service fee rate
8. Interest date: (one or the other, never both)
    a. Paid to date
    b. Paid through date
9. Principal balance outstanding (NOT the amount of P & I delinquent) on % of Buyer participation only.
10. Total number of days delinquent - list number of days delinquent in their respective columns
    a. 30 - 60 days
    b. 61 - 90 days
    c. Over 90 days

11. Collection efforts and comments - if any loan exceeds 60 days delinquent then a separate explanation is required detailing why the loan is delinquent and the method your institution is using to bring the loan current. On those loans over 90 days delinquent a separate letter must also be sent to the Mortgage Investment Officer stating cause to proceed or not to proceed with foreclosure.

D. PAYOFFS AND PARTIAL PAYOFFS

All payoffs must be received by the Buyer within five working days of the date of the payoff and must be remitted separate from the normal monthly remittances. The information required on each payoff is as follows: (See Sample G)

1. Current loan name
2. All previous owners
3. Bank loan number
4. SBA, VA or FHA loan number
5. Fund (PERS, TRS, SPFM, BLIP, MOP)
6. Type (CONV, FHA-VA, SBA)
7. Gross interest rate
8. Service fee rate
9. Percentage of participation
10. Short legal description (when available)
11. Interest paid from and to dates
12. Total principal paid on % of Buyer participation
13. Total interest paid on % of Buyer participation
14. Service fee charged
15. A detailed name and address to return the paid off loan file along with signed request for full reconveyance when applicable.

If these payoffs and partial payoffs are not received by the Buyer within five working days a late charge at the "interest rate of the loan times the balance" will be charged the Seller-servicer for the excess days it took to remit the money to Buyer.

Payoffs in the form of Seller-servicer repurchases or buy-backs require prior written authorization from Buyer.

E. NOTICE OF ASSUMPTION

Notice of assumptions must be sent timely for all loans the Buyer owns. This notice must detail old owner, new owner, type of liability, new mailing address, fund and type of loan. If original mortgagor has a release of liability a credit package for the new mortgagor must be furnished Buyer. The Buyer reserves the right to increase the interest rate. Each investment program will designate when the Buyer must give prior written approval for each assumption.

F. HAZARD INSURANCE

A Certificate of Hazard Insurance Coverage (Sample F) must be sent to Buyer at closing and in the event of a reduction in coverage that is not at least equal to the unpaid principal balance of the mortgage.

G. LOAN MODIFICATIONS

All loan modifications must have prior written approval from the Buyer. A loan modification, recast, reamortization or extention requires a change in one or more of the provisions of the mortgage. These changes may require a new document to be executed and recorded and an updated title policy. Delinquent interest will be capitalized and considered as collected. All recast worksheets and, when applicable, financial statements must be provided to the Buyer along with a written justification from a bank officer. Modifications must not extend beyond the life of the original mortgage. A reamortization of monthly payments and/or a balloon payment at maturity will be required

Loan modifications due to substantial curtailments will be reviewed on an individual basis and must be approved by the Buyer.

Modifications effecting FHA, VA and SBA loans must also meet the minimum requirements of that agency.

H. FORECLOSURES AND FORECLOSED LOANS

All loans over 90 days delinquent are subject to foreclosure proceedings with the prior written approval of the Buyer. Justification to proceed or not to proceed with the foreclosure along with detailed alternate collections methods must be in writing to the Buyer monthly. These requests will be reviewed by the Buyer and the Seller-servicer will be notified in writing of the results.

Foreclosure proceedings and interpretation of legal requirements are the responsibility of the Seller-servicer as well as notifying the Buyer of all their legal obligations for satisfaction of tax and other liens against the property.

Bankruptcy filing must be brought to the attention of the Buyer immediately. Filing to have property set aside from the bankruptcy will be an automatic process by the Seller-servicer.

Buyers title policy will be required at the end of litigation if the Buyer is the successful bidder in the foreclosure proceedings.

An accounting statement for expenses incurred during and immediately after the foreclosure (ie. attorney, property taxes, insurance, reserve balances, lock-up and other security precautions, etc.) is required by the Buyer within thirty (30) days. A copy of the private mortgage insurance claim is also required by the Buyer from the Seller-servicer within sixty (60) days of the date of the foreclosure. Filing extentions for private mortgage insurance claims must have written approval of the insurance company.

Management of foreclosed property is the responsibility of the Seller-servicer. The property must be secured from strip and waste and hazard insurance must be maintained. If the private mortgage insurance company pays the claim, the property must be listed for sale and a diligent effort made to sell the property as soon as possible. Monthly status reports will be required on all foreclosed loans.

DEFINITIONS

FUNDS:	PERS - Public Employees Retirement System
	TRS - Teachers Retirements System
TYPE:	CONV - Conventional Loans
	FHA-VA - Federal Housing Administration - Veterans Administration
	SBA - Small Business Administration
% of PARTICIPATION:	That portion of the mortgage that the State of Alaska owns for one of the above funds, e.g., 100%; 90%; 75%; etc.
GROUP:	A loan group is a Fund, Type, Interest Rate, @ Service Rate and % of Participation, e.g., PERS-CONV-9.50% @ 3/8 of 1%, 100 Part.

From the effective date of this agreement all other agreements and its addendums are superseded by this agreement. All State of Alaska statutes and amendments to statutes effecting mortgage investments will automatically be an integral part of this Agreement and will, when applicable, replace any phraseology in this Agreement. Outstanding commitments to purchase effected by amendments will be honored. (State of Alaska Statutes, Exhibit A--PERS, Exhibit B--TRS)

IN WITNESS WHEREOF, each party has caused its seal to be affixed hereto and this instrument to be signed in its name on its behalf by its proper officials duly authorized.

Effective this 2nd day of June, 19 83.

SELLER-SERVICER:

Alaska Mutual Bank

By Wesley Clubb

Wesley W. Clubb

Title Vice President

(SEAL)

Date June 2, 1983

BUYER:

State of Alaska, Department of Revenue

By Milton B. Barber

Title Deputy Commissioner

Date 6-8-83

DELIVERY SCHEDULE - LOANS PURCHASED BY STATE OF ALASKA, COMMISSIONER OF REVENUE, FOR:

Date Submitted 1-5-80 (possibility of four funds) FUND

Page 1 of 2

YOUR BANK NAME
(Bank Name)

1-25-80
(Purchase Date)

Sample A

Loan Number Mortgagor and Property Address	Int. Rate	Original Loan Amount	Present Loan Balance	1 Price	Premium (Discount)	2 Service Rate	(A) NET BALANCE	Interest Paid To Date	3 Per Diem Int. 360	Add'l # of Days Int.	4 (B) Amount of Accrued → (Pre Paid) → Interest	5 (C) Service Fee (00.00) 00.00	(=D) TOTAL PRICE PAID
SMITH, Juno #1898 402 Main Stree Juneau	9.625	100,000.00	99,876.49	100	-0-	3/8 of 1	99,876.49	12-10-79	26.70	46	1,228.20	(47.85)	101,056.84
HANDS, Hank #1908 102 Seward St. Juneau	9.625	75,000.00	75,000.00	100	-0-	3/8 of 1	75,000.00	1-1-80	20.05	24	492.00	(19.17)	75,472.83
TOTAL							174,876.49				1,720.20	(67.02)	176,529.67
ALEX, Dick #1977 Douglas Hwy Anchorage	9.625	125,000.00	125,000.00	100	-0-	1/4 of 1	125,000.00	1-1-80	33.42	24	802.08	(31.25)	125,770.83
DIVINCI, Leo #1965 Tulip Drive Fairbanks	10.50	285,000.00	285,000.00	75	-0-	1/4 of 1	213,750.00	2-1-80	62.34	(7)	(436.38)	10.39	213,324.01
HOMEMAKER, Suz #1060 1 Home Street Nome	10.50	325,000.00	325,000.00	75	-0-	1/4 of 1	243,750.00	1-1-80	71.09	24	1,706.16	(40.62)	245,415.54
TOTAL							457,500.00				1,269.78	(30.23)	458,739.55

DELIVERY SCHEDULE - LOANS PURCHASED BY STATE OF ALASKA, COMMISSIONER OF REVENUE, FOR:

Date Submitted 1-5-80 (possibility of four funds) FUND

Page 2 of 2

YOUR BANK NAME
(Bank Name)

1-25-80
(Purchase Date)

Loan Number Mortgagor and Property Address	Int. Rate	Original Loan Amount	Present Loan Balance	Price	Premium (Discount)	Service Rate	NET BALANCE	Interest Paid To Date	Per Diem Int.	Add'l # of Days Int.	Amount of Accrued → (Pre Paid)→ Interest	Service Fee (00.00) 00.00	TOTAL PRICE PAID
Weight Reduction Clinic #1206 Turnagain Arm Anchorage	10.75	325,000.00	325,000.00	100	-0-	1/8 of 1	325,000.00	1-1-80	97.05	24	2,329.20	(27.08)	327,302.12
TOTAL LOAN SALE							1,082,376.49				6,121.26	(155.58)	1,088,342.17

Sample B

Submission Prepared By 907-276-0000