

SCOMM

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STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

MEMORANDUM

March 13, 1989

SUBJECT: AHFC reserves
TO: Representative Kay Brown
FROM: Jack Chenoweth
Legislative Counsel

Per your request, enclosed is a copy of an opinion from this office that I have permission to release. The opinion addresses legislative appropriation of AHFC.

The principal opinion, with which this office agrees in substance, is the Attorney General's opinion of April 24, 1985, concluding that "[a]bsent a specific prohibition . . . against appropriating [unencumbered] assets of an executive branch agency held outside the state treasury, we believe that the legislature may do so." Note, however, the concluding recommendations set out in that opinion, and the reasons for them.

JC:gc
WKG8/017

Enclosure

BILL SHEFFIELD, GOVERNOR

REPLY TO:

☐ 1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-3550

☐ 1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-1568

☒ POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3800

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

April 24, 1985

Hon. Al Adams, Chairman
House Finance Committee
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Re: Legislative power of appropriation over funds of public corporations
Our file: 366-463-85

Dear Representative Adams:

You have requested our advice whether the legislature's power of appropriation includes the power to appropriate money administered by the Alaska Housing Finance Corporation (AHFC). AHFC was created to administer a state enterprise consisting almost entirely of making housing loans or providing a secondary mortgage market for housing loans originated by private lending institutions. AHFC is a state agency with the power to incur indebtedness if repayment is secured by pledging revenue earned from AHFC enterprises. See Alaska Const. art. IX, § 11. The pledge is secured by dedicating money, including revenues earned from the loan enterprise, to special accounts established for the benefit of bondholders. You desire to know whether the legislature may appropriate directly from AHFC's Alaska housing finance revolving loan fund (AS 18.52.082) for a purpose unrelated to AHFC. In addition, you ask if the unobligated balance of an appropriation from the general fund to the revolving fund may be reappropriated for another purpose.

First, we believe there is little doubt that the legislature may reappropriate the unencumbered and unobligated balance of an existing appropriation. See Inf. Op. Att'y Gen. (Sept. 26; 366-132-81). The legislature is merely reducing the authorization to spend money. The formal act of appropriating money does not invest a person or entity with the right to ultimately expend the money unless a valid, binding contract is made with that entity. It is very doubtful that a political subdivision of the state being entirely a creature of statute could claim a vested right to expend money under an appropriation absent the intervention of innocent third parties. Based on these principles, we

conclude that the unexpended and unobligated balance of an appropriation to the AHFC revolving fund may be appropriated for purposes unrelated to AHFC.

We next turn to the more difficult question of whether the balance of the AHFC revolving fund may be appropriated by the legislature for a purpose unrelated to AHFC. The AHFC revolving fund serves as a central pool of money consisting of the following:

- (1) appropriations from the legislature;
- (2) assets transferred there by AHFC; and
- (3) unrestricted repayments of principal on loans made or purchased by AHFC.

The assets of the revolving fund are transferred to separate funds when necessary to satisfy covenants made with bondholders. Amounts remaining in the fund do not secure specific bond issues of AHFC and remain unrestricted for use by AHFC "for the purposes of the corporation." Id.

The answer to your question turns on whether the revolving fund is within the state treasury or, failing that, if the fund is an asset of the state which may be appropriated by the legislature. Revolving funds administered by state agencies are generally included in the state treasury for financial reporting purposes. However, the AHFC revolving fund is not carried on the state's ledgers as an asset of the state treasury. Rather, the revolving fund is an asset of AHFC. In a recent appropriation Act, the legislature has specifically appropriated to the AHFC revolving fund interest earned on loans made or purchased by AHFC on deposit in the fund. See sec. 1, ch. 129, SLA 1984. This was done to remove any question that AHFC had improperly dedicated an unrestricted revenue source of the state for a special purpose in violation of the dedicated fund prohibition set out in section 7, article IX of the Alaska Constitution. This provides some evidence that the legislature considers unrestricted earnings of AHFC to be subject to appropriation. It is important to note that we have identified these earnings as "unrestricted." This means that the rights of innocent third parties to retain the fund balance as security for the payment of debt service on bonds have not intervened to restrict the ability of AHFC to spend them. We believe that the AHFC revolving fund is not in the state treasury. The effect of this conclusion is that AHFC may spend money in the fund without further appropriation. However, money earned from investments or assets of the

fund have customarily been considered a state asset which may be transferred and deposited into the general fund.

The question then becomes: if the AHFC revolving fund is not in the state treasury, but is an asset of a state agency, is the fund subject to appropriation? We believe that unrestricted money in the fund is probably available for appropriation. No specific authority was located to support this conclusion. We base our opinion on a belief that the legislative power of appropriation will be liberally construed by the courts. The appropriation power is often described as plenary. That is, the power to appropriate is limited only by express provisions set out in the Alaska Constitution. Judicial decisions reciting this principle are legion. See, e.g., San Francisco Labor Council v. Regents of University of California, 608 P.2d 277 (Cal. 1980); City of Sand Springs v. Department of Public Welfare, 608 P.2d 1139, 1148 (Okla. 1980). Absent a specific prohibition in the Alaska Constitution against appropriating assets of an executive branch agency held outside the state treasury, we believe that the legislature may do so. This opinion does not hold that the legislature must appropriate revenue of a public corporation before it can be spent, only that the legislature may exercise control over unrestricted assets of a public corporation. To deny this power would establish an entity capable of segregating unrestricted state revenue forever. At some point, this would do violence to the dedicated fund prohibition set out in article IX, section 7 of the Alaska Constitution.

We believe it is also our responsibility to inform you that there is a contrary view on this subject. The argument could be made on behalf of bondholders that AHFC has undertaken certain obligations to bondholders which are binding on AHFC and the legislature. AHFC bonds are issued as general obligations of the corporation. Typically, AHFC covenants in its indenture that it will "defend, preserve and protect the pledge of the program obligations, pledged revenues, and other assets." Bondholders could attack any direct appropriation of the AHFC revolving fund as a violation of the covenant to preserve assets. We believe this covenant will not restrict legislative appropriations of unrestricted assets of AHFC which are unnecessary to secure the repayment of debt service on bonds. See Opinion of the Justices, 213 N.E.2d 882 (Mass 1977); Opinion of the Justices, 136 N.E.2d 223 (Mass 1956). This means that the directors of AHFC must be certain that an appropriation of corporation assets will not jeopardize its ability to pay debt service on outstanding bonds.

To prepare for and meet any challenge to the appropriation of AHFC assets, we recommend that the legislature not only

appropriate the asset but also amend the enabling Act of AHFC to assure bondholders that an impairment of their security will not occur. Under this approach, a valid transfer of assets requires not only an appropriation from the AHFC revolving fund but also an amendment to AS 18.56.020 which provides authority for AHFC to transfer unrestricted surplus to the general fund. */ Authorization by general law for the transfer of assets of public corporations has been used in the past. In 1980, the legislature transferred the assets of the Alaska State Development Corporation (AS 44.59.010), the Small Business Development Corporation (AS 44.60.020), and the Alaska Toll Bridge Authority (AS 44.57.010) to the Alaska Industrial Development Authority. Sec. 42, ch. 106, SLA 1980. The transfer was made not in an appropriations bill, but in a bill proposing the enactment of general law. It is curious to note that no corresponding appropriation was made. This approach is consistent with another familiar adage of public finance law that appropriation bills may not be used to amend substantive law. Legislative Budget & Audit Committee v. Hammond, No. 1JU-80-1163 CIV (Alaska Super., May 25, 1983). It could be argued that AS 18.56.020 implies that the assets of AHFC will be transferred to the state treasury only upon termination. Because an appropriation cannot amend existing law, a transfer from the fund before dissolution of AHFC would be subject to question.

While we believe that a direct appropriation of surplus AHFC assets is legally defensible, to avoid any question as to the validity of a transfer appropriation, we recommend that the legislature

- (1) enact an amendment to AS 18.56.020 authorizing interim transfers of unrestricted surplus assets of AHFC to the general fund;
- (2) provide that the board of directors shall annually determine the amount of surplus available for transfer; and

*/ AS 18.56.020 provides:

ALASKA HOUSING FINANCE CORPORATION. The Alaska Housing Finance Corporation is a public corporation and government instrumentality within the Department of Revenue, but having a legal existence independent of and separate from the state. The corporation may not be terminated as long as it has bonds, notes or other obligations outstanding. Upon termination of the corporation, its rights and property pass to the state.

Hon. Al Adams, Chairman
House Finance Committee
366-463-85

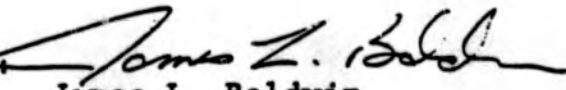
April 24, 1985
Page #5

(3) appropriate the assets from the fund to the general fund in accordance with the transfer authorization.

We hope this memorandum has answered your questions.

Sincerely yours,

NORMAN C. GORSUCH
ATTORNEY GENERAL

By 
James L. Baldwin
Assistant Attorney General

JLB/pjg

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

M E M O R A N D U M

April 11, 1985

SUBJECT: Appropriation from AHFC Revolving Fund
(CSHB 195)

TO: Representative Al Adams
Chairman, House Finance

FROM: David R. Dierdorff
Revisor of Statutes

Section 121 of draft CSHB 195 (Finance), dated April 11, 1985, repeals a 1984 appropriation of \$16,000,000 to the Alaska housing finance revolving fund. Section 122 of the draft appropriates \$34,000,000 to the general fund from the Alaska housing finance revolving fund. The fund is created by AS 18.56.082, which provides:

The Alaska housing finance revolving fund is established in the corporation. The revolving fund consists of appropriations made to the revolving fund by the legislature, money or other assets transferred to the revolving fund by the corporation and unrestricted repayments of principal on loans made or purchased by the corporation. Amounts deposited in the revolving fund shall be expended for the purposes of the corporation, set out in this chapter.

The purpose of this memo is to discuss whether the proposed repeal of the 1984 appropriation and the new \$34,000,000 appropriation are permissible.

The AHFC is a public corporation and government instrumentality within the Department of Revenue, yet has a legal existence independent of the state (AS 18.56.020). As a public corporation, AHFC is ". . . subject to governmental visitation and control, whereas the charter of a private corporation is a contract between the state and the corporation or incorporators, which, under the . . ." impairment of contracts clause of the U. S. Constitution, renders

private corporations ". . . not subject to visitation, control, or change by the state, except in the exercise of the police power." 18 C.J.S. Corporations sec. 18(a), citing Dartmouth College v. Woodward, 4 L.Ed. 629. A public corporation may receive grants, loans, or direct appropriations of public funds to carry out its purposes. It may also be required to repay grants or loans to the general fund once an independent funding source has been developed, e.g., through bond sales, repayment of principal and interest on the corporation's loans, etc. Cf. DeArmond v. Alaska State Development Corporation, 376 P.2d 717 (Alaska 1962); Walker v. Alaska State Mortgage Association, 416 P.2d 245 (Alaska 1966).

It is clear that the legislature has the power to alter, reduce, or transfer an appropriation, unless the appropriation has been pledged by some constitutional or statutory provision to the payment of an obligation under circumstances where the encumbrance becomes a vested right. 81A C.J.S. States sec. 241. A concern regarding the Alaska housing finance revolving fund is that moneys once appropriated or otherwise lawfully transferred into the fund are assets of AHFC that may be subject to a pledge to AHFC's bondholders. On the face of AS 18.56.082, it might appear that the revolving fund is an unencumbered fund, because its assets include "unrestricted repayments of principal" along with funds appropriated by the legislature and other assets. One would have to trace the history of appropriations to the fund to determine whether any of that money is restricted (for example, the 1984 appropriation of \$16,000,000 was not conditioned or restricted), but it may not be necessary to go that far.

The revolving fund is a fund of the corporation, and, under AS 18.56.110(b), the principal and interest on AHFC's bonds and bond anticipation notes ". . . is payable from corporation funds, excluding funds in the housing development fund." Reading this provision with AS 18.56.082, it is clear that AHFC may make payments on principal and interest from the revolving fund. AS 18.56.062 makes the fund a fund of the corporation and empowers AHFC to expend the money in the fund for corporate purposes as set out in AS 18.56.

The legislature could have excluded the revolving fund from the provisions of AS 18.56.110(b) when the fund was established in 1983, as it had excluded the housing development fund. The fact that the revolving fund was not excluded

would be interpreted by a court as a clear intent to include the fund as subject to AS 18.56.100(b). Whether the statutory obligation to pay principal and interest from corporate funds, including the revolving fund, is a sufficient encumbrance on the revolving fund to constitute a vested right that would defeat the legislature's power to reduce a prior appropriation to the fund or transfer money from the fund by way of appropriation to the general fund is a difficult question that would best be answered by AHFC's bond counsel. I assume that the answer depends on a number of facts, including the internal policies of AHFC, the actual practices of AHFC with respect to the various funds, the covenants made with bondholders, etc.

AHFC also has the statutory power to pledge its assets, which may include assets within the revolving fund. AS 18.56.110(f). If in fact AHFC has exercised its rights and included moneys in the revolving fund among those assets pledged for a particular transaction, it is probable that a court would hold that the encumbered funds may not be transferred or reappropriated by the legislature.

To our knowledge, all issues of revenue bonds contain language that pledge all "pledgable" assets of the issuer to secure repayment. Thus, unless AHFC departs from the normal customs of the bond market, the money in the revolving fund is encumbered and not available for reappropriation.

Even assuming that there are unencumbered funds in the revolving fund sufficient to meet the \$50,000,000 requirements of secs. 121, and 122, there remains the question of whether the legislature has the power to appropriate from the revolving fund at all, or whether the fund balance may only be transferred to the general fund upon the termination of the corporation as provided under AS 18.56.020. In the short time available to research this memo, I have not found any case law or other authority on either side of the question. The argument to support the legislature's power to reach into the fund would be based upon the public nature of AHFC, its coverage under AS 37.07 (the Executive Budget Act), and the general principle that has been discussed above that the legislature may alter a previous appropriation.

On the other hand, it can be argued that the statutes establishing the fund and the corporation would have to be amended to allow for legislatively mandated transfers from the

Representative Al Adams
April 11, 1985
Page 4

fund back to the general fund. It should be mentioned that this aspect of the question would also involve an analysis of the state constitution's provisions on the power of the legislature to appropriate, the ban on dedicated funds, and other constitutional issues.

I should mention that if the \$16,000,000 appropriated in 1984 is still in the general fund (if the transfer to the revolving fund has not been made), that appropriation can, in our opinion, be repealed, as the money is not yet subject to the restrictions and encumbrances discussed.

We will continue to look into this question, but would urge the committee to discuss the legal issues with bond counsel before final action is taken on secs. 121 and 122. To emphasize the importance of this issue, you should be aware that if secs. 121 and 122 become law, it is possible that that action could trigger a default on all of AHFC's bonds.

DRD:ojb
J13/086

BILL SHEFFIELD, GOVERNOR

REPLY TO:

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DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

April 24, 1985

Hon. Al Adams, Chairman
House Finance Committee
Alaska House of Representatives
Pouch V
Juneau, AK 99811

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Hon. Al Adams, Chairman
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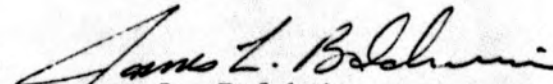
(3) appropriate the assets from the fund to the general fund in accordance with the transfer authorization.

We hope this memorandum has answered your questions.

Sincerely yours,

NORMAN C. GORSUCH
ATTORNEY GENERAL

By:


James L. Baldwin

Assistant Attorney General

JLB/pjg

File N.R.

Mortgage Guaranty Insurance Corporation

Thomas D. Ster
Vice President-Alaska Operations

August 3, 1989
The Honorable C. E. Swackhammer
State of Alaska
312 Tyee Street
Soldotna, Alaska 99669

Dear Mr. Swackhammer:

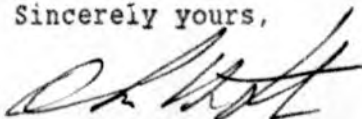
In a long article in the Anchorage Daily News last Sunday, you may have read about disagreements between Alaska Housing Finance Corporation and Mortgage Guaranty Insurance Corporation. Briefly, AHFC disputes MGIC's claims payment practices, while we feel we pay what we are responsible for but will not pay for unreasonable and nonreimbursable costs. We do not wish to debate the issues on the pages of the Daily News and did not invite their interest. Since this has spilled over into the media, however, we wish to be responsive to any questions you might have.

MGIC has been a conscientious corporate citizen in Alaska. We have paid out more than \$140 million dollars in Alaska and expect to pay out more. That is our responsibility as an insurance company. We have worked hard to help Alaskans save their homes through our borrower counseling program and the joint HOAP program, with Fannie Mae and AHFC. We have successfully sponsored marketing programs which have helped revitalize neighborhoods and condominium communities. We wish to continue to work on joint programs with AHFC, such as the "Yes You Can" Retail Financing program, the Exchange program and the next HOAP program. We stand ready to give these programs the attention they need for immediate implementation. It is critical that we work together to stem the flow of defaults. It is essential that we sell properties to Alaskan buyers at attractive prices and in good condition. To do so will be beneficial to all.

The record will show that MGIC has worked vigorously and in good faith to resolve the claim issues referred to in Sunday's article. Most of these issues were first raised with us in March of this year. We have met, discussed, offered reasonable compromises and will continue to sit at the bargaining table until no hope of success remains. The stakes are too high for MGIC, AHFC, and citizens of Alaska to do anything less.

Thank you for your consideration. If you have any questions concerning the issues, I will be more than happy to discuss them with you. You can contact me at work (274-6442) or at home (349-2743).

Sincerely yours,



Thomas D. Ster
Vice President - Alaska Operations

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

DATE: October 14, 1987

TO: Mike Greany, Director
Legislative Finance Division

FROM: Cameron Kashani, Fiscal Analyst ^{CK}
Legislative Finance Division

SUBJECT: Alaska Housing Finance Corporation

This memorandum is concerning my September 26, 1987 discussion with Mark Cameron and Margaret Nelson of Alaska Housing Finance Corporation. In this memo, I will discuss and elaborate on various functions of this institution for a general understanding of the system.

AHFC has been in operation since 1971. However, in 1980, legislation passed by both state and federal government significantly altering AHFC's program. The intent of the law was to make houses more affordable to Alaskans. Currently, AHFC is administering a number of programs. These are:

- Home Ownership Assistance Program
- Mobile Home Loan Program
- Taxable Mortgage Program
- Triplex/Four-plex Mortgage Program
- Tax-exempt Mortgage Program
- Pledged Account Mortgage Program
- Second Mortgage Program
- Veterans Mortgage Program
- Refinance Program
- Non-conforming Property Program
- Condominium Project
- Mobile Home Parks

AHFC provides a secondary lending market by issuing tax-exempt bonds for low income Alaskans and taxable bonds for all others. To secure bonds issued, two types of insurance policies are purchased: a) Primary Mortgage Insurance (PMI) and b) Pool Insurance (PI). PMI provides roughly 20% coverage on the money

loaned and the remaining amount is covered under Pool Insurance policy. This includes all miscellaneous costs such as maintenance and fire insurance. In the case of foreclosure, AHFC would file for advanced payments from insurance companies to prepay upcoming costs.

However, prior to 1981, there did not exist a contract for a Pool Insurance policy. Therefore, the corporation is at risk for what is not covered under Primary Mortgage Insurance. The last Pool Insurance policy was signed in 1984 with the intent that the risk would be reverted to the corporation in 1987, in that, AHFC would be responsible for all bonds issued during 1987. Currently, the corporation is in the process of signing a contract with Freddie Mac to insure future bonds, thus, transferring the risk to Freddie Mac.

To comply with Freddie Mac's requirement, AHFC has contracted out a study on the economics of the housing industry in Alaska. Institute for Social & Economic Research (ISER) was granted this contract and the report would be available by the end of October. Furthermore, the corporation was asked to prepare a loan loss analysis to illustrate its financial status.

Like all other financial institutions in Alaska, AHFC has not been immune from the recent downturn in Alaska's economy. At the present, AHFC is holding 3000 properties of which 300 are owned by the corporation. These are properties not covered under the Pool Insurance policy. The cost associated with holding of 300 properties is approximately \$430,000 per month where mobile homes account for \$340,000 of this amount. The financing of such costs are paid from the earnings of AHFC's equity fund. According to Mark Cameron, the existing balance of this account is \$400 million. The following table shows delinquency rates including foreclosures for mobile homes and first mortgage loans.

	<u>Delinquency Rates*</u>			
	<u>Mobile Homes</u>		<u>1st Mortgage Loans</u>	
	<u>10/86</u>	<u>6/87</u>	<u>10/86</u>	<u>6/87</u>
30 days	7.84%	9.18%	5.61%	5.65%
60 days	3.74%	5.06%	1.95%	2.52%
90 days or more and loans in foreclosure	7.84%	10.53%	4.68%	7.32%
Total Delinquent and in Foreclosure	<u>19.42%</u>	<u>24.77%</u>	<u>12.24%</u>	<u>15.48%</u>
Real Estate Owned**	<u>9.52%</u>	<u>20.83%</u>	<u>1.82%</u>	<u>3.88%</u>

* Delinquency rates include loans in foreclosure.

** Properties acquired through foreclosure or its equivalent.

Source: Whole earth catalog, November 1986 and July 1987.

Given the rate of increase in delinquent and foreclosed properties, by next year, AHFC could have 7200 homes on hand. However, this does not mean that AHFC is 100% at risk, but it implies that AHFC will own more properties not covered by the Pool Insurance policy. According to Margaret Nelson, 30 additional people are needed to handle foreclosures since banks are reluctant to provide adequate services, especially with respect to collection efforts.

There are two types of foreclosures; administrative and judicial. Non-judicial foreclosures could take as long as 11 months. The delay could be attributed to the lack of interest by banks in following up the delinquent loans. The servicing agency has to lay out the initial cost of foreclosing then get reimbursed by AHFC.

In the past, the banking industry in Alaska has been portraying the characteristics of being a liberal lender. Now that the economy is bust, this industry is having a difficult time to enforce its rules, i.e. becoming a collector. This could be for the following reasons; a) fear of losing customers, b) not having qualified people to enforce the law, c) lack of adequate number of personnel, and d) unwilling to adhere to AHFC's requirements and laying out the initial cost.

According to AHFC's regulations on foreclosure procedures, the servicer is required to pay for expenses incurred during the foreclosure procedure then get reimbursed by the corporation. It seems that AHFC does not have the power to make the servicers comply with their side of the contract, that is, to provide proper and timely services.

On the judicial side, there are 300 active cases, properties owned by AHFC. Judicial process commenced a few months ago and according to Mark Cameron, in most cases, the fear of judicial foreclosure had made borrowers to come forward and seek some sort of solution. Judicial foreclosure is rather costly and it may take up to an additional year, after administrative foreclosure, during this time AHFC can not market the property.

In brief, the following outlines recent actions initiated by AHFC.

- * As of the end of August, AHFC entered into a contract with three management companies to handle sale and maintenance of mobile homes held by the corporation.

- * The old rental program is replaced by a rental waiver policy, in that, the borrower simply informs the banks so that a tenant insurance policy can be arranged.

- * AHFC is working with MGIC to resolve the existing crisis facing condominium associations in Anchorage.

- * A credit counseling program has been set up to help those who may qualify for refinancing or lower mortgage payments based on their income criteria.

* AHFC is in the process of signing a new contract with Freddie Mac to revert the present risk to that company. But, the corporation needs to meet certain requirements set forth by Freddie Mac.

Further, attached spreadsheet shows delinquency rates by dwelling.

attachment

Alaska Housing Finance Corporation
Loan Delinquency Rates By Dwelling
August 30, 1987

	ALL LOANS	ALL LOANS TYPE II	SINGLE- FAMILY	CONDO'S & PUD'S	TYPE I MHS	MULTI- PLEX	HOF PROGRAM	PAM PROGRAM	TYPE II MHS
30 days	5.48%	5.29%	5.20%	5.69%	5.66%	6.38%	7.34%	5.95%	7.82%
60 days	2.29%	2.14%	1.97%	2.82%	6.60%	4.79%	3.59%	2.80%	4.19%
90 days	1.63%	1.53%	1.33%	2.54%	.94%	1.60%	3.48%	1.75%	2.79%
120 days	6.42%	6.26%	5.16%	11.16%	17.92%	18.62%	12.84%	8.05%	8.43%
Total Delinquency %	15.82%	15.22%	13.66%	22.20%	31.13%	31.38%	27.25%	18.55%	23.23%
Total Delinquency #	7,544	6,712	4,968	1,652	33	57	1,002	159	832
Total HOF Delinquency %	27.25%	26.88%	23.32%	30.31%	55.56%	00.00%			33.85%
Total HOF Delinquency #	1,002	936	414	512	10	0			66
Total PAM Delinquency %	18.55%	18.55%	17.45%	21.72%	00.00%	00.00%			00.00%
Total PAM Delinquency #	159	159	111	48	0	0			0
Total Active Loans #	47,677	44,095	36,361	7,440	106	186	3,677	857	3,592
Total Active HOF #	3,677	3,482	1,775	1,689	18	0			195
Total Active PAM #	857	857	636	221	0	0			0
Foreclosures in Last 6 Months									
#	2,072	1,617	968	628	10	11	354	44	455
\$	\$150,888,425		\$87,036,857	\$46,045,745	\$829,661	\$2,032,719	\$23,660,218	\$4,411,618	\$14,943,443
All Real Estate Owned									
%	6.14%	4.57%	2.98%	11.56%	8.62%	6.00%	11.57%	6.64%	21.98%
#	3,120	2,111	1,115	974	10	12	481	61	1,009
Foreclosure Balance \$	\$218,176,021		\$107,270,673	\$74,608,826	\$813,312	\$2,270,521	\$34,345,051	\$5,899,559	\$33,212,690

Source: Alaska Housing Finance Corporation
(ahfc)/LFD

October, 13, 1987

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA
THIRD JUDICIAL DISTRICT AT ANCHORAGE

THE STATE OF ALASKA and ALASKA
HOUSING FINANCE CORPORATION,

Plaintiffs,

v.

Case No. 3AN-90-____ Civil

MORTGAGE GUARANTY INSURANCE
CORPORATION; EUROPEAN GENERAL
REINSURANCE COMPANY OF ZURICH;
ALPINA INSURANCE COMPANY LIMITED;
SKANDIA INTERNATIONAL INSURANCE
CORPORATION; CONTINENTAL CASUALTY
COMPANY; HANNOVER
RUECKVERSICHERUNGS
AKTIENGESELLSCHAFT; FRANKONA
RUECKVERSICHERUNGS AKTIEN-
GESELLSCHAFT; HANSA INTERNATIONAL
INSURANCE COMPANY, LIMITED; FOLKSAM
INTERNATIONAL INSURANCE COMPANY,
LIMITED; SVENSKA
KREDITFOERSAEKRINGSAKTIEBOLAGET;
and ANCIENT MUTUELLE REASSURANCE,

Defendants.

COMPLAINT FOR COMPENSATORY AND PUNITIVE DAMAGES
AND DECLARATORY AND INJUNCTIVE RELIEF

COME NOW Plaintiffs, the State of Alaska (hereinafter referred to as "Alaska") and ALASKA HOUSING FINANCE CORPORATION (hereinafter referred to as "AHFC"), and for their complaint against Defendants MORTGAGE GUARANTY INSURANCE CORPORATION (hereinafter referred to as "New MGIC"); EUROPEAN GENERAL REINSURANCE COMPANY OF ZURICH; ALPINA INSURANCE COMPANY LIMITED; SKANDIA INTERNATIONAL INSURANCE CORPORATION; CONTINENTAL CASUALTY COMPANY; HANNOVER RUECKVERSICHERUNGS AKTIENGESELLSCHAFT; FRANKONA RUECKVERSICHERUNGS

AKTIENGESELLSCHAFT; HANSA INTERNATIONAL INSURANCE COMPANY, LIMITED; FOLKSAM INTERNATIONAL INSURANCE COMPANY, LIMITED; SVENSKA KREDITFOERSAEKRINGSAKTIEBOLAGET; and ANCIENNE MUTUELLE REASSURANCE (hereinafter referred to as "the European Companies"), allege and complain as follows:

NATURE OF ACTION

1. Plaintiff Alaska and Plaintiff AHFC, an instrumentality of Alaska, bring this action to recover compensatory, consequential, and punitive damages, and to obtain declaratory and injunctive relief, to redress past and continuing breaches of contract and tortious misconduct by the defendants, who have systematically and without justification failed to comply, and are continuing to fail to comply, with their obligations to pay Plaintiff AHFC for losses covered under policies of mortgage insurance. Defendants have already improperly denied in excess of \$25 million in valid claims submitted by Plaintiff AHFC under such policies. In addition, defendants have threatened to employ improper practices that will result in the improper denial of in excess of \$25 million in valid claims that AHFC will submit in the future under such policies.

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JURISDICTION AND VENUE

2. Subject matter jurisdiction is proper in this Court pursuant to Alaska statutory and common law, including Alaska Stat. § 22.10.020(a) and (g).

3. This Court has personal jurisdiction over the defendants pursuant to Alaska Stat. § 09.05.015 because each defendant has sufficient contacts with the State for purposes of that statute.

4. Venue is proper in this judicial district pursuant to Alaska Stat. § 22.10.030 and Rule 3, Alaska Rules of Civil Procedure.

PARTIES

5. Plaintiff Alaska is a sovereign state of the United States.

6. Plaintiff AHFC is a public corporation and government instrumentality established pursuant to Alaska Stat. § 18.56.010 et seq. AHFC is expressly empowered to sue in its own name. Id. § 18.56.090(19).

7. Defendant New MGIC is an insurance company incorporated under the laws of the State of Wisconsin and having its principal place of business in Milwaukee, Wisconsin. Defendant New MGIC is licensed to do business in the State of Alaska as an insurer

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and is doing business in the State of Alaska as, inter alia, an insurer and an administrator and handler of insurance claims. Defendant New MGIC is subject to the jurisdiction of this Court.

8. Defendant European General Reinsurance Company of Zurich is an insurance company having its principal place of business in Zurich, Switzerland. As a result of the transactions described herein, Defendant European General Reinsurance Company of Zurich has purposefully availed itself of the privilege of and is doing business in the State of Alaska and is subject to the jurisdiction of this Court.

9. Defendant Alpina Insurance Company Limited is an insurance company having its principal place of business in Zurich, Switzerland. As a result of the transactions described herein, Defendant Alpina Insurance Company Limited has purposefully availed itself of the privilege of and is doing business in the State of Alaska and is subject to the jurisdiction of this Court.

10. Defendant Skandia International Insurance Corporation is an insurance company having its principal place of business in Stockholm, Sweden. As a result of the transactions described herein, Defendant Skandia International Insurance Corporation has purposefully availed itself of the privilege of and is doing business in the State of Alaska and is subject to the jurisdiction of this Court.

11. Defendant Continental Casualty Company is an

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insurance company incorporated under the laws of the State of Illinois and having its principal place of business in Chicago, Illinois. Continental Casualty Company is licensed to do business as an insurer in the State of Alaska and is subject to the jurisdiction of this Court.

12. Defendant Hannover Rueckversicherungs Aktiengesellschaft is an insurance company having its principal place of business in Hannover, West Germany. As a result of the transactions described herein, Defendant Hannover Rueckversicherungs Aktiengesellschaft has purposefully availed itself of the privilege of and is doing business in the State of Alaska and is subject to the jurisdiction of this Court.

13. Defendant Frankona Rueckversicherungs Aktiengesellschaft is an insurance company having its principal place of business in Munich, West Germany. As a result of the transactions described herein, Defendant Frankona Rueckversicherungs Aktiengesellschaft has purposefully availed itself of the privilege of and is doing business in the State of Alaska and is subject to the jurisdiction of this Court.

14. Defendant Hansa International Insurance Company, Limited, is an insurance company having its principal place of business in Stockholm, Sweden. As a result of the transactions described herein, Defendant Hansa International Insurance Company, Limited, has purposefully availed itself of the privilege of and is

doing business in the State of Alaska and is subject to the jurisdiction of this Court.

15. Defendant Folksam International Insurance Company, Limited, is an insurance company having its principal place of business in Stockholm, Sweden. As a result of the transactions described herein, Defendant Folksam International Insurance Company, Limited, has purposefully availed itself of the privilege of and is doing business in the State of Alaska and is subject to the jurisdiction of this Court.

16. Defendant Svenska Kreditfoersaekringsaktiebolaget is an insurance company having its principal place of business in Stockholm, Sweden. As a result of the transactions described herein, Defendant Svenska Kreditfoersaekringsaktiebolaget has purposefully availed itself of the privilege of and is doing business in the State of Alaska and is subject to the jurisdiction of this Court.

17. Defendant Ancienne Mutuelle Reassurance is an insurance company having its principal place of business in Paris, France. As a result of the transactions described herein, Defendant Ancienne Mutuelle Reassurance has purposefully availed itself of the privilege of and is doing business in the State of Alaska and is subject to the jurisdiction of this Court.

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ALLEGATIONS COMMON TO ALL CLAIMS

A. Facts Regarding AHFC

18. The legislature of the State of Alaska established AHFC in 1971 in order to promote the safety, health, welfare and prosperity of the people of Alaska by assisting in making affordable residential housing available to persons of lower and moderate income and persons in remote, underdeveloped, and blighted areas of the State. AHFC's statutory charter declares:

[T]he creation of the Alaska Housing Finance Corporation is essential to assist in the acquisition and development of land and the construction, rehabilitation, financing, management, maintenance, sale and rental of dwelling units for persons of lower and moderate income or persons in remote, underdeveloped or blighted areas and . . . these activities serve a public purpose in benefiting the people of the state.

Alaska Stat. § 18.56.010(c).

19. In order to promote the availability of capital for financing affordable housing for the people of Alaska, AHFC has for many years operated programs under which it purchases mortgage loans from mortgage lenders using funds derived from the sale of bonds to investors. As part of these programs, AHFC provides subsidies that permit private mortgage lenders to make mortgage loans to Alaska citizens at interest rates lower than would be available in the absence of such subsidies. Since its inception, AHFC has issued over \$7.6 billion in bonds to support such programs, and has thereby directly or indirectly financed more than 79,000 homes for residents

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of Alaska. The primary source of funds to meet AHFC's obligations on outstanding bonds is the income generated by borrowers' payments on the purchased mortgage loans.

20. During the 1980s, AHFC issued 84 series of housing bonds, each series of which was collateralized by a pool of mortgage loans purchased by AHFC. In order to protect itself and the holders of its bonds from losses incurred as a result of defaults by borrowers on the pooled mortgage loans, AHFC obtained supplemental mortgage insurance covering the mortgage loans in each such pool of mortgage loans. Mortgage insurance is a form of insurance under which the insurer, in exchange for premium payments, promises to pay the insured for financial losses suffered as a result of nonpayment of principal, interest and other sums agreed to be paid under the terms of any note or other evidence of indebtedness secured by a mortgage or other lien or charge on real estate (hereinafter referred to as a "mortgage loan"). Supplemental mortgage insurance is a type of mortgage insurance that covers losses that are not reimbursed through any primary mortgage insurance that may have been obtained at the time the mortgage loan was originally made.

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B. Facts Regarding the WMAC/Old MGIC
Mortgage Insurance Policies

21. In 1981, AHFC selected Wisconsin Mortgage Assurance Corporation, which was then named and doing business as Mortgage Guaranty Insurance Corporation (hereinafter referred to as "WMAC/Old MGIC"), as the provider of supplemental mortgage insurance for its ongoing mortgage pool financings. At that time, WMAC/Old MGIC was a corporation incorporated under the laws of the State of Wisconsin, with its principal place of business in Milwaukee, Wisconsin. WMAC/Old MGIC was then licensed to do business as an insurer in numerous jurisdictions, including the State of Alaska.

22. AHFC's selection of WMAC/Old MGIC as its provider of supplemental mortgage insurance was based upon a variety of factors, including WMAC/Old MGIC's representations to AHFC that it was then the nation's largest and most financially secure mortgage insurance company, and that it possessed sufficient reserves to assure maximum "staying power" in the event of an economic downturn.

23. During the period November 24, 1981, through November 9, 1983, WMAC/Old MGIC issued to AHFC 26 separate supplemental mortgage insurance policies, each entitled Mortgage Trust Insurance Policy for Supplemental Insurance. A listing of these insurance policies is attached hereto as Exhibit A and is incorporated herein by reference. These policies provided supplemental mortgage insurance for in excess of 30,000 mortgage loans having original principal balances in excess of \$3.3 billion.

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24. Each of the foregoing insurance policies (hereinafter referred to collectively as the "WMAC/Old MGIC Mortgage Insurance Policies") took effect on the effective date reflected on the face of the policy, each has been periodically renewed by AHFC to the extent that such renewal has been necessary to continue coverage under the policies, and each has continuously remained in full force and effect at all times after its effective date.

25. Each of the WMAC/Old MGIC Mortgage Insurance Policies provided that WMAC/Old MGIC would pay to AHFC the amount of any loss sustained by reason of a default by any borrower on any mortgage loan in the pool of insured mortgage loans covered by the policy, subject to certain aggregate loss limits specified on the face of the policy.

26. Each of the WMAC/Old MGIC Mortgage Insurance Policies also provided that, except under certain specified conditions not applicable here, the insurer would have no right to cancel the policy.

27. AHFC has in a timely fashion paid or caused the payment of all premiums due to date under the WMAC/Old MGIC Mortgage Insurance Policies, and has fulfilled all conditions precedent and subsequent to coverage, and otherwise substantially performed all of its obligations, under the terms of such policies.

C. The Termination of WMAC/Old MGIC's Insurance Obligations and Their Assumption by New MGIC and the European Companies

1. The Assumption Plan

28. In March 1982, Baldwin-United Corporation (hereinafter referred to as "Baldwin"), then a conglomerate with stated assets in excess of \$9 billion, purchased WMAC/Old MGIC (then known as "MGIC") for \$1.17 billion. Baldwin purchased WMAC/Old MGIC in order to stave off an increasingly imminent financial collapse caused primarily by a severe cash shortfall in Baldwin's life insurance subsidiaries. Desperate to obtain WMAC/Old MGIC's earnings, Baldwin borrowed \$584 million to finance the purchase, which was required by statute to be approved by the Wisconsin Insurance Commissioner. See Wis. Stat. Ann. § 611.72(2). However, within a year of the purchase, in March 1983, Baldwin announced that it was having financial difficulties and was unable to make principal reduction payments on the loans that had financed its purchase of WMAC/Old MGIC. In May 1983, in order to prevent the troubled Baldwin from bleeding assets out of WMAC/Old MGIC, the Wisconsin Commissioner of Insurance ordered WMAC/Old MGIC to obtain his prior approval before engaging in certain types of transactions with Baldwin or any Baldwin affiliate. On September 26, 1983, eighteen months after its purchase of WMAC/Old MGIC, Baldwin filed for bankruptcy, facing \$33 billion in claims.

29. MGIC was Baldwin's most valuable asset, with

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approximately \$740 million in contingency reserve accounts, and Baldwin again looked to WMAC/Old MGIC to rescue it from its financial collapse. Specifically, Baldwin's creditors and shareholders wanted to strip the contingency reserve assets out of WMAC/Old MGIC in order to distribute those assets to themselves. Under Wisconsin insurance law, however, contingency reserves of a mortgage guaranty insurance company cannot be invaded without permission of the Wisconsin Insurance Commissioner. See Wis. Stat. Ann. § 600.13. The contingency reserve requirement exists specifically to protect policyholders against the effect of losses resulting from adverse economic cycles, such as currently exists in Alaska and elsewhere. Wis. Stat. Ann. § 623.11(1)(a)(4); Wis. Admin. Code §§ Ins. 3.09(1)(c), 3.09(3)(c), 3.09(5), 3.09(14)(e). Therefore, in order for Baldwin to gain access to WMAC/Old MGIC's contingency reserves for its own benefit, it had to devise a plan that the Wisconsin Insurance Commissioner would approve. No plan would be entitled to such approval under Wisconsin law unless it fully protected the interests of WMAC/Old MGIC's policyholders, including AHFC.

30. Beginning in 1984, Baldwin and WMAC/Old MGIC worked with the Wisconsin Insurance Commissioner and with certain other interested parties to formulate a plan. Neither AHFC, nor, to its knowledge, any other policyholder was included in the process of formulating the plan. On November 30, 1984, WMAC/Old MGIC entered into an agreement entitled "Agreement and Plan of Acquisition and

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Assumption," which, along with a series of related agreements (hereinafter referred to as the "Assumption Plan"), was represented as having the net effect of substituting for WMAC/Old MGIC's contingency reserves equally secure guarantees from other parties, namely the European Companies and New MGIC, a company formed by senior management of WMAC/Old MGIC from a company acquired by them on the same date. Specifically, the Assumption Plan was represented as providing for the following: (1) WMAC/Old MGIC would withdraw from the mortgage insurance business, terminating all of its existing insurance liability under outstanding policies and ceasing to write new policies; (2) New MGIC would assume unlimited liability for all losses incurred on or before a fixed date that are covered under WMAC/Old MGIC's outstanding insurance policies; (3) the European Companies would assume unlimited liability for all losses incurred after such fixed date that are covered under WMAC/Old MGIC's outstanding insurance policies and any renewals of such policies; (4) New MGIC would write new insurance policies and administer all claims arising out of the policies previously issued by WMAC/Old MGIC; (5) so-called "special protections" would be established for WMAC/Old MGIC policyholders, including the establishment of trust funds and certain additional insurance obligations undertaken by New MGIC; (6) with the "special protections" in place, with other parties having assumed all existing insurance liability, and with WMAC/Old MGIC having terminated all of its existing insurance obligations and ceased all insurance business, a court would relieve WMAC/Old MGIC of its

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contingency reserve requirements and liquidate it, thereby freeing the contingency reserve assets for distribution to Baldwin or its creditors. The elements of the Assumption Plan, as then represented, are described more fully in the following paragraphs.

31. First, under the Assumption Plan WMAC/Old MGIC would withdraw completely from the mortgage insurance business. It would sell that business, including the name "Mortgage Guaranty Insurance Corporation" or "MGIC," and certain assets and liabilities, to New MGIC. The new company would have the same appearance as the old; it would do business as MGIC, retain the same personnel, and use the same offices. The old "MGIC" would be renamed Wisconsin Mortgage Assurance Corporation ("WMAC"). The parties claimed that this transaction was structured as a sale of assets of WMAC/Old MGIC, rather than as a sale of stock, in order to insulate New MGIC from potential tax liability of Baldwin.

32. Second, under the Assumption Plan WMAC/Old MGIC would terminate all of its existing insurance obligations and transfer them to New MGIC and the European Companies.

a. Pursuant to an Assumption of Loss Agreement between WMAC/Old MGIC and New MGIC, New MGIC would assume unlimited liability for all claims and other losses incurred on or before February 28, 1985 that were covered by WMAC/Old MGIC's outstanding insurance policies. As consideration for the assumption, WMAC/Old MGIC would transfer assets to New MGIC in an amount equal to its case basis loss reserves, incurred-but-not-reported loss reserves,

and loss adjustment expense reserves.

b. Pursuant to a series of agreements styled "Quota Share Reinsurance Agreements" that were entered into by WMAC/Old MGIC and the European Companies (herein referred to as the "European Agreements"), the European Companies agreed to assume unlimited liability for all claims and other losses incurred after February 28, 1985 that were covered by WMAC/Old MGIC's outstanding insurance policies or any renewals of such policies. As consideration for the assumption, WMAC/Old MGIC would transfer to the European Companies its unearned premium reserves, net of so-called ceding commissions and contingent profit commissions, which commissions were not retained by WMAC/Old MGIC but were assigned to New MGIC.

33. Third, under the Assumption Plan, WMAC/Old MGIC would cease writing new insurance policies. After February 28, 1985, New MGIC would write all new insurance policies and would establish all required reserves, including contingency reserves to cover the new policies.

34. Fourth, under the Assumption Plan, New MGIC would administer and manage all claims for losses under the mortgage insurance policies issued by WMAC/Old MGIC. Under the Assumption of Loss Agreement, New MGIC would undertake full responsibility for management of the claims that it had assumed, i.e., all claims for losses arising on or before February 28, 1985. At the request of the European Companies, pursuant to an agreement entitled

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Reinsurance Management Agreement, executed by WMAC/Old MGIC and New MGIC, acknowledged by the European Companies, and entered into primarily for the benefit of policyholders (hereinafter referred to as the "Management Agreement"), New MGIC also would, as agent for the European Companies, administer all claims for losses assumed by the European Companies, i.e., all claims for losses under the policies arising after February 28, 1985.

35. Fifth, the Assumption Plan purports to provide so-called "special protections" for the holders of outstanding policies issued by WMAC/Old MGIC. The European Companies would establish two trust funds and New MGIC would undertake certain additional insurance obligations:

a. First, the European Companies would create a \$250 million Reserve Trust Fund, which would be funded by short-term securities or clean, irrevocable letters of credit and would be held by the Morgan Trust Company of New York. This Reserve Trust Fund would be drawn upon first in the event that the European Companies failed to satisfy their obligations under the Assumption Plan. It was represented that this Reserve Trust Fund would substitute for WMAC/Old MGIC's unearned premium reserves and loss reserves established for losses incurred after the closing.

b. Second, the European Companies would create a \$500 million Capital Trust Fund, funded with standby letters of credit, which would be drawn upon in the event that the Reserve Fund had been exhausted. It was represented that the Capital Trust Fund

would substitute for the contingency reserves formerly maintained by WMAC/Old MGIC, which then totalled approximately \$740 million.

c. In addition, New MGIC and WMAC/Old MGIC would enter into an Excess Loss Reinsurance Agreement (hereinafter referred to as the "Excess Loss Agreement"), whereby New MGIC would assume \$250 million of liability for losses assumed by the European Companies in the event that payment is not made by or on behalf of the European Companies.

d. New MGIC would also enter into an agreement, entitled 20% Retrocessional Quota Share Reinsurance Agreement, with European General Reinsurance Company of Zurich, whereby European General Reinsurance Company would cede to New MGIC liability for 20 percent of the losses assumed by the European Companies.

36. Sixth, having terminated all of its insurance obligations and withdrawn from the mortgage insurance business, and having arranged adequate protection for its former policyholders, WMAC/Old MGIC would seek approval from a court to be liquidated and released from its contingency reserve requirements. WMAC/Old MGIC would remain in existence under the supervision of a liquidation proceeding solely to satisfy any non-insurance contractual obligations and to distribute the remaining assets, consisting primarily of the contingency reserve funds estimated at \$740 million, to Baldwin or its creditors.

37. Under Wisconsin procedure, the Wisconsin Insurance Commissioner serves as the liquidator, Wis. Stat. Ann. § 645.42(41),

and files a petition for liquidation seeking court authorization for the liquidation. Wis. Stat. Ann. § 645.41.

a. The Wisconsin Insurance Commissioner filed a petition for liquidation of WMAC/Old MGIC in the Dane County Circuit Court in Madison, Wisconsin on February 28, 1985, requesting the court to approve elements of the Assumption Plan, to sign an order liquidating WMAC/Old MGIC, and to release WMAC/Old MGIC from the contingency reserve requirements.

b. As the Commissioner acknowledged in presenting the petition to the court, the liquidation of WMAC/Old MGIC was unique. Unlike a typical liquidation, this one did not arise out of the insolvency of WMAC/Old MGIC, but rather out of the dual goals of extracting the cash from WMAC/Old MGIC's contingency reserves for distribution to its parent, while at the same time transferring the mortgage insurance business to other entities and protecting existing policyholders as if the contingency reserves had not been released.

c. Because of the unique purpose of the WMAC/Old MGIC liquidation, the Commissioner requested that the court proceed in a unique manner. Specifically, the Commissioner requested the court to approve the petition for liquidation and the related elements of the plan on the same day it was filed, without a hearing.

d. On February 28, 1985, the same day that the petition for liquidation was filed, the Dane County Circuit Court entered an order granting the petition, liquidating WMAC/Old MGIC,

and releasing WMAC/Old MGIC from the contingency reserve requirements. The court entered this order on the basis of representations made to it by the Wisconsin Commissioner, including the Commissioner's assurance that WMAC/Old MGIC retained no insurance obligations.

e. Although prior notice of the liquidation was sent to parties whose interests were in conflict with insurance policyholders and who stood to profit from the transaction, neither AHFC nor, to its knowledge, any other policyholder of WMAC/Old MGIC was given prior notice of, or an opportunity to participate in, the Court's consideration and approval of the petition for liquidation and the related elements of the plan.

f. Following the granting of the petition for liquidation, WMAC/Old MGIC remained in existence as a liquidated company in order to satisfy non-insurance claims and to distribute remaining proceeds.

38. As a result of its liquidation and the distribution of its assets to other entities, WMAC/Old MGIC now has assets that, according to a recent report by the liquidator, total less than \$6 million.

2. The Liability of New MGIC and the European Companies to AHFC Under the Assumption Plan

39. As a result of the implementation of the Assumption Plan, New MGIC has assumed unlimited liability for all losses incurred on or before February 28, 1985 that are covered under the

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WMAC/Old MGIC Mortgage Insurance Policies and the European Companies have assumed liability for all losses incurred after February 28, 1985. To date, AHFC has submitted in excess of 3,600 claims, totalling over \$135 million, arising out of these losses assumed by New MGIC and the European Companies.

40. Certain agreements, including the Assumption of Loss Agreement and the European Agreements, sometimes refer to New MGIC and the European Companies as "reinsurers." Although the concept "reinsurance" sometimes connotes indemnification of one insurer's losses by another, it frequently is used to describe assumption of an insurer's risks and liabilities by a "reinsurer." In the present case, the Assumption Plan created such an assumption obligation, not an obligation to indemnify losses, on the part of both New MGIC and European Companies.

41. The Wisconsin Insurance Commissioner specifically recognized and represented to the Wisconsin court that New MGIC and the European Companies had assumed the insurance liabilities of WMAC/Old MGIC and that WMAC/Old MGIC had ceased writing new insurance business. In order to facilitate the immediate approval of the Assumption Plan and the petition for liquidation, the Wisconsin Insurance Commissioner provided a letter dated February 13, 1985 to the Dane County Circuit Court explaining the effect of the Assumption Plan. In that letter, the Commissioner represented to the court that upon closing of the transactions contemplated by the Assumption Plan:

a. WMAC/Old MGIC "will be left with no insurance business [and] no direct insurance liabilities," "will cease writing new insurance business," and, as so restructured, "will be placed in liquidation."

b. "New MGIC will assume responsibility for all losses incurred under MGIC mortgage insurance policies prior to [February 28, 1985]."

c. The European Companies "will then have unlimited liability on all of Old MGIC's business [after February 28, 1985]" and will provide "special protections" to the insurance policyholders to cover that liability.

d. WMAC/Old MGIC "will remain in existence under [the liquidation laws] to satisfy all remaining (non-insurance) contractual obligations and distribute the proceeds of this transaction."

42. None of the representations described in the preceding paragraph would be accurate if WMAC/Old MGIC had merely obtained indemnification of losses through reinsurance of its policy obligations rather than having other parties assume those obligations. In that event, WMAC/Old MGIC (a) would have continued to be directly liable to make payments directly to insureds pursuant to its outstanding insurance policies, subject to only later indemnification; and (b) would have had to remain in existence to satisfy insurance, as well as non-insurance, obligations and could not have distributed the assets of the estate to creditors and

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shareholders until all insurance loss claims, including future contingent claims, had been satisfied in strict compliance with the priorities for distribution established by statute, i.e., Wis. Stat. Ann. § 645.68.

43. Similarly, the Wisconsin Insurance Commissioner represented to WMAC/Old MGIC policyholders that there had been an assumption of all of WMAC/Old MGIC's policy obligations and concurrent risks and liabilities. Following the liquidation, a six-month claims period was established for submission of non-insurance claims against WMAC/Old MGIC. In a memorandum addressed to all policyholders, dated March 18, 1985, the Wisconsin Insurance Commissioner notified them of the six-month claims period, but represented that insurance claims need not be presented. Specifically, the Commissioner informed all policyholders:

Persons with claims against WMAC must file them . . . by August 28, 1985. However, the principal obligation of WMAC -- its obligation under the policies of insurance it has issued - - has already been assumed by the international reinsurers of New MGIC.

If New MGIC and the European Companies had indemnified losses rather than assumed WMAC/Old MGIC's policy obligations, the policyholders would have had to submit existing claims through the liquidated estate, and the estate would have had to retain sufficient assets in order to satisfy both existing and future claims.

44. New MGIC has acknowledged that the insurance liabilities of WMAC/Old MGIC have been assumed. For example, in

testifying at a hearing on the Assumption Plan held by the Insurance Commissioner, the Senior Vice President of New MGIC assured the Commissioner that, upon the closing of the Assumption Plan, "there will be no insurance liabilities remaining in Old MGIC." Furthermore, in the Excess Loss Agreement New MGIC acknowledged its liability "even though [WMAC/Old MGIC] retains no liability thereon for its own account."

45. Indeed, if the Assumption Plan were construed so that New MGIC and the European Companies had simply indemnified, rather than assumed the obligations of, WMAC/Old MGIC, it would have violated Wisconsin statutes and public policy for at least the following reasons:

a. First, section 645.46(8) of the Wisconsin statutes, which discusses the Commissioner's authority with respect to use of the assets of the estate in connection with policy obligations, requires that he "transfer policy obligations to a "solid assuming insurer." That provision would preclude the use of the assets of the WMAC/Old MGIC estate simply to obtain an indemnification of WMAC/Old MGIC's insurance obligations. The Wisconsin Insurance Commissioner expressly represented to the liquidation court that the European Agreements satisfied the requirements of Section 645.46(8). In the petition for liquidation, the Commissioner stated: "The [European] Transaction provides for reinsurance of 100% of [WMAC/Old MGIC's] insurance liabilities with solid assuming insurers . . . within the meaning of Wis. Stat. §

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645.46(8)" Similarly, the Recommended Findings of Fact and Conclusions of Law filed by the Wisconsin Insurance Commissioner in the liquidating court stated that the European Companies are "solid assuming insurers."

b. Second, had there not been an assumption of WMAC/Old MGIC's insurance obligations, the Assumption Plan would have violated Wisconsin's statutorily mandated order of distribution of a liquidated estate, as established by Wis. Stat. Ann. § 645.68, which requires that claims under insurance policies be paid before any payments or distributions may be made to shareholders and most other creditors. The contingency reserve assets of WMAC/Old MGIC could not have been distributed to Baldwin, who as a shareholder was the lowest priority distributee, unless the obligations to WMAC/Old MGIC's policyholders had been assumed so as to provide payment in full to policyholders, leaving WMAC/Old MGIC with no retained liability. Indemnifying those obligations would not have satisfied the policyholders' statutory right to receive priority over Baldwin.

c. Third, under Wis. Stat. Ann. § 645.43(1), the coverage under the WMAC/Old MGIC policies would have expired 15 days after the entry of the liquidation order unless the Wisconsin Insurance Commissioner had previously "replaced the insurance coverage . . . in another insurer" or "effected a transfer of the policy obligation[s] pursuant to s. 645.46(8) [(1985-86)]." Since mere indemnification of losses would satisfy neither standard, the very fact that the WMAC/Old MGIC policies have remained in force beyond the prescribed 15-day period itself demonstrates that the

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obligations of New MGIC and the European Companies are in the nature of an assumption of risks and liabilities rather than an indemnification of losses.

d. Finally, to release WMAC/Old MGIC's contingency reserve requirements without providing equally secure financial guarantees for the WMAC/Old MGIC policyholders would have violated the Wisconsin Insurance Commissioner's statutory duty to protect policyholders. See Wis. Stat. Ann. §§ 600.13(1), 601.01(2), 610.001(4), 645.01(4), 645.46(8), 645.52, 645.53, 645.54, 645.68. Indemnification reinsurance would not provide equally secure financial guarantees. For example, indemnification reinsurance would expose policyholders to the risk of seeking recovery on policy claims only from a virtually depleted WMAC/Old MGIC. If WMAC/Old MGIC failed to comply with the terms of indemnification agreements - a contingency beyond policyholders' control -- the reinsurers could deny indemnification to WMAC/Old MGIC, thus leaving the policyholder wholly unprotected.

As required by Wis. Stat. Ann. § 600.13, the Wisconsin Insurance Commissioner explicitly represented to the liquidating court that the interests of the insureds "will not be endangered" if the contingency reserve requirement imposed upon WMAC/Old MGIC pursuant to Chapter 623 of the Wisconsin Insurance Code and Wis. Admin. Code § Ins. 3.09(14) was released. The Commissioner could not have made that representation in good faith if New MGIC and the European Companies had not assumed all liability for WMAC/Old MGIC's

outstanding insurance policies, particularly as in his petition for liquidation (§ 31), he represented to the court "that each of the Respondents is in such condition that the further transaction of business would be hazardous to its policyholders, its creditors and the public."

46. In addition, as a result of the Assumption Plan, New MGIC has assumed responsibility for managing and administering all AHFC claims arising out of the WMAC/Old MGIC Mortgage Insurance Policies, including the investigation, adjustment, settlement, and litigation of those claims. New MGIC has undertaken such responsibility on its own behalf with respect to claims for losses incurred on or before February 28, 1985, and on behalf of and as agent for the European Companies with respect to claims for losses incurred after February 28, 1985.

D. Facts Regarding the New MGIC Mortgage Insurance Policies

47. Since on or around March 1, 1985, New MGIC has issued and sold new mortgage insurance policies and operated as a mortgage insurance company. In this capacity, New MGIC has issued to AHFC three mortgage insurance policies that provide supplemental mortgage insurance for losses associated with pools of mortgage loans that were purchased by AHFC and that collateralize AHFC bond issues (hereinafter referred to as the "New MGIC Mortgage Insurance Policies"). A listing of these insurance policies is attached hereto as Exhibit B and is incorporated herein by reference.

48. Each of the New MGIC Mortgage Insurance Policies took effect on the effective date reflected on the face of the policy, each has been periodically renewed to the extent that such renewal has been necessary to continue coverage under the policies, and each has continuously remained in full force and effect at all times since its effective date.

49. Each of the New MGIC Mortgage Insurance Policies provides that the insurer (New MGIC) will pay to the insured (AHFC) the amount of any loss sustained by reason of a default by any borrower on any loan in the pool of insured loans covered by the policy, subject to certain aggregate loss limits specified on the face of the policy.

50. AHFC has in a timely fashion paid or caused the payment of all premiums due to date under the New MGIC Mortgage Insurance Policies, and has fulfilled all conditions precedent and subsequent to coverage, and otherwise substantially performed all of its obligations, under the terms of such policies.

E. Facts Regarding Wrongful Denial of AHFC's Insurance Claims

51. Starting in or around 1985, the Alaska economy sank into a severe recession as a result of sharply declining prices of oil in the world markets and other causes. This economic downturn triggered a substantial collapse in the residential real estate market in Alaska. This upheaval, and the accompanying financial

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turmoil inflicted upon many Alaska residents, have led to a dramatic rise in the volume and severity of incidents of defaults by borrowers on mortgage loans that had been purchased by AHFC and insured under the WMAC/Old MGIC Mortgage Insurance Policies or the New MGIC Mortgage Insurance Policies.

52. As a result of losses arising from defaults by borrowers on mortgage loans insured under the WMAC/Old MGIC Mortgage Insurance Policies or the New MGIC Mortgage Insurance Policies, AHFC has submitted numerous claims for loss to New MGIC in its multiple capacities as assuming insurer and manager of claims under the WMAC/Old MGIC Mortgage Insurance Policies and issuing insurer under the New MGIC Mortgage Insurance Policies. In accordance with the terms of such policies, these claims have been submitted on a loan-by-loan basis.

53. Since the onset of the downturn in the Alaska economy, the frequency and volume of AHFC's claims under the applicable mortgage insurance policies have dramatically escalated.

54. AHFC's claims under the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies are for losses that are covered by and submitted under the terms and conditions of such policies.

55. New MGIC, on its own behalf and on behalf of and as agent for the European Companies, has in excess of 1,500 instances refused to pay all or part of the amount of AHFC's claims under the

WMAC/Old MGIC Mortgage Insurance Policies or the New MGIC Mortgage Insurance Policies. The total amount that New MGIC has thus refused to pay on such claims exceeds \$25 million.

56. In the face of the downturn in the Alaska economy and the corresponding escalation in losses on the insured mortgage loans and claims under the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies, New MGIC, on its own behalf and on behalf of and as agent for the European Companies, has arbitrarily and capriciously sought ways to avoid its obligations arising out of and relating to such policies. In particular, New MGIC has adopted and employed an array of improper practices on which it has purported to base its refusal to pay to AHFC amounts that the insurers are obligated to pay under such policies. Many, if not all, of these improper practices were adopted and employed only after defaults on the insured mortgage loans had begun to escalate. These improper practices (hereinafter collectively referred to as the "MGIC Improper Claims Denial Practices"), as employed as a purported basis for refusing to pay claims, contravene the terms and conditions of such policies.

57. The MGIC Improper Claims Denial Practices include, but are not limited to, the following:

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A. Timeliness of Notices of Default and/or Delinquencies. Refusal to pay for losses representing the entire claim in some instances, and in other instances representing some or all of the unpaid accrued interest on a defaulted loan and property expenses advanced by AHFC, on the asserted ground that New MGIC allegedly failed to receive from AHFC timely notice that the borrower had defaulted, notwithstanding the facts that (i) AHFC in fact provided notice of default and/or delinquency within the time frame specified in the policies by routinely providing to New MGIC, at New MGIC's request, computer tapes containing payment history on all insured mortgage loans, including mortgage loans in default, (ii) the WMAC/Old MGIC Mortgage Insurance policies expressly provide that failure to give any required notice shall not constitute failure to comply with a material condition of the policy, and (iii) neither New MGIC nor any of the European Companies has demonstrated that it suffered any prejudice arising from the absence of earlier notice. New MGIC has already employed this improper practice, alone or in combination with other improper practices, to deny more than \$5 million in AHFC's claims.

B. Timeliness of Commencement of Foreclosure. Refusal to pay for losses representing property expenses advanced by AHFC and unpaid accrued interest on a

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defaulted loan, on the asserted ground that AHFC or its agents allegedly failed to start foreclosure on property securing the loan within a time frame arbitrarily imposed by New MGIC, notwithstanding the facts that (i) the WMAC/Old MGIC Mortgage Insurance Policies do not specify any time frame within which foreclosure must start as a condition for final payment of loss under the policies, and (ii) neither New MGIC nor any of the European Companies has demonstrated that it suffered any prejudice arising from the timing of commencement of foreclosure proceedings. New MGIC has already employed this improper practice, alone or in combination with other improper practices, to deny more than \$2.5 million in AHFC's claims.

C. Arbitrary Deadlines. Refusal to pay for losses representing the entire claim in some instances, and in other instances representing some or all of the unpaid accrued interest on a defaulted loan and property expenses advanced by AHFC, on the asserted ground that AHFC or its agents allegedly failed to take other actions -- such as completing foreclosure proceedings, obtaining a deed in lieu of foreclosure, closing on the resale of the property, completing restoration of the property, turning a property over to a broker for sale, or filing a claim under any applicable policy of primary mortgage insurance

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-- within time frames arbitrarily imposed by New MGIC, notwithstanding the facts that (i) with the exception of claim filing, the WMAC/Old MGIC Mortgage Insurance Policies do not specify any time frames within which such other actions must take place and (ii) neither New MGIC nor any of the European Companies has demonstrated that it suffered any prejudice arising from the timing of such other actions. New MGIC has already employed this improper practice, alone or in combination with other improper practices, to deny more than \$500,000 in AHFC's claims.

D. Arbitrary Requirement of Notice of Default Prior to Commencement of Foreclosure Proceedings. Total and partial denial of claims on the asserted ground that AHFC or its agents allegedly commenced a foreclosure proceeding before New MGIC received notice that the underlying mortgage loan was in default, notwithstanding the facts that (i) neither the WMAC/Old MGIC Mortgage Insurance Policies nor the New MGIC Mortgage Insurance Policies purport to require the insured to provide notice of default prior to commencement of foreclosure proceedings, (ii) the WMAC/Old MGIC Mortgage Insurance policies expressly provide that failure to give any required notice shall not constitute failure to comply with a material condition of the policy, (iii) in many instances AHFC in

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fact provided the insurer with notice of default in advance of commencement of foreclosure proceedings by routinely providing to New MGIC, at New MGIC's request, computer tapes containing payment history on all insured mortgage loans, including mortgage loans in default, and (iv) neither New MGIC nor any of the European Companies has demonstrated that it suffered any prejudice arising from the absence of earlier notice. New MGIC has already employed this improper practice, alone or in combination with other improper practices, to deny more than \$1 million in AHFC's claims.

E. Failure to Reimburse for Amounts Advanced to Improve Properties. Refusal to pay losses representing amounts advanced by AHFC or its agents to repair a property to its original or new condition or to make special improvements to a property to enhance its resale value on the asserted ground that such amounts were allegedly expended in restoration of the property for which AHFC was obligated to pay, notwithstanding the facts that (i) these amounts were expended for repairs or improvements that were above and beyond any amounts that AHFC was obligated to expend for restoration by the WMAC/Old MGIC Mortgage Insurance Policies or the New MGIC Mortgage Insurance Policies, which do not require the insured to remedy reasonable wear and tear or to make any

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improvements to any property; (ii) AHFC's advancing of these amounts redounded directly to the benefit of New MGIC and the European Companies by increasing the amount of money that could be received on resale of the properties and thus reducing the amount of loss that defendants would otherwise have to cover; and (iii) in many instances AHFC or its agents made such advances at the insistence of New MGIC. New MGIC has already employed this improper practice, alone or in combination with other improper practices, to deny more than \$2 million in AHFC's claims.

F. Arbitrary Refusal to Reimburse for Amounts Advanced in Absence of Formal Prior Approval. Refusal to pay losses representing amounts advanced by AHFC or its agents to preserve and protect property or to prepare property for resale on the asserted ground that New MGIC did not give its advance approval for incurring the expenses, notwithstanding the facts that (i) the advances in question were in many instances for expenses that New MGIC routinely approved for other similarly situated properties; (ii) the advancing of these amounts redounded directly to the benefit of New MGIC and the European Companies by increasing the amount of money that was or could be received on resale of the properties and thus reducing the amount of loss that defendants would

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otherwise have to cover; and (iii) neither New MGIC nor any of the European Companies has demonstrated that it suffered any prejudice arising from any failure of AHFC to obtain advance approval for these advances. New MGIC has already employed this improper practice, alone or in combination with other improper practices, to deny more than \$1.5 million in AHFC's claims.

G. Arbitrary Refusal to Pay Losses Not Reimbursed Through Primary Mortgage Insurance. Refusal to pay losses representing accrued interest or unpaid principal on a defaulted loan on the asserted grounds that payment to AHFC under a primary mortgage insurance policy failed to occur within an arbitrary time frame established by New MGIC, was in an amount that New MGIC unilaterally deemed insufficient, or failed to occur at all due to a purported lapse or absence of primary mortgage insurance coverage, notwithstanding the facts that (i) the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies do not require receipt of payment under primary mortgage insurance within any specified time period as a condition for paying losses; (ii) the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies expressly require the insurer to pay for any loss that is not reimbursed by a payment from applicable primary mortgage insurance; and (iii) neither

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New MGIC nor any of the European Companies has demonstrated that it suffered any prejudice arising from any allegedly late payment of a primary mortgage insurance claim. New MGIC has already employed this improper practice, alone or in combination with other improper practices, to deny more than \$250,000 in AHFC's claims.

H. Unreasonable Delays In Payment. Causing unreasonable delays between the time of issuance of checks in payment on claims under the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies and the time of AHFC's receipt of such checks, so as to misappropriate for periods of up to two weeks or more a "float" on the claims payments. Notwithstanding repeated demands by AHFC that New MGIC either reduce the time between check issuance and check receipt or pay accrued interest through the time of AHFC's receipt of payment, New MGIC has employed this improper practice, alone or in combination with other improper practices, in a manner that has already cost AHFC in excess of \$400,000.

I. Improper Use of and Reliance on Restrictive Endorsements on Claims Payment Checks. Refusing to negotiate with AHFC regarding further payments on partially denied claims, and insisting that such claims have been finally paid and settled, on the asserted ground that the checks for partial payment on such claims bore a

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boilerplate restrictive endorsement to the effect that negotiation of the check would constitute final settlement of the claim, notwithstanding the facts that (i) the insurers inserted the restrictive endorsement without notice, warning, or any explanation of the effect that the insurers now seek to give it; (ii) the restrictive endorsements constituted an unconscionable exercise of leverage and exploitation of economic duress by the insurers over the insured, which needed the moneys in question to finance its ongoing operations and to help provide safe and affordable housing to Alaska citizens; (iii) the payments represented by the checks bearing the restrictive endorsements were for amounts that were not in dispute, and were not made to settle disputed amounts; (iv) there was no consideration for any purported agreement by AHFC that its negotiation of the checks in question would waive any right to further payment on the claims in question; and (v) the restrictive endorsements constitute an unlawful unfair claim settlement practice. New MGIC has repeatedly employed this improper practice, alone or in combination with other improper practices, as a pretext for refusing to negotiate with AHFC regarding claims that were partially paid by restrictively endorsed checks and on which defendants still owe AHFC in excess of \$6 million.

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J. Refusal to Substitute Unrestricted Checks for Restrictively Endorsed Claims Payment Checks. Refusing to comply with AHFC's repeated demands to substitute unrestricted checks for restrictively endorsed claims payment checks that AHFC has not deposited in order to protect itself from any later assertion that rights to further payment have been waived, notwithstanding the facts that (i) the restrictive endorsements constitute an unconscionable attempt of the insurers to exercise leverage over the insureds; (ii) the payments represented by the checks bearing the restrictive endorsements were for amounts that are not in dispute, and do not purport to be for settlement of disputed amounts; and (iii) the restrictive endorsements constitute an unlawful unfair claim settlement practice. New MGIC has employed this improper practice, alone or in combination with other improper practices, to deny AHFC the use of over \$10 million in undeposited checks for partial claim payment that AHFC received between March 1, 1989 and approximately June 15, 1989 and to misappropriate from AHFC in excess of \$750,000 representing the interest, or "float," on such funds.

K. Arbitrary Denials of Coverage Based on Alleged Fraud in the Inducement of Individual Mortgage Loans. Refusing to pay all losses incurred with respect to

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insured mortgage loans that New MGIC alleges were tainted by fraud or misrepresentation at the time such loans were made, notwithstanding the facts that (i) neither New MGIC nor any of the European Companies has established by sufficient proof that any such fraud or misrepresentation actually occurred; (ii) neither New MGIC nor any of the European Companies has demonstrated that such fraud or misrepresentation, even assuming it did occur, was of a kind and severity that could negate coverage under the WMAC/Old MGIC Mortgage Insurance Policies or the New MGIC Mortgage Insurance Policies; and (iii) neither New MGIC nor any of the European Companies has demonstrated that such fraud or misrepresentation, even assuming it did occur, caused or would cause it to suffer any prejudice. New MGIC has already employed this improper practice, alone or in combination with other improper practices, to deny more than \$1.5 million in AHFC's claims.

L. Arbitrary Denial of Coverage Based on Claimed Absence of Insurance Certificate. Refusing to pay all losses with respect to in excess of 500 mortgage loans, having aggregate original principal amounts of approximately \$50 million, on the asserted ground that individual certificates of insurance were not issued for such loans, notwithstanding the facts that (i) through 1989, AHFC paid, and the insurers accepted, premiums for

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insurance coverage for such mortgage loans; and (ii) AHFC has reasonably relied upon the insurers' representation and treatment of these mortgage loans as being covered under such policies. New MGIC has already employed this improper practice, alone or in combination with other improper practices, to deny more than \$750,000 in AHFC's claims.

M. Arbitrary Denials of Coverage Based on Alleged Structural Defects in Mortgaged Properties. Refusing to pay all losses incurred with respect to insured mortgage loans relating to mortgaged properties in apartment complexes that allegedly contain structural defects that New MGIC claims should have been disclosed to it as part of the original appraisal process, notwithstanding the facts that (i) the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies do not permit the insurers to deny coverage on this basis; (ii) neither New MGIC nor any of the European Companies has established by sufficient proof that, even if assuming there was any failure to disclose any structural defect, that such failure was of a kind and severity that could negate coverage under the WMAC/Old MGIC Insurance Policies or the New MGIC Mortgage Insurance Policies; and (iii) neither New MGIC nor any of the European Companies has established that any such failure to disclose was

fraudulent, intentional, or otherwise wrongful. New MGIC has already employed this improper practice, alone or in combination with other improper practices, to deny more than \$600,000 in AHFC's claims.

N. Improper Adjustment of Claims Relating to Defaults on Mortgage Loans on Properties Acquired by New MGIC. Adjusting claims so as to deny payment of part of the losses claimed by AHFC relating to defaulted mortgage loans secured by properties for which New MGIC exercises its option to purchase the property (either as part of a bulk purchase or a single unit purchase), and asserting that it has the right to make such adjustments in the future, notwithstanding the fact that the terms of the WMAC/Old MGIC Insurance Policies and the New MGIC Insurance Policies do not permit the insurer to make such adjustments when it exercises such option. New MGIC has already employed this improper practice, alone or in combination with other improper practices, to deny more than \$250,000 in AHFC's claims, some of which has been paid into an escrow account pending a determination as to the permissibility of the adjustments in question.

58. As the frequency and severity of claims under the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies have increased due to the downturn in Alaska's economy, New MGIC has systematically employed the MGIC Improper

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Claims Denial Practices to (a) increase the percentage of AHFC's claims that are entirely denied, and (b) increase the percentage of AHFC's claims that are denied in part.

59. The European Companies have known of, permitted, approved, and ratified New MGIC's employment of the MGIC Improper Claims Denial Practices that were performed on behalf of the European Companies. For example, in connection with certain settlement agreements and releases entered into on January 31, 1990, the European Companies expressly acknowledged that MGIC's management practices have been reasonable and consistent with its obligations under the Management Agreement.

60. AHFC has made repeated demands to New MGIC that New MGIC immediately cease to engage in the MGIC Improper Claims Denial Practices and that the defendants pay to AHFC all claimed amounts that have been improperly denied. New MGIC and the European Companies have failed to comply with these demands, and New MGIC has declared that in handling future claims it will continue to engage in some or all of the MGIC Improper Claims Denial Practices.

61. As a result of the MGIC Improper Claims Denial Practices and the corresponding denials of AHFC's insurance claims under the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies, AHFC has been denied the use of substantial sums that defendants should have paid to it under the policies and has been forced to incur substantial increased

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administrative expenses, including expenses associated with hiring additional staff persons, attorneys, and other professionals, to pursue efforts to obtain proper payment of the denied claims.

62. In addition to the claims that it has already submitted to New MGIC, AHFC anticipates that continuing defaults by borrowers on insured mortgage loans will cause it in future months to incur losses with increasing frequency and severity. AHFC will submit claims to recover for these losses under the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies, as applicable. It is expected that these future claims will include claims for (a) in excess of \$125 million in losses on insured mortgage loans on which borrowers have already defaulted and there has been a foreclosure but for which AHFC or its agents have not yet completed processes of resale and insurance claim preparation, and (b) in excess of \$125 million in additional losses that AHFC projects will be incurred as a result of (i) current defaults on insured mortgage loans that have not yet resulted in foreclosure and (ii) future defaults on insured mortgage loans.

63. If New MGIC employs the MGIC Improper Claims Denial Practices on the numerous claims that AHFC will submit in the coming months and years, there will be in excess of \$25 million in further improper denials of claims submitted under the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies.

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64. The MGIC Improper Claims Denial Practices, as adopted and employed in the past and as threatened to be used in the future, have had and will continue to have a detrimental effect upon the ability of AHFC to carry out its statutory mission of assisting the people of Alaska in obtaining safe and affordable residential housing.

CLAIMS FOR RELIEF

COUNT I: Breach of Insurance Contracts by the European Companies (Losses Covered Under European Agreements)

65. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 64.

66. Pursuant to the Assumption Plan and the European Agreements described in paragraph 32b above, the European Companies assumed contractual obligations of the original insurer under the WMAC/Old MGIC Mortgage Insurance Policies and became directly liable to AHFC for payment of all claims for losses incurred after February 28, 1985 that are covered under the terms and conditions of such policies.

67. As more fully alleged above, AHFC has submitted numerous valid claims for losses incurred after February 28, 1985 that are covered under the terms and conditions of the WMAC/Old MGIC Mortgage Insurance Policies. Notwithstanding the European Companies' obligation to pay AHFC the full amount of these claims,

in excess of \$25 million in such claims have not been paid.

68. AHFC has substantially performed all of its obligations under the WMAC/Old MGIC Mortgage Insurance Policies.

69. In failing to perform or cause performance of their assumed payment obligations under the WMAC/Old MGIC Mortgage Insurance Policies, the European Companies have repeatedly breached those policies.

70. By virtue of the European Companies' breaches of their assumed liabilities under the WMAC/Old MGIC Mortgage Insurance Policies, AHFC has been damaged in a sum in excess of \$25 million, together with interest thereon at the rates specified in the individual insured mortgage loans from the date that payment should have been made under the terms of the policy until such payment is made.

COUNT II: Breach of Insurance Contracts by New MGIC
(Losses Under Excess Loss Agreement)

71. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 70.

72. Pursuant to the Assumption Plan and the Excess Loss Agreement described in paragraph 35c above, New MGIC assumed contractual obligations of the original insurer under the WMAC/Old MGIC Mortgage Insurance Policies and became directly liable to AHFC for payment of all claims for losses incurred after February 28,

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1985 that are covered under the terms and conditions of such policies, to the extent such payment is not otherwise made by or on behalf of the European Companies.

73. As more fully alleged above, AHFC has submitted numerous valid claims for losses incurred after February 28, 1985 that are covered under the terms and conditions of the WMAC/Old MGIC Mortgage Insurance Policies and that have not been paid by or on behalf of the European Companies. Notwithstanding New MGIC's obligation to pay AHFC the full amount of these claims, in excess of \$25 million in such claims have not been paid.

74. AHFC has substantially performed all of its obligations under the WMAC/Old MGIC Mortgage Insurance Policies.

75. In failing to perform or cause performance of its assumed payment obligations under the WMAC/Old MGIC Mortgage Insurance Policies, New MGIC has repeatedly breached those policies.

76. By virtue of New MGIC's breaches of its assumed obligations under the WMAC/Old MGIC Mortgage Insurance Policies, AHFC has been damaged in a sum in excess of \$25 million, together with interest thereon at the rates specified in the individual insured mortgage loans from the date that payment should have been made under the terms of the policy until such payment is made.

COUNT III: Breach of Insurance Contracts by New MGIC
(Losses Under New MGIC Mortgage Insurance Policies)

77. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 76.

78. New MGIC is obligated to pay to AHFC amounts claimed under the terms and conditions of the New MGIC Mortgage Insurance Policies for losses incurred as a result of defaults by borrowers on mortgage loans covered by such policies.

79. As more fully alleged above, AHFC has submitted numerous valid claims for losses that are covered under the terms and conditions of the New MGIC Mortgage Insurance Policies. Notwithstanding New MGIC's contractual obligation to pay AHFC, the full amount of these claims has not been paid.

80. AHFC has substantially performed all of its obligations under the New MGIC Mortgage Insurance Policies.

81. In failing to perform or cause performance of its payment obligations under the New MGIC Mortgage Insurance Policies, New MGIC has repeatedly breached those contracts.

82. By virtue of New MGIC's breaches of contract, AHFC has been damaged in a sum in excess of \$100,000 together with interest thereon at the rates specified in the individual insured mortgage loans from the date that payment should have been made under the terms of the policy until such payment is made.

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COUNT IV: Third-Party Beneficiary Action for
Breach of Management Agreement by New MGIC

83. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 82.

84. AHFC was a member of a class of intended beneficiaries of the Management Agreement, described in paragraph 34 above, which was entered into primarily for the benefit of policyholders as part of the Assumption Plan, and pursuant to which New MGIC promised to administer and handle on behalf of and as agent for the European Companies all claims for losses incurred after February 28, 1985 that are covered by the WMAC/Old MGIC Mortgage Insurance Policies.

85. The Management Agreement requires that New MGIC administer and manage all claims for losses incurred after February 28, 1985 that are covered under the WMAC/Old MGIC Mortgage Insurance Policies in accordance with the terms and conditions of such policies. New MGIC's administration and management of claims must also be in accordance with the applicable laws governing claims handling practices of insurance companies, including Alaska Stat. § 21.36.125.

86. Because of its liability under the 20% Retrocessional Quota Share Reinsurance Agreement for a portion of losses incurred after February 28, 1985 that are covered by the WMAC/Old MGIC Mortgage Insurance Policies and its liability under the Excess Loss

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Agreement for any losses not paid by the European Companies, New MGIC has an economic interest in denying AHFC's claims for losses under such policies. This interest is in conflict with New MGIC's obligations to AHFC and other intended beneficiaries of the Management Agreement.

87. By adopting and employing the MGIC Improper Claims Denial Practices, New MGIC has breached its contractual obligation to make claims determinations in accordance with the terms and conditions of the WMAC/Old MGIC Mortgage Insurance Policies, and has violated applicable laws governing claims handling practices of insurance companies, including Alaska Stat. § 21.36.125. In breaching its contractual obligations, New MGIC has acted negligently and in bad faith and its actions have constituted willful misconduct.

88. By virtue of New MGIC's aforementioned breach of its contractual obligations under the Management Agreement, AHFC has been damaged in a sum in excess of \$25 million, representing amounts which it should have received in payment of claims for losses incurred after February 28, 1985 that are covered by the WMAC/Old MGIC Mortgage Insurance Policies, together with interest thereon at the rates specified in the individual insured mortgage loans from the date that payment should have been made under the terms of such policies until such payment is made.

COUNT V: Intentional Interference By New MGIC
With Contractual Relations Between AHFC and
the European Companies

89. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 88.

90. By virtue of the assumption by the European Companies of all liabilities for losses incurred after February 28, 1985 that are covered by the WMAC/Old MGIC Mortgage Insurance Policies, the European Companies have a legally binding and enforceable obligation to AHFC.

91. Since no later than February 1985, New MGIC has had actual knowledge of the WMAC/Old MGIC Mortgage Insurance Policies, and of the obligations of the European Companies to AHFC under the terms and conditions of such policies.

92. New MGIC's adoption and employment of the MGIC Improper Claims Denial Practices, as applied to claims for losses covered by the WMAC/Old MGIC Mortgage Insurance Policies and assumed by the European Companies, have resulted in repeated and systematic failures of the European Companies to perform, or cause performance of, their obligations under such policies. Such failures have constituted repeated breaches of said policies.

93. In engaging in the aforementioned conduct, New MGIC has intended to induce the European Companies to breach their obligations under the AHFC Mortgage Insurance Policies.

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94. New MGIC's inducement of the European Companies' breaches of contract was not privileged or justified. To the contrary, because of the 20% Retrocessional Quota Share Reinsurance Agreement and the Excess Loss Agreement, described in paragraph 35 above, New MGIC has a financial incentive to prevent recognition and payment of claims under the WMAC/Old MGIC Mortgage Insurance Policies.

95. As a proximate result of New MGIC's intentional interference with AHFC's contractual rights under the WMAC/Old MGIC Mortgage Insurance Policies and the corresponding failure of AHFC to receive payments in accordance with the terms and conditions of said policies, AHFC has suffered damages in the sum of at least \$25 million, representing the amounts of wrongfully denied claims, together with interest thereon at the rate specified in the individual mortgage loans from the date that payment of those amounts should have been made under the terms of the policy until such amounts are paid.

96. As a proximate result of New MGIC's intentional interference with AHFC's contractual rights under the WMAC/Old MGIC Mortgage Insurance Policies and the corresponding failure of AHFC to receive payments in accordance with the terms and conditions of said policies, AHFC has also suffered consequential damages in an amount in excess of \$1 million for, inter alia, the sums that it has had to expend to hire additional staff, attorneys and other professionals in attempts to obtain the insurance payments that are due under the

policies.

97. The aforementioned acts of New MGIC were outrageous, and were done with malice or bad motives or reckless indifference to the interests of AHFC, and were carried out with the purpose and effect of benefiting New MGIC at the expense of AHFC, thereby warranting the assessment of punitive damages against New MGIC in an amount to be established at trial.

COUNT VI: Tortious Breach of Covenant of Good Faith and Fair Dealing by New MGIC and the European Companies

98. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 97.

99. In its multiple capacities as (i) an insurer that assumed direct liability pursuant to the Assumption of Loss Agreement for all losses under the WMAC/Old MGIC Mortgage Insurance Policies that were incurred on or before February 28, 1985, (ii) an insurer that assumed direct liability pursuant to the Excess Loss Agreement for some or all losses under the WMAC/Old MGIC Mortgage Insurance Policies that were incurred after February 28, 1985, (iii) the entity that undertook responsibilities for administration and handling of all claims under the WMAC/Old MGIC Mortgage Insurance Policies on its own behalf and as agent for the European Companies, and (iv) the insurer that issued the New MGIC Mortgage Insurance Policies and is liable for losses thereunder, New MGIC has had at all times pertinent to this Complaint, and continues to have,

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an obligation to deal with AHFC fairly and in good faith, and to promptly pay, or cause to be paid, all valid claims submitted by AHFC.

100. As insurers who assumed direct liability for all losses incurred after February 28, 1985 that are covered by the WMAC/Old MGIC Mortgage Insurance Policies, the European Companies have had at all times pertinent to this Complaint, and continue to have, an obligation to deal with AHFC fairly and in good faith, and to promptly pay, or cause to be paid, all valid claims submitted by AHFC.

101. As more fully described above, New MGIC has unilaterally employed, on its own behalf and on behalf of and as agent for the European Companies, the MGIC Improper Claims Denial Practices in order to increase substantially the number and size of denials of claims submitted by AHFC under the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies.

102. New MGIC's adoption and employment of the MGIC Improper Claims Denial Practices were and continue to be arbitrary, unreasonable, self-serving and not agreed to by AHFC. Such practices are not justified under the terms and conditions of the WMAC/Old MGIC Mortgage Insurance Policies or the New MGIC Mortgage Insurance Policies, and constitute willful misconduct in breach of New MGIC's duty to act fairly and in good faith. Thus, New MGIC had no reasonable basis for denying AHFC's claims, and New MGIC knew or

recklessly disregarded the lack of a reasonable basis for denying benefits.

103. New MGIC's adoption and employment of the MGIC Improper Claims Denial Practices constitute unfair claim settlement practices in violation of Alaska Stat. § 21.36.125. The MGIC Improper Claims Denial Practices violate this statute and regulation in numerous respects, including but not limited to the following:

A. Misrepresentation of facts or policy provisions relating to coverage of an insurance policy. See Alaska Stat. § 21.36.125(1).

B. Failure to adopt and implement reasonable standards for prompt investigation of claims. See id. § 21.36.125(3).

C. Refusal to pay a claim without a reasonable investigation of all of the available information and an explanation of the basis for denial of the claim or for an offer of compromise settlement. See id. § 21.36.125(4)

D. Failure to attempt in good faith to make prompt and equitable settlement of claims in which liability is reasonably clear. See id. § 21.36.125(6).

E. Failure to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a

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claim or for the offer of a compromise settlement. See
Alaska Stat. § 21.36.125(14).

These violations constitute further evidence of the defendants' breach of a common law duty to act in good faith.

104. The European Companies have permitted, authorized, approved, and ratified New MGIC's adoption and employment of the MGIC Improper Claims Denial Practices, and have done so either knowing that such conduct was violative of AHFC's rights as an insured or with reckless disregard for whether such conduct was improper and unlawful. By permitting, authorizing, approving and ratifying the MGIC Improper Claims Denial Practices, the European Companies have violated their duties to AHFC to act fairly and in good faith.

105. As a proximate result of defendants' adoption, employment, authorization, approval, or ratification of the MGIC Improper Claims Denial Practices, and the corresponding failure of AHFC to receive payments in accordance with the terms and conditions of the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies, AHFC has suffered pecuniary damages in the sum of at least \$25 million, representing the amounts of wrongfully denied claims, together with interest thereon at the rates specified in the individual insured mortgage loans from the date that payment of those amounts should have been made under the terms of the policy until such amounts are paid.

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106. As a proximate result of defendants' adoption, employment, authorization, approval, or ratification of the MGIC Improper Claims Denial Practices, and the corresponding failure of AHFC to receive payments in accordance with the terms and conditions of the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies AHFC has also suffered consequential damages in the sum of at least \$1 million, for, inter alia, the sums that it has had to expend to hire additional staff, attorneys and other professionals in attempts to obtain the insurance payments that are due under the policies.

107. The aforementioned acts of New MGIC and the European Companies were outrageous, and were done with malice or bad motives or reckless indifference to the interests of AHFC, and were carried out with the purpose and effect of benefiting New MGIC and the European Companies at the expense of AHFC, thereby warranting the assessment of punitive damages against New MGIC and the European Companies in an amount to be established at trial.

COUNT VII: Declaratory and Injunctive Relief
Against New MGIC and the European Companies

108. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 107.

109. Currently, AHFC has an ownership interest in approximately 3,125 properties upon which it has completed foreclosure proceedings, or the equivalent of foreclosure

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proceedings, following defaults by borrowers on mortgage loans insured under the WMAC/Old MGIC Mortgage Insurance Policies or the New MGIC Mortgage Insurance Policies, and anticipates commencing foreclosure proceedings in up to 2,900 additional properties. Upon sale or other disposition of each of these properties, AHFC will submit a claim for payment of loss under the applicable policy.

110. In addition to the above referenced properties on which foreclosure or equivalent proceedings have been completed, there are numerous other mortgage loans insured by the WMAC/Old MGIC Mortgage Insurance Policies or the New MGIC Mortgage Insurance Policies which have recently gone into default or which though now current may subsequently go into default. Each of these loans has the potential to generate a future claim for payment by AHFC under such policies.

111. If New MGIC and the European Companies fail to pay future claims under the WMAC/Old MGIC Mortgage Insurance Policies, or if New MGIC fails to pay future claims under the New MGIC Mortgage Insurance Policies, in the manner alleged above with respect to claims already made, then AHFC will continue to suffer enormous damages, both direct and consequential, and will be irreparably harmed.

112. There exists an actual case in controversy between AHFC and the defendants as to their respective rights and obligations under the WMAC/Old MGIC Mortgage Insurance Policies

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and/or the New MGIC Mortgage Insurance Policies which should be the subject of a declaratory judgment of this Court establishing the respective rights and obligations of the parties under the applicable insurance policies to avoid the potential for inconsistent decisions, a multiplicity of litigation and/or duplicative liabilities.

113. AHFC is entitled to a judgment of this Court declaring that the MGIC Improper Claims Denial Practices are contrary to the terms and conditions of the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies.

114. AHFC is further entitled to an injunction enjoining New MGIC and the European Companies from engaging in the MGIC Improper Claims Denial Practices with respect to the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies and requiring New MGIC and the European Companies to pay AHFC's current and future claims in accordance with the terms and conditions of the policies as declared by this Court.

WHEREFORE, Plaintiffs the STATE OF ALASKA and the ALASKA HOUSING FINANCE CORPORATION pray judgment be rendered in their favor and against Defendants MORTGAGE GUARANTY INSURANCE CORPORATION; EUROPEAN GENERAL REINSURANCE COMPANY OF ZURICH; ALPINA INSURANCE COMPANY LIMITED; SKANDIA INTERNATIONAL INSURANCE CORPORATION; CONTINENTAL CASUALTY COMPANY; HANNOVER RUECKVERSICHERUNGS AKTIENGESELLSCHAFT; FRANKONA RUECKVERSICHERUNGS AKTIENGESELLSCHAFT;

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HANSA INTERNATIONAL INSURANCE COMPANY, LIMITED; FOLKSAM INTERNATIONAL INSURANCE COMPANY, LIMITED; SVENSKA KREDITFOERSAEKRINGSAKTIEBOLAGET; and ANCIENNE MUTUELLE REASSURANCE, as follows:

1. For an award against Defendants EUROPEAN GENERAL REINSURANCE COMPANY OF ZURICH; ALPINA INSURANCE COMPANY LIMITED; SKANDIA INTERNATIONAL INSURANCE CORPORATION; CONTINENTAL CASUALTY COMPANY; HANNOVER RUECKVERSICHERUNGS AKTIENGESELLSCHAFT; FRANKONA RUECKVERSICHERUNGS AKTIENGESELLSCHAFT; HANSA INTERNATIONAL INSURANCE COMPANY, LIMITED; FOLKSAM INTERNATIONAL INSURANCE COMPANY, LIMITED; SVENSKA KREDITFOERSAEKRINGSAKTIEBOLAGET; and ANCIENNE MUTUELLE REASSURANCE, jointly and severally, of actual damages for breach of contract pursuant to COUNT I in an amount to be proven at trial, but in excess of \$25 million.

2. For an award against Defendant MORTGAGE GUARANTY INSURANCE CORPORATION of actual damages for breach of contract pursuant to COUNT II in an amount to be proven at trial, but in excess of \$25 million.

3. For an award against Defendant MORTGAGE GUARANTY INSURANCE CORPORATION of actual damages for breach of contract pursuant to COUNT III in an amount to be proven at trial, but in excess of \$100,000.

4. For an award against Defendant MORTGAGE GUARANTY INSURANCE CORPORATION of actual damages for breach of contract

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pursuant to COUNT IV in an amount to be proven at trial, but in excess of \$25 million.

5. For an award against Defendant MORTGAGE GUARANTY INSURANCE CORPORATION of pecuniary and consequential damages pursuant to COUNT V in an amount to be proven at trial, but in excess of \$1 million.

6. For an award against Defendant MORTGAGE GUARANTY INSURANCE CORPORATION for punitive damages pursuant to COUNT V in an amount to be established by the jury at the time of trial.

7. For an award against Defendants MORTGAGE GUARANTY INSURANCE CORPORATION; EUROPEAN GENERAL REINSURANCE COMPANY OF ZURICH; ALPINA INSURANCE COMPANY LIMITED; SKANDIA INTERNATIONAL INSURANCE CORPORATION; CONTINENTAL CASUALTY COMPANY; HANNOVER RUECKVERSICHERUNGS AKTIENGESELLSCHAFT; FRANKONA RUECKVERSICHERUNGS AKTIENGESELLSCHAFT; HANSA INTERNATIONAL INSURANCE COMPANY, LIMITED; FOLKSAM INTERNATIONAL INSURANCE COMPANY, LIMITED; SVENSKA KREDITFOERSAEKRINGSAKTIEBOLAGET; and ANCIENNE MUTUELLE REASSURANCE, jointly and severally, of pecuniary and consequential damages in tort pursuant to COUNT VI in an amount to be proven at trial, but in excess of \$1 million.

8. For an award against Defendants MORTGAGE GUARANTY INSURANCE CORPORATION; EUROPEAN GENERAL REINSURANCE COMPANY OF ZURICH; ALPINA INSURANCE COMPANY LIMITED; SKANDIA INTERNATIONAL INSURANCE CORPORATION; CONTINENTAL CASUALTY COMPANY; HANNOVER

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RUECKVERSICHERUNGS AKTIENGESELLSCHAFT; FRANKONA RUECKVERSICHERUNGS AKTIENGESELLSCHAFT; HANSA INTERNATIONAL INSURANCE COMPANY, LIMITED; FOLKSAM INTERNATIONAL INSURANCE COMPANY, LIMITED; SVENSKA KREDITFOERSAEKRINGSAKTIEBOLAGET; and ANCIENNE MUTUELLE REASSURANCE, jointly and severally, of punitive damages pursuant to COUNT VI in an amount to be established by the jury at the time of trial.

9. For pre- and post-judgment interest at the maximum rates allowed by law.

10. For Plaintiffs' costs and reasonable attorney's fees incurred in the prosecution of this litigation.

11. For a declaratory judgment declaring that the MGIC Improper Claims Denial Practices constitute breaches of the defendants' obligations under the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage Insurance Policies.

12. For an injunction requiring Defendants MORTGAGE GUARANTY INSURANCE CORPORATION; EUROPEAN GENERAL REINSURANCE COMPANY OF ZURICH; ALPINA INSURANCE COMPANY LIMITED; SKANDIA INTERNATIONAL INSURANCE CORPORATION; CONTINENTAL CASUALTY COMPANY; HANNOVER RUECKVERSICHERUNGS AKTIENGESELLSCHAFT; FRANKONA RUECKVERSICHERUNGS AKTIENGESELLSCHAFT; HANSA INTERNATIONAL INSURANCE COMPANY, LIMITED; FOLKSAM INTERNATIONAL INSURANCE COMPANY, LIMITED; SVENSKA KREDITFOERSAEKRINGSAKTIEBOLAGET; and ANCIENNE MUTUELLE REASSURANCE to specifically perform their respective obligations under the WMAC/Old MGIC Mortgage Insurance Policies and the New MGIC Mortgage

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Insurance Policies, including but not limited to their respective obligations to pay amounts claimed by AHFC under such policies.

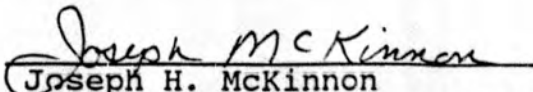
13. For an injunction enjoining Defendants MORTGAGE GUARANTY INSURANCE CORPORATION; EUROPEAN GENERAL REINSURANCE COMPANY OF ZURICH; ALPINA INSURANCE COMPANY LIMITED; SKANDIA INTERNATIONAL INSURANCE CORPORATION; CONTINENTAL CASUALTY COMPANY; HANNOVER RUECKVERSICHERUNGS AKTIENGESELLSCHAFT; FRANKONA RUECKVERSICHERUNGS AKTIENGESELLSCHAFT; HANSA INTERNATIONAL INSURANCE COMPANY, LIMITED; FOLKSAM INTERNATIONAL INSURANCE COMPANY, LIMITED; SVENSKA KREDITFOERSAEKRINGSAKTIEBOLAGET; and ANCIENNE MUTUELLE REASSURANCE from adopting or emplying, or permitting the adoption and employment, of the MGIC Improper Claims Denial Practices.

14. For such other and further relief as this Court may deem just and equitable.

15. For such other and further relief as this Court may deem just and equitable.

RESPECTFULLY submitted this 1ST day of March, 1990.

Douglas B. Bailly
ATTORNEY GENERAL
STATE OF ALASKA


Joseph H. McKinnon
ASSISTANT ATTORNEY GENERAL
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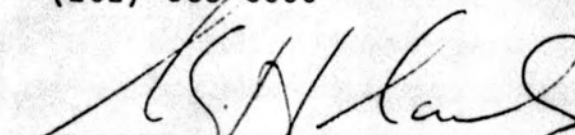

Stephen H. Sachs

EXHIBIT A**Mortgage Trust Insurance Policies
For Supplemental Insurance**

<u>POLICY NO.</u>	<u>POLICY DATE</u>	<u>BOND SERIES</u>	<u>AGGREGATE LOSS LIMIT</u>
288	06/25/81	\$150,000,000 State Assisted Mortgage Bonds, Series A	Fifteen per cent (15%) of the total initial principal balances
319	10/07/81	\$150,000,000 State Assisted Mortgage Bonds, Series B & C	Twenty per cent (20%) of the total initial principal balances
325	11/09/81	\$150,000,000 State Assisted Mortgage Bonds, Series D & E	Twenty per cent (20%) of the total initial principal balances
328	11/24/81	\$100,000 Home Mortgage Bonds, 1981 First Series	Twenty per cent (20%) of the total initial principal balances
343	12/30/81	\$100,000,000 Home Mortgage Bonds, 1981 Second Series	Twenty per cent (20%) of the total initial principal balances
393	05/20/82	\$35,000,000 Residential Mortgage Revenue Bonds, Series 1982	Twenty-five per cent (25%) of the Total Initial Principal Balance
425	06/09/82	\$225,000,000 15 1/4% State Assisted Mortgage Bonds, Series F	Twenty per cent (20%) of the total initial principal balances
562	10/07/82	\$85,000,000 Home Mortgage Bonds, 1982 First Series	Twenty per cent (20%) of the total initial principal balances

<u>POLICY NO.</u>	<u>POLICY DATE</u>	<u>BOND SERIES</u>	<u>AGGREGATE LOSS LIMIT</u>
622	12/15/82	\$50,000,000 11 3/4% Assisted Mortgage Bonds, Series H	Twenty per cent (20%) of the total initial principal balances
620	12/16/82	\$100,000,000 Home Mortgage Bonds, 1982 Second Series	Twenty per cent (20%) of the total initial principal balances
662	02/01/83	\$50,000,000 11 1/2% State Assisted Mortgage Bonds, Series I	Twenty per cent (20%) of the total initial principal balances
664	02/23/83	\$50,000,000 State Guaranteed Bonds, 1983 Second Series (Veteran's Mortgage Program)	Twenty per cent (20%) of the total initial principal balances
688	03/30/83	\$50,000,000 State Assisted Mortgage Bonds, Series J	Fifteen per cent (15%) of the total initial principal balances
724	05/25/83	\$75,000,000 State Assisted Mortgage Bonds, Series K	Fifteen per cent (15%) of the total initial principal balances
726	05/25/83	\$125,000,000 State Guaranteed Bonds, 1983 Second Series (Veterans Mortgage Program)	Twenty per cent (20%) of the total initial principal balances
756	06/29/83	\$75,000,000 State Assisted Mortgage Bonds, Series L	Fifteen per cent (15%) of the total initial principal balances

<u>POLICY NO.</u>	<u>POLICY DATE</u>	<u>BOND SERIES</u>	<u>AGGREGATE LOSS LIMIT</u>
767	07/13/83	\$75,000,000 State Guaranteed Bonds, 1983 Third Series (Veterans Mortgage Program)	Twenty per cent (20%) of the total initial principal balances
804	08/24/83	\$100,000,000 State Guaranteed Bonds, 1983 Fourth Series (Veterans Mortgage Program)	Twenty per cent (20%) of the total initial principal balances
800	08/24/83	\$75,000,000 State Assisted Mortgage Bonds, Series M	Fifteen per cent (15%) of the total initial principal balances
831	09/28/83	\$50,000,000 State Guaranteed Bonds, 1983 Fifth Series (Veterans Mortgage Program)	Twenty per cent (20%) of the total initial principal balance
829	09/28/83	\$75,000,000 Home Mortgage Bonds, 1983 First Series	Twenty per cent (20%) of the total initial principal balances
853	11/09/83	\$125,000,000 Home Mortgage Bonds, 1983 Second Series	Twenty per cent (20%) of the total initial principal balances
851	11/09/83	\$75,000,000 State Assisted Mortgage Bonds, Series N	Fifteen per cent (15%) of the total initial principal balances
887	01/05/84	\$75,000,000 State Guaranteed Bonds, 1983 Sixth Series (Veterans Mortgage Program)	Twenty per cent (20%) of the total initial principal balances

<u>POLICY NO.</u>	<u>POLICY DATE</u>	<u>BOND SERIES</u>	<u>AGGREGATE LOSS LIMIT</u>
919	03/07/84	\$130,000,000 State Guaranteed Bonds, 1984 Second Series (Veterans Mortgage Program)	Twenty per cent (20%) of the total initial principal balances
937	06/27/84	\$100,000,000 State Guaranteed Bonds, 1984 Second Series (Veterans Mortgage Program)	Twenty per cent (20%) of the total initial principal balances

EXHIBIT B

New MGIC Mortgage Insurance Policies

<u>POLICY NO.</u>	<u>POLICY DATE</u>	<u>BOND SERIES</u>	<u>AGGREGATE LOSS LIMIT</u>
1138	05/19/88	AHFC Collateralized Mortgage Obligations, Series 1988-1	Twenty-five per cent (25%) of the total initial principal balances
1140	10/20/88	AHFC Collateralized Mortgage Obligation, Series 1988-3	Twenty-five per cent (25%) of the total initial principal balances
1144	04/06/89	AHFC Collateralized Mortgage Obligations, Series 1989-1	Twenty-five per cent (25%) of the total initial principal balances



Carl
FYI *S*

March 12, 1990

Dear Housing Professional:

Enclosed is a copy of the draft allocation plan for the low income housing credit program (LIHC) that is administered by the Alaska State Housing Authority (the authority). Your comments on the proposed plan would be greatly appreciated.

The LIHC was created by the Tax Reform Act of 1986 to encourage development of low income rental housing. In 1989, the U.S. congress made several changes to that program. One of those changes requires states to develop an allocation plan based on several criteria. Some of those criteria are mandated in the current law and others are based on the authority's review of low income housing needs in Alaska.

This plan is not intended to be a full explanation of the tax credit program. It is the basis upon which the authority will evaluate tax credit applications. For more information on the benefits of the LIHC program, contact a tax attorney or certified public accountant.

On Saturday, March 31, 1990, between 11:00 am and 1:00 pm, State Representative Walt Furnace will sponsor a statewide public hearing on the draft allocation plan. The hearing will be teleconferenced to the following locations:

Fairbanks - Legislative Information Office, 119 N. Cushman, #101.

Anchorage - Legislative Information Office, 3111 C Street, #150.

Juneau - The Capitol Bldg., Beltz Conference Room.

You are invited to participate at any of these locations. If you would like to participate from another location, please call Mark Romick at (907) 562-2813, ext. 208.

Written comments will be accepted until Monday, April 2, 1990 at 5:00 pm. Please send your comments to:

Alaska State Housing Authority
Attn: Mark Romick - LIHC
P.O. Box 230329
Anchorage, Alaska 99523



Thank you for your time, we look forward to your comments.

Sincerely,
ALASKA STATE HOUSING AUTHORITY

A handwritten signature in black ink, appearing to read "Ray Price". The signature is fluid and cursive, with a large initial "R" and "P".

Ray Price
Executive Director

Enclosure

nr:c:wp50:lihtc:comment.req

DRAFT

Allocation Plan For The Low Income Housing Tax Credit Program

MARCH 1990

**Alaska State Housing Authority
P.O. Box 230329
Anchorage, Alaska 99523
(907) 562-2813**



ALLOCATION PLAN FOR THE
LOW INCOME HOUSING CREDIT PROGRAM

ALASKA STATE HOUSING AUTHORITY
March 1990

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I. PURPOSE

The Low Income Housing Credit Allocation Plan (LIHC Plan) is being prepared by the allocating agency (Alaska State Housing Authority) to comply with the mandates of Section 42 of the IRS Code, as amended by the Omnibus Budget Reconciliation Act of 1989.

II. POLICY

It is the policy of the Alaska State Housing Authority (the authority), to promote, foster, and encourage the responsible development of low income rental housing through the allocation of Low Income Housing Credits.

The amount of credit allocated to a project may not exceed the amount necessary for the financial feasibility of the project. To determine financial feasibility, the authority will consider the sources and uses of funds and the total financing planned for the project.

Priority will be given to:

- (1) Projects with the lowest percentage of costs attributable to intermediaries (unless it impedes development in difficult to develop areas);
- (2) Projects that serve the lowest income tenants; and
- (3) Projects that are obligated to serve qualified low income tenants for the longest period of time.

III. ALLOCATION PROCEDURES

In accordance with IRS Code Section 42 as amended by Public Law 101-239, the Authority has established several procedures to allocate tax credit under the Low Income Tax Credit Program:

A. Notification of Local Jurisdiction

On receipt of an application for tax credit, the authority must notify the chief executive officer of the jurisdiction in which the credit project is located. The notification must identify the applicant and describe the project including its location.

B. Compliance Monitoring

The authority must notify the Internal Revenue Service of any instances of non-compliance it becomes aware of, for the term of the compliance period. Notification must be in writing, identifying the project and the managing entity, and describe the non-compliance.

C. Increase in Eligible Basis For Difficult to Develop Areas

For projects in "difficult to develop" areas, the authority may increase the credit allocation by multiplying the projects eligible basis by 130 percent. Only new construction and rehabilitation expenditures are eligible for this increase in basis. To qualify, a project must be located in either a qualified census tract or a difficult development area.

A qualified census tract is a census tract in which 50 percent or more of the households have an income which is less than 60 percent of the area median gross income. A difficult development area is an area designated by the Secretary of HUD which has high construction, land and utility costs relative to area median gross income.

Neither a qualified census tract nor a designated difficult to develop area may exceed 20 percent of the population of the metropolitan statistical area in which it is located.

D. Rent Restrictions

Gross rent may not exceed 30 percent of the households gross monthly income, including utility charges. Gross rents are based on the number of bedrooms rather than the size of the family. Units with bedrooms are assumed to be occupied by 1.5 persons per bedroom.

E. Non-profit Set-Aside

Ten percent of the annual credit ceiling will be set aside for allocation to projects with qualified non-profit participation. Any non-profit set aside credit not allocated by October 31 may be allocated to any eligible project.

F. Allocation Periods

Applications for the allocation of tax credit may be submitted at anytime during the calendar year for which credit is requested. The authority will not accept applications for reservation of a future year's credit. However, a letter of intent to apply for a future year's tax credit is requested.

The letter should be brief (one page) and include: project name; developer's name, address and telephone number; location and size of project; project characteristics (new construction or acquisition); housing characteristics (length of low-income units occupancy beyond 15-year requirement and percent of low-income units reserved for households below 50 or 60 percent of area median gross income; tenants with special needs served); fund sources including subsidies; developer (sponsor) characteristics and experience; and total estimated eligible basis. A letter of intent is not a substitute for an application.

Applications will be acknowledged on receipt and ranked on the basis of the primary selection criteria. The following allocation periods are established:

<u>Period</u>	<u>Cutoff Date</u>	<u>% of Annual Credit Ceiling</u>
1	April 30*	50%
2	July 31	50%
3	October 31 or as extended	Remaining credits if necessary

*In 1990 the first period will end July 31, 1990.

If the available percentage credit to be allocated in the allocation period exceeds the amount of credit applied for, credit will be allocated in the authority's discretion, to the highest ranking applicants.

If credit applications in any allocation period exceed the available percentage of credit to be allocated in that period, the highest ranked application will receive credit allocation up to the allowable percentage.

Unallocated credit remaining after an allocation period becomes available for allocation in the subsequent period.

G. Evaluation Review Committee

The authority will establish an evaluation committee of five members. The committee will rank applications for tax credit based on the selection criteria and recommend the amount of credit to be allocated.

The committee will include representatives from the authority and the real estate and financial industries. The committee will complete the evaluation within thirty days of the end of each application period.

H. Annual Credit Allocation

Generally, the annual credit allocation is equal to \$1.25 multiplied by the state's population. For the 1990 program, the states annual credit allocation is equal to 75 percent of the 1989 allocation or \$480,937.50.

I. State Housing Priorities

Based on the authority's assessment of statewide low income housing needs priority, in the primary selection criteria, is given to projects based on:

- 1) accessibility for the elderly, the physically handicapped, the mentally ill, the developmentally disabled, the homeless, or other special needs populations.
- 2) the number of units available for larger families (three or more bedrooms).
- 3) the number of units constructed or rehabilitated in the project.
- 4) location in rural communities.
- 5) a high degree of competition in the rental market, reducing the affordability of existing rental housing in the project area.

In addition, the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239) mandates criteria to be used in the selection of applicants. The criteria are listed below and are included in the selection criteria.

- 1) project location
- 2) housing needs characteristics

- 3) project characteristics
- 4) sponsor characteristics
- 5) targeting individuals on public housing waiting lists
- 6) participation of local tax-exempt organizations

IV. SELECTION CRITERIA

Applications will be ranked according to the number of points received under the primary category first. The applications will then be evaluated based on the secondary criteria.

A. Primary Criteria

1) Intermediary Costs (Maximum points 10)

Points

- | | |
|----|---|
| 0 | - 30% or more of total project costs. |
| 2 | - 25% or more of total project costs. |
| 4 | - 20% or more of total project costs. |
| 6 | - 15% or more of total project costs. |
| 8 | - 10% or more of total project costs. |
| 10 | - Less than 10% of total project costs. |

2) Serving The Lowest Income Tenants.

Points will be awarded based on the percentage of units affordable to the populations at 45, 50, and 60 percent of area median gross income.

45%

Points

- | | |
|----|---------------------|
| 1 | 0 - 10% of units. |
| 2 | 11 - 20% of units. |
| 3 | 21 - 30% of units. |
| 4 | 31 - 40% of units. |
| 5 | 41 - 50% of units. |
| 6 | 51 - 60% of units. |
| 7 | 61 - 70% of units. |
| 8 | 71 - 80% of units. |
| 9 | 81 - 90% of units. |
| 10 | 91 - 100% of units. |

For projects with rents affordable by people at 50% of area median gross income, above the 20% set-aside:

Points

- | | |
|---|---------------------|
| 3 | 21 - 50% of units. |
| 4 | 51 - 75% of units. |
| 5 | 76 - 100% of units. |

For projects with rents affordable by people at 60% of area median gross income, above the 40% set-aside:

Points

- | | |
|---|---------------------|
| 1 | 41 - 70% of units. |
| 2 | 71 - 100% of units. |

Applicants may score in only one of these three categories.

3) Extended Low Income Use

Section 42, as amended by Public Law 101-239, requires a 30 year extended use agreement with an option to sell after 15 years. Three (3) points will be added to a proposal for every additional five (5) years of low income use the applicant will commit to beyond the minimum 15 year compliance. (Maximum 9 points)

4) Accessibility To Special Needs Populations
(Maximum 5 points)

5) Public Housing Waiting Lists

A maximum five (5) points will be given to applications that contain written commitment to give priority to households on waiting lists for subsidized housing. A commitment may consist of accepting tenants receiving rental subsidies (Section 8 program) and or gross rents below the Fair Market Rent limits established by the Department of Housing and Urban Development.

Nothing in this subsection shall be construed as entitlement, for prospective applicants, to have access to waiting lists for subsidized housing.

6) Rural Location (Maximum 10 points)

7) High Cost Areas (Maximum 5 points)

Five (5) points will be awarded if the project is located in a qualified census tract or a difficult development area

B. Secondary Criteria

- 1) Participation By Local Tax-exempt Organizations
(Maximum 5 points).
- 2) Availability For Larger Families

Points are based on the percentage of units with 2 or more bedrooms.

10 points	25% or more 3+ bedroom units
5 points	50% or more 2+ bedroom units
0 points	less than 50% 2+ bedroom units

3) Density Of Units

For new construction:

0 points	51 or more
2 points	25 - 50
5 points	less than 25

For acquisition with rehabilitation:

5 points	51 or more
2 points	25 - 50
0 points	less than 25

NOTE: Rehabilitation costs must exceed \$3,000 per unit for an acquisition application to receive credits.

4) Need For Low Income Housing In The Area (5 points)

A maximum of five points may be awarded based on the applicant's ability to show a significant lack of affordable (to the population below 60% of area median gross income) rental housing in the area.

5) Sponsor Characteristics (5 points)

The applicant's experience with the tax credit program and the construction industry. No more than 50% of the total state credit allocation will be allocated to one applicant.

6) Minimize Displacement Of Existing Tenants
For Acquisition and Rehabilitation (5 points)

If there is no federal support associated with the project, and involuntary tenant relocation or displacement occurs, a comprehensive relocation plan will be necessary to receive points. Some relocation costs can be included in eligible basis.

NOTE: If there is federal support associated with a project, the applicant may be required to provide relocation/displacement assistance to existing tenants under the Uniform Relocation Act of 1970. If it is found that the Uniform Act does apply, the authority

will not allocate credits to a project without a relocation assistance plan.

7) Project Characteristics (3 points)

Elements examined may include, but are not limited to, innovative designs, appropriateness for local housing market, preservation of existing low income stock, location within the jurisdiction.

Total number of points in primary criteria:	54
Total number of points in secondary criteria:	<u>38</u>
Total points possible:	92

V. APPLICATION SUBMISSION REQUIREMENTS

Applicants must prepare a complete application form, provided by the authority before the application will be accepted for review.

Applications which do not receive at least twenty-five (25) points when ranked under the primary selection criteria will be rejected. If the application is resubmitted within the same allocation period, no additional application fee is required. An application that is resubmitted must describe how the project characteristics have changed so that it may meet the 25 point threshold for ranking.

A rejected application that is resubmitted in a subsequent allocation period must be accompanied by the application fee.

Applications for tax credit must be evaluated at three times. These evaluation periods, and the threshold requirements for each, are listed below.

A. First Evaluation - Acceptance

- 1) Complete application form.
- 2) Certification of all state, local and federal subsidies.
- 3) Evidence of site control, zoning permits and financing commitments (if applicable).
- 4) Project costs and revenue estimates.
- 5) Evidence that project construction, rehabilitation, or acquisition will start within 90 days of credit allocation.
- 6) Payment of application fee.
- 7) Preliminary evidence of the application meeting the minimum number of points under the primary criteria.
- 8) Project is eligible to receive tax credits.

If these conditions are satisfied then the application will be accepted for evaluation by the evaluation committee.

B. Second Evaluation - Conditional Allocation

- 1) Certification of all state, local and federal subsidies.
- 2) Permanent financing commitments.

- 3) Site control and all necessary federal, state, or local permits.
- 4) Updated cost and revenue projections.
- 5) Syndication or partnership agreements, if applicable.
- 6) Ranking by evaluation review committee.

Once these conditions are met, an application will be given a conditional allocation of credit.

Eligible applications not ranked high enough to receive an allocation in the period will automatically be considered in a subsequent allocation period in the same allocation year. The applicant in this event, will be notified of the status of the application and given the opportunity to amend the application.

C. Third Evaluation - Placed in Service

- 1) Certification of all state, local and federal subsidies.
- 2) Cost certification
- 3) Low income use agreement (restrictive covenant).
- 4) Certificate of occupancy/completion.
- 5) Payment of processing fees.
- 6) Compliance certification.

When the authority has received and accepted all requested documentation and required fees, and determined to its satisfaction that the applicant and project comply with all requirements of Internal Revenue Code Section 42, other applicable sections of the IRS code, and regulations adopted under the code, the authority will issue a low-income housing credit allocation certification signed by the executive director and send a copy of the certification to the applicant for its federal tax return.

VI. CLARIFICATIONS

The authority's evaluation of an application is not a warranty of the viability or feasibility of the project.

No member, officer, agent or employee of the authority may be held personally liable concerning any matters arising out of, or in relation to, the allocation of low income housing credit.

The authority may decline allocation of credits to any project regardless of its ranking under the LIHC allocation plan.

An established protest and appeal process for the allocation of tax credits, by the authority, is described in Alaska State Housing Authority regulation 3 AAC 98.310-490.

VIII. DEFINITIONS

In the LIHC Plan:

(1) "allocating agency" means the agency of the State of Alaska designated to allocate tax credit under the low income housing credit program.

(2) "authority" means the Alaska State Housing Authority.

(3) "chief executive officer" means the head of the local governmental jurisdiction in which the project applying for credits is located.

(4) "applicant" means an individual or individuals applying for tax credit on a qualified project under Section 42 of the Internal Revenue Code (LIHC program).

(5) "compliance period" means the 15 years over which a project must continue to meet various LIHC requirements in order to avoid tax credit recapture. The period begins with the first taxable year of the credit period.

(6) "low and lower income tenants" means individuals at or below 60 percent of the area median gross income established by the U.S. Department of Housing and Urban Development.

(7) "intermediary costs" include developer, syndication, attorney, architect and engineering fees.

(8) "gross rent" means the maximum rent a tenant may be charged under the LIHC Program. Gross rent includes utilities. Gross rent is calculated by multiplying the income election (60%, 50%, 40%) of area median annual gross income by 30 percent and dividing that number by twelve.

(10) "qualified non-profit" means an organization described in Internal Revenue Code secs. 501 (c)(3) and (4) and exempt from tax under sec. 501(a) if one of its exempt purposes includes fostering of low-income housing; the organization must be involved in a regular, continuous, and substantial basis in both the development and operation of the project.

(11) "rural" means a community in the 2nd, 3rd, or 4th judicial district which has a population which is less than 4,500 and is not connected by road or rail to Anchorage or Fairbanks; or a community in the 1st judicial district which has a population which is less than 4,500.

(12) "Section 8 Program" means the federally subsidized rental housing program operated by housing authorities and the U.S. Department of Housing and Urban Development. The rental

subsidy may be in the form of either certificates or vouchers.

(13) "fair market rent" means the rent payment limits established by the Department of Housing and Urban Development for recipients of Section 8 certificates and vouchers.

(14) "eligible basis" means a component of the qualified basis of an LIHC project; the eligible basis is generally equal to the cost basis of the project.

(15) "annual credit ceiling" means the annual amount established for allocation in the state under 26 U.S.C. 42(h)(93)(c). In 1990, the annual credit ceiling is equal to \$0.9375 multiplied by the state's population or 75 percent of the 1989 allocation (\$480,937.5).

(16) "special needs populations" means elderly, the physically handicapped, the mentally ill, the developmentally disabled, the homeless, or other groups that have special housing needs.

(17) "20% set-aside" means 20% of the units in the project are reserved for households whose incomes are at or below 50% of area median gross income.

(18) "40% set-aside" means 40% of the units in the project are reserved for households whose incomes are at or below 60% of area median gross income.

IX. NEEDS ASSESSMENT STATEMENT

A statewide needs assessment was made to identify the specific housing needs in Alaska. The housing needs identified are addressed in the LIHC plan. Given the scope and static nature of this assessment, local conditions within different areas of Alaska will vary over time. The LIHC plan emphasizes, and allows for, the ability of an applicant to adapt a project to the changing needs of the community. This needs assessment was prepared following a review of existing information on housing needs. The information sources are listed in the attached bibliography.

The following findings result from focusing on the population of renter households at or below 80 percent of area median gross income.

Findings

1. Although there is a high demand for low income housing in almost all of Alaska, the rural and smaller urban centers have a smaller available stock and fewer renting options. This has led to overcrowding and substandard living conditions in several rural areas of Alaska.
2. Market conditions have reduced the available supply of affordable rental housing in the coastal communities of Ketchikan, Juneau and Sitka.

There is a large surplus of low cost rental housing in Anchorage. However, they are typically not large units.

The rental market in Fairbanks has stabilized and is beginning to tighten reducing options for low income residents.

3. Units for larger families are in the most demand. ASHA had 2,326 families on waiting lists statewide on 12-31-89. Forty-three percent of these families were eligible for 2 bedroom units, 30 percent for 3 bedroom units, 17 percent for 1 bedroom units and 3.5 percent for 4 or more bedrooms.
4. There is a need for housing special needs populations: the homeless, the elderly, people with disabilities, chronically mentally ill, victims of domestic violence, etc.
5. The areas that have the greatest percentage of people below 60 percent of area median are Bethel, Cordova, Valdez, Kodiak, and Nome (1980 census).
6. The largest waiting lists (as percent of available units) for ASHA low rent and Section 8 housing assistance are in

small urban areas: Wasilla, Kodiak, Petersburg, and Ketchikan.

7. Statewide there were 1,143 people on the waiting lists for low rent housing managed by housing authorities at the end of 1989. There were another 1,379 waiting for Section 8 certificates or vouchers.
8. Current demand for low rent housing under Indian Housing Authority (IHA) jurisdiction is limited to the larger urban centers. IHA's have a total of 300 people on low rent waiting lists around the state, compared to 596 units. The authorities with the largest waiting lists are in Bethel, Kodiak, Juneau, and Kotzebue.
9. The Farmers Home Administration has designated three areas in Alaska as "needy" for the allocation of funds under the Section 515 housing program. Those areas are the northern, southcentral (except Anchorage) and southeast regions.

To date, the Section 515 program has produced 750 units of low income housing in Alaska. There are 435 units that are rent restricted to 30% of income, the remainder (315) are low rent, with rents determined by a special loan financing program. An inventory of Section 515 projects is attached.

10. The population of smaller urban areas and rural areas is increasing faster than the major urban areas. Assuming this growth rate is the same for all levels of income, the low income population, in these areas, will have an increasingly greater need for affordable housing.

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Housing Program Statistics, Waiting List Status Reports and Development Unit Descriptions. Alaska State Housing Authority. January, 1990.

"Income Characteristics For Counties - Alaska." U.S. Department of Labor, 1980 Census, pp. 3:170-174

1988 Rural Housing Needs Assessment Study. Alaska Department of Community and Regional Affairs. March 1988.

Novogradac, Michael J., and Eric J. Fortenbach. Low Income Housing Tax Credit Handbook. Clark Boardman Company, LTD., 1990.

"Omnibus Budget Reconciliation Act of 1989". 101st Congress of the U.S.. December 1989, Section 7108.

Personal Communication. Conversations with 14 Indian Housing Authority staff on low rent and mutual help housing program waiting lists.

Personal Communication. Kathie Dexter, Director of Housing Management, Alaska State Housing Authority.

Personal Communication. Ron Abott, State Manager 515 Program, Farmers Home Administration

Personal Communication. Kay Grahmn, Housing Grants Administrator, Dept. of Community and Regional Affairs.

State Housing Policy For The 1990's. Alaska Housing Market Council. January 1990.

Senior Housing Report. Older Alaskans Commission.
September 1989.

APPENDIX

**Areas With Population Increases Greater Than
The State Average (1980-1988) of 32.1 Percent.**

Lower Kuskokwim Census Subarea	92.2%
Bristol Bay Borough	32.6%
Dillingham	43.0%
FNSB - areas outside of Fbx and North Pole	50.4%
Homer	96.4%
Kenai	51.3%
Soldotna	60.1%
Seward	33.6%
Kenai Borough	58.0%
Kodiak	39.8%
Palmer	39.6%
Wasilla	114.4%
Mat-Su Borough	113.2%
Nome	33.8%
Barrow	38.7%
Prince Wales Census Area	58.5%

Source: State Department of Labor, Research and Analysis
Section, 1989.

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**Farmers Home Administration
Section 515 Inventory
Statewide**

City	# where tenant pays 30%.	Low Rent Units	Total Number of Units
Cordova	19	1	20
Dillingham	0	8	8
Douglas	0	22	22
Eagle River	40	18	58
Haines	0	4	4
Homer	43	13	56
Hydaburg	0	12	12
Juneau	0	24	24
Kake	0	4	4
Kenai	42	74	116
Ketchikan	50	12	62
Kodiak	31	27	58
North Pole	26	5	31
Palmer	74	8	82
Petersburg	0	24	24
Sand Pt.	0	6	6
Seward	48	12	60
Sitka	10	30	40
Soldotna	28	11	39
Wrangell	24	0	24
Total:	435	315	750

Source: Farmers Home Administration, February 1990.

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Waiting List Descriptive Statistics

% of Total Low Inc*	% of To. Low Inc. Waiting*	% of Low Rent Stock*	% of Low Rent Wait. List*	% of Sec. 8 Existing Cert./Vou	% of Sec. 8 Existing Waiting L.	% of Pop. By Area 1988 est.	% of people <60% 1980 Census	% of Total Pop 1980 Cen.	% of Total Pop. 1988 est.*	City
47.13%	49.26%	29.59%	43.39%	62.04%	53.48%	42.0%	24.7%	43.4%	42.0%	Anchorage
2.55%	1.90%	6.08%	4.37%			0.8%	38.5%	2.7%	2.5%	Bethel
0.83%	0.04%	0.83%	0.00%			0.4%	37.6%	2.1%	1.6%	Cordova
9.40%	8.88%	10.14%	3.41%	5.97%	12.67%	5.3%	32.3%	13.4%	13.6%	Fairbanks
6.91%	8.31%	8.42%	4.72%	6.60%	12.22%	4.6%	29.1%	4.9%	4.6%	Juneau
2.73%	7.40%	3.85%	7.26%	2.17%	8.30%	1.5%	34.5%	2.8%	2.4%	Ketchikan
0.87%	1.63%	2.08%	3.76%			1.3%	37.5%	2.5%	2.5%	Kodiak
0.70%	0.61%	1.66%	1.40%			0.6%	37.2%	1.5%	1.5%	Nome
0.57%	0.80%	0.62%	0.44%	0.60%	1.19%	0.6%	27.0%	1.5%	1.3%	Petersburg
1.50%	0.99%	2.29%	2.27%	1.07%	0.00%	1.6%	30.0%	1.9%	1.6%	Sitka
0.74%	0.87%	0.73%	1.05%	0.85%	0.81%	0.6%	37.6%	2.1%	1.6%	Valdez
0.70%	1.25%	1.66%	2.89%			0.6%	31.1%	4.4%	0.6%	Wasilla
1.13%	0.42%	1.04%	0.52%			0.5%	27.0%	1.5%	1.3%	Wrangell
5.14%	1.40%			10.06%	2.74%	1.9%	32.7%	1.7%	1.9%	Kenai/Soldotna
4.36%	4.06%			8.52%	7.93%	7.2%	31.1%	4.4%	7.2%	MAT/SU
0.65%	0.11%					0.5%	32.7%	0.7%	0.5%	Seward
1.09%	0.34%			2.13%	0.67%	0.8%	32.7%	0.5%	0.8%	Homer
*INCLUDES IHAs										
										*(DOL)

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As of: 2/1/90

Number Of People On The Waiting List

Housing Authority	Low Rent Available	Low Rent Waiting	Mutual Available	Mutual Waiting	Section 8 Waiting
Aleut	14	0	238	141	
ASRC	71	30	71	124	
AVCP	43	46	1004	250	
Barter Island	10	0	40	55	
Bering Straits	20	7	287	149	
Bristol Bay	0 *		0 **		
Cook Inlet	172	45	213	140	
Copper River	44	0	62	0	
Interior	0	0	43	90	
Kodiak	43	31	242	30	29
Metlakatla	40	5	44	95	
Northwest	43	39	298	72	
North Pacific Rim	24	2	136	61	
Tlingit-Haida	67	75	568	225	
Sub Total	596	280	3,246	1,432	29

(Totals don't include Bristol Bay)

The waiting lists for Low Rent are for the large communities like Bethel, Nome, Dillingham, etc.

-- Very few, if any, of the low rent units are in the villages within each jurisdiction.

Source: Authority Staff, AHMC

DRAFT

ALASKA STATE HOUSING AUTHORITY WAITING LISTS

As of 12-31-90

City	Sec. 8		Sec. 8.		Low		Sec. 8		Waiting	Stock
	New	Exist.	AA	Exist	Rent	Exist	Exist	Exist		
	WL	Units	WL	Units	WL	Units	WL	C & V	Total	Total
Anchorage	80	137	0	0	496	569	722	1,456	1,298	2,162
Bethel					50	117			50	117
Cordova	1	22				16			1	38
Fairbanks	24	96			39	195	171	140	234	431
Juneau					54	162	165	155	219	317
Ketchikan					83	74	112	51	195	125
Kodiak					43	40			43	40
Nome					16	32			16	32
Petersburg					5	12	16	14	21	26
Sitka					25	44		25	26	69
Valdez					12	14	11	20	23	34
Wasilla					33	32			33	32
Wrangell			5	32	6	20			11	52
Kenai/Soldotna							37	236	37	236
MAT/SU							107	200	107	200
Seward	3	30							3	30
Homer							9	50	9	50
Subtotal	108	285	5	32	863	1,327	1,350	2,347	2,326	3,991

Total

Sec. 8 New	Sec. 8 AA	Low Rent	Sec. 8 Exist.	Mutual Help
108	5	1,143	1,379	1,432

DRAFT

(d) For the purposes of sec. 525(a)(4), (5) and (6) of this chapter, the term "employment" does not apply to service performed

(1) by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by the order;

(2) in a facility conducted for the purpose of carrying out a program of rehabilitation for individuals whose earning capacity is impaired by age or physical or mental deficiency or injury or providing remunerative work for individuals who, because of their impaired physical or mental capacity, cannot be readily absorbed in the competitive labor market by an individual receiving the rehabilitation or remunerative work;

(3) as part of an unemployment work-relief or work-training program assisted or financed in whole or in part by any federal agency or any agency of a state or political subdivision thereof, by an individual receiving work relief or work training;

(4) for a state hospital by an inmate of a prison or correctional institution;

(5) in the employ of a school, college, or university, if the service is performed by a student who is enrolled and is regularly attending classes at the school, college or university;

(6) by an individual under the age of 22 who is enrolled at a nonprofit or public educational institution which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on as a student in a full-time program, taken for credit at the institution, which combines academic instruction with work experience, if the service is an integral part of the program, and the institution has so certified to the employer, except that this paragraph does not apply to service performed in a program established for or on behalf of an employer or group of employers;

(7) in the employ of a hospital, if the service is performed by a patient of the hospital, as defined in sec. 520 of this chapter.

* Sec. 16. AS 23.20.380(6), (7) and (8) are repealed.

* Sec. 17. This Act takes effect January 1, 1972.



LAWS OF ALASKA

Source

HB 167 am

Chapter No.

107

AN ACT

To provide financing and development of housing for persons of lower income and to create an Alaska Housing Finance Corporation; and providing for an effective date.

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

* Section 1. AS 18 is amended by adding a new chapter to read:

CHAPTER 56. ALASKA HOUSING FINANCE CORPORATION.

Sec. 18.56.010. FINDINGS AND PURPOSE. (a) There exists within the state a serious shortage of decent, safe and sanitary residential housing available at low prices or rentals to persons of lower income. This shortage is inimical to the safety, health, welfare and prosperity of the residents of the state and to the sound growth of urban and rural communities.

(b) The legislature finds and declares that private enterprise has not been able to provide, without assistance, an adequate supply of safe and sanitary homes at prices or rents which persons of lower income can afford, or to achieve rehabilitation of much of the present housing for persons of lower income, and that existing federal programs are inadequate to meet housing needs of persons of lower income. It is imperative that the supply of housing for persons of lower income be increased and that coordination and cooperation among private enterprise, state and local government be encouraged to sponsor, build and rehabilitate residential housing for these persons.

(c) The legislature finds and declares further that, in accomplishing this purpose, the creation of the Alaska Housing Finance Corporation is essential to assist in the acquisition and development of land and the construction, rehabilitation, financing, management, maintenance, sale

marine communications in the state.

Sec. 30.07.030. PENALTIES. A master or owner of a vessel in operation which is in violation of this chapter, or a regulation promulgated under it, is guilty of a misdemeanor and upon conviction is punishable by a fine of not more than \$1,000. Each day the violation continues constitutes a separate offense under this section.



LAWS OF ALASKA

Source

CSHB 547

Chapter No.

81

AN ACT

To provide financing and development of housing for persons of moderate income; and providing for an effective date.

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

* Section 1. AS 18.56.010 is amended to read:

Sec. 18.56.010. FINDINGS AND PURPOSE. (a) There exists within the state a serious shortage of decent, safe and sanitary residential housing available at low or moderate prices or rentals to persons of lower and moderate income. There also exist within the state remote, underdeveloped or blighted areas where the development of decent, safe and sanitary housing is necessary to economic growth. These conditions are inimical to the safety, health, welfare and prosperity of the residents of the state and to the sound growth of urban and rural communities.

(b) The legislature finds and declares that private enterprise has not been able to provide, without assistance, an adequate supply of safe and sanitary homes at prices or rents which persons of lower and moderate income can afford, or to achieve rehabilitation of much of the present housing for persons of lower and moderate income, or to provide without assistance the housing necessary to promote the economic growth of remote, underdeveloped or blighted areas, and that existing state and federal programs are inadequate to meet housing needs of persons of lower and moderate income or of remote, underdeveloped or blighted areas. It is imperative that the supply of housing for persons of lower and moderate income and the housing necessary to promote the economic growth of remote, underdeveloped or blighted areas be increased and that coordination and co-operation among private enterprise, state and local government be encouraged to sponsor, build and rehabilitate residential housing for these persons.



LAWS OF ALASKA

Source

HCS CSSB 289 am H

Chapter No.

151

AN ACT

Relating to housing and to political subdivisions of the state involved in housing; and providing for an effective date.

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

■ Section 1. AS 18.55.100 is amended by adding a new subsection to read:

(c) Any two or more authorities may join or cooperate with one another in the exercise of any or all of the power conferred by the housing authorities law for the purpose of financing, planning, undertaking, constructing or operating a housing project or projects located within the area of operation of one or more of the authorities.

■ Sec. 2. AS 18.55.995 is amended to read:

Sec. 18.55.995. PURPOSE AND INTENT. The legislature finds that an acute shortage of housing and related facilities exists in the villages of Alaska and that adequate housing cannot be provided by the private sector due to the economic depression which exists in most villages of Alaska. It is the purpose and intent of the legislature to provide a means for certain native associations to form public corporations with the powers and duties comparable to the Alaska State Housing Authority.

■ Sec. 3. AS 18.55.996(b) is amended to read:

(b) There is created with respect to each of the associations named in (a) of this section a public body corporate and politic to function in the operating area of the individual associations to be known as the regional housing authority of the associations possessing all powers, rights and functions now or subsequently specified for the Alaska State Housing Authority, under the Alaska State

(b) For purposes of determining payments to eligible persons, the department shall calculate a property tax equivalent percentage for each home rule or general law municipality, which levies a general property tax, at the rate of 1/2 per cent per mil. This percentage applied to the annual rent charged to the applicant or \$375, whichever is less is the property tax equivalency payment.

(c) To obtain tax equivalency payments the eligible resident must apply to the department for payment for the preceding year by January 15 of each year on forms and in the manner prescribed by the department. Each applicant shall submit with the application rental receipts or, if rental receipts are not available, other evidence satisfactory to the department for determination of the fact of payment of rent and the amount paid.

(d) If two or more persons occupy a residence as tenants, not all of whom are eligible for tax equivalency payments under this section, the assessor shall determine equitable partial payments to be made to the eligible tenants. However, tax equivalency payments to an eligible applicant may not be reduced because the spouse is less than 65 years of age. If all occupants in a residence are eligible for tax equivalency payments under this section, the occupants shall decide between and among themselves which shall receive payment.



LAWS OF ALASKA

Source

HCSSB 724 am H

Chapter No.

218

AN ACT

Making corrective amendments in the Alaska Statutes as recommended by the revisor of statutes; and providing for an effective date.

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

* Section 1. AS 14.17.140 is amended to read:

Sec. 14.17.140. DETERMINATION OF FULL AND TRUE VALUE BY DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS. To determine the equalized percentage to be applied to basic need under sec. 21 of this chapter, and the matching ratio for required local effort under sec. 71 of this chapter, the Department of Community and Regional Affairs, in consultation with the assessor for each district, shall determine the full value of the taxable real and personal property in each district. Exemptions granted under ch. 129, SLA 1957, known as the Alaska Industrial Incentive Act (AS 43.25), shall be honored. If there is no local assessor or current local assessment for a district, then the Department of Community and Regional Affairs shall make the determination of full value from information available. In making the determination, the Department of Community and Regional Affairs shall be guided by AS 29.53.060. The determination of full value shall be made before October 1 and sent by certified mail, return receipt requested, before that date to the president of the school board in each district. Duplicate copies shall be sent to the commissioner. The governing body of the borough or city which is the district may obtain judicial review of the determination by filing a motion in the superior court of the judicial district in which the district is located within 30 days after receipt of the determination. The superior court may modify the determination of the Department of Community and Regional Affairs only upon a finding of abuse of discretion or upon a finding that there is no substantial evidence to support the determination.

1 only to persons imprisoned for crimes committed on or after the effective
2 date of this Act.

3 (e) AS 33.20.010, as re-enacted in sec. 17 of this Act, applies to
4 persons serving terms of imprisonment in state correctional institutions
5 or after the effective date of this Act, but is not retroactive in ap-
6 plication.

7 (f) Sections 1 - 12 of this Act do not apply to or govern the con-
8 struction of and punishment for any offense committed before the effective
9 date of this Act or the construction or application of any defense to
10 prosecution for the offense. An offense shall be construed and punished
11 according to the law existing at the time of the commission of the offense
12 in the same manner as if this Act had not become law.

13 * Sec. 24. AS 12.55.088, enacted in sec. 12 of this Act, changes
14 Rule 35 of the Alaska Rules of Criminal Procedure by defining additional
15 circumstances without regard to time limit wherein a defendant's sentence
16 may be modified or reduced.

17 * Sec. 25. This Act takes effect January 1, 1980.
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-120-

28 Approved by the Governor: July 17, 1978
29 Actual Effective Date: January 1, 1980
30



LAWS OF ALASKA

Source

HCSSB 351

Chapter No.

167

AN ACT

relating to the housing programs of public corporations of the
state; and providing for an effective date.

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

* Section 1. AS 18.56.030 is repealed and re-enacted to
read:

Sec. 18.56.030. CORPORATION GOVERNING BODY. (a) The
corporation shall be governed by a board of directors. The
board of directors of the corporation consists of the
commissioner of the Department of Commerce and Economic
Development and six members appointed by the governor.

(b) Members appointed by the governor serve for
three-year terms. The terms of two members appointed by
the governor expire on April 30 annually.

(c) If a vacancy occurs among the public members
appointed by the governor, the governor shall make an
appointment, to become effective immediately, for the
unexpired portion of the term.

(d) Members of the board of directors serve without
compensation except that each member may be reimbursed by
the corporation for actual and necessary expenses at the
same rate as set out in AS 39.20.180.

* Sec. 2. AS 18.56.050 is amended to read:

Sec. 18.56.050. ADMINISTRATION OF AFFAIRS. The board
shall manage the assets and business of the corporation and
may prescribe, amend and repeal bylaws and regulations
governing the manner in which the business of the corpora-
tion is conducted and the manner in which its powers are
exercised. The board shall delegate supervision of the

Chapter

Chapter 71

ties in place of dollar matching up to 50 per cent of its annual requests. The commissioner shall determine when local resources are insufficient to allow the community to match the amount of state aid requested under (a) of this section, and shall approve the reasonableness of the value assigned the donations by the fair.

(d) Premiums and prizes that qualify for listing for allocation purposes under this section shall be those paid for exhibits and educational contests, displays, and demonstrations of an educational nature. This does not include prizes or premiums for promotion or entertainment activities such as queen contests, parades, dances, rodeos, or races. A listing of fund allocations under this section containing the names of all premium and prize winners, including the amount and value of all awards, shall be maintained by the fair association.

* Sec. 3. AS 03.20.080 is amended by adding a new paragraph to read:

(2) "agricultural and industrial fair" means a fair, the major focus of which is displays, exhibitions, demonstrations, contests or promotions of agricultural or industrial concern to the region in which the fair is located, or any fair which, before the effective date of this Act, has received a grant under this chapter.

* Sec. 4. This Act takes effect July 1, 1980.



Source

FCCSHB 20

LAWS OF ALASKA

Chapter No.

72

AN ACT

Relating to state loan programs and the loan programs of state agencies; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 10

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: May 31, 1979
Actual Effective Date: June 1, 1979; Sections 1, 3, 5, 7, 9,
10 and 13 retroactive to July 1, 1978



LAWS OF ALASKA

Source

FCCSSB 1

Chapter No.

106

AN ACT

Relating to state loan programs, state mortgage programs, and state revenue bonding programs; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 10

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: June 20, 1980

Actual Effective Date: Sections 1 - 12, 15 - 41, 43 - 48, 51, 53 - 77, and 79 - 83 take effect June 21, 1980 with section 7 retroactive to June 19, 1976; sections 13, 49 and 52 take effect July 1, 1980; sections 42 and 78 take effect August 20, 1980; sections 14 and 50 take effect on the effective date of an amendment to the state constitution providing for legislative confirmation of appointments as provided in those sections.

Chapter 114

(1) Except as provided in (j) of this section, an individual is not eligible for extended benefits for a week of unemployment if

(1) the individual files a claim for extended benefits which are payable under this chapter for that week;

(2) the claim is an interstate claim filed in any state in accordance with the interstate benefit payment arrangement under AS 23.20.085; and

(3) an extended benefit period is not in effect for the week in the state in which the interstate claim is filed.

(j) Subsection (1) of this section does not apply to the first two weeks for which extended benefits are payable to an individual (determined without regard to (1) of this section) under an interstate claim filed in accordance with AS 23.20.085.

* Sec. 7. Section 1 of this Act is retroactive to January 1, 1981.



LAWS OF ALASKA

Source

FCCSSB 148

Chapter No.

115

AN ACT

Relating to state loan programs under the Alaska Housing Finance Corporation, the Department of Community and Regional Affairs, and the Alaska Industrial Development Authority; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 12

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Chapter 112

the state to work as an independent contractor or a person who is in the custody of the state.

* Sec. 19. AS 39.25 is amended by adding a new section to article 6 to read:

Sec. 39.25.178. EMPLOYEE POLITICAL RIGHTS. A state employee may

(1) be a member of a national, state, or local political party;

(2) take part in a political campaign;

(3) express political opinions; however, while engaged in official business, a state employee may not display or distribute partisan political material;

(4) register party preference;

(5) serve as a voting or nonvoting delegate to a party convention;

(6) be appointed, nominated, or elected to nonpartisan public office in a local government unit; and

(7) make contributions to a political party or a candidate for public office.

* Sec. 20. AS 39.25.180 is repealed.

* Sec. 21. This Act takes effect July 1, 1982.



LAWS OF ALASKA

Source

CCSSB 666

Chapter No.

113

AN ACT

Relating to certain state loan and grant programs; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINE MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: June 24, 1982
Actual Effective Date: Sections 1 - 20, 24 - 27, 32 - 72 and 74 take effect June 25, 1982; sections 21 - 23 and 28 - 30 take effect on the date of approval by the voters of the state of a constitutional amendment to art. IX, sec. 8 of the Constitution of the State of Alaska to allow the state to contract debt for housing loans for veterans; section 31 takes effect January 1, 1983; and section 73 takes effect on the day after the transfer of funds by the Alaska Industrial Development Authority to the state general fund is made under sec. 69(j) of this chapter, or, if there are no funds available to make the transfer, on the 61st day after all multifamily housing loans that have been made from the multifamily housing loan account of the enterprise development fund of the Alaska Industrial Development Authority are discharged or are considered to be discharged under sec. 69(i) of this chapter.

Chapter 127

January 9, 1984, [THE PROVISIONS OF AS 14.17 NOTWITHSTANDING,] the amount of [BASIC] state aid to each school district and regional educational attendance area under the public school foundation program [AS CALCULATED BY FISCAL YEAR 1984 REVISED AVERAGE DAILY MEMBERSHIP CALCULATIONS,] beginning in fiscal year 1985, shall be the amount set out in sec. 6 of this Act, multiplied by the average daily membership reported by the district under AS 14.17.170 for fiscal year 1984, with a cost-of-living adjustment of four percent. The state aid for fiscal year 1985 shall also be adjusted to reflect the revised average daily membership reported by the district under AS 14.17.170 for fiscal year 1985 [ADJUSTED AND IDENTIFIED IN JANUARY 1984 TO REFLECT THE CHANGE IN THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS FOR THE ANCHORAGE METROPOLITAN AREA COMPILED BY THE BUREAU OF LABOR STATISTICS, UNITED STATES DEPARTMENT OF LABOR IN JANUARY 1984, FOR THE PRECEDING TWELVE-MONTH PERIOD. THE INDEX FOR JANUARY 1983 IS THE REFERENCE INDEX].

* Sec. 3. If the appropriations for state aid to school districts are insufficient to meet the allocations authorized under this Act for fiscal year 1985, the available funds shall be distributed on a pro rata basis among school districts.

* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).



LAWS OF ALASKA

Source

SCS CSHB 663(Fin) am S

Chapter No.

128

AN ACT

Relating to certain state housing loan programs; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: June 21, 1984
Actual Effective Date: July 1, 1984

Keep

February 1, 1990

Repr. C. E. Swackhammer
Alaska Housing Finance Task Force
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Dear Repr. Swackhammer,

We are residents and owners of units in Greentree Village Condominium in Independence Park in south Anchorage, which is a project of 48 units. The Greentree Village Condominium Association, Inc. is one of 21 plaintiff condominium associations involved in a suit against the Alaska Housing Finance Corporation (AHFC). We are writing to you to express our concern about the condition of the condominium housing market.

As background information for our comments, prior to 1980, AHFC was a small player in the mortgage market. It made about 20% of the loans in the state. Its programs were primarily for lower and middle income individuals. The statute that controlled AHFC, known as the General Mortgage Loan Purchase Program, (AS 18.56.) prohibited AHFC from denying loans - except for mobile homes - based on owner/occupancy. This statute is still valid.

In 1980, the Legislature created what was known as the Special Mortgage Loan Purchase Program when it enacted AS 18.56.098. The statute enabled AHFC to issue its bonds through the Federal National Mortgage Association (FNMA). Prior to that date, AHFC issued its own bonds exclusively and its programs were tailored to Alaskan needs. FNMA's programs are the same throughout the nation. Consequently, AHFC's programs became increasingly standardized. Additionally, AHFC was given a great deal of money to invest. The earnings from this money were used to subsidize the interest rates on all loans and to fund programs, such as the HOF Program. By statute, the subsidy would reduce interest rates on a typical loan by up to 3% when rates were above 10%. Since rates were high in the early 80's, AHFC's subsidized loans quickly drove almost everyone out of the mortgage market.

The net effect on AHFC has been that it is largely uninterested in making loans other than those that meet FNMA or Federal Home Loan Mortgage Company (FHLMC) guidelines. Since the loans are sold without recourse to those institutions, FNMA or FHLMC bear any loss in the event of a foreclosure. Thus, AHFC

has no incentive to finance loans that do not conform to those institutions' guidelines. The owner/occupancy ratio of AHFC is, in fact, a FHLMC guideline.

We feel that the principle focus of the Task Force should be to determine how to amend the laws governing AHFC so as to make it more responsive to our needs. Basically, we see three choices: (1) leave AHFC as it is; (2) repeal the Special Mortgage Loan Program and, thus, in effect, cut AHFC down to what it was in the 70's; or (3) repeal the subsidy and hope that AHFC becomes more competitive and develops programs tailored to Alaska's needs.

The decision of how to restructure AHFC is yours, but please consider amending Title 18.56 by prohibiting AHFC from refusing to finance a loan to an otherwise creditworthy owner/occupant based on the project's owner/occupancy ratio.

We all are aware of the magnitude of the problem. In September, AHFC's statewide list of condominiums showed about 40 projects eligible for financing, about the same number were conditionally approved for financing, while 243 projects were ineligible for financing. Investors have been able to purchase units in bulk sales at bargain basement prices (between 10-15% of the original sales price). In the near future, a bulk sale by AHFC's insurer to a single investor, of 19 units of the Greentree Village Condominium, will close. Just assuming that only those 19 units, out of the total 48 units in our project, will be investment rentals, then 39.6% of the project will be nonowner occupied units. This 39.6% figure does not include the individual sales to investors for rental purposes, which would obviously increase the percentage. Through no fault of their own, or of the Association, the owner/occupants of Greentree Village are prisoners in their units because Greentree Village Condominium does not qualify, or will it be eligible in the foreseeable future for AHFC financing under the owner/occupancy rule as it currently stands.

Our condominium Declaration and the law provides that the Association cannot substantially restrict the leasing of units. Additionally, not only does the FNMA form condominium rider, which was attached to most AHFC mortgages, prohibits unit owners from voting for any amendment to the condominium documents that would in any way adversely affect a mortgagee's security, our Association is further restricted because it must obtain the consent of 100% of the mortgagees in order to materially amend the declaration. The owner/occupancy ratio is unfair to current owner/occupants of units who may want to sell their units but are unable to do so because the project is ineligible for AHFC financing.

It is our opinion that the condominium market will not recover until the owner/occupancy problem is resolved. Thank you for your consideration.

Very truly yours,
GREENTREE VILLAGE CONDOMINIUM
ASSOCIATION BOARD OF DIRECTORS

By: Mary Rubeta Todd
President

cc: Alaska Housing Finance
Task Force Committee
Members



ALASKA

16th
LEGISLATURE

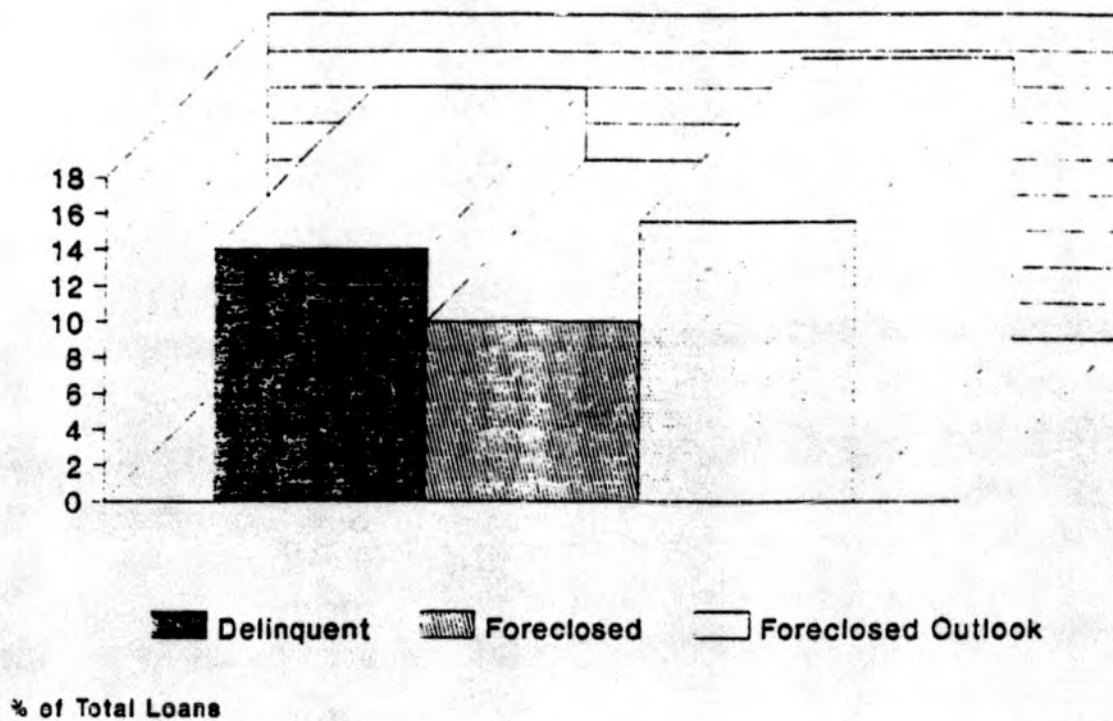
State Loan Programs

Presentation

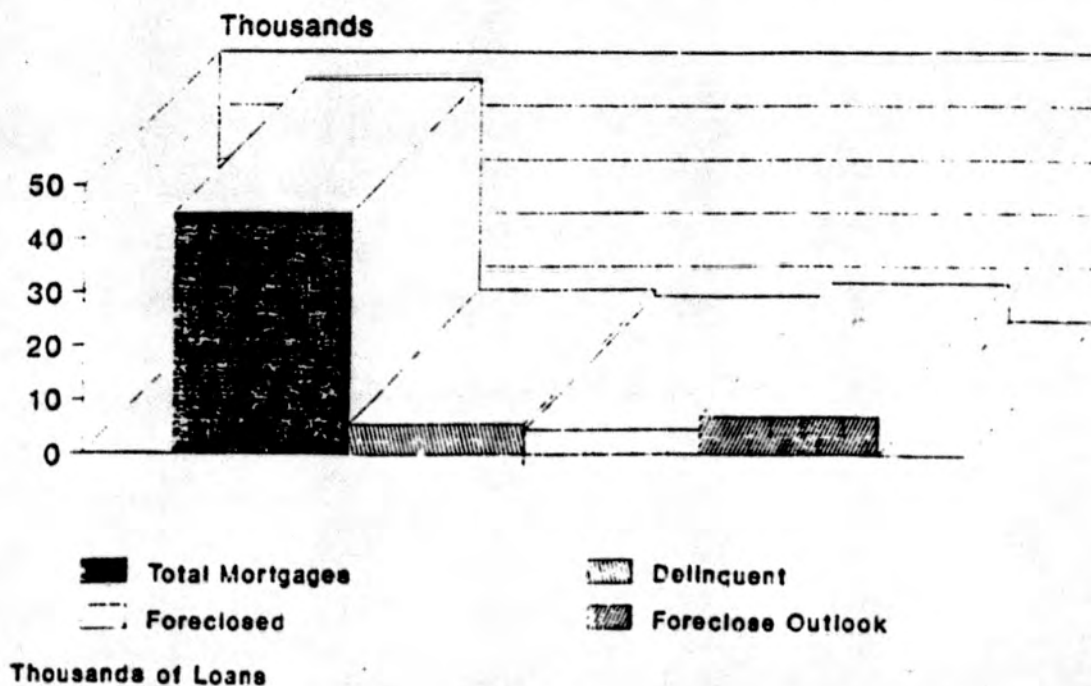
HOUSE FINANCE COMMITTEE

REP. C.E. SWACKHAMMER

AHFC Non-Performing



AHFC Status Comparison



AHFC OVERVIEW AND RECOMMENDATION

DISCUSSION

- * AHFC has received \$1.03 billion in direct state appropriations since 1981. It's total assets, \$5.8 billion, are second only to the Permanent Fund. AHFC holds a total of 44,815 mortgage loans throughout the state so any policy decision affects a tremendous number of people.
- * If AHFC continues to proceed with "business as usual" it is headed for insolvency. Loan receipts do not equal operations and debt service. The corporation is living off it's earnings on investments. A five year liquidity projection produced by AHFC itself shows it's liquid assets declining by 30%.
- * Changes must take place to prevent the AHFC situation from worsening. Because of the size of the corporation and it's dominance in the already precarious housing market any changes to the corporation must be well thought out and implemented carefully over a three to five year period.
- * A third party must be brought in to perform a professional business valuation on the Corp. as well as an analysis of the segments of the corp. and the profitability of each.
- * Legislative staff as well as AHFC personnel must be involved to identify options and develop a long term plan that effectively refocuses AHFC on it's original purpose of providing mortgage funds to low and moderate income people. AHFC must reduce it's presence in the housing market to allow for a more diverse supply of capital from the private sector to service the mortgage demand.

AHFC OVERVIEW AND RECOMMENDATION

OPTIONS:

Restructure:

Provide for the state to receive a return on its investment equivalent to an annual dividend or interest payment. This would recognize the state's \$1 billion investment in AHFC and the fact that AHFC has retained earnings of more than \$500 million. Investment of this money would have returned at least % if it had been managed by the state treasury or been deposited in the Permanent Fund during the same period.

Downsize:

Reduce AHFC presence in the real estate market by returning AHFC to its original purpose of providing mortgage funds to low and moderate income people only. The original purpose also focused on servicing remote, blighted, and underdeveloped areas. A lower profile for AHFC would allow for a more diverse supply of capital to meet mortgage demand.

Phase Out:

Slowly remove AHFC from the market altogether allowing other sources to replace it entirely. The first step would be to reduce and finally eliminate interest rate subsidies. This would also involve step-by-step termination of certain specialized programs within AHFC.

Privatize:

Keep AHFC intact as a corporation but transfer it to private ownership. This could be accomplished through a series of public stock offerings, through a negotiated sale or by auction. This would entail transfer of some assets to other state entities prior to any sale transaction.

AHFC OVERVIEW AND RECOMMENDATION

IMPLICATIONS:

- * AHFC, the state, and the Alaska real estate market will be affected by each of the options outlined. The implications promise to be complex and far-reaching because of the depth and breadth of AHFC's involvement in the Alaska real estate market.
- * In order to determine the short-term and long-term implications of options for change, an intensive review of AHFC operations will be necessary. Expert assistance from the mortgage banking and investment banking communities as well as from federal mortgage program specialists will be required.
- * Restructure, downsizing, and phase out will require statutory revisions and have legal implications with regard to the bond market.
- * The privatization option presents a particular challenge because of the magnitude of AHFC assets and liabilities. With assets of \$5.8 billion and liabilities of \$4 billion only the Permanent Fund is larger. Transfer to private ownership will require long-term effort including:
 1. Market review
 - obtain free advice from knowledgeable sources
 - previous AHFC underwriters
 - AHFC bond counsel/financial advisor
 - other experienced consultants
 - engage consultant to perform market review
 - up to \$50,000 for report on options
 - market only, not AHFC specific
 - analysis of comparable transactions
 2. AHFC Valuation
 - engage investment banking or securities firm
 - estimated cost \$200,000 to \$1 million
 - estimated timeframe 6 to 12 months
 - determine sale price of AHFC
 - analyze profitability of programs and operations
 - identify potential buyers
 - strategies for sale
 - public stock offering
 - separate sale of segments/assets
 - sale of entire entity
 - merger (FannieMae etc.)

AHFC OVERVIEW AND RECOMMENDATION

RECOMMENDATION

A working group consisting of legislative staff, AHFC personnel, and outside consultants should be formed to work through the interim. The group's task will be to develop a long range plan to restructure AHFC. The plan will provide clear direction on implementing changes over a three to five year period.

Legislative staff will focus on developing a realistic long range plan. This staff will work on legislation and statutory revisions necessary to implement agreed upon changes.

AHFC personnel will provide the corporation's perspective and to assist in developing workable options.

Outside consultants are necessary to provide objective, expert assistance pertinent to investment and mortgage banking as well as federal mortgage programs.

STATE LOAN PROGRAMS

HOUSING ASSISTANCE REVOLVING LOAN FUND

This loan program's objective is to ensure that rural Alaskans have access to safe, affordable housing of good quality through the provision of loan funds to the private sector. To meet this objective, the Housing Assistance division underwrites loans that focus on the development of rural housing.

In addition to underwriting loans through local financial institutions, the loan program has seven regional offices. These offices are located in Anchorage, Juneau, Bethel, Dillingham, Nome, and Kotzebue. These offices administer the regional programs as well as implement other state programs.

(In Thousands of Dollars)

FY89 Balance	3.004.9
FY90 Income	25,936.1
FY90 Loan Demand	-26,001.0
FY90 Operating	-2,932.7
FY90 Available Balance	7.3

STATE LOAN PROGRAMS

RESIDENTIAL ENERGY CONSERVATION REVOLVING LOAN FUND

The purpose of this loan program is to promote the conservation of energy resources by providing long-term low interest loans for the purchasing, constructing, or installing of energy conservation improvements in residential buildings.

No new loans are currently being processed due to restricted funds.

(In Thousands of Dollars)

FY89 Balance	19.4
FY90 Income	602.5
FY90 Loan Demand	0
FY90 Operating	-278.5
FY90 Available Balance	343.4

DEPT C + EcD

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

SOLDOTNA
312 TYEE STREET
SOLDOTNA, ALASKA 99699
(907) 262-7841

JUNEAU
BOX V
JUNEAU, ALASKA 99811
(907) 465-2689

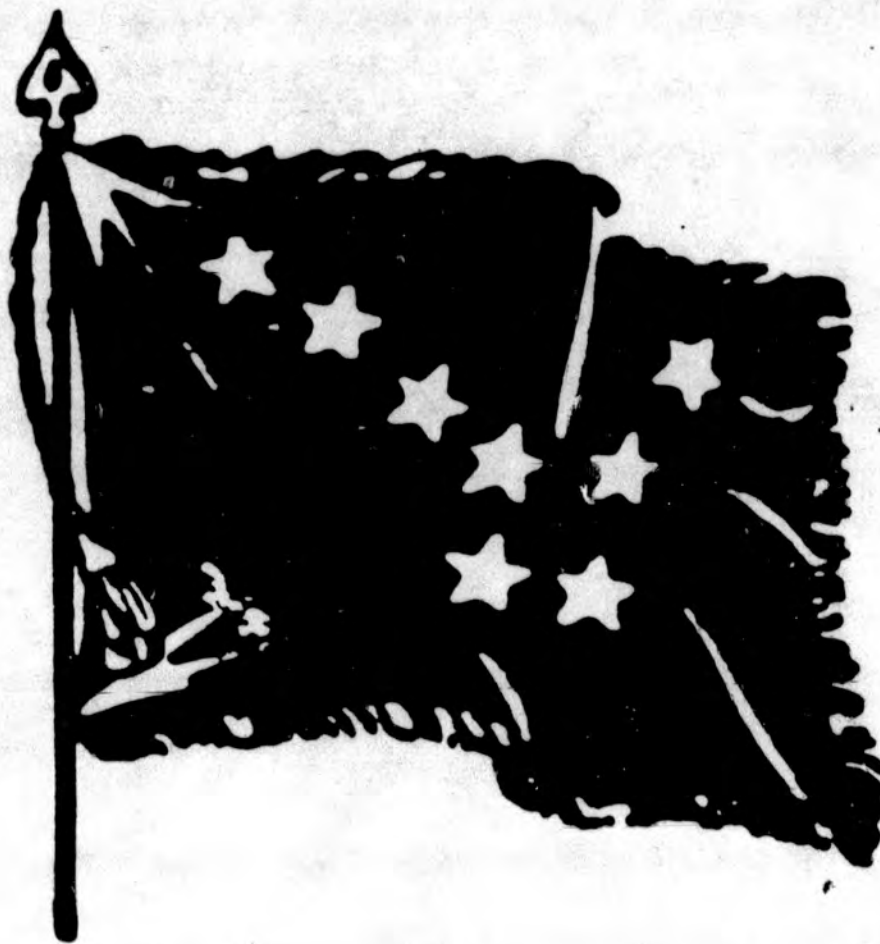
MEMORANDUM

TO: Membership, Housing Finance Task Force
FROM: Rep. C.E. Swackhammer, Chair, HPTF
DATE: August 18, 1989
TOPIC: State Veteran's Loans

Attached is the loan "packet" used for state veterans wishing to attain mortgages through the state loan program.

As noted, it is through the Dept. of Commerce and Economic Development, Division of Investments. Included in the packet are policies and procedures.

veterans loan assumptions



Loan
Application

State of Alaska
Department of
Commerce and
Economic
Development
Division of
Investments

FIELD OFFICES

All applications must be submitted to the Department of Commerce and Economic Development, Division of Investments, at one of the following offices:

: Division of Investments
P.O. Box DI
Juneau, Alaska 99811
Telephone Number: (907) 465-2510

Division of Investments
3601 "C" Street, Suite 778
Anchorage, Alaska 99503
Telephone Number: (907) 562-3779

**STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS**

**LOAN POLICIES AND PROCEDURES
VETERANS' ASSUMPTIONS
AS 26.15.010-.170**

LOAN PURPOSES

In accordance with AS 26.15.040(e) as amended by the 1982 Legislature, existing single family, multiple dwelling, and small business loans approved under AS 26.15 may be assumed by qualified applicants at the existing interest rate.

All assumptions are without release of the original borrower; assumption of a loan does not release the original borrower from liability under the original note.

ELIGIBILITY

Qualified applicants who are 18 years old or older may assume existing veterans' loans. Veterans' personal loans are not assumable.

LOAN TERMS

Existing veterans' loans are assumable at the original rate of interest and under the original loan terms. No assumption will be approved which will cause the total of all indebtedness made under AS 26.15.010-.170 to exceed \$125,000.

PURCHASE AGREEMENT

An earnest money agreement, showing terms of purchase, legal description, location of property, and original signed full names of sellers and buyers must be included with this application. The agreement should extend minimum of 30 days past the application date.

LOAN CLOSING

All approved assumptions must be closed by a title insurance company.

LOAN APPROVAL

Authority for approval of all assumptions rests with the loan committee appointed by the Commissioner of the Department of Commerce and Economic Development. The loan committee will independently evaluate all relevant information before taking action on assumption applications. The committee may also consider, but is not bound by, the recommendations of the loan examiner assigned to process the application. No assumption will be granted without approval of a majority of the loan committee.

LOAN COSTS

The borrower shall pay all direct costs incurred by the State in processing the application for an assumption, including, but not limited to, the cost of credit reports, title insurance, inspection expenses, or other direct costs. The State is not liable for any costs incurred by the borrower during the application process.

1. An application fee (nonrefundable) in the form of a check or money order for \$25 made payable to the State of Alaska must accompany the application.
2. A credit report fee (nonrefundable) in the form of a check or money order for \$25 made payable to the State of Alaska must accompany the application.
3. If your application is approved, an assumption fee of $\frac{1}{2}$ of one percent of the loan amount being assumed will be due at closing.

REGULATIONS

The Department of Commerce and Economic Development has adopted administrative regulations governing loan policies and procedures, and public disclosure of information in an individual loan file. Copies of these regulations may be obtained by contacting the Division of Investments.

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

**VETERANS' ASSUMPTION APPLICATION
CHECK-OFF LIST**

The following information is required in order to process your application. Please use this list to make sure all information is submitted (incomplete applications will not be accepted). Please retain a copy of this application for your records.

- _____ 1. **Application for Veterans' Assumption:** Be sure the form has been completed and signed. If a partnership or corporation, each individual must submit an application. (pages 5 and 6)
- _____ 2. **Nonrefundable Application Fee:** You must include a check or money order for \$25.
- _____ 3. **Nonrefundable Credit Report Fee:** You must include a check or money order for \$25.
- _____ 4. **Individual Financial Statement.** (pages 7 and 8)
- _____ 5. **Business Financial Statement.** (pages 9 and 10)
- _____ 6. **Credit Authorization:** Each form must be completed and signed. (page 11)
- _____ 7. **Authorization to Verify Financial Information.** (page 13)
- _____ 8. **Employment Verification.** (page 15)
- _____ 9. **Earnest Money Agreement:** The agreement with original signatures by all parties must explain all terms and conditions of the transaction and should extend a minimum of thirty days past the application date.
- _____ 10. **Federal Tax Returns:** Include signed copies of your federal income tax returns for the last three years. You must also submit tax returns for individuals owning 10% or more of the corporation, as well as the corporation's returns. Do not send original documents as they will not be returned. Tax returns must be filed with the I.R.S.
- _____ 11. **Child Support Verification:** This form must be completed by all persons who apply for a veterans loan assumption, including co-borrowers and spouses. Complete Part I of the form (page 17) and return it with your application package. Any person found to have a past due child support obligation is not eligible for a loan.

**STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS**

APPLICATION FOR VETERANS' ASSUMPTION LOAN

Applicant: Name (Last, First, M.I.)			Current Date
			Social Security Number
Mailing Address (Street/P.O. Box, City, State, Zip Code)			Applicant's Telephone Number ()
			Date of Birth
			Place of Birth (city and state)
Applicant's Employer	Occupation/Position	How Long? Yrs. Mos.	Employer's Telephone Number ()
☐ Married (including separated) ☐ Unmarried (including single, divorced, widowed)	Number of Dependents (excluding Applicant)		Gross Monthly Salary (before deductions)

Applicant: Business Name	☐ Individual ☐ Business ☐ Partnership ☐ Corporation	Taxpayer Identification Number
Mailing Address (Street/P.O. Box, City, State, Zip Code)		Business Telephone Number ()

Spouse/Co-Applicant: Name (Last, First, M.I.)			Social Security Number
			Date of Birth
Mailing Address (Street/P.O. Box, City, State, Zip Code)			Place of Birth (City and State)
			Gross Monthly Salary (before deductions)
Spouse/Co-Applicant's Employer	Occupation/Position	How Long? Yrs. Mos.	Employer's Telephone Number ()

Nearest Relative not living with you/Contact Person: Name (Last, First, M.I.)	Telephone Number ()
Mailing Address (Street/P.O. Box, City, State, Zip Code)	Put your nearest relative not living with you or a contact person who knows how to reach you when your current mailing address or telephone number may have changed.
Title Company	
Mailing Address (Street/P.O. Box, City, State, Zip Code)	Telephone Number ()
Please list the title company you wish to close the loan if this application is approved.	
I wish to assume a loan presently in the name of	
Loan Number	Estimated Loan Balance

Have you ever obtained a veterans' loan through the State of Alaska Department of Commerce and Economic Development?

☐ Yes ☐ No

If yes, complete the following:

Date Loan Received	Amount	Current Balance

I certify under penalty of perjury that all of the information contained in this application and any attachments to it is true, accurate and complete. I am aware that the maximum penalty for perjury, a Class B felony under AS 11.56.200(c), is a fine of up to \$50,000 (AS 12.55.035(b)(2)) and imprisonment for up to 10 years (AS 12.55.125(d)).

I agree that if any information contained in this application and attachments is false, inaccurate or incomplete, the division will deny the application. I also agree that if I receive a loan based on this application and attachments and any information contained in this application and attachments is later determined to be false, inaccurate or incomplete, then the loan will be cancelled and I will be immediately liable to repay the total I owe. I further agree that if any application submitted to the division is denied or if a loan that has been made is cancelled due to false, inaccurate, or incomplete information, I will no longer be eligible for any future benefits under the Veterans' Assumption Program.

Date

Signature

Date

Signature

Corporate Applicants Must Complete the Following Section

MANAGEMENT OF CORPORATION

- (1) Names of all officers, directors and their annual compensation, including salaries, bonuses, fees, withdrawals, etc.
(2) Stockholders not otherwise listed—(five largest).
(3) For each stockholder owning 10% or more of the stock include a current financial statement and three (3) credit authorizations.

Name and Address	Annual Compensation	Office Held	Percent Ownership

On behalf of the corporation, I certify under penalty of perjury that all of the information contained in this application and any attachments to it is true, accurate and complete. I am aware that the maximum penalty for perjury, a Class B felony under AS 11.56.200(c), is a fine of up to \$50,000 (AS 12.55.035(b)(2)) and imprisonment for up to 10 years (AS 12.55.125(d)).

I agree that if any information contained in this application and attachments is false, inaccurate or incomplete, the division will deny the application. I also agree that if I receive a loan based on this application and attachments and any information contained in this application and attachments is later determined to be false, inaccurate or incomplete, then the loan will be cancelled and I will be immediately liable to repay the total I owe. I further agree that if any application submitted to the division is denied or if a loan that has been made is cancelled due to false, inaccurate, or incomplete information, I will no longer be eligible for any future benefits under the Veterans' Assumption Program.

The State is authorized to obtain any and all credit reports and verification needed to evaluate this application, and the cost of obtaining these reports will be paid by the applicant.

Name of Corporate Applicant

Date

Authorized Signature

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

**VETERANS' ASSUMPTION
FINANCIAL STATEMENT (Individual)**

Name		Social Security Number	Date	
Mailing Address		City	State	Zip
The undersigned makes the following statement of financial condition as of _____ day of _____, 19____				
ASSETS		LIABILITIES	Monthly Payments	Balance Owning
Cash in Bank	\$	Real Estate (Schedule 3)	\$	\$
Cash on hand		Notes Payable (Schedule 4)		
Notes/Accounts receivable (Schedule 1)		Accounts payable		
U.S. bonds or notes		Other Liabilities		
Mortgages and contracts (Schedule 1)				
Securities (Schedule 2)				
Value of Real Estate Owned (Schedule 3)				
Automobile		Credit Cards		
Personal Property				
Other assets (itemize)				
		TOTAL MONTHLY PAYMENTS	\$	
		TOTAL LIABILITIES		\$
TOTAL ASSETS	\$	NET WORTH		\$

CONTINGENT LIABILITIES		
☐ Yes	Are you a co-maker, endorser, or guarantor on any loan or contract?	Amount \$ _____
☐ No	If "yes" to whom?	
☐ Yes	Are there any unsatisfied judgments against you?	Amount \$ _____
☐ No		
☐ Yes	Have you filed for bankruptcy in the last 14 years?	Year _____
☐ No		
Other Obligations: Child Support, Alimony, etc.		

MONTHLY BUDGET

Total Salary (Applicant and Co-Applicant) After Deductions.....	\$	
Other Income.....	\$	
Total Installment Payments (See Liability Section Above).....	\$	
Utilities	\$	
Food Allowance.....	\$	
Auto Expense.....	\$	
Insurance.....	\$	
Medical Expenses.....	\$	
Other (describe).....	\$	
TOTAL MONTHLY EXPENSES.....	\$	
SURPLUS MONTHLY INCOME.....	\$	

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

**VETERANS' ASSUMPTION
FINANCIAL STATEMENT (Individual)**

Name		Social Security Number	Date	
Mailing Address		City	State	Zip

The undersigned makes the following statement of financial condition as of _____ day of _____, 19_____.

ASSETS		LIABILITIES	Monthly Payments	Balance Owning
Cash in Bank	\$	Real Estate (Schedule 3)	\$	\$
Cash on hand		Notes Payable (Schedule 4)		
Notes/Accounts receivable (Schedule 1)		Accounts payable		
U.S. bonds or notes		Other Liabilities		
Mortgages and contracts (Schedule 1)				
Securities (Schedule 2)				
Value of Real Estate Owned (Schedule 3)				
Automobile		Credit Cards		
Personal Property				
Other assets (itemize)				
		TOTAL MONTHLY PAYMENTS	\$	
		TOTAL LIABILITIES		\$
TOTAL ASSETS	\$	NET WORTH		\$

CONTINGENT LIABILITIES		
☐ Yes	Are you a co-maker, endorser, or guarantor on any loan or contract?	Amount \$ _____
☐ No	If "yes" to whom?	
☐ Yes	Are there any unsatisfied judgments against you?	Amount \$ _____
☐ No		
☐ Yes	Have you filed for bankruptcy in the last 14 years?	Year _____
☐ No		
Other Obligations: Child Support, Alimony, etc.		

MONTHLY BUDGET		
Total Salary (Applicant and Co-Applicant) After Deductions.....	\$	
Other Income.....	\$	
Total Installment Payments (See Liability Section Above).....	\$	
Utilities	\$	
Food Allowance.....	\$	
Auto Expense.....	\$	
Insurance.....	\$	
Medical Expenses.....	\$	
Other (describe).....	\$	
TOTAL MONTHLY EXPENSES.....	\$	
SURPLUS MONTHLY INCOME.....	\$	

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

**VETERANS' ASSUMPTION
FINANCIAL STATEMENT (Business)**

Name		Taxpayer Identification No.		Date	
Mailing Address		City		State	Zip
The undersigned makes the following statement of financial condition as of _____ day of _____, 19____					
ASSETS		LIABILITIES		Monthly Payments	Balance Owing
Cash in Bank	\$	Real Estate (Schedule 3)	\$		\$
Cash on hand		Notes Payable (Schedule 4)			
Notes/Accounts receivable (Schedule 1)		Accounts payable			
Less: Reserve for bad debts		Employer taxes payable			
U.S. bonds or notes		Other taxes payable			
Mortgages and contracts (Schedule 1)		Other liabilities (itemize)			
Securities (Schedule 2)					
Value of Real Estate Owned (Schedule 3)					
Machinery, furniture and fixtures		TOTAL LIABILITIES	\$		\$
Less: Depreciation		Capital Stock			
Prepaid expenses		Paid-in Surplus			
Other assets (itemize)		Retained Earnings			
TOTAL ASSETS	\$	NET WORTH			\$

CONTINGENT LIABILITIES		
☐ Yes ☐ No	Are you a co-maker, endorser, or guarantor on any loan or contract? If "yes" to whom?	Amount \$ _____
☐ Yes ☐ No	Are there any unsatisfied judgments against you?	Amount \$ _____
☐ Yes ☐ No	Have you filed for bankruptcy in the last 14 years?	Year _____
Other Obligations:		

SCHEDULE NO. 1: NOTES RECEIVABLE/ACCOUNTS RECEIVABLE, MORTGAGES AND CONTRACTS OWNED

Description	Name of Debtor	Original Balance	Present Balance	Monthly Payment	Amount Past Due

SCHEDULE NO. 2: SECURITIES

Number of Shares	Description	To Whom Pledged	Market Value	Cost	Income Received Last Year

SCHEDULE NO. 3: REAL ESTATE OWNED

Description and Location (Street, City, State)	Date Acquired	Cost	Current Assessed Value	Mortgages					
				Name and Address of Bank	Current Market Value	Original Balance	Present Balance	Payment Amount	
								Monthly	Annual

Is any real estate being purchased on a contract of sale? _____ If so, which one? _____
from whom? _____

SCHEDULE NO. 4: NOTES PAYABLE (Do not include mortgages listed in Schedule 3)

Name and Address of Bank	Collateral	Date Incurred	Original Amount	Present Amount	When Due	Payment Amount	
						Monthly	Annual

Have you ever received a loan from the State? ☐ Yes ☐ No

If yes, please complete the following:

Loan Number	Loan Type	Date Received	Paid in Full (Yes or No)

In submitting the foregoing statement the undersigned applicant guarantees its accuracy with the intent that it be relied upon by the division in extending credit to the applicant and warrants that information has not knowingly been withheld that might affect the applicant's credit risk; and that the applicant agrees to notify the division immediately in writing of any material change in the applicant's financial condition.

Signature _____ Title _____ Date _____
Signature _____ Title _____ Date _____

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

CREDIT AUTHORIZATION

URGENT
Please Reply
Within 48 Hours
LOAN PENDING

I, _____, of _____
(Print full name) (City and State)

authorize the following named creditor to divulge to the Department of Commerce and Economic Development, State of Alaska, any and all information concerning the nature of my credit transactions with them, including, but not limited to, the amount of credit extended, the terms and conditions of the transactions, the current balance, if any is outstanding, and the repayment record.

I understand that the information is of a confidential nature and will be used for the sole purpose of evaluating an application which I have submitted to the State.

NAME OF CREDITOR _____

ACCOUNT NUMBER _____

ADDRESS _____

CITY _____ STATE _____

ZIP CODE _____

APPLICANT'S SIGNATURE _____ DATE _____

This form should be returned with the application package. The division will forward all authorizations to the creditors.

Creditor Verification
(For creditor use only)

The above named applicant has applied for benefits from the State. To assist us in evaluating this application, we would appreciate any information you can give us regarding our applicant's credit rating. Information received will be considered confidential.

Date Account Opened	Maximum Credit Extended	Present Balance	Payments	Rating

Remarks _____

Signature of Creditor

Title

Date

Please return to:

☐
Division of Investments
P.O. Box 01
Juneau, Alaska 99811
Telephone: (907) 465-2510

☐
Division of Investments
3601 "C" St., Suite 778
Anchorage, Alaska 99503
Telephone: (907) 562-3779

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

CREDIT AUTHORIZATION

URGENT
Please Reply
Within 48 Hours
LOAN PENDING

I, _____, of _____
(Print full name) (City and State)

authorize the following named creditor to divulge to the Department of Commerce and Economic Development, State of Alaska, any and all information concerning the nature of my credit transactions with them, including, but not limited to, the amount of credit extended, the terms and conditions of the transactions, the current balance, if any is outstanding, and the repayment record.

I understand that the information is of a confidential nature and will be used for the sole purpose of evaluating an application which I have submitted to the State.

NAME OF CREDITOR _____

ACCOUNT NUMBER _____

ADDRESS _____

CITY _____ STATE _____

ZIP CODE _____

APPLICANT'S SIGNATURE _____ DATE _____

This form should be returned with the application package. The division will forward all authorizations to the creditors.

Creditor Verification
(For creditor use only)

The above named applicant has applied for benefits from the State. To assist us in evaluating this application, we would appreciate any information you can give us regarding our applicant's credit rating. Information received will be considered confidential.

Date Account Opened	Maximum Credit Extended	Present Balance	Payments	Rating

Remarks _____

Signature of Creditor

Title

Date

Please return to:

☐ Division of Investments
P.O. Box 61
Juneau, Alaska 99811
Telephone: (907) 465-2510

☐ Division of Investments
3601 "C" St., Suite 778
Anchorage, Alaska 99503
Telephone: (907) 562-3779

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

URGENT
Please Reply
Within 48 Hours
LOAN PENDING

CREDIT AUTHORIZATION

I, _____, of _____
(Print full name) (City and State)

authorize the following named creditor to divulge to the Department of Commerce and Economic Development, State of Alaska, any and all information concerning the nature of my credit transactions with them, including, but not limited to, the amount of credit extended, the terms and conditions of the transactions, the current balance, if any is outstanding, and the repayment record.

I understand that the information is of a confidential nature and will be used for the sole purpose of evaluating an application which I have submitted to the State.

NAME OF CREDITOR _____

ACCOUNT NUMBER _____

ADDRESS _____

CITY _____ STATE _____

ZIP CODE _____

APPLICANT'S SIGNATURE _____ DATE _____

This form should be returned with the application package. The division will forward all authorizations to the creditors.

Creditor Verification
(For creditor use only)

The above named applicant has applied for benefits from the State. To assist us in evaluating this application, we would appreciate any information you can give us regarding our applicant's credit rating. Information received will be considered confidential.

Date Account Opened	Maximum Credit Extended	Present Balance	Payments	Rating

Remarks _____

Signature of Creditor

Title

Date

Please return to:

☐
Division of Investments
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Anchorage, Alaska 99503
Telephone: (907) 562-3779

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

URGENT
Please Reply
Within 48 Hours
LOAN PENDING

AUTHORIZATION TO VERIFY FINANCIAL INFORMATION

I, _____, of _____,
(Print Full Name) (City and State)

authorize the following named financial institution to divulge to the Department of Commerce and Economic Development, State of Alaska, any and all information concerning the nature of my account balances and loan balances with them, including, but not limited to, the amount of credit extended, the terms and conditions of the transactions and the current balance, if any is outstanding.

I understand that the information is of a confidential nature and will be used for the sole purpose of evaluating an application which I have submitted to the State.

Name of Financial Institution _____

Checking Account Number _____ Savings Account Number _____

Loan Number _____ Loan Number _____

Address _____

City _____ State _____ Zip _____

Applicant's Signature _____ Date _____

This form should be returned with the application package. The division will forward all authorizations to the creditors.

BANK VERIFICATION OF FINANCIAL INFORMATION
(For Bank Use Only)

Checking Account: Current Balance _____ 6 Month Average _____ Date Account was opened _____	Savings Account: Current Balance _____ 6 Month Average _____ Date Account was opened _____	Other Account: Current Balance _____ 6 Month Average _____ Date Account was opened _____
---	--	--

Loans	Date	Original Balance	Payments	Current Balance	Rating
Secured					
Unsecured					

The information provided above is essentially correct as of this date and accurately reflects the individual's financial dealings with this institution.

Remarks _____

Signature of Bank Official _____

Title _____

Date _____

Please return to:

Division of Investments
P.O. Box 61
Juneau, Alaska 99811
Telephone: (907) 465-2510

Division of Investments
3601 "C" St., Suite 778
Anchorage, Alaska 99503
Telephone: (907) 562-3779

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

URGENT
Please Reply
Within 48 Hours
LOAN PENDING

AUTHORIZATION TO VERIFY FINANCIAL INFORMATION

I, _____ of _____
(Print Full Name) (City and State)

authorize the following named financial institution to divulge to the Department of Commerce and Economic Development, State of Alaska, any and all information concerning the nature of my account balances and loan balances with them, including, but not limited to, the amount of credit extended, the terms and conditions of the transactions and the current balance, if any is outstanding.

I understand that the information is of a confidential nature and will be used for the sole purpose of evaluating an application which I have submitted to the State.

Name of Financial Institution _____

Checking Account Number _____ Savings Account Number _____

Loan Number _____ Loan Number _____

Address _____

City _____ State _____ Zip _____

Applicant's Signature _____ Date _____

This form should be returned with the application package. The division will forward all authorizations to the creditors.

BANK VERIFICATION OF FINANCIAL INFORMATION
(For Bank Use Only)

Checking Account: Current Balance _____ 6 Month Average _____ Date Account was opened _____	Savings Account: Current Balance _____ 6 Month Average _____ Date Account was opened _____	Other Account: Current Balance _____ 6 Month Average _____ Date Account was opened _____
---	--	--

Loans	Date	Original Balance	Payments	Current Balance	Rating
Secured					
Unsecured					

The information provided above is essentially correct as of this date and accurately reflects the individual's financial dealings with this institution.

Remarks _____

Signature of Bank Official _____

Title _____

Date _____

Please return to:

Division of Investments
P.O. Box 61
Juneau, Alaska 99811
Telephone: (907) 465-2510

Division of Investments
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Anchorage, Alaska 99503
Telephone: (907) 562-3779

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

URGENT
Please Reply
Within 48 Hours
LOAN PENDING

AUTHORIZATION TO VERIFY FINANCIAL INFORMATION

I, _____, of _____,
(Print Full Name) (City and State)

authorize the following named financial institution to divulge to the Department of Commerce and Economic Development, State of Alaska, any and all information concerning the nature of my account balances and loan balances with them, including, but not limited to, the amount of credit extended, the terms and conditions of the transactions and the current balance, if any is outstanding.

I understand that the information is of a confidential nature and will be used for the sole purpose of evaluating an application which I have submitted to the State.

Name of Financial Institution _____

Checking Account Number _____ Savings Account Number _____

Loan Number _____ Loan Number _____

Address _____

City _____ State _____ Zip _____

Applicant's Signature _____ Date _____

This form should be returned with the application package. The division will forward all authorizations to the creditors.

BANK VERIFICATION OF FINANCIAL INFORMATION
(For Bank Use Only)

Checking Account: Current Balance _____ 6 Month Average _____ Date Account was opened _____	Savings Account: Current Balance _____ 6 Month Average _____ Date Account was opened _____	Other Account: Current Balance _____ 6 Month Average _____ Date Account was opened _____
---	--	--

Loan	Date	Original Balance	Payments	Current Balance	Rating
Secured					
Unsecured					

The information provided above is essentially correct as of this date and accurately reflects the individual's financial dealings with this institution.

Remarks _____

Signature of Bank Official

Title

Date

Please return to:

Division of Investments
P.O. Box 01
Juneau, Alaska 99811
Telephone: (907) 465-2510

Division of Investments
3601 "C" St., Suite 778
Anchorage, Alaska 99503
Telephone: (907) 562-3779

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INVESTMENTS

EMPLOYMENT VERIFICATION

URGENT
Please Reply
Within 48 Hours
LOAN PENDING

Applicant _____

Employer _____

Address _____

Applicant's Signature _____ Date _____

This form should be returned with the application package. The division will forward all verifications to your employer.

EMPLOYER'S VERIFICATION
(For Employer's Use Only)

The above-named applicant has applied for a loan from the State. To assist us in evaluating the application, we would appreciate the information you can give us regarding our applicant's employment.

Present Position _____

Employed From/To _____

Probability of Continued Employment _____

Present Base Salary _____

Employment is ☐ permanent ☐ temporary ☐ full-time ☐ part-time ☐ seasonal

Approximate additional earnings, if any, from overtime, bonuses, etc. _____

Remarks _____

Signature of Employer

Title

Date

Please return to:

☐
Division of Investments
P.O. Box DI
Juneau, Alaska 99811
Telephone: (907) 465-2510

☐
Division of Investments
3601 "C" St., Suite 778
Anchorage, Alaska 99503
Telephone: (907) 562-3779

State of Alaska
Department of Commerce and Economic Development
Division of Investments

CHILD SUPPORT VERIFICATION

PART I — REQUEST
(To be completed by the applicant)

TO: Child Support Enforcement Division
550 W. 7th, Hunt Bldg., 4th Floor
Anchorage, AK 99501

FROM: Division of Investments
Department of Commerce and
Economic Development

The applicant's signature below authorizes the release of child support information to the Division of Investments for the purpose of determining eligibility for state loans, in accordance with Chapter 16, SLA 1986.

Applicant Name	Soc. Sec. No.	Address	Signature
(1) _____	_____	_____	_____
(2) _____	_____	_____	_____
(3) _____	_____	_____	_____

Loan Examiner _____ Date _____

PART II — VERIFICATION
(To be completed by Child Support Enforcement Division)

The above applicant

- ☐ does not have a past due child support obligation
- ☐ does have a past due child support obligation (specify applicant(s) _____)

Information verified by: _____
Name Date

Please return to:

☐ Division of Investments
P.O. Box DI
Juneau, Alaska 99811
Telephone: (907) 465-2510

☐ Division of Investments
3601 "C" St., Suite 778
Anchorage, Alaska 99503
Telephone: (907) 562-3779

DEPT. C+RA

PORTFOLIO ANALYSIS
ON
HOUSING ASSISTANCE LOAN FUND

June 30, 1989

Presented 8-23-89

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
HOUSING ASSISTANCE SECTION
949 EAST 36th, SUITE 403
ANCHORAGE, ALASKA 99508
PHONE: 561-0900

Portfolio Analysis
June 30, 1989

This report has been prepared to provide information on the Housing Assistance Loan Fund. Included is background information on the history of the Division, a description of the current programs funded by the HALF, and general statistical data.

I. BACKGROUND

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

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

The Nonconforming Loan Fund was renamed the Housing Assistance Loan Fund during the 1982 Legislature (Chapter 113, SLA 1982). This fund combined the Nonconforming Loan Program with the AHFC Rural Mortgage Purchase Programs for both owner-occupied and nonowner-occupied loans. An FY-82 appropriation to the newly combined Housing Assistance Loan Fund (HALF) was in the amount of \$45 million bringing total appropriations to date to \$95 million.

The HALF was given another \$45 million by the 1983 legislature and another new program. The new program was called the Homeownership Assistance Fund. The object of this program is to make homeownership a reality for the low to moderate income segment of the state's population by subsidizing a portion of the interest payment on the loan. Regulations were drafted and became final on September 22, 1985.

areas in the state. Economic development and community development information is being provided to rural clients by the staff. The Division is also undertaking a number of activities in the state that will enhance local community development, such as providing information, referral services, and technical assistance.

II. PROGRAMS

Rural Owner-Occupied Program - Provides financing to qualified borrowers for the construction or purchase of single family residence and duplex housing for owner occupancy. The maximum loan term is 30 years.

For new construction, the Division may finance 100 percent of allowable costs incurred during construction or 85 percent of appraised value, whichever is less.

Additional restrictions on loan to value ratios are imposed when certain structural features are omitted from the design at the borrowers discretion. The maximum dollar amount a borrower may receive is \$199,875 for single units and \$255,675 for duplexes.

For purchase of existing housing, the Division may finance 95 percent of the sales price or 95 percent of the appraised value, whichever is less. The maximum dollar amounts are the same for purchase as shown for construction.

Rural Nonowner-Occupied Program - Provides financing to qualified borrowers for the construction, purchase or rehabilitation of nonowner-occupied rental housing units. The interest rate for this program is 10.5 percent with a maximum loan term of 30 years. The project may involve two to eight units in a single community or specific area and extend up to 16 units in areas demonstrating extraordinary need. The principal amount of the loan or loans for housing from the Division must not exceed \$1,250,000.00. Also, the loan must not exceed 80 percent of the appraised value or 80 percent of the purchase price which is less. The borrower may not reside in the housing financed.

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

Portfolio Analysis
June 30, 1989

-9,752,100.00
-6,576,400.00
\$23,677,825.00
+ 551,750.00
\$24,229,575.00

FY 82 rural funds expended
FY 82 urban funds expended
FY 82 carry forward
FY 81 carry forward *
TOTAL CARRY FORWARD TO FY 83

*This amount consists of \$551,750 in FY 81 commitments cancelled in FY 82

FY 83

\$45,000,000.00
24,229,575.00
\$69,229,575.00

FY 83 appropriation
FY 82 carry forward
TOTAL AVAILABLE FUNDS

- 6,358,292.61
- 8,869,200.14
-32,881,000.00

- 8,611,950.00

- 500,000.00
\$12,009,132.25

FY 83 urban funds expended
FY 83 rural nonconforming funds
FY 83 rural owner-occupied funds expended
FY 83 rural nonowner-occupied funds
Title loss reserve account
TOTAL CARRY FORWARD TO FY 84

FY 84

\$45,000,000.00
+12,009,132.25
+ 3,038,150.00
\$60,047,282.25

FY 84 appropriation
FY 83 carry forward
Prior Year Commitments
Cancelled in FY84
TOTAL AVAILABLE FUNDS

- 9,170,800.00
-33,685,550.00
- 5,815,150.00
\$11,375,782.25

Nonconforming funds expended 6/30/84
Rural Owner-Occupied funds expended 6/30/84
Rural Nonowner-Occupied funds expended 6/30/84
TOTAL CARRY FORWARD TO FY 85

FY 85

\$45,000,000.00
\$11,375,782.25
\$ 3,927,403.14
\$ 5,660,901.76
\$ 2,468,600.00
\$68,432,687.15

FY 85 Appropriation
FY 84 Carry Forward
FY 84 Carry Forward Principal
FY 85 Principal
Prior Year Cancellations
TOTAL AVAILABLE FUNDS

Portfolio Analysis
June 30, 1989

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Portfolio Analysis
June 30, 1989

The 1984 Legislature redefined rural, again. The Division took the definition to a cartographer to insure the delineating lines were drawn correctly since the definition was based on nautical miles from the boundaries of Anchorage and Fairbanks. The new definition based on the maps provided by the cartographer included Homer and Anchor Point as rural locations. In January 1985 the Division was working on new rural definitions to present to the Legislature. It was discovered during this process that the cartographer had erred in the maps he drew and the Homer and Anchor Point locations should not have been included in the rural area. The Division stopped accepting applications for loans from the affected areas on January 22, 1985. The 1985 Legislature redefined rural basically returning to the FY 84 definition based on road or rail access to Anchorage or Fairbanks. Additionally, the 1985 Legislature transferred the authority for making nonconforming loans in urban areas from the Housing Assistance Division to the Alaska Housing Finance Corporation. The 1985 Legislature appropriated \$4 Million from the General Fund to the revolving loan fund and allowed the Division to revolve the FY 85 and FY 86 principal and interest repayments to the fund as additional sources of loan funds for FY 86.

In 1986, the Alaska Legislature enacted legislation (Chapter 130, SLA 1986) appropriating \$70 million from the Housing Assistance Loan Fund to the State of Alaska, General Fund. The Alaska Housing Finance Corporation (AHFC) was used as an avenue for the funding due to their bonding capabilities which the Housing Assistance Division does not have. With this transfer the AHFC purchased a total of 965 home mortgage loans from the Housing Assistance Loan Fund effective November 30, 1986.

With the election of Governor Steve Cowper in 1986, a new rural initiative has emerged and impacted the housing unit significantly. The former Housing Assistance Division has been merged with the Division of Community Development to form the Rural Development Division and is now the Housing Assistance Section offering several economies of staffing.

Rural Loan Examiners are being asked to provide information regarding other statewide loan programs on behalf of the Department of Commerce and Economic Development as well as other agencies throughout rural

Portfolio Analysis
June 30, 1989

areas in the state. Economic development and community development information is being provided to rural clients by the staff. The Division is also undertaking a number of activities in the state that will enhance local community development, such as providing information, referral services, and technical assistance.

II. PROGRAMS

Rural Owner-Occupied Program - Provides financing to qualified borrowers for the construction or purchase of single family residence and duplex housing for owner occupancy. The maximum loan term is 30 years.

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For purchase of existing housing, the Division may finance 95 percent of the sales price or 95 percent of the appraised value, whichever is less. The maximum dollar amounts are the same for purchase as shown for construction.

Rural Nonowner-Occupied Program - Provides financing to qualified borrowers for the construction, purchase or rehabilitation of nonowner-occupied rental housing units. The interest rate for this program is 10.5 percent with a maximum loan term of 30 years. The project may involve two to eight units in a single community or specific area and extend up to 16 units in areas demonstrating extraordinary need. The principal amount of the loan or loans for housing from the Division must not exceed \$1,250,000.00. Also, the loan must not exceed 80 percent of the appraised value or 80 percent of the purchase price which is less. The borrower may not reside in the housing financed.

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

Portfolio Analysis
June 30, 1989

For first deeds of trust, the Division may finance 100 percent of allowable cost of construction, plus pay off any existing liens on the subject property. However, the amount financed may not exceed the lesser of 95 percent of the appraised value of the property, or \$199,875 for single families and \$255,675 for duplexes. The maximum term of the loan is 30 years.

For second deeds of trust, the Division may finance up to \$45,000. Maximum term for second is 15 years.

Under the Rehabilitation Program, the amount financed may include costs for contracted labor/services other than that of the borrower.

In the event a borrower requires financing for building materials only (no labor), the Division may provide rehab financing up to 80 percent of the appraised value of the subject property or \$45,000 whichever is less and the maximum term is 15 years.

Homeownership Assistance Program - Provides assistance to persons of lower and moderate income to purchase or construct single-family, owner-occupied dwellings where the mortgage loan on the dwelling is originated or purchased by the Division under the Nonconforming Housing Loan Program or the Rural Owner-Occupied Program.

III. FUNDING AND ACTIVITY STATISTICS

1. APPROPRIATIONS

FY 81 APPROPRIATION

\$10,000,000.00
5,639,900.00
4,353,775.00
\$ 6,325.00

FY 81 appropriation
FY 81 urban funds expended
FY 81 rural funds expended
TOTAL CARRY FORWARD TO FY 82

FY 82

\$40,000,000.00
6,325.00
\$40,006,325.00

FY 82 appropriation
FY 81 carry forward
TOTAL AVAILABLE FUNDS

Portfolio Analysis
June 30, 1989

-9,752,100.00
-6,576,400.00
\$23,677,825.00
+ 551,750.00
\$24,229,575.00

FY 82 rural funds expended
FY 82 urban funds expended
FY 82 carry forward
FY 81 carry forward *
TOTAL CARRY FORWARD TO FY 83

*This amount consists of \$551,750 in FY 81 commitments cancelled in FY 82

FY 83

\$45,000,000.00
24,229,575.00
\$69,229,575.00

FY 83 appropriation
FY 82 carry forward
TOTAL AVAILABLE FUNDS

- 6,358,292.61
- 8,869,200.14
-32,881,000.00

FY 83 urban funds expended
FY 83 rural nonconforming funds
FY 83 rural owner-occupied funds expended

- 8,611,950.00

FY 83 rural nonowner-occupied funds

- 500,000.00
\$12,009,132.25

Title loss reserve account
TOTAL CARRY FORWARD TO FY 84

FY 84

\$45,000,000.00
+12,009,132.25
+ 3,038,150.00
\$60,047,282.25

FY 84 appropriation
FY 83 carry forward
Prior Year Commitments
Cancelled in FY84
TOTAL AVAILABLE FUNDS

- 9,170,800.00

Nonconforming funds expended 6/30/84

-33,685,550.00

Rural Owner-Occupied funds expended 6/30/84

- 5,815,150.00

Rural Nonowner-Occupied funds expended 6/30/84

\$11,375,782.25

TOTAL CARRY FORWARD TO FY 85

FY 85

\$45,000,000.00
\$11,375,782.25
\$ 3,927,403.14
\$ 5,660,901.76
\$ 2,468,600.00
\$68,432,687.15

FY 85 Appropriation
FY 84 Carry Forward
FY 84 Carry Forward Principal
FY 85 Principal
Prior Year Cancellations
TOTAL AVAILABLE FUNDS

Portfolio Analysis
June 30, 1989

\$-10,793,250.00
\$-43,619,775.00
\$-12,774,900.00
\$ 1,244,762.15

Nonconforming Funds Expended
Rural Owner-Occupied Funds Expended
Rural Nonowner-Occupied Funds Expended
TOTAL CARRY FORWARD TO FY 86

FY 86

\$ 4,000,000.00
\$ 1,244,762.15
\$12,380,633.19
\$10,599,682.67
\$16,856,076.80
\$ 45,122.83
\$ 80,799.24
\$ 1,313.76
\$-2,109,831.40
\$ 3,879,087.71
\$- 202,133.79
\$46,775,513.16

FY 86 Appropriation
FY 85 Carry Forward
FY 85 Interest
FY 86 Principal(through 06/86)
FY 86 Interest(through 06/86)
FY 85 Receipts
FY 86 Receipts
FY 86 Gain/Loss transactions
FY 86 Administration Costs Through 6/86
Prior Year Cancellations
FY 85 HOAF Program Costs
TOTAL AVAILABLE FUNDS

\$ -3,447,000.00
\$-32,419,275.00
\$ 10,909,238.16

Rural Nonowner-Occupied Funds Expended
Rural Owner-Occupied Funds Expended
TOTAL CARRY FORWARD TO FY 87

FY 87

\$ 10,909,238.16
\$ 14,196,518.56
\$ 14,070,346.60
\$ -1,839,430.00
\$ 94,121.54
\$ -184,030.42
\$ -47,468.49
\$ 2,859,225.00
\$ 40,058,520.95

FY 86 Carry Forward
FY 87 Principal
FY 87 Interest
Admin. Costs
Receipts
Operating Loss Reserve
Gain/Loss Transactions
Prior Year Cancellations
AVAILABLE FUNDS AS OF 6/30/87

\$ -200,000.00
\$-29,305,100.00
\$ 10,553,420.95

Rural Nonowner-Occupied Funds Expended
Rural Owner-Occupied Funds Expended
TOTAL AVAILABLE FUNDS AS OF 6/30/87

Portfolio Analysis
June 30, 1989

FY 88

\$10,553,420.95
2,500,000.00
8,442,978.82
12,306,980.86
-2,134,716.83
213,401.23
-262,395.05
-183,542.74
919,500.00
\$32,355,627.24

FY 87 Carry Forward
FY87 Appropriation
FY 88 Principal
FY 88 Interest
Admin Expense
Receipts
Operating Loss Reserve
Gain/Loss Transactions
Prior Year Cancellations
AVAILABLE FUNDS AS OF 6/30/88

\$ -729,200.25
-21,954,650.00
\$ 9,671,776.99

Rural Non-Owner Occupied Funds Expended
Rural Owner Occupied Funds Expended
TOTAL AVAILABLE FUNDS AS OF 6/30/88

FY 89

\$ 9,671,776.99
-2,196,800.00
7,505,241.83
10,852,852.88
-2,889,700.00
449,347.36
-500,000.00
-104,578.24
965,800.00
\$23,753,940.82

FY88 Carry Forward
FY 89 Transfer to General Fund
FY 89 Principal
FY 89 Interest
Administrative Expense
Receipts
Operating Loss Reserve
Gain/Loss Transactions
Prior Year Cancellations
EXPENDABLE FUNDS TO DATE FOR FY 89

-314,000.00
-19,851,700.00
\$ 3,588,240.82

Rural Non-Owner Occupied Funds Expended
Rural Owner-Occupied Funds Expended
TOTAL AVAILABLE FUNDS AS OF 06/15/89*

*Due to accruals, final figures for FY 89 are not yet available.

2. LOAN PORTFOLIC COMPOSITION AS OF 06/30/89:

	NO. LOANS	LOAN AMT.	PRIN. AS OF 06/30/89	AVG. LOAN AMT.
Resold REO	13	\$ 748,150	\$ 731,176.03	\$ 57,550
Nonconforming	95	\$ 6,916,825	6,203,312.60	\$ 72,809
Rural Owner	1358	\$130,881,687	126,323,380.94	\$ 96,378
Rural Nonowner	74	\$ 19,867,400	19,291,525.49	\$268,478
<u>TOTALS</u>	<u>1540</u>	<u>\$158,414,062</u>	<u>152,549,395.06</u>	<u>\$102,866</u>

Portfolio Analysis
June 30, 1989

RESOLD REO PROPERTIES

	NO. LOANS	LOAN AMT.	PRIN. AS OF 06/30/89	AVG. LOAN AMT.
<u>FY88</u>				
Active	2	\$ 92,500	\$ 91,366.21	\$ 46,250
<u>TOTALS</u>	<u>2</u>	<u>\$ 92,500</u>	<u>91,366.21</u>	
<u>FY89</u>				
Active	11	\$ 655,650	\$ 639,809.82	\$ 59,604
Committed	3	\$ 288,850		
Paid Off	1	\$ 37,250	\$	
<u>TOTALS</u>	<u>15</u>	<u>\$ 981,750</u>	<u>\$ 639,809.82</u>	

NONCONFORMING ACTIVITY AS OF 06/30/89

	NO. LOANS	LOAN AMT.	PRIN. AS OF 06/30/89	AVG. LOAN AMT.
<u>FY 81</u>				
Active	18	\$ 1,366,050	\$ 1,204,314.42	\$ 75,833
Cancelled	5	307,600		
Paid Off	76	4,505,650		
Foreclosed	1	147,750	117,970.00	
<u>TOTALS</u>	<u>100</u>	<u>\$ 6,327,050</u>	<u>\$ 1,322,284.42</u>	
<u>FY 82</u>				
Active	46	\$ 3,369,625	\$ 2,992,450.56	\$ 73,253
Cancelled	36	2,146,750		
Paid Off	259	15,714,216		
Foreclosed	5	446,100	316,310.00	
<u>TOTALS</u>	<u>346</u>	<u>\$21,676,691</u>	<u>\$ 3,308,760.56</u>	
<u>FY 83</u>				
Active	29	\$ 2,024,400	\$ 1,854,308.59	\$ 69,807
Cancelled	22	1,552,650		
Paid Off	191	12,805,576		
Foreclosed	3	157,700	122,600.00	
<u>TOTALS</u>	<u>245</u>	<u>\$16,540,326</u>	<u>\$ 1,976,908.59</u>	
<u>FY84</u>				
Active	1	\$ 76,000	\$ 73,167.89	\$ 76,000
Cancelled	5	389,900		
Paid Off	134	8,648,850		
Foreclosed	5	366,750	258,200.00	
<u>TOTALS</u>	<u>145</u>	<u>\$ 9,481,500</u>	<u>\$ 331,367.89</u>	

Portfolio Analysis
June 30, 1989

965,000.00

FY 85				
Active	1	\$ 80,750	\$ 79,071.14	\$ 80,750
Cancelled	16	1,156,100		
Paid Off	150	10,419,300		
Foreclosed	2	91,200	\$ 72,000.00	
TOTALS	169	\$11,747,350	\$ 151,071.14	

RURAL OWNER-OCCUPIED ACTIVITY AS OF 06/30/89

	NO. LOANS	LOAN AMT.	PRIN. AS OF 06/30/89	AVG. LOAN AMT.
FY 82				
Active	27	\$ 3,204,925	\$2,993,463.86	\$118,701
Cancelled	8	879,100		
Paid Off	25	2,281,700		
Foreclosed	1	160,000	127,840.00	
TOTALS	61	\$ 6,525,725	\$3,121,303.86	
FY 83				
Active	133	\$13,365,375	\$12,545,390.15	\$100,492
Cancelled	29	2,762,650		
Paid Off	147	12,430,400		
Foreclosed	3	477,700	401,857.00	
TOTALS	312	\$29,036,125	\$12,947,247.15	
FY 84				
Active	190	\$17,346,012	\$16,471,127.68	\$ 91,295
Cancelled	40	3,383,300		
Paid Off	141	12,262,250		
Foreclosed	12	1,250,550	1,028,715.16	
TOTALS	383	\$34,242,112	\$17,499,842.84	
FY 85				
Active	191	\$16,920,250	\$16,173,105.14	\$ 88,588
Cancelled	51	5,043,650		
Paid Off	261	23,420,975		
Foreclosed	8	793,550	636,256.81	
TOTALS	511	\$46,178,425	\$16,809,361.95	
FY 86				
Active	230	\$22,977,975	\$22,136,534.68	\$ 99,904
Cancelled	48	5,053,700		
Paid Off	72	6,577,825		
Foreclosed	3	291,700	241,000.00	
TOTALS	353	\$34,901,200	\$22,377,534.68	

Portfolio Analysis
June 30, 1989

<u>FY 87</u>				
Active	267	\$26,333,350	\$25,662,139.79	\$ 98,627
Cancelled	39	4,216,100		
Paid Off	22	2,033,350		
Foreclosed	1	29,000	17,000.00	
<u>TOTALS</u>	<u>329</u>	<u>\$32,611,800</u>	<u>\$25,679,139.79</u>	

<u>FY88</u>				
Active	210	\$20,080,700	\$19,727,238.21	\$ 95,622
Committed	3	239,050		
Cancelled	15	1,630,950		
Paid Off	5	507,950		
<u>TOTALS</u>	<u>233</u>	<u>\$22,458,650</u>	<u>\$19,727,238.21</u>	

<u>FY89</u>				
Active	110	\$10,653,100	\$10,614,381.43	\$ 96,846
Committed	97	9,307,950		
Cancelled	8	984,650		
<u>TOTALS</u>	<u>215</u>	<u>\$20,945,700</u>	<u>\$10,614,381.43</u>	

NONOWNER-OCCUPIED ACTIVITY AS OF 06/30/89

	NO. LOANS	LOAN AMT.	PRIN. AS OF 06/30/89	AVG. LOAN AMT.
<u>FY 83</u>				
Active	22	\$ 6,672,400	\$ 6,400,547.32	\$303,291
Cancelled	6	843,250		
Paid Off	3	233,450		
Foreclosed	3	1,143,900	977,873.60	
<u>TOTALS</u>	<u>34</u>	<u>\$ 8,893,000</u>	<u>\$ 7,378,420.92</u>	

<u>FY 84</u>				
Active	19	\$ 3,965,850	\$ 3,853,146.11	\$208,729
Cancelled	6	1,277,300		
Paid Off	7	696,000		
<u>TOTALS</u>	<u>32</u>	<u>\$ 5,939,150</u>	<u>\$ 3,853,146.11</u>	

<u>FY 85</u>				
Active	21	\$ 5,400,700	\$ 5,252,570.75	\$257,176
Cancelled	3	1,379,400		
Paid Off	29	4,207,200		
Foreclosed	4	2,572,000	1,968,000.00	
<u>TOTALS</u>	<u>57</u>	<u>\$13,559,300</u>	<u>\$ 7,220,570.75</u>	

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FY 86				
Active	8	\$ 2,797,450	\$ 2,758,598.94	\$349,681
Cancelled	3	543,150		
Paid Off	1	364,000		
TOTALS	12	\$ 3,704,600	\$ 2,758,598.94	
FY 87				
Active	1	\$ 200,000	\$ 197,385.20	\$200,000
TOTALS	1	\$ 200,000	\$ 197,385.20	
FY 88				
Active	2	\$ 611,000	\$ 609,722.71	\$305,500
Paid Off	1	\$ 115,500		
TOTALS	3	\$ 726,500	\$ 609,722.71	
FY89				
Active	1	\$ 220,000	\$ 219,554.46	\$220,000
Committed	2	\$ 362,000		
TOTALS	3	\$ 582,000	\$ 219,554.46	

DECLINED LOANS AS OF 06/30/89

	# LOANS	LOAN AMT.
FY 81	17	\$ 1,098,450
FY 82	49	3,110,100
FY 83	44	3,745,300
FY 84	38	3,644,250
FY 85	51	4,956,100
FY 86	22	2,782,950
FY 87	41	3,870,300
FY 88	18	2,013,100
FY89	11	1,127,200
TOTALS	291	\$26,347,750

3. RURAL/URBAN BREAKOUT OF ACTIVE LOANS ALL PROGRAMS AS OF 06/30/89

	# LOANS	LOAN AMT.	PRIN. AS OF 06/30/89
FY 81			
Rural	16	\$ 1,272,800	\$ 1,129,914.71
Urban	2	93,250	\$ 74,399.71
TOTALS	18	\$ 1,366,050	\$ 1,204,314.42
FY 82			
Rural	70	\$ 6,400,550	\$ 5,873,324.18
Urban	3	174,000	\$ 112,590.24
TOTALS	73	\$ 6,574,550	\$ 5,985,914.42

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<u>FY 83</u>			
<u>Rural</u>	184	\$22,062,175	\$20,800,246.06
<u>TOTALS</u>	184	\$22,062,175	\$20,800,246.06
 <u>FY 84</u>			
<u>Rural</u>	210	\$21,387,862	\$20,397,441.68
<u>TOTALS</u>	210	\$21,387,862	\$20,397,441.68
 <u>FY 85</u>			
<u>Rural</u>	212	\$22,320,950	\$21,425,675.89
<u>Urban</u>	1	80,750	79,071.14
<u>TOTALS</u>	213	\$22,401,700	\$21,504,747.03
 <u>FY 86</u>			
<u>Rural</u>	238	\$25,775,425	\$24,895,133.62
<u>TOTALS</u>	238	\$25,775,425	\$24,895,133.62
 <u>FY 87</u>			
<u>Rural</u>	267	\$26,485,850	\$25,812,904.37
<u>Urban</u>	1	47,500	46,620.62
<u>TOTALS</u>	268	\$26,533,350	\$25,859,524.99
 <u>FY 88</u>			
<u>Rural</u>	213	\$20,755,700	\$20,400,598.88
<u>Urban</u>	1	28,500	27,728.25
<u>TOTALS</u>	214	\$20,784,200	\$20,428,327.13
 <u>FY89</u>			
<u>Rural</u>	119	\$11,370,000	\$11,328,671.32
<u>Urban</u>	3	158,750	145,074.39
<u>TOTALS</u>	122	\$11,528,750	\$11,473,745.71

4. RURAL/URBAN BREAKOUT-NONCONFORMING LOAN PROGRAM AS OF 06/30/89

	# LOANS	LOAN AMT.	PRIN AS OF 06/30/89
<u>FY 81</u>			
<u>Rural</u>	16	\$ 1,272,800	\$ 1,129,914.71
<u>Urban</u>	2	93,250	74,399.71
<u>TOTALS</u>	18	\$ 1,366,050	\$ 1,204,314.42
 <u>FY 82</u>			
<u>Rural</u>	43	\$ 3,195,625	\$ 2,879,860.32
<u>Urban</u>	3	174,000	112,590.24
<u>TOTALS</u>	46	\$ 3,369,625	\$ 2,992,450.56
 <u>FY 83</u>			
<u>Rural</u>	29	\$ 2,024,400	\$ 1,854,308.59
<u>TOTALS</u>	29	\$ 2,024,400	\$ 1,854,308.59

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FY 84			
Rural*	1	\$ 76,000	\$ 73,167.89
TOTALS	1	\$ 76,000	\$ 73,167.89

FY 85			
Urban	1	\$ 80,750	\$ 79,071.14
TOTALS	1	\$ 80,750	\$ 79,071.14

*Decrease due to statutory changes in A.S. 44.47.385 which defined rural as it pertained to the Nonconforming Program.

5. AVERAGE AGE OF BORROWER ALL PROGRAMS AS OF 06/30/89

Average age of borrowers for all owner-occupied programs is 36.
Average age of coborrowers for all owner-occupied programs is 33.

6. GROSS INCOME OF BORROWERS ALL OWNER-OCCUPIED LOAN PROGRAMS AS OF 06/30/89

ANNUAL INCOMES	# LOANS	AVERAGE MONTHLY INCOME	AVERAGE ANNUAL INCOME	AVERAGE LOAN AMOUNT
Less than \$10,000	2**			
\$10,000 - \$20,000	30	\$1379	\$16,548	\$ 44,726
\$20,000 - \$30,000	150	\$2181	\$26,172	\$ 61,646
\$30,000 - \$40,000	289	\$2952	\$35,429	\$ 76,194
\$40,000 - \$50,000	305	\$3749	\$44,990	\$ 88,503
\$50,000 - \$60,000	262	\$4562	\$54,753	\$101,776
\$60,000 - \$70,000	171	\$5385	\$64,628	\$110,437
More than \$70,000	257	\$9186	110,236	\$129,122
	1466			

** This number includes files whereby the income information is not on the computer to ensure confidentiality.

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7. TOTAL PORTFOLIO DELINQUENCY AS OF 06/30/89

COMPARISON BY NUMBER:

	TOTAL NO. LOANS	NC. DELINQ LOANS	DELINQ AS % OF TOTAL	DELINQ AS % OF LOAN TYPE
Resold REO	13	0	0	0
Nonconforming	95	6	.4%	6.32%
Rural Owner	1358	78	5.1%	5.74%
Rural Nonowner	74	17	1.1%	22.97%
<u>TOTALS</u>	<u>1540</u>	<u>101</u>	<u>6.6%</u>	<u>N/A</u>

COMPARISON BY DOLLAR AMOUNTS:

	PORTFOLIO'S PRIN. AS OF <u>06/30/89</u>	DELINQ. PRIN. <u>06/30/89</u>	DELINQ. AS % OF <u>TOTAL</u>	DELINQ AS % OF <u>LOAN TYPE</u>
Resold REO	\$ 731,176.03	0	0	0
Nonconforming	6,202,312.60	\$ 376,635.83	.25%	6.07%
Rural Owner	126,323,380.94	\$ 8,110,307.45	5.32%	6.42%
Rural Nonowner	19,291,525.49	\$ 7,086,137.38	4.65%	36.73%
<u>TOTALS</u>	<u>152,549,395.06</u>	<u>\$15,573,080.66</u>	<u>10.2%</u>	<u>N/A</u>

*Foreclosed loans are not included in the computation for delinquency.

8. FORECLOSURES AS OF 06/30/89

COMMUNITY	LTYPE	FY	ORIGINAL LOAN AMOUNT	CURRENT VALUE OF ASSET	PRINCIPAL BALANCE AT FORECLOSURE	TYPE OF DWELL.
ANCHOR POINT	NC	84	\$94,500	\$75,200.00	\$93,291.80	SFR
Subtotal			\$94,500	\$75,200.00	\$93,291.80	1
ANCHORAGE	NC	82	\$158,250	\$100,000.00	\$157,265.16	DUP
Subtotal			\$158,250	\$100,000.00	\$157,265.16	1
ANDERSON	NC	83	\$38,950	\$31,020.00	\$38,788.77	SFR
Subtotal			\$38,950	\$31,020.00	\$38,788.77	1

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BETHEL	RO	82	\$160,000	\$127,840.00	\$156,225.23	DUP
BETHEL	RO	83	\$138,700	\$110,000.00	\$137,527.54	DUP
BETHEL	RNO	83	\$427,500	\$412,388.98	\$412,388.98	M06
BETHEL	RO	84	\$114,550	\$93,000.00	\$112,414.08	SFR
BETHEL	RO	84	\$117,300	\$108,000.00	\$114,506.21	SFR
BETHEL	RC	84	\$99,750	\$85,000.00	\$97,028.75	SFR
BETHEL	RO	84	\$61,950	\$29,000.00	\$60,394.76	SFR
BETHEL	RNO	85	\$288,000	\$270,000.00	\$286,285.09	M04
BETHEL	RO	85	\$105,450	\$87,000.00	\$104,304.69	SFR
BETHEL	RO	85	\$76,000	\$69,000.00	\$74,650.32	SFR
BETHEL	RO	86	\$143,500	\$130,000.00	\$141,916.13	SFR

Subtotal			\$1,732,700	\$1,521,228.98	\$1,697,641.78	11
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DELTA JUNCTION	NC	82	\$52,250	\$41,830.00	\$51,592.90	SFR
DELTA JUNCTION	RNO	85	\$661,600	\$418,000.00	\$659,985.12	M13
DELTA JUNCTION	RNO	85	\$1,014,400	\$720,000.00	\$1,012,766.23	M16

Subtotal			\$1,728,250	\$1,179,830.00	\$1,724,344.25	3
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DILLINGHAM	RO	85	\$112,000	\$89,300.00	\$111,234.19	SFR
DILLINGHAM	RNO	85	\$608,000	\$560,000.00	\$603,311.95	M08

Subtotal			\$720,000	\$649,300.00	\$714,546.14	2
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FAIRBANKS	NC	82	\$50,000	\$39,950.00	\$49,186.98	SFR
FAIRBANKS	NC	83	\$52,250	\$38,940.00	\$51,962.55	SFR
FAIRBANKS	NC	83	\$66,500	\$52,640.00	\$65,543.47	SFR
FAIRBANKS	NC	84	\$47,500	\$35,000.00	\$46,732.35	SFR
FAIRBANKS	NC	84	\$69,350	\$54,000.00	\$68,583.24	SFR
FAIRBANKS	NC	84	\$77,900	\$45,000.00	\$77,409.37	SFR
FAIRBANKS	NC	85	\$78,350	\$61,807.00	\$77,916.84	SFR
FAIRBANKS	NC	85	\$12,850	\$10,193.00	\$12,662.30	SFR

Subtotal			\$454,700	\$337,530.00	\$449,997.10	8
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KENAI	NC	84	\$77,500	\$49,000.00	\$76,895.08	SFR
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Subtotal			\$77,500	\$49,000.00	\$76,895.08	1
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KIANA	RNO	83	\$148,400	\$144,984.62	\$144,984.62	DUP
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Subtotal			\$148,400	\$144,984.62	\$144,984.62	1
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KING SALMON	RC	83	\$204,000	\$159,800.00	\$199,035.67	DUP
Subtotal			\$204,000	\$159,800.00	\$199,035.67	1
KOTZEBUE	RO	84	\$133,000	\$115,000.00	\$130,018.43	SFR
KOTZEBUE	RO	84	\$134,900	\$107,630.00	\$133,606.31	SFR
KOTZEBUE	RO	84	\$124,000	\$123,285.16	\$123,285.16	DUP
KOTZEBUE	RO	85	\$100,350	\$80,000.00	\$99,322.84	DUP
KOTZEBUE	RO	86	\$83,600	\$64,000.00	\$82,292.56	SFR
Subtotal			\$575,850	\$489,915.16	\$568,525.30	5
NENANA	NC	81	\$147,750	\$117,970.00	\$143,210.43	SFR
Subtotal			\$147,750	\$117,970.00	\$143,210.43	1
NOME	NC	82	\$147,600	\$104,450.00	\$139,265.68	DUP
NOME	RNO	83	\$568,000	\$420,500.00	\$557,876.54	M08
NOME	RO	83	\$135,000	\$132,057.00	\$132,056.00	DUP
NOME	RO	84	\$100,000	\$94,000.00	\$98,622.22	SFR
NOME	RO	84	\$120,000	\$94,500.00	\$118,223.86	SFR
NOME	RO	84	\$67,000	\$55,000.00	\$65,109.63	SFR
NOME	PO	85	\$70,750	\$62,000.00	\$69,632.87	SFR
NOME	RO	85	\$104,500	\$52,000.00	\$102,763.89	SFR
NOME	RO	85	\$120,000	\$119,456.81	\$119,456.81	DUP
NOME	RO	85	\$104,500	\$77,500.00	\$103,285.10	DUP
NOME	RO	86	\$64,600	\$47,000.00	\$63,459.87	SFR
Subtotal			\$1,601,950	\$1,258,463.81	\$1,569,752.47	11
PALMER	RO	87	\$29,000	\$17,000.00	\$28,784.18	SFR
Subtotal			\$29,000	\$17,000.00	\$28,784.18	1
PETERSBURG	RO	84	\$87,850	\$49,000.00	\$85,744.52	SFR
PETERSBURG	RO	84	\$90,250	\$75,300.00	\$89,183.76	DUP
Subtotal			\$178,100	\$124,300.00	\$174,928.28	2
WILLOW	NC	82	\$38,000	\$30,080.00	\$36,947.54	SFR
Subtotal			\$38,000	\$30,080.00	\$36,947.54	1
GRAND TOTALS			\$7,927,900	\$6,285,622.57	\$7,818,938.57	51

Portfolio Analysis
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9. PORTFOLIO BY COMMUNITY AS OF 06/30/89

<u>COMMUNITY</u>	<u>LOAN AMOUNT</u>	<u>PRINCIPAL BALANCE</u>	<u># OF LOANS</u>
AMBLER	\$20,000	\$19,321.84	01
ANCHOR POINT	\$156,750	\$153,074.03	02
ANCHORAGE	\$364,400	\$346,654.10	06
ANGOON	\$106,250	\$106,250.00	01
ANIAK	\$1,563,450	\$1,515,310.57	18
BARROW	\$1,963,500	\$1,918,332.42	09
BELUGA RIVER	\$196,500	\$167,893.42	02
BETHEL	\$16,727,700	\$16,265,727.81	158
CENTRAL	\$68,000	\$58,081.89	01
CHEVAK	\$55,500	\$50,192.59	02
CHINIAK	\$500,300	\$479,132.21	06
CORDOVA	\$4,428,950	\$4,350,008.49	47
CRAIG	\$3,755,500	\$3,584,315.31	43
DELTA JUNCTION	\$76,000	\$73,167.89	01
DILLINGHAM	\$10,044,000	\$9,685,884.52	84
EAGLE	\$120,500	\$97,319.69	02
ELFIN COVE	\$73,800	\$72,623.19	01
ELIM	\$140,800	\$137,647.96	01
EMMONAK	\$150,700	\$146,376.90	03
FAIRBANKS	\$185,250	\$181,046.64	04
FORT YUKON	\$279,625	\$257,005.74	06
FUNTER BAY	\$80,000	\$76,522.86	01
GALENA	\$1,365,100	\$1,309,729.98	19
GUSTAVUS	\$168,350	\$162,466.69	03
HAINES	\$2,713,900	\$2,663,436.76	31
HALIBUT COVE	\$130,800	\$129,776.57	01
HOLLIS	\$112,250	\$105,285.34	03
HOONAH	\$566,650	\$547,673.65	10
ILIAMNA	\$549,000	\$527,097.70	04
KAKE	\$65,000	\$64,224.64	01
KASIGLUK	\$240,350	\$231,692.57	04
KIANA	\$73,000	\$66,092.73	02
KING COVE	\$90,250	\$88,436.76	01
KING SALMON	\$2,877,250	\$2,765,201.68	16
KLAWOCK	\$1,104,900	\$1,035,885.47	08
KODIAK	\$32,634,450	\$31,607,969.02	282
KODIAK AK	\$95,000	\$95,000.00	01
KOTZEBUE	\$14,772,400	\$14,194,098.73	102
KUPREANOF	\$105,000	\$82,648.42	02
KUPREANOF ISLAND	\$90,000	\$87,662.61	01
LAKE MINCHUMINA	\$28,900	\$28,090.84	01
LARSEN BAY	\$40,000	\$39,381.51	01
LITTLE DIOMEDE	\$24,000	\$22,658.41	01
MANLEY HOT SPRINGS	\$26,600	\$24,508.36	01

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MANOKOTAK	\$68,200	\$64,261.19	02
MCGRATH	\$1,065,000	\$1,003,211.15	15
MEKORYUK	\$379,500	\$357,212.52	05
METLAKATLA	\$929,900	\$884,010.26	14
MEYERS CHUCK	\$25,000	\$22,533.22	01
NAKNEK	\$1,445,800	\$1,332,863.80	13
NEWHALEN	\$57,000	\$54,041.12	01
NOME	\$25,412,225	\$24,279,979.25	233
NORTH POLE	\$61,000	\$53,935.20	02
NUNAPITCHUK	\$70,000	\$68,465.58	01
PEDRO BAY	\$95,000	\$92,592.68	01
PELICAN	\$811,800	\$769,444.33	14
PETERSBURG	\$14,356,850	\$13,774,414.26	160
PORT ALEXANDER	\$101,150	\$96,164.38	03
PORT ARMSTRONG	\$25,000	\$24,109.16	01
PORT LIONS	\$66,500	\$64,774.22	02
RUBY	\$38,000	\$17,246.36	01
SAND POINT	\$870,500	\$840,491.90	04
SAVOONGA	\$65,200	\$62,711.18	02
SELAWIK	\$97,700	\$86,765.26	02
SELDOVIA	\$1,072,200	\$1,039,653.59	15
SHISHMAREF	\$99,262	\$97,111.44	01
SKAGWAY	\$712,200	\$700,948.92	13
SKWENTNA	\$60,000	\$57,824.95	01
ST MARYS	\$381,900	\$369,630.22	04
ST PAUL	\$23,750	\$17,475.89	01
STEBBINS	\$263,600	\$242,202.14	02
TANANA	\$124,750	\$120,248.91	03
TENAKEE SPRINGS	\$105,000	\$103,386.56	02
THORNE BAY	\$873,650	\$852,418.24	13
TOGIAK	\$29,900	\$28,585.79	01
TUTKA BAY	\$125,000	\$122,354.14	01
UNALAKLEET	\$945,300	\$900,850.16	07
UNALASKA	\$2,490,050	\$2,424,065.96	23
VOZNESENKA	\$59,500	\$57,586.01	01
WASILLA	\$28,500	\$27,728.25	01
WRANGELL	\$5,772,550	\$5,545,082.62	76
YAKUTAT	\$275,000	\$272,105.74	04
GRAND TOTALS	\$158,414,062	\$152,549,395.06	1540

CHAPTER 7
DEFAULT AND FORECLOSURE

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CHAPTER 7

DEFAULT AND

FORECLOSURE

COLLECTION

The Seller/Service's (S/S) personnel must be skilled in financial counseling and mortgage loan servicing techniques and be able to assist Borrowers in bringing their mortgages current. The purpose of the collection effort is to bring the mortgage current in the shortest period of time.

Collection Efforts

The collection effort is based on the S/S continuing knowledge of the Borrower's credit history, employment situation, individual circumstances, property and the extent of delinquency. The S/S uses notices, letters, telegrams, telephone, face-to-face contacts, Housing Assistance Division (HAD) staff as necessary, and other responsible collection techniques. Collection techniques should vary to fit individual circumstances and to avoid establishing a fixed routine, which may become ineffective for dealing with Borrowers who are repeatedly delinquent. For efficient servicing of a delinquent mortgage, the S/S relies heavily on personal contact, both by telephone and face-to-face contact with the Borrower. Form letters and notices generally are not as effective as personal contact and should not be used exclusively.

DELINQUENCIES

HAD expects the S/S to maintain delinquency rates on mortgages owned by HAD at a level below or comparable with other S/S. The following sections present servicing requirements for dealing with delinquencies on mortgage loans owned by HAD. The S/S is encouraged to employ its own collection procedures to best meet servicing requirements. Their procedures must be adequate and efficient for dealing promptly with delinquencies.

Suspensions

The Division will retain the right to suspend or rescind a loan service agreement if any remittance is more than 30 days late.

We may suspend a S/S right to add new mortgages to its HAD servicing portfolio - whether those mortgages represent new mortgages we have purchased or existing mortgages that would be transferred from another S/S. The suspension of new servicing

may apply to all types of mortgages or only to specific products, depending on the nature of the S/S performance deficiencies. Generally, we suspend new servicing only after we have attempted to improve the S/S performance without taking formal disciplinary action.

We will specify a time period for the suspension - the exact suspension period will relate to the seriousness of the deficiencies and the anticipated time it will take to correct them. In some cases, we may specify a definite date on which the suspension will end. In other cases, we may state that the suspension is for an indefinite period. We generally do that when we want the S/S to satisfy certain conditions - such as the hiring of additional staff or reducing a high delinquency ratio and maintaining it at an acceptable level for a certain number of months - before we remove the suspension. We will specify the performance areas that must be improved to avoid termination of the Contract. We will remove this sanction if the S/S accomplishes the expected improvement before the suspension period ends.

We may terminate the S/S Contract for cause if the required improvement in their performance was not achieved during the period when the acquisition of new servicing was suspended. We also may terminate immediately a S/S - whether or not they had been placed under a formal sanction - if we determine that any action they have taken (or failed to take) will cause HAD immediate and irreparable harm.

We may also terminate a S/S Contract for cause if the S/S breaches any of the provisions of the Contract, including, among other things, the S/S failure to follow the requirements of the Guides, to meet our net worth and other financial requirements, or to meet any of the other eligibility requirements specified in the Contract.

Early Procedures

The following is required of the S/S who is servicing a delinquent loan during the first 45 days of delinquency. Loan payments are due on the first day of the month and are considered to be delinquent if received after the first.

- A. Identification of a delinquent loan will be made by the 16th day of delinquency of the first month.
- B. A late notice will be mailed no later than the 18th day of delinquency.
- C. Approximately 5 days following the mailing of the late notice, attempts to contact the Borrower by telephone should commence. If no contact is made, HAD may attempt to contact the Borrower using regional staff to bring the account current.

- D. If, by approximately the 45th day of delinquency, satisfactory arrangements to bring the account current have not been made, a face-to-face interview with the Borrower will be conducted by the S/S. If no contact is made, HAD may attempt a face-to-face interview using regional staff.

The lender also may initiate a request for HAD's regional staff to contact the Borrower to bring the account current.

- E. By the 15th of each month HAD will furnish the S/S a monthly report of loans delinquent 45 days or more. This report will be used as a guide to furnish HAD the information necessary to assist in the collection effort of each delinquent loan. Each S/S will provide HAD the detailed information on DCRA/HAD Form 79 prior to the 60th day of delinquency, thereby giving HAD the opportunity to offer the S/S assistance in the collection efforts or recommend that foreclosure proceedings begin.
- F. After 45 days of delinquency if the S/S has not been successful in bringing the delinquent loan current, the S/S will furnish HAD a detailed written explanation, on separate forms, of the specific collection efforts made during that 45 day delinquency period. Include all written correspondence between the S/S and Borrower, for each delinquent loan, on a separate form. Attachments will also include inspection reports, documentation of all verbal conversation between the Borrower and S/S, along with a recommendation regarding the action the S/S proposes to pursue in liquidating the delinquency.
- G. The S/S will pursue all other options before recommending foreclosure.
1. Repayment plans;
 2. Liquidation Plan;
 3. Forbearance Agreements;
 4. Modification;
 5. Home-Ownership Assistance Fund (Chapter 8);
 6. Waiver of Occupancy;
 7. Assignment of Rents.

- H. HAD has several types of special relief provisions to help mortgagors who are delinquent. The S/S must be familiar with the terms of each of these provisions. The S/S should also be aware of any other government programs that might assist mortgagors in resolving their delinquencies, or of any counseling agencies that might help mortgagors in their debt management.

The S/S should use HAD's relief provisions whenever appropriate. HAD does not want to liquidate a mortgage if there is any possibility of saving it. However, HAD does not expect the S/S to grant relief unless it will result in bringing the mortgage current and maintaining it.

If a satisfactory response is not obtained, the S/S will continue to follow up with regular notices, letters, telephone contact, face-to-face interviews, etc., until the mortgage has been brought current or the S/S determines that a recommendation for foreclosure, deed in lieu of foreclosure, or other action is appropriate. After 45 days if the lender is unsuccessful in reaching the Borrower or reinstating the loan the S/S must:

1. Declare the loan in default;
2. Notify HAD's Anchorage office of the default;
3. Schedule one or more joint counseling sessions with the Borrower and HAD's regional office;
4. Attempt to reinstate the loan through payment revision or other method acceptable to all parties;
5. Report to HAD every month on the status of a delinquency loan or be subject to penalty assessments.

Delinquencies Exceeding 45 Days

By this time, the S/S should have had at least one face-to-face interview with the Borrower to establish the reason for the delinquency and the length of time necessary to cure default. In all cases the S/S will recommend an option plan by the 90th day of delinquency and request HAD approval.

Repairs and Maintenance

When an inspection discloses any condition detrimental to the property's value or the need for urgent repairs, the S/S should remind the mortgagor of his or her obligation to maintain the property and take one of the following actions:

- A. If the mortgagor agrees to arrange for the necessary repairs, the S/S should follow up until assured that the repairs have been completed.
- B. If the mortgagor refuses to make the necessary repairs and they are of an emergency nature, the S/S must advance the funds necessary to pay for the repairs. However, the S/S should arrange for the mortgagor to repay this advance, either in installments or as part of the full amount required to reinstate the mortgage. If the mortgagor refuses to make arrangements to repay the advance, the S/S may apply the monthly payment against the advance if the mortgage terms and local law allow it to do so. If the mortgage is subsequently foreclosed and the mortgagor has not repaid the advance, HAD will reimburse the S/S for its share of the advance when the claim is settled. All repairs must have prior written approval from HAD for any expenses which exceed \$500.00.

When an inspection reveals that the property is vacant and may have been abandoned, the S/S should try to locate the mortgagor to determine the reason for the vacancy. It must also make immediate arrangements to protect the property from vandalism and the elements to the extent that local laws allow it to take such action. The S/S should also contact any junior lienholders to determine their intentions.

The S/S shall take appropriate action during the foreclosure process to protect the mortgage and premises. The S/S must obtain HAD's written approval prior to any expenditure to protect the property in excess of \$500.00. In any situation where delaying protective action might result in impairment of the mortgaged premises, S/S shall obtain verbal approval. HAD will send a confirmation of the cost and nature of the protective action approved. An example of protective action would be the continuation of the utilities to prevent serious damage to the vacated structure during adverse temperatures.

PROPERTY INSPECTIONS

The mortgaged premises must be inspected prior to the 60th day of delinquency. The Division may accompany the S/S when the inspection to the property is made. The S/S must insure that

the properties securing HAD's mortgages are being properly maintained. This is accomplished by inspecting each property regularly (every 30 days). Whenever possible, the inspection should include observation of the property's interior. A Property Inspection Report (DCRA/HAD Form 54) should be used to document the inspection. The S/S may use its own form if it provides equivalent information.

The S/S must inspect the property before the 60th day of delinquency. After the initial inspection and until the mortgage is referred for foreclosure, the S/S should schedule property inspections for delinquent mortgages as often as it considers necessary to protect the interests of the HAD. Particular attention should be paid to properties located in areas that have a high rate of vandalism and neglect.

Ordinarily, the S/S does not need to inspect the property as long as the mortgage is current. However, if the S/S believes that the property value may be in jeopardy for any reason, they should inspect the property immediately.

The S/S should inspect the property before it places the mortgage under a relief provision, and then reinspect it as often as necessary to protect the Division's interests, but at least once each month. If the mortgage becomes delinquent under the repayment plan or there appears to be a potential for abandonment or vandalism, the S/S should inspect the property more often.

Once the mortgage has been referred for foreclosure, the S/S must inspect the exterior property (and interior, if vacant) at least every 30 days, and more often if the property is vacant or is located in an area with a high rate of vandalism. If the inspection immediately preceding the foreclosure sale reveals that the property has been damaged, the S/S must determine if the sale should be postponed to allow time for resolving any claim with the hazard insurance carrier.

Prior to HAD acquiring certain properties, the S/S must forward a comprehensive Property Inspection Report (DCRA/HAD Form 54). The report should be submitted to the Anchorage HAD office 30 days before the foreclosure sale, or the anticipated date of a deed in lieu of foreclosure.

Inspection Reports

The inspection report should provide the following information:

- A. Occupancy data, if the property is occupied by a tenant, include the term of the lease and the amount of the rental income, date of assignment of rents, and copy of eviction notices of nonpaying tenants;

- B. The condition of the property, including the estimated cost of any repairs that are needed to make it marketable;
- C. Current photographs of the property and the neighborhood;
- D. An assessment of the possibility of vandalism, with recommendations and estimated costs for protecting the property;
- E. An estimate of the market value of the property;
- F. Factual data regarding market trends in the neighborhood;
- G. Names, addresses and telephone numbers of brokers, contractors, potential buyers and others who could assist in either the rehabilitation of the property or its sale;
- H. Maps showing roads and location of property.

Within 15 days after the property is acquired, the S/S should reinspect the property and prepare an updated Property Inspection Report for inclusion in the property file and secure the property, including, but not limited to, winterization, new locks and removing portable property for safekeeping. Copies of the new keys must be sent to the Anchorage HAD office. Until the property is disposed of, the S/S must continue to inspect the property every 30 days.

The S/S must take all reasonable action to prevent liens from being attached against the property that would be superior to the HAD mortgage lien. The S/S must notify HAD immediately when it becomes aware that such a lien has been attached, (example: City or Borough Tax liens are superior to the 1st Deed of Trust.)

The S/S must give HAD immediate notice of any legal or financial action such as bankruptcy, condemnation, probate proceedings, tax sale, partition, divorce, etc., which affects the property or the mortgagor's ability to repay the debt. From time to time, the regional offices may issue special instructions detailing the S/S responsibilities in routine litigation cases.

ASSIGNMENT OF RENTS

If upon inspection the S/S discovers the property is tenant occupied, the S/S must immediately serve the Borrower and tenant(s) with a notice of Assignment of Rents and proceed to collect said rents by the following month.

Unless HAD directs otherwise, the S/S of a delinquent mortgage secured by property that is being rented should try to collect the rental income to apply toward the delinquency if:

- A. other arrangements to repay the delinquency cannot be made;
- B. the mortgage provides for an assignment of rents;
- C. local law allows the mortgagee to collect rents under these circumstances; and,
- D. this action will not create any new rights for the occupant that might impair HAD's ability to foreclose on the mortgage at a later date.

Any rental income that is collected on a delinquent mortgage should be applied first to outstanding advances and reimbursable expenses, then to scheduled monthly interest and principal payments, and/or as prescribed by the deed of trust.

ABANDONMENT

Abandonment has occurred when the S/S has "reason to know" from "all facts and circumstances concerning the status of the property" that the mortgagor intended to or has permanently discarded the property from use. The property will be considered abandoned if, after notice by S/S to Borrower, there has been no response from Borrower. The Borrower must also be in default - neglect is a default of the deed of trust. Two or more of the following examples might reflect abandonment.

- A. The utilities were turned off due to nonpayment of bills.
- B. The property condition indicates deferred maintenance, for example, the yard has not been mowed; the driveway snowplowed or shoveled; garbage has been strewn about the premises, etc.
- C. The premises have been vacant for 30 days or more without notice having been sent to the S/S.
- D. The Borrower transferred or sold part or all of the property without written consent.
- E. The Borrower is not occupying the home as required on owner occupied loans.
- F. Personal property has been removed from the premises.

- G. The S/S has notified the Borrower of his default and 30 days have passed without a response from the Borrower.
- H. The property houses tenants that do not pay rent. (However, the S/S should try to collect the rents from the tenants if this is the case and an assignment has been served).

If at any time a S/S discovers that a mortgaged property is abandoned, the S/S will notify HAD immediately. In all cases, the S/S will attempt to locate Borrower(s) and ascertain the reason for abandonment and pursue other options prior to initiating foreclosure and/or deed in lieu of foreclosure. The S/S must take all actions necessary to protect the mortgaged property from deterioration, damage, and vandalism. The S/S will immediately rekey, change the locks, and provide two sets of keys to HAD, along with detailed maps and photographs.

Abandonment of Secured Property Report

Information that must be reported includes:

- A. the date the S/S acquired knowledge of the abandonment;
- B. the date of last inspection;
- C. the amount of the outstanding debt;
- D. the amount of the default;
- E. a description of the property;
- F. paid-to-date;
- G. the fair market value of the property at the time of abandonment;
- H. condition of property narrative;
- I. bids or approximate cost to repair, (if needed);
- J. keys - proof of winterization, notice of insurance transfer.

Winterization of Vacant or Abandoned Property

Winterizing will be the responsibility of the S/S. If the property has not been winterized and damage occurs the S/S will be held responsible. Winterizing includes draining the fresh water supply lines and toilets. If the house is heated by a hot water system, antifreeze should be put in the heating system. Use a non-toxic antifreeze such as propylene glycol.

If the S/S and HAD agree to turn off the heat during the winter months, the septic and well lines should also be winterized.

Insurance Notices

The hazard insurance carrier should also be notified of the vacancy to assure that appropriate insurance coverage is being maintained.

The S/S will provide the HAD with verification that insurance company has been notified of vacancy and that there is adequate insurance in place to protect HAD interest.

Portable Generator

If a structure is abandoned or foreclosed and uses a portable generator as a power source, the S/S will remove and store the unit. When the property is sold the unit shall be reinstalled.

FORBEARANCE AND LIQUIDATING PLANS

The S/S is granted broad discretion in extending appropriate relief to Borrowers who encounter hardships and who are cooperative and have a proper regard for their obligations. No relief should be granted unless there is a reasonable expectation that the relief granted will result in bringing the mortgage current and maintaining it in that status. Prior to granting relief, the S/S will inspect the mortgaged premises and ascertain that the reason for the default and the attitude and circumstances of the Borrower justify the relief action contemplated. The S/S is responsible for collection from the Borrower of any recording or similar costs incidental to the granting of relief.

Repayment Plans

When the S/S receives a payment that does not include required late charges, the S/S may defer late charges to a future date.

The S/S will accept partial payments, and hold it as "unapplied funds" until there are sufficient funds to apply to the mortgage payment, unless otherwise directed by the Division.

If the delinquent mortgage is secured by property that has rental income, an assignment of rents must be in place until the delinquency is cured, unless HAD directs otherwise.

Early in the delinquency, the S/S should contact the mortgagor to determine his or her attitude toward the delinquency. If the S/S believes that the mortgagor should be granted relief, it should:

- A. Explain our relief provisions and the mortgagor's responsibilities under each;
- B. Obtain any financial information that will be needed to develop the repayment plan; and,
- C. Stress the consequences of not meeting the terms of the repayment plan and make sure that the mortgagor has a complete understanding of the agreement he/she is about to enter.

The S/S should analyze each case carefully before developing a repayment plan. A face-to-face interview with the mortgagor should be scheduled before a formal relief plan is executed. However, if the S/S believes that the mortgagor fully understands the proposed repayment terms and that nothing will be gained by a face-to-face meeting, it does not need to schedule one. The S/S must document the individual mortgage file regarding this decision not to have a face-to-face meeting.

When establishing repayment terms, the S/S should consider the mortgagor's financial condition to make sure that the repayment plan finally agreed to is realistic. The S/S may not jeopardize our lien position or reduce the amount of any future claim.

Temporary Indulgence

Temporary indulgence may be granted only under special circumstances when the S/S determines that the mortgagor will be financially able to bring the account current by paying the delinquent installments within 60 days. Temporary indulgence may be appropriate when:

- A. A sale or rental of the property is pending;
- B. An insurance settlement is being negotiated;
- C. Assistance from a social agency has been arranged, but funds have not been received;
- D. Additional time is needed to formalize a repayment plan under our other relief provisions; or,
- E. The mortgage payments were lost in transit and need to be traced.

Liquidation Plan (Repayment Plan, Workout Agreements)

Under a liquidation plan, the mortgagor must immediately make payments in addition to regular monthly payments, to cure the delinquency. If appropriate, the S/S is authorized to enter

into a liquidating plan to repay the total delinquency within the shortest time possible. Liquidation of the delinquency should not exceed six months from the date of execution of the plan without HAD's approval. If the S/S wishes to enter into a liquidating plan in which the payment period exceeds six months, it must obtain HAD's prior approval and the plan must be set forth in writing and signed by the S/S and the Borrower. When the delinquency involves three monthly payments or less, formal written agreements are required by HAD. In this case, the S/S does not need prior approval. However, each written agreement should clearly set out the amount and due date of each additional payment and the date by which the total delinquency must be cured.

Liquidating plans may require a schedule of payments, as follows:

- A. Monthly payments that are multiples of the regular installment;
- B. Regular payments one month and multiple payments the next;
- C. Payments to be made more often than monthly; or,
- D. Any other variation in the timing or amount of the payment that will cure the delinquency in the shortest possible time.

"Forbearances"

A forbearance agreement is a written agreement to reduce or suspend regular mortgage payments for a stated period. At the conclusion of the forbearance relief period, regular mortgage payments must be resumed and satisfactory arrangements made to repay the amount suspended. After approval of the terms by HAD and any others required, the S/S shall prepare the agreement, have it executed by all parties, and forward original of the completed agreement to HAD for execution.

This agreement shall emphasize to the Borrower all the terms of the agreement so that the Borrower understands his/her obligation, especially in regard to repayment of the suspended amount.

If the Borrower fails to satisfy the terms of the forbearance agreement, the S/S shall immediately contact the Borrower and reevaluate the situation. The S/S will send HAD a comprehensive report within 30 days with a new plan of action to cure the delinquency.

Special Forbearance

The S/S may agree on behalf of HAD to reduce or suspend the mortgagor's monthly payments for a specified period. After a satisfactory repayment schedule is established, written approval by HAD is necessary to put the schedule into effect. The mortgagor must agree to resume his or her regular monthly payments and pay additional money toward the delinquency at scheduled intervals.

Special forbearance should be considered when the default is the result of:

- A. The mortgagor's death or the death of a family member who made a significant contribution toward the monthly payment;
- B. Illness or some natural disaster that the mortgagor could not prevent; or,
- C. Some other unusual circumstances that are well documented.

The S/S must submit the following applicable items when requesting forbearance:

- A. Inspection reports on all units;
- B. Copies of all rental agreements;
- C. Copy of earnest money agreement on the property to be sold;
- D. Copy of the plat;
- E. Current title report;
- F. Financial statement of buyer;
- G. Financial statement of Borrower and co-Borrower;
- H. Any other documentation that you feel is pertinent to this matter.

The S/S shall obtain the necessary approval from HAD prior to executing a forbearance agreement.

Modification

There may be times when the only way to provide relief to a deserving mortgagor is to change some of the terms of the mortgage. A S/S might consider modification of the mortgage to cure a delinquency if:

- A. A mortgagor whose income has been affected permanently by an accident or illness or by the death of the principal wage earner in the family;

- B. A mortgagor whose income was reduced or eliminated altogether for a temporary period and whose current income is still too low to keep the mortgage current on an on-going basis;
- C. If the S/S feels that changing the terms of the mortgage would not only cure the present delinquency but also prevent future delinquencies;
- D. If the mortgagor can continue his current payment but is unable to catch up to his default.

Prior approval is required by HAD for any modification changes to a mortgage.

We must be very careful we do not violate statutes, regulations, or truth-in-lending disclosure procedures.

Waiver of Occupancy

HAD requires continued owner occupancy by the mortgagor on HAD loans. HAD will, however, consider waivers of owner-occupancy due to a hardship placed on the mortgagor. There are three types of waiver requests that may be submitted: Permanent Relocations, Long-Term Temporary Relocation and Short-Term Temporary Relocations.

A waiver is restricted to a term of:

- A. six months for Permanent Relocations;
- B. nine months for Long-Term Relocations; or,
- C. less than six months for Short-Term Temporary Locations.

However, the Director may extend the time frame when it is in the best interest of HAD or Borrower to do so.

A waiver by HAD shall not be a waiver of any other rights and remedies under the terms of the mortgage documents. HAD may accelerate the mortgage upon termination of the waiver or upon the Borrower's failure to comply with the terms and conditions set forth in the waiver.

- A. Permanent Relocations. The following must be provided:
 - 1. Application for Waiver of Occupancy/Rental (HAD Form 52);
 - 2. Waiver of Occupancy Affidavit (HAD Form 53);
 - 3. Verification of permanent employment outside of the residence area;

4. Copy of a current listing agreement to sell the property. The listing agreement and extensions, if any, must run for the period of the request;
5. Copy of a current appraisal (no more than six months old) or letter of opinion from an appraiser to substantiate the sales price;
6. Any other documentation which may assist HAD in determining if a hardship exists and the term of waiver, if any, to be granted.

A request exceeding nine months will not be considered.

B. Long-Term Temporary Relocations. The following documentation must be provided:

1. Application for Waiver of Occupancy/Rental (HAD Form 52);
2. Waiver of Occupancy Affidavit (HAD Form 53);
3. Verification of the need to temporarily vacate the property, i.e., medical reports; school registration; approved leave of absence from work for education purposes or sabbaticals; documentation of family emergency; documentation of temporary employment assignment outside of the residence areas, etc.;
4. Any other documentation which may assist HAD in determining if a hardship exists and the term of waiver, if any, to be granted.

A request exceeding nine months will not be considered.

C. Short-Term Temporary Relocations. The following documentation must be provided:

1. Application for Waiver of Occupancy/Rental (HAD Form 52);
2. Waiver of Occupancy Affidavit (HAD Form 53);
3. An explanation from the applicant of the reason for temporarily vacating the property.

D. Status of Occupancy.

1. If the property is to remain vacant during the period of time in which the mortgagor will be out of the area, a report of how the property will be maintained during the mortgagor's absence must be submitted. The report must address protection against vandalism, winter freeze-up, etc. Verification of adequate hazard insurance for vacant property must also be provided.
2. If the property is to be rented during the period of time in which the mortgagor will be out of the area, a rental agreement must be provided. The term of the rental agreement cannot exceed the term of the HAD waiver or acknowledgment.

E. Extensions. Upon expiration of the waiver period granted by HAD, the mortgagor must either cure the default (i.e., reoccupy the property, refinance the residence or pay off the loan) or request another waiver. In evaluating the additional waiver request, HAD will consider the following:

1. Permanent Relocations. In addition to the application, the following documentation must be provided:
 - a. Evidence that the property was listed throughout the period of the prior waiver request and a current listing agreement.
 - b. If the property is rented, a statement from the listing agent attesting to the cooperativeness of the tenant and the condition of the property.
 - c. Evidence that the mortgagor has made a sincere effort to market the property.
 - d. A payment history from the S/S on the mortgage loan during the initial waiver period.
 - e. An affidavit from the Borrower(s) stating their intent to continue to exercise a good faith effort to cure the default.

2. Long-Term and Short-Term Temporary Relocations. Unless the mortgagor(s) has reoccupied the residence after the initial waiver request and is now requesting a second waiver instead of an extension, the waiver will not normally be granted.

a. When the Borrower has reoccupied the property and is now requesting a second waiver, the documentation required is the same as if it were an initial request.

b. In addition to the application, when the Borrower requests an extension of the initial waiver period, the following documentation is required:

- An explanation from the applicant of the reason for the extension.
- A payment history from the S/S on the mortgage loan during the initial waiver period.
- Any other documentation which may support the mortgagor(s) reason for the extension.

Deed in Lieu of Foreclosure

If the Borrower offers or is willing to execute a voluntary deed in lieu of foreclosure, the S/S shall recommend acceptance to HAD when:

- A. The S/S has complied with Chapter 7 of HAD guidelines;
- B. The S/S receives a written request from the Borrower;
- C. Such action is in the State of Alaska's best interest;
- D. A current financial statement on the Borrower reveals a hardship;
- E. Marketable title free from any liens will be obtained. A title search, preferably paid by the Borrower, must be obtained;

- F. The S/S has received HAD's prior approval of attorney fees and other related costs;
- G. The market value of the property is sufficient to liquidate the debt - broker opinion or current appraisal, with HAD approval;
- H. Interior/exterior pictures are submitted to HAD;
- I. A narrative from the S/S as to why the other options are not acceptable.

A deed in lieu is normally preferred to foreclosure. Upon receipt of HAD's written approval, any documents necessary to process the deed in lieu of foreclosure shall be prepared by the S/S counsel, subject to HAD's approval of attorney fees. The S/S must arrange for conveyance in a timely manner. At time of conveyance, the S/S shall obtain a policy of title insurance at binder rates from a title insurance company qualified to do business in Alaska. The policy shall show a marketable title, free from any liens.

If a deed in lieu is acceptable to all parties it will remain the responsibility of the S/S to insure that title to the property will remain clear of any liens during that period of accepting the deed from the Borrower and recording of the deed.

Deed in Lieu of Foreclosure with Deficiency Summary Judgment

The S/S will automatically pursue deficiency judgements in any instance; therefore, the S/S may submit to the Anchorage office a recommendation that we pursue a deficiency judgement on a particular case. Before making its recommendation, the S/S should consider the following:

- A. any local laws that restrict deficiency judgements;
- B. the costs of pursuing the judgement in relation to the amount of the deficiency and the potential for delays in the foreclosure process;
- C. the probability of a favorable judgement;
- D. the collectibility of the judgement in view of the mortgagor's assets or lack thereof; and,
- E. the overall impact on HAD (S/S recommendation to HAD).

Foreclosures

The S/S inspection of the property can be an important factor in deciding whether to start foreclosure proceedings. When the property inspection shows that the market value of the property is sufficient to liquidate the debt, the S/S should recommend the deed in lieu of foreclosure action or institute foreclosure action. When the property inspection shows a significant decrease in the market value of the property, the S/S will notify HAD, in writing, of the potential loss and recommend foreclosure immediately before a greater loss occurs. When reasonable efforts have been made to cure the delinquency and the S/S determines that no other course of action will cure the default, a written recommendation that foreclosure action be initiated will be provided to HAD. The recommendation should include:

- A. Servicing history of the loan in default (include a narrative as to other options the S/S pursued);
- B. The amount of funds necessary to cure the default;
- C. The balance in the reserve account;
- D. The name of the attorney the S/S is proposing to use and the estimated fees and costs. (Attorneys experienced in foreclosures are preferred.); and,
- E. A current photo and a copy of the most recent property inspection.

Seller/Service Responsibility

A narrative report will be prepared by the S/S with the narrative to include:

- A. Any adverse conditions affecting the marketability of the property and the costs to remedy;
- B. Information on the current occupants (if any) of the property;
- C. Information on whether the property has been secured and how; and,
- D. Any other information of which HAD should be aware.

The S/S is requested to:

- A. Inspect all units to determine number of units rented and if all units are 100% finished;

- B. Serve Borrower and tenants notification of assignment of rents;
- C. Obtain an assets verification on the Borrower;
- D. Make personal contact with the Borrower;
- E. Verify Borrower's employment and, if possible, check income with employer;
- F. Order a credit report;
- G. Check with Borrower's creditors to see if he is current with them.

All approved fees connected with the foreclosure are to be paid by the S/S and will be reimbursed by HAD after completion of the foreclosure. If the foreclosure is contested or lengthy bankruptcy proceedings are involved, the S/S may request in writing that HAD reimburse large out-of-pocket expenses such as attorney fees, taxes, and insurance payments. In the event the foreclosure proceedings are discontinued, all fees and costs incurred are to be collected from Borrower. All uncollected fees and costs are to be absorbed by the S/S.

Attorney Fees

The S/S must select an experienced foreclosure attorney or law firm to handle liquidation transactions for HAD.

We periodically publish the maximum attorney fees that we will pay for routine foreclosure cases. Fees higher than those amounts may be appropriate, but they must be approved by the Anchorage office in advance. The attorney's billing should clearly demonstrate the need for any additional fee.

In cases in which the mortgage gets reinstated, the fee should be reasonable and related to the amount of work actually performed by the attorney. It should bear some proportional relationship to the fee that would have been allowed for a completed liquidation.

Although we will reimburse S/S for our share of attorney fees when a liquidation action is completed, we will not reimburse attorney fees if the mortgage is reinstated. Those fees must be collected from the mortgagor as a condition of the reinstatement. However, attorney fees may have to be waived for some bankruptcy cases or in other situations that the HAD specifies. When that happens, we will reimburse the S/S for our share of the attorney fees.

Documents Required

Copies of all legal documents, correspondence with the Borrower, and any other documents or correspondence relating to delinquent loans and foreclosures shall be sent to HAD.

Foreclosure Processing

The S/S must process foreclosures in accordance with the provisions of the mortgage, state law, and the requirements of HAD. To assure that this is done, the S/S must have an effective system for monitoring foreclosure progress. Although we do not specify a particular monitoring system, we may review the S/S system for adequacy on occasion. The S/S is fully responsible for any losses that occur because the S/S or its attorney mishandled the case.

In order to eliminate unnecessary delay the S/S should move as quickly as possible upon default. The S/S can commence a foreclosure after 30 days of delinquency in payment. Forward the file to the attorney as soon as possible. Do not delay when documents are provided to you for signature.

The S/S will respond quickly to attorney's request for any information she/he needs to complete foreclosure action. S/S will notify HAD of sale date within 5 days of order in most cases. Sale date should be approximately 95 days from the date you request attorney to foreclose. The S/S will immediately initiate a report giving the status of the foreclosure and provide HAD with a copy of such. The S/S will provide periodic updates of the status (on at least a monthly basis). There will be no publication of excess language, reasonable Trustee Sale Guaranty fees, etc. There will be reasonably brief documents (saves publication and recording fees); split Notice of Default and Notice of Sale.

The S/S will advertise in the "newspaper of general circulation published nearest the place of sale". The S/S will try to save on Trustee Sale Guaranty by:

- A. Shopping for rates;
- B. Determining how much coverage you really want and need;
- C. Taking all coverage allowed for minimum fee;
- D. Not over-insuring.

The S/S shall retain Borrower's escrow funds and unapplied funds, if any. The S/S shall obtain bills for and effect payment of all expenses to be paid under the mortgage such as taxes, insurance and any charges which may claim priority over

HAD's interest. Should Borrower's funds be insufficient to pay these items as they become due, the S/S will advance the necessary funds.

Offer of Payment During Foreclosure

If, during foreclosure, Borrower offers payment of the full delinquency, including advances, legal costs, and other foreclosure expenses, the S/S shall ascertain the amount of all foreclosure costs and expenses that have been incurred, or will be incurred, if the offer is accepted. Such an offer may be accepted by the S/S, but it may not be declined without HAD's concurrence.

If the offer is accepted, and upon receipt of funds, the S/S shall act to prevent additional foreclosure expenses from being incurred by applying funds (exclusive of foreclosure expenses) to the Borrower's account and paying the foreclosure expenses. The S/S shall immediately report the reinstatement of the mortgage loan to HAD and, if appropriate, return the certified copy of the debt instruments to HAD by certified mail. If during foreclosure, the Borrower offers to pay an amount less than the full delinquency (including foreclosure costs, etc.) S/S will ascertain the amount of foreclosure costs and expenses that have been or will be incurred if the offer is accepted. S/S recommendation shall include an opinion regarding whether the foreclosure action should be suspended or dismissed and how the remaining delinquency will be cured.

Bidding Instructions

The S/S shall issue bidding instructions to its employee, agent, or the attorney attending the foreclosure sale unless otherwise directed by HAD. If a bid has been received that covers the total indebtedness including advances, legal costs, and other foreclosure costs, approval of a minimum bid price is not required from HAD. The S/S must obtain HAD's prior approval of a minimum bid that is insufficient to recover the total indebtedness.

Third Party Acquisition

If the mortgaged premises are disposed of in a third party transaction at the foreclosure sale, reasonable expenses advanced by the S/S during the foreclosure process (and approved in writing by HAD when applicable) shall be netted against the foreclosure sale proceeds. The Division's portion shall be paid to HAD in the same manner as pay-off funds.

Reimbursement of Advances

If a property is not acquired by a third party at the foreclosure sale, HAD will reimburse the S/S for reasonable expenses incurred (and approved in writing by HAD where

applicable). The Request for Reimbursement (DCRA Form 42) should be accompanied by copies of the invoices and checks issued. Reimbursement will be made upon receipt and approval of expenditures. Should the foreclosure sale be delayed due to Borrower's filing of court documents (such as bankruptcy), HAD will, upon request, reimburse the S/S for expenses incurred. Reimbursement may be made every thirty (30) days upon submission of paid invoices from the S/S.

Reimbursement Prior to Foreclosure Sale

If unusually large advances are required by the S/S, reimbursement prior to the foreclosure sale will be considered upon receipt by HAD of a written request (DCRA Form 42) from the S/S. The request will include copies of the paid invoices for which reimbursement is being requested.

Judicial Foreclosure

Some states allow redemption periods to be reduced when the foreclosure was instituted because the property was vacant or abandoned. Whenever possible, the S/S should petition the court - or take any other legal actions that may be necessary - for a reduced redemption period, so that expenses can be minimized.

Consider Judicial Foreclosure if:

- A. You are under-collateralized;
- B. You have solvent trustor or guarantor;
- C. No better option presents itself, including:
 - 1. Additional collateral,
 - 2. Guarantors;
- D. The property lends itself to one year of unsalability, eg., is it rentable.

BANKRUPTCY

The S/S must have written procedures to control and monitor bankruptcy proceedings effectively. The procedures should cover bankruptcies filed under Chapters 7, 11 and 13. Among other things, the procedures should address the following:

- A. requirements for filing a proof of claim - circumstances under which it is required, how to prepare it, time frame for filing, etc.;

- B. methods for determining acceptability of proposed repayment plans, including reaffirmations of the debt;
- C. time limits for clearing the bankruptcy or receiving the first payment under a repayment plan and the action to take if they are not met;
- D. instructions on what to do if the bankruptcy trustee files a no-asset report, intends to sell the property, or abandons his or her interest;
- E. conditions under which an abandonment should be obtained or petition for lifting the stay order should be filed; and,
- F. requirements and timing for referring the case to an attorney for foreclosure once a stay order has been lifted.

In addition, the S/S must maintain an individual file for each case that is involved in bankruptcy proceedings. That file should contain a copy of the following: notice of the first meeting of creditors, proof of claim, the debtor's plan, pleadings, notices, etc.

MANAGEMENT OF ACQUIRED PROPERTY

S/S is responsible for managing the acquired property for as long as HAD holds title to the property. Immediately after HAD acquires title to a property, the S/S must take action to preserve the Division's interest. The responsibilities of the S/S include, but are not limited to:

- A. Security. S/S is required to take appropriate action to secure the property, including but not limited to:
 - 1. changing all exterior locks if necessary;
 - 2. securing all windows and exterior doors;
 - 3. inspecting the property at least every 30 days, or as otherwise directed by HAD. Originals of the property inspection reports with pictures will be forwarded to HAD.
- B. Management. The S/S shall be responsible for the timely payment of all taxes and assessments, the collection of rents (if applicable) and for seeing that the property

is covered by adequate hazard insurance. Adequate hazard insurance shall be considered the amount and type of insurance that was required prior to the time the property was acquired by HAD. The Division shall be named as the loss payee.

- C. Maintenance. The S/S shall maintain the property so as to preserve its value and prevent any additional deferred maintenance or damage. Utility companies must be notified of the change of ownership and advised to forward all bills, etc., to the S/S for payment. If the property is expected to be vacant for an extended period, steps will be taken to winterize, if applicable. HAD expects that the S/S will act in the Division's best interest when contracting for service maintenance, and requires that the S/S submit statements for such services along with additional documentation (photographs, field reports, etc.) if appropriate, when requesting reimbursement. Maintenance expenses which are other than routine and recurring, must be authorized by HAD beforehand if the expenses exceed \$500.00 or are out of the ordinary.
- D. Reimbursement: Where the S/S is incurring expenses in maintaining the property, a Reimbursement Form, DCRA/HAD 42, listing credits and expenses (accompanied by copies of the invoices and checks issued) must be submitted when reimbursement is requested. HAD will reimburse S/S for expenses every three months. More frequent reimbursements will be considered when the expenses exceed \$500.00. In all cases a final accounting of income and expenses must be submitted to HAD no later than 45 days after a property is disposed of (property inspection fees are not reimbursable).

Property Taxes

When HAD forecloses and obtains title to a piece of property, no taxes are due or payable the following year. Even if the property is resold, taxes would not be due until January of the following year.

Example:

<u>Foreclosure Date</u>	<u>Taxable Year</u>	<u>Non-Taxable Year</u>
7/1/85 - 12/31/85	1985, all year	January, 1986
1/1/86	1986, all year	January, 1987

Insurance

HAD requires that you provide the Division with verification of adequate insurance on any properties on which we have foreclosed and/or of which we are in possession through abandonment.

Should any of these properties have tenants, you must also provide verification of liability insurance.

If Borrower abandons the property, or does not answer within 30 days a notice from S/S that the insurance carrier has offered to settle a claim, then S/S may collect the insurance proceeds. S/S 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.

TENANT OCCUPIED PROPERTY AND RENTAL INCOME

The S/S shall collect and remit to HAD, on a monthly basis, all monies due on Foreclosed Rental Property. The S/S shall keep accurate records of all rental activity to include:

- A. Date rented/lease information (period of time lease covers.
- B. Date tenant vacates property. Advise HAD as to application of the security deposit towards clean-up/repair of the property and return deposit, if any, to the departing tenants.
- C. Condition of the property and any necessary fix-up/repair costs.

DCRA/HAD Form 47 (Rent Collection Report) shall be submitted monthly, in addition to the rent collections check. Form 47 requires the following information:

- A. DCRA/HAD Loan Number;
- B. Borrower's name;
- C. tenant's name;
- D. apartment number;
- E. property type, shown by an X in the appropriate REO column;
- F. security deposit you are holding;
- G. amount of rent being remitted;

month for which the rent is being applied;

I. foreclosure sale date.

Property and Casualty Losses

The S/S shall immediately report to HAD any accident occurring on the acquired property, furnishing all information on the time, place and circumstances, the names and addresses of the injured, and the names and addresses of all witnesses.

Address for Correspondence

Address for all correspondence regarding delinquencies, foreclosures and collection will be sent to the Anchorage office. Correspondence incorrectly addressed will be the responsibility of the S/S, and not considered received by HAD until properly delivered.

When the S/S is being assisted by the State's regional offices on a delinquent loan, a copy of correspondence shall also be sent to that office.

PROCEDURES FOR REAL ESTATE OWNED

The general goal of the property disposition procedures is to dispose of acquired property as quickly as possible at an equitable price. With this in mind, the following are presented as general guidelines. A S/S may elect alternate procedures, but advance written approval must be obtained from HAD. With the foreclosure of a HAD direct loan, detailed instructions may be sent by the Anchorage office to the regional office in the area when the property has been or is about to be foreclosed. HAD's regional offices will be available to offer assistance to the S/S regarding the maintenance or disposal of a foreclosed property.

PROCEDURES FOR THE DISPOSITION OF REAL ESTATE OWNED

The HAD periodically will offer for sale certain properties that the Division has acquired.

HAD reserves the right to accept or refuse any and all offers and the Division's decision is final. All items are offered "AS IS, WHERE IS", with no implied or expressed warranty of condition whatsoever.

When HAD has acquired properties through a foreclosure or a deed in lieu of foreclosure, the following procedures shall be followed in disposing of those properties.

- A. When DCRA is in title of the property, HAD may request the S/S or its agent to post a 'For Sale by the State of Alaska' sign on these properties.
- B. The Division may request that the S/S place an advertisement offering the property for sale.
- C. The S/S will provide HAD with a narrative report to include:
 - 1. any adverse conditions affecting the marketability of the property;
 - 2. information on the current occupants (if any) of the property;
 - 3. information on whether the property has been secured and how; and,
 - 4. any other information of which HAD should be aware.
- D. The Division will expect the S/S, per our guidelines, to secure the property, change over the utilities, and provide HAD with keys to the premises.
- E. The S/S will obtain estimates to remodel or repair the premises and HAD will inform the S/S how these repairs are to be handled and how they are to be paid.
- F. The Division may request the S/S to obtain a current appraisal on said property to determine value.
- G. On request, HAD may make available to the public; appraisals, estimates for repair, and any other information HAD may deem appropriate.
- H. HAD will arrange a schedule of times that the premises will be open for public inspection.
- I. All offers shall contain the following information, but are not limited to such:
 - 1. Name and address of buyer;
 - 2. Phone number;
 - 3. Purchase price and terms;
 - 4. Type of financing, if any, to be obtained;
 - 5. Date buyer shall apply for financing, if acceptable.

- J. HAD will not assist in the writing of an offer on the properties, but will advise a prospective buyer of the procedures for making an offer on foreclosed properties. HAD's field offices, as well as the Anchorage office, will accept these written offers. They will be posted with date and time received. The offers shall be forwarded to the Loan Examiner III in the Anchorage office.
- K. HAD shall review all offers to purchase upon receipt. If an offer has been received, but has been rejected or accepted by HAD, HAD shall notify the prospective buyer immediately.
- L. In the case that all offers have been rejected, new offers may be solicited, or direct negotiations may be undertaken, whichever is in the best interest of the State.
- M. The Division is under no obligation to accept any of the offers, and retains the right to continue to offer the property for sale.
- N. Identical offers will be reviewed by the Director. Date and time will be the first consideration. If no other basis for acceptance exists, HAD will draw lots in the presence of the buyers, or as an alternative, have lots drawn by a disinterested third party.
- O. Acceptance of an offer shall be done by the Director of the Housing Assistance Division. Consideration in accepting an offer will include, but not be limited to the following:
1. Cash offers;
 2. Down payments;
 3. Total purchase price;
 4. Financing.

Acceptance is made to the proposal most advantageous to the State.

- P. All accepted offers on behalf of the State shall include a Hold Harmless Clause. The buyer must hold the State and employees harmless from any liability.

OTHER STATE AGENCIES

8/23/89

HOUSING POLICY DEVELOPMENT COMMITTEE
POLICY RECOMMENDATIONS

1. It is the policy of the State of Alaska to adopt and execute a state housing policy and facilitate coordination of housing services by establishing an Alaska Housing Commission.
2. It is the policy of the State of Alaska to recognize the significant differences in housing needs, standards and requirements across the state. As a result, state policies, programs, procedures, and regulations shall be regionalized to the greatest extent possible.
3. It is the policy of the State of Alaska to encourage communities to take an active role in land use issues, recognizing that local control is preferable to central control, but not to the extent that private determination of supply and demand is circumvented (This statement will be re-drafted).
4. It is the policy of the State of Alaska to improve the availability, accessibility and affordability of housing for people with limited or low incomes.
5. It is the policy of the State of Alaska to improve the availability, accessibility and affordability of transitional and long term housing for those with special needs.
6. It is the policy of the State of Alaska, in the allocation of state housing resources, to give first funding priority to the state's most urgent housing needs.
7. It is the policy of the State of Alaska to encourage and assist the citizens of the state in homeownership opportunities in a fiscally responsible manner.
8. It is the policy of the State of Alaska to encourage housing partnerships which include public, private and non-profit entities, in order to foster and develop low income and affordable housing in the state.
9. It is the policy of the State of Alaska to minimize direct involvement of state government in the traditional housing market, with the primary exceptions of accessing capital markets and providing information.

10. It is the policy of the State of Alaska to promote the availability of quality, affordable rental housing.
11. It is the policy of the State of Alaska to recognize that the state's seniors are a valuable asset to the state. Senior Alaskans, of all income levels, should have access to affordable housing. The state should implement a housing program for seniors which emphasizes a continuum of care services. Supportive services should be available which allow seniors to live independently at their level of ability.
12. It is the policy of the State of Alaska to develop and maintain stable sources of revenue to support housing needs in the state.
13. It is the policy of the State of Alaska that housing in the state should meet specific quality standards (Proposed Statement).

ALASKA HOUSING MARKET COUNCIL

Statutory Basis

The Alaska Housing Market Council was established, for a three year period, by Governor Cowper on March 12, 1987 by Administrative Order #94. The Council has a twelve member board of directors which consists of four public members, an ad hoc representative from the Mortgage Guaranty Insurance Corporation, the executive directors of AIDEA, ASBA, AHFC, and the APFC, the Commissioner of Commerce, the Director of DCRA's Rural Development Division, and the Governor's Special Assistant assigned to Commerce.

Duties and Responsibilities

The Council serves as a coordinating point for both state and private housing entities. The Council's specific duties have evolved in response to changes in Alaska's housing market. The following are the FY90 duties of the Alaska Housing Market Council:

1. To develop a state housing policy and to coordinate interagency policies.
2. To make recommendations directed towards the stabilization of the housing market and for the coordinated management and resale of all institutionally owned residential units.
3. To provide direct services to the public via the mortgage information and referral hotline.
4. To serve as a public forum for housing and housing market issues.
5. To maintain a housing information data bank.
6. To provide reports and accounting to Council members, the Governor and the Legislature on the status of the housing market, on AHMC activities and funds used to coordinate those activities.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

SOLDOTNA

312 TYEE STREET
SOLDOTNA, ALASKA 99699
(907) 262-7841

JUNEAU

BOX V
JUNEAU, ALASKA 99811
(907) 465-2689

MEMORANDUM

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

DATE: August 28, 1989

TOPIC: APFC Loans

Attached is a letter from David A. Rose, Executive Director of the Permanent Fund. It gives a brief perspective of the fund's residential loan program and a copy of a letter to AHFC.



Alaska Permanent Fund Corporation

P.O. Box 4-1000 Juneau, Alaska 99802-4100
(907) 465-2047 Telecopy (907) 586-2057

August 22, 1989

The Honorable
C.E. Swackhammer, Chair
Housing Finance Task Force
312 Tyee Street
Soldotna, Ak 99699

Re: Residential Loan Program

Dear Representative *Swack* Swackhammer:

I received your request for information on our residential mortgage program. As you probably know, our loan program involves only Alaskan properties located primarily in urban areas of the state.

At the end of July, the portfolio of 196 loans had a value of \$31.5 million. In addition to the loan portfolio, we own twenty-four REO properties which had a market value of \$2.8 million.

While still taking on a few new loans, my staff is in the process of formulating recommendations to the Board of Trustees, per their request, as to the closure of the mortgage loan program. At this time we are discussing the sale of the loan portfolio to the Alaska Housing Finance Corporation. The attached letter to Tom Behan, Director of the Alaska Housing Finance Corporation, proposes various options for a sale agreement, as well as provides a brief history of our mortgage program. The criteria used for purchasing loans is also described in the letter.

If you need further information from us for your review, please don't hesitate to call.

Sincerely,

David A. Rose
Executive Director

DAR:LL:ls
Enclosure



Alaska Permanent Fund Corporation

P.O. Box 4-1000 Juneau, Alaska 99802-4100

(907) 465-2047 Telecopy (907) 586-2057

August 16, 1989

Mr. Tom Behan
Executive Director
Alaska Housing Finance Corporation
P.O. Box 101020
Anchorage, AK 99510

Dear Tom:

As a follow-up to our August 9 conversation, I am sending you a copy of the Mortgage Program Report presented to the Board of Trustees at the June, 1989 meeting. In our conversation, we discussed Alaska Housing Finance Corporation's purchase of our 198 loans at par or market value. At the end of July, 1989, the loan portfolio balance was \$31,500,000.

With few exceptions, the mortgages are for homes located in Alaska's urban areas. The portfolio includes single and multi-family dwellings, condominiums, and zero-lot lines. Loans were written with an agreement that the homes would be owner occupied, but that stipulation has not been monitored. Approximately three-quarters of the loans are covered by mortgage insurance. The average home loan has a \$160,000 principal balance and most of the loans are over four years old.

The mortgage program began in 1981 and over 80% of our loans were purchased in the first five years of the program. Most have a 30 year term. Few new loans have been purchased in the past two years -- those were either new loans on REOs we sold, or new loans on previous commitments.

Originally, only fixed-rate mortgages were acquired, but in the mid-80's the decision was made to purchase only adjustable-rate loans. The ARMs have an annual cap of 2% and a lifetime cap of 6%. In the past few years we have honored numerous requests to modify loans from the original high fixed rates to ARMs.

Rates are adjusted annually, on either March 1 or September 1. New rates are based on the Federal Home Loan Bank Board's District 1 index for previously occupied homes. The rate for the September 1, 1989 adjustment is 10.75%.

Mr. Tom Behan
August 16, 1989
Page 2

Currently, fourteen banks and mortgage companies service our mortgages. National Bank of Alaska provides service for half of our loans. Fifteen loans are serviced by eight institutions and the other mortgages are serviced by the remaining four providers.

Our delinquency rate for loans over 59-days delinquent is 14.5%. Half of these loans are over 120-days delinquent. Of this group, several are in the modification process, one is in judicial foreclosure, and others are in non-judicial foreclosure.

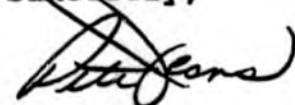
I see several options we could discuss in regard to servicing the loans that go into foreclosure after your purchase of the portfolio:

- 1) AHFC could market all foreclosed properties and recognize any loss or gain on the sale, eliminating any competition from the Permanent Fund in the Alaska-housing industry;
- 2) The Permanent Fund may buy back foreclosed properties for the first year after your purchase and provide, or not provide, financing to new buyers, possibly continuing in the housing industry on an extremely small scale;
- 3) For a one-year period, the Permanent Fund could purchase the foreclosures and sell them back to AHFC at market value, allowing the Permanent Fund to recognize the losses and at the same time, staying out of the Alaska housing market.

I suggest that we meet with you to review this information and answer any questions you might have. If you plan to be in Juneau in the near future, we could meet here and you would have an opportunity to review a sampling of files in the portfolio. Several members of our staff will be in Anchorage on September 25 or 26. If this would be a more-convenient time for you, we could meet with you then. We would also be happy to present information to your board and respond to their questions.

If there is any further information we could send to you during your consideration of this offer, please do not hesitate to call me or Llewellyn Lutchansky, the manager of the mortgage program.

Sincerely,



Pete Jeans
Real Estate Investment Officer

PJ:LL:ls

GENERAL

● *Jean Smith* REALTOR



BOX 1928
880 H STREET, SUITE 204
ANCHORAGE, ALASKA 99510
(907) 277-6013

September 19, 1989

Rep. C. E. Swackhammer, Chairman
Alaska Housing Finance Task Force
3111 C Street
Anchorage, Alaska 99503

Dear Rep. Swackhammer:

It is my understanding the Alaska Housing Finance Task Force is holding a series of meetings to review and analyze the publicly-assisted residential finance programs in Alaska in preparation for your report to the Legislature early in the 1990 session.

Your analysis will reveal that the State has a great many on-going housing assistance programs designed to meet the needs of a wide variety of home buyers. The missing link in all these programs is that there is presently no financing available for buyers of cooperative housing units. Attached is a copy of the letter I wrote last year for presentation to several Anchorage area legislators setting forth the background of Safehaven, Inc. Cooperative and outlining the problem.

Because cooperative home ownership is a long-established and viable form of home ownership in other States, I believe your legislatively established Task Force is the proper vehicle to recommend the Legislature take action to include financing for individual cooperative units in programs conducted by the Dept. of Community and Regional Affairs, AHFC, State pension funds, Alaska State Building Authority, or whatever subsidiary the legislators deem appropriate.

The Board of Directors of Safehaven, Inc. and I will greatly appreciate your consideration of this problem as well as your assistance in finding an early solution to it.

Sincerely,

Jean Smith

Jean Smith

Attach.

Jean Smith REALTOR



BOX 1928
880 H STREET, SUITE 204
ANCHORAGE, ALASKA 99510
(907) 277-6013

October 29, 1988

TO: Anchorage area Legislators

RE: SAFEHAVEN COOPERATIVE, INC.

BACKGROUND INFORMATION:

Safehaven Cooperative is a long-established housing development located in the South Addition of Anchorage near the West end of Delaney Park Strip, and more particularly between West 11th and West 12th, and P Street and Beech Lane. The complex is situated on nearly 3 acres and consists of 13 buildings, including 40 residential units, 2 laundry rooms, and a combination office, meeting room, and storage building.

The complex was constructed approximately 1943 by the Civil Aeronautics Administration to provide housing for their employees due to the shortage of available housing in Anchorage at that time. Only CAA employees and their families were permitted to live there. By the mid-fifties sufficient housing had been built in Anchorage that the CAA no longer needed to provide housing to attract employees. The CAA officials met with their tenants and urged them to organize themselves and purchase the complex. With the assistance of attorneys, CAA supervisors, etc., a cooperative was formed, by-laws were drawn up, a Board of Directors was elected, and financing was obtained through the Public Housing Administration (forerunner of HUD/FHA). The Cooperative, through its Board of Directors, several years ago paid off in full their loan so the entire property is now debt-free.

In those days the condominium concept was unknown, so formation of a Cooperative was the only feasible method to accomplish the goal. At that time then-residing CAA employees had first dibs to buy a share of stock in the Cooperative, other CAA or Government employees had second dibs, veterans had 3rd rights, and then open to anyone.

The Cooperative through the years has been most fortunate in keeping a prudent, diligent and dedicated Board of Directors who have, by their efforts, enforced the by-laws, supervised the installation of a number of capital improvements, retained a healthy reserve account while keeping monthly homeowner fees moderate, and maintained the premises in first class condition, making the units a very desirable place to live because of its close-in location.

WHAT THE PROBLEM IS:

Obtaining institutional financing for resale of the units is now impossible to get.

In the early years when units changed ownership the market value was such that a buyer was usually able to pay cash, or the seller could carry a small contract. In the past 15 to 20 years inflation, plus additions and improvements made to

the complex as a whole, and to individual units by owners have increased the market value to the \$50,000. to \$60,000. range, making it virtually impossible for potential buyers to pay cash. Because a high majority of the current unit owners are now senior citizens, they are unable and unwilling to even consider carrying 15 to 30 year contracts. At the present time 22 of the 40 unit owners are between 65 and 80 years of age, and of the remaining 18, more than half are between ages 60 and 65. A majority of the current stockholders are long-time residents, including some who were among the original stockholders. Because of declining health some of the unit owners have moved into the Pioneer Home, while others are desirous of relocating to warmer climates or buying into retirement set-ups in the Lower 48, and the remaining owners are rightfully concerned as to what will happen to them should the need to sell arise.

Late last year two of the owners listed their units for sale with me. During the course of this year I have talked with the mortgage loan departments of every bank and mortgage company in Anchorage attempting to find financing, but to no avail. Given current economic conditions, it is understandable that neither the banks nor the mortgage companies can make loans to carry in their own portfolios and must make loans contingent upon their ability to sell the loan to an investor. Therein lies the problem. Fannie Mae, Freddy Mac, AHFC, and other institutional investors are unwilling to finance cooperative units because the evidence of ownership is a share of stock rather than a warranty deed. Title companies, however, have ruled that a share of stock is an insurable interest, but because Safehaven is the only Cooperative in Alaska (to my knowledge) the potential investors apparently choose not to revise their regulations to permit purchase of the loans for a relatively small complex.

In years past, before the current economic slump, several of the units were financed by local banks who then resold the loans to some of the State pension funds. Upon checking out that possible source this year, I was told that because of the heavy loan delinquencies being experienced by every bank in Anchorage, the State pension funds will no longer buy any loans from the banks.

WHAT'S THE SOLUTION?

Having devoted countless hours this year talking with mortgage loan personnel, bankers, bank trust officers, the Alaska Housing Marketing Council, the Older Persons' Action Group, employees of the Dept. of Community and Regional Affairs, and Arlene Patton, head of the local HUD office, I have concluded a resolution of the problem will come only through legislative assistance.

Through the years the Legislature has established a plethora of loan programs to assist fishermen, farmers, students, rural housing, non-conforming housing, business ventures, mobile home buyers, low-income housing purchasers, high income buyers, modification of loan packages, etc. Unfortunately, this group of 40 homeowners at Safehaven, being a somewhat unique in this State organizational structure, seem to fall through the cracks and not fit into any existing program.

Several of the bankers have told me they are familiar with Safehaven, know of its good reputation, and would gladly make the loan and service it if there were an investor who would buy the loan. Arlene Patton told me HUD can insure the loans under their Section 213 program entitled "Federal Mortgage Insurance to finance cooperative housing projects", but that I would first need to

find an approved bank to make the loan and service it, plus an investor to purchase the loan.

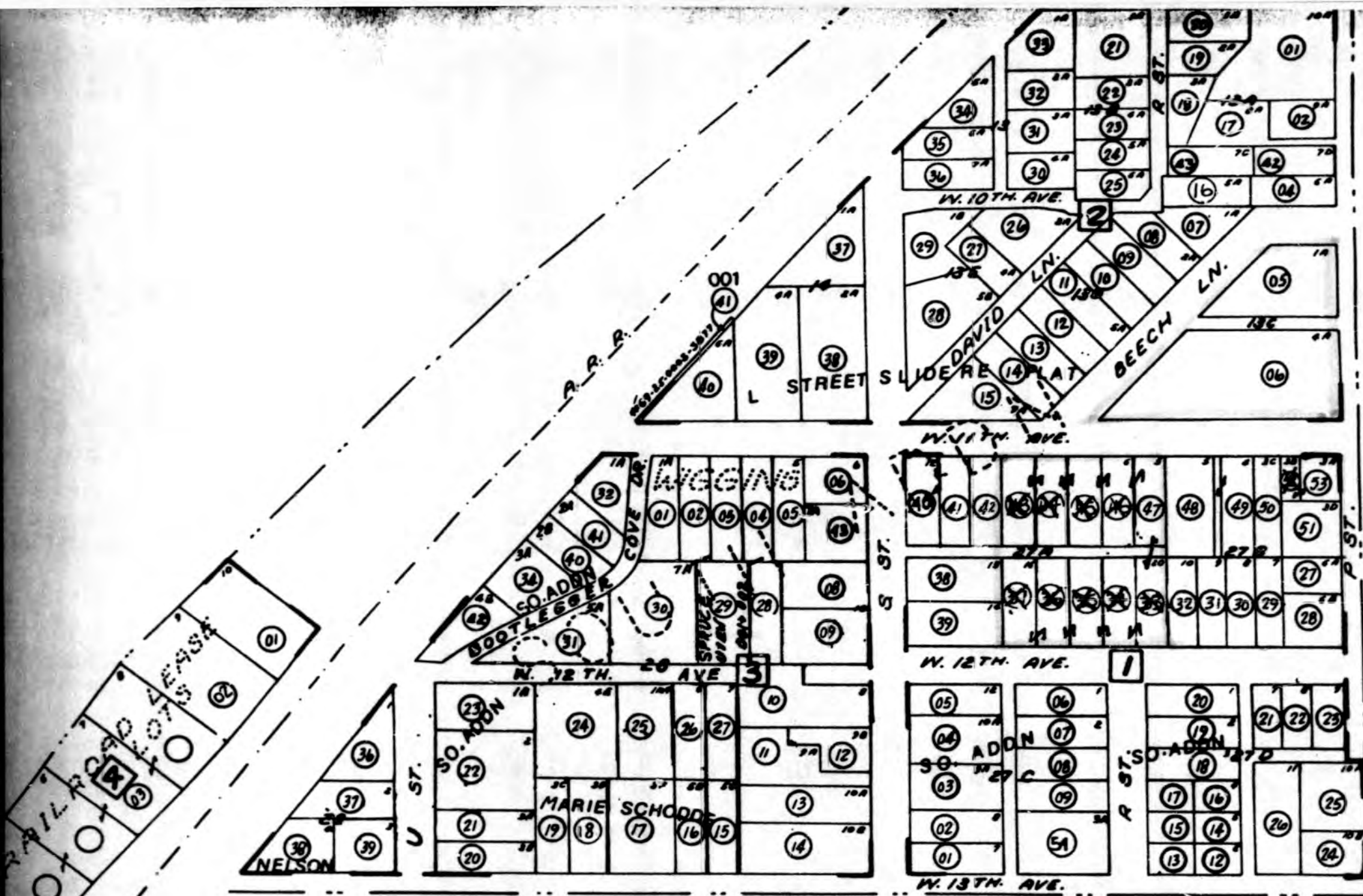
It is my opinion that no new legislation is required. I believe that through legislative influence perhaps the State pension funds could be an available source for purchase of the loans, or the Permanent Fund. As an alternate suggestion, perhaps existing regulations could be modified or amended to permit the Dept. of Community and Regional Affairs to purchase the loans under their housing assistance programs, or Alaska Housing Finance Corporation could be induced to purchase the loans.

I was told by people at the Dept. of Community and Regional Affairs that they can only make housing loans in rural areas, however my reading of what I think are current regulations, state up to 20% of the housing assistance funds may be used in urban areas.

We are not talking about a large amount of money annually. It is doubtful that there would be more than 2 or 3 of the units placed on the market in any one year, if that many, and at an average sale price of perhaps \$50,000. that is a relatively small amount in the big scheme of things.

The 40 owners of Safehaven Cooperative, its Board of Directors, and I will greatly appreciate your assistance in helping us find a satisfactory solution to this problem.

Jean Smith
Jean Smith
Broker



Adjoining Page No.

Assessor's Parcel No.

Assessor's Map No. 271 - Dn



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX: (907) 561-8998

September 8, 1989

Honorable C. E. Swackhammer
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

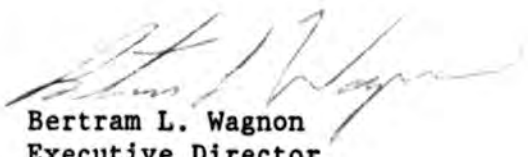
Attention: Carl Nickel

Dear Mr. Nickel:

Thanks for your letter of August 9th concerning residential housing loans. The Authority offers no residential housing loans of any form so there is very little that can be forwarded.

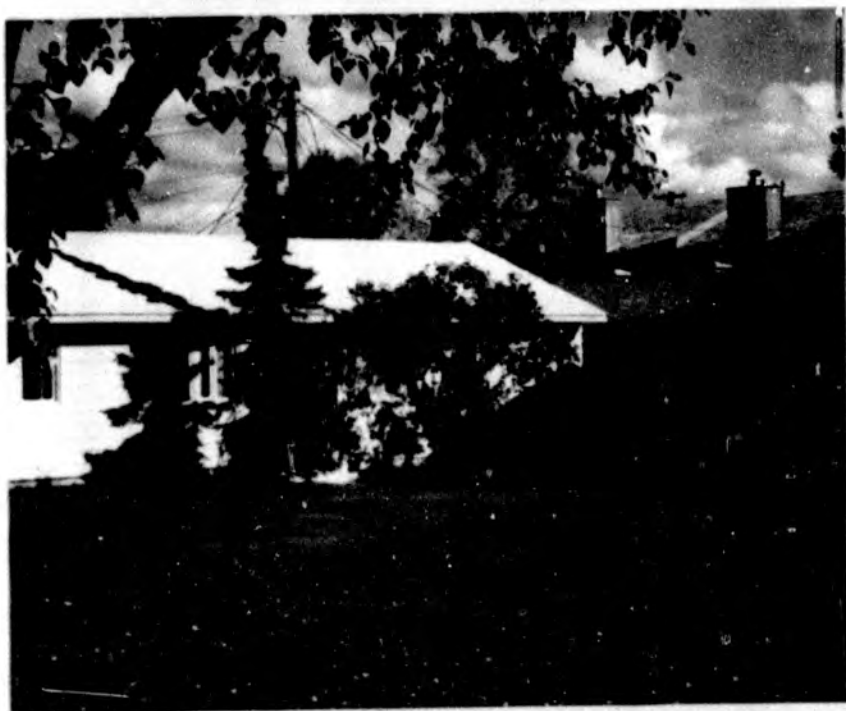
Some years ago a multi-family program existed but that was repealed by the legislature in 1985. If I can be of any other assistance, let me know.

Sincerely,



Bertram L. Wagon
Executive Director

BLW/ec



THE

STATE

OF THE

NATION'S

HOUSING

1989

**JOINT CENTER FOR HOUSING
HARVARD UNIVERSITY**

Prepared by William C. Apgar, Jr., Denise DiPasquale, Nancy McArdle, and Jennifer Olson of the Joint Center for Housing Studies of Harvard University. The authors gratefully acknowledge the support of the following organizations:

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SUMMARY

Considerable controversy surrounds the extent of the housing problem in the United States. Indeed, many question whether a problem even exists. Some analysts suggest that declining homeownership rates are a voluntary response to lower expected capital gains. Others assert that the rent burdens of the poor have not increased. Still others claim that there is a sufficient supply of affordable housing.

To be sure, there has been substantial improvement in housing conditions over the last several decades. Homeownership rates for some groups stand at record levels. For many Americans, their homes are their largest single asset. Homeownership provides a large portion of their accumulated wealth and is a primary source of financial security at retirement. For those without sufficient income to become homeowners, good quality, affordable rental housing can serve as an important anchor in their lives.

But despite this record of achievement, the growing number of housing have-nots—first identified in *The State of the Nation's Housing 1988*—suggests that this progress has stalled in recent years. High housing costs have limited homeownership opportunities for young households, and growing numbers of low-income households compete for the dwindling supply of low-cost housing.

Left unchecked, these trends will further undermine the state of the nation's housing in the years ahead. As households continue to delay or forego becoming homeowners, their economic security at retirement is threatened. The loss of affordable housing combined with the growing number of poor families could produce a permanent underclass of disadvantaged renters and add to the ranks of the nation's homeless population.

Building on last year's report, this study seeks to raise national awareness of current housing problems. History demonstrates that housing has played a major role in improving the quality of life of American families and individuals. Now is the time to reaffirm the goal of a decent home for all.

Exhibit 1

Summary of Key Findings

- The after-tax cost of homeownership remains high as tax reform eroded the incentive to own. Rents continue to increase, reflecting the steady loss of the low-cost rental stock.
- Homeownership rates continue to decline as the high costs of buying a first home have forced many households to delay or abandon the effort to become homeowners.
- The downpayment is the toughest barrier to homeownership; reducing the downpayment and required monthly mortgage payment could substantially expand homeownership opportunities.
- Budget cutbacks and expiring use restrictions threaten the stock of subsidized housing, while much of the unsubsidized, low-cost stock is also at risk of loss to either upgrading or abandonment.
- Despite growth in the number of subsidized units, from 1974 to 1985 the number of unsubsidized poverty-level renters increased by 40 percent to 5 million.
- Inflation-adjusted rents for poor households residing in unsubsidized units increased 34 percent from 1974 to 1985.
- The growing poverty population and the decline in homeownership rates among the young are likely to further increase inequality in income and wealth and undermine the long-term economic security of future generations of older Americans.

TRENDS IN HOUSING COSTS

Housing costs are determined by a complex set of supply and demand factors. Demand depends on the characteristics of the nation's households, in addition to their income or purchasing power. The cost of supplying housing depends on the cost of labor, materials, and land used in the production of the unit, as well as the financing costs and the tax treatment of housing expenditures.

For the calculations cited here, the representative owner unit is defined as the median-valued house purchased in 1977 by a married-couple, first-time buyer aged 25 to 29. For potential homebuyers, the after-tax cash cost is the sum of several ongoing expenses (including outlays for mortgage interest payments, fuel and utility costs, maintenance and repairs, real estate taxes, and insurance) less the tax savings associated with owning a home. The total homeownership cost also includes the indirect costs of earnings foregone on funds used as a downpayment less the indirect savings from house price appreciation and the resulting equity buildup.

Housing costs for renters are based on the cost of the median-priced unit in 1977. Rents are defined as either monthly median contract rent (payment to landlords) or median gross rent (contract rent plus fuel and utility payments) for the representative unit. All figures in this report are expressed in inflation-adjusted 1988 dollars.

By estimating the homeowner or renter cost for a unit of fixed attributes, the indices provide a reliable measure of the extent to which housing costs have increased relative to household income over the past two decades. In addition, they isolate the effect that individual components of cost, including changes in the tax incentives to own or invest in housing, have had on housing costs.

Eroding Tax Incentives

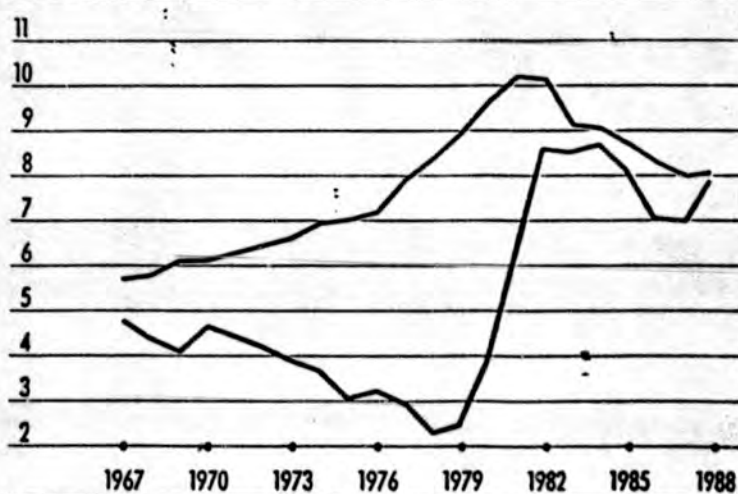
In 1988, the annual after-tax cash cost of owning a typical starter home was \$7,980, virtually unchanged from the 1987 figure of \$7,995 (Exhibit 2). Nevertheless, the total cost of homeownership actually rose for the first time in four years, to \$8,000, because of lower expected equity buildup.

Given that mortgage interest rates have fallen sharply from their 1982 peak and that the inflation-adjusted price of the representative first home has dropped noticeably since 1986 (Exhibit 3), the failure of after-tax homeownership costs to return to the affordable levels of the 1970s is somewhat surprising. Part of the explanation is that homeownership no longer offers the same tax advantages that it once did. Tax incentives are linked to nominal (as opposed to inflation-adjusted) interest rates; as a result, the tax advantages of homeownership are greatest when mortgage interest rates are

Exhibit 2

Homeowner Costs

Thousands of 1988 dollars



SOURCE: Appendix Table 1.

■ After-Tax Cash Cost
■ Total Cost

high. The slide in interest rates since 1982 has thus led to a steady reduction in the tax benefits of owning a home.

The primary cause, however, is tax reform. Although the Tax Reform Act of 1986 retained the deductibility of mortgage interest and property tax payments, the overall decline in tax rates and increase in the standard deduction reduced the advantage of homeownership. For example, married couples filing a joint return now receive a standard deduction of \$5,000, up from \$3,650 in 1986. Since moderate-income, first-time homebuyers typically have few deductions to itemize, only a portion of their combined mortgage interest and property tax deduction will exceed the standard deduction. While the higher standard deduction and lower marginal tax rates have reduced the tax burden for many low- and moderate-income renters, they have also offset recent improvements in other components of the homeowner cost index.

Widening Regional Disparities

Geographic variation in homeownership costs primarily reflects differences in house prices. However, since the tax advantages of homeownership increase the more property taxes and mortgage interest payments exceed the standard deduction, the current tax laws provide relatively greater benefits in high-cost regions. Moreover, to the extent that house price inflation varies by region, so does the equity buildup.

During the 1970s, the increase in the purchase price of a modest single-family home outpaced that of overall inflation in each of the four major regions of the United States, with houses in the West displaying the most spectacular price rise (Exhibit 4). Since 1980, though, home price inflation in most regions has moderated. The notable ex-

Exhibit 3

Homeowner Cost Components (1988 dollars)

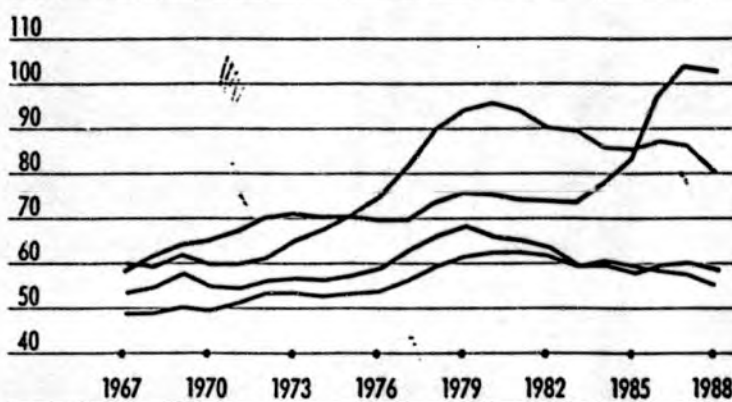
	1982	1984	1986	1988
House Price	\$69,661	\$68,184	\$69,154	\$65,949
Mortgage Rate (%)	14.8	12.0	9.8	9.0
Mortgage Payment	8,508	6,955	6,001	5,376
Other Costs	2,963	2,994	2,910	2,800
Before-Tax Cash Cost	11,471	9,949	8,912	8,176
Tax Savings	1,110	821	611	196
After-Tax Cash Cost	10,361	9,128	8,301	7,980
Other Purchase Costs	1,845	1,637	1,052	1,121
Equity Buildup	3,674	2,069	2,411	1,086
Total Cost	8,532	8,696	6,942	8,015

SOURCE: Appendix Table 1.

Exhibit 4

House Prices by Region

Thousands of 1988 dollars



SOURCE: Appendix Tables 2-5.

■ Northeast
■ Midwest
■ South
■ West

ception is the Northeast, where prices increased sharply from 1983 to 1987.

High purchase prices—and associated high mortgage and property tax payments—imply substantially larger tax savings for first-time buyers in the high-cost Northeast and West than for those in other regions. In contrast, tax reform substantially reduced the benefits of homeownership for low- and moderate-income first-time buyers in low-cost areas of the country because mortgage interest and property tax payments often total less than the \$5,000 standard deduction. The higher standard deduction and lower marginal tax rates benefit low- and moderate-income renter households in all regions; nonetheless, these changes weaken the incentive to purchase a home, particularly in low-cost areas of the country.

Rising Rental Housing Costs

After a sharp jump in 1981-86, real rent increases slowed somewhat in the last two years due to a surge in new apartment construction and record vacancy rates in over-

built areas. Despite this recent slowdown, the long-term increase in real rents parallels the more than decade-long decline in the low-cost rental stock. Recently released data from the 1985 American Housing Survey (AHS) suggest the magnitude of this loss; the number of privately owned, unsubsidized units renting for less than \$300 (measured in 1988 dollars) fell by one-third from 8.5 million in 1974 to 5.7 million in 1985. During the 1980-85 period alone, the number dropped by slightly more than 1.5 million (Appendix Table 6).

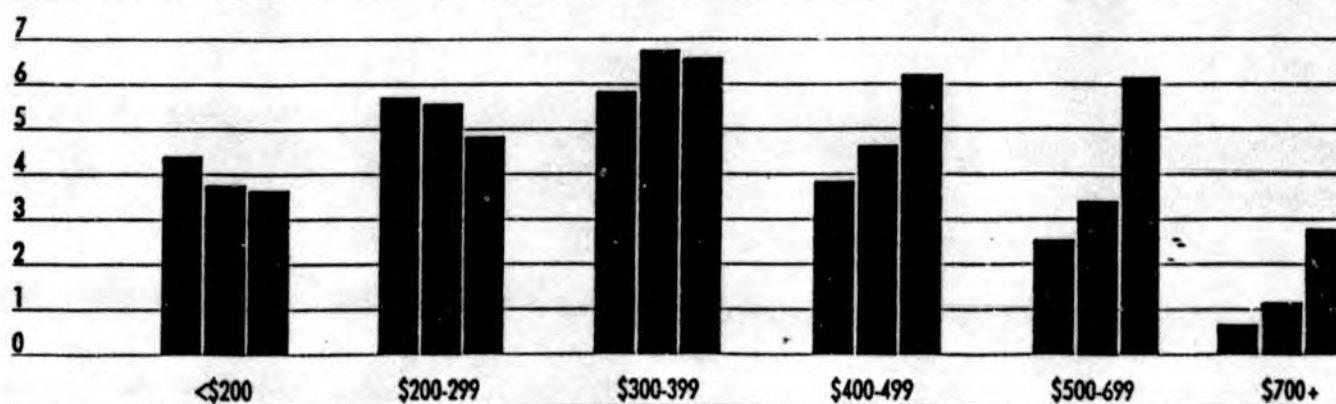
The decline in unsubsidized low-cost housing was tempered by a considerable gain in the number of low-cost subsidized units. During the 1970s, this increase resulted from construction of subsidized units and increases in Section 8 rental payment certificates. With the cutback in federal construction programs, however, recent growth in the number of subsidized units primarily reflects increases in rent certificate and voucher programs.

Increases in the available number of subsidized units have failed to compensate

Exhibit 5

Occupied Units by Rent Levels

Millions



NOTE: Rent in 1988 dollars.

SOURCE: Appendix Table 6.

■ 1974 ■ 1980 ■ 1985

for the shrinking supply of low-cost, privately owned, unsubsidized rental units. Between 1974 and 1985, the total number of units (subsidized and unsubsidized) renting for less than \$300 thus declined from 10.1 million to 8.5 million (Exhibit 5). While the exact cause of these losses—whether from demolition or upgrading—is unknown, it is clear that unsubsidized low-cost housing is disappearing from the market at a faster pace than subsidized low-cost stock is being added.

Record-Level Rents in the Northeast and West

Gross rents in the Northeast hit a record \$420 last year, up from \$408 in 1986 and \$350 in 1980 (Exhibit 6). In the West, gross rents soared from \$389 to \$468 between 1980 and 1986, but have added only another \$2 since then. Nevertheless, rents in the West stand at their highest level in more than two decades. Only in the South and the Midwest have rents eased in recent years, but gross rents measured in constant dollars still remain well above 1980 levels in those regions.

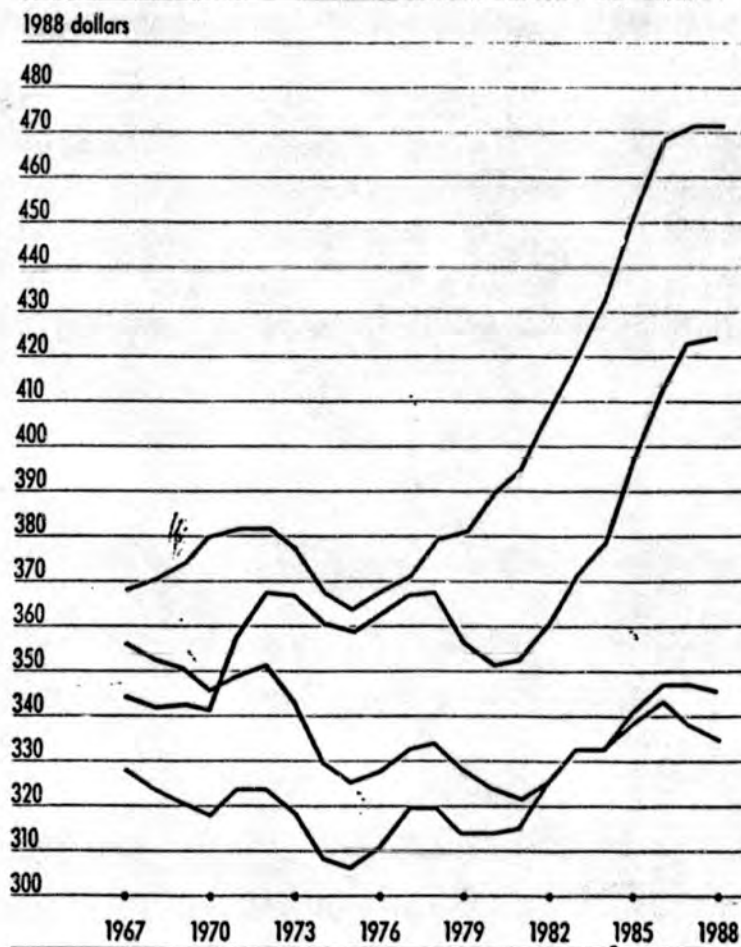
The rapid rent increases in the Northeast and the West mirror the dwindling number of low-cost, privately owned, unsubsidized dwelling units (Exhibit 7). Between 1974 and 1985, the number of these units in the Northeast fell by nearly 45 percent, with particularly dramatic declines during the first half of the 1980s. Equally sharp declines occurred in the West, but percentage losses were somewhat more modest in the South and the Midwest. Indeed, the Midwest actually posted a small absolute increase in the total number of units renting for less than \$300 per month—reflecting the addition of more than enough subsidized units to offset the decline of unsubsidized units.

Further Cost Increases Ahead

There is little reason to believe that housing costs—for either homeowners or renters—will improve noticeably in the near term. In the spring of 1989, mortgage interest rates are higher than they were a year ago, adding

Exhibit 6

Gross Rents by Region



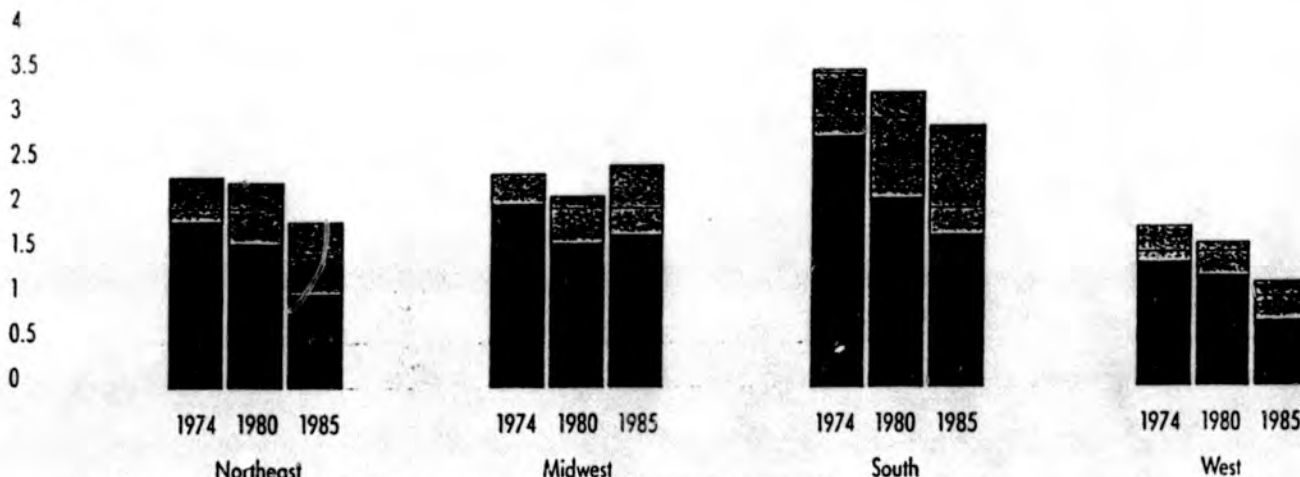
SOURCE: Appendix Tables 2-5.

■ Northeast
■ Midwest
■ South
■ West

Exhibit 7

Housing Stock Renting for Less than \$300

Millions of units



SOURCE: Appendix Table 7.

■ Unsubsidized

■ Subsidized

further pressure to first-time homebuyers. Because of tax reform, a larger share of any increase in interest rates will pass through to the after-tax cash and total costs of housing, further reducing the ability of potential first-time buyers to manage higher mortgage payments.

It seems equally unlikely that rents will ease as more low-cost units steadily disappear from the inventory. Tax reform has substantially reduced the incentives to build market-rate rental apartments, while budget cutbacks have virtually halted the construction of subsidized housing. Even during the buildup of subsidized units between 1974 and 1985, the total stock of low-cost units declined. A 1988 report by the National Low Income Housing Preservation Commission predicts that some 523,000 units subsidized by the U.S. Department of Housing and Urban Development are at risk of being lost over the next 15 years to either expiring

use restrictions (that permit conversion to higher-income occupancy) or weak financial conditions that result in disinvestment and abandonment.

Public attention tends to focus on the need to maintain the current stock of subsidized housing, but curbing the loss of privately owned, unsubsidized units is also essential. American Housing Survey data for 1985 suggest that some 30 percent of the nearly 5.7 million unsubsidized units renting for less than \$300 are physically inadequate and at risk of loss (Appendix Table 11). In many areas of the country, a rent of \$300 or less does not cover the owner's costs of maintaining and operating the property. As a result, if the owner is unable to rent the unit for more than this amount, the unit will eventually fall into disrepair and ultimately be removed from the housing stock. If this view is correct, the loss of low-cost units is likely to persist in the future.

HOUSEHOLDS IN THE 1990s

Demographic factors are the major driving force behind long-term trends in the demand for housing. After a surge in the 1970s, the growth in the number of households is now on a decline that will last for the balance of the century. With the aging of the baby-boom generation and the arrival of the baby-bust generation into the prime household-formation years, the rate of household growth will slow from 1.5 million per year currently to 1.2 million in the early 1990s and to 1.1 million in the late 1990s.

Along with the changing age structure of the population, the projected slowdown in household growth reflects a drop in headship rates, or the proportion of any given age group that forms independent households. High housing costs suggest that the headship rate for individuals under 35 will continue to fall in the 1990s. At the same time, trends toward delayed marriage and

childbearing and increased longevity will radically alter the composition of the households that are formed. These changes will in turn influence the growth of household income and wealth and the composition of the nation's low-income population.

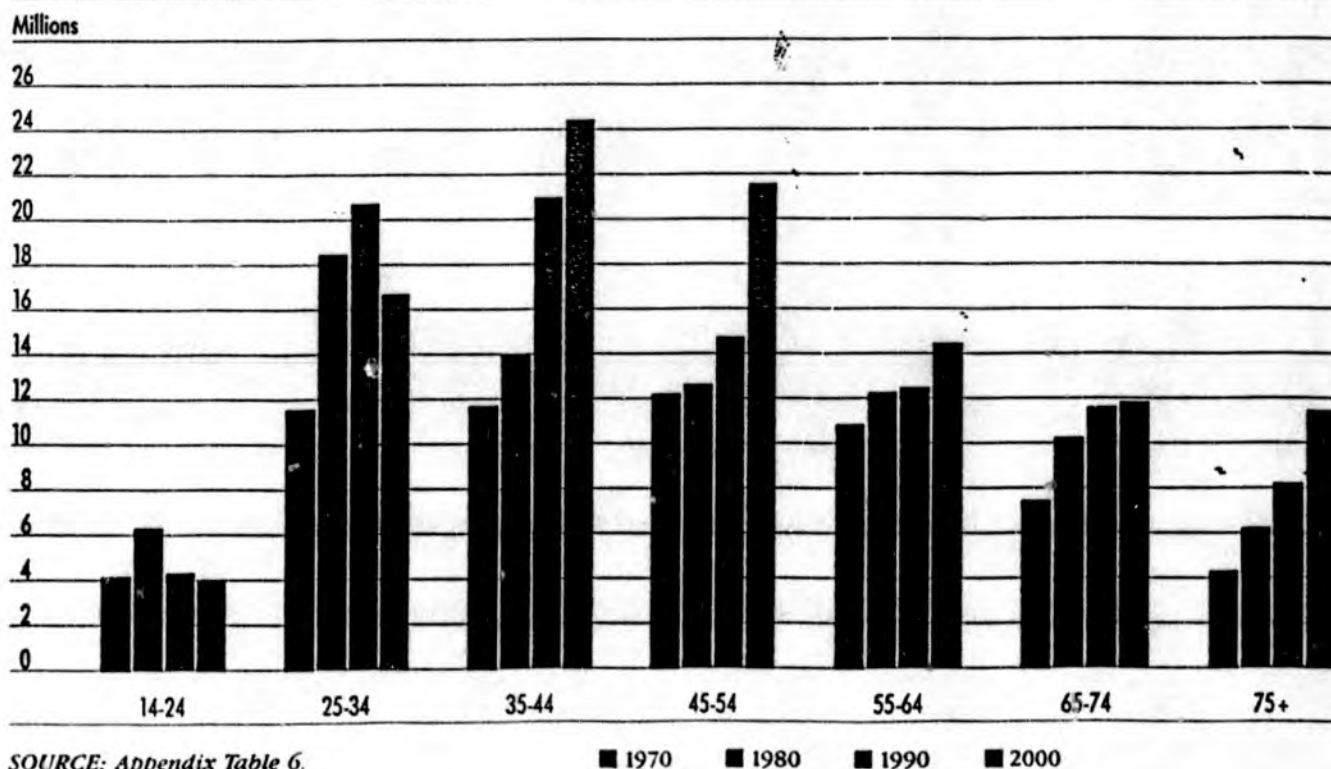
Significant Changes in Household Composition

The aging of the baby-boom generation has boosted the number of households with heads aged 25 to 34, although recent declines in headship rates have limited the magnitude of this increase. In the 1990s, however, the combination of a shrinking population in this age group and a declining propensity to form households will produce a substantial drop in households headed by 25-34 year-olds (Exhibit 8).

The changing age structure of the pop-

Exhibit 8

Households by Age of Head



SOURCE: Appendix Table 6.

ulation has also spurred sharp increases in the number of households aged 35 to 44 during the 1980s. While growth of this group will continue into the 1990s, the baby boom will by then have moved to the next age group and the sharpest increases in households will be among those with heads aged 45 to 54.

Rising headship rates among older individuals are expected to add to the number of households with heads aged 55 or older. In this instance, the increase in headship rates largely reflects the improved health of the nation's elderly and their increased ability to maintain independent households. This ability to live independently is enhanced by the fact that many older Americans already own homes and are therefore shielded from the recent runup in costs.

Along with the changing age structure of the population, delayed marriage and childbearing, as well as high rates of divorce and childbearing outside of marriage, are also altering the composition of the nation's households. The number of people living alone, for example, is expected to more than double between 1970 and 1990. The number of single-parent and other nontraditional households has also risen more than 100 percent over the past 20 years. Each of these trends is expected to continue through the end of this century.

In the meantime, the number of married couples with children has remained relatively stable: after falling to 25 million in 1980, the number of these households is now edging back up. The number of married-couple households without children is projected to grow more rapidly in the 1990s as couples delay childbearing and the number of "empty nesters" (older couples whose children have left home) continues to rise.

As a result, increasing numbers of children will live in nontraditional house-

holds. In 1970, married couples headed some 88 percent of all households with children; by the year 2000, that share will drop to just 74 percent. During the same 30-year span, the number of households headed by single parents will increase 160 percent, from 3.2 million to 8.9 million. (For detailed forecasts, see Appendix Table 8.)

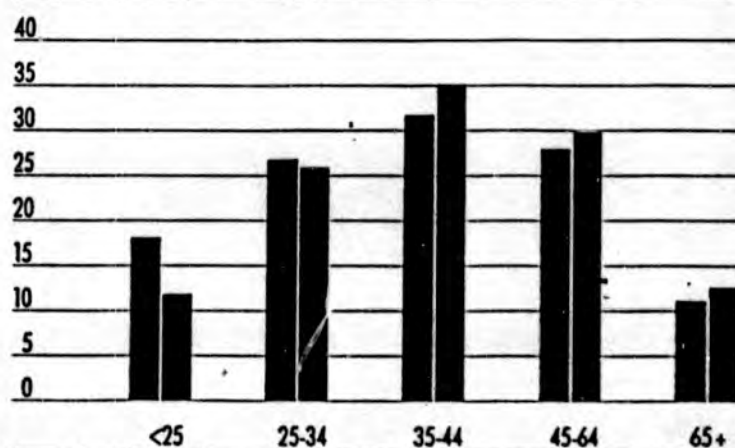
Growing Income Inequality

Measured in real terms, the incomes of today's young households are lower than those of their counterparts of 15 years ago. From 1974 to 1988, the median income of households with heads under the age of 25 fell by 28 percent (from \$17,896 to \$12,969), while the income of households with heads aged 25 to 34 fell 6 percent (from \$27,357 to \$25,795). At the same time, though, the incomes of households headed by individuals over the age of 35 continued to rise, with the sharpest percentage gains recorded among households with heads aged 65 and older (Exhibit 9).

Exhibit 9

Median Household Income by Age of Head

Thousands of 1988 dollars



SOURCE: Appendix Table 9.

■ 1974 ■ 1988

The rapid growth of the young-adult population in the 1970s put a squeeze on wages for many entry-level jobs. As a result, the decline in real income affected a wide range of young households, but the drop among young single-parent families is particularly noteworthy. Rising divorce rates and increases in teenage pregnancy have added to the number of economically disadvantaged single-parent households; rapid inflation eroded their real incomes during the 1970s, and cutbacks in income transfer programs benefiting young families further reduced their resources in the 1980s. Last year, the median income for single-parent households with heads aged 25 to 34 was \$11,161—9 percent below the figure recorded for similar households in 1974. For single-parent households under age 25, the median income last year was just \$6,113—down 15 percent from the 1974 figure (Appendix Table 9).

The inability of household income to keep pace with housing costs has not only limited the homeownership opportunities of young households, but it has also magnified the income differences between owners and renters. A growing share of the nation's homeowners are aged 45 and over, many of whom purchased their homes before the escalation in housing prices during the 1970s. At the same time, the share of renters who are young and poor is rising.

Today, some 7.7 million renters have incomes at or below the poverty level, an increase of 56 percent from the 1974 level (Exhibit 10). By comparison, the number of poverty-level homeowners increased by only 14.8 percent over the same period. Consistent with their declining incomes, single-parent families have accounted for much of the rise in the number of renter households living in poverty.

Homeownership and Economic Well-Being

Although it is widely accepted that homeownership is central to the financial security of U.S. households, this belief is surprisingly difficult to document. Recently released Federal Reserve Board data do, however, help to quantify the importance of equity buildup in household wealth accumulation. Net of mortgage debt, median homeowner

Exhibit 10

The Changing Composition of Poverty Households (Thousands)

	Owner			Renter		
	1974	1988	Percent Change	1974	1988	Percent Change
Head Aged Under 65						
Single	435	665	52.8	1,014	1,507	48.7
Married With Children	900	736	-18.3	820	1,085	32.3
Married Without Children	473	434	-8.2	287	292	1.7
Single Parent With Children	391	484	23.8	1,384	2,715	96.2
Other Households	202	326	61.6	414	838	102.5
Subtotal	2,401	2,645	10.2	3,919	6,437	64.3
Head Aged 65 and Over						
Single	824	1,011	22.7	859	1,025	19.3
Married	274	362	32.1	113	140	23.5
Other Households	163	186	14.1	74	140	89.6
Subtotal	1,261	1,559	23.6	1,046	1,304	24.7
Total	3,662	4,204	14.8	4,965	7,742	55.9

SOURCE: Appendix Table 9.

equity is nearly \$45,000 (Exhibit 11). Equity increases with the homeowner's age because older households generally have lived in their homes longer and have little or no mortgage debt.

These statistics have several important implications. First, the equity buildup associated with homeownership appears to magnify differences in income into larger disparities in wealth. Indeed, for each age and race group, differences in owner and renter wealth are many times greater than differences in income.

Second, the lack of homeownership opportunities for blacks has undermined their ability to accumulate wealth. Lower household incomes, together with discrimination in the housing market, held the homeownership rate for blacks to 44 percent

in 1988, compared with a rate for whites of 67 percent. In addition, homeownership opportunities for blacks have generally been limited to areas that have experienced less house price appreciation. As a result, the equity buildup of black homeowners has lagged behind that of their white counterparts.

The common thread of these observations is that homeownership enhances economic well-being. For decades, improved housing conditions have been an important element in the upward mobility of American families and individuals. But because of the growing poverty population and continuing high housing costs, fewer households will be able to share in this progress in the years ahead.

Exhibit 11

Household Income and Wealth (1988 dollars)

	TOTAL	Age of Head			Race of Head		
		34 and Under	35-64	65 and Over	White	Black	Hispanic
Owners							
Median Income	29,685	32,384	37,781	18,351	31,892	17,272	36,702
Median Net Wealth	82,010	37,649	86,076	107,947	88,999	36,589	69,137
Median Equity	44,535	21,589	48,716	53,974	48,576	29,284	67,458
Renters							
Median Income	18,351	18,351	22,669	9,508	21,589	12,414	17,272
Median Net Wealth	4,885	4,831	6,369	2,593	7,318	702	9,141
All Households							
Median Income	24,828	23,748	32,384	16,192	26,987	13,947	23,748
Median Net Wealth	46,066	16,636	58,845	70,442	56,117	10,795	20,855

NOTE: Data pertain to income and wealth reported in 1986.

SOURCE: Federal Reserve Board, Survey of Consumer Finance, 1986.

OPPORTUNITIES FOR HOMEOWNERSHIP

To make the transition to homeownership, a first-time buyer must have both the up-front cash (downpayment plus closing costs) to purchase the home and the income sufficient to cover the monthly mortgage payments and other ongoing costs of owning a home. House prices and mortgage terms largely determine the magnitude of these costs, while income and accumulated wealth determine the ability of a household to make these payments.

For most homeowners, their house is their largest single asset and home equity accumulation provides much of their wealth at retirement. Today, many young renters are unable to make the transition to homeownership because they cannot meet these financial requirements. To the extent that these households stay locked out of the owner market for a long period of time, it is increasingly difficult for them to make up for the lost wealth accumulation. Moreover, those households that have to remain renters bid up the market prices of rental housing, thus adding to the rent burdens of low-income households.

Declining Homeownership Rates

Over the past two decades, both the downpayment and after-tax cash cost burdens of homeownership have drifted upward (Exhibit 12). These burden measures are based on the costs of buying a home of constant quality (defined as having the characteristics of the median-priced home purchased by first-time buyers in 1977) as a percent of the median income of potential first-time buyers (defined as a married-couple, renter household with head aged 25-29).

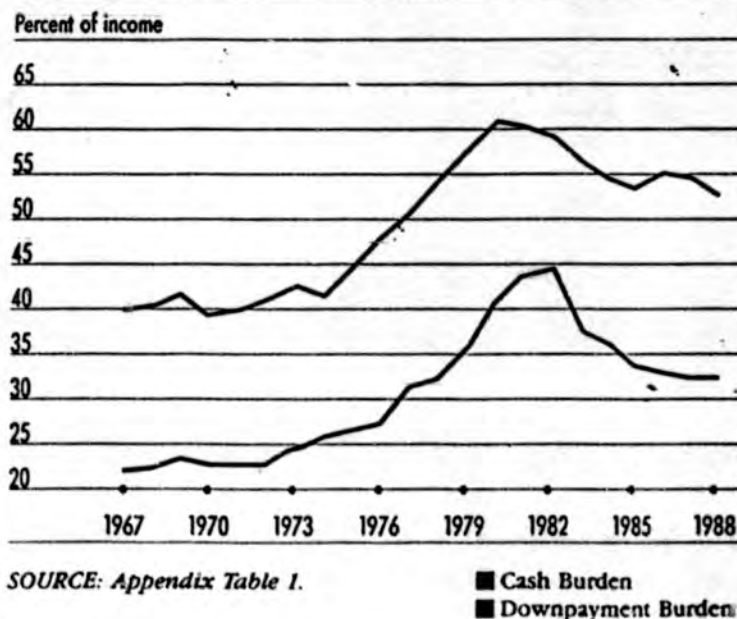
Although down from their peak in the early 1980s (due primarily to the decline in mortgage rates), the after-tax cash costs of homeownership remain high relative to the incomes of potential first-time buyers. In 1988, the cash cost burden was 32.8 percent of income, unchanged from 1987 but some 50 percent higher than the share of income required to pay for the typical starter home in the early 1970s.

The downpayment burden also peaked in the early 1980s, but because the downpayment is a function of house prices rather than mortgage rates, its decline has been only modest. The improvement that has occurred reflects a slight easing of real house prices, along with moderate growth in incomes. In 1988, the downpayment burden represented 54.5 percent of the first-time buyer's income, up 25 percent from the early 1970s.

The high costs of buying a first home—both in terms of the up-front cash outlays required and the after-tax cash costs—have

Exhibit 12

Cash and Downpayment Burdens



forced many households to delay or abandon the effort to become homeowners. The national homeownership rate stood at 63.9 percent in 1988, off slightly from the 64.0 percent of 1987 but well below the 1980 figure of 65.6 percent. The drop-off in homeownership rates is most dramatic for younger households: between 1980 and 1988, the homeownership rate among 25-29 year-olds fell from 43.3 percent to 36.2 percent, while that for 30-34 year-olds fell from 61.1 percent to 52.6 percent (Exhibit 13). Nationwide, some 2 million more young households would own homes today if ownership rates had remained stable since 1980.

Offsetting part of the decline in the number of young homeowners, however, is an increase in the number of elderly owners. In 1988, the homeownership rate for all households with heads aged 65 and older stood at 75 percent; for elderly married couples, the rate was 89 percent (Appendix

Table 13). Many of these elderly households already owned homes before housing costs took off in the 1970s and early 1980s; indeed, for these households, rising home prices meant added equity and wealth.

Some analysts attribute the decline in homeownership rates to changes in the mix of household types, particularly to the increase in the number of young people who choose to delay marriage, childbearing, and homebuying. Yet these factors do not explain why homeownership rates also fell for young married couples—historically the group with the highest homeownership rates among young households (Appendix Table 13). For 25-34 year-old married couples with children, the rate fell from 71.1 percent in 1980 to 62.7 percent in 1988; for young couples without children, the rate fell from 58.3 percent to 53.5 percent.

Not only has homeownership declined among a wide range of young household types, but it has also fallen in a wide range of geographic locations. Despite the great disparity in house price inflation across regions, homeownership rates among households with heads aged 25 to 34 are down throughout the country (Exhibit 14). In principle, house price inflation can have two opposing impacts on housing demand and homeownership: it makes housing a more attractive investment by increasing the potential for equity buildup, but it also limits the ability of many households to buy because it raises the size of the downpayment and the income required to qualify for a mortgage.

Overall, there is no clear evidence that house price inflation has encouraged the growth of homeownership. During much of the 1970s, the most rapid house price inflation in the country occurred in the West; since 1983, price inflation has been strongest in the Northeast. Consequently, home-

Exhibit 13

Homeownership Rates by Age of Household Head (Percent)

Age	1973	1976	1980	1983	1988
Under 25	23.4	21.0	21.3	19.3	15.5
25-29	43.6	43.2	43.3	38.2	36.2
30-34	60.2	62.4	61.1	55.7	52.6
35-39	68.5	69.0	70.8	65.8	63.2
40-44	72.9	73.9	74.2	74.2	71.4
45-54	76.1	77.4	77.7	77.1	76.0
55-64	75.7	77.2	79.3	80.5	79.6
65-74	71.3	72.7	75.2	76.9	78.2
75+	67.1	67.2	67.8	71.6	70.4
Total	64.4	64.8	65.6	64.9	63.9

SOURCE: American Housing Survey, 1973-80; Current Population Survey, 1983-88.

ownership was a good investment in the West during the 1970s and in the Northeast during the 1980s. Nevertheless, the homeownership rate for young households has been falling in the West since 1973. In the Northeast, despite the strong economic growth, the homeownership rate for young households has remained flat since 1983. These patterns suggest that the higher house prices in these regions constrained, rather than enhanced, homeowner opportunities.

Qualifying for Homeownership

For those households with limited income and wealth, rising house prices simply make homeownership an even more distant goal. Analysis of the Federal Reserve Board's 1986 Survey of Consumer Finance illustrates the relative importance of the income and up-front cash constraints to potential home-

buyers. As defined earlier in this study, the representative starter home was priced at \$69,154 in 1986. Given a 25-year, fixed-rate mortgage at 9.8 percent and a 20 percent downpayment, the minimum income required to qualify for the loan is \$24,793 and the up-front cash required at closing is \$15,010.

By comparison, renters aged 25 to 34 had a median income of \$19,430 and a median net worth of \$4,851 in 1986. For these calculations, wealth available for a downpayment and associated closing costs on a house is defined as net worth less the household's equity in its car. For these young renters, the median net worth less the car is \$2,159.

Based on these assumptions and using regional housing price, income, and wealth data, 57 percent of the estimated 11.1 million households aged 25 to 34 in 1986 had

Exhibit 14

Homeownership Rates by Region



NOTE: Rates are for young households with heads aged 25-34.

SOURCE: Appendix Table 10.

■ 1973 ■ 1976 ■ 1980
■ 1983 ■ 1988

neither the income nor the accumulated wealth necessary to purchase the representative first home (Exhibit 15). The up-front cash cost (20 percent downpayment and associated closing costs) was the toughest barrier to overcome: 81 percent did not have the accumulated wealth necessary to meet this requirement, while 64 percent did not have the income necessary to qualify for the mortgage. Only 11.5 percent, or 1.28 million households, had both the income and wealth needed to become homeowners.

Many of the government programs created to make homeownership affordable offer to finance more of the purchase price (reducing the downpayment required) or lower the mortgage interest rate (reducing the income needed to qualify for the loan). In this example, decreasing the downpayment for the representative starter home to 10 percent of the purchase price would lower the up-front cash required by \$6,768 (from \$15,010 to \$8,242). If the mortgage interest rate remains at 9.8 percent, however, the income required to qualify for the loan jumps to \$28,306, because the household must borrow more. Alternatively, if the downpayment remains at 20 percent but the mortgage interest rate is reduced to 8.3 percent (a discount similar to that provided through the mortgage revenue bond program), the income required to qualify for a loan falls to \$22,345.

Compared with the base case, another 670,000 households (52 percent more) could purchase the representative home if they had access to a 10 percent downpayment and a reduced mortgage interest rate of 8.3 percent (Exhibit 16). Offering a third mortgage plan that reduces the downpayment to 5 percent would make an additional 188,000 households (almost 10 percent more) eligible for homeownership.

Exhibit 15

Young Renters Qualifying to Purchase First Home (Thousands)

	Do Not Meet Income Requirement	Do Meet Income Requirement	Total
Do Not Meet Downpayment Requirement	6,333 (57.0%)	2,691 (24.2%)	9,024 (81.2%)
Do Meet Downpayment Requirement	810 (7.3%)	1,282 (11.5%)	2,092 (18.8%)
Total	7,143 (64.3%)	3,972 (35.7%)	11,116 (100.0%)

NOTE: Data refer to renter household heads aged 25 to 34, purchasing representative starter home with 20 percent downpayment and a 25-year fixed mortgage at 9.8 percent.

SOURCE: Federal Reserve Board, Survey of Consumer Finance, 1986.

Exhibit 16

Alternative Mortgage Plans (1988 dollars)

	Base Case 20% Down, 9.8% Rate	10% Down, 8.3% Rate	5% Down, 8.3% Rate
Required Income	\$24,793	\$25,552	\$26,785
Up-front Cash	\$15,010	\$8,242	\$4,857
Qualified Renters (Thousands)	1,282	1,952	2,140

NOTE: Required income and up-front costs are based on national median house price and income in 1986; the number of renters that qualify is based on median house prices and incomes for the four Census regions. The income requirement assumes a housing expense-to-income ratio of .28.

SOURCE: Federal Reserve Board, Survey of Consumer Finance, 1986.

Reversing the Decline in Homeownership

The examples presented in this section refer to a potential first-time buyer of the representative starter home; actual homebuyers, of course, tend to have higher incomes and choose units of varying prices in a marketplace that offers many distinct mortgage plans. According to the American Housing Survey, the median income of actual first-time buyers in 1985 was \$37,446, compared with \$24,611 for the representative first-time buyer group (married-couple, renter households with heads aged 25 to 29) and \$16,083 for all renters. Given that the up-front cash cost presents the biggest hurdle, potential buyers face a difficult situation: they must accumulate enough savings to make the downpayment, but they lack access to the most important source of wealth accumulation—the home itself. Clearly, only those renters with relatively high incomes succeed in becoming homeowners.

The best approach to assisting young first-time buyers is open to debate. Some households will require downpayment assistance or help with the monthly carrying costs. For others, homeowner assistance programs could be self-financing; over time, the incomes of many young owners are likely to increase and, as noted, homeownership usually yields substantial equity buildup. In many instances, financial assistance with the up-front costs or mortgage payments could be repaid in full or in part over the course of the loan or when the home is sold. In light of the contribution homeownership makes to the long-term economic well-being of households, a wide range of efforts to expand homeownership opportunities deserves attention.

The Current Population Survey, the official source of data on the characteristics of households living in poverty, contains no information on housing cost or quality. This has limited the ability of analysts to assess the housing conditions of those households with incomes below federally established poverty thresholds. Applying the official poverty thresholds to American Housing Survey data, however, allows a comprehensive look at this problem.

The picture that emerges is bleak. Despite increases in the number of subsidized units, the growing poverty-level population must compete with the non-poor for a dwindling supply of low-cost housing. As a

result, poverty-level households today must pay a substantially larger share of their incomes for housing than they did in the mid-1970s.

Housing Cost and Quality

The rising cost of housing places the most pressure on the nation's poverty-level population. According to the 1985 American Housing Survey, some 6.6 million poverty-level households spend more than half their incomes for housing (Exhibit 17). Although many types of poor households face a high payments burden, the problem is particularly acute for young, single parents with

Exhibit 17

Housing Cost Burden for Poverty Households, 1985 (1988 dollars)

	Median Monthly Housing Cost		Households (Thousands)		Paying More Than 50% Of Income For Housing
	Owners	Renters	Owners	Renters	Percent Owners
Under 65					
Single	189	259	240	1,083	64.7
Married With Children	309	350	237	590	51.9
Married Without Children	229	292	199	207	60.1
Single With Children	377	319	207	1,762	69.3
Other	211	371	118	762	57.6
Total	252	314	1,001	4,403	60.2
65 and Older					
Single	148	163	343	479	45.3
Married	207	296	163	70	73.2
Other	180	262	68	72	49.5
Total	162	182	573	621	51.4

NOTE: Excludes households with reported housing cost of \$0. For renters, excludes single-unit structures on 10 acres more. For owners, limited to single-unit structures on less than 10 acres and no business property.

SOURCE: Joint Center for Housing Studies tabulations of the 1985 American Housing Survey.

children; of this group, 1.8 million (or 71 percent) devote more than 50 percent of their limited incomes to housing.

Unfortunately, even paying a high share of its income for housing does not guarantee that a poverty-level household is able to secure adequate living conditions. As defined by an index of housing quality initially developed by the U.S. Department of Housing and Urban Development, some 10.3 percent of all occupied dwelling units are moderately or severely inadequate (Exhibit 18). Poor households are more likely than non-poor households to live in inadequate housing, particularly in rural areas where both the owned and rental stock is of low quality.

These findings support the results of a study by the National Low-Income Housing Coalition and the Center for Budget and Policy Priorities, entitled *A Place to Call Home: The Crisis in Housing for the Poor*. This report notes that inadequate housing and high payment burdens are common to poverty-level families and individuals regard-

less of race. Moreover, these problems are found in diverse geographic areas ranging from outlying rural areas to inner-city neighborhoods. The poor may differ in many respects, but the vast majority devote relatively large shares of their resources to secure what is often marginally livable housing.

Housing Cost Burden Grows

Today's high rental cost burden results from the persistent increase in rents relative to the income of renters over the past 15 years. The rental cost burden for the representative unit—measured in terms of either gross rent or contract rent—remained at record levels in 1988 (Exhibit 19). What is striking is that the strong economic recovery that began in 1982 has done little to ease this burden.

The increases in cost burden for poverty households have been even sharper. Measured in 1988 dollars, the median housing cost for all poor households (owners and renters) jumped 28 percent between

Exhibit 18

Households Living in Inadequate Housing, 1985

	All Households			Poverty-Level Households		
	Total	Number of Inadequate Units	Percent Inadequate	Total	Number of Inadequate Units	Percent Inadequate
Urban	66,349	6,468	9.7	8,943	2,056	23.0
Owner	38,551	2,365	6.1	2,340	405	17.3
Renter	27,799	4,103	14.8	6,603	1,651	25.0
Rural	22,076	2,657	12.0	3,096	791	25.5
Owner	17,595	1,754	10.0	1,885	438	23.3
Renter	4,481	903	20.1	1,210	352	29.1
Total	88,425	9,125	10.3	12,039	2,847	23.6

NOTE: Housing inadequacy is defined in terms of presence or absence of plumbing fixtures, heating equipment, and other mechanical subsystems, as well as information on the repair and upkeep of properties.

SOURCE: Joint Center for Housing Studies tabulations of the 1985 American Housing Survey.

1974 and 1985 (Exhibit 20). The rise was somewhat more moderate for poverty-level owners than for renters, which only underscores the fact that homeownership serves as a buffer against high and rising costs.

Poverty-level renters had no such buffer; payments for this group climbed nearly 30 percent in 1974-85. Because of changing program standards, rents even increased for poverty-level households living in subsidized housing. The situation of renters living in unsubsidized housing is particularly troubling; their median rents increased by \$85 during this period, reaching \$336 in 1985. Increases ranged from \$52 in the Midwest to \$112 in the South. The sharp increase in the South undoubtedly reflects the growing concentration of poor households in urban areas where low-cost housing units are rapidly disappearing.

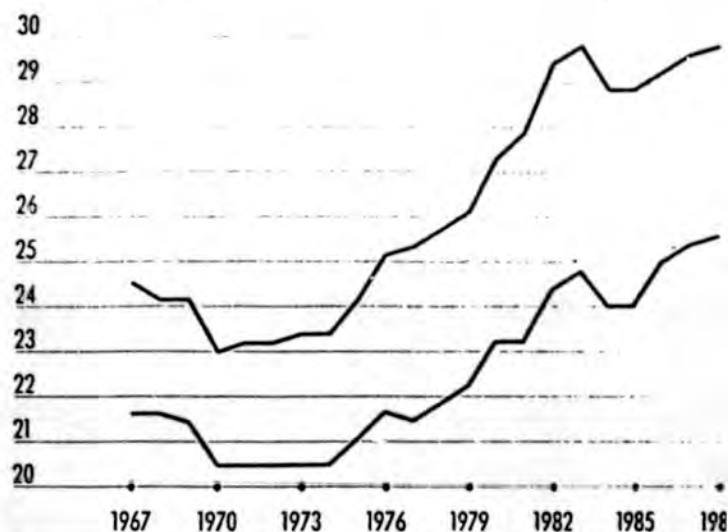
The rising housing cost burden of the poor is not a statistical artifact, but results from progressive tightening at the low end of the market. Between 1974 and 1985, the supply of subsidized rental housing nearly doubled. Most of the subsidies aided households at the lowest end of the income distribution; poverty-level families occupied 53 percent of the subsidized units in 1985, up from 40 percent in 1974 (Exhibit 21).

Unfortunately, the number of subsidized units has virtually stopped growing, while the number of poor households continues to rise. In 1985, 5.0 million poverty-level renters lived in unsubsidized housing, compared with 3.5 million in 1974. As a result, increasing numbers of poor households must compete with the near-poor for the shrinking supply of low-cost housing. This competition has driven up rents and boosted the number of unsubsidized, poverty-level renters paying more than \$300 per month for rent from 1.3 million in 1974 to 3.0 million in 1985 (Appendix Table 6).

Exhibit 19

Rental Cost Burden

Percent of income



SOURCE: Appendix Table 1.

■ Contract Rent
■ Gross Rent

Exhibit 20

Housing Costs for Poverty-Level Households

	1974	1985	Percent Change
Renters			
Subsidized Units	123	169	37.4
Unsubsidized Units	251	336	33.9
All Poverty Units	228	297	30.3
Homeowners	176	202	14.8
All	212	272	28.3

NOTE: Data refer to median gross rents or homeowner cash costs expressed in 1988 dollars. Excludes households with reported housing cost of \$0. For renters, excludes single-unit structures on 10 acres or more. For owners, limited to single-unit structures on less than 10 acres and no business property.

SOURCE: Joint Center for Housing Studies tabulations of American Housing Survey data.

Is There a Crisis?

Despite clear evidence to the contrary, many policymakers take issue with the claim that there is a housing crisis for the poor. The blueprint for much of federal housing policy in the 1980s was set forth in the 1982 report of the President's Commission on Housing, which concluded that the rental cost burden had not increased in the period since 1974. Even today, it is common for policy analysts to suggest that the housing problems of the poor stem primarily from their lack of income rather than from higher costs of housing.

At best, these reports are misleading; at worst, they detract attention from an alarming situation. While the appropriate policy response is open to debate, there can be no doubt that housing costs have risen faster than the incomes of renter households. Current housing assistance efforts are simply inadequate. Much of the existing stock of unsubsidized, low-cost housing is at risk of loss to either abandonment or upgrading. A sizable portion of the stock of subsidized units is also at risk of loss because of expiring use restrictions and budget cutbacks. Additional funds will be necessary to preserve and expand the supply of low-cost rental housing.

Exhibit 21

Subsidy Status of Renter Households (Thousands)

	1974	1985	Percent Change
Non-Poverty			
Subsidized	1,289	1,961	52.1
Unsubsidized	17,411	20,901	20.0
All Non-Poverty Renters	18,700	22,864	22.3
Poverty			
Subsidized	856	2,219	159.2
Unsubsidized	3,539	4,971	40.5
All Poverty Renters	4,396	7,189	63.5
Total Renters			
Subsidized	2,145	4,181	94.9
Unsubsidized	20,950	25,873	23.5
All Renters	23,095	30,054	30.1

NOTE: Excludes households with reported housing cost of \$0. For renters, excludes single-unit structures on 10 acres or more. For owners, limited to single-unit structures on less than 10 acres and no business property.

SOURCE: Joint Center for Housing Studies tabulations of American Housing Survey data.

CONCLUSION

Housing conditions have long been viewed as an important barometer of national economic and social progress. Homeownership provides a large portion of accumulated wealth for most households and is a primary source of financial security at retirement. The high costs of homeownership—in part the result of the eroded tax incentives under tax reform—have reduced homeownership opportunities, particularly for young households. To the extent that these households delay or abandon the goal of homeownership, their economic security at retirement is threatened.

Record-level rents block households from progressing up the economic ladder. Low-income renters must compete for the shrinking supply of low-cost housing, a situation that is likely to worsen. Federal budget cutbacks and expiring use restrictions threaten the subsidized housing stock, while upgrading and abandonment put much of the unsubsidized, low-cost stock at risk of loss.

The growing poverty population and the decline in homeownership rates among the young are likely to contribute to further increases in inequality in income and wealth. Because it is rooted in fundamental social, economic, and demographic factors, this trend is not easily reversed. Left unchecked it threatens to produce a permanent underclass of disadvantaged renters and to jeopardize the long-term financial security of future generations.

Specific solutions to the housing problems identified in this report are subject to debate, but there can be no denial that these problems are severe and merit attention. Building on the evidence presented here, policymakers must act to develop creative approaches to advance the goal of decent housing for all.

APPENDICES

Appendix Table 1

Income and Housing Costs, U.S. Totals: 1967-1988 (1988 dollars)

Year	Income			Owner Costs										Renter Costs			Cost as Percent of Income			
	Total Owner	Total Renter	Young Renter	House Price	Mortgage Rate	Mortgage Payment	Other Costs	Before-Tax Cash	Tax Savings	After-Tax Cash	Equity Buildup	Total Cost	Contract Rent	Gross Rent	Other Costs	First-Time Buyers		All Renters		
																Cash Burden	Total Burden	Contract Rent Burden	Gross Rent Burden	
1967	\$26,731	\$17,277	\$26,079	\$53,885	6.40%	\$3,501	\$2,607	\$ 6,107	\$ 306	\$ 5,801	\$1,588	\$4,777	\$311	\$351	\$40	22.2%	18.3%	21.6%	24.4%	
1968	\$26,643	\$17,239	\$26,016	\$54,539	6.90%	\$3,709	\$2,603	\$ 6,311	\$ 379	\$ 5,932	\$2,164	\$4,428	\$309	\$348	\$39	22.8%	17.0%	21.5%	24.2%	
1969	\$27,467	\$17,205	\$25,958	\$56,301	7.68%	\$4,103	\$2,628	\$ 6,732	\$ 489	\$ 6,242	\$2,993	\$4,087	\$309	\$348	\$39	24.0%	15.7%	21.6%	24.3%	
1970	\$27,737	\$18,015	\$27,165	\$55,029	8.20%	\$4,195	\$2,645	\$ 6,840	\$ 564	\$ 6,276	\$2,454	\$4,610	\$308	\$346	\$38	23.1%	17.0%	20.5%	23.0%	
1971	\$27,626	\$18,233	\$27,349	\$56,048	7.54%	\$4,038	\$2,743	\$ 6,781	\$ 398	\$ 6,383	\$2,564	\$4,401	\$313	\$353	\$40	23.3%	16.1%	20.6%	23.2%	
1972	\$28,590	\$18,437	\$27,789	\$57,744	7.38%	\$4,102	\$2,830	\$ 6,932	\$ 409	\$ 6,523	\$2,960	\$4,178	\$316	\$356	\$40	23.5%	15.0%	20.6%	23.2%	
1973	\$28,837	\$18,054	\$26,831	\$58,902	7.82%	\$4,347	\$2,806	\$ 7,153	\$ 370	\$ 6,783	\$3,898	\$3,795	\$311	\$351	\$40	25.3%	14.1%	20.7%	23.3%	
1974	\$29,179	\$17,553	\$27,127	\$58,545	8.77%	\$4,684	\$2,811	\$ 7,494	\$ 428	\$ 7,066	\$4,429	\$3,638	\$300	\$341	\$41	26.9%	13.4%	20.5%	23.3%	
1975	\$28,602	\$16,615	\$25,868	\$59,795	8.97%	\$4,858	\$2,823	\$ 7,681	\$ 500	\$ 7,181	\$5,086	\$2,948	\$293	\$336	\$43	27.8%	11.4%	21.1%	24.3%	
1976	\$28,822	\$16,299	\$25,045	\$61,355	8.90%	\$4,957	\$2,857	\$ 7,814	\$ 537	\$ 7,277	\$4,968	\$3,084	\$294	\$349	\$55	29.1%	12.3%	21.6%	25.0%	
1977	\$29,975	\$16,486	\$24,917	\$65,196	8.83%	\$5,236	\$2,936	\$ 8,172	\$ 154	\$ 8,018	\$6,063	\$2,807	\$296	\$390	\$94	32.2%	11.3%	21.5%	25.1%	
1978	\$29,603	\$16,387	\$25,374	\$70,211	9.40%	\$5,905	\$2,948	\$ 8,853	\$ 385	\$ 8,468	\$7,470	\$2,220	\$300	\$350	\$50	33.4%	8.7%	21.9%	25.6%	
1979	\$29,243	\$15,980	\$24,289	\$72,736	10.63%	\$6,723	\$2,836	\$ 9,560	\$ 565	\$ 8,995	\$8,267	\$2,317	\$294	\$344	\$50	37.0%	9.5%	22.1%	25.8%	
1980	\$28,559	\$15,145	\$23,511	\$72,884	12.53%	\$7,709	\$2,857	\$10,566	\$ 894	\$ 9,672	\$7,554	\$3,941	\$291	\$343	\$52	41.1%	16.8%	23.1%	27.7%	
1981	\$28,655	\$14,985	\$23,266	\$71,999	14.51%	\$8,650	\$2,897	\$11,547	\$1,200	\$10,347	\$6,229	\$4,308	\$290	\$345	\$55	44.5%	27.1%	23.2%	27.6%	
1982	\$28,756	\$14,626	\$22,806	\$69,661	14.78%	\$8,508	\$2,963	\$11,471	\$1,110	\$10,361	\$3,674	\$8,532	\$297	\$355	\$58	45.4%	37.4%	24.3%	29.1%	
1983	\$29,029	\$14,752	\$23,080	\$68,520	12.29%	\$7,130	\$2,968	\$10,098	\$ 858	\$ 9,240	\$2,237	\$8,469	\$303	\$364	\$61	40.0%	36.7%	24.7%	29.6%	
1984	\$29,749	\$15,501	\$23,936	\$68,184	12.00%	\$6,955	\$2,994	\$ 9,949	\$ 821	\$ 9,128	\$2,069	\$8,696	\$308	\$369	\$61	38.1%	36.3%	23.9%	28.5%	
1985	\$30,616	\$15,969	\$24,449	\$67,405	11.18%	\$6,507	\$2,967	\$ 9,473	\$ 732	\$ 8,741	\$1,935	\$8,120	\$318	\$378	\$60	35.8%	33.2%	23.9%	28.4%	
1986	\$31,627	\$16,083	\$24,611	\$69,111	9.80%	\$6,001	\$2,910	\$ 8,912	\$ 611	\$ 8,301	\$2,411	\$6,942	\$333	\$391	\$58	33.7%	28.2%	24.8%	29.2%	
1987	\$31,867	\$15,933	\$24,369	\$68,609	8.94%	\$5,561	\$2,843	\$ 8,404	\$ 409	\$ 7,995	\$2,146	\$6,917	\$337	\$392	\$55	32.8%	28.4%	25.3%	29.5%	
1988	\$32,300	\$15,900	\$24,300	\$65,949	9.01%	\$5,376	\$2,800	\$ 8,176	\$ 196	\$ 7,980	\$1,086	\$8,015	\$338	\$392	\$54	32.8%	33.0%	25.5%	29.6%	

1. Annual income of families and primary individuals, American Housing Survey, various years. Young renters defined as married-couple renters aged 25 to 29. All dollar amounts expressed in 1988 constant dollars using the Bureau of Labor Statistics Consumer Price Index (CPI-UXI) for All Items.

2. House Price is American Housing Survey median value of house purchased by first-time homebuyer aged 25-29 in 1977, indexed by Department of Census, Construction Reports C-27 Constant Quality Home Price Index. Mortgage Rates equal Federal Home Loan Bank Board contract mortgage rate. Mortgage Payments assume 25-year mortgage with 20% down. Other Costs include property tax, insurance, fuel and utilities, and maintenance. After-Tax Cash Cost equals Mortgage Payment plus Other Costs, less tax savings of homeownership. Tax Savings are based on the excess of housing (mortgage interest and real estate taxes) plus non-housing deductions over the standard deduction. Non-housing deductions are set at 5% of income through 1986. With Tax Reform, they decrease to 4.25% in 1987 and 3.5% in 1988. Total Cost equals

After-Tax Cash Cost plus opportunity cost of downpayment, amortization of fees and closing costs, less expected equity buildup. Expected equity buildup is estimated as a weighted average of the increases in house prices in the previous three years. (Weights are 1/2 for the previous year, 1/3 for the second year and 1/6 for the third year.) American Housing Survey data indexed by Bureau of Labor Statistics Consumer Price Indices for various components of housing cost.

3. Contract Rent equals median 1977 Contract Rent indexed by Joint Center for Housing Studies Contract Rent Index adopted from data from the Bureau of Labor Statistics Index of Residential Rent. Gross Rent equals Contract Rent plus fuel and utilities, property taxes, and insurance.

4. First Time Buyer Cost Burden is cost as a percent of income of potential homebuyer proxied by median family income of married-couple renters aged 25 to 29. Renter Cost Burden is annual rental payments as percent of median income of all renters.

Appendix Table 2

Income and Housing Costs, Northeast Region: 1967-1988 (1988 dollars)

Year	Income			Owner Costs										Renter Costs			Cost as Percent of Income			
	Total Owner	Total Renter	Young Renter	House Price	Mortgage Rate	Mortgage Payment	Other Costs	Before-Tax Cash	Tax Savings	After-Tax Cash	Equity Buildup	Total Cost	Contract Rent	Gross Rent	Other Costs	First Time Buyers		All Renters		
																A Burden	Total Burden	Contract Rent Burden	Gross Rent Burden	
1967	\$30,316	\$19,233	\$26,079	\$ 58,015	6.40%	\$3,769	\$3,341	\$ 7,110	\$ 457	\$ 6,654	\$ 2,633	\$4,627	\$304	\$344	\$40	25.5%	17.7%	19.0%	21.4%	
1968	\$29,777	\$19,120	\$26,016	\$ 61,350	6.90%	\$4,172	\$3,339	\$ 7,511	\$ 563	\$ 6,949	\$ 4,002	\$3,689	\$301	\$340	\$39	26.7%	14.2%	18.9%	21.3%	
1969	\$30,787	\$19,016	\$25,958	\$ 64,715	7.68%	\$4,680	\$3,383	\$ 8,063	\$ 696	\$ 7,367	\$ 4,671	\$3,652	\$303	\$341	\$39	28.4%	14.1%	19.1%	21.5%	
1970	\$31,168	\$19,730	\$27,165	\$ 65,068	8.20%	\$4,960	\$3,418	\$ 8,379	\$ 806	\$ 7,573	\$ 4,585	\$3,920	\$303	\$341	\$38	27.9%	14.4%	18.4%	20.7%	
1971	\$30,941	\$19,890	\$27,349	\$ 67,053	7.54%	\$4,831	\$3,564	\$ 8,395	\$ 646	\$ 7,749	\$ 4,242	\$4,203	\$318	\$357	\$39	28.3%	15.4%	19.2%	21.5%	
1972	\$30,728	\$20,040	\$27,521	\$ 69,600	7.38%	\$4,944	\$3,680	\$ 8,624	\$ 678	\$ 7,946	\$ 4,383	\$4,304	\$324	\$366	\$42	28.9%	15.6%	19.4%	21.9%	
1973	\$31,595	\$19,559	\$27,082	\$ 70,605	7.82%	\$5,210	\$3,720	\$ 8,931	\$ 634	\$ 8,297	\$ 4,762	\$4,625	\$325	\$366	\$42	30.6%	17.1%	19.9%	22.5%	
1974	\$31,914	\$18,693	\$28,951	\$ 69,922	8.78%	\$5,594	\$3,761	\$ 9,355	\$ 662	\$ 8,692	\$ 5,145	\$4,743	\$315	\$360	\$46	30.0%	16.4%	20.2%	23.1%	
1975	\$31,126	\$17,456	\$28,602	\$ 69,956	8.97%	\$5,684	\$3,713	\$ 9,397	\$ 725	\$ 8,671	\$ 5,226	\$4,444	\$310	\$358	\$48	30.3%	15.5%	21.3%	24.6%	
1976	\$31,008	\$17,094	\$27,231	\$ 68,838	8.90%	\$5,561	\$3,742	\$ 9,303	\$ 732	\$ 8,572	\$ 5,910	\$5,532	\$312	\$367	\$50	31.5%	20.3%	21.9%	25.4%	
1977	\$31,474	\$17,236	\$28,477	\$ 69,318	8.83%	\$5,567	\$3,801	\$ 9,368	\$ 391	\$ 8,976	\$ 5,883	\$6,000	\$313	\$365	\$52	31.5%	21.1%	21.8%	25.4%	
1978	\$30,836	\$16,916	\$28,017	\$ 72,433	9.40%	\$6,092	\$3,806	\$ 9,898	\$ 583	\$ 9,314	\$ 5,411	\$5,164	\$314	\$366	\$51	33.2%	18.4%	22.3%	25.9%	
1979	\$30,521	\$15,660	\$26,206	\$ 74,556	10.63%	\$6,892	\$3,663	\$10,555	\$ 727	\$ 9,828	\$ 7,252	\$4,205	\$303	\$335	\$51	37.5%	16.0%	23.2%	27.2%	
1980	\$30,579	\$15,434	\$23,800	\$ 73,916	12.53%	\$7,818	\$3,700	\$11,518	\$1,021	\$10,497	\$ 6,964	\$5,382	\$297	\$350	\$53	44.1%	22.6%	23.1%	27.2%	
1981	\$30,758	\$15,248	\$24,449	\$ 72,806	14.51%	\$8,747	\$3,795	\$12,542	\$1,331	\$11,210	\$ 5,950	\$7,474	\$296	\$352	\$56	45.9%	20.6%	23.3%	27.7%	
1982	\$30,615	\$15,122	\$24,913	\$ 72,139	14.78%	\$8,810	\$3,824	\$12,634	\$1,278	\$11,356	\$ 4,403	\$8,864	\$302	\$361	\$58	45.6%	35.6%	24.0%	28.6%	
1983	\$31,408	\$15,228	\$26,174	\$ 72,192	12.29%	\$7,512	\$3,763	\$11,275	\$1,046	\$10,228	\$ 3,412	\$8,360	\$311	\$371	\$60	39.1%	31.9%	24.5%	29.3%	
1984	\$32,256	\$15,159	\$25,759	\$ 76,417	12.00%	\$7,794	\$3,819	\$11,613	\$1,070	\$10,544	\$ 5,103	\$7,275	\$317	\$377	\$60	40.9%	28.2%	25.1%	29.8%	
1985	\$32,729	\$15,969	\$26,872	\$ 81,985	11.18%	\$7,890	\$3,773	\$11,664	\$1,076	\$10,588	\$ 6,865	\$5,317	\$329	\$388	\$59	39.4%	19.8%	24.8%	29.2%	
1986	\$33,894	\$16,731	\$28,173	\$ 95,293	9.80%	\$8,270	\$3,666	\$11,936	\$1,103	\$10,833	\$11,276	\$1,006	\$351	\$408	\$57	38.5%	3.6%	25.2%	29.2%	
1987	\$34,158	\$17,079	\$28,743	\$104,130	8.94%	\$8,440	\$3,590	\$12,029	\$ 894	\$11,134	\$12,182	\$ 576	\$362	\$415	\$53	38.7%	2.0%	25.4%	29.1%	
1988	\$34,600	\$17,400	\$29,300	\$103,154	9.01%	\$8,408	\$3,558	\$11,967	\$ 700	\$11,266	\$ 7,792	\$5,227	\$370	\$420	\$50	38.5%	17.8%	25.5%	29.0%	

Appendix Table 3

Income and Housing Costs, Midwest Region: 1967-1988 (1988 dollars)

Year	Income			Owner Costs									Renter Costs			Cost as Percent of Income			
	Total Owner	Total Renter	Young Renter	House Price	Mortgage Rate	Mortgage Payment	Other Costs	Before-Tax Cash	Tax Savings	After-Tax Cash	Equity Buildup	Total Cost	Contract Rent	Gross Rent	Other Costs	First-Time Buyers		All Renters	
																Cash Burden	Total Burden	Contract Rent Burden	Gross Rent Burden
1967	\$27,383	\$18,907	\$27,708	\$53,298	6.40%	\$3,462	\$2,517	\$5,979	\$309	\$5,670	\$2,238	\$3,989	\$315	\$356	\$41	20.5%	14.4%	20.0%	22.6%
1968	\$27,583	\$18,807	\$27,897	\$54,631	6.90%	\$3,715	\$2,516	\$6,231	\$391	\$5,840	\$2,785	\$3,716	\$311	\$351	\$40	20.9%	13.3%	19.8%	22.4%
1969	\$28,373	\$18,714	\$27,749	\$57,443	7.68%	\$4,187	\$2,542	\$6,729	\$518	\$6,210	\$3,816	\$3,249	\$310	\$349	\$40	22.4%	11.7%	19.9%	22.4%
1970	\$28,595	\$19,159	\$28,881	\$54,420	8.20%	\$4,149	\$2,560	\$6,709	\$565	\$6,144	\$2,041	\$4,882	\$305	\$345	\$40	21.3%	16.9%	19.1%	21.6%
1971	\$28,454	\$18,785	\$28,178	\$54,563	7.54%	\$3,931	\$2,622	\$6,552	\$360	\$6,192	\$1,733	\$5,026	\$309	\$349	\$40	22.0%	17.8%	19.7%	22.3%
1972	\$29,392	\$18,971	\$28,590	\$56,094	7.38%	\$3,985	\$2,700	\$6,685	\$370	\$6,315	\$2,300	\$4,612	\$310	\$351	\$41	22.1%	16.1%	19.5%	22.2%
1973	\$29,338	\$18,556	\$28,085	\$56,742	7.82%	\$4,187	\$2,659	\$6,846	\$313	\$6,533	\$3,389	\$4,021	\$304	\$343	\$39	23.3%	14.3%	19.7%	22.2%
1974	\$30,091	\$18,465	\$27,355	\$55,758	8.78%	\$4,461	\$2,626	\$7,086	\$380	\$6,707	\$3,801	\$3,858	\$290	\$329	\$39	24.5%	14.1%	18.8%	21.4%
1975	\$29,444	\$16,615	\$26,710	\$56,737	8.97%	\$4,610	\$2,671	\$7,280	\$423	\$6,857	\$4,504	\$3,163	\$281	\$324	\$43	25.7%	11.8%	20.3%	23.4%
1976	\$29,815	\$16,498	\$25,641	\$58,433	8.90%	\$4,721	\$2,722	\$7,442	\$468	\$6,974	\$4,679	\$3,034	\$279	\$326	\$47	27.2%	11.8%	20.3%	23.7%
1977	\$31,287	\$16,674	\$27,727	\$61,262	8.83%	\$4,920	\$2,821	\$7,741	\$116	\$7,625	\$5,291	\$3,035	\$279	\$332	\$52	27.5%	10.9%	20.1%	23.9%
1978	\$30,484	\$16,387	\$26,607	\$65,859	9.40%	\$5,539	\$2,861	\$8,400	\$318	\$8,081	\$6,770	\$2,457	\$282	\$333	\$51	30.4%	9.2%	20.6%	24.4%
1979	\$30,361	\$15,980	\$24,768	\$64,832	10.63%	\$6,178	\$2,760	\$8,930	\$458	\$8,480	\$6,923	\$3,018	\$275	\$327	\$51	34.2%	12.2%	20.7%	24.5%
1980	\$28,559	\$14,568	\$24,088	\$63,863	12.53%	\$6,755	\$2,758	\$9,513	\$704	\$8,810	\$5,031	\$5,376	\$270	\$327	\$52	36.6%	22.3%	22.3%	26.5%
1981	\$28,261	\$14,459	\$23,134	\$63,270	14.51%	\$7,601	\$2,783	\$10,385	\$979	\$9,405	\$4,586	\$6,743	\$266	\$319	\$54	40.7%	29.1%	22.0%	26.5%
1982	\$28,260	\$14,378	\$22,311	\$62,174	14.78%	\$7,593	\$2,593	\$2,858	\$10,452	\$931	\$9,521	\$7,811	\$267	\$325	\$58	42.7%	35.0%	22.3%	27.1%
1983	\$28,910	\$14,396	\$21,653	\$58,356	12.29%	\$6,072	\$2,907	\$8,980	\$648	\$8,331	\$908	\$8,671	\$270	\$333	\$63	38.5%	40.0%	22.5%	27.7%
1984	\$29,521	\$15,045	\$22,910	\$58,702	12.00%	\$5,988	\$2,906	\$8,894	\$642	\$8,251	\$1,362	\$8,299	\$271	\$334	\$62	36.0%	36.2%	21.6%	26.6%
1985	\$29,845	\$14,867	\$22,797	\$57,115	11.18%	\$5,497	\$2,874	\$8,371	\$543	\$7,828	\$893	\$8,045	\$277	\$339	\$62	34.3%	35.3%	22.4%	27.4%
1986	\$30,547	\$15,112	\$23,207	\$58,593	9.80%	\$5,085	\$2,820	\$7,905	\$444	\$7,462	\$1,877	\$6,475	\$287	\$347	\$60	32.2%	27.9%	22.8%	27.6%
1987	\$30,930	\$14,684	\$22,494	\$59,207	8.94%	\$4,799	\$2,756	\$7,555	\$292	\$7,263	\$2,241	\$5,945	\$289	\$347	\$57	32.3%	26.4%	23.7%	28.3%
1988	\$31,400	\$14,300	\$21,900	\$59,767	9.01%	\$4,872	\$2,698	\$7,570	\$112	\$7,458	\$2,717	\$5,756	\$290	\$345	\$55	34.1%	26.3%	24.3%	28.9%

Appendix Table 4

Income and Housing Costs, South Region: 1967-1988 (1988 dollars)

Year	Income			Owner Costs									Renter Costs			Cost as Percent of Income			
	Total Owner	Total Renter	Young Renter	House Price	Mortgage Rate	Mortgage Payment	Other Costs	Before-Tax Cash	Tax Savings	After-Tax Cash	Equity Buildup	Total Cost	Contract Rent	Gross Rent	Other Costs	First-Time Buyers		All Renters	
																Cash Burden	Total Burden	Contract Rent Burden	Gross Rent Burden
1967	\$22,167	\$15,321	\$24,123	\$49,570	6.40%	\$3,220	\$2,208	\$5,429	\$201	\$5,228	\$1,210	\$4,536	\$277	\$328	\$52	21.7%	18.8%	21.7%	25.7%
1968	\$22,568	\$15,359	\$24,135	\$49,712	6.90%	\$3,380	\$2,194	\$5,575	\$237	\$5,338	\$1,630	\$4,309	\$274	\$324	\$50	22.1%	17.9%	21.4%	25.3%
1969	\$23,241	\$15,092	\$24,147	\$51,008	7.68%	\$3,718	\$2,207	\$5,924	\$340	\$5,584	\$2,345	\$3,998	\$272	\$321	\$49	23.1%	16.6%	21.6%	25.6%
1970	\$23,448	\$15,441	\$24,878	\$49,852	8.20%	\$3,800	\$2,212	\$6,012	\$400	\$5,612	\$2,066	\$4,260	\$268	\$317	\$49	22.6%	17.1%	20.8%	24.6%
1971	\$23,482	\$15,470	\$24,863	\$51,936	7.54%	\$3,742	\$2,314	\$6,055	\$307	\$5,748	\$2,858	\$3,429	\$271	\$323	\$52	23.1%	13.8%	21.0%	25.0%
1972	\$24,315	\$16,299	\$26,185	\$53,329	7.38%	\$3,788	\$2,371	\$6,159	\$297	\$5,863	\$3,002	\$3,429	\$272	\$324	\$52	22.4%	13.1%	20.0%	23.9%
1973	\$24,574	\$16,550	\$26,831	\$53,398	7.82%	\$3,940	\$2,356	\$6,296	\$219	\$6,077	\$3,215	\$3,687	\$266	\$317	\$51	22.6%	13.7%	19.3%	23.0%
1974	\$25,304	\$16,185	\$25,987	\$52,403	8.78%	\$4,192	\$2,403	\$6,595	\$291	\$6,304	\$3,385	\$3,814	\$255	\$307	\$52	24.3%	14.7%	18.9%	22.8%
1975	\$24,817	\$15,563	\$24,817	\$53,155	8.97%	\$4,319	\$2,428	\$6,747	\$334	\$6,412	\$4,060	\$3,112	\$249	\$305	\$56	25.8%	12.5%	19.2%	23.5%
1976	\$25,244	\$15,305	\$23,857	\$53,789	8.90%	\$4,345	\$2,454	\$6,799	\$361	\$6,438	\$3,847	\$3,271	\$252	\$309	\$58	27.0%	13.7%	19.7%	24.3%
1977	\$25,854	\$15,362	\$23,044	\$55,642	8.83%	\$4,468	\$2,547	\$7,015	\$0	\$7,015	\$4,303	\$3,440	\$255	\$317	\$62	30.4%	14.9%	19.9%	24.7%
1978	\$26,255	\$15,536	\$24,669	\$58,718	9.40%	\$4,938	\$2,548	\$7,486	\$99	\$7,387	\$5,268	\$3,141	\$257	\$317	\$60	29.9%	12.7%	19.9%	24.5%
1979	\$26,047	\$15,500	\$23,170	\$60,985	10.63%	\$5,637	\$2,462	\$8,100	\$271	\$7,828	\$6,501	\$1,659	\$253	\$312	\$59	33.8%	11.5%	19.6%	24.2%
1980	\$25,675	\$14,857	\$22,646	\$61,817	12.53%	\$6,538	\$2,454	\$8,992	\$584	\$8,408	\$6,582	\$3,372	\$251	\$311	\$61	37.1%	14.9%	20.3%	25.2%
1981	\$25,500	\$14,722	\$22,214	\$61,838	14.51%	\$7,429	\$2,487	\$9,916	\$875	\$9,041	\$5,869	\$5,052	\$250	\$315	\$65	40.7%	22.7%	20.4%	25.7%
1982	\$25,533	\$15,617	\$23,302	\$60,704	14.78%	\$7,414	\$2,556	\$9,970	\$852	\$9,118	\$3,896	\$6,829	\$256	\$326	\$69	39.1%	29.3%	19.7%	25.0%
1983	\$25,817	\$15,109	\$22,367	\$59,362	12.29%	\$6,177	\$2,571	\$8,748	\$619	\$8,128	\$2,145	\$7,253	\$262	\$333	\$71	36.3%	32.4%	20.8%	26.4%
1984	\$26,557	\$15,387	\$23,024	\$58,835	12.00%	\$6,001	\$2,585	\$8,586	\$592	\$7,994	\$1,699	\$7,708	\$263	\$334	\$71	34.7%	33.5%	20.5%	26.1%
1985	\$26,982	\$15,308	\$23,127	\$58,352	11.18%	\$5,616	\$2,560	\$8,175	\$512	\$7,664	\$1,553	\$7,244	\$267	\$337	\$70	33.1%	31.3%	20.9%	26.4%
1986	\$28,281	\$15,229	\$22,991	\$58,411	9.80%	\$5,069	\$2,530	\$7,599	\$385	\$7,214	\$1,411	\$6,691	\$274	\$343	\$68	31.4%	29.1%	21.6%	27.0%
1987	\$29,159	\$15,204	\$23,015	\$56,551	8.94%	\$4,583	\$2,472	\$7,055	\$222	\$6,834	\$0	\$6,988	\$273	\$338	\$65	29.7%	30.4%	21.5%	26.7%
1988	\$30,300	\$15,300	\$23,100	\$53,987	9.01%	\$4,401	\$2,438	\$6,839	\$10	\$6,929	\$0	\$7,652	\$270	\$334	\$64	29.6%	33.1%	21.2%	26.2%

Appendix Table 5

Income and Housing Costs, West Region: 1967-1988 (1988 dollars)

Year	Income			Owner Costs									Renter Costs			Cost as Percent of Income			
	Total Owner	Total Renter	Young Renter	House Price	Mortgage Rate	Mortgage Payment	Other Costs	Before-Tax Cash	Tax Savings	After-Tax Cash	Equity Buildup	Total Cost	Contract Rent	Gross Rent	Other Costs	First-Time Buyers		All Renters	
																Cash Burden	Total Burden	Contract Rent Burden	Gross Rent Burden
1967	\$28,360	\$17,603	\$26,731	\$59,714	6.40%	\$ 3,879	\$2,595	\$ 6,474	\$ 352	\$ 6,122	\$ 932	\$ 5,815	\$338	\$369	\$31	22.9%	21.8%	23.0%	25.1%
1968	\$29,150	\$17,553	\$26,643	\$58,762	6.90%	\$ 3,996	\$2,569	\$ 6,592	\$ 421	\$ 6,171	\$ 1,143	\$ 5,737	\$340	\$370	\$30	23.2%	21.5%	23.3%	25.3%
1969	\$30,184	\$17,506	\$26,863	\$61,765	7.68%	\$ 4,502	\$2,616	\$ 7,118	\$ 562	\$ 6,556	\$ 3,107	\$ 4,367	\$345	\$375	\$29	24.4%	16.3%	23.7%	25.7%
1970	\$30,597	\$18,587	\$28,023	\$59,864	8.20%	\$ 4,564	\$2,620	\$ 7,184	\$ 624	\$ 6,560	\$ 2,514	\$ 4,904	\$350	\$380	\$29	23.4%	17.5%	22.6%	24.5%
1971	\$30,388	\$18,233	\$27,349	\$59,612	7.54%	\$ 4,295	\$2,703	\$ 6,998	\$ 430	\$ 6,568	\$ 2,115	\$ 5,073	\$350	\$381	\$31	24.0%	18.5%	23.1%	25.1%
1972	\$31,529	\$18,704	\$28,056	\$60,868	7.38%	\$ 4,324	\$2,830	\$ 7,154	\$ 431	\$ 6,723	\$ 2,388	\$ 4,984	\$352	\$382	\$30	24.0%	17.8%	22.6%	24.5%
1973	\$31,846	\$18,807	\$28,335	\$64,652	7.82%	\$ 4,771	\$2,721	\$ 7,492	\$ 401	\$ 7,091	\$ 5,038	\$ 3,052	\$347	\$377	\$30	25.0%	10.8%	22.1%	24.1%
1974	\$32,142	\$17,325	\$26,899	\$66,305	8.78%	\$ 5,304	\$2,675	\$ 7,980	\$ 528	\$ 7,452	\$ 6,502	\$ 2,083	\$337	\$368	\$31	27.7%	7.7%	23.3%	25.5%
1975	\$31,757	\$16,825	\$24,186	\$68,750	8.97%	\$ 5,586	\$2,695	\$ 8,281	\$ 673	\$ 7,608	\$ 7,158	\$ 1,432	\$329	\$363	\$34	31.5%	5.9%	23.5%	25.9%
1976	\$32,201	\$16,895	\$24,250	\$72,140	8.90%	\$ 5,828	\$2,732	\$ 8,560	\$ 716	\$ 7,844	\$ 7,063	\$ 1,693	\$331	\$366	\$35	32.3%	7.0%	23.5%	26.0%
1977	\$33,348	\$17,048	\$23,793	\$80,371	8.83%	\$ 6,454	\$2,786	\$ 9,240	\$ 368	\$ 8,872	\$ 9,564	\$ 359	\$335	\$371	\$36	37.3%	1.5%	23.6%	26.1%
1978	\$33,303	\$17,092	\$23,435	\$89,577	9.40%	\$ 7,533	\$2,778	\$10,311	\$ 675	\$ 9,637	\$11,929	(\$734)	\$345	\$380	\$35	41.1%	-3.1%	24.2%	26.7%
1979	\$32,758	\$17,258	\$23,969	\$93,574	10.63%	\$ 8,650	\$2,634	\$11,284	\$ 926	\$10,358	\$12,156	\$ 246	\$346	\$380	\$34	43.2%	1.0%	24.1%	26.5%
1980	\$32,747	\$16,588	\$23,655	\$95,417	12.53%	\$10,092	\$2,698	\$12,790	\$1,362	\$11,428	\$11,097	\$ 2,718	\$348	\$389	\$41	48.3%	11.5%	25.2%	28.1%
1981	\$32,730	\$16,956	\$24,317	\$92,936	14.51%	\$11,165	\$2,699	\$13,864	\$1,714	\$12,150	\$ 8,007	\$ 6,968	\$352	\$394	\$42	50.0%	28.7%	24.9%	27.9%
1982	\$33,342	\$16,609	\$23,922	\$88,481	14.78%	\$10,806	\$2,801	\$13,607	\$1,536	\$12,071	\$ 3,874	\$10,540	\$364	\$410	\$46	50.5%	44.1%	26.3%	29.6%
1983	\$33,312	\$16,418	\$23,794	\$87,787	12.29%	\$ 9,135	\$2,789	\$11,924	\$1,218	\$10,707	\$ 2,605	\$ 9,980	\$374	\$420	\$47	45.0%	41.9%	27.3%	30.7%
1984	\$34,080	\$18,009	\$25,987	\$83,614	12.00%	\$ 8,529	\$2,828	\$11,357	\$1,100	\$10,257	\$ 798	\$11,466	\$385	\$433	\$48	39.5%	44.1%	25.7%	28.8%
1985	\$34,360	\$18,061	\$25,990	\$83,199	11.18%	\$ 8,007	\$2,821	\$10,829	\$ 991	\$ 9,838	\$ 1,489	\$ 9,966	\$404	\$451	\$47	37.9%	38.3%	26.8%	29.9%
1986	\$35,513	\$18,350	\$26,338	\$84,510	9.80%	\$ 7,334	\$2,804	\$10,138	\$ 837	\$ 9,301	\$ 2,191	\$ 8,395	\$422	\$468	\$46	35.3%	31.9%	27.6%	30.6%
1987	\$35,199	\$17,912	\$25,723	\$84,396	8.94%	\$ 6,840	\$2,753	\$ 9,593	\$ 582	\$ 9,011	\$ 2,764	\$ 7,563	\$426	\$470	\$44	35.0%	29.4%	28.6%	31.5%
1988	\$35,600	\$17,900	\$25,700	\$79,627	9.01%	\$ 6,491	\$2,689	\$ 9,180	\$ 346	\$ 8,834	\$ 667	\$ 9,520	\$427	\$470	\$43	34.4%	37.0%	28.6%	31.5%

Appendix Table 6

Renter Households by Gross Rent, Poverty, and Subsidy Status (Thousands)

	Poverty			Non-Poverty		
	1974	1980	1985	1974	1980	1985
Subsidized Households						
<\$200	636	920	1,282	545	680	669
\$200-\$299	140	233	387	335	408	477
\$300-\$399	58	142	271	309	297	396
\$400-\$499	17	54	148	68	96	252
\$500-\$699	6	24	102	25	43	132
\$700 +	0	3	29	7	12	36
TOTAL	857	1,375	2,219	1,289	1,537	1,962
Unsubsidized Households						
<\$200	1,197	919	778	2,027	1,355	938
\$200-\$299	1,083	1,296	1,197	4,179	3,705	2,787
\$300-\$399	757	1,210	1,290	4,776	5,177	4,622
\$400-\$499	319	574	858	3,460	4,007	4,854
\$500-\$699	150	354	638	2,276	2,932	5,157
\$700 +	34	105	210	694	1,035	2,544
TOTAL	3,539	4,459	4,971	17,411	18,211	20,902
All Households						
<\$200	1,833	1,839	2,061	2,572	2,035	1,607
\$200-\$299	1,223	1,529	1,584	4,513	4,113	3,264
\$300-\$399	814	1,352	1,561	5,085	5,474	5,018
\$400-\$499	336	628	1,006	3,528	4,104	5,105
\$500-\$699	156	378	741	2,300	2,975	5,290
\$700 +	34	108	238	701	1,047	2,580
TOTAL	4,396	5,834	7,190	18,700	19,748	22,864

NOTE: Rent in 1988 dollars. Excludes households with housing cost of \$0 and households in single-unit structures on 10 acres or more. To estimate poverty-level households, official poverty thresholds adjusted to reflect undercounting of income in American Housing Survey were used.

SOURCE: Joint Center for Housing Studies tabulations of the American Housing Survey, 1974, 1980, and 1985.

Appendix Table 7

Rental Housing Stock by Gross Rent, Region, and Subsidy Status (Thousands)

Region and Rent	Unsubsidized Households			Subsidized Households		
	1974	1980	1985	1974	1980	1985
Northeast						
<\$300	1,889	1,652	1,081	482	657	813
\$300-\$499	2,615	2,788	2,578	140	206	376
\$500 +	1,197	1,125	2,066	22	35	91
TOTAL	5,701	5,564	5,724	644	898	1,280
Midwest						
<\$300	2,089	1,788	1,727	320	484	787
\$300-\$499	2,244	2,643	2,956	95	112	223
\$500 +	511	647	1,228	9	15	35
TOTAL	4,845	5,078	5,912	424	611	1,045
South						
<\$300	3,001	2,520	2,109	559	711	809
\$300-\$499	2,201	3,068	3,636	118	146	269
\$500 +	763	1,072	2,370	7	17	42
TOTAL	5,966	6,661	8,115	684	874	1,120
West						
<\$300	1,516	1,315	809	295	389	407
\$300-\$499	2,251	2,471	2,462	99	126	198
\$500 +	681	1,584	2,851	0	14	131
TOTAL	4,438	5,370	6,122	394	530	735
All Regions						
<\$300	8,485	7,276	5,700	1,655	2,241	2,815
\$300-\$499	9,311	10,969	11,624	452	589	1,066
\$500 +	3,154	4,428	8,549	38	82	300
TOTAL	20,950	22,672	25,873	2,145	2,912	4,181

NOTE: Rents in 1988 dollars. Excludes households with housing cost of \$0 and single-unit structures on 10 acres or more.

SOURCE: Joint Center for Housing Studies tabulations of the American Housing Survey, 1974, 1980, and 1985.

Appendix Table 8

Number of Households by Age and Household Type: 1970 to 2000

	1970	1980	1990	2000
Age				
Under 25	4,359	6,570	4,560	4,304
25 to 34	11,694	18,504	20,701	16,768
35 to 44	11,810	13,980	21,029	24,346
45 to 54	12,216	12,654	14,560	21,847
55 to 64	10,824	12,525	12,585	14,623
65 to 74	7,744	10,112	11,821	11,956
75 and over	4,756	6,432	8,789	11,641
Total	63,401	80,777	94,044	105,483
Household Type				
Single Person	10,851	18,296	24,248	31,112
Married With Children	25,532	24,961	25,270	25,341
Married Without Children	19,196	24,151	26,387	29,105
Single Parent With Children	3,199	6,061	8,128	8,863
Other	4,623	7,308	10,011	11,062
Total	63,401	80,777	94,044	105,483

*NOTE: 1990 and 2000 projections are based on July CPS numbers.**SOURCE: Current Population Reports, Series P-20, No. 432 and "U.S. Household Trends: The 1980s and Beyond," Joint Center for Housing Studies Working Paper by George S. Masnick.*

Appendix Table 9

Households, Household Income, and Poverty Households by Age and Type

Age and Household Type	Number of Households (Thousands)		Median Income (1988 dollars)		Poverty-Level Owners (Thousands)		Poverty-Level Renters (Thousands)	
	1974	1988	1974	1988	1974	1988	1974	1988
Household Head Under 25								
Single	1,136	1,245	11,665	11,224	11	24	225	282
Married With Children	1,709	917	20,518	19,528	29	23	165	144
Married Without Children	1,825	860	23,461	26,059	14	7	74	47
Single Parent With Children	540	822	7,181	6,113	19	32	314	562
Other Households	833	1,383	13,177	11,689	5	22	170	289
TOTAL	6,043	5,228	17,896	12,969	78	109	948	1,324
Household Head 25 to 34								
Single	1,810	4,019	20,609	21,216	18	27	129	313
Married With Children	8,368	8,588	29,636	31,358	226	236	287	495
Married Without Children	1,168	2,947	35,215	38,851	8	12	33	54
Single Parent With Children	1,603	2,952	12,311	11,161	103	178	577	1,304
Other Households	623	2,077	22,125	22,083	13	29	47	172
TOTAL	14,672	20,583	27,357	25,795	368	483	1,073	2,338
Household Head 35 to 44								
Single	963	2,837	20,158	21,622	34	102	84	242
Married With Children	8,217	10,031	35,621	40,655	324	262	210	316
Married Without Children	1,055	2,299	36,476	47,071	15	24	24	31
Single Parent With Children	1,416	2,787	16,095	17,586	137	187	317	679
Other Households	414	1,369	22,797	24,555	14	43	46	112
TOTAL	12,065	19,323	32,372	35,200	524	618	681	1,380
Household Head 45 to 64								
Single	4,046	5,105	12,539	14,529	372	512	576	671
Married With Children	6,662	4,690	36,590	42,952	321	214	158	129
Married Without Children	10,363	12,398	33,102	37,424	436	392	156	161
Single Parent With Children	1,109	976	16,916	17,837	132	86	177	170
Other Households	2,141	3,308	20,632	24,050	170	233	150	265
TOTAL	24,321	26,476	28,337	30,088	1,432	1,436	1,217	1,396
Household Head 65 and Older								
Single	5,884	8,683	6,917	7,896	824	1,011	859	1,025
Married	6,194	8,579	15,437	19,305	274	362	114	140
Other Households	1,676	2,193	14,590	16,306	163	186	74	140
TOTAL	13,754	19,456	10,943	12,662	1,261	1,559	1,046	1,304

Appendix Table 10**Homeownership Rate by Region and Age: 1973 to 1988 (Percent)**

Region and Age	1973	1976	1980	1983	1988
Northeast	59.2	59.8	60.7	61.4	61.9
<25	17.4	15.7	14.5	16.5	13.0
25-29	36.2	34.3	35.9	32.4	35.9
30-34	51.3	59.3	55.0	53.6	50.8
35-39	62.2	60.3	65.8	61.2	63.7
40-44	69.2	65.4	66.0	68.2	70.1
45-54	72.2	73.7	72.7	72.7	72.5
55-64	69.8	71.8	74.6	74.6	74.1
65-74	60.1	63.0	67.4	69.6	72.3
75+	58.2	57.5	56.0	61.2	61.1
Midwest	69.1	69.5	70.3	70.0	67.0
<25	25.3	24.4	24.6	21.8	14.9
25-29	47.9	48.6	50.5	43.5	41.4
30-34	66.5	68.6	68.1	63.0	57.3
35-39	76.0	77.5	78.0	74.0	68.3
40-44	79.2	81.3	80.7	81.6	77.7
45-54	80.9	81.1	83.7	82.6	79.7
55-64	79.6	82.4	83.1	85.0	83.6
65-74	76.6	77.6	79.1	81.6	80.8
75+	71.8	70.0	69.0	74.7	68.2
South	66.5	66.4	68.3	67.1	65.9
<25	29.9	24.2	25.0	23.0	19.8
25-29	47.6	46.8	46.4	41.7	37.9
30-34	62.1	63.2	63.4	56.6	53.8
35-39	68.7	69.2	71.7	66.0	62.9
40-44	71.5	74.1	76.3	76.3	72.1
45-54	76.1	78.1	79.1	78.2	77.2
55-64	77.9	78.1	81.7	83.0	81.9
65-74	75.9	76.1	78.2	80.2	80.2
75+	71.9	72.2	74.6	77.4	79.0
West	60.6	61.2	60.5	58.7	58.9
<25	15.3	15.1	16.2	11.6	11.2
25-29	39.7	39.0	36.0	31.4	27.8
30-34	59.5	56.9	54.9	48.2	47.2
35-39	65.2	67.5	66.1	60.5	57.8
40-44	71.1	72.6	71.2	67.9	64.7
45-54	74.6	75.4	73.3	73.2	73.2
55-64	74.4	75.7	76.7	76.9	77.5
65-74	70.0	71.4	73.9	73.7	78.5
75+	62.2	65.6	67.7	70.2	70.6

SOURCE: Joint Center for Housing Studies tabulations of U.S. Department of Housing and Urban Development, American Housing Survey, 1973, 1976, and 1980, and U. S. Department of Commerce, Current Population Survey, 1983 and 1988.

Appendix Table 11**Inadequacy by Monthly Housing Cost, 1985**

	Owner Occupied			Unsubsidized Renter			Subsidized Renter		
	Number of Units	Number Inadequate	Percent Inadequate	Number of Units	Number Inadequate	Percent Inadequate	Number of Units	Number Inadequate	Percent Inadequate
<\$300	16,141	1,824	11.3	5,700	1,694	29.7	2,820	322	11.4
\$300-\$499	9,348	592	6.3	11,624	1,604	13.8	1,066	161	15.1
\$500 +	15,832	584	3.7	8,549	699	8.2	295	43	14.7
Total	41,320	3,000	7.3	25,873	3,997	15.4	4,181	527	12.6

NOTE: Rents in 1988 dollars. Numbers in thousands. Excludes households with reported housing cost of \$0. For renters, excludes single-unit structures on 10 acres or more. For owners, limited to single-unit structures on less than 10 acres and no business property. Inadequate housing represents a composite index of housing quality defined in terms of presence or absence of plumbing fixtures, heating equipment, and other mechanical subsystems, as well as information on the repair and upkeep of properties.

SOURCE: Joint Center for Housing Studies tabulations of 1985 American Housing Survey data.

Appendix Table 12

Median Monthly Housing Costs for Poverty-Level Households

Region	Owner		Unsubsidized Renter		Subsidized Renter	
	1974	1985	1974	1985	1974	1985
Northeast	269	267	296	376	148	111
Midwest	171	237	267	319	128	111
South	125	170	191	303	105	111
West	294	209	287	391	148	111
TOTAL	176	202	251	336	123	111
Age and Family Type						
Under 65						
Single	146	189	219	292	107	111
Married With Children	308	309	264	374	201	211
Married Without Children	217	229	251	316	176	111
Single Parent With Children	342	377	296	358	144	211
Other	162	211	296	416	114	111
TOTAL	258	252	267	348	144	111
65 and Over						
Single	96	148	169	229	91	111
Married	141	207	207	314	107	211
Other	119	180	181	289	192	111
TOTAL	105	162	178	251	91	111

NOTE: Data in 1988 dollars. Excludes households with reported housing cost of \$0. For renters, excludes single-unit structures on 10 acres or more. For owners, limited to single-unit structures on less than 10 acres and no business property.

SOURCE: Joint Center for Housing Studies tabulations of the 1974 and 1985 American Housing Surveys.

Appendix Table 13**Homeownership Rate by Age and Family Type (Percent)**

Age and Family Type	1973	1976	1980	1983	1988
Household Head Under 25					
Single	7.7	7.8	11.5	10.9	10.4
Married With Children	38.9	34.5	38.8	32.7	29.4
Married Without Children	26.1	30.9	33.6	30.5	22.6
Single Parent With Children	13.7	8.2	10.1	7.9	7.2
Other Households	7.6	8.5	9.9	11.1	11.8
TOTAL	23.4	21.0	21.3	19.3	15.5
Household Head 25 to 34					
Single	18.0	16.0	24.8	24.1	24.3
Married With Children	66.8	69.8	71.1	64.7	62.7
Married Without Children	45.4	49.2	58.3	53.5	53.5
Single Parent With Children	31.7	28.7	31.8	24.5	23.8
Other Households	18.0	25.3	29.4	29.1	29.7
TOTAL	51.4	52.2	52.3	47.0	45.0
Household Head 35 to 44					
Single	28.0	28.5	36.8	37.5	39.0
Married With Children	81.0	83.0	85.4	83.2	81.2
Married Without Children	66.8	67.3	75.2	74.0	76.3
Single Parent With Children	48.2	48.0	50.1	49.6	47.0
Other Households	51.5	50.8	53.9	48.1	47.6
TOTAL	70.7	71.4	72.3	69.6	67.1
Household Head 45 to 64					
Single	50.7	48.5	51.6	54.2	54.6
Married With Children	85.7	87.0	87.7	86.9	86.0
Married Without Children	83.7	86.1	88.4	89.1	88.5
Single Parent With Children	61.4	61.7	64.5	57.2	58.5
Other Households	66.8	66.9	68.0	68.1	67.3
TOTAL	75.9	77.3	78.5	78.8	77.8
Household Head 65 and Older					
Single	57.8	56.8	59.2	62.0	60.7
Married	81.5	83.1	85.0	87.3	89.1
Other Households	69.3	73.5	73.6	75.9	76.2
TOTAL	69.8	70.6	72.3	74.8	75.0

SOURCE: Joint Center for Housing Studies tabulations of U.S. Department of Housing and Urban Development, American Housing Survey, 1973, 1976, and 1980, and U. S. Department of Commerce, Current Population Survey, 1983 and 1988.