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1593 SCOMM 60 • HOUSING FINANCE TASK FORCE • 1989

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SCOMM 60: HOUSING FINANCE TASK FORCE, 1989

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REPRESENTATIVE GEORGE JACKO
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SENATOR MIKE SZYMANSKI

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Contents: 1 box (12") of files. 11 cassette tapes are also available of meetings held July 1989-January 1990.

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SCOMM

60:1

REPRESENTATIVE
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House of Representatives

MEMORANDUM

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair, HFTF

DATE: August 7, 1989

TOPIC: July 26, 1989 HFTF Meeting

Attached, please find a recap of the organizational meeting held in Anchorage, on July 26, 1989.

Please direct any additions and/or corrections to Carl Nickel of my staff in Juneau.

I look forward to meeting with you August 23, 1989, at the Anchorage LIO.

VERBATIM TRANSCRIPT

THOMAS C. BEHAN
ALASKA HOUSING FINANCE CORPORATION

THOMAS C. BEHAN: Thank you Mr. Chairman - appreciate the opportunity to share Alaska Housing's present circumstances. First of all I think most of you are well aware that the Corporation was originally created to assist lower to moderate income, for housing citizens of the state to obtain housing in support of the housing industry. There's been a series of adjustments to that original charge over the years, and for almost ten years now there's been consistant subsidy of mortgage loans for Alaskan families that creation of the core (?) business of the corporation and that is to sell bonds and provide loans from Alaskan banks or mortgage bankers. That has resulted presently with the corporation having 2/3 market share of all outstanding residential loans in the state; 2/3rd of the market, about 66% of the outstanding loans are - are loaned by Alaska Housing Finance Corporation. And presently we are a vital link to the continued support of that market in roughly $30 million dollars a month (indeterminate) into the state due to our sale of bonds and purchase of mortgages. That's - that's the amount of loans recorded (?) these are rough figures of course but - on average about $30 million dollars a month is what we continue to purchase, and provide in mortgage finances of course - to our citizens. Most of that activity presently has evolved into FHA and VA financing - it has been increasing in the last year which is a good sign in terms of our ability to accomodate what we consider to be a slow recovery in the housing markets - and we feel that given - where interest rate levels are and where our present volumes are - we're relatively comfortable in terms of

being able to meet the demands of - the present demands on - on our resources to accomodate the mortgage markets. I want to get back to that in a few minutes in terms of what we see in the future. But we know have a balance sheet if you look at the Corporation of roughly about $5.8 million dollars- or billion dollars, in total assets, and I have - like to share with you a copy of that balance sheet and talk about it for a moment. And if I may I'd like to just elaborate on - on how to - how to look at the Corporation in terms of it's financial structure. What you see is a typical balance sheet where we list assets and then liabilities and then our equity or net worth. As you can see, the assets of the Corporation are primarily loans that we own, and they total $5.8 billion dollars - that in essence has been relatively the same over the last three years. Also the liabilities (indeterminate-coughing) total $4.3 billion dollars and the net worth - or the total fund equity is a little less than $1.5 billion dollars. The way to look at Alaska Housing is to really understand that it is an operating business in the sense that it is contantly utilizing working capital - hundreds of millions of dollars that are necessary to continue with it's operaitons -daily, weekly, monthly - in the physically purchasing loans in $60 - $80 - $100 million dollar transactions from (seller servicers ?) - taking those loans, bundling them, securitizing them and selling them into - into a bond sale to recover those funds. So, much like - in some cases you can look at a mortgage loan just like a sack of potatoes, it has a value - it has a- it's a commodity and we buy them from mortgage bankers in the state and turn around and replenish ourselves by (bundling ?) them and putting them into bond issues - and then basically we loan that money by people who invest in those bonds and expect a return. So that's the activity - the phenomenon that's unusual - is the subsidy that's included in our activity. As you know, the first $90 thousand dollars of our loan production is

subsidized - any amount of our cost of funds that's in excess of 10% - the Corporation subsidizes - if there's a veteran that's (indeterminate - coughing) that number is in excess of 9% - and what ever our cost of funds may be - we make up the difference for that borrower - when we - that loan is originated, so wherever interest rates are in the world and whatever our cost of funds are - really dictates the expense of doing business - when we factor in the subsidy- because we have a fixed charge of anything in excess of 10% we pick up; however, there is a cap on that - it's not to exceed 3% of - of our total expense - so we could have up to a 3% subsidy for any single borrower - and then if our cost of funds were in excess of 13% - in that example - the difference we could pass on to the borrower (indeterminate). We have operated in high rate cycles and now we're in a - as I recall a moderate rate cycle and as- course if interest rates go down our- the cost of subsidizing goes down along with it. And if I can just walk you through the mechanics of how this works - and how the bond issues are structured - may help understand how the - how the corporation must function. We basically go out and borrow - or - if we are in need of funds - and we are buying loans, as I said about $30 million dollars a month, we can project the need to go back to the bond market and borrow more money. Let's say we have $100 million dollar bond issue for the sake of discussion, that the interest rate cost of money to the bond holder is about 11%. And if we were to go out and originate loans at 10%, we would than have $100 million dollars borrowed - cost us 11%, we're earning 10% on the loans that we just originated and matched against - against the bond sale. The investors, knowing that we have a subsidy when we structure that sale, will request and require additional collateral, over and above what the loans are that we're matching into the bond sale. In other words, all the loans we originate are pledged to the bonds, but the cash flows, because we're

a subsidy that are matched, $100 million dollars at 11%, $100 million dollars (indeterminate (10%) - coughing) require us to make up with additional loans or cash, or from our own resources that 1% difference. So we have to sweeten the bond sale by more assets. This is where we go into loans that are unrestricted or that are on the - the corporations books that we can utilize for these purposes - allocate and attach to these bond issues - and maybe we have to find another $10 million dollars in loans, plus the $100 million we just - we just originated or purchased - for a total of $110 million dollars that is pledged against $100 million dollars of new money. Now if interest rates go up - and we have say a 12% cost of funds - the same phenomenon- although it requires us to pledge more dollars, more money - more of a sweetner to balance that out. So - from the practical side of running the business when you look at it as an operative business - there is a lot of working capital requirements that are associated with this function. And in order to continue the operations with the subsidy in place - we have to be able to continue to have the resources to pledge and to be able to have the bond situation work out to an investors satisfaction. That's the way we have been doing business for some time. And as I said - when interest rates were higher - a number of years ago - we- our cost of doing business was far greater than what it is right now. It's down and, if interest rates were to continue to go down, of course we - this would be quite nice for us but we're subject to - because of the fixed nature of the subsidy, we're subject to the swings on where ever interest rates are. If you look at the Corporation's balance sheet, and then understand that phenomenon, there is a factor of expense that's associated with the subsidy - that in essense this Corporation gets a return on it's $5.8 billion dollars in assets, (indeterminate) invested either short term investments or is yielding in loans - that we have purchase. So let's say

that we have total return on our assets of 9% - again for the sake of discussion - when you look at our cost of funding - typically that cost of funding is about 1% over what we're yielding on our investments - so we have what's known as the negative spread between what we're earning on our assets and what we're paying out on our borrowers. That's a reverse what a traditional bank of someone who - well some banks are doing that now - (indeterminate) but you can't really stay in business that long, and the only thing and the only reason that Alaska Housing is - has continued in business - and remain relatively solvent - is that the fact that it has so many assets in excess of it's liabilities that billion and a half dollars in equity is invested, it's either in loans or short term investments. The earnings are enough to overwhelm that negative subsidy and make a slight profit. When I say slight profit, I'm talking about - a range of $30 to $50 million dollars a year - that's slight when you compare it back to $5.8 billion dollars in assets. If you were running a bank you'd be making a lot more money than that - but the subsidy cost is in there and - and taken care of - but because the Corporation is a stand alone Corporation- it's not part of the state - it has to stand on it's own two feet and support it's debt - the balance sheet works fairly well and - not on a break even basis - but even a slightly - - to make a slight profit- under normal circumstances. We have not been operating under normal circumstances and that brings me to the income statement for the corporation - which I'd like to share with you. As I said - excluding extraordinary circumstances - we think our balance sheet would - and should make us $30 to $50 million dollars a year. If you take a look at past performance - and a lot of that - a lot of those earnings is also - depending on where interest rates are- but - if you take a look at actual performance here - you'll see - in 1987 the Corporation - had a net income before it took a

extraordinary item loss of $8 million dollars- is roughly $29 million or $30 million dollars. That was with some run downs on - and net operating expense associated with real estate and mobile homes of about $8 and 1/2 million dollars. Those are somewhat extraordinary events so - so back to the model I suggested - the Corporation really - without those extraordinary - hits- so to speak - should have run about $40 million dollars that year. If you then take a look at 1988 - you'll notice the - where it says expenses - the- last item - right down - the net operating expenses associated with real estate and mobile homes owned - jump from $8.5 million in 1987 to $25 million in 1988. That's the impact of - of the Alaska Real Estate recession we were showing up in our income statement - the expenses of carrying real estate - right down to mobile home loans etc., that as recession set in we - we had some very real expenses and they were recognized in that line item. We didn't have any extraordinary adjustments that year and the Corporation for the first time lost $12 million. We got in the loss column about $12 million dollars. What you see in 1989 are the first nine months of operations. So it's not a year to year comparison - when you can see after nine months that line item was grown to $33 million dollars - and will be higher by the end of this year. So that's the extraordinary item that - that I'm referring to and the drag on our earnings and ability to make money - is and understandbly so - associated with - the fact we have 2/3 of the market - we are certainly not insulated from - from the problems in the market and it costs us money - and that's - that's where a lot of this is showing up. It's my objective - and the Corporation's objective to recognize and realize our financial - circumstance - calculate what affect the - Alaskan Real Estate recession has on a corporation - and make sure that we can share what we feel the financial impact is in it's entirety - as opposed to continueing to drag this line item in our expense area -

because it's important to us to (develop ?) our creditors - for them to understand - what are we really talking about - we have - how big is this problem - is this number exponential is it going to continue to go - - as a lender - it would be a great concern if we could not answer that question - so we're working hard now to identify and model - what impact we have remaining that the write downs and the expenses associated with our real estate owned - will have so we intend to identify that and - reflect it in our year end statement this year. And hopefully once that adjustment is made - if it's accurate - we can return the Corporation profitability in that $30 to $50 million dollar range - in fiscal year 1990. So I hope that - that explains roughly the financial status of how things work. I would like to share with you further, and I'd be happy to respond to any questions - so please interupt me at any time. But beyond that - I'd like to share with you - where we are organizationally - and there's been some comment earlier about some of the internal problems that we have - there is no question we have internal problems - and they are what I would call classic management challenges - in organization dynamics primarily. Every Corportation that has had significant challenges - a lot of growth - a whole new business that it has been forced into - unprepared - and I'm referring to primarily to property acquisition and disposition. Totally different now from our core business that we were set up iin terms of selling bonds and buying loans. And as a result - because of the volume of work and the - gear up and inability to respond quickly enough to get ahead of the power curve so to speak - the property acquisition and disposition process is very difficult - and so we have been playing catch up for some time - and especially in the last - in the last few months. We do have resources to - to attack this problem and preform an additional - people which you all are familiar with the expansion of the human resource that was authorized here

earlier this year - and all of the associated systems and the ability to - to basically absorb this work load - has created it's own set of facts in terms of internal dynamics - From September of last year to September of this year - the Corporation will more than double the number of people that are working in it. And there - good part of that - is a new start (indeterminate) back log and continued in-flow of property to determine how to dispose - so - We have presently a number of positions that are what I would call interim positions because obviously the work of this committee - this task force - and others who are looking at the future of the corporation, are going to dictate where we go in the 1990's - but one of the things - one of my priorities was to focus a corporate mission throughout the organization as soon as possible - and even on a short term time horizon if necessary to say -okay - this is what we're doing here - so with respect to what the Corporation has evolved to - and it's immediate challenges - I've come up with a mission statement that is Alaska Housing Corporate Mission statement - and some primary goals- and there are three of them, and I'd like to just share with you where we are. And again these are short term - but - our work agenda and the pressing needs that we see in the company are - are really incorporated in these priorities. First of all the Mission here is to preserve the integrity of the residential real estate market - and assist Alaskan home ownership. Not necessarily in that order - would be interchangeable - but - we are cognizant of the responsibility and the position we have with 2/3 market share of the relatively tiny and recovering market - it's very important for us to keep the vital link between what we see as not only the dominant player in the market presently - but perhaps one of the only ones if we were to go out - because of the experience of other secondary (?) market traditional resources i.e.,freddy-mack and fanny may others who are - who are used to buying loans. We're not

sure that it would be an infill that could adequate to support present price levels (indeterminate) some of the dynamics of our being (indeterminate) so - the integrity of the residential real estate market is the mission of ours and we think that our charge here is to do our job well - to support the efficiency of the market - and at least the consistency of our funding - to do that we have to remain financially strong- we have to be able to continue to bond - to not have an interuption of our flow of funds into the market place, i.e., that $30 million dollars a month. And at least to be in a position to foster any kind of recovery it becomes. So - in terms of the integrity of the market - that's - the financial integrity is one - first of all though - and high on our agenda is to effectively dispose of those excess properties - to get a fair market return is important for the institution - and that certainly includes us - to get out of the sales (indeterminate - someone is playing with something very close to the mic) - - - - - - we want to reduce the inflow of property that we're bringing in the forclosures we'd definitely like to find ways to reduce those - and we'd also like to increase the number of sales - that we are experiencing. We did hit a mile post here in the month of June for the first time we sold more property than we took in - first time in years so - - that's something we would very much like to continue - and work on a net reduction of our overall - (indeterminate) not only for the benefit of the corporation - but for the benefit of the market - the faster we can get (indeterminate).

SZYMANSKI: Is that an anomaly - I mean this June - because of the oil spill.

BEHAN: We hope not - June is typically a good sales month in the cycle so - so - the real test is going to be this winter - whether we can keep that up or not.

SZYMANSKI: But did that include all your - I mean - weren't - maybe I'm mistaken - I thought - didn't you guys turn a lot of your mobile homes - Port of Valdez project.

AHFC'S CORPORATE MISSION STATEMENT

"AHFC's mission is to preserve the integrity of the residential real estate market and assist Alaskan homeownership."

Our primary goals:

1. Effectively dispose of excess property.

    a. Reduce the inflow of property and increase sales of real estate owned to result in net reductions through the property disposition system (Alaskan Home Properties division).

    b. Reduce foreclosures by providing a menu of presale options and workout opportunities and implementing a HOAP III program.

2. Financial stability and profitability.

    a. Financial statement production and monitoring throughout the organization (budget, performance).

    b. Year-end loan loss adjustment.

    c. Implement an investment policy.

    d. Forecasting and modelling the balance sheet for the future (interest rate sensitivity).

    e. Enhance creditor relationships and communication.

3. Internal organization to meet major challenges.

    a. Personnel Rule improvement.

    b. Establishment of a communications department.

Alaska Housing
FINANCE CORPORATION

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M E M O R A N D U M

TO: Senate Resolution 28 Task Force

FROM: Thomas C. Behan

DATE: July 26, 1989

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For the contractual arrangement, we have the following questions that must be asked and are important to obtain an objective analysis of:

1. What is the future demand for housing in Alaska?

   a. By region.
   b. By price range:

      i) under $135,000 (FHA limit)
      ii) Over $235,000 (Freddie Mac limit)
      iii) Under tax-exempt limit

2. How much liquidity reserves and earnings does AHFC require?

   a. The minimum by bond covenants.
   b. To maintain a current bond rating.
   c. To maintain present programs.

3. In the absence of AHFC programs, what would the effect be, short and long term, on the Alaska real estate market?

4. What would be the effect on the real estate market (prices, demand, and supply) of eliminating all AHFC subsidy July 1, 1990, i.e., effect on public perceptions?

5. If AHFC stopped all subsidy July 1, 1990, how much cash flow would be produced from earnings and how much assets from bond retirements?

6. How must AHFC restructure it's relationship with the State in order to be able to be sold in whole or in part?

7. What is the market value of AHFC under various sale structure scenarios?

8. What would happen if AHFC stopped purchasing loans on July 1, 1990?

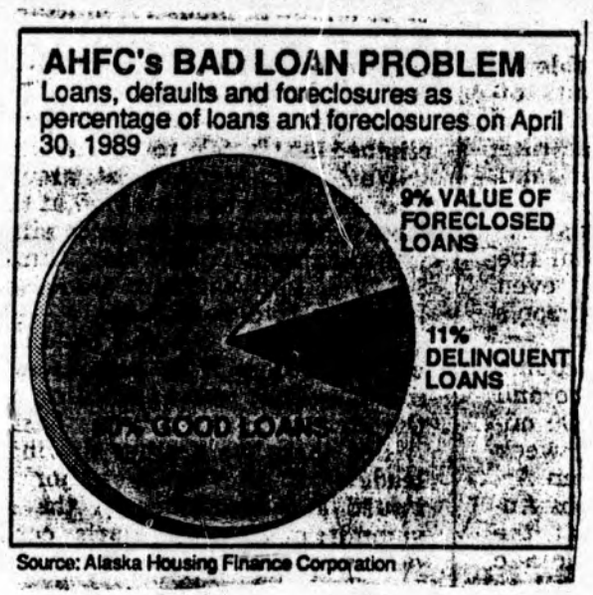
These and other questions must be included in the study and contract contemplated to be RFPed through the Task Force efforts.

AHFC, MGIC face off in claims battle

Flood of foreclosures leads to huge dispute between housing agency, mortgage insurer

By GEORGE FROST
Daily News reporter

JULY 30, 1989



The Alaska Housing Finance Corp. stands to lose a staggering $80 million of public funds in a dispute with an insurance company over the payment of claims on thousands of foreclosed homes.

Mortgage Guaranty Insurance Corp., a Wisconsin-based company that is the nation's largest private mortgage insurer, provided AHFC insurance during the early 1980s housing splurge and now regrets it. The company, backed by a wealthy European insurance consortium, is undergoing painful losses in its Alaska insurance portfolio.

As more and more AHFC borrowers defaulted on their mortgages during the state's three-year real estate tumble, the agency took back more and more property. With each foreclosure, AHFC submitted insurance claims for lost loan payments and the costs of managing and selling the house. A foreclosure is the process by which a lender takes away property to satisfy an unpaid debt.

But Alaska Housing officials say that MGIC, anxious to deflate its ballooning losses, is "nickel-and-diming" the agency to death when it mails in claims.

Of every $1 claimed, MGIC is discounting between 20 and 25 cents, AHFC records show. MGIC says every nickel it takes is legitimate.

Financial analysts on Wall Street say the insurance fight is potentially the largest ever between a public housing agency and an insurer. The stakes are huge: Multiply every 20 cents sliced from a claim by $100 million to $500 million. That is AHFC's estimate of the total claims it will submit for reimbursement in the next few years.

In Alaska, the financial repercussions are severe because AHFC isn't just the most important player in real estate here — it is almost the entire market. AHFC owns roughly 4,600 foreclosed homes that it is trying to sell as fast as possible without driving down home values any further.

And of those homeowners still making loan payments, two of three are paying off AHFC loans.

What AHFC does, or fails to do, largely will determine whether Alaskans buy homes and what price they pay.

According to interviews, memos and AHFC records obtained by the Daily News, MGIC has reduced or denied more than 1,100 of the 1,631 claims submitted in the 15 months ending last March. And the insurance company is getting even stingier lately — reducing payments on 95 percent of all claims submitted.

Insurance officials say the state agency has greatly exaggerated the size of the insurance problem and is at fault for mismanaging its programs.

Shortsighted policies, sloppy paperwork, bungled sales programs and improper expenses in the management and repair of AHFC's giant inventory of foreclosed homes are not insurable claims, according to Tom Ster, an insurance troubleshooter who came from the Houston real estate disaster late last year to head MGIC operations in Alaska.

Ster says that his company will pay all legitimate losses but won't subsidize AHFC mistakes.

If Alaska Housing would act more professionally in its handling of loans, insurance claims and home sales, he said, "we'd be down to a pale shadow of what they perceive the problem to be."

Tom Behan, who took over as executive director at the $5.8 billion AHFC about five months ago, admits there are major snags in the system. The agency, banks it pays to service its mortgage loans, and real estate brokers it hires to manage and sell foreclosed homes all share some blame, he said.

But Behan said that through its arbitrary denials of legitimate claims, MGIC is most to blame.

"They are taking real license here. We are not just making it up," he said.

After months of negotiations marred by shouting and charges of bad faith, a once-amiable relationship between the insurer and the agency has fizzled. Lawyers are pouring over the fine print in insurance contracts. The AHFC board on Friday authorized its attorneys to draw up a lawsuit and administrative complaints against MGIC.

"They (AHFC directors) want us to go sue them, but they gave me the option of waiting while we try to work out something," said Behan.

If no reasonable progress has been recorded by Sept. 1, AHFC will sue, said Chairman Bob Mintz. "The message is that we are going to be serious about enforcing our insurance rights," he said.

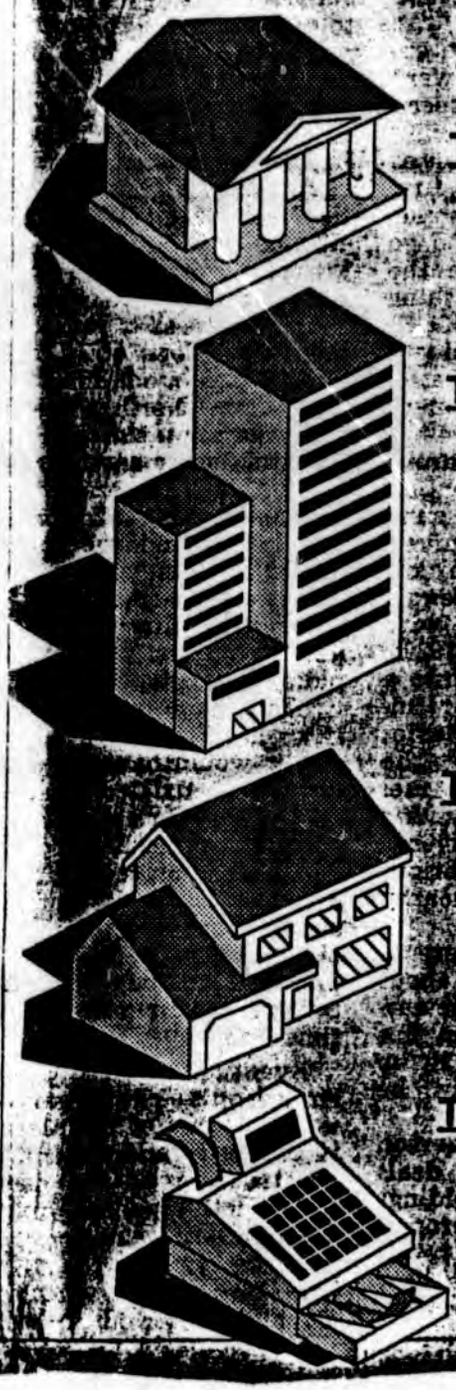
The fight could not have come at a worse time for Behan and a greenhorn crew of senior aides. The agency is undergoing considerable turmoil while doubling its staff and attempting to transform itself from a cautious bond financier into the Cal Worthington of used homes.

Alaska Housing, a legislative target year after year for liquidation and raids on its savings accounts, faces daunting problems that may hasten a final decision:

- If AHFC can't collect tens of millions of dollars of insurance claims, it must draw on the $459 million of reserves needed to

WALL STREET TO YOUR STREET

How Foreclosures Burn Through the Home-Financing System



THE BANKS

1) Home buyer borrows $95,000 from the bank, makes a $5,000 down payment and acquires a $100,000 house.

2) The bank sells the loan to AHFC but continues to service it.

THE CORPORATIONS

3) AHFC bundles up hundreds of these loans and uses them as collateral to sell $100 million in bonds on Wall Street.

4) Insurance companies, such as MGIC, back the bonds against default. They will cover $20 million to $25 million of mortgage loan foreclosures, but no more.

5) AHFC then uses the bond proceeds to purchase additional home loans from banks, repeating the cycle.

THE FORECLOSURES

6) The home buyer defaults on the loan and AHFC forecloses.

7) AHFC tries to sell the house but incurs additional costs due to maintenance, repairs, utilities and lack of mortgage payments.

8) AHFC finally sells the house and pays the real estate agent's commission.

THE LOSSES

9) AHFC files a claim with the insurer for the loss. MGIC settles the claim.

10) After so many foreclosures, the insurer's pool of money runs dry and pays no more. AHFC and the bond holders are exposed to direct losses.

Anchorage Daily News/Ron Engstrom

nce housing, Behan insisted that AHFC n't need a legislative bailout.

At least four insurance "pools" — mul- illion-dollar buckets of MGIC insurance ney used to pay off claims on foreclosed mes — are running dry, exposing AHFC direct losses of about $9 million within ee years.

The insurance deadlock has virtually ee-capped several cooperative programs insurer and AHFC crafted to bail out the te's housing market, including the highly ted condo exchange program, a special ancing program, multiple sales of condos investors and condo rentals.

AHFC's financial difficulties could mpt bond-rating companies to down- ade its creditworthiness, costing millions additional dollars because it must pay a her percentage rate to borrow money on all Street. Much of these costs would be ssed along to future home buyers.

Although both sides have tried to keep eir differences private, the sheer size and mplexity of the dispute is forcing public posturing and argument. The financial world will be aghast at the "spectacle of these two giant institutions thrashing around," said Ster, who is worried the AHFC fight will besmirch his company's reputation as a fair insurer.

How did two corporate giants get into this fix?

The answer isn't easy. Spanning a decade, it is a story of financial buck-passing from the glass towers of Wall Street, where AHFC has floated more than $4 billion of bonds to generate mortgage cash, to the tree-lined streets of Anchorage.

Along the way, the whole real estate world here turned upside down. Investors lost their footing. Families lost their homes. A dozen banks were closed, merged or taken over by regulators.

As MGIC has learned, the Alaska mortgage market was the absolute worst place for an insurer to be. Mortgage for mortgage,

Please see Page C-3, DISPUTE

Continued from Page C-1

it has a higher default rate than Texas, Oklahoma and other oil-patch states that sank into depressions when world oil prices tumbled in 1986.

But until now, Alaska Housing itself had avoided any serious damage.

"I think it is incredible we've been able to hold losses as we have," Behan recently told a legislative task force probing AHFC finances.

A legislative crusade to provide affordable home financing for low-and-moderate income citizens gave rise to AHFC. The state built a huge money-making machine operated by bureaucrats, Realtors, bankers and bond lawyers.

The mortgage machine was stoked by a rising population and fed with oil money. People needed homes. Builders wanted to cash in. Alaska Housing created dozens of programs and financed more than 46,000 single family homes, condos and mobiles in the 1980s.

Each program is different, but here are the basics: A home buyer goes to a bank, savings and loan or mortgage company for a home loan. Then the bank sells the mortgage to AHFC, immediately pocketing a couple thousand dollars and passing on the risk of a default.

Although AHFC owns the loan, the bank continues to collect mortgage payments, insurance and taxes on behalf of the agency and is supposed to make sure the borrower stays current.

An Alaska Housing loan delivers a subsidy of the interest rate paid by the home buyer. An average subsidy amounts to $100 a month to each of those 46,000 borrowers. Each time a family sits down to write a $1,000 check to pay the mortgage, Alaska Housing is paying $100 of the bill.

Agency staff figure that $100 a month equals about $11,000 in terms of actual purchasing power when a family goes shopping for a home.

The subsidy is the real estate equivalent of the Alaska Permanent Fund Dividend — and AHFC programs proved just as popular.

To satisfy the state's prodigious appetite for mortgage money, AHFC needs cash. Some money came from oil taxes — about $1 billion over the years. But most of the money used for mortgage financing was raised on the Wall Street bond market.

A bond is basically a piece of paper bearing AHFC's promise to repay a loan with interest. In the same way a credit officer scrutinizes a would-be borrower, Wall Street investors consider how good a credit risk a public housing agency is before buying a bond.

Bond investors use credit-rating companies to help them decide how likely a public agency is to repay its debt. Agency bond issues are rated on a scale from AAA — the best — to D, which is basically a default. Most AHFC issues got a AA rating, which is about as high as public housing agencies get.

A higher rating brings a lower interest rate because the investment is considered the safest. A fraction of a percentage point can add or subtract millions of dollars to the cost of repaying AHFC bond debts.

In some years, Alaska Housing was borrowing more money each year on Wall Street than General Motors. Investors today hold more than $3.7 billion of bonds.

To secure a good rating, Alaska Housing bundles together thousands of loans and uses them as security for each bond issue. A "sweetener" of additional mortgage loans — usually worth about 10 percent of the total needed to collateralize the bond — is tucked into the loan portfolio. That helps maintain a cushion of safety that secures a high bond rating and speeds the sale of the bond issue.

Just as banks pass on the risks of default to AHFC the state agency spreads the risk.

Almost all homes financed through AHFC bond sales are protected by individual insurance policies the homeowner pays for each month. But these policies don't cover the entire mortgage amount.

A good rating requires even more protection, and that's where MGIC entered the picture.

During the early 1980s, the insurer agreed to provide "pool" insurance protection for more than 25 bond issues worth a couple billion dollars. MGIC promised to pay about 20 percent of the total dollar amount of losses on each of the issues, above and beyond the private insurance coverage.

This insurance was issued by the "old MGIC," a Milwaukee-based company that had been the dominant force in the industry throughout the 1970s. The company fell on hard times after its purchase by Baldwin-United Corp., a Cincinnati company that asked for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code.

A corporate shell of the old MGIC was formed in 1985 to pay off claims when Northwestern Mutual Life Insurance bought 90 percent of the old MGIC from Baldwin.

This company, called Wisconsin Mortgage Assurance Corp., just pays off old claims and does not write any new insurance business. A new MGIC was created out of the Bankruptcy Court action, and it is this company that operates in Alaska.

A key to the creation of the old and new MGICs was the participation of a European insurance syndicate, spearheaded by the giant Swiss Re, which promised to pay almost all of the claims. The new MGIC holds 20 percent of the policies, and 20 percent of the losses. Swiss Re pays the lion's share.

Borrowers are making



MGIC's Tom Ster

payments on about 8,000 MGIC-insured loans in Alaska, of which 4,500 were renegotiated through a special hardship program called the Home Owners Assistance Program. Many of these HOAP borrowers are still in trouble and headed for default, according to AHFC.

Ster said MGIC has some 5,000 other loans in foreclosure or headed there.

During a four-year stretch through 1988, the company paid out more than $132 million in claims, said Wisconsin insurance official Brian Hogan.

In those four years MGIC collected only $13 million in premiums, he said.

Ster won't say how much MGIC expects to lose on its Alaska portfolio, but he acknowledged it to be the highest claims payout compared to premium earnings that he knows about. AHFC officials estimated the insurer will be forced to set aside another $300 million to $400 million to pay claims.

The Wall Street companies that rate the performance of public housing agencies are aware of the struggle between AHFC and its insurer, and the implications.

"If some claims are not going to be paid, that can have a negative impact on the agency and some of their bonds," said Bill Desante, head of public finance ratings for Moody's Investors Service Inc.

Desante said he has never heard of a hassle of this magnitude between an insurer and public housing agency. Moody's will study the claims dispute and make a judgment about which side will prevail.

Another potentially troubling problem the bond raters will examine is the likelihood that four of AHFC's tax-exempt bonds, worth about $400 million dollars when issued in 1982 and 1983, are "burning through" their pool insurance protection. MGIC agreed to pay up to 20 percent of losses.

"If in fact the losses burn through those pools and we talk about the agency making those up, it's a question of how much," he said.

The other Wall Street ratings powerhouse, Standard & Poor's Corp., also is watching the agency closely.

An S&P rating team is planning a trip to Alaska to evaluate the agency's health, said Tom Gillis, managing director of the firm's mortgage ratings department.

It will look at financial reserves, bond performance, expected losses and the agency's balance sheet as well as general economic conditions.

"Pretty much all the oil economy-based states have experienced higher losses on portfolios than the rest of the nation," he said. "Unfortunately, Alaska may be the worst of those states."

When the bond raters examine AHFC's balance sheet, they will see mounting losses caused in part by the extraordinary costs of managing so many foreclosed homes and partly by the hybrid character of a public agency that subsidizes interest rates below the market level.

As an example, when AHFC sells a $100 million bond issue, investors get paid 11 percent interest a month. But the underlying mortgages are only paying about 10 percent a month to AHFC.

That crucial difference is theoretically recouped through profits from the $1.5 billion that Alaska Housing puts into government bonds and other investments.

But lately Alaska Housing's losses have outstripped its investment earnings. In fiscal 1987, it made profits of about $21 million. But the next year it lost $12.6 million as the cost of foreclosures ate away at its earnings.

During the first nine months of the 1989 fiscal year, which ended June 30, Alaska Housing had already lost $27.5 million — and expects to accumulate more than $40 million of losses for the year.

The main culprit was the rising cost of managing foreclosed homes, which increased from about $8.5 million two years ago to about $34 million for the first nine months of the 1989 fiscal year.

But now the issue of unpaid insurance claims threatens to overwhelm all else.

At the nitty-gritty level of claims adjustment, millions of dollars are going to be lost or saved.

AHFC's Behan said the agency won't give up what it calls legitimate claims. Ster said MGIC won't pay for the mistakes of Alaska Housing, the banks that service the loans or the brokers who sell foreclosed homes.

Much of the dispute hinges on mind-boggling technicalities that are the life-blood of the insurance industry. As might be expected, they involve filling out the right forms, mailing them at the right time and then performing the actions required under the policy.

Ster estimated that between 20 and 30 percent of all AHFC loan files have faulty documentation.

According to AHFC officials, the agency has a lot of trouble keeping track of all the loans, missed payments, foreclosures, insurance claims, repair work, listings and sales that roll through the system.

John Scott, a senior computer programmer who recently left AHFC after complaining about management practices, said the accounts payable system is in chaos. Although most expenses are detailed in hard-copy form, researching those claims would be a massive undertaking.

"There is no way in hell we can do that," Scott said.

These are among the problems that Mintz, relatively new to his job, calls "outrageous policy mishandling."

Bankers who get paid for servicing the loans are supposed to notify MGIC if a homeowner is going into default. That gives the insurance company time to try to work out a deal with the borrower or sell the home prior to foreclosure. About 1,650 borrowers have been approached before foreclosure, and many saved their homes, Ster said.

Behan said the failure to notify MGIC does not cause much harm to the insurer.

Incredibly, AHFC has never conducted a substantial audit of banks doing the agency's business despite glaring irregularities in paperwork, said Mintz.

After a home is taken away through foreclosure, AHFC turns over the properties to select real estate brokers who manage them, authorize repairs and then try to sell them. The brokers get a commission when the home sells. They bill AHFC for the costs of advertising, repair and other expenses. A highly critical state audit prompted AHFC to reform its so-called designated broker system. It is expanding the number of brokers and trying to establish a system to oversee their activities.

Although AHFC has been doing a better job at getting homes ready for sale, some foreclosed properties sit for months without being put on the market, according to MGIC. Others are priced so high that nobody wants them.

The insurer generally wants AHFC to lower prices. AHFC worries that "dumping" would wipe out the value of its own portfolio of foreclosed homes, as well as trigger another wave of defaults among homeowners who owe thousands more than their homes are worth. But Ster said MGIC does not advocate auctions or other destabilizing marketing strategies — just selling homes for what they are worth.

A typical foreclosed home costs MGIC about $800 or so a month in payments to AHFC, and the company argues that throughout the industry it is common practice to adjust claims for non-performance by a housing agency.

Alaska Housing argues the insurance company has no legal basis for refusing to pay claims merely because a home didn't go right on the market. And in this market, Behan said, it is absurd to believe those homes would have sold any faster anyway.

More fussing takes place over repairs done on foreclosed homes to pretty them up for sale.

Under the standard insurance policy, MGIC pays for "wear-and-tear" items like new carpets and painting. It throws in microwaves.

But if a home needs a new wall, roof or foundation, MGIC says that Alaska Housing has to pay.

The insurer wants AHFC to sell some homes as bargain fixer-uppers, but AHFC says that it would be exposed to lawsuits if it sold homes in serious disrepair.

"Barring that, if there was proper servicing (of the loans by banks and mortgage companies) and proper marketing, there would be virtually no adjustments," Ster said.

Another major disagreement involves the sale and rental of blocks of AHFC-financed condos to investors. MGIC has received offers on six condo projects involving 127 units, and wants to close those deals before the investors go elsewhere.

But the Alaska Housing board decided that people living in AHFC-financed condos should get a chance to veto any bulk sale in their projects. AHFC wants to restrict bulk sales to vacated "donor" projects in a proposed condo-exchange program. That joint AHFC/MGIC program would let owners in donor projects trade up to nicer condos. The Alaska Housing board also attached some strings on the bulk sales program that MGIC rejects.

Both Behan and Ster said the condo-exchange program is on hold indefinitely as the corporations try to work on the insurance claims dispute.

According to Behan, MGIC's stinginess has already cost the agency a lot of money. Under the previous administration, AHFC staff cashed millions of dollars of MGIC claims checks that bore a restrictive endorsement, basically saying "paid in full" — denying the agency any chance of recovering the disputed claims.

Since putting a stop to the practice, about $10 million worth of such checks have stacked up, he said.

Ster said that MGIC has used the endorsement for years and it is a standard, industrywide practice. But MGIC stopped a few months ago when a new state law went into effect that made it harder to justify the endorsement.

All of these issues have congealed into a real mess.

Behan said the claims argument is too important to just set aside while going ahead in other areas.

Ster said Alaska Housing veered away from previous agreements on the condo exchange program and other major programs when the Behan administration took charge.

"It is a symptom of the kind of reaction we have gotten, just a lot of changes and new items we had not anticipated," he said. "We are trying to separate the issues, not pick anybody's pocket."

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

MEMORANDUM

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair, H.F.T.F.

DATE: September 1, 1989

TOPIC: 2nd H.F.T.F. Meeting Recap, August 23, 1989

Attached is a brief recap of our recent Housing Finance Task Force Meeting. Please share any concerns and/or corrections with my office.

I look forward to meeting with you September 20, 1989, at 3:00 PM.

I. AHMC History - closing down March 12, 1990

II. Work - as listed on sheet. Additionally:

A. Research

1. Supply and Demand analyses and numerous other research studies. (Hand out Women's transitional report) (will refer to this report later)

2. Mortgage Loan Data Report - has been recognized on the national level as the most comprehensive ongoing study of the Alaska housing market: used by bond insurers, FNMA, FHLMC, HUD, FDIC, etc.

B. Policy Development

1. The Housing Stabilization Task Force report in March of 1988. Many of the recommendations were instituted - either through legislation, or more often through administrative or regulatory changes.

2. Housing Policy Development Committee - consists of a diverse group of people from the public, the housing and real estate industry, and the legislature. Legislative Resolve 55 requires that the housing policy recommendations be delivered to the Legislature by January 31.

Members of the HPDC have conceptually agreed upon 13 policy statements which will receive

FINAL APPROVAL ON SEPTEMBER 8. AT THAT TIME, THEY WILL ALSO BEGIN FINALIZING THE SPECIFIC RECOMMENDATIONS WHICH WILL ACCOMPANY THOSE POLICIES. (HAND OUT).

IT IS OUR HOPE THAT THE HPDC AND THIS COMMITTEE WILL FEED INFORMATION BACK AND FORTH SINCE WE ARE APPROACHING SOME OF THE SAME ISSUES FROM DIFFERENT PERSPECTIVES. OBVIOUSLY, WE DO NOT HAVE THE FINANCIAL AND ADMINISTRATIVE CAPABILITIES TO DO A FINANCIAL ANALYSIS OF STATE HOUSING AGENCIES. BUT THE RESULTS OF THE STUDY YOU WILL BE COMMISSIONING WILL BE IMPORTANT TO THE HPDC'S WORK.

AS A POINT OF INFORMATION, A FNMA INVESTMENT OFFICER ON THE WEST COAST INFORMED US THAT THEY HAD HEARD ABOUT OUR HPDC AND THIS TASK FORCE HERE AND VIEWED THESE ORGANIZATIONS AS THE GOVERNOR'S AND THE LEGISLATURE'S SERIOUS COMMITMENT TO SOLVING OUR HOUSING PROBLEMS. HE MENTIONED THAT THIS COMMITMENT WILL BE THE REASON THAT OUTSIDE INVESTORS AND INSURERS WILL RETURN TO ALASKA.

III. I WOULD NOW LIKE TO SHARE WITH YOU SOME OF MY OBSERVATIONS AND CONCERNS ABOUT HOUSING AND MORTGAGE LOANS IN ALASKA:

1. SINCE MAY OF 1987, WHEN I TOOK THIS JOB, WE BEGAN TALKING ABOUT THE OBVIOUS NEED TO TAKE EMPTY HOUSES AND USE THEM FOR SOCIALLY ACCEPTABLE PURPOSES, SUCH AS HOUSING FOR THE HOMELESS, TRANSITIONAL HOUSING FOR WOMEN COMING OUT OF CRISIS SHELTERS (REFER AGAIN TO THE REPORT), ETC. YET WE HAVE MADE VIRTUALLY NO PROGRESS ON THAT FRONT - EXCEPT FOR A SMALL PROJECT WHICH ANCHORAGE NEIGHBORHOOD HOUSING SERVICES IS WORKING ON. THERE ARE WAYS THAT WE CAN MAKE GOOD USE OF OUR OVERABUNDANCE OF HOUSING, BUT TURF WARS AND A LACK OF DEDICATION TO THOSE ENDS HAVE STOOD IN THE WAY. SOME OF THOSE PROJECTS COULD HAVE BEEN INEXPENSIVE AND, IN THE LONG RUN, COST EFFECTIVE.

2. I'D LIKE TO ADDRESS THE ISSUE OF PRIVATIZATION OF AHFC. IN DISCUSSIONS WITH MR. BEHAN, WE BOTH CONCEPTUALLY AGREED THAT AHFC, AS WE KNOW IT TODAY, WILL NOT EXIST IN TEN YEARS. WE TALKED ABOUT SPLITTING AHFC INTO TWO ORGANIZATIONS: THE ONE THAT EXISTS NOW WOULD BECOME PRIVATIZED, THE SUBSIDIES WOULD GRADUALLY BE REDUCED AND THEY WOULD PHASE THEMSELVES OUT OF BUSINESS WHILE THE OTHER PART OF AHFC WOULD REMAIN AS ORIGINALLY INTENDED AND, LIKE MOST EVERY OTHER HOUSING FINANCE AGENCY IN THE COUNTRY, IT WOULD DEAL WITH LOW TO MODERATE INCOME PEOPLE. AND, AS OTHER STATES DO, PROVIDE MORTGAGES TO NON-PROFIT GROUPS TO FILL HOUSING NEEDS.

I HAVE THREE CONCERNS ABOUT A NEW PICTURE FOR AHFC:
FIRST, MY OVERALL FEAR ABOUT PRIVATIZATION IS THAT THERE ARE MANY STATE AGENCIES WHO DREAM AND PRAY FOR PRIVATIZATION SO THAT THEY CAN REMOVE THEMSELVES FROM YOUR JURISDICTION. IF YOU DECIDE TO PRIVATIZE AHFC, I HOPE THAT YOU WILL ENSURE THAT IT IS FOR THE PURPOSE OF PHASING THEM OUT - BECAUSE ONCE PRIVATIZED, THE PUBLIC AND YOURSELVES WILL HAVE LITTLE CONTROL OVER THEIR ACTIONS.
SECOND, I AM CONCERNED THAT THE CONCEPT OF LEAVING AHFC AS IT ORIGINALLY WAS CREATED - TO HELP LOW TO MODERATE INCOME CITIZENS, DOES NOT GET LOST IN THE SHUFFLE AND EXCITEMENT OF PRIVATIZING OR CLOSING DOWN AHFC'S PRESENT PROGRAMS.
THIRD, DCRA HAS A GOOD REPUTATION FOR SERVICE DELIVERY TO RURAL AREAS AND IT WOULD BE A SHAME IF AHFC TOOK OVER TOO MUCH OF THEIR PORTFOLIO AND THOSE PEOPLE WOULD GET LOST IN THE BIGGER PROBLEMS WHICH AHFC FACES. BESIDES, AHFC HAS NEVER WILLINGLY BEEN IN THE BUSINESS OF RURAL LOANS AND THEY WERE NEVER REALLY SET UP TO DEAL WITH THOSE LOANS.

3. "HURTING OUR BOND RATING" IS THE ONE PHRASE THAT STRIKES FEAR IN ALL OF US. HOWEVER, TOO OFTEN, IN THE PAST, THAT PHRASE WAS USED TO CONVINCE US THAT WE COULDN'T DO CERTAIN PROGRAMS - OR WE HAD TO CONDUCT OUR BUSINESS A CERTAIN WAY IN ORDER TO KEEP OUR BOND RATING; BUT THIS WAS NOT ALWAYS NECESSARILY SO. HIGH FINANCE IS NOT BEYOND ANY OF OUR UNDERSTANDING, THUS WE SHOULD REFUSE TO ACCEPT THAT ARGUMENT (IT'LL HURT OUR BOND RATING) WITHOUT QUESTION. WHAT I HAVE LEARNED IS THAT PLAYERS IN THE BOND MARKET DON'T ALWAYS

FROWN ON US FUNDING SOME NON-CONFORMING LOANS, AND OUR LOSSES HAVE NOT PARTICULARLY SCARED THEM AWAY - AS YOU CAN SEE - AHFC'S BOND RATING WENT UP THIS LAST YEAR. WHAT THEY LOOK FOR IS STABILITY: THEIR NEED TO BE ABLE TO PREDICT WHAT THE STATE OF ALASKA WILL BE DOING IN THE MARKET.

4. ONE LAST COMMENT IS THAT WE ALL RECOGNIZE THE SERIOUSNESS OF THE PROBLEMS OF URBAN HOUSING AND ITS SUBSEQUENT EFFECTS ON OUR RESIDENTS. IT IS A HORRIBLE FEELING TO LOSE YOUR HOME. I DON'T MEAN TO MINIMIZE IT. BUT HOUSING PROBLEMS IN THE RURAL AREAS ARE SO DIFFERENT, AND SOMETIMES FAR MORE SERIOUS, THAN OUR OWN. TRY TO PICTURE 5-7 PEOPLE, FROM THREE GENERATIONS, LIVING IN A 700-800 SQUARE FOOT HOME. THE OVERCROWDEDNESS AND THE LACK OF BASIC SANITARY CONDITIONS IN RURAL HOUSING IS HARD TO COMPREHEND UNTIL YOU EITHER SEE IT YOURSELF OR READ THE RESULTS OF DCRA'S RURAL HOUSING NEEDS ASSESSMENT STUDY. SO, I ASK THAT WE REMEMBER RURAL HOUSING CONDITIONS WHEN WE HAVE TO DECIDE WHERE TO ALLOCATE OUR DWINDLING RESOURCES.

THERE ARE MANY MORE ISSUES THAT I COULD ADDRESS HERE, BUT I WAS MOST CONCERNED ABOUT ARTICULATING THOSE WHICH HAVE NOT ALREADY BEEN BROUGHT UP. THESE ARE CONCERNS WHICH YOU MAY WISH TO TAKE INTO CONSIDERATION WHEN YOU MAKE YOUR RECOMMENDATIONS CONCERNING THE FUTURE OF MORTGAGE LOAN PROGRAMS IN ALASKA.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

M E M O R A N D U M

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair

DATE: October 3, 1989

TOPIC: HFTF Meeting, September 20, 1989

Attached in an overview of the 09-20-89 meeting of the Housing Finance Task Force.

Also attached is a brief letter from the Alaska Industrial Development and Export Authority stating AIDA offers no residentail housing loans.

"NEAR" VERBATIM

ALASKA MORTGAGE BANKERS ASSOCIATION

SEPTEMEBER 20, 1989

CHERYL HENRY, ASSOCIATION PRESIDENT

"...I am President of the Association this year and Jim Picard is Vice President, Lucille does chair our legislative affairs committee...The Board met on Monday and what we had were copies of your proposed RFP that you sent out to the field...what we tried to do is go through the questions that were on Tom Behan's memo of July 26th, taking a look at where your task force was going. Quite frankly, we would be very interested in seeing the report of your consultant, there are a lot of things on this that we would be interested in understanding before tell you how the mortgage bankers feel one way or the other on an issue. We did come up with about three points. At this point we would not recommend a raid on Alaska Housing Finance capital. If you are looking at any short or long term recovery, you can't be raiding the very capital we need to aid in that recovery process. The second thing is more of a question on our part. We want to better understand how the AHFC would be privatized as mentioned here a couple times if something your consultant will look at. How would you privatize it. Depending upon the mechanics used, to privatize would have an impact on our industry, both production and servicing. And the third issue we came up with is, and it is related to the first on not raiding Alaska Housing, so far it has been our perception that the legislature, as a whole, seems to be avoiding the hard issues of reducing expenses. You are out looking for money, you are going to rob Peter to pay Paul rather than just biting the bullet and saying we have to look at reducing expenses. We are asking you to keep that in mind. It is going to take money to fuel the recovery, if you take it away from Alaska Housing or DCRA, they are serving the rural areas, they can't aid in any recovery, or in anymore expansion meeting the housing needs across the state..."

DISCUSSION:

The presentation was followed by an assurance by Rep. Swackhammer that the task force does not have preconceived ideas about privatizing AHFC. Likewise, "status quo" is not the answer. A consultant is being sought to make recommendations to the task force so the future of the AHFC can be debated. This debate will occur when the legislature is in session and hopefully within adequate time to introduce needed legislation.

Jean Smith REALTOR

REALTOR®

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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

REALTOR®

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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.

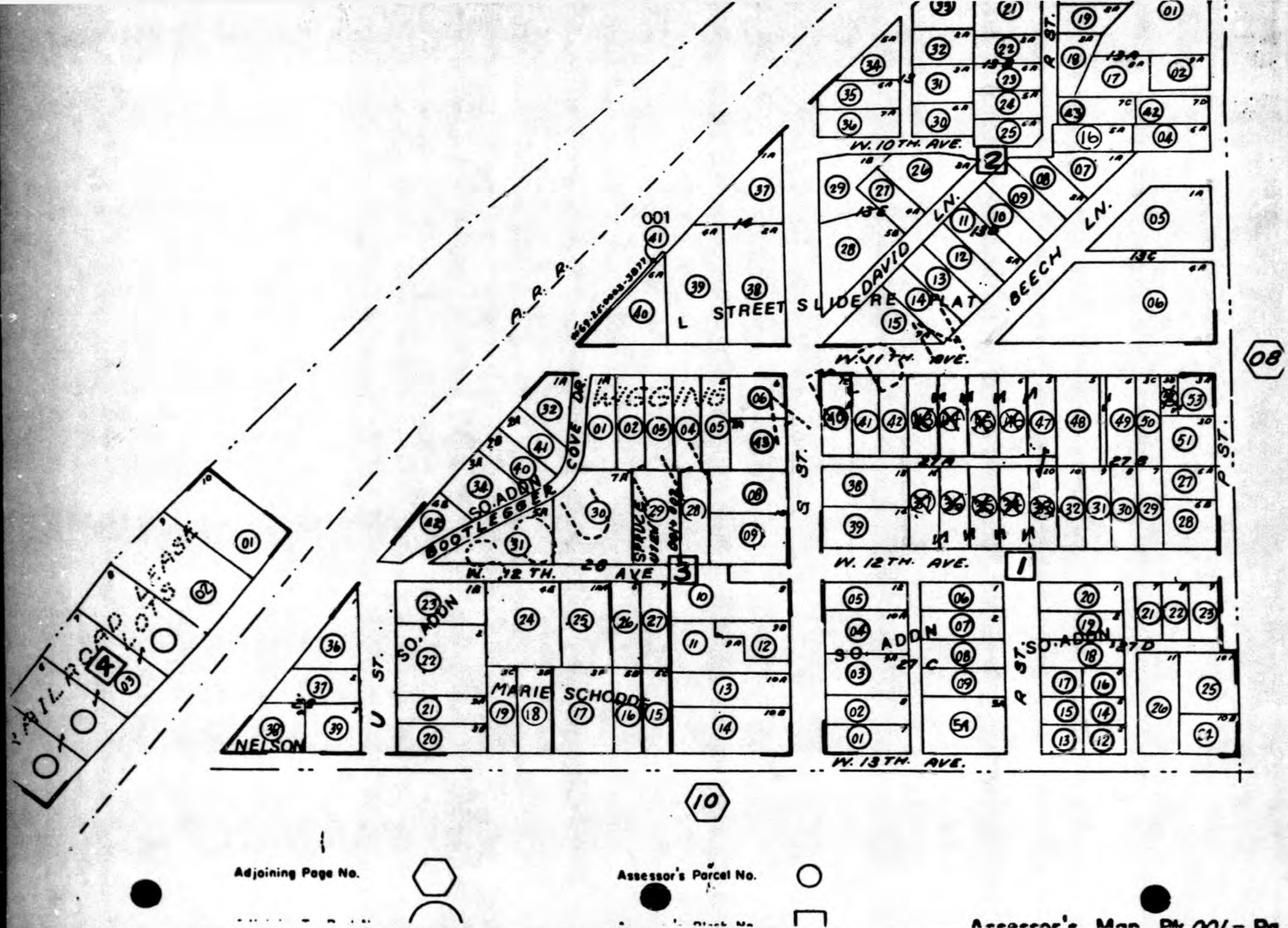
I was told by people at the Dept. of Community and Regional Affairs that they can only make housing loans in rural areas, however my reading of what I think are current regulations, state up to 20% of the housing assistance funds may be used in urban areas.

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



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ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

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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. Wagnon
Executive Director

BLW/ec

GUIDE TO READING

HOUSING FINANCE TASK FORCE

12/6/89 MINUTES

The attached meeting minutes represents a "near" verbatim recap of an interim presentation to the task force. It was presented by Ernst and Young as a "to-date" explanation of what the consultants had accomplished and the direction they intend to go.

Part of the presentation included overhead slides. Please note, while tracking the minutes, there are references to follow or go to a specific page; these are attached and are copies of the overhead slides.

Likewise, there will be references, or notes. These are self explanatory and, generally, indicate that the minutes are digressing from the presentation.

Some of the dialogue by the consultants has also been reduced. It is hoped the information presented is still adequate to reflect the intent of the speaker.

MINUTES

HOUSING FINANCE TASKS FORCE

DECEMBER 6, 1989

The meeting was called to order by Rep. C.E. Swackhammer. He stated the primary purpose of the meeting was to inform members of the housing industry and the public what Ernst & Young had accomplished to date. It was decided it was the 18th day of the consultant's 42 work day schedule.

The meeting was turned over to Dr. Jim Gibson.
(PLEASE FOLLOW PAGE ONE OF SUPPORT MATERIAL)

What our agenda is during this one hour status briefing is to describe the work we have done to date.

John Michelmore will give a little in depth presentation on our view points of the financial position of AHFC. On the review of the financial position we will try to give you some of our preliminary observations of the specifics of the RFP requirements with regards to the availability of funds at AHFC.

Vere Harlowe is going to give a brief overview of Alaska Housing Market and how our analysis of the housing market is going to try and integrate with some of the policy options that we are looking at.

Ed Kaempf is going to talk about one of the policy options. And then I am going to try and summarize it.

I encourage you to ask questions so we are clear that you understand what we are doing and let us know what you are wanting us to do. The emphasis to date has been internal AHFC. Our priorities have been to go into AHFC bothering Tom and his staff, we've used up a lot of their time in trying to get a good understanding of the financial position of AHFC. After today, we are going to be spending more time externally with the industry and the market place.

The kickoff was Nov. 9th, just as a background, and that's only about three elapsed weeks ago. This is a very fast track effort. We have three senior managers working full time on this, we are putting quite a few firm resources into trying to work ourselves through. To date we've performed a lot of data collection, have done some selected interviews, we've met with the chair and vice chair of the task force. We spent a lot of time internally at AHFC, we've reviewed the financials, we've looked at the auditors work papers. We've obtained a general understanding of the programs and financing activities of AHFC. We've reviewed the debt covenant requirements. With Carl, we collected the legislative research and relevant legislation. We collected other relevant research reports from the University, like the ISER

reports. We've collected data from the Alaska Housing Market Council. We've gone to the Dept. of Labor, the Dept. of Revenue. We've collected information from Alaska Business Monthly, the Municipality of Anchorage and some of the other boroughs. We've collected information from the Alaska Daily News. We looked at a lot of data.

We've just started some of the industry interviews. We talked to the National Bank of Alaska, Key Bank, City Mortgage, We talked to a local realtor, Jack White. We've outlined the final report and we feel the outline is trying to incorporate the RFP requirements.

We've had to drop our legal counsel because of a conflict of interest. We've just recently got the approval to retain Delaney, Wilde, Hays, Wrightman and Brubaker which is a local law firm. Tomorrow we are going to start on some legal questions we have identified.

So that's basically a quick overview of the mechanics that we've been going through. John is going to go through the second part of this which is probably the most substantive part of the review. It is the financial position of AHFC.

The next speaker is John Michelmore.

As Jim has mentioned so far. one of the key aspects of our what we are trying to do is to understand the financial position of the corporation as of June 30, 89. That is the last audited date. The audit, again, as a reminder was done on a combined basis and we are using it as reliable information at this time.

To understand the financial position, I would like to walk you through where we see it. I spent most of my time talking about the dollars that were put in by the State originally and show you a flow as to how those dollars have been spent or tied up.

(PLEASE GO TO PAGE TWO OF SUPPORT MATERIAL)

The chart shows essentially about a five year period. Where monies were really going in. YOu can really break that down into 81 to 83. I'm not showing any new numbers because this is a recap of different studies. The total monies that have come in is a billion thirty-three. All of my slides are in millions.

Of this, the majority of it came in through the revolving fund. Since that money has come in, the majority has also gone out into various different bond finance programs.
(PLEASE GO TO PAGE THREE)

We are going to call the billion thirty three the contributed capital. Of this, the majority has subsequently ended up in the bond finance programs. Those monies were put in principally through loan collateral when the subsidy came into effect in the early to mid 80's. As far as our understanding of it goes that 766

is principally tied up, but I am going to have a separate slide in a minute that I am going to walk you through.

Of the remainder, 267, 103 ended up in the HOF (Home ownership Fund). The other 16 in the insurance fund which leaves 148 or roughly somewhere between 10 and 15% remaining in the General Operating Accounts. I'm going to come back to this slide in a minute, but let me go on for a minute to the Bond Financed Programs.

(PLEASE GO TO PAGE FOUR)

Again, tying the 766 back, which auditors like to do, I want to show you the flow of what happened to that money. I have three columns on here, but I want to also explain to you what's going on with the entire equity of the corporation. But I want to key on the fact that the majority of that equity is made up of the original state contributions.

As you can see, there is a little over 800 million equity in those bond finance programs, to date. Let's key on the 53 million which is the retained earnings or the monies that those bond programs have made, in aggregate, since their inception. Of the 53 , which is a positive number, the majority, actually all, came from the tax exempt programs. It seems a little strange how this came about, the two key programs Insured Mortgage Bonds and what we call Others which is the housing mortgage bonds, were established before the full subsidy situation occurred. Of the 134 million, to get a real picture of that, you have to subtract out what's in the self insurance funds for the deficit because there is no pool insurance in that program. It is basically self insured by the corporation. The other slide, which we will get back to, shows about 44 million loss in that fund. The net effect is about 90 million which remains in that Insured Mortgage Bond.

Breaking down into the Veterans and the Taxable you can see significant losses have occurred in both of those. Again, those monies were put in there for the over collateralization of those bonds when the programs took effect. What that was based on was some cash flow projections that we haven't analyzed yet, but to essentially break even in those programs at their culmination. Now our understanding of what's going on is that those monies, the 776 million is really tied up in those programs. The covenants state that you can't draw them out, with some minor exceptions which I will get to in a minute, until those bonds are paid in entirety. So those monies, for all intents and purposes, are not useful for anything else.

There are some minor exceptions to that, but they're still, what I will call, within the corp. There's a few issuances within this Tax Exempt section which allow for some net excess to be taken and used for various purposes within the corp, i.e. to make loans, purchase loans, etc.

In the Insured Mortgage Bonds they can take some pre-payments of those loans and use them for other purposes, but again, within the corp. So there is nothing we've seen so far that would allow the money to be used elsewhere. The 53 million, when you take out the 40 million, shows those programs have essentially broken even. This is an important fact.

So, 800 million of your 1.3, 1.4 billion is tied up in the finance programs. One little factor that we did look into is what other covenant requirements would there be to maintain minimum balances. There are no real significant ones. All the ones we have noted have really been maintained so there's no problems noted. We do understand there is a little of an effort being made to decide internally what's going to happen with coverage of potential insurance fund deficiencies, but we haven't looked into that. It is not resolved, to our knowledge.

Interjection by Gibson. Except for the Tax Exempt Programs, all the other programs identified are losing money. That is a significant point.

Back to Michelmore: The Taxable programs specifically are, as of June 30, 89, additionally on top of that and I'm not disagreeing one way or the other what the audit finance statements show, but on a go forward basis there may or may not be some additional costs that may be incurred. The majority of the asset dollar amount, within those programs, are made up of loans. Those loans are potentially uncollectible. In addition, there's about 250 million plus within those assets, from those bond finance programs, that was real estate owned at that time. The corp. is attempting to work through problems like Magic and others, but there are still monies potentially not available.

So what we are saying is that the 53 million bottom line may be less. It is a moving target. There's constantly new bonds being issued, refinancing is taking place and a lot of activity going on in the loan section.

(PLEASE RETURN TO PAGE THREE)

I want to spend some time on the Bond Financed Programs. It really results in about a half billion in the remaining equity balance being tied up into the non-bond finance programs.

What emphasis we want to make is, because of the moving target going on in the bond finance programs because the equity is essentially tied up, we would really plan to spend the majority of our time on a go forward basis trying to depict what is going on in these other accounts. We don't see a whole lot of availability of the 800 million. Even some of the 552 is tied up, so what it brings us down to is the 519 in the "Operating/General" account. Of the 519 million, 148 is part of the original capital contributions. The 371 million is from retained earnings. This may seem a little out of whack, it took us a little time to try and

figure out why there are 371 million in retained earning here and very little amounts going on elsewhere. The reason for that, all monies essentially flow through the corporate general operating account. So, until that money is set aside, and used for that specific bond issuance, the revenues on those monies are coming into the general operating account, the interest revenues, etc. So that's going to reflect a big retained earnings accumulative over the period of time that the corp. has been in business.

Of that 519 million I'd like to spend a few minutes on how that number came about, why we feel it's important to know the asset component of that and then we will talk a little about what the potential availability of any results from that 519 million.

NOTE, a hand drawn chart was made as follows:

ASSETS	
CASH	168
LOANS	399
REO	27
OTHER	116
	710
DEBT	191
	519

Of the 519 million, 168 million is cash and investments, it's fairly liquid assets but not necessarily what you could pull out off your pocket book. The 399 is called loans mortgage ?? securities or other types of pooled investments. 27 is REO's. The 116 million "Other" is principally the net due from other programs. Which gets us to about 710 million. From there we have debt of 191 million which ties to the working capital of the corp. That totals down to our 519 million. The importance of this is to understand what's comprised in here. You can see the biggest chunk of that, as long as the corp. continues as it is right now, is the loans. Everything is funneling through the corporate general operating account.

NOTE: He calls LOANS-REO-OTHER, "funny money"

We hope it's good money but we are not sure. And, in addition to that, some of it may not be liquid money. In a minimum, some of that, because it is a moving target, may not come in, in a year or so. I want to walk you through what we see is a net effect of this going into possible availability of funds from the corporate operating account.

(PLEASE GO TO PAGE FIVE)

This chart starts with the 519 million and shows what we feel to be really out there. This is under an "as is" scenario, as if the corp. continues to operate as it has been operating.

The 519 is what is quoted in the audit finance statement and I will read you the quote: "Assets of the corporation not pledged as owed over specific bond indentures." It doesn't say specifically you can't use it, it says it is not tied up in bond indentures which is the other part of the 1.3-1.4 billion dollars. What we are trying to show, some of those monies may not be assessable to anybody. The 149 is not necessarily bad assets, but non-liquid.

NOTE: PARAPHRASE; The figures are best guess estimates, leading down to the 343 million dollar figure.

In addition to the bond covenant requirements, because of the current working capital arrangements you have on the short term volume side, there's other monies tied up too. At June 30, 89, from simple calculations that turns out be 336 million dollars Those covenants require to be maintained within that corporate operating account to continue current operations. As you can see there is not a whole lot after that.

We would like to do now roll that into we see as what kind of significance this has on the outside, external forces that are looking at what is going on in the State of Alaska. Obviously, some of the important groups would be the credit rating agencies, the underwriters. The two most significant aspects that are being looked at from these outside agencies is the solvency factor and the liquidity factor.

Because of the losses that have occurred to date, the liquidity factor from the outside entities is not being as rated as highly as is the solvency factor. They are keying on the fact that the corp. looks to be a solvent entity. Over a billion dollars in equity. Over half a billion in the general operating account. It is important to note that behind the solvency factor, are general obligation bonds. Principally GO bonds of the corp. There is one program, the Veterans Program that is actually guaranteed by the state which is a state obligation and outside the corp.'s GO status. But these are revenue bonds. Combine the fact that there's all the GO bonds on which has been placed heavy reliance by the outside sources because they are looking for solvency. The one last question we'd like to raise. Does the state take a risk by taking monies out of here potentially effecting the solvency factor which is the key that everyone is looking at from the outside? And are they potentially putting themselves at risk in the future.

NOTE Paraphrase, end of presentation by John Michelmore, now going forward to what has happened since June 30, 89. Looking at some of the key policy issues that might result.

DISCUSSION: Everything discussed has been on the equity side of the corp. All numbers have been summary, net-equity numbers. The 7 million is the snap shot but it is an accumulative number of all the results of the operating history of the corp. The 7 million is what was out there in June of 89. It is moving target. The

amount is based on status quo with existing debt and bond covenants. If the bonding activity was shut down, then there would be a significant amount of working capital that would be freed up. There's 336 million being used as working capital to keep the corp. operating. If it was closed down, the working capital would free up over time. All of Ernst & Young figures stem from the benchmark of the auditor's report June 30,89. The past has been used to find the dynamics for taking things forward.

NOTE: Tom Behan said the efforts by the consultant have been good and it lays a groundwork for potential policy statements and directions.

Vere Harlowe is the next speaker, discussing Alaska's market trends.

(PLEASE TURN TO PAGE SIX)

I think the housing market is something that has been on everybody's mind for awhile. And it is important to address it as part of this project for a number of reasons. First, the current position of AHFC is what it is largely because of the nature of the housing market in Alaska over the past few years. Secondly, we have to know what the housing market is now, today and what the trends are in that market. We are going to be able to make, what we would call, a baseline projection of that market in the future, if nothing changes with respect to AHFC and other state policies. And if only the demographic and dynamic effects are in play, what is going to happen to the real estate market over the next five years.

Thirdly, we have to understand that market from standpoint of cost and effect. In order to make an estimate of what the impact on the market is going to be, under conditions of future policy changes with respect to AHFC which, is this last thing we've been specifically charged with in the RFP. In having some kind of understanding and presentation of the impact of changes in policy of AHFC to the housing market.

So, what we are going to look at today is really a retrospective. We are not going to look at any market forecasts and I'm not going to be talking about the various opinions that are prevalent around the real estate industry. We have not made independent forecasts, we have some forecasts in hand that we are reviewing. I want to stick to the past and share the trends in the market today.

We are going to be looking at a number of slides. The slides are going to concentrate on five areas. First, Changes in Population and Employment, these are the underlying graphics that ultimately drive the market, more than anything else.

Secondly, in response to changes in population and employment, Addition of New Units to the housing stock and the resulting change in that stock over the years. Then as a result, what the vacancies

look like and how price movements have been over the years.

We'll start out by looking at population, this is kind of grim.

(PLEASE MOVE TO PAGE SEVEN)

This is tracking population change, by year, 1982 to 1988, we are showing both Alaska and Anchorage. Each of these bars represent per cent in change. If you look at the absolute numbers you get nice high bars that look like they are rolling off at the end. It is not a very dramatic picture. In actuality population changes on an annual basis, of this percentage magnitude, even if they don't appear very dramatic on those big tall bars, are very important in a housing market. These are extreme changes. Just as they are relatively extreme on the down side over the last couple of years, they are relatively extreme on the up side during the early 80's. In Anchorage, you are talking of adding 13% in one year. By anybody's standards, that is a boom town situation. However, what happens, as you can see in 85, growth was down to 2 or 3%. In 86 we actually turned negatively in the city, still hit positive in the state. 87 Anchorage lost almost 7% of its population. 88, it lost another 4, 4 1/2%. A very pronounced, vicious swing.

What is interesting too, is, if you look at the percentage changes, even though the state and the municipality, the municipality is more pronounced. You have a one and a half to two percentage swing in either the upside or the down side. So you can say that Anchorage is actually an amplified version of the state in terms of population swing.

This only goes through 1988. We have some more recent news about the employment picture

(PLEASE GO TO PAGE EIGHT)

This graph is a little harder to understand. I think it is instructive and interesting. Again, we have two lines The solid line is for Alaska and the other is for Anchorage. Let's assume they are congruent for purposes of discussion.

Each data point is a percent change over the same month in the previous year. The concept of this kind of graph comes from the Department of Labor. Basically, we can see what happens here as we get down to the end of 1985, the percent change over the previous year drops off to almost zero. In other words there is no employment growth in either the city or the state. At about Feb. or March of 1986, we hit the zero point and drop right through it. We find ourselves in a net job loss position. As long as we are below this line, we are losing jobs. The farther we are below the line, we are losing jobs at a greater rate.

The worst of the recession, or the fastest rate of job loss, came in the summer of 1987. In that period of time, the recession was

in full swing. We continued to lose jobs, but at a lower rate until the beginning of 1989. In terms of absolute employment, when we came back to the zero line the absolute number of jobs was at a minimum, although we stopped losing jobs.

NOTE: End of tape side 1. There was a continued elaboration about the page 8 chart. Recent employment change is partially due to the oil spill activity. No one knows exactly, but hopefully, Alaska is creeping up from the recession. Caution is necessary because the numbers are not real strong and it is important to keep the prospects of change in the housing market in perspective.

(PLEASE GO TO PAGE NINE)

NOTE: Anchorage numbers are used because they are the most complete numbers. This now goes into the supply side of the housing market with very detailed data. Anchorage is used because it represents more than half of the AHFC portfolio. Anchorage, Fairbanks and the Mat/Su represent 80 % of AHFC activities.

Vere Harlowe continues: Looking at the new housing units authorized in Anchorage, a housing unit is a location where someone can live, so a duplex would be two housing units, a 20 unit condo would be 20 units. Looking at 1980, we are coming off the mini-recession that followed the completion of the pipeline. There were about a 1000 housing units authorized in Anchorage. Using 2.7 people per family that was capable of handling 2500 to 3000 people. 1981 we authorized 2601, 82-5257 and in 1983-9082. Huge growth in the authorized increase in housing unit demand. In the peak year, there is enough to handle a 25 to 30,000 increase in population, assuming no demolitions. That is about 15% of Anchorage's population. Things start to slow down, it dropped 50% in one year in 1984 to 4609 and then 2434 in 85 which was the last year of boom. An interesting question, what happened to the people who built these 9000 plus housing units? Where did they go? There is an interesting theory which I will touch in passing, I am not going to get into it. Housing is the economic engine of Alaska and to the extent that is true, you may have a housing cycle which is artificially amplified. The people who are building these houses are the people who are going to live in them. So when they finish building them, they don't have a job and can't live in them, so they leave the state. This is an artificial overhang, when a down turn starts, you have finished but unoccupied housing. This is what it looks like here, making the housing cycle even worse.

By the time we get to 1987 there was a grand total of 182 housing units authorized. Last year 208. What effect will policy changes have on the residential construction industry.

There are two things to consider. First, how much of a residential construction industry is there? It would appear on the face of it, not very much. There is not a very significant portion of people in housing construction in Alaska. Secondly, the houses that are being built now are in the $140 to 160,000 and then the $240,000

and up. They are the types of housing that is not going to be effected by the changes in policy in respect to the subsidy by AHFC.

NOTE: Because of the confidential nature, Labor will not release the number of people in the residential construction industry.

(PLEASE LOOK AT PAGE TEN)

Lets look at the month to month breakdown of building permit activity. This is total dollar amounts of building in Anchorage. Running 30 to 35 million dollars a month during the summer months of 1985, dropping down in 1986 to 10 to 12 million and about 5 million the rest of the way. This is a fairly current chart going up to Sept. of 1989. The question, where is the recovery? The answer is that you can't see it and are probably not going to see it for a while. There are two reasons. One, the theoretical reason, housing cycles lag economic cycles. Secondly, on the practical level there is a huge inventory of unoccupied houses in all categories. It is going to take a large population growth to absorb those units.

This is where the policies of AHFC do make a difference. If they warehouse REO's or they demolish them, that keeps units off the market. This means less units on the market which tends to push prices up. The downside of that is that AHFC has to pick up the cost of carrying those units.

(PLEASE LOOK AT PAGE ELEVEN)

There were 65,000 units in Anchorage in 1980. In 1986 they peaked out at 91,000. No growth in the past two years. There are fewer housing units in Anchorage today than at the end of 1986. The small amount of units being built the past few years has been offset by the number going off the market.

(PLEASE LOOK AT PAGE TWELVE)

Each bar represents a different category of unit. The number above the annual sets represents the average of all the units.

NOTE: This is easily read, so there is no comments recorded, taking the reader through the chart. Attention should be given to the specific units such as the mobile home category. There has been a dramatic shift since this chart, in some categories but it is unknown if the units going off the market are being occupied or merely being held by speculators. There is a great difference on the impact if they are empty. There are a lot of lower end units being boarded up and will eventually be demolished.

(PLEASE LOOK AT PAGE THIRTEEN)

These are MLS numbers, by quarter, for each year, since 1982. They are the aggregate price in each category. They reflect both

changes in prevailing market prices and also show changes in the quality composition. The graph shows an example of the lag. When Alaska entered the recession was about the turn of the year 1985, 1986. The housing prices hit their peak the last quarter of 1986. Even after the recession hit, the housing costs continued to climb. Even after the population dropped, housing prices still continued to climb, peaking at the end of 1986 and then dropped. Single family dropped, in nine quarters, from 137,450 to 97,360; a forty thousand dollar decline in value. On the condo side it was even worse.

NOTE: The chart graphically shows the swing in condo prices, so no narrative is presented. Some of the figures are possibly misleading because MLS sometimes has a lag of three months in their reporting.

(PLEASE TURN TO PAGE FOURTEEN)

I don't have anything more to say about the current status. I want to talk about what is going to be effecting the future of the housing market, particularly in terms of the study we are undertaking. There are a number of questions that are raised in regard to the Alaska housing market that I think are very important with respect to AHFC's policies. Obviously, the underlying trends in population and employment are going to be very important in assessing what the market will be on the demand side. In order for those new people to buy houses, they have to have a source of credit.

This raises a number of questions. First, the subsidy programs, of AHFC, provide people the opportunity to get a mortgage loan at rates below the prevailing market. Is that a factor in demand? I'm not going to give any answers at this point. In other words, does the subsidy artificially increase demand? Will the continuation of the subsidy cause the recovery to occur faster than otherwise? Or, do people buy houses for more structural reasons? Or is the subsidy just a nice thing to have and the people are going to buy houses anyway?

Second, availability of credit, subsidy question aside, AHFC is a leading player in the Alaska mortgage market. If AHFC were to reduce the scope of its operations, or get out of mortgage lending, who is going to pick up the slack? Is Alaska redlined? All these banks out there that say they're anxious to make mortgage loans in Alaska, if only AHFC wasn't subsidizing, are they really? I'm not going to answer, but a lot of the banks here are owned outside the state. Their lending considerations are not necessarily driven by Alaskan considerations, but by corporate considerations. It is easy for someone 3000 miles away to make a snap decision about Alaska. So the question is, if AHFC isn't lending in the market, who will be? It is difficult to get an answer because no one is going to admit they have a policy against lending in Alaska.

Number three, Let us assume there isn't a subsidy, and further

assume that the are a lot of others out there that are willing and anxious to serve this market. Is AHFC, as a financial institution, competitive? This raises a couple interesting questions. If AHFC is competitive and is able to make loans below the rate of the commercial banks what is the effect? Well that in effect is going to keep the SL's and the commercial banks out of the mortgage market in Alaska because they can't compete. On the other hand, if, due to the various factors in AHFC's makeup and operations, it is forced to make mortgage loans at above market rates, then all it is going to get is the junk loans, the ones the banks are not willing to underwrite and it is probably going to be incurring losses. SO there are some down sides either way, whether AHFC is very competitive or not, as long as it is playing in the mortgage market, I think the state and AHFC have to be very careful about their effect both on the state finance and the rest of the lending community.

Point three, Absorption of Excess Stock/Availability of new stock. The importance for AHFC policy here is, what are AHFC's policies with respect to the REO's. To what extent is AHFC going to do, through pricing or other methods keep its REO's off the market in order to support the market? To what extent is it going to undertake demolition of low ends or mobile units? Its policies will have an impact to the stocks on the market, have a major impact on price.

With respect to future REO generation, this is a problem and will continue to be a problem for a while. There's an issue here as far as the effect of subsidy on the price of homes. There are two camps, one says it does effect the price and the other says no. There is also a second level question. A lot of people in the state now have negative equity, the market value is below the mortgage. This is very discouraging thing. Most people's homes are their major asset. There's a school of thought: The greater the amount of negative equity, the more likely a person will throw up his/her hands and default. This means new REO's for AHFC and other lenders. So the question is this. If removing the subsidy reduces demand and causes more prices to fall, will that fall in market prices cause a greater number of defaults? This is something we are addressing, it is an academic question and can be viewed by a very complex analytical variables and relationships. But it is something we must address.

NOTE: This completes Vere Harlowe's presentation, the next person to address the group is Edward Kaempf.

Today we've been working primarily on getting the background for what is now. Vere touched on some of the big issues that must be addressed. Primarily, what the legislature asked us to look at some changes in policy and how these changes would impact AHFC and the housing market. The biggest change would be to phase out or eliminate the subsidy.

The subsidy was instituted by the legislature in 1980 to provide

home buyers with 10% mortgage money when interest rates were at double digit rates. About a year later that was changed to allow a maximum 3% subsidy. When first introduced, some mortgages were subsidized up to 7%. So the law was changed to provide a maximum of 3% subsidy. Basically, the law says, up to 90,000 dollars of the loan, AHFC will lend the money at 10% or its cost of funds whatever is less. The remainder is loaned at AHFC's cost of funds.

The subsidy drove a lot of economics, drove a lot of prices on the homes and may or may not have driven demand. If the question exists now, what happens if we phase out the subsidy and, is there a subsidy now?

I am going to show you something about bond sales this year to show you something about the subsidy. We've been asked to look at phasing the subsidy out and we are not sure that a subsidy exists right now.

NOTE: The slide used by Ed is not available. This portion will be paraphrased. Recent bonds have been sold at less than 10%. Some as low as 6.1%. With AHFC's cost of funds being between one half and one per cent, there may not be a subsidy in existence. There was some discussion about the HOAP programs (Home Owners Assistance Program) having cost some money to AHFC in the past. Ed Kaempf continues....

The point is that there is a window right now where we may not have to talk about phasing out the subsidy over three years.

TOM BEHAN INTERJECTION First of all there is another HOAP financing that will be in 1990. It will be HOAP #3, we had #1 and #2. Our projections are that we are going to have about 100 to 150,000 million in activity. It should be the last of the HOAP programs. It will kick off in January, the bonding will be exposed to the market later in the year. Where subsudy exists, you are right, the tax exempt activity which is relatively small, although it is growing on a percentage basis from year to year. What has really grown, if you look at 1989 activity, excluding HOAP and tax exempt, we've had almost 400 million dollars in taxable activity. The cost of the bonds is calculated at about 10.42% which is about 42 basis' point for a non-veteran, but 142 for the veteran, so there is a subsidy where interest rates presently are. The big question is where are interest rates going to go.

RETURN TO ED KAEMPF: The other question is the cost of the corporation's funds. Can corporation compete, if there in fact are lenders, with the lenders. In our brief discussions with the financial institutions, they feel they can compete with AHFC which is good.

DISCUSSION BY TOM BEHAN: He feels the above statement is good, but questions where the financial institutions decision makers exist, outside being a good guess. He also states that there is no thrift

industry in Alaska and there is a capital shortage. The value of importing capital is critical to our existing market and our future markets. There are a lot of variable in the private industry which will impact the market. AHFC handles about 2/3 of the market and there is a great risk at handing that over to the private sector.

NOTE: This basically concluded this portion of the presentation. The meeting is turned over to Jim Gibson for a summary.

This is a summary of our baseline of knowledge and the question is, where do we go from here? We've identified four global policy options. There's subsets and different variables, but to simplify things we are going to talk about four different options.

The first option is Status Quo. It is kind of a baseline case of having AHFC go forward as they do now. One of the questions was whether there was any available liquid assets that could come out of AHFC. I feel like we have pretty well answered that to our satisfaction. We are not really going to beat on that anymore. Unless there's a need to. What I'm saying is, we've spent a lot of time and energy trying to understand the present financial position of AHFC. AHFC is an extremely complex institution. And we've used a good share of our time and resources trying to understand the financial position you are in. Our priorities are now for trying to go forward, we feel we can't put anymore time on that subject. We are comfortable with regards to the question of raiding any monies from AHFC.

DISCUSSION: Whether or not there's any money available to extract, what would be the impact on the financial position of AHFC? Because of the general obligation of the nature of AHFC debt the funds should be left alone.

The second issue is a real blockbuster one that deals with the subsidy. What we have to do is integrate the impact of changing the subsidy on the housing market. That is our biggest challenge right now. We have to get out to industry and try to get as much good input as we can to answer some of the questions Vere was listing. What we are trying to do is give the subsidy every benefit of the doubt. Try to get some idea from the industry to get some common understanding of the impact of change in the subsidy. That's the hard question. The easier question is what's the financial ramifications to AHFC. We will have to bring the two of those together to come up with our best opinion on the policy option of changing the subsidy.

The third one, which we haven't got into, is the whole policy option of scaling back AHFC over time and returning AHFC to its original legislative intent.

The fourth policy option has to do with changing the ownership structure of AHFC. Again, we haven't got to that one yet. Of all the options, this one is probably the most nebulous and we will have to work ourselves through that one.

Anyway, that is basically where we are going. AHFC has been very helpful to us. People in the industry know the importance of this study. We have had great cooperation.

Some of our investigation is limited by the sensitive situation that we are in. If this was a normal circumstance, we could maybe go out and have some pointed interviews with MAGIC or Standard and Poors and Moody's. Because we are in a delicate situation we don't want to make a delicate situation even worse by shaking up industry needlessly. What I am saying is that we are limited on how we get some of our information.

GENERAL DISCUSSION: The legislature thinks there is a need for policy change, but unsure about what direction to go. And it is a big enough issue that having a random policy change could have many ramification down the road.

Concerns were expressed about looking at the social implications of the options. Ernst and Young thinks the social implications rest with the legislature, they are a financial type "folks." They are looking at the financial implications on AHFC and the market place. Ernst and Young realizes there are social implications surrounding the subsidy program. They will have to basically point out them in regards to the various policy recommendation but they will focus on the economic implications.

DRAFT

HOUSING FINANCE TASK FORCE

December 6, 1989 Meeting

STATUS OF ERNST & YOUNG'S EVALUATION OF AHFC POLICY OPTIONS

1. Work Performed To-Date - Jim Gibson

2. Financial Position of AHFC - John Michelmore

3. Alaska Housing Market - Vere Harlow

4. Position of AHFC Under Policy Options - Ed Kaempf

5. Summary of Progress To-Date - Jim Gibson

DRAFT

ALASKA HOUSING FINANCE CORPORATION

HISTORY OF STATE FUNDING

(Dollars in Millions)

YEAR	-- REVOLVING FUND -- GENERAL PURPOSES	HOME OWNERSHIP FUND (HOF)	RURAL MORTGAGE PURCHASE	MOBILE HOME PURCHASE	STATE MORTGAGE INSURANCE FUND	TOTAL STATE FUNDING
FY 1979 and Prior			$1		$7	$8
FY 1980					3	3
FY 1981	$474	$53	12	$12	7	558
FY 1982	222	43				265
FY 1983	105	45				150
FY 1984	7	42	—	—	—	49
Total	$808	$183	$13	$12	$17	$1,033

DRAFT

ALASKA HOUSING FINANCE CORPORATION

EQUITY -- CORPORATION AND COMBINED

June 30, 1989
(Dollars in Millions)

PROGRAM	RETAINED EARNINGS	CONTRIBUTED CAPITAL	TOTAL
OPERATING/GENERAL	$371	$148	$519
HOF	(42)	103	61
INSURANCE FUNDS	(44)	16	(28)
Corporation Totals	$285	$267	$552
Bond Financed Programs	53	766	819
Combined Totals	$338	$1,033	$1,371

DRAFT

ALASKA HOUSING FINANCE CORPORATION

EQUITY -- BOND FINANCED PROGRAMS

June 30, 1989
(Dollars in Millions)

PROGRAM	RETAINED EARNINGS	CONTRIBUTED CAPITAL	TOTAL
TAX-EXEMPT			
Insured Mortgage Bonds	$134	$(29)	$105
Home Mortgage Bonds	(38)	142	104
Others	31	7	38
VETERANS	(44)	106	62
TAXABLE			
HOAP	(5)	168	163
State Assisted Mortgage Bonds	(21)	174	153
Other	(4)	198	194
	$53	$766	$819

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ALASKA HOUSING FINANCE CORPORATION

CORPORATION UNRESTRICTED ASSETS

June 30, 1989
(Dollars in Millions)

Unrestricted Assets	$519
Less: Long-term (non-liquid) assets	(149)
Net due from other programs	(27)
Net unrestricted liquid assets (before debt covenant requirements)	$343
Restricted Assets (from debt covenant requirements)	(336)
Net unrestricted liquid assets	$7

DRAFT

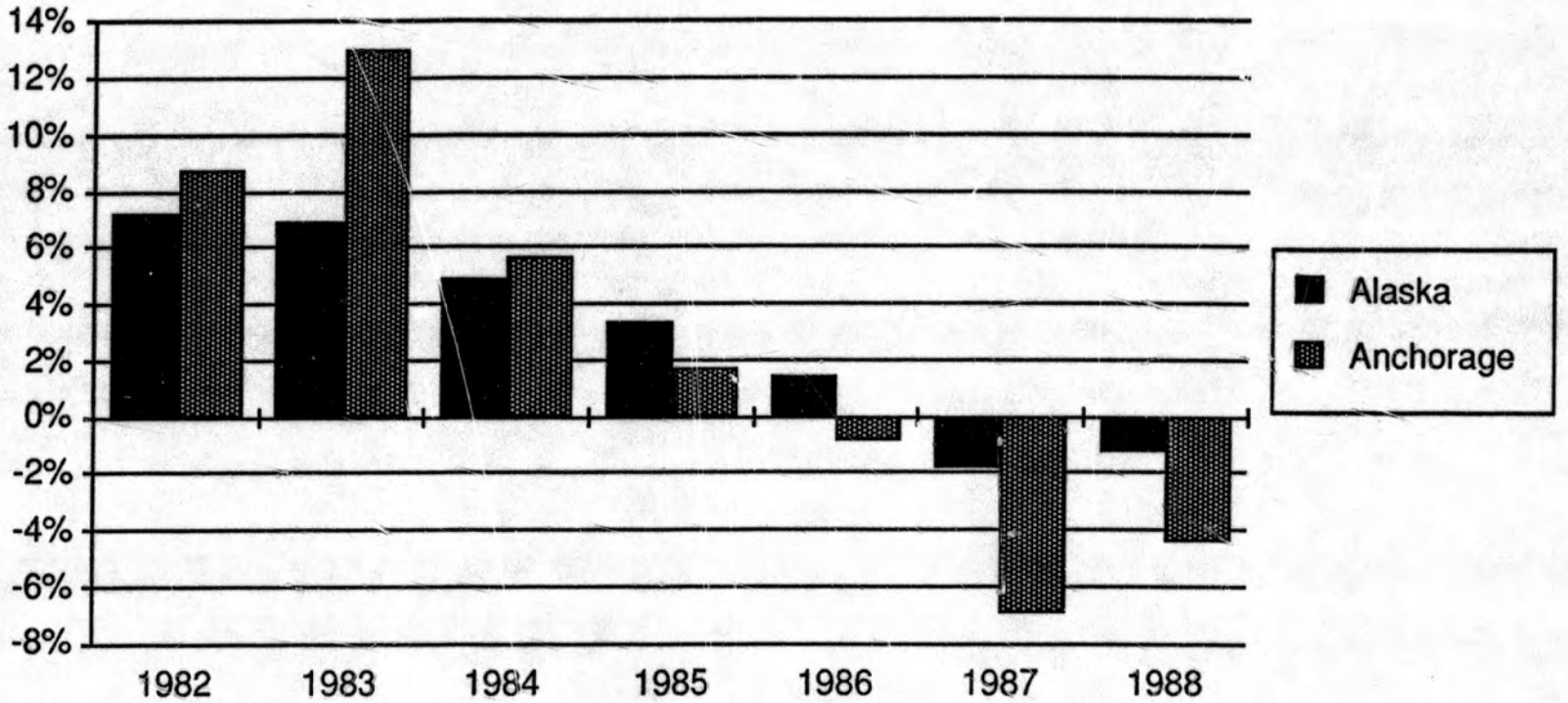
ALASKA HOUSING FINANCE CORPORATION

TRENDS IN ALASKA'S HOUSING MARKET

- Changes in Population and Employment
- Addition of New Units
- Changes in Housing Stock
- Vacancies
- Prices

DRAFT

Population Change by Year
Alaska and Anchorage



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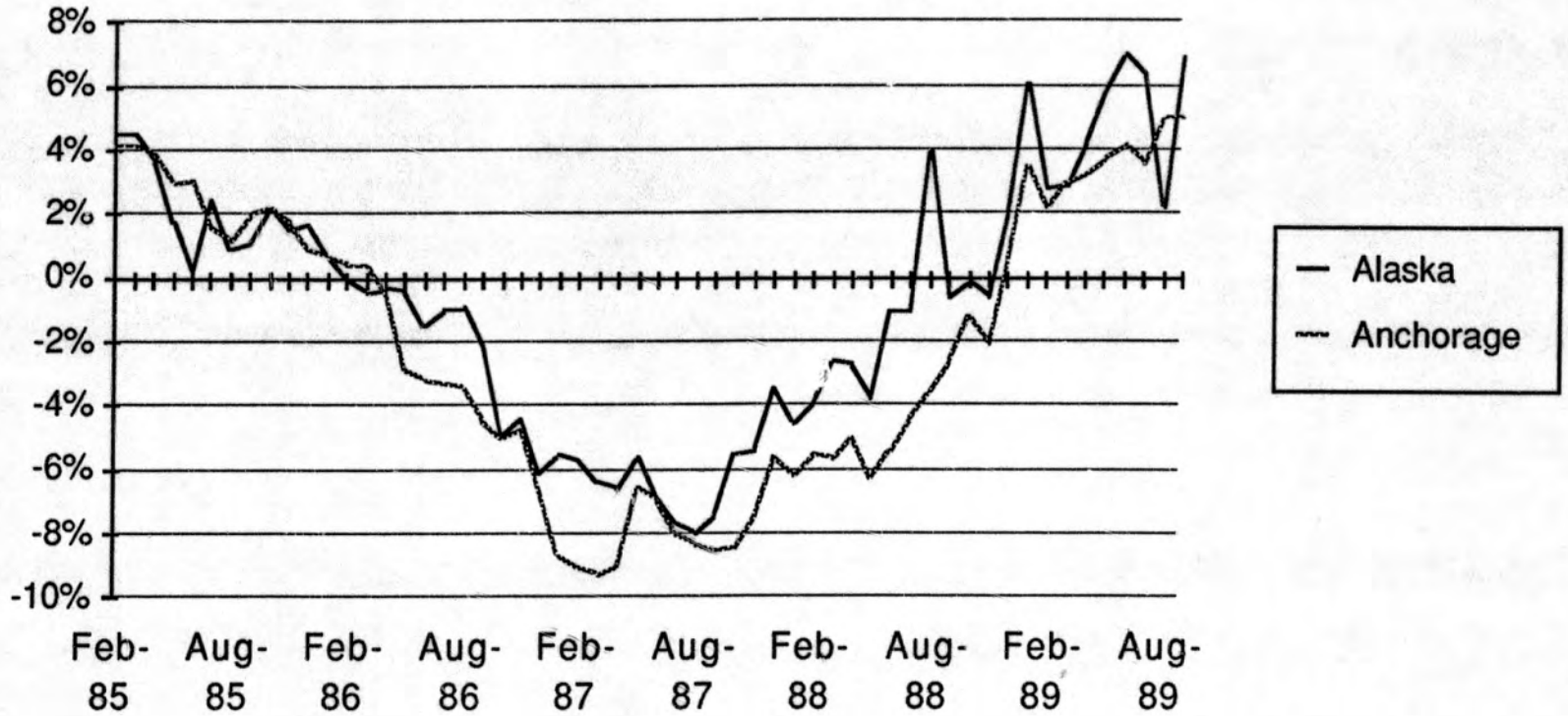
Change in Employment over Previous Year
Alaska and Anchorage



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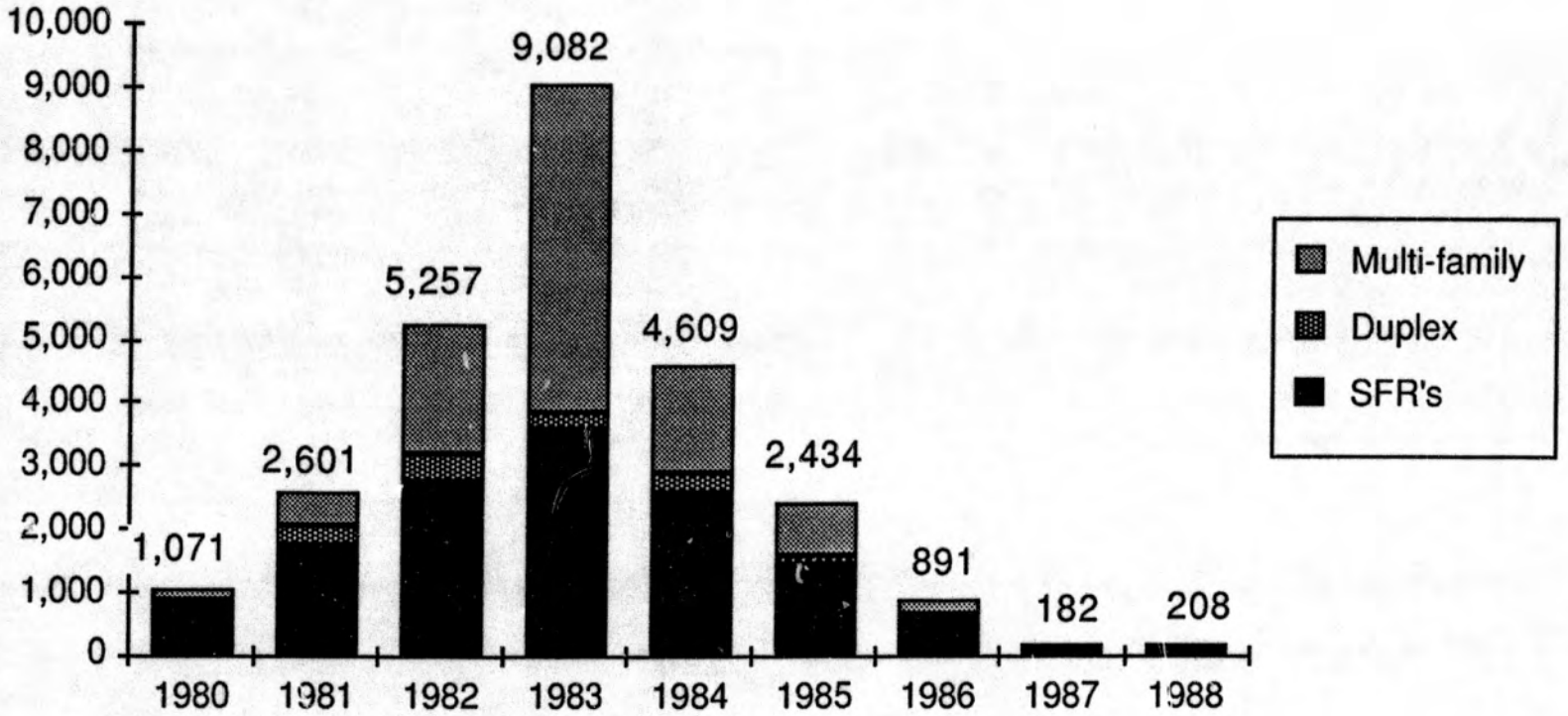
New Housing Units Authorized
Anchorage, 1980—1988



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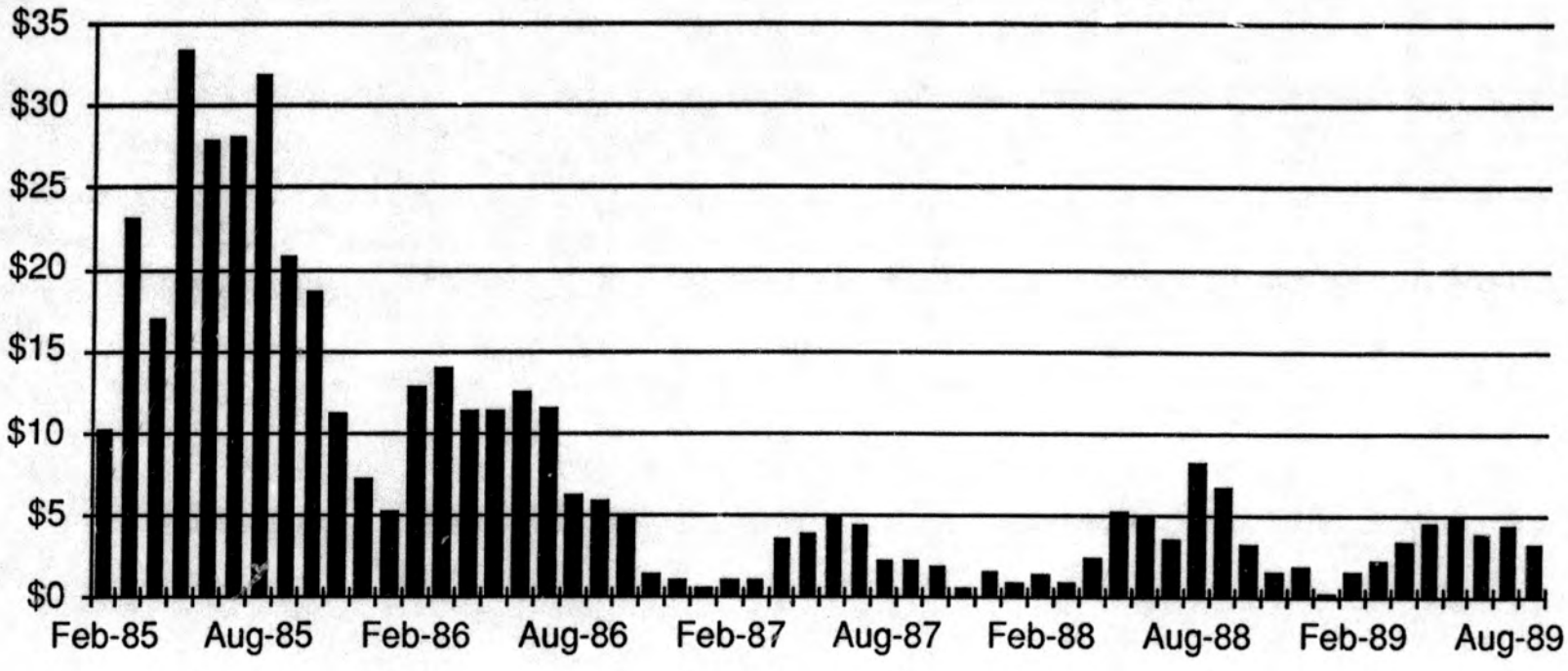
Anchorage Residential Building Permits
By Month, 2/85 through 8/89
($millions)



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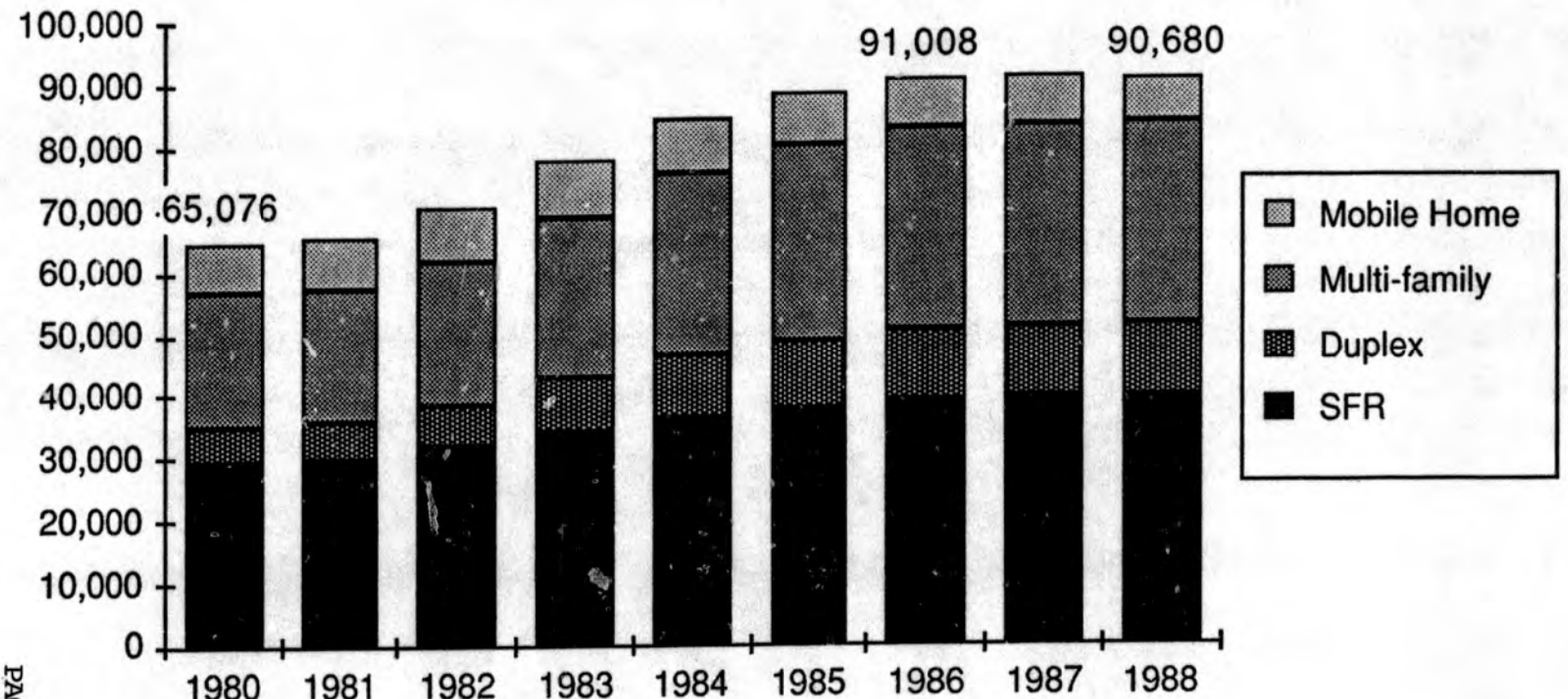
Anchorage Housing Stock (units)
1980—1988



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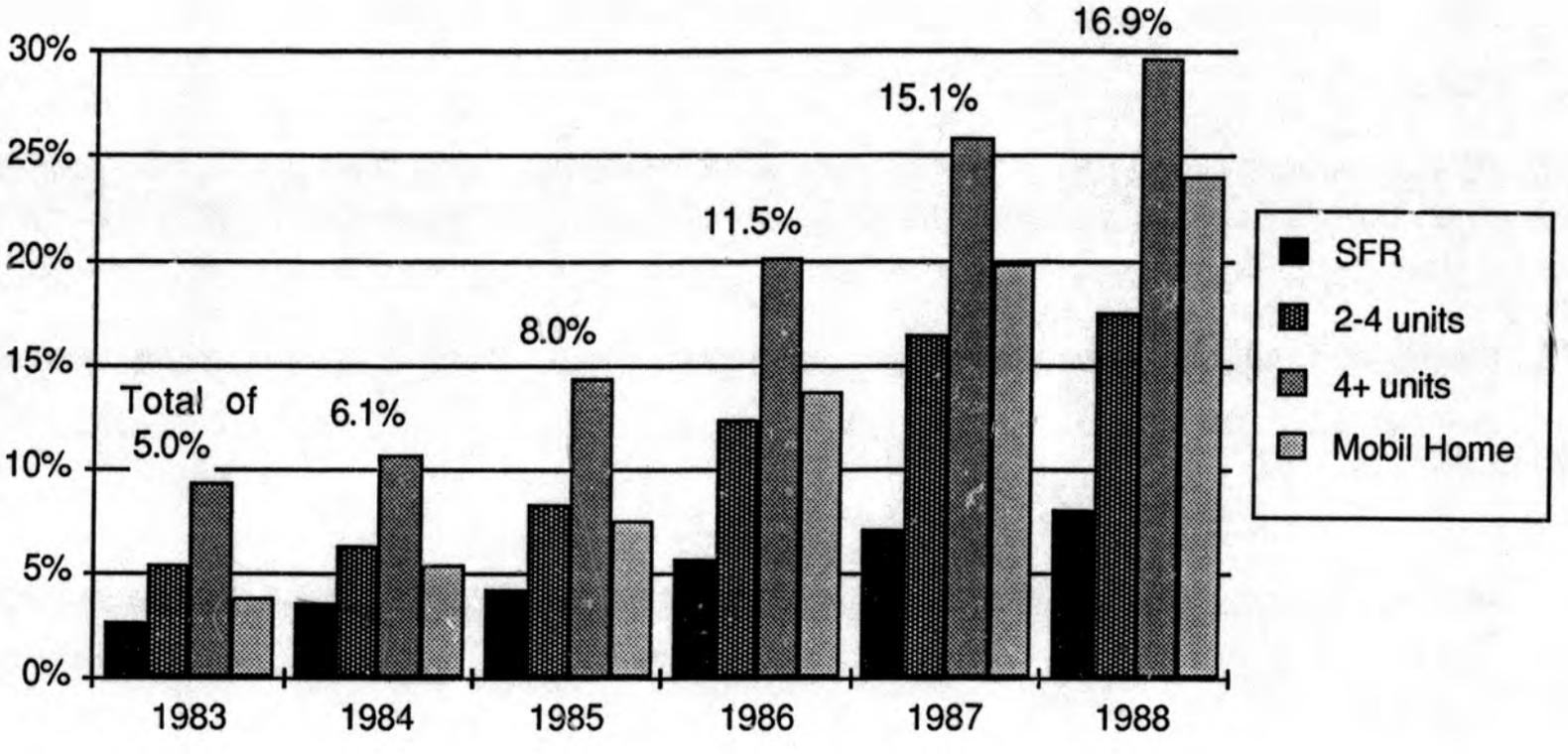
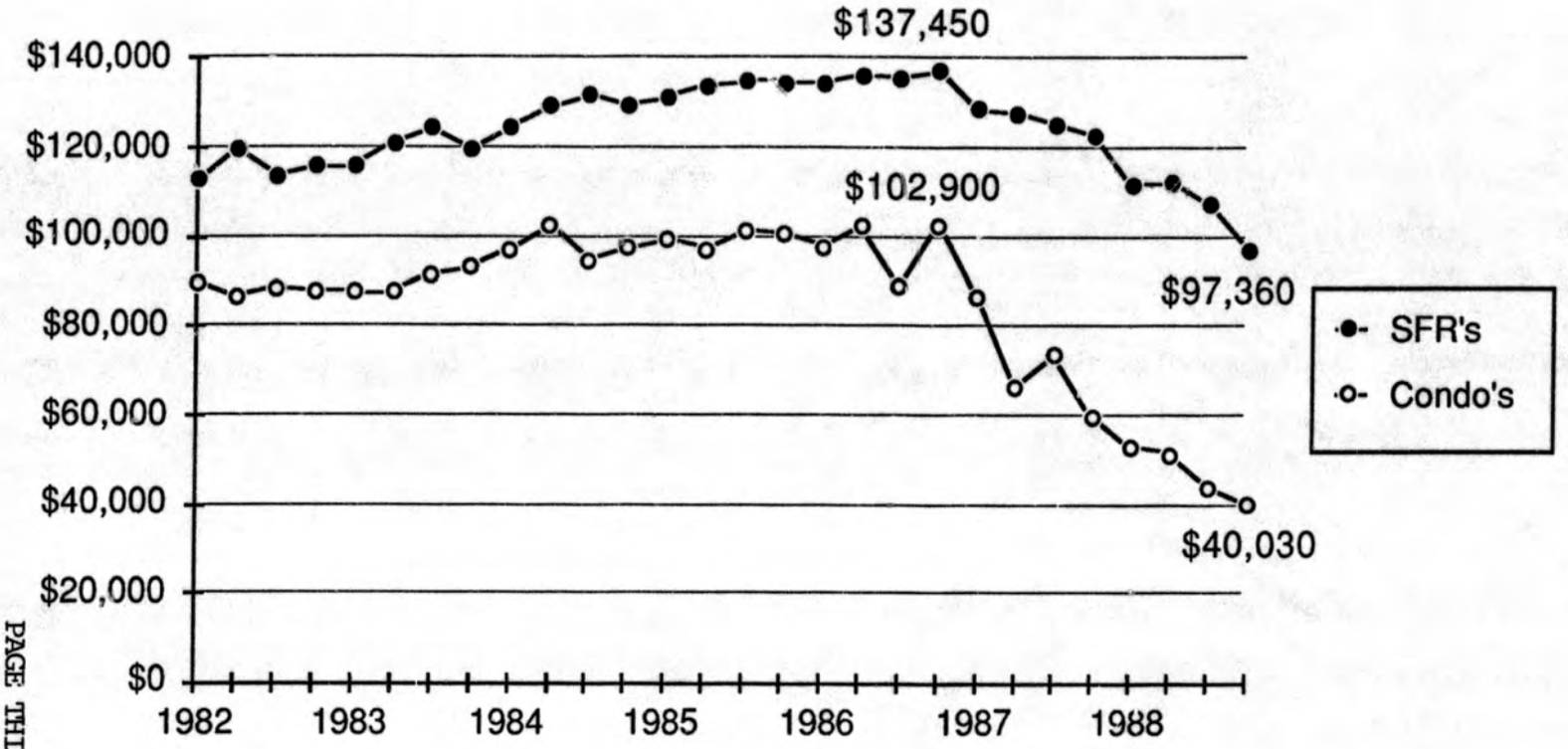
Anchorage Vacancies by Housing Type
1983—1988



DRAFT

Housing Prices, Single-family Homes and Condo's, Anchorage, 1982--1988 by quarter



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ALASKA HOUSING FINANCE CORPORATION

ISSUES IN ASSESSING THE HOUSING MARKET

1. Growth in population and employment

2. Availability of Credit

- AHFC subsidy—is it a factor in demand?
- Do alternatives exist to AHFC lending? ("Is Alaska red-lined?")
- Will AHFC be competitive without the subsidy if the market is opened?

3. Absorption of excess stock/Availability of new stock

- What will be AHFC policies re REO (warehousing, demolition, etc.)?

4. Future REO generation rates

- Question: Will reduction/removal of subsidy cause an increase in default rates, due to depression of market values and resulting increases in negative homeowner equities?

GENERAL POINTS

11-09-89 MEETING

ERNST AND YOUNG

The following is simply notes of interest that emerged from the meeting with Ernst and Young, AHFC and Rep. Swackhammer.

SWACK: Wants insights and options directed toward the "policy" level, protecting the stability of the housing market.

Results should be back around January 11, 1990. Intent, to have meetings in the evenings and weekends so the issues can be debated without interferring with the general operations of the legislature.

BEHAN: Interested in the analysis of the loan subsidy, wishes to minimize withdrawal symptoms.

PHILLIPS: Liked the Price-Waterhouse approach. Wants the consultants to touch base with all the aspects of the housing market. They are the ones being impacted.

ERNST & YOUNG: Are flexible.

SWACK: Rodey is one of the drafters of the inception of AHFC, would be an excellent source for historical perspective. Carl Nickel is the link with the legislature in regards to accessing information, intends for hime to be in Anchorage once a week.

ERNST & YOUNGWilling to make a formal presentation to the combined legislative finance committees.

AHFC: Mitzi Barker is an AHFC Research Analyst and the link to Tom Behan. Paul Kapansky is the link to AHFC in general.

SWACK: Introduced a bill which would mandate an inspection process before AHFC could loan mortgage monies. AHFC is in support.

POINTS OF DISCUSSION:
Access to Peat- Maravich accounting,
Alaska Housing Market Council
DCRA/Had Loans
Title 13 Bankrupcy ????
Current Legislation
Privitization, similar to ARR Corp.
Equity impact on housing
Private mortgage insurance representation
Time vs quality, the task force should remain flexible to assure best product possible.

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT

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January 18, 1990

Representative C.E. Swackhammer,
Chairman,
Housing Finance Task Force
Alaska State Legislature
Room 521
State Capitol
Juneau, Alaska 99811

Dear Representative Swackhammer:

Some important clarifications are necessary in the legal opinion set forth as Appendix E in the draft Ernst & Young Report on Alaska Housing Finance Corporation dated January 12, 1989. As bond counsel to the Corporation, we have issued our opinions on numerous occasions with respect to the validity of pledges of Corporation assets and covenants with respect to those assets which secure bonds of the Corporation. We also have a responsibility in connection with "full disclosure" of material facts regarding the Corporation in the official statements or circulars, which accompany each of the Corporation's bond issues. In this capacity, we would like to point out for the committee's record several aspects of the opinion which we respectfully submit need correction.

The portions of the opinion referred to are found on page 13 where the author states that covenants of AHFC to maintain collateral are not enforceable against the State if collateral is expropriated, the similar statement on pages 14 and 15, to the effect that while bondholders may have a valid claim against AHFC if the State reappropriated Corporation assets, bondholders would not have a claim against the State for such breach of covenant to the extent of State expropriation, and the statement on page 15 that "bondholders would not have a valid claim against the State of Alaska by virtue of the extraction of a pledged asset from AHFC by the State of Alaska."

Our view is that both the assets referred to in the "maintenance" covenants and assets pledged to bondholders are protected against expropriation by Article I § 10 of the United States Constitution which prohibits a State from passing any

"Law impairing the Obligation of Contracts..." as well as Article I, Section 7 of the Alaska Constitution. The Contract Clause of the United States Constitution was most recently considered by the United States Supreme Court in United States Trust Company of New York v. New Jersey, 431 U.S. 1 (1977). There the court held that the repeal of a statutory covenant impaired the obligation of the States' contract with bondholders. The Court held that repeal of the covenant eliminated an important security feature for the benefit of the bondholders and impaired the obligations of the Contract between them and the States of New York and New Jersey.

It is submitted that extraction, expropriation or reappropriation of moneys pledged to bondholders or to which bondholders have a covenanted maintenance right is a much clearer impairment of contract than that considered in the United States Trust Company case and in other cases since. An example is Continental Illinois National Bank v. Washington 696 F.2d 692 (1983), where the Court considered that imposition of a vote requirement before completion bonds could be issued impaired earlier bondholder's rights.

I suggest respectfully that the problem with the opinion is that the writer does not accept the fact that the appropriation of the funds to AHFC was complete when made and that the funds were then available for expenditure or pledge without further State action. Neither the anti-dedication provision nor other provisions respecting appropriations of the State Constitution are violated by AHFC when it spends, pledges or enacts covenants with respect to appropriated funds, because the appropriations are complete when made. (The opinion does not apparently question the validity of the covenants and pledges to bondholders made under AS 18.56.110.) M-K Engineering Co., Inc. v. Alaska Power Authority. 662 F. Supp. 303 (D. Alaska 1986) is not applicable because of specific statutory provisions providing for general fund deposit of that Authority's funds.

I would not presume to speak for the attorney general on this point, however, a review of his past opinions including 1982 Op. Att'y Gen., (November 30; J66-785-81) and 1985 Op. Att'y Gen., (April 24; 366-463-85) do not reveal any inconsistency between the position I am stating above and his position. Of course he may wish to comment directly on the issue. Our position is simply that once appropriated moneys are spent or obligated by valid pledge or negative covenant to bondholders they are no longer available for reappropriation.

Our other disagreements with the opinion are minor in nature. I would be less optimistic about the ease with which consents of bondholders are obtainable to substantial changes in the Corporation's structure or covenants. My experience is that such consents typically involve substantial time and expense where they are obtainable. Also, I note that a change in the form of the Corporation to a stock Corporation could have implications for its ability to finance on a tax exempt basis.

Very truly yours,

WOHLFORTH, ARGETSINGER,
JOHNSON & BRECHT

By _____
Eric E. Wohlforth

EEW/jf

OVERVIEW

HOUSING FINANCE TASK FORCE MEETING

SEPTEMBER 20, 1989

Task Force Membership Present:

Rep. C.E. Swackhammer, Chair
Rep. Randy Phillips
Sen. Rick Halford
Hank Hodge DCRA
Paul Kapansky AHFC
Glenda Straube AHMC

NOTE: Insufficient representation for a quorum.

The meeting opened with Rep. Swackhammer clarifying the bid process for the AHFC consultant. A legal opinion indicated the AHFC should be responsible for the handling, tracking and ultimate selection of the consultant. The HFTF could participate. Senator Rick Halford and Rep. Randy Phillips were appointed as a subcommittee to work with AHFC in the selection process.

Paul Kapansky, AHFC, gave a bid update for the consultant. Sept. 20, 1989 is the issue date of the RFP. In keeping with the State's Procurement Code, AHFC went through the State Vender's List and selected 64 in-state concerns who seemed appropriate vender prospects. Likewise, advertisements were distributed to Anchorage newspapers, as well as, Seattle, San Francisco, Los Angeles and New York. Ads were also listed in East and West Coast Journals. It was suggested the AHFC also include Fairbanks and Juneau newspapers.

The deadline for response is 4:00 PM, October 20, 1989. The receipt and tracking of the bids will be handled by AHFC. The deadline for the report is December 30, 1989. It was agreed the selection of the consultant should be made by Nov. 1, 1989.

There was a discussion regarding the resolution stating a report will be made to the Legislature by the 15th day of the second session. Rep. Swackhammer stated the options proposed by the consultant would not be appraised by that date and the first report to the Legislature will be limited to a progress report.

It is the Chairman's intention to expedite the process during the session by conducting evening meetings, as well as teleconferences, to enable as much participation as possible. It is important to get the options assessed and to the Legislature with adequate time to take necessary action.

Rep. Swackhammer gave a brief presentation regarding the status of the request for AHFC to expend program receipts, as given to LB&A. LB&A has not been able to collect enough people for a quorum. Consequently, the request by HFTF to them to expend 300.0 in program receipts has not yet been heard. He was assured the question of the amount is not a concern; the only true concern was getting enough people together to have a vote. The next scheduled LB&A meeting is October 20, 1989 which coincides with the letting of a consultant contract.

AHFC has submitted a revised plan to OMB, addressing the need to expend 300.0. It was the opinion of the members present that OMB support is necessary, but the ultimate decision to expend program receipts rests with the Legislature.

A presentation was made to the task force by the Alaska Mortgage Bankers Association. A "near" verbatim report of the representation is attached.

There was a discussion regarding the availability of information on distribution of loans. The Chair said it was important to see the distribution of loans based on income to aid in assessing the direction the task force takes. AHFC was to investigate attaining this information.

There was a discussion regarding loan subsidies. The Alaska Mortgage Bankers Assn. is in favor eventually eliminating the subsidies, however, it should be a gradual "weaning" process. Glenda Straube suggested that loan income support loan programs should possibly be considered for a continued subsidy. There was a question as to whether or not early low income loans ever had subsidies.

There was a final presentation by Jean Smith, an Anchorage Real Estate Broker, regarding loans to cooperative home ownerships. Attached is a copy of her cover memorandum and presentation.

NEXT MEETING: November 1, 1989, 4:00 PM, 5th Floor Conference Room, Anchorage LIO, 3111 "C" Street.

HOUSING FINANCE TASK FORCE
AUGUST 23, 1989 MEETING
ANCHORAGE, ALASKA

SYNOPSIS

The second meeting the the HFTF was held in the 5th Floor Conference Room of the Anchorage LIO, 5:30 PM on August 23, 1989. A quorum was present:

Senator Halford
Senator Rodey
Rep. Phillips
Rep. Swackhammer

Advisory membership present:
Mary Halloran, OMB
Charles Akers, DCRA
Pay Price, ASHA
Paul Kapansky, AHFC
Glenda Straube, AHMC

Rep. Kay Brown was present as well. Also present was Thomas D. Ster, manager of MGIC, as well as members of the real estate industry, and a representative, Danna Moser, of Leg. Audit.

The meeting started by Rep. Swackhammer giving an overview, to newcomers, of what happened at the first meeting.

The first presentation was by Charles Akers, DCRA. A recent portfolio analysis was distributed from which Mr. Akers gave his presentation. (I will not reiterate his presentation because of the hand-out, if a copy is desired, please contact Carl Nickel at Rep. C.E. Swackhammer's Juneau Office.)

Three areas of discussion stemming from Mr. Akers' presentation arose. Mr. Akers is to present the information to the HFTF.

(1) Foreclosure Process, Policies and Procedures,

(2) Statistics regarding bank errors impact on loans, and

(3) Loan applicant qualifications.

Carl Nickel of Rep. Swackhammer's Office is to work with Mr. Akers regarding request No. 3.

The next presentation was made by Glenda Straube, AMHC. Policy statements of AMHC were distributed.

ATTACHED IS A (NEAR) VERBATIM COPY OF MS. STRAUBE'S PRESENTATION

Copies of the AMHC policy statements are available upon request.

The third presentation was made by Mary Halloran, OMB.

The present administration, upon taking office, looked at receiving some returns from AHFC. They did not take any action in fear of hurting the depressed real estate market. Approximately one year ago, the Administration again looked at the prospects of receiving funds from the AHFC. (Mary handed out the guidelines during her presentation.) However, nothing was done because AHFC was going through a management transitional period.

The Administration is basically happy with the RFP because it parallels the guidelines they developed in 1988. The Administration warns that the task force should be cautious in its efforts. What happens to AHFC can greatly impact the "average person on the street."

Mary Halloran had specific comments about the process:

Normal Procurement Process would take approximately 60 days which means the first part of Novemeber before there would be a contract "on the street." She urged that timelines be changed and asked for consideration of having a preliminary draft from the contractor at the start of the next session, with a final draft to follow.

The next concern was the dropping of the subsidy by July 1, 1990. It was felt the timeline was too soon, that 1991 would be a better objective. Mary agreed that the subsidy should be gradually reduced.

Likewise, the consultant should react to the financial impact of each of the options listed on Page 22 of the RFP.

The Governor has requested OMB to look at housing policies in the rest of the states, and possibly this may benefit the task force.

The final presentation was by Paul Kapansky of AHFC about the proposed RFP. The RFP is basically directed at AHFC and to include the rest of the loan programs would mean developing a historical perspective of each program included. It was concluded that, if other areas need to be included, it could be accomplished by amending the contract.

Thr procurement process was discussed as a major constraint to the completion of the consulting contract. It was agreed upon that the task could take until February and still have sufficient time to present the information to the total legislature. Mary Halloran offered to assist in expediting the administrative process.

It is the role of the AHFC to solicit for the consultant. A resolution passed unanimously that the task force request authorization from LB&A for expenditure of up to $300,000.00 of AHFC program receipts for the RFP.

HOUSING FINANCE TASK FORCE
JULY 26, 1989 MEETING
ANCHORAGE, ALASKA

SYNOPSIS

The organizational meeting of the Housing Finance Task Force (HFTF) was held in the 5th Floor Conference Room of the Anchorage LIO, on July 26, 1989. Present were:

Senator(s) Rodey
Szymanski
Halford

Representative(s)
Swackhammer
Phillips

NOTE: Representative Foster was not able to attend due to a conflict, he expressed his apologies for not being able to attend.

The first order of business was to organize. Rep. Swackhammer was nominated and unanimously approved as Chair of HFTF, Senator Rodey was unanimously named Vice Chair.

Other members of the task force, pursuant to SCR 28, were named:
Thomas C. Behan, Exec. Director AHFC
Mike Harper, Director, DCRA Rural Development Division
Ray Price, Exec. Director, DCED, ASHA
Glenda Straube, Exec. Director, Alaska Housing Market Council

NOTE: These members, as stated in SCR 28, serve in an advisory capacity only.

Mary Halloran, Director, OMB Division of Policy, was nomiated and unanimously approved as an additional, ex officio, member of the HFTF.

ISSUES DISCUSSED

STAFFING;

It was the general concensus that each member designate a key staff person to be responsible for information pertinent to the HFTF. Senator Rodey designated Mark Begich, Rep. Swackhammer designated Carl Nickel. Other members are to designate staff and inform the task force.

BUDGET;

Because the Administration vetoed the funds which were to be used to fund the HFTF, the question of funding was discussed. It was assumed that approximately 20.0 was needed to cover costs of travel, supplies, publishing, etc. It was the concensus that the senate members would charge their costs of "doing state business" to their general leadership account. It was moved and unanimously

approved that the amount of 20.0 be requested and designated as the cost of conducting HFTF business. This amount would be a guideline figure.

It is the understanding that AHFC will cover the cost of a consultant to assist in assessing their program. Likewise, the cost to the advisory membership will be borne by the administration.

FOCUS OF THE TASK FORCE;

The general concerns of the HFTF were: (AHFC Emphasis)

None of the efforts of the HFTF have an adverse affect on the precarious mortgage market,

Have a gradual elimination of the subsidy program in a manner that it will not have an adverse affect on AHFC bond standing,

Look at a reasonable return from AHFC without impairning its financial standing or bond rating,

Have a careful plan that will allow all, or a portion of AHFC to be privatized in the future, and, in general,

That the HFTF look solely at subsidized, privately owned, housing projects.

GENERAL GOALS OF THE TASK FORCE; (as outlined in the 7-20-89 memo from Carl Nickel to Rep. Swackhammer).

Status of all state assisted residential programs and opportunities related to those programs.
- Identify all programs
- Number of participants
- Target population (Guidelines for participants)
- Current status of participants, e.g., foreclosures, in arrears
- Financial stability (Assets vs Liabilities)

Status of all bonds capitaliring the loans.
- Identify bonds and sources
- Liquidity of the bonds
- Availability of bonding in the future

Reorganization/Privatization
- Economics of above
- Privatize some aspects/components
- Salability of each program
* Phase-out (added in committee)

DISCUSSION: Concerns were expressed regarding the impact of short term goals which deal with the economics of continued funding and changes in "trailor and condo" loan programs.

ALASKA HOUSING FINANCE CORPORATION
PRESENTATION BY
THOMAS C. BEHAN, EXECUTIVE DIRECTOR

(Initial presentation is verbatim)
(See attached)

(AHFC's Corporate Mission Statement)
(See attached)

(Questions posed to HFTF)
(See attached)

GENERAL DISCUSSION:

It is the general concensus that AHFC "is the market" and because it is a subsidy, it is price driven. The average subsidy is approximately $100 per month for 45,000 loans. If the removal of the subsidy is essential, it is important to profile the market. The key issue is the fact that during the real estate growth era, AHFC was subsidizing individuals to make a profit, now the market is going down and the question is whether, under these circumstances, the subsidy should be "pulled out?"

It was discussed that the legislature must share the responsibility for the general shape of sudsidy and AHFC because it responded to the needs and wishes of the public at AHFC's inception.

The question is how to reduce/eliminate the subsidy program without destroying the market, public monies involved and the liabilities of AHFC?

No matter what happens to AHFC, the reality of $4+ billion in bonds still exists. AHFC has approximately $400 million in unrestricted funds. The question is, if AHFC was put, in its entirety, on the market, what would be the net gain? (What is the the marketability of AHFC?)

It was the concensus that objective consulting is necessary to assess the worth and future of AHFC. The HFTF wants something concrete before the next session. AHFC thinks 60-90 days is adequate time for an overview. There was an expressed concern that whoever does the consulting work is independent and free of conflict. A university was suggested as a potential consultant.

It was a general concensus that the consultant be followed through the process to make sure the right questions are being asked and the correct direction maintained. It was suggested the consultant give interim updates to the HFTF to assure desired goals are attained.

An immediate concern of AHFC is the response by M.G.I.C. to claims.

(Alaska Daily News 7-30-89 Article)
(See attached)

The next meeting was scheduled for 5:30 PM, August 23, 1989.

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1594 SCOMM 60• HOUSING FINANCE TASK FORCE •1989

Scomm 60-1
NICKEL 1989

SENIOR HOUSING REPORT

HB 218
SB 150



**Alaska's senior citizen housing today,
what seniors will need for tomorrow,
and what the State can do to help**

**Prepared by the Older Alaskans Commission
for the Alaska Legislature and Governor Steve Cowper**

September 1989

INTRODUCTION

The 1988 legislature instructed the Older Alaskans Commission to prepare a report on senior citizen housing and to present the information and recommendations to the Governor and legislators by January 15, 1989.

This report presents an inventory of existing senior citizen housing; reports on a survey of senior citizen likes, dislikes and future housing needs; and reviews possible housing alternatives to meet those needs. It also looks at the issue of increasing supportive services for seniors, toward helping them remain in their own homes as long as possible.

A note of thanks is due to Senator Jim Duncan for sponsoring the statewide teleconference on February 4, 1989, which allowed all seniors to participate and comment on the housing study.

PUBLIC COMMENT

The Older Alaskans Commission, the legislature, and the Governor wanted to know what people thought of this report. Did they agree with the recommendations? Did they have different proposals for meeting future senior housing needs? Was there something missing from the report or too much emphasis on a particular housing alternative?

A series of public meetings and a statewide teleconference were held to accept public testimony on the report. Public meetings were scheduled for February 7 - 15, 1989.

Written comments were submitted directly to the Commission. Public comment has been incorporated into the Housing report where it is appropriate. General comments are included here; comments regarding the recommendations appear at the end of each recommendation. The Commission thanks everyone who took the time to provide comments on this report.

Some of the Public Comments:

Bob Ogden, Administrator of Mary Conrad Center in Anchorage: *"Thank you for the outstanding January 1989 Senior Housing Report. I have long awaited a compilation of such information and compliment the person(s) in charge for the report's clarity and layout."*

Dennis Murray, Director of Heritage Place in Soldotna: *"I believe you have done a good job to identify some of the issues and types of housing alternatives which elderly currently have or may need in an aging society."*

Judy Christianson, owner and manager of an adult foster care home in Sitka: *" I have just yesterday happened upon a copy of your Senior Housing Report. I hasten to get a note off to you because I want you to know how pleased I am with it and what a fine job I think you did with it . . . It is particularly lucid, with clear language and organization. You made some rather complex situations easy to think about."*

A senior from Anchorage: *"Let me express my thanks to the Commission for the work involved in producing this report."*

Director, Heritage Place in Soldotna: *"The report does not address a federal / State problem which contributes to the lack of alternatives to institutional care; namely, the lack of a mechanism to prioritize admittance to subsidized housing projects by frail and vulnerable elderly and handicapped individuals. Currently there are no provisions with any substance which place those threatened with or already in nursing facilities in first place for admittance to subsidized housing facilities. Discharge planners and senior citizen advocates are stymied when they are told that the project has 10-20 on its waiting list, and anticipates the availability of a unit for the client in one to two years. The State must develop a policy and a mechanism which places frail and vulnerable individuals first on the list at time or application."*

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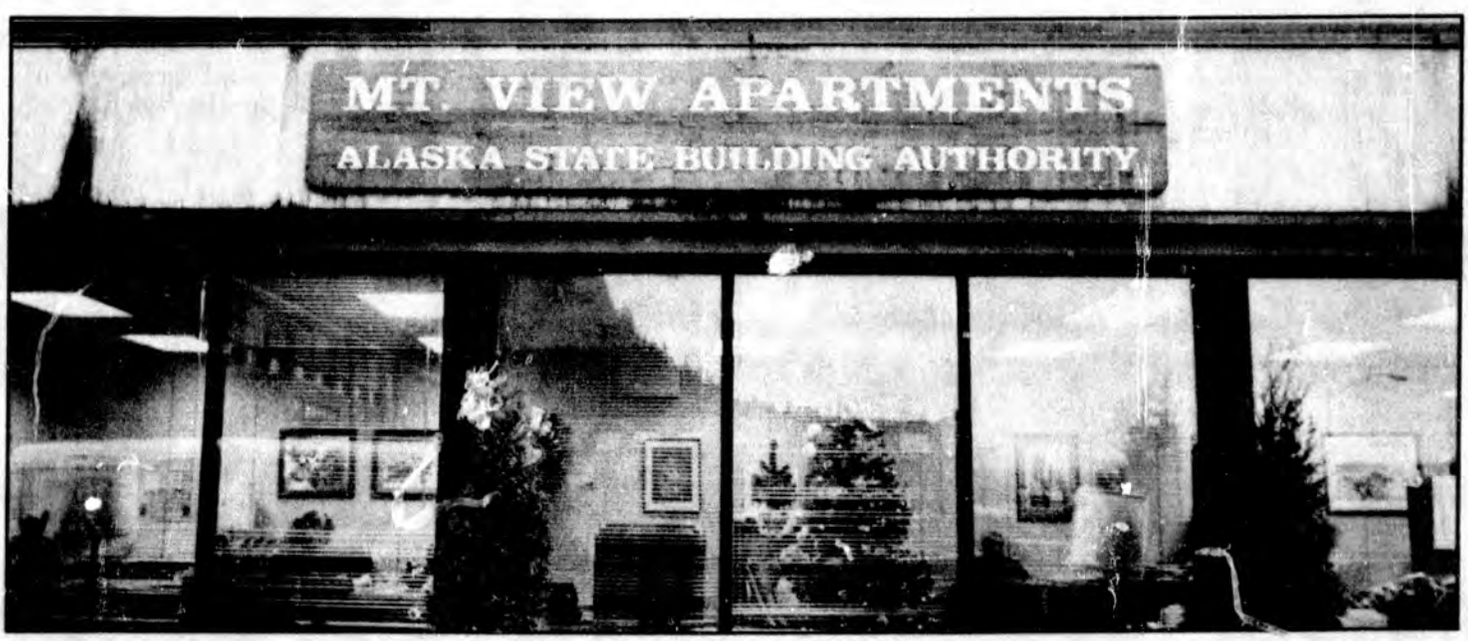


Mountain View Center, Juneau.

HOUSING DEFINITIONS AND ALTERNATIVES

Just as you can't compare apples and oranges, and just as you can't tell the players without a scorecard, you can't talk about senior housing without everyone agreeing to the same definitions for housing options.

Federal, state and private offices all seem to assign their own meanings to different housing terms. Senior citizens also attach varied meanings to the same words, making it difficult to discuss one type of housing that may mean different things to different people.

Some people think intermediate housing means minimal services, the next level past independent apartment living. Others consider it just a step short of full nursing care (in fact, Medicaid now considers "intermediate care" and "skilled nursing care" to be the same -- both very intensive). Congregate housing to some means semi-independent living with supportive services, while to others it signifies any type of group living regardless of services. Adult foster care and board and care really are the same, except that foster care usually is state-paid and board and care means self-pay.

In the context of these definitions and this report, "supportive services" means housekeeping, home chores, laundry, meals, transportation and similar services designed to allow seniors to live independently for as long as possible. "Personal care" means supervision of self-medication and other such daily activities requiring more individualized and skilled attention.

To clear up the confusion over housing terms, we propose that all state agencies adopt the following definitions. Pro and con statements are included for each housing option, as a means of further explaining the alternatives, as are recommendations for possible state action to promote each option. All of these housing alternatives are alternatives to single family homes and already exist in some states, even if they are not yet all available in Alaska.

INDEPENDENT LIVING (Facilities, senior apartments, with no services except maintenance, snow removal, some security services -- but usually no live-in manager)

Pro: Preferred by seniors; low cost with HUD subsidies; offers safety and security of group living; allows seniors to maintain independence.

Con: Lacks health care or many on-site services, and loses seniors who need more supportive services; less privacy than homes; restricted to low-income by federal subsidy.

Recommendations:

Increased community services or on-site supportive services to avoid need for more costly residential care facilities; state funding for proposed Nenana and Palmer projects to take advantage of HUD money; possible revolving loan fund for future projects.

SHARED HOUSING (two or more unrelated seniors sharing a home owned by one of the seniors, with the others paying rent to the owner)

Pro: Higher level of companionship than independent living and less expensive due to shared costs; makes use of existing housing rather than requiring construction of new units.

Con: Loss of privacy; housemate compatibility could be a problem; costs likely would be higher than in subsidized apartments.

Recommendations:

Possible state loan help with remodeling costs and increased services to encourage shared housing; possible adoption of a state zoning override law to allow neighborhood development of shared housing.

COOPERATIVE HOUSING (unrelated seniors living together in a home jointly-owned by all the occupants)

Pro: Peer support; home equity; savings of group living by occupants sharing the cost of help and services.

Con: Compatibility; down payment; remodeling costs; limited resale market upon death of co-op owner.

Recommendations:

Information from state housing office; possible loan fund for remodeling costs; possible state zoning override law.

ECHO HOMES (also known as elder cottages or granny flats; a separate, small house or modular unit on the same lot as a family member's home)

Pro: Close to family support, yet offers independence.

Con: High construction costs; zoning restrictions and possible neighborhood opposition; questionable resale value of the two houses on one lot.

Recommendations:

State housing office could offer information and building plans for those who are interested.

GROUP HOMES (small, group-living homes operated by a non-profit organization or community group)

Pro: Less expensive than large residential care homes; can provide community-based or at-home supportive services and family atmosphere; could make use of foreclosed properties.

Con: Up-front costs of home purchase and remodeling; capital or operating subsidies necessary to keep daily costs within budget of many seniors.

Recommendations:

Information on home construction and remodeling; assistance based on experience of existing state-supported group homes for developmentally disabled; additional supportive services from state agencies or state-funded grantees; loan assistance.

CONGREGATE LIVING (large group-living facility, with meals and some on-site supportive services, operated by a non-profit housing authority or private developer)

Pro: Less expensive than residential care and fills a gap between independent living and nursing care; basic services prolong tenants' ability to maintain a semi-independent lifestyle.

Con: Expensive to build and operate, and subsidies may be needed to hold rents within reach of most seniors.

Recommendations:

Possible loan guarantees; below-market sale or lease of state land.

ADULT FOSTER CARE, better described as adult family care (seniors living in a provider's home and receiving personal care and meals)

Pro: Quality, personal care at reasonable rates; family atmosphere; avoids institutionalization; could make use of surplus, foreclosed housing.

Con: Needs supportive and health care services from the state; needs state aid for those who cannot private pay; needs financing help for purchase and remodeling of homes; hard to find people willing to undertake the task.

Recommendations:

More support services, particularly day care and respite care; financing help; increased payments for state-sponsored residents; increased oversight and assistance from family and youth services division; possible adoption of a state zoning override law.

RESIDENTIAL CARE (includes medical supervision and on-site 24-hour supportive services; includes all meals, laundry, housekeeping, personal care services)

Pro: Less expensive than full-care nursing home.
Con: Expensive; subsidies needed to make it affordable; questionable whether Alaska -- with its small market -- can support a residential care facility.

Recommendations:

Possible loan guarantees; below-market land sale or lease of state land.

NURSING HOMES (full medical care under the supervision and direction of an attending physician for both ambulatory and nonambulatory seniors with special medical needs)

Pro: Allows seniors to remain in Alaska.

Con: Very expensive, especially in a small market; in some cases promote over-dependency with little effort to restore independent living.

Recommendations:

Information for seniors and potential developers.

To make senior housing discussions and debates easier to understand, we propose arranging housing options under three categories. Using the definitions provided above, we have prepared the following scale of housing options:

INDEPENDENT LIVING

Senior apartments

SEMI-INDEPENDENT CARE

Shared housing
Cooperative housing
ECHO homes
Group homes
Congregate (assisted) living
Adult family homes (foster care or board and care)

Residential care (includes residential wing at state Pioneers' Homes and residential beds at Mary Conrad Center in Anchorage.

DEPENDENT CARE

Nursing homes (includes private facilities, long-term care wings at hospitals, non-profits and nursing care wings at state Pioneers' Homes)

RECOMMENDATIONS

The effort to provide affordable housing for Alaska's senior citizens has benefitted from a decade of flowing oil dollars, just as have many other state programs. Tens of millions of dollars have paid for yards of concrete, tons of steel and gallons of paint to build hundreds of apartment units. Millions more have gone for increased supportive services, helping many seniors to stay in their own homes longer and with a higher degree of safety and comfort.

Mixing hindsight and foresight with the reality of lower oil prices, a former state housing official recently assessed the past and future of housing grant programs: "Total freeness of the money was good, but we're never going to get there again."

Although oil money no longer is strong enough to carry the load of multi-million dollar housing grant programs, the need for senior housing and services continues to increase. Alaska's senior population has grown by 66 percent since 1980, to more than 19,000 residents, according to the Department of Labor. It is one of the fastest growing age groups in the state. If the state's population continues to grow older as projected, Alaska's senior population could double soon after the year 2000.

It is the intent of this report to review those growing needs and offer suggestions. All of the recommendations in this report are offered in the context of the state's current financial situation.

Recommendation No. 1
State Senior Housing Office

The Older Alaskans Commission in 1985 issued a housing task force report in which its first substantive recommendation called for creation of a Senior Housing Office within the Department of Community and Regional Affairs. That recommendation was not funded by the legislature, but it remains essential if the state is to organize a cohesive response to the problems of senior housing. Therefore, we offer a similar recommendation again this year.

However, rather than limiting the new office to only senior housing issues, it also could be assigned the task of researching, promoting and coordinating housing for developmentally disabled, chronically mentally ill and homeless people. Housing problems faced by those groups are similar to the needs of seniors: affordability, security, accessibility and supportive services. State, federal and private funding sources also are similar, as are housing alternatives, including public housing projects and remodeling existing housing units for use as group homes.

On the federal level, the Senate Subcommittee on Housing and Urban Affairs has drafted a staff report recommending appointment of a Housing and Urban Development assistant secretary for supportive housing to represent the elderly, handicapped and homeless. A similar supportive housing office makes just as much sense on the state level as on the federal level. The Department of Community and Regional Affairs, because of its historic role in managing Alaska's community housing grants programs, is the logical place to open the new elderly, handicapped and homeless housing office.

The new office could provide information on building designs, remodeling plans and costs, state and federal grant and loan programs, private foundation funding

sources, state health and safety regulations and community and regional housing needs. The office could promote public education programs to increase the awareness of alternatives to large residential facilities. For example, generic building plans for remodeling existing homes could be offered to assist those people who have elderly relatives living at home. Financial information on home equity conversion and home sharing also could be handled by the office, helping seniors put their resources to the best use.

Many other states already operate such senior housing offices, and it's time Alaska caught on to a good idea. Other states with much larger populations and with much more private development still have found it necessary to operate senior housing offices for information, assistance and coordination. For example, the New York State Housing Agency and Office on Aging have a cooperative agreement designed to encourage private-sector involvement in senior housing. The state sends out teams into small towns to talk with developers, encourage and assist them, and actually help them fill out forms.

Demonstration grants to educate contractors in home remodeling for senior citizen needs would be a likely candidate for Alaska's new housing office. The need for home repairs and remodeling exists, and the state could help arrange a match between seniors and contractors. Making a home accessible to seniors and handicapped adults is not easy if you've never done the work before, and guidance and training seminars on the subject would benefit all concerned.

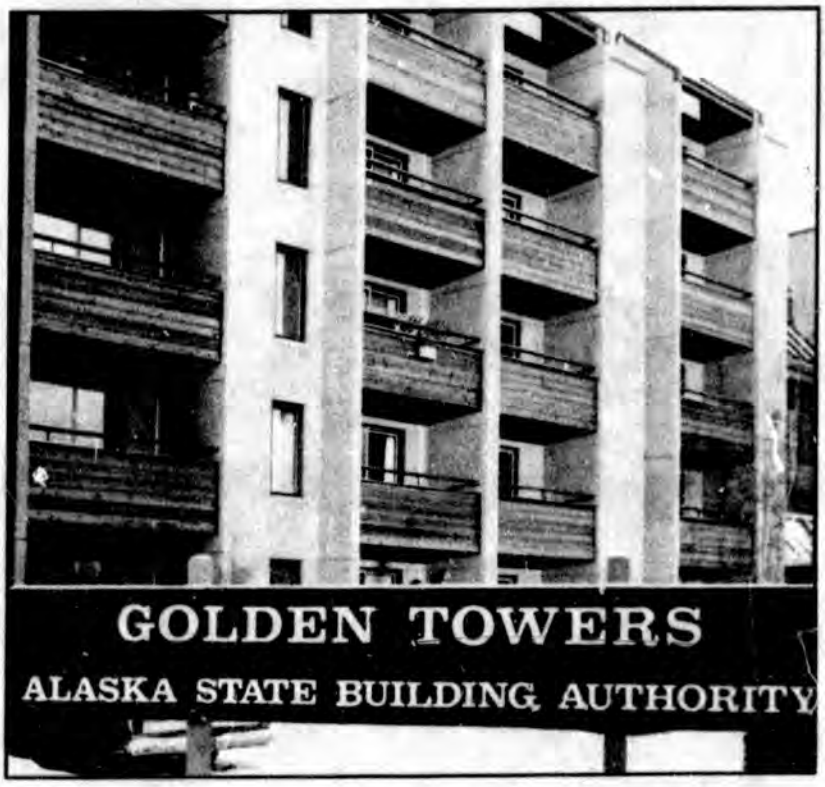
Another subject of interest to the housing office would be ECHO housing (Elder Cottage Housing Opportunity). ECHO housing proved to be a popular option among Alaska seniors, as reported by the housing survey taken for this report. ECHO homes are also known as granny flats, and are popular in Australia and Canada and are starting to appear in a few states.

Two senior housing bills were introduced during the 1989 legislative session. Senator Jim Duncan was the primary sponsor of SSSB150, which would establish a senior housing office and loan program in the Department of Community and Regional Affairs. It would also authorize issuance of bonds for senior housing. Representatives Fran Ulmer and Bill Hudson introduced HB 218 to extend the authority of Alaska Housing Finance Corporation to assist in the development of senior citizens' housing. Current versions of both bills are located in the Appendix of this report.

Recommendation No. 2
State Funding for Nenana and Palmer Senior Housing

With not enough state money available to fill every housing request, it is important to use what money is available to attract as many federal dollars as possible. Proposed senior citizen apartment projects for Nenana and Palmer are in line for federal funding, and state participation could enable both to proceed toward construction.

The Alaska State Housing Authority has been pursuing HUD funding for a new senior apartment project at Palmer. HUD appears willing to participate in the construction financing if the state will share in the cost. If HUD money is used for construction, then federal funds would be available for operating subsidies to hold rents down for low-income residents. If the legislature and the administration favor new senior apartment construction, then the 30-unit Palmer project would be a top choice for state aid because of the availability of HUD money for operating subsidies. There appears to be a strong argument that the project is needed. A June 1988 elderly housing needs study for the city of Palmer showed that 44 senior housing units could be used immediately. There is no state housing authority senior housing project in Palmer and the closest, in Wasilla, had 20 people on its waiting list this past fall.



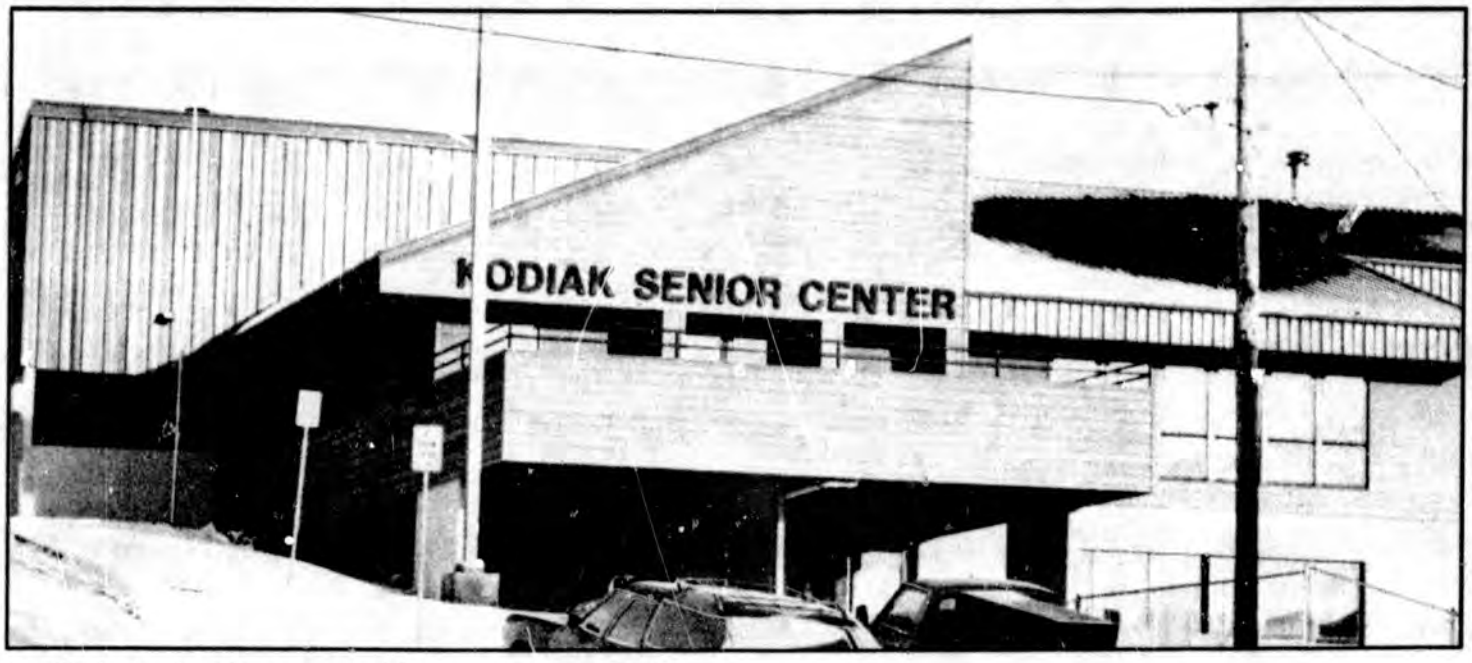
Golden Towers Independent Apartments, Fairbanks.

The Interior Regional Housing Authority is even further along in its project for Nenana than the state housing authority is for Palmer. HUD has reserved $1.383 million in construction funding for the Nenana senior apartments and also has approved an operating rental subsidy for the 15-unit project. However, the regional housing authority needs another $750,000 in construction money to proceed, and the agency has been looking toward Community and Regional Affairs for the money. There is no senior housing in Nenana, and the proposed project would help provide senior housing for residents of several rural communities in the area. Rather than risk losing almost $1.4 million in federal construction dollars and the rental subsidies for an under-served area of the state, the legislature and administration should consider the Interior Regional Housing Authority's request for state assistance.

Recommendation No. 3
Construction of Senior Cabins in Rural Areas

Small, rural communities don't have the population necessary to justify the expense of large apartment buildings, and such urban-style projects are not needed nor would they fit the lifestyle of villagers. In several bush communities, including Fort Yukon, Nulato, Ruby and Tanana, the local government maintains 1-bedroom cabins for elderly residents. Construction and maintenance costs are reasonable, allowing the cities to charge affordable rents, which is especially important in villages where incomes do not match those of urban areas. Because of the strong support offered elderly residents by other people in the villages and assistance from state-funded meal, homemaker and health aide programs, a well-built cabin often can be sufficient to accommodate seniors who want to stay in their village or region, rather than moving to urban residential facilities. Funding for such rural senior housing cabins would be money well spent.

Recommendation No. 4
State Support for At-Home and Independent-Living Supportive Services



Kodiak Senior Center provides supportive services.

Before discussing this recommendation, it is important to correct any misconception that may exist regarding senior apartments and supportive services: Building a subsidized senior apartment provides housing, but does not provide meals, transportation, homemaker or health aide services. These supportive services are separate from the housing. Legislators and others need to understand that seniors' needs are not solved by buildings alone.

Legislators and others also need to understand the issue of "aging in place." Seniors are living longer, with better medical care and new medicines. An elderly person may move in an apartment building as an independent

may move in an apartment building as an independent tenant, only to age in place and become increasingly disabled over the years. He or she often will not want to leave the apartment, even if necessary supportive services are not available at the building. This can cause serious medical risks for the tenant.

Similarly, many seniors outside the apartment would prefer to stay in their own homes as long as possible with independent apartments the next choice. Home repair and homemaker services, health aides, home delivered meals and other supportive services are the most effective and cost-efficient method of making that possible. Spending state money for at-home and community-based services is less expensive than building and providing operating subsidies for apartment buildings or residential care facilities. Supportive services often can make the difference between independent living and assisted living at a residential care facility, or even between independent living with supportive services and the intensive care of a nursing home.

There currently is very little state funding for senior citizen home repair -- less than 170 homes last year in only a few cities. Also, what money is available is used mostly for emergency and safety repairs, with no funds specifically earmarked for accessibility items. There are waiting lists for homemaker services across the state. Case management services, which match frail seniors with needed support services, are limited to just two communities.

Several senior service providers said they do not advertise their services because a shortage of funding prevents them from meeting the anticipated response -- why advertise if you can't deliver? For example, in the Northern region served out of Fairbanks, there are about 30 seniors on the waiting list for homemaker services. Officials expect many more would ask for a spot on the waiting list, but the program is not heavily publicized because funding already falls short of demand.

Home modification is another area that warrants more attention -- actually, any attention. There is no current state plan or assistance program dealing with home modification. Simple items, such as grab bars in the bathroom, lever handles instead of door knobs, access ramps instead of stairs, wider doorways, handrails and other improvements would allow many seniors to remain in their own homes longer -- and with a higher degree of comfort and safety. Unfortunately, when an elderly person breaks a leg or a collarbone, the injury often leads to a permanent loss of independence and permanent assignment to an assisted or intensive care facility. In addition to providing specific information on remodeling costs and specifications, the state should consider increasing senior citizen home repair funding through grants to non-profit community organizations. The groups then could promote renovation work by providing technical assistance and at-home planning visits for seniors. Weatherization, seniorization, Type A Homes (A for accessible) all could become the work orders of the Senior Housing Office.

The Governor's Office of Management and Budget in April 1988 reported on the escalating cost of Pioneers' Homes and stressed the importance of at-home services as an alternative to the high cost of long-term care. The OMB report stated, "Continued development of these programs can be expected to relieve some of the upward pressure on the costs of institutional long-term care by offering alternatives which can defer and sometimes remove the need for institutional commitment."

If the legislature and Governor view at-home services as an important part of the state's response to senior housing, the following support services should receive consideration for ongoing, moderate budget increases. First, to create a statewide system of community care, and second to keep up with the growth of the senior population.

- Home repair, accessibility and safety, remodeling and weatherization
- Homemaker and chore services
- Health aide services
- Case management
- Home-delivered meals

Recommendation No. 5
State Support for Adult Family Care, Day Care, Respite Care, Group Homes and Family-Living Care

Adult family care (foster care) homes can fill an important need between independent living and residential care facilities. Their cost is reasonable and affordable for many, especially when compared to residential care facilities. The security and emotional support they offer are essential for quality senior housing, and when combined with an affordable rate they offer an attractive option for many seniors willing to pay for housing that includes at-home supportive care.

Although there are very few adult family care operators in Alaska, there is a need for many more homes. However, operators and many state officials who oversee the homes say little increase is expected unless the state helps with increased funding for adult day care and respite care. Day care and respite care also would provide needed relief for those families who care for elderly relatives in their homes. Current state funding from the Older Alaskans Commission provides respite care for only a few dozen seniors and day care for about two hundred clients.

home or relatives' house and receive meals and participate in activities at a central location. It also provides essential relief for family care home operators, who otherwise would have to provide 24-hour care. Much of a home's operating budget can be spent on day care services, to allow the resident manager a break and to provide activities for residents. By providing day care, the state is helping to promote adult family care while avoiding the full cost of subsidized housing or the more intensive and expensive care at the institutional level.



Crafts and skills are part of planned programs. Mountain View Senior Center, Juneau.

Respite care provides occasional in-home assistance for family care providers and family members who care for elderly relatives. Without respite care (relief workers), or respite care providers with their own facilities, family home operators and family members face a future of no days off, no time for a personal life, no vacations, or the heavy burden of hiring expensive personal care attendants. A state social services worker explains: "Without respite help, it's an impossible job. You pretty much need to be there 24 hours a day."

Another area of state assistance could be in amending senior group home regulations. Current regulations state that any group-living home of six or more seniors must meet licensing codes of an adult residential facility, which are more expensive for staff, facilities and construction than are required of a family care home. Senior housing of five or fewer residents is considered a foster (family care) home. The Division of Family and Youth Services, in cooperation with the state fire marshal and state sanitarian's office, is revising the regulations to establish a new category of adult homes for 6 to 12 people. The requirements for these small homes would be less expensive than currently required of similar facilities. The goal is to encourage more foster homes and small group homes in neighborhoods and to make them more economically feasible as alternatives to large-scale, expensive residential care facilities.

Flexibility in services should be considered as part of the regulatory review. For example, adult family care providers could be allowed flexibility to provide doctor-supervised, nursing services on an individual client basis. This would allow seniors to stay at the home, instead of moving to expensive nursing care facilities.

The Division of Family and Youth services reports it could take up to two years to adopt the new regulations -- any additional funding that could be devoted to accelerate the project would help in the promotion of more small group homes to meet immediate senior housing needs.

Also, a significant increase in family care homes and group living homes would require a corresponding increase in Family and Youth Services staff to license and supervise the homes. In addition to ensuring the safety of seniors, the staff could be used to assist people interested in setting up such senior homes. In Idaho, for example, state licensing staff assist with on-site reviews of buildings to help determine their suitability, operating costs and remodeling needs as a potential senior group home.

Recommendation No. 6
Increased Payments for Adult Family Care

There are not big profits to be made in the adult family care business in Alaska, but people should at least earn a fair wage for their dedication and hard work. Family care (foster care) operators provide housing, supervision and personal care for seniors in a family-style environment of five or fewer adults. Because there are very few seniors who pay for their own care, the state is the largest consumer in the market and sets the price structure. The Division of Family and Youth Services pays about $26 a day for adult foster care, which providers say is not enough. A Southeast operator says it costs her $40 a day per person for housing costs, heat and utilities, insurance, food, taxes, maintenance, household items and other expenses. She charges her private-pay residents $40 a day, but collects only $26.07 from the state for seniors placed in her home by the Division of Family and Youth Services. A recent national investigation into adult family care (also known as board and care) homes by the American Association of Retired Persons found inadequate payments levels to be a serious problem. The AARP report said:

"Although adequate levels of reimbursement cannot guarantee quality care, it is probably one of the most potent strategies to upgrade board and care facilities and attract new quality operators. The rate of reimbursement for some board and care programs makes compliance with

new quality operators. The rate of reimbursement for some board and care programs makes compliance with state standards almost impossible. In fact, mandating physical plant, service and staff requirements without adequate reimbursement can do more harm than good. For example, low reimbursement forces operators to hire inadequate staff, and possibly encourages inappropriate placement in nursing homes when residents' needs for care increase."

One money problem is federal, not state. Although income from state-paid child foster care is tax-exempt, adult foster care income is fully subject to federal income tax and Social Security self-employment tax, which add heavily to the cost of running a home. Since there is little Alaska can do to change federal tax law -- except lobby its congressional delegation and hope for a long-term answer -- the state should do what it can to help in the short term.

That would be a reasonable increase in the daily rate paid by the state to help make adult family care more attractive to prospective home operators. An increase in the number of homes -- which currently number only 20 or so statewide -- would make the housing option more available to seniors. This would lessen the strain on independent senior housing which cannot provide the personal services of a home and increase the option for those seniors who don't need the expensive care of a nursing home.

Recommendation No. 7
Loans or Loan Guarantee Program for Adult Family Care and Group Homes

Business loans for building usually are much harder to get than simple home loans, and financial institutions consider family care homes and other group-living arrangements to be businesses. Lenders look at cash flow projections, occupancy factors, market conditions, operator experience, maintenance costs, replacement reserves and other factors in deciding on business loans, and it is very difficult for a non-profit group or home operator to satisfy such commercial loan criteria. In addition to financing the purchase of a building for group living, borrowers often must find money for major remodeling, particularly to make the home safe and accessible for a group of elderly residents.

It is in the state's best interest to assist in the development of family care homes and other group-living homes in any way that is feasible and affordable, since a major alternative to such housing is more state money for Pioneers' Homes or Medicaid-supported nursing care. As the AARP investigation reported, lack of quality adult family care homes may prompt unnecessary placement of some seniors in nursing homes. Medicaid pays for most seniors in nursing homes, and the state pays half the cost of Medicaid.

Creation of a revolving loan fund or loan guarantee program would be one way in which the state could help family care homes and other providers meet the heavy up-front costs of purchasing and remodeling their housing. Loan guarantees would be a good place to start. They do not require as heavy a cash appropriation as direct loans from the state treasury, yet they provide significant protection for lenders that would result in greater accessibility to financing for senior housing. A simple jump-start provided by a loan guarantee might be enough for several small, non-profit senior housing projects and private family care operators to get moving. This would be particularly helpful in smaller communities where a large public housing project is not feasible.

The 1988 legislature appropriated money for pilot projects to determine the feasibility of converting foreclosed housing for use by the mentally ill and developmentally disabled. Based on the success of those projects, and if money is available, the legislature should consider extending that pilot-project funding to non-profit senior group homes. As this is a relatively new housing option in Alaska -- unknown to many seniors -- a small state investment could help lead the way for private operators and non-profit groups to follow in opening such homes.

Recommendation No. 8
State Assistance for Middle-Income and Residential Care Projects

Although there are a lot of independent-living housing units limited to low-income seniors, there are not many projects on the market available for middle-income residents. Most senior projects are financed at least in part with HUD or Farmers Home Administration money, and both federal agencies set strict income limits on public housing tenants. For example, the HUD low-income limit for a senior citizen is $24,150 a year in Alaska; the limit for very low-income housing is $15,100 to $21,750 (depending on the area of the state). Federally subsidized Section 8 housing, which allows people to choose their rental housing on the open market, is reserved for the very low-income, as are the more recent public housing projects including many of the Alaska State Housing Authority's senior apartments. There are many seniors who earn too much from retirement, savings, the Alaska Longevity Bonus and other sources to qualify for public housing, and although they may find housing on the private market it

often does not meet their needs for security, accessibility, location and supportive services.

No one is aggressively pursuing the middle-income senior housing market, and that creates a problem for those seniors who desire such housing. Alaska is a small market by national standards and private developers are hesitant to build an unsubsidized middle-income project here -- large enough to be profitable for the developer yet small enough to fit Alaska's limited demand. There also is the possibility that if an unsubsidized residential facility for middle-income seniors were constructed, the market-value rents might be too high for some seniors on a marginal middle income.

State involvement in the form of increased community-based supportive services, such as meals, homemakers and health aides, would lessen some of the financial strain and other pressures on seniors. It would allow them to devote more of their money to paying full rent at a private developer's project and make it easier for them to live at an independent housing project. Cooperating with private developers by helping them to secure financing and attempting to locate middle-income projects near low-income senior housing and senior citizen meal and activity centers would be another positive step for the state to take.

Another option could be for the Alaska State Housing Authority to consider selling bonds to help finance middle-income projects operated by regional housing authorities and non-profit organizations. Bond financing would give non-profits an affordable route for financing their projects, with rental receipts used to repay the debt at no cost to the state.

Private developers who don't meet the public housing criteria of the state building authority could be served with bond sale financing by the Alaska Industrial Development and Export Authority -- if the legislature wanted to give the agency authority to help finance middle-income housing. AIDEA currently is limited to financing commercial operations, but its statutory mandate could be amended to include bond financing for developers wanting to make a profit on middle-income housing. Similar public incentives have been used in many states where the senior population is much larger and tempting to private developers. Bond financing has been used from Oregon to New Jersey, and many more states in between.

Another area of possible state assistance would be to aid developers in search of HUD financing. HUD loan guarantees are available for private developers looking to finance middle-income projects and the state could help by offering the services of the proposed senior housing specialist at Community and Regional Affairs to assist developers in obtaining HUD approval of their applications. Similar loan guarantees from the state to fill those financing needs not covered by HUD would be another option for state assistance of middle-income housing developers.

Many of the middle-income housing problems also apply to the lack of residential care (assisted living) housing available in Alaska. Those seniors who no longer can live independently, yet do not need the extensive care of a nursing home, might choose residential care if it were available at affordable rates. Rather than operating rental subsidy programs, a more appropriate state assistance would be loan or loan guarantee programs to help secure financing and lessen the debt service for a private developer or non-profit operator of a residential care facility.

As discussed earlier, smaller residential programs such as family care homes are an alternative, particularly in rural communities too small to require a large complex.

Recommendation No. 9
State Land for Independent and Semi-Independent (Assisted) Housing

Alaska law allows the state to sell or lease its lands at below-market prices to local governments and non-profit organizations for public uses. Because of the public purpose served by the increased availability of affordable senior housing, and because of the high cost of land in developing a housing project, the administration could consider below-market sales or leases of state land to communities and non-profits for senior housing projects. This could be used particularly to encourage the development of semi-independent (residential care or assisted living) senior housing, offering a middle ground between independent apartments and dependent care.

A further financial step would be for the state to finance or share in the cost of utilities and roads at housing developments. Again, this would help reduce a project's initial cost while limiting the state's financial participation to up-front expenses instead of continual operating subsidies.

Recommendation No. 10
Increased AHFC Financing of Remodeling Costs for Foreclosed Units

The Alaska Housing Finance Corporation, which holds more foreclosed housing units than anyone in the state, is the most likely office to sell large single-family houses, duplexes, triplexes, zero-lot lines and other homes for conversion to senior citizen group-living homes. All of the housing units need some repair or remodeling work to make them accessible for seniors and to meet the bedroom and common living area needs of a group home. AHFC is willing to contract for and finance housing repairs as part of the purchase price of foreclosed units, and that certainly can make it easier for an adult family care operator or non-profit organization to buy and operate a group home.

Under the system, a buyer may make an offer to AHFC based on the repair/remodel work being paid for by AHFC and included in the overall purchase price. This allows the buyer to pay back the costs at the same long-term rates as the mortgage, instead of having to take out a separate loan for the repair/remodel expenses at higher rates and with heavy, short-term payments. The expense of repairing and/or remodeling homes often is cited as a severe financial handicap for family care home and group home operators.

Active promotion of AHFC's repair/remodel financing option to prospective home operators and non-profit organizations could be combined with an administrative policy of encouraging such a financing option and accepting purchase offers whenever reasonable. Moving unused properties into the senior housing market this way could help reduce the inventory of foreclosed properties while also helping encourage the expansion of small senior housing projects.

PUBLIC COMMENTS

Recommendation #1: State Senior Housing Office

The housing study needs a contingency plan in case only a few recommendations can be funded. The contingency should include recommendation numbers 3, 4, 7, 8, and 10.

— James Fisher, lobbyist for the Association of Older Alaskans Program, Juneau.

I surely agree with the housing office idea. I see that technical assistance could be a big help.

— Judy Christianson. Adult Foster Care provider, Sitka.

I agree with the recommendation concerning the establishment of a State Housing Office. (I would not use the term "Senior" if the intention is that this agency address the housing needs of other populations including the chronically mentally ill and the developmentally disabled.) A professionally staffed office could be very valuable in assisting communities and individuals with information about housing options for these populations.

— Dennis Murray, Director of Heritage Place, Soldotna

The Senior Housing Office should go to DHSS, not CRA. As reported, only 3-7% of the seniors surveyed complained about their housing. The State should focus on helping them, not the 93-97% who are satisfied. The State should concentrate on the really needy.

— Carol Maser, Anchorage.

The most important recommendation is the one about the Office of Senior Housing.

— Leo Kaye, President of Mat-Su Senior Commission, Wasilla.

Broaden the Office of Senior Housing into a Department of Housing.

— Howard Bess, Alaska Housing Ministries, Anchorage.

Recommendation #2: Fund Nenana and Palmer Senior Housing

The Kenai proposed congregate housing project should be included in the OAC report. The building cost to the State would be about $6.5 million. Rents would range from $300-$525 without any income limitations. Kenai is donating land, sewer, and water hook-ups.

I believe a senior housing project in Kenai could and would fill a need which truly exists. I believe the proposed costs of the project are extremely inflated and that the City of Kenai taxpayers would ultimately pay virtually all operational costs under the proposed rent schedule. There are alternative senior citizen housing projects available that Kenai could construct and operate at a much more reasonable cost.

— Mavis Blazy, owner, Laurawood Arms, Soldotna.

No more grant money for senior housing. Draw the line now. Don't even give money to Palmer and Nenana. Where there is grant money and no pay back, there is no good money management.

— Howard Bess, Alaska Housing Ministries.

Recommendation #4: Support for At-Home and Independent Living Services

If State dollars are going anywhere, put them into senior centers for at home and independent living seniors. Senior centers are good focal points where people help people.

— Anchorage resident concerned about senior programs.

Recommendation #5: Support Community Services: Day Care, Respite Care, Adult Family Care, Group Homes

This is a good recommendation, but the (DFYS) regulations need to be changed on adult group homes.

— Anchorage citizen.

I surely agree that the DHSS (group home) regulations need work, are in many ways silly.

— Adult Foster Care provider.

Recommendation #6: Increased Payments for Adult Family (Foster) Care

Should we not think some about ways to do foster care more cheaply, keep the costs down. I don't know if we can get down to the DFYS amount, though. Some ideas that come to mind: let us have food stamps for clients; let us have surplus food as used in lunch and school programs; let us have home health aide time for respite for manager.

— Senior service provider concerned about Adult Foster Care.

Adult care payments - how can foster care homes stay in business? The State should pay the (true) cost of care, the same as required by private pay clients.

— Concerned citizen in Anchorage.

Recommendation #6 refers primarily to increasing the reimbursement for Adult Family Care. That is important, but equally important is the need for the Division of Family and Youth Services to prioritize this service within the agency.

— Administrator of a long-term care facility.

I surely agree that the (official) name for the kind of care we try to give here is a bad one. I just can't bring myself to use it. I have a handicapped fisherman with me here and heard him call the new place a "flophouse." Seemed to me as good a name as I've come across!

— Judy Christianson, Adult Foster Care provider, Sitka.

Recommendation #7: Loans for Adult Family (Foster) and Group Homes

Loan guarantees are a good way to deal with housing for middle income seniors.

— Anchorage realtor.

Loan guarantees would be especially helpful in developing senior housing if they worked in conjunction with HUD 202 program 106(b) for planning loans for nonprofits to thoroughly develop plans. HUD 202 only allots Alaska units 6 or 7 a year. Those could accumulate a few years' worth. It hasn't been pursued in Alaska, but more aggressive states get unused HUD 202 allocations from other states. Alaska's Congressional delegation could help.

— Howard Bess, Alaska Housing Ministries, Anchorage.

Recommendation #8: State Assist Middle-Income and Residential Care Projects

If there is a demand in the private section for middle income housing, the private sector would answer it. The State can't be all things to all people. Middle income seniors have to be responsible for their own futures.

— Anchorage realtor.

Middle income people fall between the cracks on senior housing projects.

— Lurene McGee, Wrangell.

An unfinished hotel in downtown Fairbanks could be purchased by the State and would make a good nursing home or middle income housing project. The $1.2 million of unused Angoon money could be used to purchase that hotel.

— A Fairbanks senior citizen.

The Mary Conrad Center fully supports the Commission's recommendations and hopes that you place special emphasis on Residential Level II services. Residential II services are clearly defined and directed at a specific group of seniors--many who in years past could only rely on Intermediate Care Facility (ICF) services to meet their needs.

— Bob Ogden, Administrator of the Mary Conrad Center.

Recommendation #9: State Land for Senior Housing

Location is paramount to senior housing land donations. Most senior housing should be privatized, built by for-profit entrepreneurs with incentives and loan guarantees from the State. Across the country there is a lot of fine senior housing that's owner/senior occupied.

— Howard Bess, Alaska Housing Ministries.

Recommendation #10: AHFC Financing of Remodeling for Foreclosed Units

Recommendation #10 doesn't go far enough. The State should make properties available to nonprofits for senior housing through grants or reduced costs. $26-$30/day is an unreasonable cost for housing and supportive services. The cost should be graduated based on need for service and ability to pay. But the cost will not be cheap. In Portland, costs for housing with services begins at $1,500 per month. This includes the building cost.

If the State wishes to encourage potential providers to establish adult family care and residential care facilities, the State must be willing to either provide the facilities at no cost or at a greatly reduced cost. The current financing for these services are simply insufficient to attract interest on the part of providers without significant incentives. Loans are not enough unless there is forgiveness of interest and a portion of the principle based on length of service, etc.

— Dennis Murray, Manager of Heritage House, Soldotna.

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

There are more than 1,400 senior apartments in Alaska, most of them in large apartment buildings in Anchorage, Juneau and Fairbanks, with hundreds more spread throughout the state from Barrow to Ketchikan. All of the senior apartments listed in this report are subsidized, either by state construction grants, federal loans and/or federal rental subsidies. All are operated by the state housing authority or regional, Indian or community non-profit housing agencies, or private developers receiving federal Housing and Urban Development subsidies for their low-income tenants. A few rural communities offer subsidized cabins for their elderly residents.

Rents at most of the apartments are set at 30 percent of a tenant's adjusted gross income, according to federal low-income rent guidelines. That limit applies to those apartments built with federal funding -- either HUD or Farmers Home Administration -- and the subsidies make up the difference between rental receipts and actual expenses. Under federal rules, applicants who earn in excess of the low-income guidelines are denied residency at the projects. This is a problem for many middle-income seniors.

Several of the apartment projects were built with state grant funds, and therefore have no debts to repay and are able to charge low rent without any regard to federal rules or tenants' income. Seniors appear to prefer this housing because of its lack of an income limit, but falling oil revenues make it unlikely the state will be able to afford such multi-million dollar cash projects in the near future -- if ever again.

People who read this report should remember that supportive services, such as meals, transportation services, homemakers and health aides do not come with senior apartments. These are independent living apartments; services cost extra and must be independently obtained by each resident and brought to the building. That extra money must come either from the seniors themselves, or from state and federal programs designed to help seniors live on their own as long as possible. Without community-based supportive services for independent living, the option is increased government funding -- through Medicaid and Pioneers' Homes -- for expensive residential and skilled nursing care. Remember, too, that most senior apartment buildings do not even have night-shift managers or security guards, dining halls or health clinic rooms for visiting doctors and nurses.



Mary Conrad Center provides Residential and Intermediate Care in Anchorage.

The information in the following tables lists the name, owner/operator and the size of each senior housing project. Information on rents and waiting lists also are provided. The tables also tell whether a resident manager lives at the project and whether a senior citizens' activities center is located on site. The waiting list information was current as of October 1988, and all information was gathered from a survey of the apartment owners/managers.

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

CITY	PROJECT NAME OWNER/OPERATOR	UNITS/TYPE(S)	RESIDENT MANAGER	WAITING LIST	SENIOR CENTER	RENT
Anchorage	Chugach Manor, Alaska State Housing Authority	120 1-bdrs.	No	Yes; 3-6 months	Across street	30% adj. income
Anchorage	Chugach View, Alaska State Housing Authority	120 1-bdrs.	No	Yes; 3-6 months	Across street	30% adj. income
Anchorage	Fairmount, Alaska State Housing Authority	36 1-bdrs. and 8 efficiencies in five buildings	No	Yes; 10 people	No	30% adj. income
Anchorage	Mary Conrad Center, owned by Cook Inlet Housing Authority and operated by Sisters of Providence	30 residential, 60 intermediate care beds (nursing care)	24-hour staff	Residential rooms are full; empty beds in nursing care units	No	Approx. $1,200/month in residential care; $7,800-$8,250/month for nursing care
Anchorage	Robert Rude Center, Cook Inlet Housing Authority	90 1-bdrs. and 18 2-bdrs.	No	Yes; 1-6 months	No	30% adj. income
Barrow	Senior Residential Center operated by North Slope Borough	37 1-bdrs	No	No; about one-third full	Yes	$200/month single, $350/month couple (borough subsidized)
Bethel	Ayalpik Apartments, Association of Village Council Presidents	24 1-bdrs.	Yes	Yes; 6-12 months	Next door	30% adj. income
Chugiak	Chugiak Senior Citizens Center Chugiak Senior Citizens Inc.	39 1-bdrs., 4 efficiencies	Yes	Yes; 118 people, up to two years	Yes	$250/month 1-bdr., $225 for efficiency (built without debt, using state grant)
Copper River	Wrangell View Manor, Copper River Basin Regional Housing Authority	5 of 12 apts. reserved for seniors	No	No; 1 vacancy	No	30% adj. income
Cordova	Sunset View, Alaska State Housing Authority	22 1-bdrs.	No	Yes; 6-7 months	No	30% adj. income
Craig	Senior Housing, Tlingit-Haida Housing Authority	9 1-bdrs.	Yes	Yes; short list	No	30% adj. income
Dillingham	Herman Schroeder Senior Apts., Bristol Bay Housing Authority	15 1-bdrs.	No	No; vacancies	Yes	30% adj. income

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

CITY	PROJECT NAME OWNER/OPERATOR	UNITS/TYPE(S)	RESIDENT MANAGER	WAITING LIST	SENIOR CENTER	RENT
Eagle River	Wood River Park, Alaska Housing Ministries	18 of 62 units reserved for seniors	Yes	No	No	$450/month 1-bdr., $495/month 2-bdrs.
Fairbanks	Golden Ages, Alaska State Housing Authority	20 1-bdrs.	No	Yes; 6-12 months	No	30% adj. income
Fairbanks	Golden Towers, Alaska State Housing Authority	96 1-bdrs.	No	Yes; 3-6 months	No	30% adj. income
Fairbanks	Southall Manor, Alaska State Housing Authority	40 1-bdrs.	No	Yes; 6-18 months	No	30% adj. income
Fort Yukon	Elderly Housing, City of Fort Yukon	4 1-bdr. cabins (subsidized by city)	No	Yes; up to a year	No	$25/month
Gulkana	Sanford View Manor, Copper River Basin Regional Housing Authority	6 1-bdrs. (2 other units for non-seniors)	No	No; vacancies	No	30% adj. income
Haines	Senior Housing, Tlingit-Haida Housing Authority	12 1-bdrs.	Yes	Yes	No	30% adj. income
Homer	Kachemak Bay Senior Housing Homer Senior Citizens Inc.	16 1-bdrs., 8 2-bdrs.	Yes	Yes; 2-3 years	Across street	$258/month 1-bdr., $323/month 2-bdr. (built without debt)
Hoonah	Senior Housing, Tlingit-Haida Housing Authority	12 1-bdrs.	Yes	Yes	No	30% adj. income
Hydaburg	Senior Housing, Tlingit-Haida Housing Authority	12 1-bdrs.	Yes	No	No	30% adj. income
Juneau	Mountain View Apartments, Alaska State Housing Authority	62 1-bdrs.	No	Yes; 6-8 months	Yes	30% adj. income
Juneau	Gastineau Apartments, Gastineau Limited Partnership	25 1-bdrs.,	Yes	No; 90% capacity	No	30% adj. income
Kake	Senior Housing, Tlingit-Haida Housing Authority	12 1-bdrs.	Yes	No; vacancies	Yes	30% adj. income

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

CITY	PROJECT NAME OWNER/OPERATOR	UNITS/TYPE(S)	RESIDENT MANAGER	WAITING LIST	SENIOR CENTER	RENT
Kenai	Chuda House, Cook Inlet Housing Authority	21 1-bdrs., 3 2-bdrs.	Yes	Yes; 6-12 months	No	30% adj. income
Kenai	Woodridge, Woodridge Associates (limited partnership)	16 1-bdrs., 8 2-bdrs.	Yes	Yes; 1-2 months	No	30% adj. income
Ketchikan	Seaview Terrace, Alaska State Housing Authority	50 1-bdrs.	No	No; vacancies	No	30% adj. income
Klawock	Senior Housing, Tlingit-Haida Housing Authority	10 1-bdrs.	Yes	No; vacancies	Yes	30% adj. income
Kodiak	Bayview Terrace Apartments, Sunset Development of Kodiak (private partnership)	55 1-bdrs. street	Yes	Yes; 6-12 months	Across	30% adj. income
Kotzebue	Senior Citizens Cultural Center, state owned, leased to Maniilaq and operated with state grant	23 shared rooms (doubles and triples)	Yes (subsidized by (state grant)	Yes; 5 people	Yes	$250/month
Metlakatla	Senior Citizens Complex, Metlakatla Housing Authority	25 1-bdrs.	Yes	No; 40% capacity	No	30% adj. income
Ninilchik	Ninilchik Elderly Housing Center, Cook Inlet Housing Authority	9 1-bdrs., 1 2-bdr.	Yes	No; 40% capacity	No	30% adj. income
Nome	Senior Apartments, Bering Strait Housing Authority	15 1-bdrs., 4 2-bdrs.	Yes	Yes; 8-9 people (could be years)	No	30% adj. income
Nulato	Senior Homes, City of Nulato (subsidized by city)	4 1-bdr. cabins	No	No	No	$15 to $44/month
Petersburg	Mountain View Manor, City of Petersburg	23 1-bdrs.	Yes	Yes; 5 people	Yes	30% adj. income
Ruby	Log cabins, City of Ruby (subsidized by city)	2 1-bdr. cabins	No	No	No	Free
Saint Paul	John W. Misikin Senior Center, Aleutian Housing Authority	12 1-bdrs., 2 2-bdrs.	Yes	No; 5 vacancies	No	30% adj. income
Saxman	Senior Housing, Tlingit-Haida Housing Authority	12 1-bdrs.	Yes	Yes	No	30% adj. income

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

CITY	PROJECT NAME OWNER/OPERATOR	UNITS/TYPE(S)	RESIDENT MANAGER	WAITING LIST	SENIOR CENTER	RENT
Seldovia	Lakeside Terrace, Cook Inlet Housing Authority	15 1-bdrs., 3 2-bdrs.	Yes	No; 5 vacancies	No	30% adj. income
Seward	Glacier View, Alaska State Housing Authority	30 1-bdrs.	No	Yes; 4 people	No	30% adj. income
Sitka	Swan Lake Terrace, Alaska State Housing Authority	20 1-bdrs.	No	Yes; no openings in two years	Next door	30% adj. income
Sitka	Monastery Street Apartments, transferred from HUD to Alaska State Housing Authority	24 1-bdrs.	No	Yes; 5 people	Next door	30% adj. income
Soldotna	Laurawood Arms private ownership	22 1-bdrs. in 5 buildings	Yes	Yes; 2 people	No	30% adj. income
Tanana	Tanana Elders Residence, owned by Indian Health Service, leased to tribal council, leased singles, to City of Tanana for operation	16 in shared rooms, with 6 5 doubles	Yes	No	Yes	45% of disposable income to maximum of $540 a month
Tanana	Elders Cabins, City of Tanana (subsidized by city)	2 1-room cabins	No	No	No	$50 a month
Valdez	Senior Citizens Housing Facility, owned by city, operated by Valdez Senior Citizens Center Inc.	15 1-bdrs.	No	Yes; 35 people	Yes	$350 a month (built without debt)
Wasilla	Williwa Manor, Alaska State Housing Authority	32 1-bdrs., in 7 buildings	No	Yes; 20 people	Next door	30% adj. income
Wrangell	Senior Apartments, Wrangell Senior Citizens Inc.	23 1-bdrs.	Yes	Yes	No	30% adj. income
Yakutat	Senior Housing, Tlingit-Haida Central Council	6 1-bdrs.	No	Yes	No	30% adj. income

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

SPECIAL NOTES ON INDIVIDUAL PROJECTS		
Anchorage	Mary Conrad Center	What started as an experiment in HUD-subsidized residential care mixed with nursing care beds has faced serious enough financial problems to force the owners to apply to the state for permission to convert the 30 residential beds to nursing care. This would significantly boost the facility's revenue. Because of its HUD financing, the residents must meet low-income guidelines which, the operators report, has resulted in some applicants being turned away. Several private-pay persons applied and were willing to pay the $1,200 monthly rent, but were turned away by the HUD rules. Most of the tenants on the residential side are placed there by the state, as self-neglect or abuse cases, resulting in much of the facility's residential income coming from the Division of Family and Youth Services. Other unique aspects of the facility are its restaurant-style dining room and its extensive array of on-site support services, such as physical therapy and case management.
Barrow	Senior Residential Center	Subsidized rent includes homemaker and laundry services. The 60-year-old age limit is younger than most projects. The borough has had trouble attracting seniors to the project. One reason cited is the prohibition on children or grandchildren living at the project with the senior citizen, since many seniors live with relatives and would prefer to continue. The borough is planning a 12- to 14-bed skilled care center adjoining the senior apartments.
Chugiak	Chugiak Senior Citizens Center	Meals available on-site at extra cost. Chugiak also stands apart from other independent-living apartments in its strong use of residents as volunteer workers at the project. The non-profit that operates the center proposes the addition of a 20-bed special needs unit for those seniors who require personal care and some attention in their daily living.
Copper River	Wrangell View Manor	Seniors share the building with low-income, non-senior tenants.
Dillingham	Herman Schroeder Senior Apts.	Although seniors are allowed to have one person live with them at the apartment, the housing authority has had trouble filling the project (the senior's roommate may be a family member or a friend).
Eagle River	Wood River Park	Seniors share the building with low-income, non-senior tenants; two of the buildings are reserved for seniors. A small room and kitchen are set aside for use as a small senior activity center. Rents are set at fair market values, but many tenants qualify for federal Section 8 vouchers that allow them to pick their own rental housing and then receive HUD subsidies to cover the difference between their income and the full rent. The project was financed with a mix of state grants and private loans, with HUD mortgage insurance to cover the debt.
Fort Yukon	Elderly Housing	Homes are well-insulated log cabins. Seniors are allowed to have a family member share the cabin. Tenants pay all utilities, and their $25 a month rent goes toward the city's maintenance expenses. The city wants to build four more units, but has no money.
Homer	Kachemak Bay Senior Housing	The non-profit community group received a 1984 state grant for land acquisition and planning for expansion, but has been unable to secure state funding for construction. Plans call for a 24-unit addition for residential care.

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

SPECIAL NOTES ON INDIVIDUAL PROJECTS		
Kotzebue	Senior Citizens Cultural Center	A state-funded, 9-bed skilled nursing care addition opened in March 1989. Limited medical services already are provided to residents. The on-site senior center serves native foods and allows residents to stay at the center during winter months and then return to their villages in the summer.
Ninilchik	Ninilchik Elderly Housing Center	Because of long-term vacancies, HUD has approved non-seniors to rent apartments (limited to single persons).
Nome	Senior Apartments	Security problems led the regional housing authority to hire a live-in manager for the apartments.
Nulato	Senior Homes	Residents are allowed to move back to their village homes during the summer. The city used grant funds to build the units and subsidizes repairs/maintenance.
Saint Paul	John W. Misikin Senior Center	The housing authority is seeking HUD approval to lower the eligibility age to 45 years old in order to attract more tenants to fill the apartment project.
Seldovia	Lakeside Terrace	Because of long-term vacancies, HUD has approved non-seniors to rent apartments (limited to single persons).
Tanana	Elders Residence	Full-time or seasonal housing is offered, allowing tenants to return to their village homes in the summer. Some laundry and housekeeping help provided, and family-style meals provided with rent (some units have limited cooking facilities). Senior center is located on-site, and an adjacent health clinic provides medical services for residents. Resident advisor provided by two employees working 24-hour shifts (4 days on, 4 days off). Nighttime security guard used when needed.
Tanana	Elders Cabins	No water in units, and tenants must cut their own firewood.
Yakutat	Senior Apartments	Health clinic located in same building.

NURSING HOMES AND PIONEERS' HOMES

There are 14 facilities offering skilled nursing care in Alaska, with 712 licensed beds. That includes nursing homes and long-term care wings at several hospitals. State Pioneers' Homes offer another 960 beds, with slightly more than half in residential care and the rest in nursing care wings.

As of September 1988, there were 239 seniors on the waiting lists for Pioneers' Home admission, with two-thirds waiting for a nursing bed to become available. Although many private nursing homes have beds available, the state-subsidized Pioneers' Homes are more attractive to many seniors. The state charges seniors $525 a month for nursing care at the Pioneers' Home, regardless of income, although it costs more than $4,000 a month to provide the service. Seniors in residential care rooms are charged $425; it costs the state more than $1,200 a month.

The Governor's Interim Commission on Health Care has recommended an increase in the rates charged Pioneers' Home residents; however, the Older Alaskans Commission is not taking a position on this issue.

HOME AND COMMUNITY-BASED SENIOR SERVICES

Supportive services are the most essential part of the state's response to senior citizen housing needs. The services reach persons who live in their own homes, in senior apartments and at other residential facilities, and are designed to assist seniors to maintain independent or semi-independent living for as long as possible. Despite a sizable commitment of state and federal dollars to senior services, severe gaps remain -- some communities have no services, others cannot meet all the demands of a growing senior population.

In addition to a statewide survey done for this housing study, this report also incorporates comments, survey results, and resolutions by communities, senior services agencies and senior organizations. Specifically, Southeast Senior Services published "A Study of Senior Citizen needs in Southeast Alaska" in January, 1989. That study emphasized the desire of seniors for independent living and expressed the need to enhance supportive services, including home-repair. The Juneau Commission on Aging published a preliminary survey report on December 15, 1988, on "Senior Citizens of the City and Borough of Juneau Needs Assessment." That report indicates basic satisfaction with housing in Juneau with the need for middle-income and assisted housing. Juneau Igloo #6 and Auxiliary #6 proposed a resolution at the 72nd Grand Igloo Pioneers' of Alaska Convention in September 1988, supporting assisted living and middle-income housing.

Home repair, remodeling and weatherization

Senior housing managers statewide report that prominent among the reasons given by the elderly for leaving their homes and moving into senior housing is the problem of home maintenance and repair work. They no longer may be physically able to do the work, too frail to risk injury, or lack the skills to do it on their own or the money to pay someone for the job. Rather than continue living in a home they no longer can maintain, they often move to subsidized senior housing. Residents of senior apartments in Anchorage, Fairbanks and Wrangell interviewed for this report all cited the problem of hor e repair and maintenance as a major reason for their d ision to move into the apartments.

The Older Alaskans Commission in fiscal year 1988 appropriated $57,510 for home repair and renovation work, with the money able to reach only 163 clients. Funding is similar in fiscal 1989, distributed as grants to non-profit community organizations.

The federal Bure au of Indian Affairs operates a home improvement grant p rogram and home ownership assistance program for Al aska Natives, with about $2.7 million available in fis al 1989. Most of the money is distributed as grants to tribal organizations. The programs are open to al' low-income Natives, with elderly and handicapped pe sons getting first priority. "It targets the poorest of the poor," according to the BIA, with most of the money directed toward rural areas.

The North Slope Borough operates its own home repair program under the name RELI (Resident Employment and Living Improvement). In Barrow, seniors get priority; in the villages, there is no senior priority because the communities are small and most every home needs work. In addition to home repair, the program's other task is local employment. Work is scheduled as necessary to fill employment gaps in the borough, providing local jobs when construction work is slow. This could be used successfully in other communities, where workers depend heavily on construction jobs and where there is a need for senior citizen home repair.

Home repair programs should be extended to cover home remodeling for the special access and safety needs of seniors, including door levers instead of knobs (levers are easier to operate for people with arthritis), grab bars in the bathroom (in the tub, shower and at the toilet), wider doorways and ramps (for access by wheelchair and walker), handrails along stairways and other minor items. Home visits to help a senior homeowner determine remodeling needs, reasonable costs for the work and technical assistance to contractors would b far less expensive than direct state grants for the work, but still would go a long way toward helping the elderly modify their homes to fit their needs. A state senior housing office could provide help by making available generic accessibility remodeling plans, cost estimates and advice for seniors who want to undertake such home modifications. Several states, such as Florida with its large senior population, are promoting Type A homes, designed for accessibility for seniors and other persons with special needs.

Home weatherization funding is administered through the Department of Community and Regional Affairs, with $4.6 million available statewide for the fiscal 1988-89 contract year (ending March 31, 1989). Less than 10 percent of the money is from the state general fund; most is from the federal treasury and from federal distribution of an oil-price overcharge case against Exxon. The Exxon money will run out next year; it contributes almost half of the weatherization money available in Alaska. Unless the state or federal governments increase their funding to make up the difference, Alaska's program will be severely cut back.

This year's $4.6 million will pay for weatherization for about 2,000 homes, with the department estimating 40,000 still in need of new windows, doors, insulation, caulking and other energy-saving improvements.

Seniors and the handicapped are to receive first priority for the work, which is limited to low-income households. The program is available to homeowners and renters, with landlords prohibited from raising the rent on units that benefit from the weatherization work (about 20 percent of the money goes to rental units).

Homemaker and chore services

More than $1.6 million in state and federal dollars was appropriated last year by the OAC and Division of Family and Youth Services for homemaker and chore services to help seniors in need of assistance. Housecleaning, laundry, errands, meal preparation and other tasks are covered by the programs, which served about 2,000 seniors in more than 100 communities statewide (about 90 percent of the funding is through Family and Youth Services).

Despite the size of the effort, there are waiting lists and a shortage of money to meet the growing needs of Alaska's aging population. The Northern region of the state, served by the Fairbanks DFYS office, had a waiting list for homemaker services of 20-30 persons in November, but one official said the list would be longer if the program received heavier publicity -- it isn't publicized because there's no money to accommodate the responses. An Anchorage homemaker provider gave the same report of no outreach or publicity because of no money to handle the demand.

Home Health Aides

About 400 seniors receive at-home visits from health aides, with a shortage of chronic health care in rural communities. The OAC covers about five percent of the seniors in the program, with the Division of Public Health spending about $600,000 a year on health aide services (about three-quarters of the division's clients are seniors).

Home health aides assist with bathing, eating, exercise and other essential activities of a healthy life. They are supervised by registered or licensed practical nurses and are extremely important for those seniors who otherwise would be unable to provide their own personal care at home.

The OAC's 1989-1991 state plan lists as a priority expansion of the home health program to Nome, Barrow, Kotzebue and other rural communities, in addition to pointing out the shortage of trained aides and high turnover rate. More money for higher salaries, better training and more aides could help solve the problems.

The Division of Public Health also spends more than $400,000 a year on at-home skilled nursing services, with seniors comprising about three-quarters of the almost 400 clients. The services are offered only in three cities, and even at the division's average annual cost per client of $3,720 it is less expensive than one month of residential nursing care.

Case Management

Case management may sound technical, but what it does is relatively basic and direct: It matches seniors in need of help with those supportive services that can offer assistance. The OAC in fiscal 1988 had $140,000 to spend on case management, which was awarded to programs serving only Anchorage, Ketchikan and Palmer/Wasilla.

By helping seniors to receive the supportive services they need, case management can go a long way toward keeping seniors in their homes or apartments and out of residential care facilities.

Home-Delivered Meals

The OAC spends more than $800,000 a year in state and federal dollars to provide more than 120,000 home-delivered meals for about 2,500 home-bound seniors. The m[illegible]y is distributed in grants to municipalities and non-profit organizations.

Another $2 million a year is distributed in grants to municipalities and non-profit organizations for group meal programs, which usually are served at senior centers, community buildings or schools. More than 12,000 seniors participate in the program, which this fiscal year will serve about 300,000 meals.

There are some rural areas unserved and underserved by the meals programs. The programs offer a minimum of three meals a week.

ADULT FAMILY CARE HOMES, DAY CARE, RESPITE CARE

The demand for adult family care homes (also known as foster care homes and board and care homes) exceeds the supply. The pay is bad and the work extremely hard. It's difficult to get much time off from the job. It's expensive to start a new adult family care home. Other than dealing with those problems, adult family care homes are a good idea.

The name is another problem. Although most people, including state agencies, call such homes adult foster care, we propose changing the name to adult family care. In researching this report, we found a lot of misunderstanding over the role of adult foster homes, plus confusion with child foster care -- the more prevalent of the two foster care homes. Changing the name to adult family care won't solve all the problems, but it would help. If nothing else, family care sounds a lot warmer than foster care.

Adult family care (foster) homes are licensed by the Division of Family and Youth Services, which reports there were about 20 homes in operation in Alaska in the fall of 1988, licensed to accommodate about 60 persons (the homes are limited to five or fewer adults). DFYS is the largest single customer for adult family care. Seniors who are judged in need of protective care because of abuse, assault, economic neglect, self-neglect or other problems can be placed in a home by the division. Seniors also may select and pay for family care homes on their own, although few do so.

The state sets the adult care rate at about $26 a day -- not enough to cover costs, say many home operators. A Juneau home operator says it costs her $40 a day per person to operate the home, and that is what she charges private-pay residents. The operator of a new family care home in Sitka says she expects to charge her private-pay residents about $35 a day to cover her costs.

For those seniors under protective care, the state will pay the bill beyond what seniors can afford from their own income, with seniors allowed to keep $75 a month for personal expenses. Because just about all Alaska seniors have income from the Longevity Bonus, Social Security, Old Age Assistance and/or retirement accounts, the Division of Family and Youth Services spends far less than $26 a day in state money for each senior in a family care home -- and much less than the state pays to subsidize residential care at Pioneers' Homes.

Although increased availability of family care homes should be encouraged and assisted by the state as a less expensive alternative to Pioneers' Homes and as an option in lieu of senior apartments, there is the cost of increased DFYS oversight to consider. State licensing and oversight costs would increase if more seniors are added to the program, and the division's staffing needs should not be ignored.

An increase in the state rate for adult care would help attract more people to the business, as would an increase in adult day care and respite care services. Day care can provide regular daytime care at a community site for well foster home residents; respite care can provide occasional at-home relief for family care workers. Both are essential for the development of more adult family homes. Rather than invest state money directly in homes and salaries, the state could indirectly encourage and assist the homes through day care and respite services. A Juneau resident who owns adult foster homes in Idaho says a lot of the budget goes toward day care services, which are essential to give the live-in manager a break and to provide therapeutic and recreational activities for the residents. Increased state funding in Alaska for day care and respite care would aid family home residents and encourage the opening of more homes, without raising the philosophical and financial arguments of direct construction, remodeling or operating grants to family care home owners.

About $450,000 in OAC grants were spent in fiscal 1988 to provide day care to 236 seniors in five cities. At-home respite care is offered in only two cities, with less than $94,000 in OAC funding paying for service to 59 seniors last year. Both programs need to expand their hours and expand into more cities if they are to be an effective tool in family care home development. For

example, a five-person home in Fairbanks receives just 10 hours a week of respite care services from an OAC-funded program.

The Idaho foster home owner is also of the opinion that Alaska's current limit of five residents per home is too low. "We found at six you can't make any money," she said. DFYS is working toward revising its regulations to set up a new category of small group homes for between 6 and 12 residents. The new limit is intended to avoid the costly construction and operating requirements of adult residential facilities now defined as six or more residents -- which would change to 13 or more under the new rules. The proposed regulatory changes should be encouraged as part of the state's response to providing senior housing options.

Adult family care home operators and residents would not be the only persons to benefit from increased day care and respite care services. The Governor's Interim Commission on Health Care says in its report: "Families can provide a significant amount of care if they are supported through community-based services, such as respite care." Seniors who live at home with relatives certainly cost the state a lot less than other housing options, and the quality of life would be higher at home with family. The benefits of making this housing option easier on seniors and their family should not be overlooked.

Another problem facing adult family care home operators is the cost of building or buying a home, or remodeling an existing home to meet their needs. If the homeowner cannot show a lender that the facility can run at a profit, there is little chance of getting a purchase or remodeling loan.

A Sitka woman who opened a new home last year was unable to get affordable financing to purchase and remodel an existing home in the community. She finally put together a private financing plan with the help of her family, and she says a loan program for acquisition and remodeling would be the best thing the state could do to help encourage more adult family care homes. A state-guaranteed loan program would be less costly to the general fund than a direct loan program, and a senior housing office could assist prospective home operators in preparing financial plans and operating budgets for presentation to lending institutions.

ROOM, BOARD AND LOTS OF TLC
By Lori Evans
The Juneau Empire
Wednesday, February 8, 1989

Most people would jump at the chance to have a landlady like Linda Smith.

Not only does she provide a room for her tenants, but she also cooks for them, cleans for them, does their laundry and takes them to doctor's appointments. She reminds them to take their medication. If necessary, she helps them bathe and dress.

She sleeps on the living room couch to be close by when one of them is ill.

She lends a supportive arm when one of them needs to walk down the hall.

She seems always present with a listening ear or an encouraging word.

In general, in addition to providing room and board, Smith also provides lots of tender loving care.

In the language of bureaucrats, Smith runs an "adult foster home."

That means her five tenants for one reason or another can no longer live in their own homes, but they do not need 24-hour nursing care. They do, however, require a helping hand on some things.

Some, for example, may no longer be able to prepare meals on their own. Others may need help bathing and dressing. Still others may just need someone to help them monitor their medication. While others need the protection afforded by having someone always around in case they fall.

Smith says her main job is making her home like home for all who live there.

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The Smiths' Lemon Creek house is immaculate. Not a speck of dust or a pile of clutter can be found. Hardwood floors shine under freshly vacuumed rugs in the living room. Crisp, white curtains hang on the living room windows.

While the home is spotlessly clean, it isn't antiseptically sterile. It has a warm, lived-in feeling. It's how most people would want their house to appear when their in-laws visit.

A pot of coffee stays on in the kitchen, ready for anyone who wants a cup. Dinner smells waft from the oven in late afternoon. A parakeet named PJ sometimes chirps out from its cage near the kitchen door. An aquarium full of neons, black skirts and albino catfish greets visitors at the front door.

The living room is large, bright and comfortable. So is the kitchen. There are plenty of places to sit and chat. Or sit and watch TV. Or sit and read.

There are also five cozy, but not cramped, bedrooms on this main floor -- large enough for a bed, a chair or two, a bureau and sometimes a desk. Smith and her husband, Ken, have their bedroom and bathroom downstairs, along with a spare bedroom and a family room, but they spend most of their time upstairs with their tenants.

"This whole upstairs is theirs (the tenants) and they can do anything they want," says Smith. It's been full of tenants' grandchildren and adult friends. One couple who lived with the Smiths enjoyed entertaining and it wasn't uncommon for them to have six or seven people over at once for coffee and dessert.

That's fine with Smith, because she wants her tenants to do what makes them comfortable.

After all, "it's their home," she says.

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Smith first started thinking about opening her home to elderly tenants about five years ago while working in a nursing home in Oregon.

"I saw a lot of people that needed an alternative. They didn't really need to be in a nursing home setting at that point in their lives. There were just so many that there was no alternative for. It was either a nursing home or being in danger living alone at home. ... There was no in-between place and ... I felt they needed it," she says.

"I just always wanted to take them home with me because I didn't feel like they needed to be there, but you can't go around snatching (people) out of nursing homes."

About three years ago with some encouragement from Pat Denny, Southeast regional adult services supervisor for the state's Division of Family and Youth Services, and Sister Patrick Mary, who used to work with Juneau's elderly, Smith opened her home as an adult foster home.

Getting started involved a lot of paperwork, a criminal records check and an inspection by DFYS, the state agency which licenses foster homes, she says. Since opening in May of 1986, Smith has had 27 tenants. Her home is licensed for five tenants at any one time and she maintains a waiting list for those wanting to get in. She fields at least one call a month from people who are interested in the kind of care she provides.

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Smith isn't too fond of rules or schedules. She doesn't think most people are, so as much as possible she runs the household without a lot of do's and don'ts.

The one "do" is tenants are required to participate in The Bridge, the adult day care program at the Mountain View Senior Center. That requirement does set a sort of schedule for the house Monday through Friday in that the tenants leave for The Bridge about 9 each morning and return home about 2:45 each afternoon.

Participating in The Bridge helps keep tenants active, while it gives Smith time to clean, do laundry, plan meals, go shopping, cook, take someone to the doctor or do any of the other myriad of tasks that come with running a household of seven adults.

"I couldn't do it without them going to The Bridge," says Smith.

While The Bridge structures life on weekdays, on week-ends any semblance of a schedule is thrown out.

"I think if they want to sleep 'til 10 on Saturdays or Sundays, then I'm going to cook their breakfast at 10. We're a home, not an institution, and I want them to be able to have the schedule that they're comfortable with instead of what works for me," says Smith.

Not only is Smith willing to cook breakfast for her tenants when they want it, but she's also willing to cook what they want. That means virtually every day she fixes five different breakfasts, since all five tenants prefer something different.

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Smith has a warm infectious laugh and an easygoing personality. She also has a real love for the elderly that shows in everything from the enthusiasm with which she greets her tenants each day to the gentle way she helps them down the hall.

She says her patience and sense of humor help equip her for her chosen work. It also doesn't hurt that she has a supportive husband, who not only lends encouragement but also a helping hand in getting things done.

Other than that, however, "I don't have anything else special or do anything else different from anybody else," she says.

Others, however, would disagree.

Sharon McMahon says Smith is the "closest thing to a saint" that she knows. "She gives 200 percent of herself. Nothing is too good for those people -- whatever they need or want, Linda tries to do it for them."

For the past two years, McMahon, activity coordinator for The Bridge, has given Smith a break about every other Saturday, taking over her chores at home while Smith goes to garage sales and out to lunch with her daughter. It's about the only break Smith gets.

While it sounds meager to those used to putting in a 37.5-hour work week and taking regular vacations, it's a big change from what Smith started out with. For the first year and two months after opening her home, she went without taking a single day off.

While few people can understand that kind of dedication, Smith explains it this way: "I like it better than anything else I've ever done."

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Smith confesses to getting "really paranoid" when she hears horror stories of elderly abuse in the news -- like the one in November in which a California landlady was arrested in connection with the deaths of her elderly tenants. Police believe the woman killed her boarders for their Social Security benefits and then buried their bodies in the yard of her boardinghouse.

"I feel like that people tend to judge you by what they see or what they read, and that really makes me nervous," says Smith.

She'd like people to know that not everyone who houses the elderly is unscrupulous. There are homes for the elderly where the tenants are well cared for, properly fed and clean.

Hers is one of them.

There are however, some built-in protections for Smith's tenants. One is an open-visitation policy which allows guests to stop by at any time. Another is The Bridge. Because tenants are required to participate in The Bridge "everyone in the home is seen almost on a daily basis by someone else, so if there was abuse or mistreatment at all, it would be picked up," says Sharon Scranton, director of the program.

The California incident did not go unnoticed by Smith's tenants and now is the basis of an on-going joke between one of them, Martin Ashba, and Smith.

"He tells me he brings his (rent) check before he sees me with a shovel," Smith laughs.

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A lot of people have asked Smith why she chooses to do what she does. Smith says it's a hard question to answer. After all, the hours are long, the work is hard and the pay isn't great. Even something as simple as a short trip to the grocery store has to be planned.

"There's a lot of things that aren't wonderful about it, but there's so many more that are," she says. "I just feel like I've gained a lot more than I lost."

On the plus side of the ledger she puts "a tremendous amount of personal satisfaction" at the top of the list.

"To me, that's really important. I take a lot of pride in what I do," she says.

Add to that gain, a wealth of knowledge waiting to be tapped.

"These people know a whole lot of things. They have a store of knowledge that you would not believe. They can teach you a lot. Just by talking to them you can learn. That, I think, is the most fascinating thing. ... They've all led just really full, interesting lives and they have a lot to teach you about that," she says.

She does have one worry about her work: "If I get sick or have an accident ... what are they going to do?"

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Like most people, Charles and Ruth Hobbs had expected to live in their own home until they died.

Life has a way, however, of scuttling the best-laid plans.

After 51½ years of marriage, Mrs. Hobbs died in 1986. Five months later, Mr. Hobbs, quite suddenly lost his sight. His blindness, coupled with a severe case of scoliosis, which prevents him from standing for any length of time or walking long distances, made it difficult for him to live independently.

In November 1987, Hobbs moved to Juneau from the California retirement complex where he and his wife had lived to be near his two daughters. It wasn't an unfamiliar place to him, since he and his wife had visited regularly since 1966.

For a while, Hobbs, who is 81, lived with his older daughter and her husband, but it isn't his nature to be dependent on other people, particularly his children. While they're more than willing to care for him, that isn't what he wants.

"It interferes with their regular lifestyle," he says. "I, of course, love them very much and they love me, too."

He knows, however, that it is often difficult for busy, working children to give the kind of care that an elderly parent needs.

For him, Smith's home proved to be the perfect solution to remaining close to his daughters so they could visit frequently and receiving the kind of attention that it's difficult for a working family to provide.

"I like this much better all the way around," he says. "It gives them some freedom and it gives me some freedom. ... I feel very secure this way, which is what I need. If I fell there would be someone here to help me.

"To me it's a real home. I ... enjoy it a great deal. As far as I'm concerned (Linda and Ken) do everything to make you feel at home. ... There's little doubt that all five of us feel very fortunate to have found them. I know I do."

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With each new tenant, the house takes on a new personality.

Some tenants have enjoyed playing cards and working puzzles. The current group prefers visiting, reading and watching television.

Depending on their health, some tenants help with household chores.

She's had tenants who help her cook, make their own beds, fold laundry, plan meals and clear the table. One even taught her how to make bread.

"I had been struggling at making bread for years and it was awful until she lived here. It didn't take her anytime to get me in there and show me how to make bread," says Smith.

While Smith is more than willing to do whatever she can for all of her tenants, she also encourages them "to keep doing what they can do for as long as they can."

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There are about 20 adult foster homes located throughout the state, most of them in southcentral Alaska, says Denny of DFYS.

While there is definitely a need in Juneau for more homes like Smith's -- Denny estimates three or four could be filled easily -- it is not a job that can be done by just anyone.

"We do need homes, but we need the right kind of homes," she says.

Providing foster-home care is a 24-hour-a-day, seven-day-a-week proposition that requires a commitment few people can muster.

On top of that, "you don't make any money," says Denny.

While the state will pay approximately $26 a day for those unable to pay, that doesn't cover the cost of providing the care. Smith's tenants pay about $45 a day, with the price depending somewhat on the amount of care they require and on their ability to pay.

By contrast, nursing home care in Alaska runs roughly $120 a day, says Denny.

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While Smith has a knack for caring for other people's parents, she confesses: "I couldn't take care of my mother -- even though I love her."

"I think there's a whole lot of different things involved. They (the tenants) become like my family. They seem like they belong to me, but there's no past history. I just enjoy them for today. I don't have to think of any argument 50 years ago or anything. I think it's a lot more difficult" for children to care for their parents.

Without Smith's home, Dr. Dean Tirador says it's likely he and his father, Pat, who lives at the home, would have moved to Seattle.

"There's just not a spectrum of services available in Juneau. Without Linda, you'd essentially be on your own or in a nursing home," he says.

While his father is unable to live independently, he doesn't require nursing home care.

For both father and son the arrangement with Smith has proven satisfactory.

"I do like it," says Dr. Pat Tirador, who at 94 leads the exercise program for The Bridge and gives Smith a helping hand whenever he can. "Linda is a very nice landlady and she accommodates you very well. I don't have any complaints."

Other tenants echo similar comments.

"It's a good home for everyone in our condition," says Agnes McClellan, 87, who gets around with the aid of a walker or wheelchair. "Linda is very nice to live with. She does everything for us, and she's very kind about it."

Perhaps one of the best tributes to Smith comes from Denny: "Those of us who know Linda think 'I want her to be around to take care of me when the time comes.'"

RESIDENTIAL CARE (ASSISTED LIVING)

This housing option goes by more names and is perhaps more confusing than any other living arrangement discussed in this report. Whether it's called assisted living, semi-dependent, semi-independent or residential care, it's the same -- private or semi-private rooms in a facility, usually a dozen beds or more, with on-site, 24-hour supportive services and medical supervision. For many seniors, the next step out of residential care is skilled nursing care.

There are very few facilities in Alaska that fit this definition of residential care. The Mary Conrad Center in Anchorage currently has 30 residential care beds, for which it charges about $1,200 a month, but because of financial problems the owners are applying to the state for permission to convert the residential care beds to skilled nursing care. The facility already operates 60 nursing beds. Although its residential care rooms are full (with a waiting list) and its nursing units have empty beds, Mary Conrad's Director, Bob Ogden, says he believes the facility eventually can fill the extra nursing beds. The decision to abandon residential care is "strictly financial," he says. Mary Conrad, which is owned by the Cook Inlet Housing Authority and operated under contract by the Sisters of Providence, charges $275 a day for nursing care ($260 for Medicaid patients), almost seven times the daily rate earned on residential care.

Ogden says expensive construction requirements -- more restrictive than required for senior apartments -- added to the new facility's debt and contributed to the downfall of its residential care units. For example, he says, the requirement of non-combustible building materials (metal studs and concrete floors) is excessive. Another problem came with the HUD financing secured for the project. Because of the HUD money, Mary Conrad residents must meet federal low-income guidelines, blocking many middle-income seniors from moving into the facility and paying the full cost for their room and care. Ogden says the owners are looking at ways to get out from under the HUD rules.

Because of the financial problems faced by Mary Conrad with its residential care beds, Ogden says, "No one will build Residential Level II in Alaska after this experience." Level II is for non-ambulatory persons.

Still, the need exists. A Northern region DFYS worker says she could fill a 40-bed residential care facility in Fairbanks -- if one existed. Senior apartment managers say many of their tenants leave for nursing homes because they no longer can take care of themselves, but what they really need is an assisted-living facility and not an expensive nursing home.

The only other residential care institutions are the Senior Citizens Cultural Center in Kotzebue (20 beds) and the Tanana Elders Residence (16 beds). The Kotzebue facility was built by the state, leased to Maniilaq (a local, non-profit Native corporation) and operated with a state grant. This allows a very low subsidized rent of $250 a month. The Tanana facility is owned by the U.S. Indian Health Service, leased to the tribal council, which then leases it to the city of Tanana -- which operates the project. Rent is set as a percentage of income, with a maximum of $540 a month. State grant funds subsidize the facility's operating costs. Perhaps if Mary Conrad had state operating subsidies similar to Kotzebue and Tanana, it wouldn't be bailing out of the residential care business.

Acknowledging that some state involvement will be necessary to promote and maintain residential care facilities in Alaska, and accepting that such a level of care is needed by many seniors who have needs between independent living and nursing care, the legislature and administration need to find an appropriate avenue for state participation. Similar to middle-income housing, perhaps the best alternative is to avoid ongoing operating subsidies, which carry with them cost-control problems and the annual fear of budget cuts. Instead, loan programs to reduce debt service on projects without the tight income limits imposed by federal agencies would be better.

The below-market sale or lease of state lands for residential care projects is another option for helping to reduce development costs while avoiding state operating subsidies. State lands may be sold or leased at below-market rates for public purposes, of which senior housing should qualify.

WHY SENIORS CHOOSE INDEPENDENT APARTMENTS

Visits to senior apartments in Anchorage, Fairbanks and Wrangell, and interviews with more than 40 senior apartment managers statewide, produced some very clear indications of what seniors like and dislike about existing apartments and the reasons for why they move into the buildings.

The most common reasons for moving out of their own homes and into senior apartments are better housing, including full utilities (the attraction of utilities seemed more common among rural Alaskans). Many cited the problem of home repair and maintenance as a factor that drove them to move into a senior apartment. Location

(near a hospital, health clinic or doctors offices and shopping) and the availability of transportation (near a bus stop) were mentioned as important criteria for a good senior apartment, as was security. A live-in manager, or at least night-time security guards, ranked high on the list of many residents, as did the need for emergency call buttons in each apartment. Some projects operated by regional or community housing agencies have live-in managers or pay for evening security staff, but the Alaska State Housing Authority does not provide either because of the added cost. Money was the other major reason cited by seniors for choosing senior apartments. Most units are subsidized, and although some residents complained about federal income rules, most said they moved into the apartments because the rent was affordable and because there was nothing as safe and well-built available for the same rent on the private market.

Loss of independence was most often cited as the reason for not moving into a senior housing project. Staying in their own home is an option for seniors who can maintain the home, and for others moving in with family may be a preferred alternative to a senior apartment. As much as many seniors select the apartments for the low rent, a few reject the option because they say it costs too much. This reply comes mostly from those seniors who have paid off their mortgage and are paying only the cost of utilities for their current housing. The small size of senior apartments was a frequent complaint, as was the federal rule that requires housing authorities to admit handicapped persons to senior housing projects. HUD requires that the projects be open to seniors and handicapped persons regardless of age. Many seniors object to sharing the apartment buildings with young people with emotional or mental handicaps, saying they are scared of these people and that they can be disruptive. Although housing managers screen all applicants for possible problem tenants and those who need specialized care, some seniors just aren't comfortable with sharing their apartment buildings with the handicapped.

In considering new construction of additional senior apartments, the following senior citizen comments should be considered:

- Laundry rooms are needed on each floor. Although the buildings have elevators, it is hard for seniors to carry their laundry back and forth down the hall to the elevator and then down another hall to a laundry area, and then make repeated trips to check on the washer or dryer.

- Some seniors say coin-operated laundry machines are better than free-use machines, which can be abused by residents' friends and relatives who take advantage of the free machines by bringing over their own laundry.

- Several projects lack heat in the bathrooms, and seniors complained of cold floors and rules against individual space heaters in the bathrooms. Although there are heat lamps in the ceilings of some bathrooms, seniors said they would prefer a built-in heating unit in the room.

- Some projects were built without overhead lights in each room, and some seniors said it adds to the cost of furnishing if they do not have enough table or floor lamps. Also, they said, overhead light fixtures with wall switches are easier to use when they enter a dark room.

- Larger apartments with more storage space was a frequent request, as were windowsills for plants, more overhead lights in the kitchen for food preparation, and locked, dry storage rooms or pens in the basement so that residents could store large items they do not need for frequent use (such as luggage, seasonal clothes and personal belongings).

- In addition to a meeting room, seniors said the buildings need a craft room for woodworking or other hobbies that would make a mess in the social or meeting room.

MIDDLE-INCOME HOUSING

The state has built subsidized housing for low-income seniors, but many elderly Alaskans ask: "What about the forgotten middle-income seniors?" An Anchorage senior housing advocate challenges: "You haven't built for these types of people at all."

That is not entirely true. Chugiak and Homer senior apartments were built with state grant funds, and there is no income limit for tenants of those projects. The legislature funds property tax and renter rebates for senior citizens, and the $250 a month Alaska Longevity Bonus -- distributed regardless of financial need -- cannot be discounted as an aid to middle-income seniors who may use the money to upgrade their housing.

Still, the vast majority of senior apartments are limited to low-income tenants. Just how many seniors are over-income for the subsidized apartments is uncertain; no one keeps track of applicants denied because their income exceeds federal limits. Senior housing managers

surveyed for this report say some applicants are denied due to their income levels, but it appears to be a problem only in urban areas.

The least expensive way to build senior apartments is with HUD or Farmers Home federal loans and operating subsidies, but the money is attached to a string of income limits. The Alaska State Housing Authority could construct non-subsidized, middle-income housing, but the agency has never looked in great detail at that option, says its executive director. A major question would be whether or not seniors are willing to pay the fair market rents that would be required to cover debt service, operating, maintenance and reserve expenses on such a project. Many seniors may have difficulty in accepting market value rents of the 1980s, because they have grown accustomed to the low mortgage payments of their older homes. Although mortgage payments of $1,000 a month or more are not a price shock to many young, middle-income Alaskans, housing costs at today's market rates are far in excess of what many seniors are used to paying for their homes.

It doesn't seem smart for the state to take the risk of building a middle-income project and then, if the market cannot sustain it and seniors cannot afford or are not willing to pay the actual costs, have the vacant units become a drain on the state treasury. It makes more sense for the state to encourage private development, such as through loans from AIDEA or ASHA. Both agencies could raise money through bond sales, with the money then available to help private developers and non-profits build middle-income housing. AIDEA does not provide direct loans, but instead may purchase up to 80 percent of a loan financed through a lending institution, relieving the institution of much of the risk on large loans. Entry into multi-unit housing loans would require a change in AIDEA's lending authority. HUD also has loan guarantee programs that could assist a developer of middle-income housing secure financing.

The state also could assist by filling the gaps in its system of home-based and community based supportive services, such as group and home-delivered meals, homemaker and health aide services and other assistance. Supportive services can be more responsive to the changing needs of individual seniors and seem a better use of state money than direct operating subsidies for middle-income housing. If a middle-income senior housing project can't make it, the owner could change course and market to families or single persons to fill the units and pay the bills. The state's supportive services could continue to stay with the seniors who need the help.

Another advantage of additional supportive services is that they can meet the needs of those seniors who are able to find affordable housing on the open market, but in lieu of a group-living arrangement require at-home services to maintain their independent lifestyle.

It is the support that comes from community- and home-based services and is offered by other seniors living in the same building that many middle-income elderly want, just as low-income seniors share similar benefits in their housing projects. Avoiding the worries of home repair, maintenance, transportation and safety are just as strong incentives for middle-income seniors to seek out apartment life as they are for low-income seniors.

CONVERSION OF FORECLOSED PROPERTIES

Few people interviewed for this report advocated a return to the cash-grant days of the late 1970s and early 1980s, when millions of dollars were distributed for senior housing projects statewide. The money just isn't there any more. Dick Pryor, who served as housing grants administrator at Community and Regional Affairs from 1982-85, says the lack of sufficient middle-income housing is a gap in Alaska's response to senior housing needs. Incentives to encourage private development is a possible answer, Pryor says. However, he also warns that any program must be administered fairly and without political interference. While the state was passing out money for housing projects in the early 1980s, the department attempted through regulations to require partial loan funding as a match for state grants. The idea was to secure as much federal loan money as possible, and stretch state grant funds to build more units, Pryor says. Some people did not like the loan requirement, and because of legislative action some cities, such as Homer, built their projects entirely with state grants, while others, such as Wrangell, used a combination of state grants and federal loans.

One last middle-income (and upper-income) housing option posed by several people is the possibility of several seniors pooling their resources to build or buy a multi-unit retirement home or complex of housing units. It doesn't appear to be a matter of money with these people as much as they need financial planning assistance, help with development questions, and possibly a go-between to connect them with seniors of similar interests. These jobs could be performed by a state Senior Housing Office. Information and technical assistance would be sufficient state involvement, considering the more pressing needs of low-income seniors.

Can Alaska solve two housing problems with one answer? Can the abandoned condos, duplexes, zero-lot lines and other foreclosed housing units of the state's real estate collapse find new life as senior housing? Yes, no, probably for some and doubtful for others. Yes, some may be suitable, affordable and attractive to private individuals, investors and non-profit groups for adult family care homes, group homes and rentals. No, some are in need of so much repair, so much renovation to make then livable for seniors and so much money to pay the bills that they are not suitable for conversion to senior housing.

"You're overbuilt in the wrong kind of stuff," says a senior housing advocate, unimpressed with the possibility of converting surplus condos to senior housing. Seniors don't want to live in small, poorly built, multi-level condos any more than anyone else, she says.

Not all is hopeless. Duplexes or zero-lot lines can work well for remodeling into adult family care or group-living arrangements, says a family care home owner, because the middle wall can be removed to open a large living area and the extra kitchen can be used for crafts and activities. Remodeling the central garage that separates a duplex -- turning it into a manager's apartment for group housing that uses both sides of the duplex -- also received high marks on the scale of possibilities. The Alaska Housing Finance Corp. will include remodeling work in the sale and financing of its foreclosed units. "Don't let the repairs stand in your way" of making an offer on a foreclosed unit, says AHFC's property disposition officer. The location of foreclosed properties is another plus. Many seniors would prefer to live in a neighborhood with other single-family and small multi-family homes instead of in a large apartment project.

AHFC officials, senior housing advocates, financial planners and state officials say conversion could work in some cases, as long as buyers do a good job of picking and choosing their units, and financing is available for purchasing and remodeling the units. A state Senior Housing Office could assist in making sure remodeling work results in handicapped accessible housing.

AHFC's policy of contracting for remodeling and repair work and then including those costs in the purchase price and mortgage on a foreclosed home should be used to the advantage of those individuals and groups looking for senior group housing. It avoids the need for secondary financing of remodeling costs, resulting in overall lower monthly payments. If there is a duplex or other unit that needs ramps, wider doorways, interior walls removed, grab bars, lower countertops or other remodeling, AHFC will consider offers based on the work as part of the purchase price. Nola Ceder Green, the agency's property disposition officer, says AHFC will get bids for the work, judge them against the offered price and the value of the building with the remodeling in place, and then determine if it is a fair price for the agency and a good loan for the buyer.

AHFC held more than 4,200 foreclosed properties as of September 1988, with about 1,400 condos, 1,200 single-family homes, almost 400 zero-lot lines, 100 duplexes and almost 1,000 mobile homes. Almost 3,000 of the units were in the Anchorage area, with another 500 in Mat-Su, 350 in Fairbanks, more than 200 in Juneau and almost 150 on the Kenai Peninsula. Any real estate agent in the state can show prospective buyers a list of foreclosed property in their area, Green says. More than 2,000 additional housing units are held by banks, federal agencies (HUD being the largest) and mortgage insurance companies, according to the Alaska Housing Market Council.

There is nothing in AHFC's lending rules to prohibit loans for owner-occupied adult family care homes, group homes or co-op living, as long as the loan meets the normal lending criteria of income versus debt, says Ron Lehr, AHFC Director. Non-owner occupied housing does not qualify for AHFC loans, which would block loans to non-profit groups or developers who want to operate senior group housing or rental units. That is where a loan or loan guarantee program through ASHA, AIDEA or possibly Community and Regional Affairs might be appropriate.

Realtors interviewed for this report say that lack of financing is the single biggest roadblock to private acquisition and management of foreclosed housing. The Alaska housing market has not been blessed with the confidence of lenders and mortgage insurers during the past few years, and many appear reluctant to get involved in untested housing loans, says a former banking official. "It makes it doubly hard for anybody to get anything out of the ordinary," he says. That's where a loan guarantee program for group homes could help relieve much of the risk from lenders, and strong use of AHFC-financed remodeling could help reduce annual debt service payments -- making the loans more manageable for borrowers.

It's always easier to learn from actual experience, and proponents of converting foreclosed property for senior housing should learn a lot from a pilot project that will use the same housing for chronically mentally ill persons. The legislature last year appropriated about $2.5 million for the pilot project, with the first group homes scheduled to open in February 1989. The money was appropriated to the Division of Mental Health and Developmental Disabilities, which will transfer funds to the Alaska State Housing Authority, which will search for appropriate foreclosed properties in each community. As explained by mental health officials, the division will select grantees to operate the non-profit group homes. The grantees will work with ASHA to select properties for conversion and the housing authority then will offer grantees several properties for consideration. In addition to paying for the

properties, the legislative funding will be used for remodeling expenses. The properties will be deeded to the grantees for their use, as long as they remain in the program. Operating funds for the group homes will be handled separately, with the division expecting to pay about $1,400 per month per bed (much more than the state is willing to pay for adult foster care beds).

The division expects the $2.5 million will pay for housing acquisition, remodeling expenses and operating funds for about 75 chronically mentally ill persons. The statewide need is estimated by the division at between 1,000 and 2,000 persons.

The pilot program is moving ahead with its review of foreclosed properties. Large single-family homes, condos, zero-lot lines and multi-family dwellings are on the shopping list, according to mental health officials. The legislative intent was to look at taking foreclosed properties off the market, relieving some of the downward pressure on real estate prices. "That's what we intend to do," says Gary Mandzik, who is working on the project for mental health. The ASHA employee assigned to help select properties for the project is not convinced that condos are such a good idea. She says the long-term commitments of condo ownership, including monthly fees, homeowners association membership rules and owner/occupancy limitations, make condos unsuitable for conversion to group housing.

AHFC and federal housing loan agencies generally require that owners occupy at least 70 percent of the units at a condo project, and if the project falls below that percentage it is no longer eligible for state or federal housing loans. Too many renters is a bad sign for a condo project, the agencies say, and they don't want to make loans on a project that may be failing or dropping in value. Alaska Permanent Fund Executive Director Dave Rose believes it would be in the best interest of government agencies that hold a lot of foreclosed condos, such as AHFC, to waive the 70 percent owner/occupancy rule to exempt senior housing from the total. Such an exemption would make it more feasible for block ownership of condo units, Rose says, and some projects may be suitable for public-use housing.

Officials of National Partnership Management, a Washington state developer of low-income and senior housing projects nationwide, express similar reservations about condo conversions. Unless the company were able to buy an entire condo project, it might face objections and conflicts from neighboring unit owners. Patricia Carow, of National Partnership, also cited the owner/occupancy rules as a limitation on condo conversion. The company's preference, she says, would be to find a small condo project of about 16-20 units and take over the entire operation, thereby eliminating many of the problems of shared ownership with other individuals at the project.

As for converting several duplexes or other housing units for senior housing, National Partnership believes the units would have to be located close together for the projects to be feasible. Any senior housing project needs an on-site manager and regular maintenance, Carow says, and if the units are spread out the management work becomes "a real headache." The company sees the best possibility as several multi-family buildings clustered together, such as several fourplexes next door. National Partnership owns or manages 5,400 low-income and senior housing units in the Lower 48 and Alaska (Kodiak, Palmer, North Pole, Ketchikan, Homer, Cordova and Kenai).

COMMUNITY NEEDS

Should money become available, several communities already are waiting in line for new senior housing. More than $23 million in applications are on file at Community and Regional Affairs, says housing section grants administrator Kay Graham. Although the senior housing grant program ran out of money in 1985, communities that have filed applications in hope of future funding include:

- Anchorage; Cook Inlet Housing Authority, 45 units; $4.5 million.
- Anchorage; Meridian Living (community non-profit organization), 35 units; $3.5 million.
- Haines; City of Haines, 18 units; $1.5 million.
- Homer; Homer Senior Citizens Inc., 24 units; $2.062 million.
- Kake; Tlingit-Haida Housing Authority, 12 units; $1.2 million.
- Nenana; Interior Regional Housing Authority, 15 units; $750,000 in state funding to accompany $1.383 million already approved from HUD.
- Palmer; Alaska State Housing Authority, 45 units (later reduced to 30 units); $2.7 million.
- St. Mary's; City of St. Mary's, 8 units; $800,000.
- Stebbins; City of Stebbins, 15 units; $1.5 million.
- Yakutat; Tlingit-Haida Housing Authority, 14 units; $1.4 million.

Although no state grant or senior-citizen-only loan funds are available, there may be $1.2 million in unused grant money that could be reallocated to a new project, Graham says. $1.2 million in construction grant funds was previously allocated for a Tlingit and Haida Housing Authority project in Angoon. The project called for the city of Angoon to lease land to Tlingit and Haida for the building on a 50-year term, but the city balked at the lease terms as required by HUD (the federal agency was to have assisted in financing the project and paying rental subsidies). The Angoon project apparently is at a standstill, Graham says, and Community and Regional Affairs could take back the $1.2 million by administrative action and award it to another project or projects by competitive selection.

Just as senior housing advocates are hoping for state financial assistance, they also are looking toward the federal government for help. HUD has been contacted by several communities and private developers looking for funding and operating subsidies for senior housing projects in Alaska, says Anchorage HUD official Arlene Patton. In addition to the Alaska Housing Authority's Palmer application and the Interior Housing Authority's proposal for Nenana, Patton says the Bristol Bay and Aleutian housing authorities have asked about HUD financing.

As part of this report, the Older Alaskans Commission wrote every city and regional housing authority in the state, asking for information on community needs assessments. Based on the replies to that request and information from HUD and Community and Regional Affairs, we prepared the following list.

Aleutian Housing Authority

The housing authority already operates a 14-unit senior apartment building at St. Paul and wants to build a 20-unit project at Sand Point. Looking for HUD financing, the authority originally requested money through the public housing authority program, but this year is changing its request to the Indian housing program. The Sand Point project is estimated at $2.5 million to $3 million. Officials say the primary reason for going after HUD financing is the accompanying operating subsidy that the federal agency provides. "The project would not operate on its own. They are traditionally low-income families out here." Sand Point was selected for its central location to several Aleutian villages.

Bristol Bay Housing Authority

The authority currently operates a senior project at Dillingham, and two years ago submitted an application to HUD for funding for Naknek. The Naknek application was rejected due to lack of funding. The village of Togiak recently approached the authority for assistance in developing senior housing for that community.

Homer

The non-profit community group that operates the existing 24-unit senior apartment building in town is seeking funding for a 24-bed addition for residential care. The group received a 1984 state grant for land acquisition and planning for the addition, but has been unable since then to obtain state funding for construction.

Interior

There has been a lot of recent activity among proponents of senior housing for Interior villages. A 1987 report was prepared for Denakkanaaga Inc., which was established in 1983 to serve as the elders' organization for Athabascan Indians. The 1987 report reviewed health care needs of village elders and found "that both homemaker/chore services and home health care services were not available in sufficient quantity to meet the needs of the rural elderly population." The report recommends increased funding for these supportive services because they m et the day-to-day needs of the elderly living in their home villages, and "because the absence of such services can be very costly." In addition to recommending increases in training and funding for supportive services, the report found that demand on the Tanana Elders Residence facility soon will exceed its ability to house village elders and planning should begin for additional residential care beds to serve the Interior. One suggestion is the opening of small "personal care homes" located in regional centers. The homes, as recommended, would accommodate three to five seniors, and are proposed for Fort Yukon, Tok and Galena.

The Tanana Chiefs Conference in June 1988 proposed several recommendations dealing with long-term, non-institutional care for village elders. Among the recommendations were:

- Repairing and upgrading seniors' homes to reasonable standards. Quality housing is essential if seniors are to remain in their villages, the report says.
- Increased homemaker and health aide services in villages.
- Development of small, personal care group homes for each region's seniors in Fort Yukon, Galena and Tok, where regional health clinics already are located. It is estimated that each home for four or five seniors would cost $200,000 to construct or purchase and renovate, with operating expenses at $25,000 per year per resident.

The Denakkanaaga board of directors in June 1988 adopted several resolutions on senior housing, including recommending construction of a community residence for elders in Kaltag and support for the regional personal care homes as proposed by the Tanana Chiefs Conference.

Interior Regional Housing Authority

The authority does not currently operate any senior housing, but is getting close. It has purchased land, done soil tests and hired an architect for a 15-unit senior apartment building at Nenana. HUD has reserved $1.383 million in construction money, and federal rental subsidies would be included if the authority can find the $750,000 in additional construction funds it needs to complete its budget. Nenana does not have any low-income senior housing. The Upper Tanana Development Corp. of Tok has asked the regional authority for help in planning a senior housing project for that community, and the authority last year submitted an application to HUD for senior housing at North Pole. The application was rejected due to a lack of proven need, and the authority now is gathering more housing applications and letters of cooperation from the city and borough to support a new request to HUD.

Juneau

A survey conducted by the Juneau Commission on Aging in December 1988 showed that the most desirable housing option for seniors who no longer could live at home would be an independent-living apartment building, similar to the existing state housing authority project in town. However, unlike the state-operated apartments, seniors said they would prefer housing without any income restrictions -- which means no federal operating subsidies to hold down costs. Middle-income housing also showed up as a common request, for those who could not qualify for low-income housing, as did the need for nurses and a cafeteria on site. Second to independent living was the option of residency at the new Pioneers' Home.

Kenai

An April 1988 feasibility study and schematic design for the city of Kenai recommended construction of a 40-unit senior apartment building, at an estimated cost of $6.364 million. The facility, as proposed, would offer more services than independent apartments, but less than residential care. The report stated: "There is a strong need for housing which offers services beyond independent living. Several seniors who do not qualify for subsidized housing desire affordable living arrangements." The report also noted that many seniors responding to the needs assessment survey said "they do not want this project to be a subsidized housing project with governmental financial restrictions for occupancy." The report's draft budget for the 40-person residential center assumes full grant funding for construction costs; there is no debt service in the budget. Rents would vary from $400 a month for an efficiency apartment to $525 for a two-bedroom unit. The proposal includes a six-person residential care unit, at the rate of $1,200 per month per person.

Palmer

A June 1988 elderly housing needs assessment study for the city of Palmer says 44 senior housing units could be used immediately in the Matanuska-Susitna Borough. That number was based on survey results that showed 44 seniors (8.7 percent of survey respondents) "would seriously consider senior housing." Seniors responding to the survey said they would prefer two-bedroom units, along with single-family homes or small, multi-unit buildings. The survey results placed "affordable" rent for senior housing in the range of $200 to $400 a month.

Pilot Station

The community of 450 wants a senior housing project to keep its elders in town, instead of making them leave for senior housing in urban areas. Mayor Richard Oney says there are 15-20 seniors in town, with at least half a dozen willing to move into senior housing. Oney says the housing also is needed for women who are abused or thrown out of their house when their husbands drink too much. Because of the low-income status of Pilot Station residents, the housing would have to be subsidized, he says. Oney adds that if more supportive services were available, such as cutting firewood and carrying water, more seniors would be able to stay in their own homes longer.

St. Mary's

The community of 500 people in the Lower Yukon area has been working for the past four years to obtain state funding for a 15-bed senior housing/nursing home/health clinic. It would be operated by the city, working with Sisters of Providence of Anchorage, says St. Mary's Mayor Frances Thompson.

WHAT PRIVATE DEVELOPERS ARE DOING

Federal loan programs are available for private developers to build and operate low-income housing, and although most public housing in Alaska is operated by public authorities and non-profits, there are several real estate partnerships in the market. A few operate senior low-income housing.

The four local real estate partnerships that operate senior housing in Alaska (as listed in the existing housing section of this report) are small and operate only the one senior project in their home community.

Among larger low-income housing developers, Frantz Development Co., of Hayden Lake, Idaho, already operates half a dozen low-income housing projects in Alaska (subsidized by the Farmers Home Administration), and is looking to expand its presence in the state. The real estate partnership is considering new low-income housing projects in Sitka and Seward. Marty Frantz says the applications for Farmers Home loan and operating subsidy money will be for a mix of senior and family housing. "I know there's a demand for senior housing up there," Frantz said, "but trying to get those seniors to talk is tough." It is essential to prove a need for new housing to secure federal financing, and Frantz has found Alaska seniors reluctant to sign survey forms indicating a need for senior housing. The company expects to submit an application soon to Farmers Home for its proposed Sitka project. None of its existing Alaska projects are senior-only.

National Partnership Management, of Bellevue, Wa., also operates low-income housing in Alaska (10 projects here and about 5,400 units nationwide). The company is looking to expand in Alaska and is collecting letters of interest from Ketchikan area seniors to support its application for a federally-financed senior housing project in that Southeast community. Patricia Carow, of National Partnership, says the company wants letters from 50 seniors before it will apply for financing for a 25-unit project. The project would offer independent apartments, with no support services. Carow says the company believes senior housing is not financially feasible in Alaska without government rent subsidies, such as offered by HUD and Farmers Home. Private financing is hard to get without at least a government guarantee on the loan, she says. National Partnership believes a live-in manager and regular maintenance are essential, and any project must be large enough to support the expense of such full-time staff. None of the company's 10 Alaska projects are seniors-only.

At the higher-income range of senior housing, "continuum of care" is commonly used these days by private developers active in the middle- and upper-income senior housing markets. The idea is to offer seniors a living situation where they can remain as they get older and need more care. They can start in semi-independent living, with meals, housekeeping and occasional personal care assistance, and then gradually, as needed, receive more services through full, 24-hour personal attendant care with intensive medical supervision (skilled nursing or hospice care can be brought in by the residents at their own cost). These residential care centers do not come cheap, especially when compared to the subsidized rates of Alaska's Pioneers' Homes.

Such a facility is Regency Park in Portland, Ore. Opened in 1987, Regency Park was built by private developers -- with an attractive public bond loan -- and offers 127 apartments for seniors. After more than a year, the project is about 85 percent full. Rents range from $1,375 a month for the least intensive level of care in a studio apartment to $2,434 a month for the highest level of care in a one-bedroom apartment with a den. Health care is not included in these fees.

Marriott Corp. recently announced plans to open six "catered living" communities within the next two years, at sites across the country. The projects will cater to seniors who want independent living, but need medical supervision. Each center will have about 100 suites, ranging in rent from $1,200 to $3,000 a month. A significant one-time deposit also will be required.

Nationwide, there are financing and marketing problems with life-care communities and other such large-scale, multi-service retirement centers. Realistically, those problems make it unlikely that such a facility would ever be constructed in Alaska. The huge capital cost of such facilities dictates that they be large -- the average size is in excess of 300 residents, says the American Association of Homes for the Aging. Alaska just isn't big enough to fill a 300-bed facility. Health care and personal care costs are high, limiting the centers to high-income seniors. A New Jersey facility reports its medical and nursing care costs exceed Medicare coverage by about $6,000 a resident per year.

PRIVATE FOUNDATIONS

There are several private foundations involved in senior housing issues nationwide, with grants funds available for pilot projects and start-up funding for new programs. Although we did not find any Alaska groups to have received such grants in recent years, the work that is funded by these foundations can benefit Alaska's senior housing programs. And, Alaskan organizations are eligible to apply for direct funding from the programs. A sampling of private foundations that fund senior programs includes:

Robert Wood Johnson Foundation

The Robert Wood Johnson Foundation has funded a $4 million initiative designed to help senior housing agencies get past the "bricks and mortar" stage of subsidized housing. Selected state housing finance agencies this year will begin a three-year effort to design and implement supportive service programs for seniors living in subsidized housing projects, using the foundation's $4 million in grant funds as seed money. The pilot projects will concentrate on assisting elderly persons who have aged in place and require more support to remain in their independent living apartment. The foundation expects that after its grant money runs out in three years, the extra cost of the new supportive services will be paid by the state housing agencies or other housing offices. The programs will include more training of housing managers and staff to help them cope with the needs of elderly residents. Tenants also may be asked to pay fees for some services, based on their income, to help meet expenses not covered by the grants.

Fred Meyer Charitable Trust

The Fred Meyer Charitable Trust offers grants under its Aging and Independence program, designed to promote the well-being of seniors and helping them live outside institutions. Although no Alaska agencies have received grants in the first four years of the program, Alaskans are eligible to apply under the program's guidelines that provide funding for projects that:

- Support the family as the primary provider of care for the elderly.
- Demonstrate new ways to provide services that enable elderly persons to remain in their own homes.
- Promote easier and fuller access for seniors to existing services.
- Harness volunteer and para-professional talents for senior services.
- Address the special needs of isolated seniors and minority elders.

Kaplan Cooperative Development Fund

The Kaplan Cooperative Development Fund (based in Washington, D.C.) offers pre-development loans "to support housing cooperatives and related services for older persons." The fund is part of the National Cooperative Business Foundation, and its loans are available for low- and moderate-income senior housing projects. Applicants

must show that other matching funds have been or will be received for the project in order to qualify for the loans. The Kaplan Fund describes eligible cooperative housing projects as those owned by the residents of the units.

Housing Assistance Council

The Housing Assistance Council is a national non-profit corporation funded by federal grants to assist in the development of housing for rural low-income people. The council provides seed money loans for new projects, technical assistance, research, training and information services to public, private and non-profit housing agencies. Applications may be made to the Washington, D.C. council for help in land acquisition, zoning, water and sewage systems and engineering matters connected with rural housing development. Assistance in applying for federal loans and operating subsidies is available, as is training in federal housing programs.

STATE AND FEDERAL AGENCIES

U.S. Department of Housing and Urban Development

HUD is the largest player in government financing of senior housing. It provides direct cash funding, loans, loan guarantees and operating (rental) subsidies under several different programs aimed at low-income tenants, nursing homes, private developers and public and Indian housing authorities. Subsidy money, however, does not come without strings. Senior housing built with HUD money must adhere to federal income guidelines. In Alaska, that means a single person's annual earnings may not exceed $24,150 for a low-income project. For those projects classified for the very low-income, the maximum allowable annual income is $15,500 to $21,750, depending on the community. If seniors earn above those figures, they are ineligible for the housing. Rent is set at 30 percent of a tenant's adjusted gross income.

The largest senior housing program operated by HUD is Section 202, offering direct loans for housing of the elderly and handicapped. Non-profit organizations may apply for long-term, low-interest loans, with operating subsidies available to allow rents tied to tenants' income. Projects financed under this section are open to seniors at least 62 years old and handicapped persons between 18 and 62 years of age.

Arlene Patton, of HUD's Anchorage office, says Section 202 loans will not pay for some of the amenities desired by many senior housing advocates, but non-HUD money may be combined with federal financing to cover those portions of the project. Patton says the program should be considered particularly attractive for senior housing proponents because of its direct loans instead of loan guarantees; because of the operating subsidies that accompany Section 202 senior housing; and because non-HUD money can be used to pay for supportive services not covered by the HUD money. Residents could pay the HUD-prescribed percentage of their income as rent, and then pay separately for additional supportive services.

In addition to offering operating subsidies for low-income projects, HUD also offers mortgage insurance for middle-income housing. The concept behind the insurance is that the federal guarantee can be used to encourage private lenders to participate in moderate-income housing development, without taking all of the risk of an uninsured loan.

In addition to the direct aid of Section 202 loans, other HUD programs offering senior housing assistance include:

- Federal mortgage insurance for cooperative housing (Section 213). HUD insures mortgages made by private lending institutions for cooperative housing projects of five or more units to be occupied by members of a non-profit, cooperative housing corporation. New construction, purchases of existing units and rehabilitation costs may be covered under the program.

- Federal mortgage insurance for multi-family housing (Section 207). HUD insures mortgages made by private lending institutions for the construction or rehabilitation of multi-family rental housing by private or public developers. Housing financed under this program must offer "reasonable rents." The program is open to investors, builders and developers.

- Federal mortgage insurance for multi-family rental housing for moderate-income households (Section 221(d)(3) and (4)). Public agencies, non-profits, cooperatives, private developers and investors are eligible for this program, which uses federal mortgage insurance to encourage private lenders to finance construction or rehabilitation of rental and cooperative housing for moderate-income tenants.

- Technical assistance and seed money loans to non-profit sponsors of low- and moderate-income housing (Section 106). In addition to technical advice, HUD offers start-up loans to cover 80 percent of preliminary development costs. Current regulations limit this program to those non-profits sponsoring housing for the elderly and handicapped.

- Rental assistance payments (Section 8) are available to low-income and very low-income households. Under the program, HUD makes up the difference between what a low-income household can afford to pay for rent and the actual fair market rent for the housing unit. The program allows tenants to choose their own

housing on the private market from among those rental units approved for the program by HUD. Many senior housing projects funded under the Section 202 loan program are included in the Section 8 rental assistance program.

- Mortgage insurance for all income levels of housing for seniors and handicapped people (Section 231) allows HUD to back loans made by private lending institutions. HUD may insure up to 100 percent of project costs for non-profits and public agencies, and up to 90 percent for private developers. Investors, developers, public agencies and non-profits are eligible for the program, which covers new construction and rehabilitation of existing units.

- Mortgage insurance for nursing homes, board and care homes and intermediate care homes (Section 232) is offered to private developers, public agencies and non-profits. Loan support is limited to nursing homes of 20 or more beds, or board and care homes of at least five beds. Equipment needed to operate the homes may be included in the loan package. Adult family care homes (foster care) may qualify under this program.

- Several other programs are aimed specifically at public housing authorities and Indian housing authorities. Technical assistance, operating subsidies and construction money are offered under the programs.

Patton says HUD funding is based on need, not just want. "Applicants must show a need for new housing," she says. "Where there is such a glut of housing, need becomes an important factor," she says of those areas in Alaska with hundreds of vacant housing units. She says the agency is reluctant to fund new construction in those areas and instead would prefer to spend its money financing acquisition and remodeling of existing housing. The reluctance to fund new construction does not apply to rural areas of the state with a shortage of decent housing, Patton says.

U.S. Farmers Home Administration

Farmers Home operates a loan and rental subsidy program (Section 515), which assigns senior housing as its top priority. The program is offered only in rural cities (under 20,000 population), eliminating Anchorage, Fairbanks and Juneau from the program. Still, the rest of the state can participate in the 50-year, low-interest loans and rental assistance that sets rents for low-income seniors at 30 percent of their income.

Although the program is open to private developers, government agencies and non-profit organizations, developers usually do not enter the program because of limited return on their investments and tight federal controls, said Ron Abbott, of Farmers Home Alaska office in Palmer. Just as with HUD financing, a big hurdle in obtaining Farmers Home money is proving that the new housing is needed, says Abbott.

Senior housing projects have been built in Wrangell, Petersburg and Kenai under the program, which has about $2 million in loans available in fiscal 1989 for Alaska, plus matching rental assistance for 30 units of new construction, Abbott says. Farmers Home had a similar $2 million appropriation available for Alaska last year, but it went unclaimed. There was no need for new housing due to the glut of units already available on the depressed market, Abbott says. No one even bothered to apply for the fiscal 1988 funding, he says, adding that there were no serious inquiries into last year's money because no applicant could justify the need for new construction and apparently no one was willing to take the risk.

Just as with HUD, Farmers Home funding is subject to congressional appropriation, so there is no guarantee that Alaska will be allocated $2 million annually in subsequent years. "The rental assistance is what we're really short of," Abbott says, noting that a senior housing project may be constructed with Farmers Home loan money and then subsidized with HUD rental assistance. Or, project developers may charge full rent to pay their operating expenses if federal rental assistance is not available.

In past years, Abbott says, there appeared to be little interest in the loan program because of the easier availability of state grant funding -- which comes without the income limits imposed on tenants of federally financed projects. He expects that will change, now that state funding is much tighter. State funding may be combined with Farmers Home loan funds, he says, which is what happened with the Wrangell senior project built by a local non-profit organization.

Private developers are looking at possible projects in Sitka, Seward and Ketchikan for fiscal 1989 funding, Abbott says. Seward would be the most likely to get in its application this year, because it already is in the agency's pre-application stage for a 24-unit, low-income project (split evenly between one-bedroom and two-bedroom units). The project would not be limited to seniors, but they would be eligible if they met the income guidelines.

Alaska Housing Finance Corporation

AHFC's role in home loan financing is mostly limited to owner-occupied dwellings, taking it out of the running for many senior housing projects. Still, adult family care (foster care) homes and cooperative group homes where the owner lives on the premises could qualify for AHFC loans. The agency's main role would be that of a supplier and seller of foreclosed properties for use as small senior housing projects.

The agency will consider making repairs or remodeling its properties and then rolling those costs into the final purchase price, allowing buyers to pay back the costs as part of the long-term mortgage instead of a separate, short-term secondary loan on the property. This could be helpful to adult family care and group home operators

who face the high cost of remodeling foreclosed properties to meet senior living needs.

Alaska State Housing Authority

ASHA uses HUD money to subsidize the rents at its low-income housing projects, and adds to that federal funding the option of state bond sales to finance new construction. ASHA operates 13 senior housing projects statewide, with more than 670 apartments for independent living. It does not provide supportive services or operate residential care facilities -- its job is low-income, independent housing. In addition to senior housing, ASHA operates dozens of low-income family housing projects across the state.

The agency could sell bonds to build non-subsidized, middle-income senior housing, says Ray Price, ASHA executive director, but he questions if the elderly would be willing or could afford to pay the high rents required to pay the mortgage on new construction. He also says it's difficult to consider any new middle-income construction at this time, looking at the over-supply of housing already on the market.

ASHA's other role in senior housing could come from helping non-profits finance their own, local projects. The state agency could sell revenue bonds and then loan the bond proceeds to a non-profit for financing of senior housing. Rental receipts earned by the non-profit would be used to repay the ASHA loan, with the agency then using the income to pay off the bonds. This arrangement was put together for financing a low-income housing project at Eagle River, Price says, but it is feasible only if the non-profit organization is able to secure HUD loan guarantees for the project. "We wouldn't do that unless there was a guarantee," he says.

Alaska Department of Community and Regional Affairs

DCRA operated a cash grant program for senior housing, but legislative funding ran out in 1985. Despite the four-year drought, 11 applications are on file from communities hoping for state grants for senior housing projects. The department could possibly take back $1.2 million in unused grant funds from a proposed Angoon project that has stalled over a land lease dispute. If the money is retrieved, says Kay Graham, of the department's housing section, it could be awarded by a competitive proposal process to other cities ready to build senior housing construction.

The department's Rural Development Division administers a HUD-financed rental rehabilitation program for Juneau and Fairbanks that could be used by senior housing landlords. HUD limits the program only to those communities ineligible for Farmers Home funding, meaning Anchorage, Fairbanks and Juneau. Since the Municipality of Anchorage receives HUD rental rehab loan money directly, the state has just Fairbanks and Juneau to administer. Funds are very limited, with about $81,000 a year available at 3 percent interest for rental rehab projects in the two cities. Property owners must match the loan money 50-50 with other funds to qualify for the assistance, and their units must be rented to low-income tenants. DCRA has asked HUD to expand the program to other cities in the state.

DCRA also administers the state's housing weatherization program. About $4.6 million is available for the 1988-89 contract year (ending March 31) from federal and state sources. The demand for weatherization work far exceeds funding, says Toy Owen, of the department's Rural Development Division. "We could probably run a $10 million a year program," he says. This year's $4.6 million will pay for work on about 2,000 units. Seniors (age 60 and older) and the handicapped receive first priority for the funding, Owen says. The department contracts with the Municipality of Anchorage, Tanana Chiefs Conference, RuralCAP and other non-profits to do the work, with assistance limited to those persons who meet federal income limits. Work is limited to $1,600 per housing unit. The biggest problem facing the popular program is the reality of losing its largest single contributor. Almost half of this year's money comes from Alaska's share of a federal settlement of a national oil price overcharge case against Exxon. That money will end next year, and unless replacement funds are forthcoming from state or federal treasuries, the weatherization program will have to severely cut back its annual workload, Owen says.

Alaska Industrial Development and Export Authority

AIDEA cannot handle housing loans; commercial loans are its only business. In the senior housing market, nursing homes, semi-independent care facilities and other commercial ventures could be eligible for AIDEA loans, says Executive Director Burt Wagnon. The agency does not make direct loans; instead, prospective borrowers first must sell their proposal to a private lending institution and then AIDEA may purchase up to 80 percent of the loan from the lender. This reduces the risk to the lender and makes the loan more attractive, Wagnon says.

WHAT OTHER STATES ARE DOING

Many aspects of other states' senior housing programs would not apply to Alaska, because of the limited population and small market here. Still, many ideas are worth considering, even if they have to be "Alaskanized" to fit the 49th state.

Joint state and federal funding for mixed-income housing

The New Jersey Housing and Mortgage Finance Agency sold $5.5 million in tax-exempt bonds to help finance construction of a large housing project that will include some senior housing units. In addition to providing loan money, the housing agency gave the developers a $1 million Affordable Housing Program grant, securing a promise that 100 of the 162 units would be reserved for low- to moderate-income households, including seniors and handicapped persons. In return for the grant and low-interest financing, the developers had to promise to keep the low- and moderate-income units for at least 25 years, rather than raise the rents and earn more from high-income tenants. The combined $6.5 million in state loan and grant money helped the developers win more than $4.2 million in federal housing development funds to complete financing for construction of the project.

Renovation of unused buildings for senior housing

A former convent in Maryland was remodeled to provide 24-hour supervised living for 15 frail seniors, avoiding the problems of moving the people to an expensive nursing home away from their neighborhood. The city provided $26,000 for planning, made zoning changes and provided bus service; the county gave $250,000 for remodeling, with another $20,000 from private donations. The church donated the building.

A 55-year-old grand hotel in downtown Dayton, Ohio, was purchased by a private developer after it had been closed for 10 years. The developers remodeled the building into 230 units of federally subsidized independent housing for low- and moderate-income seniors. In addition to using the old hotel rooms, the developer had a lot of surplus space available from the old ballroom areas. Working with the city and local seniors, the developers donated 12,000 square feet to the Downtown Senior Citizens Center on a 20-year agreement for use as a central kitchen for federally-funded senior meals, offices and health screening facilities. Clinic space was donated free of charge to a hospital, which agreed to provide health services.

A combination housing project, senior center and commercial development grew out of a failing shopping center in Colorado Springs, Colorado, in the mid-1980s. Owners of the shopping center donated the property to the city in 1984 and the city responded by putting $400,000 of federal grant funds into the facility, along with $400,000 raised by local seniors from private sources. The large grocery store was converted to a senior center and the smaller stores were filled up with vendors supplying goods and services of primary benefit to seniors. The city then assisted a non-profit organization in securing a HUD loan to construct a senior apartment building in the shopping center's former parking lot.

Financing options

Colorado provides financing for senior housing projects through the sale of bonds by the state's housing finance agency, but the agency's attention to the aging-in-place needs of seniors makes it unusual in its lending practices for independent apartments. The agency's loan program takes special care to allow for larger apartments and facilities for group meal service and supportive services, so that residents are not forced out of the housing as their health needs change and they require more services.

The North Carolina housing finance agency offers qualifying non-profit organizations help in the form of up-front appropriations for land, architectural and engineering fees and the use of a reserve fund for construction cost and operating overruns on senior housing projects.

Connecticut offers developers an incentive to obtain federal aid; state money is available to reduce construction costs for each low-income unit built in a project that includes federal dollars.

SENIOR HOUSING SURVEY

SENIOR HOUSING AND SUPPORT SERVICES: AN ASSESSMENT

Alaska's senior population - age 65 and older - is one of the fastest growing age groups in this state although these seniors represent the smallest senior group in the nation. As a result Alaska has the distinction of having both the smallest and the fastest growing elderly population of any state.

Current estimates by the Alaska Department of Labor place Alaska's 1987 senior population at 19,194 (Table 1). That means Alaska's senior population has grown by 66 percent since 1980. If Alaska's population continues to age as projected, it is possible Alaska's age 65 and older could double in the next 15 years.

As Alaska's overall population ages or "grays" several questions come to mind. How satisfied are seniors with their current housing? What support services/programs allow seniors to remain in their own homes? If seniors decide to move, does adequate housing exist to accommodate their needs?

Research Design

To help answer these and other questions regarding senior housing, a questionnaire was developed by the Older Alaskans Commission (OAC) and mailed to a random selection of 2,018 seniors throughout Alaska who receive the Alaska Longevity Bonus. This sample population was selected from 17,743 who received the Longevity Bonus in October of 1988. Longevity Bonus recipients were selected as the sample population because these seniors represent roughly 94 percent of the estimated senior population in Alaska.

Special assistance by OAC staff, OAC Project Directors and city officials was provided to those seniors with questions or required help in completing the questionnaire. In addition, the questionnaire was translated into Yupik by OAC Project Directors in specific areas. Other assistance was provided by the Senior Voice and city/village newspapers which ran special articles describing the project and encouraging seniors to complete and return the questionnaire.

Of the 2,000 questionnaires mailed, 36 percent or 720 questionnaires have been returned to date. It should be noted that the response rate for each question varies; consequently missing data (where seniors chose not to answer a question) reduced that number (N = 720) for different questions.

Table 1
ALASKA'S SENIOR POPULATION

Borough and Census Areas	1987 Age 65+ Population Estimates[1]		Questionnaires Mailed	
	Seniors	Percent	Number	Percent[2]
Anchorage Borough	6,782	35.3	661	33
Fairbanks North Star Borough	2,208	11.5	244	12.1
Kenai Peninsula Borough	1,654	8.6	152	7.5
Matanuska-Susitna Borough	1,488	7.8	160	7.9
Juneau Borough	1,233	6.4	126	6.2
Ketchikan Gateway Borough	782	4.1	86	4.3
Bethel Census Area	611	3.2	63	3.1
Wrangell-Petersburg Census Area	474	2.5	44	2.2
Sitka Borough	473	2.5	41	2
Yukon Koyukuk Census Area	436	2.3	42	2.1
Kodiak Island Borough	405	2.1	41	2
Valdez-Cordova Census Area	395	2	46	2.3
Nome Census Area	375	1.9	58	2.9
Dillingham Census Area	261	1.4	49	2.4
Northwest Arctic Borough	256	1.3	40	2
Skagway-Yakutat-Angoon Census Area	227	1.2	29	1.4
Wade Hampton Census Area	230	1.2	30	1.5
Southeast Fairbanks Census Area	212	1.1	21	1
Prince of Wales-Outer Ketchikan Census Area	198	1	28	1.4
North Slope Borough	190	1	19	.9
Haines Borough	150	.8	19	.9
Aleutian Islands Census Area	116	.6	14	.7
Bristol Bay Borough	37	.2	5	.2
Total Number (N) of Seniors	**= 19,194**		**N = 2,018**	

1 Source: Alaska Dept. of Labor, Research and Analysis
2 Percent of total number of questionnaires mailed (N = 2,018).
Questionnaire recipients selected from ALB list for October 1988 (N = 17,743).

Summary of Senior Housing Survey

The senior housing questionnaires returned to date have provided the Older Alaskans Commission a beginning point in understanding senior housing in Alaska - where seniors live; how they feel about their present housing; what community support services are important; and what housing alternatives they would choose. While caution should be used in generalizing the results of this study to Alaska's overall senior population, the OAC's findings provide a beginning point in understanding housing needs which ultimately should lead to the formation and development of sensible housing policy for our seniors.

The findings of this study are presented below:

- Almost 50 percent of the seniors in this study fall within the 65 to 69 age range;
- Forty-seven percent are male and 52 percent are female;
- The greatest percentage of seniors reported personal income between $10,001 and $20,000; Social Security, savings/investments and retirement benefits are the chief sources of income for these seniors;
- Sixty-five percent of the seniors in this study live in single-family homes;
- Those seniors who live in single-family homes generally have lived in those homes for more than 10 years and have lived in the their respective communities for much longer (over 20 years);
- Seniors who reside in housing other than single family homes (e.g., apartments, mobile homes) generally have lived in their homes for less than 10 years -- however, like those seniors who live in single family homes, these seniors have lived in their communities for a much longer period of time;
- Over 70 percent of the seniors in this study were found to own their homes, 20 percent pay rent and 1.7 live with children or relatives;
- As would be expected housing costs vary across different Alaskan communities, but those costs appear to be within seniors present means;
- Seniors present housing costs may affect their perception of housing costs in general; that is, seniors may experience "price shock" when considering housing alternatives;
- Seventy-seven percent rated their present housing as either "excellent" or "good";
- Those seniors who appear most disatisfied with their housing live in single-family homes in small, rural villages (Level I communities);
- Factors which result in a high degree of housing satisfaction are: privacy, rooms with many windows, enough living space for needs, close to people, housing costs, security, recreational facilities nearby, well insulated homes, little yard maintenance and, where applicable, building managers;
- The single most important housing factor, however, is privacy;
- Community supportive services play an important role in helping seniors remain in their homes; the top five services are: doctors services, property tax relief, senior citizen centers, public health clinics and public/senior transportation;
- Loan programs for home modification and equity conversion generally do not have wide appeal among persons answering the survey; seniors living in villages (Level I communities) and small towns (Level II communities) did show interest in weatherization programs;
- For the most part, seniors do not "plan" to move from their present housing; when presented with housing alternatives, however, seniors (with the exception of those living in Level I communities) generally chose "independent senior apartments," "ECHO Homes" and "Congregate Living Facilities (residential care)" in that order;
- Seniors living in Level I communities chose "ECHO Homes" as the most preferred housing alternative;
- Factors such as income, sex and health do not appear to change the housing choices of seniors.

The above results show that Alaska's seniors are generally very satisfied with their housing, and, for the most part, "plan" to live in their homes as long as possible. These seniors generally prefer private, independent living situations regardless of age, sex, income and health. When asked to select among different housing alternatives most seniors predictably chose those options which allowed them the most privacy and independence.

Findings

Age and Sex

Combined data for age and sex is presented in Table 2 for those seniors who have returned questionnaires to date. A comparison of this data with current Alaska Department of Labor census information indicates that, overall, this sample (N = 720) is fairly representative of seniors in Alaska with the exception of those aged 80+.

Table 2

	1988 OAC SENIOR HOUSING STUDY Percent	ALASKA DEPT. OF LABOR 1987 CENSUS ESTIMATES Percent
Age		
65 to 69	49.4	43.3
70 to 74	29.2	26.2
75 to 79	15.1	16.7
80+	6.3	13.8
Sex		
Male	47.3	45.9
Female	52.7	54.5

This may be explained, in part, by the finding that seniors in the 80+ group were more likely to return the questionnaire unanswered. These seniors gave their age and indicated the questions were neither applicable to their situation nor were they willing to move from their present housing.

Ethnic Background

The ethnic backgrounds of seniors in this study are shown in Figure 1 and are proportionately similar to that found in a previous study conducted in 1984 by the OAC. In that study, Longevity Bonus recipients (total sample = 9,897) were asked similar questions regarding housing, community support services and personal information about themselves.

Marital Status

More than 50 percent of the seniors in this study reported they were married (58.4), 27.4 were widowed, 8.8 percent were divorced, 3.7 never married and 1.7 were separated. This compares to the 1984 OAC study which found that 55 percent were married, 30 percent were widowed, 9 percent were divorced, 4 percent never married and 2 percent were separated.

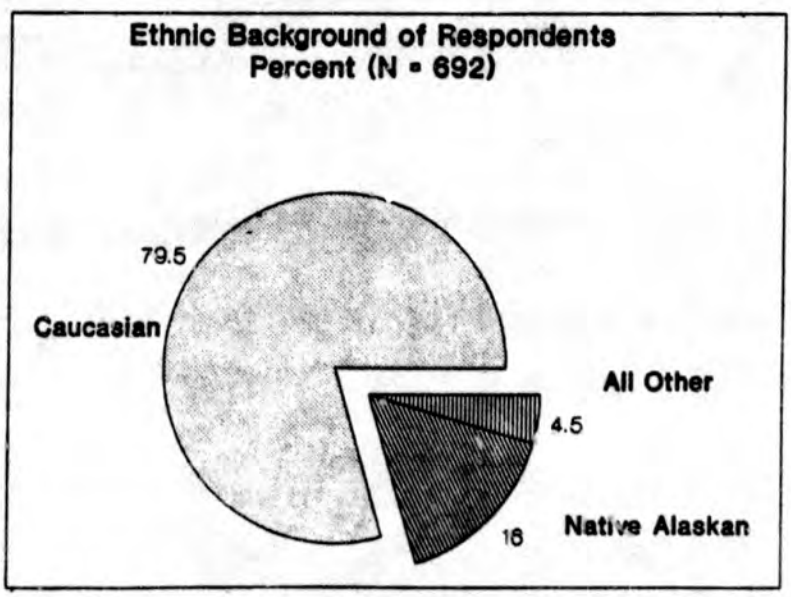

Fig. 1

Income and Income Sources

Figure 2 shows personal income and Table 3 shows the sources of that income for seniors participating in this study. While income here refers only to personal income (does not include all sources such as a spouse), the income reported is comparable to the total income (all sources) reported in the 1984 OAC study described above. As can be seen in Figure 2, the greatest percentage (32.3) of seniors fall within the $10,001 to $20,000 range while about 25 percent of the seniors in this study fall between the $5,000 to $10,000 range.

Table 3

Income Source	Percent
Social Security	89
Savings/Investments	51.4
Retirement Benefits	50.7
Spouse	21.2
Work	15.7
Adult Public Assistance	11.4
Other Family Members	3.2

Community Levels

The OAC's approach to long-term planning relies on the ability to identify communities by "levels" - these levels are defined by certain characteristics (e.g., population, government, economic development, transportation). The following analysis of senior housing utilizes both the OAC's planning approach to identifying communities by levels and summary data. Levels, community type and number of questionnaires returned from each level is shown in Table 4.

Table 4

Level	Community	Questionnaires Returned
Level I	Village	87
Level II	Small Town	43
Level III	Sub-Regional Center	70
Level IV	Regional Center	134
Level V	Urban Center	386
		N = 720

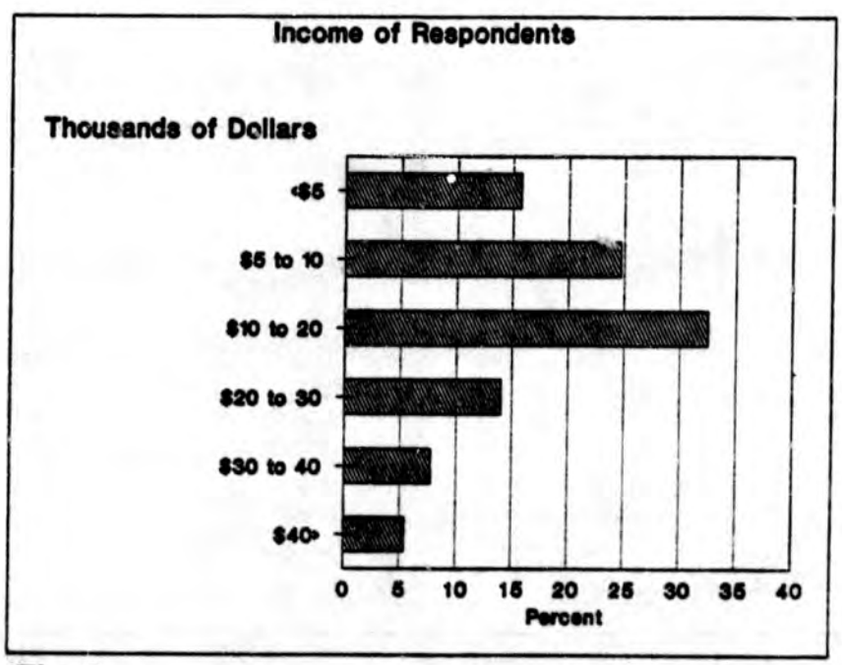

Fig. 2

A description of each level can be found in the Commission's State Plan For Services To Older Alaskans (1988), and examples of communities that fall under each level are shown below.

Level I:	Anaktuvuk Pass, Eagle, Hydaburg, Tanacross, Whittier, Pedro Bay, Ruby, St. Paul, King Salmon
Level II:	Angoon, Naknek, Fort Yukon, Haines, Skagway
Level III:	Cordova, Homer, Petersburg, Wrangell, Dillingham
Level IV:	Barrow, Bethel, Kenai/Soldotna, Nome, Ketchikan, Palmer/ Wasilla, Kodiak, Kotzebue
Level V:	Anchorage, Fairbanks, Juneau

Housing

Sixty five percent (N = 468) of the 720 seniors who participated in this study to date reported they live in single-family homes (Figure 3). This finding is fairly typical of senior housing patterns. A 1986 study by American Association of Retired Persons (AARP) for example, showed that of 1,500 seniors surveyed nationwide in 1986, 70 percent lived in single-family homes.

Of the 468 seniors who live in single-family homes, 45 percent reported they had lived in their homes over 10 years and 38 percent reported having lived in their homes over 20 years. These seniors also reported they have remained in the communities where they presently reside for many years as well. Only 2.3 percent of these seniors reported living in their community for less than one year compared to more than 50 percent who reported residing 20 years or more in their community.

Sixty-nine percent of those seniors who live in apartments, mobile homes, townhouses, duplexes and multiple unit buildings have resided less than 10 years in their homes. Like seniors who live in single-family homes, however, these seniors reported an attachment to their community. Over half of these seniors reported living in their communities 20 years or more.

Written comments by seniors suggests that children and relatives play an important role in keeping seniors in their communities. Fifty percent reported children lived nearby and 58 percent indicated relatives lived nearby.

Overall, 78.3 percent own (or are buying) their homes. Twenty percent rent, and 1.7% do not pay rent. Those seniors who do not pay rent live with their children or relatives.

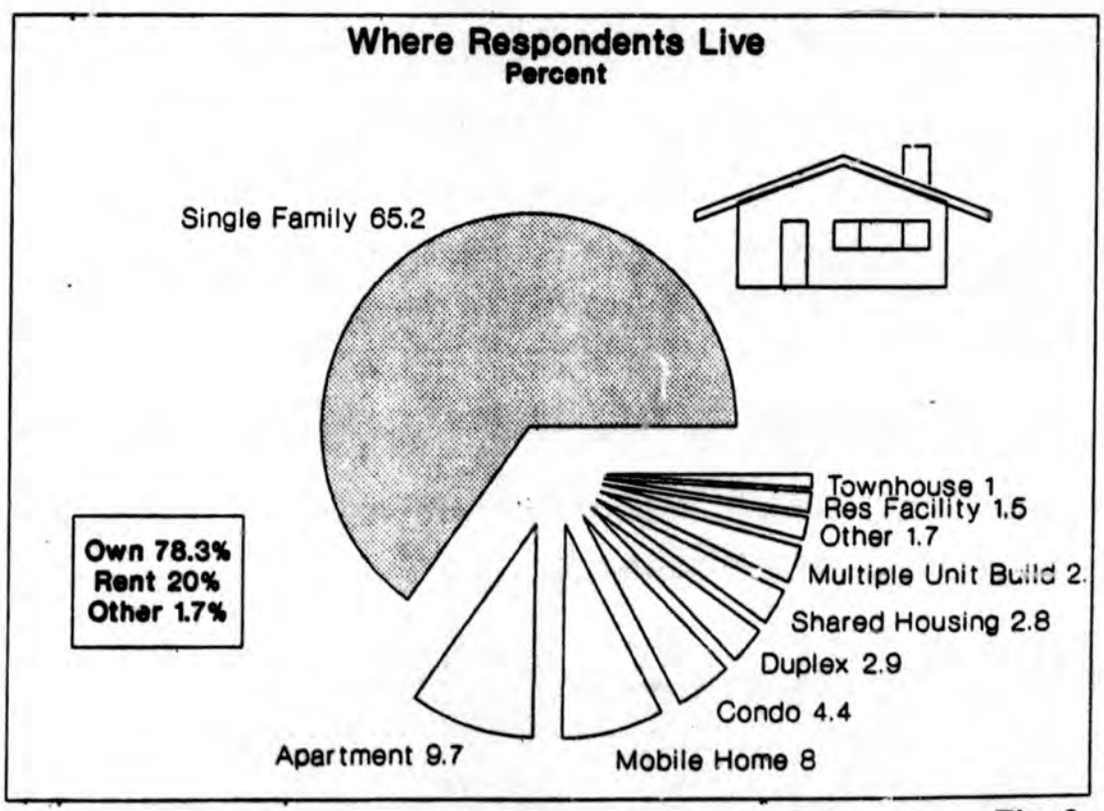

Fig. 3

Housing Costs

Figure 4 shows monthly housing costs across different Community Levels (I to V). Table 5 shows the percentage of seniors who fall within each income level, and Figure 6 shows seniors' satisfaction with their housing costs; that is, whether they feel their housing costs are affordable.

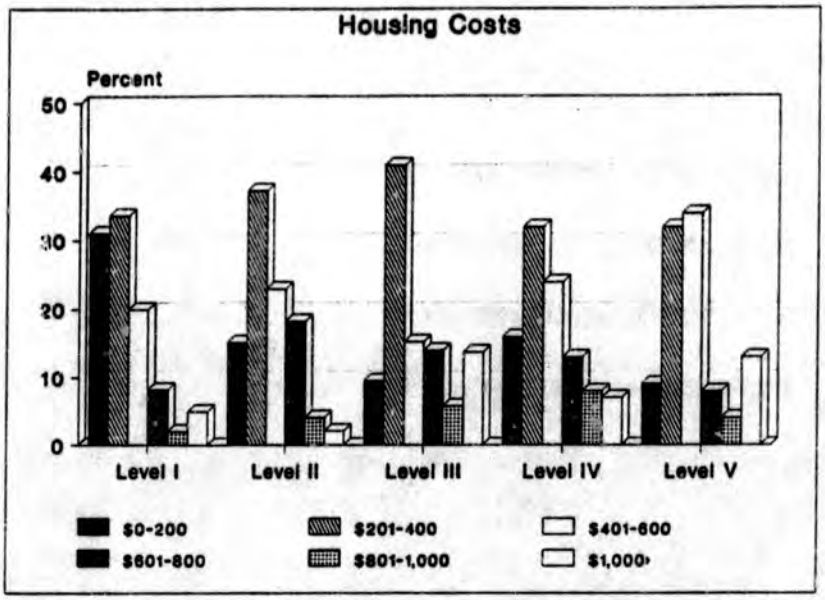

Fig. 4

Table 5
Levels (Percent)

Income Level	I	II	III	IV	V
<$ 5,000	37.9	20	6.1	4.8	9.7
$ 5,001 - 10,000	18.4	32.5	24.5	28.2	19.8
$10,001 - 20,000	31.1	23	30.7	43.8	33.5
$20,001 - 30,000	3.4	15	24.5	9.6	17.4
$30,001 - 40,000	6.9	7	8.1	7.2	9.7
$40,001+	2.3	2.5	6.1	6.4	9.9

Housing costs (Figure 4) vary across different community levels. For example, a majority of Level I seniors pay between $0 and $400 compared to over 60 percent of Level V seniors who pay between $201 to $600 per month. Figure 5 suggests these seniors feel there housing costs are within their means. Although further research is necessary, housing costs/income ratios for seniors in this study may be proportionately smaller than housing cost/income ratio paid by seniors who have not lived in their own homes for many years. This could means that some seniors may face "price shock" once they decide to seek althernative living situations.

Housing Satisfaction

Overall seniors are satisfied with their housing. Thirty-four percent rated their housing as "Excellent" and 42.7 rated their housing as "Good" (Table 6). In regards to different communities, Levels I through IV generally reflect this overall satisfaction although a small percentage of seniors reported some disatisfaction at all levels (Figure 6). Level I seniors, however, reported the highest percentage of housing as either poor or bad - those seniors were found to live in single family homes.

Table 6
Housing Satisfaction

Excellent, Very Satisfied	34.3
Good, Satisfied	42.7
Fair, Somewhat Satisfied	16.3
Poor, Not Very Satisfied	3.9
Bad, Not Satisfied At All	2.8

Seniors appear satisfied with their homes based on certain housing characteristics. As can be seen in Table 7 satisfaction ranges from a low of 76 percent for "Extra Shelves" to 96 percent for "Privacy" suggesting these seniors are generally content.

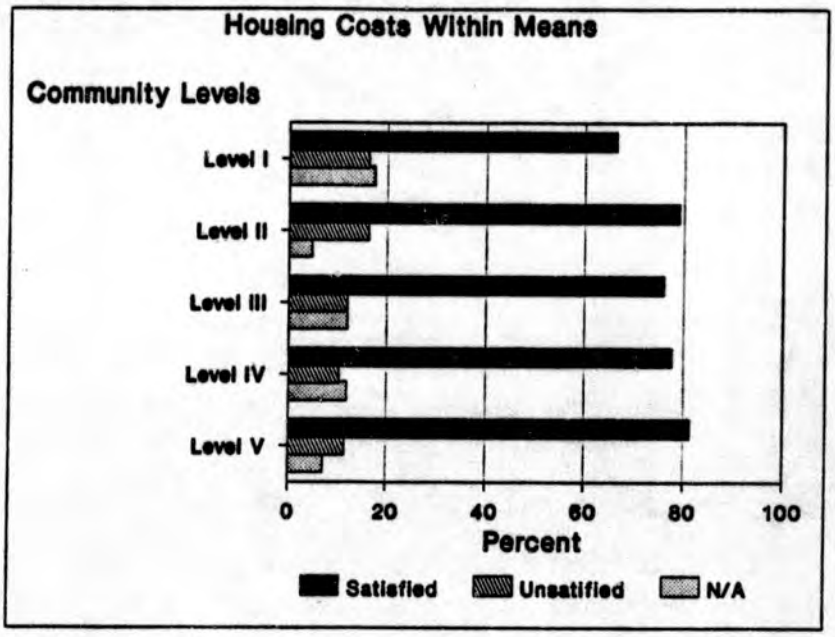

Fig. 5

Table 7

Satisfaction With Current Housing

Housing Factors	Percent Satisfied
Privacy	96
Many Windows	92
Enough Living Space For Needs	89
Close To People	88
Housing Costs Within Means	86
Security	85
Enough Kitchen Space	85
Recreational Facilities Nearby	82
Well Insulated Home	82
Storage	80
Yard Requires Little Maintenance	77
Extra Shelves	76
Building Manager Does Good Job	76

Importance of Community Support Services

Seniors rated 20 community services ranging from property tax relief to information/referral services as either "Not Important," "Somewhat Important," "Important," "Very Important" or "N/A" (not applicable). For the purposes of this analysis, responses were combined for three categories ("Somewhat Important," "Important" and "Very Important") and compared against whether they were "Not Important" or "N/A." Table 8 summarizes this comparison.

Doctor's services, property tax relief, senior citizens centers and public health clinics appear to top of the list of important community support services. Seniors also rated senior and public transportation, information referral, adult protective services, hospital outreach, legal assistance, shopping assistance, group meals, home health aide/nurse and homemaker/chore service as important although a greater proportion of seniors rated these services as not applicable (N/A) to their situation.

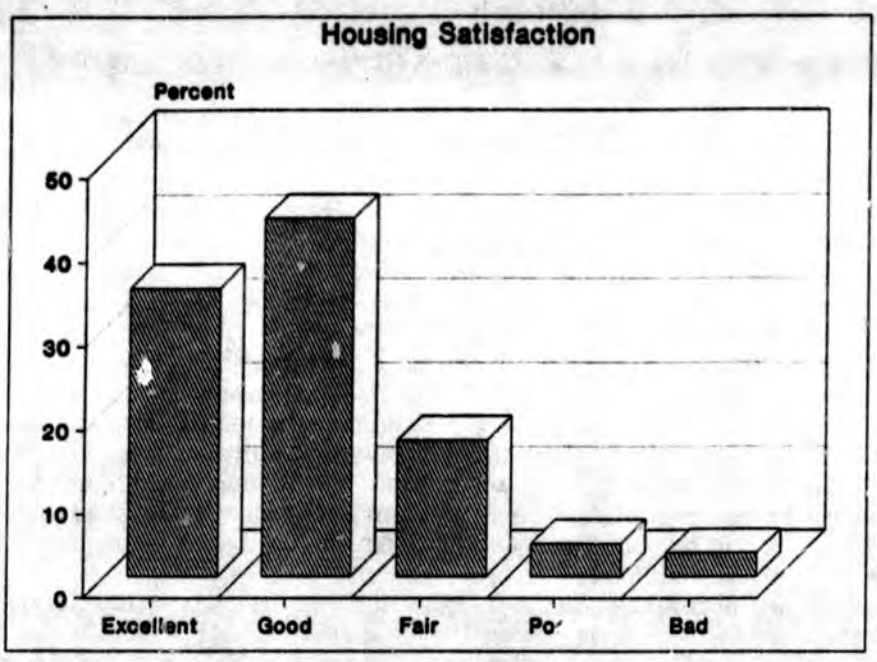

Fig. 6

Table 8

Importance of Community Services (Percent)

Service	Important	Not Important	N/A
Doctor's Services	69.5	8.2	22.3
Property Tax Relief	67	8	25
Senior Citizen Center	53.4	14.6	32.1
Public Health Clinic	49.6	13.8	36.6
Senior Transportation	38	18	44
Public Transportation	37.9	16.8	45.3
Legal Assistance	34.3	18.4	47.3
Hospital Outreach	34.5	15.6	49.9
Information/Referral	36.1	13	50.9
Adult Protective Services	32.3	15.1	53.5
Shopping Assistance	27.9	21.1	51
Group Meals Program	27.1	22.3	50.6
Home Health Aide/Nurse	25.1	21.3	53.6
Homemaker/Chore Services	23.5	22.1	54.4
Home-Delivered Meals	20	23.5	56.5
Personal Care Attendant	17.3	22.6	59.6
Renters Rebate	14	10	76
Adult Day Care	14	22.1	63.9
Respite Care Service	13.1	21.3	65.6
Alcohol/Drug Treatment	11.9	23.1	65

Loan and Weatherization Programs

Seniors were asked whether they would or would not consider using different loan and weatherization programs to help them remain in their homes. Of the four programs described in the questionnaire (Low Interest Loans, Equity Conversion, Modification Loans, and Weatherization), a weatherization program appeared to have the greatest appeal. Thirty-two percent indicated they would consider using such a program. Those seniors who indicated the greatest interest were found to reside in Level I (56 percent) and Level II (65 percent) communities.

Housing Choice

If seniors were to move, what housing alternative(s) would they choose, and what housing factors would affect their choice?

Seniors were presented with six different housing alternatives and asked to decide whether they would or would not consider moving to them. These housing alternatives were:

Independent Senior Apartments: A building complex which houses seniors in independent apartments. There are no social or health supportive services provided by the building management.

Congregate Living Facility: A larger (10 to 50 units) social residential facility where seniors pay rent for a private efficiency apartment. Seniors would be able to receive some support services as part of their monthly rent, such as meals and housekeeping. Seniors could also receive different levels of personal and health care as needed (but not skilled nursing home-type care).

ECHO Homes: A separate, self-contained house near the home of your adult children or other relatives or friends.

Shared Housing: Two Options

1. Sharing your home with one or more persons who are not relatives and who pay you rent.
2. Moving into a home shared by one or more unrelated persons where you pay rent.

Adult Home Care: A private home, other than with a relative, where you live with a family and/or other seniors, have a private room and are provided meals and personal care assistance for a monthly fee.

Senior Group Home/Cooperative: A home operated by a non-profit organization or by a private individual for up to six seniors who require some minimal assistance with daily living activities, but who do not require nursing home care. Each resident has their own room; each resident pays a monthly fee; and each resident may contribute time toward joint household chores.

Figure 8 summarizes seniors interest in the above housing alternatives. As can be seen, Independent Senior Apartments, Echo Homes and Congregate Living Facilities are the most popular with more than 60 percent indicating they would consider these options. Seniors were less likely to chose Adult Home Care and Senior Group Homes. Almost 70 percent indicated they would not consider Adult Home Care, and 65 percent would not consider Senior Group Homes. Not shown in Figure 7 is data for Shared Housing since only a few indicated they would consider this alternative.

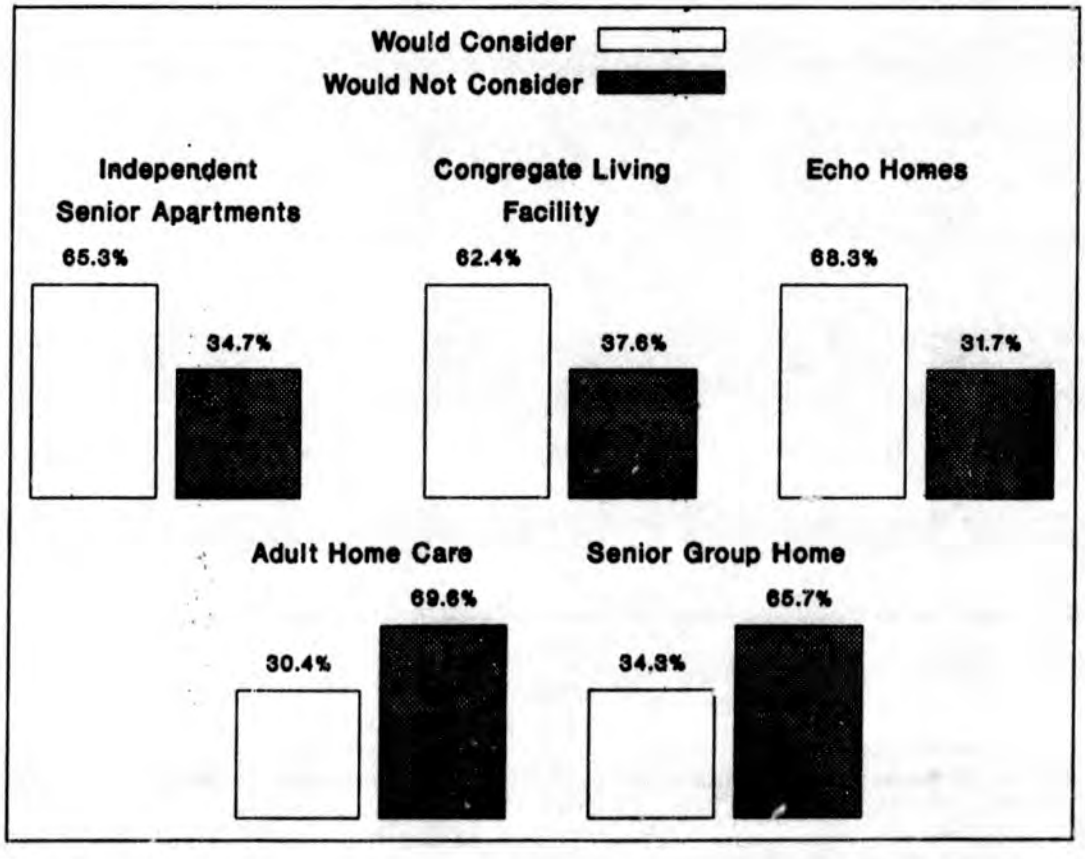

Fig. 7

Seniors were also asked to describe housing alternatives they would choose different from those presented. Generally, seniors indicated they would prefer to remain in their own homes or move to smaller, detached homes near community services, family and friends.

Which of the six housing alternatives (Independent Senior Apartments, Congregate Living Facility, Echo Homes, Adult Home Care, Senior Group Home, and Shared Housing) would seniors most likely choose if they were to move?

Figure 8 shows those housing alternatives most preferred by seniors across different community levels. Seniors were found to prefer Independent Senior Apartments, ECHO Homes and Congregate Living Facilities in that order for Levels II through V. A greater percentage of Level I seniors prefer ECHO Homes over Independent Senior Apartments and Congregate Living Facilities. The small percentage of seniors selecting Shared Housing, Senior Group Homes and Adult Home Care suggest these alternatives are least preferred as a first option. Table 9 shows the percentage of seniors falling within different age groups under each of the five community levels shown in Figure 8.

Table 9

Levels (Percent)

Age	I	II	III	IV	V
65-69	45.5	56.5	56.2	47.4	51.2
70-74	25	21.7	37.5	30.3	31.7
75-79	20.5	8.7	5.7	15.7	15.1
80+	9	13.1	.6	6.6	2

It should be noted that the housing preference found in this study is fairly representative of seniors choices regardless of such factors as income, sex and perceived health. For example, when housing choice was compared by income and age, seniors housing preference across Levels I to V did not vary appreciably when compared to the choice data shown in Figure 7.

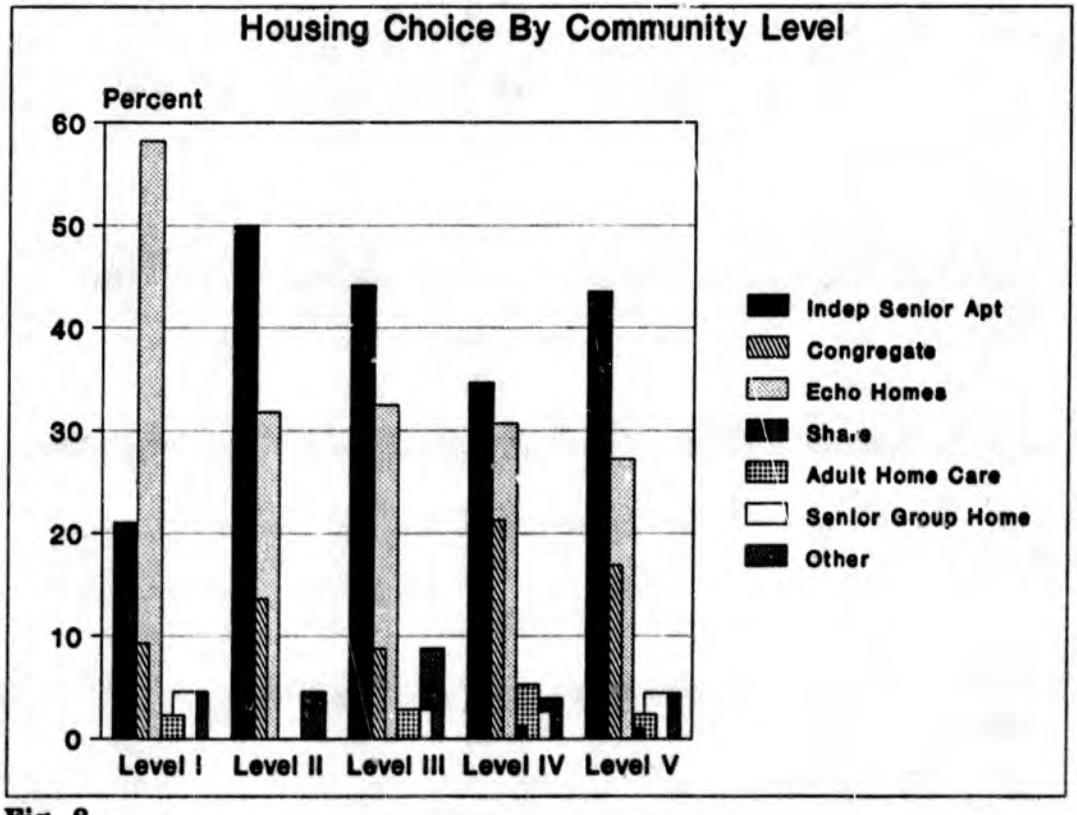

Fig. 8

METHODOLOGY AND SOURCES

This report is based on more than 1,200 hours of staff time at the Older Alaskans Commission; computer analysis of more than 700 responses to a statewide survey of senior citizens; interviews with more than 60 senior housing managers, state and federal officials and senior housing advocates; and visits to half a dozen senior housing projects across Alaska, including in-person interviews with the tenants.

Included in the research material reviewed for this report were the following articles, booklets, government and private-sector reports, surveys and community assessments on senior citizen housing needs and alternatives:

"A Home Away from Home: Consumer Information on Board and Care Homes;" a 1986 report of the Consumer Affairs Department of the American Association of Retired Persons.

"A Tale of Two Cities: An AARP Investigation on How Two States Regulate Board and Care Homes;" from the Consumer Affairs Department of the American Association of Retired Persons.

"Alaskans Statewide Housing Needs Study;" a March 1983 report prepared for the Alaska Department of Community and Regional Affairs.

"Almost 30 Years Old, Section 202 (HUD) Presses On;" from the July/August 1988 issue of Perspective on Aging magazine of The National Council on the Aging.

"Can States Rescue Housing for Older Americans;" from the July/August 1988 issue of Perspective on Aging magazine of The National Council on Aging.

"Chronic Health Care Needs of Native Village Elders in Interior Alaska;" a 1987 report for Denakkanaaga Inc. and Tanana Chiefs Conference.

City of Kenai feasibility study and schematic design for a congregate housing facility in Kenai; April 1988.

"ECHO Housing: Recommended Construction and Installation Standards;" a 1984 report from the American Association of Retired Persons.

"Elderly Housing Needs Assessment Study;" a June 1988 report for the City of Palmer, by the Matanuska-Susitna Borough Planning Department.

Fred Meyer Charitable Trust; 1987-88 annual report.

Governor's Housing Conference papers from a September 1988 Alaska Housing Market Council conference.

Governor's Interim Commission on Health Care; 1988 report to Gov. Steve Cowper.

Housing Assistance Council, Housing Programs for Rural America; 1986 report of the Washington, D.C. organization.

Housing for the Elderly Seminar; held in March 1988 and sponsored by The American Society on Aging.

Housing Report; published monthly by the American Association of Retired Persons; articles included ECHO homes, independent apartments, home modification and conversion, and private foundation grants.

"Housing Task Force Report: Stabilization of the Housing Market;" a March 1988 report from the Alaska Housing Market Council.

Housing the Elderly Report; published monthly by CD Publications, Silver Spring, Maryland.

Keynotes; the fall 1988 issue of the New Jersey Housing and Mortgage Finance Agency's public report.

Senior Assisted Group Environment (SAGE) Homes; a February 1988 model prepared by the Older Alaskans Commission.

Senior Housing News; a regular publication from the National Institute of Senior Housing.

"The Adaptable Home: Design and Cost Considerations;" a 1987 publication from the University of Florida Department of Architecture.

"The Doable Renewable Home: Making Your Home Fit Your Needs;" a 1985 publication from the American Association of Retired Persons.

Transamerica Life Companies Retirement Report; November 1988.

United States Conference of Mayors; 1988 report on senior housing.

APPENDIX

Introduced: 4/13/89
Referred: State Affairs, Community and Regional Affairs and Finance

6-0685E

BY DUNCAN, KERTTULA, FAHRENKAMP, ZHAROFF, RODEY, SZYMANSKI, AND STURGULEWSKI

IN THE SENATE

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 150

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act establishing a senior housing office and loan program in the Department of Community and Regional Affairs; and authorizing the issuance of bonds for senior housing."

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

* Section 1. AS 18.55 is amended by adding a new section to read:

ARTICLE 2A. SENIOR HOUSING BONDS.

Sec. 18.55.475. BONDS FOR SENIOR HOUSING. Under the procedures of AS 18.55.140 - 18.55.200, the authority may issue bonds the proceeds of which shall be deposited in the senior housing revolving loan fund administered by the senior housing office under AS 44.47.585 - 44.47.609.

* Sec. 2. AS 44.47 is amended by adding new sections to read:

ARTICLE 9A. SENIOR HOUSING OFFICE.

Sec. 44.47.585. SENIOR HOUSING OFFICE. There is established in the department a senior housing office. The office shall promote a comprehensive response to the needs of senior citizens for adequate, accessible, secure, and affordable housing in the state. In order to fulfill this purpose, the office may

(1) study the needs of senior citizens in the state for housing to meet their needs;

(2) seek funding from appropriate sources for the development of housing alternatives for senior citizens;

(3) administer the senior housing loan program;

(4) cooperate and coordinate with other public and private agencies, including the Older Alaskans Commission and the Alaska State Housing Authority, to respond to the housing needs of senior citizens;

(5) offer public education programs to increase the awareness of alternatives to large residential facilities for senior citizens;

(6) provide information to senior citizens to help them understand their financial alternatives related to homes they might already own and to help them coordinate with other senior citizens in finding housing alternatives, including information and coordination on home equity conversion and home sharing; and

(7) disseminate information to construction contractors to educate them about remodeling projects that would meet the needs of many senior citizens for accessible and secure housing.

Sec. 44.47.587. SENIOR HOUSING REVOLVING FUND. The senior housing revolving fund is established in the department. The revolving fund consists of appropriations made to the revolving fund by the legislature, the proceeds of bonds sold under AS 18.55.475, money or other assets transferred to the revolving fund by the department, and unrestricted payments on loans made or purchased by the department. Amounts deposited in the revolving fund may be pledged to the payment of bonds for senior housing or used for making, purchasing, or participating in

(1) senior housing mortgage loans;

(2) loans made for building materials for senior housing;

(3) loans made for renovation or improvement of or for senior housing;

(4) loans under AS 44.47.605; and

(5) loans made for the construction of senior housing.

Sec. 44.47.589. OPERATING LOSS RESERVE ACCOUNT. (a) There is established an operating loss reserve account for the purpose of meeting legal expenses incurred through the foreclosure of senior housing properties acquired by the commissioner under AS 44.47.370(6) and making repairs to these properties so that they may be sold to new buyers.

(b) The operating reserve loss account consists of money appropriated by the legislature. To the extent that money is paid out of the operating loss reserve account for the purposes stated in this section, this money shall be replaced with money received as interest on loans authorized by AS 44.47.587.

Sec. 44.47.591. SECURITY FOR LOANS. The commissioner shall adopt regulations in accordance with the Administrative Procedure Act (AS 44.62) establishing acceptable security for loans originated or purchased in whole or in part under AS 44.47.587.

Sec. 44.47.595. FIRE INSURANCE. Before purchasing or participating in the purchase of a senior housing mortgage loan, the office may require the borrower to agree to purchase and maintain fire insurance for the real property for which the loan is made in an amount not less than the outstanding principal balance of the loan.

Sec. 44.47.597. LOAN ORIGINATION AND SERVICING. (a) Before purchasing or participating in the purchase of a senior housing loan, the office shall enter into a loan servicing agreement with the private financial institution from which the loan is to be purchased.

(b) The office may execute service agreements with private lending institutions or with regional native housing authorities established under AS 18.55.996 to service loans originated by the office.

(c) Under the servicing agreement, the private financial

institution or the regional native housing authority shall administer the loan and may charge the office a negotiated origination or servicing fee on the office's share of the loan. When appropriate, the private financial institution or the regional native housing authority may also charge the borrower a reasonable origination fee not to exceed one percent.

Sec. 44.47.599. APPRAISALS. Before originating or purchasing or participating in the purchase of a senior housing mortgage loan, the office may have or may require the borrower to have an appraisal made of the fair market value of the real property, including structures on the real property, for which the loan is made. In conducting an appraisal under this section, the appraiser shall give full value to insulation and other features of construction in structures on the real property that add to the energy efficiency of the structures.

Sec. 44.47.601. TOLL-FREE TELEPHONE NUMBER. The office shall arrange for and maintain a toll-free telephone number for the office so that private financial institutions and their borrowers may contact the office from any location in the state by telephone without a toll charge.

Sec. 44.47.603. ASSISTANCE BY OFFICE PERSONNEL. (a) The office may establish field offices under this chapter, may hire one or more lending officers, and, under AS 36.30 (State Procurement Code), may contract for the services of

(1) real property appraisers who are familiar with construction of senior housing; and

(2) engineers who are familiar with engineering problems in arctic and subarctic regions.

(b) The personnel described in (a) of this section may make visits to provide preconstruction and post-construction inspections of

real property for which loans are originated or purchased by the office in whole or in part under AS 44.47.587 and to provide assistance to private financial institutions and their borrowers. Authority for final approval of loans may not be exercised by the personnel described in this section.

Sec. 44.47.605. COOPERATIVES. The funds appropriated or made available under AS 44.47.585 - 44.47.609 may be used by the office to make

(1) character loans, not exceeding $2,000 for each dwelling, to residents or cooperatives for the improvement, conversion, or construction of dwellings for occupancy by the residents or members of the cooperatives who are senior citizens;

(2) loans for moderate-cost or rental senior housing facilities and senior housing projects to public agencies, or private nonprofit or limited dividend corporations, or private corporations or cooperatives organized under AS 10.15 that are regulated or restricted by the office (until the termination of all loan obligations to it) as to rents or sales, charges, capital structure, rate of return, and methods of operation to the extent and in the manner that provides reasonable rentals to tenants and a reasonable return on the investment; loans to cooperatives may be made for up to 85 percent of the appraised value of the housing facility but may not exceed the replacement cost of the facility.

Sec. 44.47.609. DEFINITIONS. In AS 44.47.585 - 44.47.609,

(1) "office" means the senior housing office established under AS 44.47.585;

(2) "senior housing" has the meaning given "senior citizen housing" in AS 44.47.620(e).

Introduced: 3/13/89
Referred: State Affairs and Finance

IN THE HOUSE BY ULMER AND HUDSON

HOUSE BILL NO. 218

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act extending the authority of the Alaska Housing Finance Corporation to assist in the development of senior citizens' housing; and providing for an effective date."

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

* Section 1. AS 18.56.100(b) is amended to read:

(b) Consistent with AS 18.56.090, the corporation may make temporary and permanent loans from the housing development fund, at an interest rate or rates determined by the corporation, and with the security for repayment that is necessary and practicable, to purchase, make, or participate in the making of mortgage loans

(1) to borrowers for loans to develop, build, repair, remodel, or rehabilitate residential housing for senior citizens and their spouses that is used and occupied as congregate housing; or

(2) that are not federally insured or guaranteed for residential housing, if the corporation determines that the loans are not otherwise available, wholly or in part, from private lenders upon reasonably equivalent terms and conditions.

* Sec. 2. AS 18.56.100 is amended by adding new subsections to read:

(l) The corporation shall use money in the housing development fund to reduce the interest payable by borrowers who develop housing for senior citizens and their spouses under (b)(1) of this section. The corporation may reduce the interest rate on a loan entered into under (b)(1) of this section and this subsection to one percent less

than the interest rate payable on the corporation's bonds issued under AS 18.56.110 - 18.56.170 for development of the project. If a project developed by a borrower with a reduced interest subsidy made under this subsection ceases to be used for senior citizen congregate housing, the corporation shall adjust the interest rate payable on the unpaid balance of the loan to the prevailing rate of interest charged by the corporation on loans made for other residential purposes; but may not reduce the interest rate payable below the subsidized rate.

(m) The corporation shall adopt regulations to implement (b)(1) and (1) of this section that

(1) determine borrower eligibility;

(2) define procedures for the application, review, and approval of authorized loans;

(3) establish loan guidelines, loan terms, and acceptable security for loans; and

(4) identify characteristics of housing projects eligible for loans.

(n) In (b)(1), (1), and (m) of this section

(1) "congregate housing" means a multi-family group-living building that contains individual residence areas and common facilities for congregate living;

(2) "senior citizen" means a resident of the state who is 65 years of age or older.

* Sec. 3. This Act takes effect July 1, 1989.

SCOMM

60:2

MEMORANDUM

TO: REP. C.E. SWACKHAMMER

FROM: CARL F. NICKEL

DATE: July 17, 1989

TOPIC: ALASKA HOUSING MARKETING SUBCOMMITTEE MEETING 7/14/89

I've enclosed the packet information sent me for the teleconference which was held July, 14, 1989. Rather than attempt to reiterate the general content of the meeting, they will be sending us a transcription, I will simply give some impressions.

Initially, I have the gut feeling they are attempting to keep themselves alive, past the end date of March, 1990. They constantly brought up the "need for a housing commission."

Some of their key concerns:

Moderate senior housing, it was felt there is little to keep the moderate to high income seniors in the state. They said these people represent income to the state.

Middle class unable to make down payments, but have made $700-900 rent payments. Suggested local/state assistance for down payments, make down payment payable when the new owners sell, or outright grants.

Mother-in-law housing. Enables seniors to live on children's premises. Zoning may preclude this arrangement in many locations.

Making loans by AHFC available to non-profit corps. Advantage is lower rents because tax exemptions allows them to help capitalize which in turn allows lower rents. Likewise, if arrangements are made first, donations by private sector can be tax deductible. Disadvantage, non-profits are routinely under capitalized.

A great deal of emphasis was placed on potential mandatory mortgage counseling. There was some controversy regarding this, unless it is limited to certain types, e.g., first time buyers or those individuals receiving "grant-type" down payments.

The policy statements of the meeting will be mailed out, the next subcommittee meeting is Sept. 8-9 in Anchorage.

There is a meeting of the whole on policy statements, July 28, in Homer.

LANDLORD INFORMATION SHEET

A. YOU WILL SIGN PAPERWORK THREE SEPARATE TIMES:

1. Landlord Papers (signed with tenant and landlord)
2. Inspection (at inspection)
3. Assisted Lease Agreement and HAP Contract (at the inspection)

B. UTILITIES:

Utilities cannot be billed to the tenant by the landlord. The utilities must be in one name or the other. There can be no changes during the contract year. At the end of the contract year, who pays for the utilities can be negotiated and changed. PLEASE consider trash removal as a utility.

C. SECURITY DEPOSITS:

Security deposits are NOT paid by The Authority. The tenant is responsible for payment of security deposit, and it cannot exceed 30% of their income. This amount can be found on the "Certificate of Participation" in the landlord packet that the tenant brings you.

Retrieval of security deposit by tenant is done by following the Alaska Tenant/Landlord Law. Copies can be obtained at any public library and are free.

D. RENEWAL OF CONTRACTS:

90 days before the end of contract, this office will send letters to you and tenant as a reminder. Please contact your tenant immediately to see if they are moving or staying. If they are moving or you do not wish to renew the contract, a notice must be given in writing (30 to 60 days) and a copy sent to this office.

If tenant is staying, they will need to contact this office and prepare for renegotiation. They will bring you landlord papers to be filled out and an inspection will be scheduled. Amended Lease Agreement will be signed at the inspection, if it passes.

If Tenant is moving, an end of contract inspection can be requested either by tenant or landlord. THESE ARE ONLY SCHEDULED FOR LAST WORKING DAY OF MONTH AND FIRST WORKING DAY OF FOLLOWING MONTH. It is important to notify this office early.

E. TRANSFER OF UNITS:

A transfer of units can be done if the tenant is moving to a unit within the same complex and with the same landlord. The tenant contacts this office and a "Request for Lease Approval" is given to them to bring back to landlord. This paperwork is brought back and an inspection is scheduled. The landlord must also give a written release of move-out inspection on the old unit. There is no interruption of contract at this time and this unit is treated as if it were the old unit.

If a tenant wishes to transfer to another unit that is not in the same complex, or with the same landlord, a mutual termination must be conducted, and there may be an interruption of contract.

F. EVICTIONS:

Evictions must follow the tenant/landlord law. It is extremely important that this office receive copies of any notices that are being furnished to the tenant. Also, we need follow-up done by landlord as to whether landlord is proceeding with eviction or forgiving tenant. The tenant is always responsible for unpaid rent and/or damages, whether The Authority has paid a claim or not paid a claim.

G. ABANDONMENTS:

Contact this office immediately if you have found unit abandoned in order to schedule an abandonment inspection if you feel an inspection is necessary.

H. MUTUAL TERMINATIONS AND THIRTY-DAY NOTICES:

During the first year on the Assisted Lease Agreement the tenant CANNOT give a thirty-day notice and move. If the tenant and landlord wish to get out of this lease, a mutual termination can be done and is processed through this office. Forms are filled out between tenant and landlord and must be notarized. A date is selected and a move-out inspection can be scheduled by tenant or landlord.

I. INSPECTIONS:

It is a good idea to call early in the month if any type of inspection is to be scheduled. This calendar fills up rapidly. Remember, if the landlord requests an inspection, it is the responsibility of the landlord to notify their tenant. If the tenant requests the inspection, the tenant must notify the landlord.

An inspection will not be conducted prior to landlord papers being brought back to this office. Both parties MUST be at the initial move-in or renewal inspection.

J. CLAIMS:

If you are submitting a claim to The Authority for unpaid rent and/or damages you must bill the tenant within FOURTEEN (14) days first. Then process your claim paperwork to The Authority within SIXTY days. This gives the tenant the opportunity to respond to the billing. A copy of this billing must also accompany the claim paperwork that is submitted to this office. Claims may also be submitted to The Authority within one year. The Authority can take up to one year to respond. If the billing to the tenant is not included in the claim paperwork, your claim will be DENIED.

If you see that the unit does not have damages and you do not wish for an inspection, a claim can be submitted to the Authority for unpaid rent. REMEMBER: The Security Deposit Guarantee is limited. It will cover only up to 2 full months of contract rent, less the amount of security deposit required whether the tenant has paid the security deposit or not.

K. OWNERSHIP AND MANAGEMENT CHANGES:

We must always have on record the actual owner of any given complex that a participant on the Section 8 Existing Certificate and Voucher Program is being housed in. If ownership changes, please contact this office for Transfer of the Housing Assistance Payments Contract and Assisted Lease Agreement.

Anytime that management changes, we must be notified in writing. This office has forms for that occasion. It is also important that it is clear how checks are to be made out and clear mailing addresses.

L. FORECLOSURES:

If a foreclosure is being instituted we request the following:

1. Deed of Trust
2. Assignment of Rents letter
3. Name of Tenant(s)
4. Management Verification
5. Clear knowledge of way checks are to be made out and mailed.

If you have any further questions regarding this program do not hesitate to call this office. However, due to the size of this program, we are unable to handle walk-in traffic. We have instituted a policy for making appointments which we have found better serves our clientele and participating landlords.

ALASKA STATE HOUSING AUTHORITY
620 E. 10th. Ave., Suite 202
P.O. Box 200008
Anchorage, AK 99520

272-1457

5/12/89
Affordable, Low-Income &
Senior Housing Subcommittee

OBJECTIVE: To provide a focus on the needs of seniors, low-income & moderate-income programs currently available, to identify short and long-term needs and recognize the service needs of individual recipients and to make recommendations for future expansion.

CATEGORIES	ISSUES IDENTIFIED	IMPACT	NEEDED ACTION
Affordable, Low-Income & Senior Housing Issues			
Role of Govt. & The Private Sector	1. Lack of coordination between housing programs in state.	1. Wasted resources and lost opportunity.	1. The State should establish a centralized housing commission which is responsible for the review and coordination of housing programs and their delivery system throughout Alaska.
	2. Housing "clients" are often not appropriately matched to housing services.	2. Improved efficiency in service delivery.	2. The State should adopt a case managment system which utilizes and encourages private and non-profit organizations in the matching of of clients to services.

CATEGORIES-	ISSUES IDENTIFIED	IMPACT	NEEDED ACTION
Affordable, Low-Income & Senior Housing Issues			
Role of Govt. & The Private Sector	3. Difficult to obtain financing for construction of affordable senior housing units, both low-income and moderate.	3. Would revive economic opportunities within the State for an established market where demand exists.	3. The State of Alaska must become actively involved in assisting private developers and non-profit in obtaining financing for development of units which are affordable to all Senior Alaskans regardless of income level.
	4. Difficult to obtain financing for construction of affordable housing.	4. Flow of capital would stimulate development & growth.	4. The State of Alaska must become actively involved in assisting private developers and non-profit organizations in obtaining financing for development of units which are affordable to all Alaskans.
	5. Planning and predevelopment costs for housing development are often cost-prohibitive.	5. Would increase opportunities for construction development in in the State.	5. The State of Alaska should make funding/financing available to developers and non-profit organizations for planning and and pre-development costs on qualified projects.

CATEGORIES	ISSUES IDENTIFIED	IMPACT	NEEDED ACTION
Affordable, Low-Income & Senior Housing Issues			
Accessibility	1. Lack of education on different housing programs in the State from the public to the private sector and the private to the public sector.	1. Would increase the delivery of programs and housing opportunities.	1. Agencies must educate the private/public sector, and the public, to improve access to current and future housing, including homeownership.
Availability	1. "Affordable" housing is an issue affecting all income levels; it includes renters and homeowners.		
	2. Assess the existing stock of housing statewide for use in meeting current housing needs.	2. Provide a means for the accurate development of programs.	2. Need a statewide housing needs inventory - which would be maintained and periodically updated.
	3. Identify housing that can be made available for senior and low-income housing.	3. Assist in the stabilization of the housing market.	3. Only units which can be converted to meet the needs of assisted living requirements should be considered for conversion to senior/low-income housing and cost-effectiveness must be considered.

CATEGORIES	ISSUES IDENTIFIED	IMPACT	NEEDED ACTION
Affordable, Low-Income & Senior Housing Issues			
Availability	4. Identify groups whose needs are not being met by the current housing stock or housing programs (i.e. low-income homeownership and non-medical assisted senior housing).		4. Need a statewide housing needs inventory, which would be periodically maintained and periodically updated.
	5. Restrictive and conflicting regulations exist which make it difficult to construct cost-effective senior housing.	5. When construction costs are lower, the financial burden on the client is less.	5. Review and adopt less restrictive regulations, allowing for local option review and revision, regarding boarding homes, group homes, congregate housing and and adult foster care.
	6. Medical model requirements make it difficult to cost-effectively construct and operate Residential Care Facilities.		6. Eliminate Residential I & II requirements based on the medical status of clients for Residential Care Facilities and retain them for Intermediate Health Care and Long Term Health Care Facilities.

CATEGORIES	ISSUES IDENTIFIED	IMPACT	NEEDED ACTION
Affordable, Low-Income & Senior Housing Issues			
Availability	7. Services are inadequate and need to to be expanded to allow seniors and others to live independently longer. (Independence: those who aren't a danger to themselves or others).	7. Cost savings	7. The State should encourage independent living by expanding services for seniors where desired and practical - regulations should be flexible so that service delivery can be improved. Chore workers and home delivered meals should be expanded to more than once a day and to 7 days a week. Transportation to services should be provided.
	8. Some seniors are unable to stay in their homes because of high home maintenance and modification costs.	8. The State will save money if seniors are able to remain independent.	8. Financial assistance and training for home repair and maintenance should be increased.
	9. Mortgage Loan Availability a. Lack of financing opportunities for low-income/affordable housing.		a. Increase participation by local financial institutions and secondary market investors to provide funding for non-profit qualified low-income/ affordable housing.

CATEGORIES	ISSUES IDENTIFIED	IMPACT	NEEDED ACTION
Affordable, Low-Income & Senior Housing Issues			
Availability	b. Existing loan programs do not encourage "affordable" housing.		b. Existing loan programs should be modified to encourage "affordable" housing.
	c. Difficult for non-profit developers to obtain financing for senior housing developments.		c. Alaska Housing Finance Corporation should be allowed to lend directly to non-profit developers.
	d. Lack of a draw-down on home equity option in the State.		
Affordability			

CATEGORIES	ISSUES IDENTIFIED	IMPACT	NEEDED ACTION
Affordable, Low-Income & Senior Housing Issues			
Quality	1. Energy importation and poor energy efficiency can increase living costs.	1. Seniors would be able to retain home living options.	1. Insure that housing designs maximize energy conservation and the use of local fuel resources, retrofit where practical, maintain energy savings programs including weatherization.
	2. Current building codes and housing standards can conflict, duplicate each other and be too restrictive.		2. Review current codes building requirements and eliminate all conflicts, duplicity and inconsequential standards.
Land Use	1. Access to public, social & commercial services are often lacking or not reasonably located.		1. In the planning and location of housing, the special needs of the participants should be considered.
	2. Land use regulations are often inflexible and over-restrictive.		2. Education at the local level on development codes and land use regulations need to allow for the individualism of communities and programs.

CATEGORIES	ISSUES IDENTIFIED	IMPACT	NEEDED ACTION
Affordable, Low-Income & Senior Housing Issues			
Cultural Appropriateness	1. Design and standards should be based on local needs and mores.		
	2. Housing design and function does not always reflect the local community's needs.		2. Review current design standards.
	3. Housing should take into account the environmental conditions of the region.		
	4. Federal agencies do not take into account the environmental needs of a region.		
Other Issues			

Alaska Housing Market Council

July 12, 1989

Dear Affordable, Low-Income and Senior Housing Subcommittee member:

Enclosed please find your packet for the Friday, July 14 subcommittee meeting. **Again, the meeting will be held from 9:00 a.m. to 5:00 p.m. at the Anchorage Legislative Information Office, 3111 'C' Street, 1st floor conference room, and in Fairbanks at the Fairbanks Information Office, 119 N. Cushman Street.**

Please review your matrixes prior to the meeting as the subcommittee will be finishing up its policy recommendations. Check the last subcommittee minutes and the matrixes to determine which areas we still need to draft recommendations on.

If you can't attend the meeting, please contact me as soon as possible.

Sincerely,

Heather

Heather Arnett
HPDC Aide

624 W. INTERNATIONAL AIRPORT ROAD, SUITE E • ANCHORAGE, ALASKA 99518 • P.O. BOX 240048 • ANCHORAGE, ALASKA 99524-0048 • (907) 563-3325

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1595 SCOMM 60 HOUSING FINANCE TASK FORCE, 1989

ALASKA HOUSING MARKET COUNCIL
Housing Policy Development Committee

Meeting of the Affordable, Low-Income & Senior Housing Subcommittee

July 14, 1989, 9:00 a.m.
Anchorage Legislative Information Office
3111 'C' Street

I. Call to Order - Roll Call

II. Approval of Agenda

III. Approval of Minutes

IV. Continue to draft policy recommendations.

V. 11:00 a.m. Presentation by Cynthia Parker, "Non-profit corporations and public-private housing partnerships."

VI. 12:00 p.m. Lunch

VII. 1:30 p.m. Public Testimony

VIII. Finalize policy recommendations.

IX. Agenda for next meeting.

624 W. INTERNATIONAL AIRPORT ROAD, SUITE E • ANCHORAGE, ALASKA 99518 • P.O. BOX 240048 • ANCHORAGE, ALASKA 99524-0048 • (907) 563-3325

ALASKA HOUSING MARKET COUNCIL
Housing Policy Development Committee

Low-Income, Affordable and Senior Housing Subcommittee

June 24, 1989

MEETING MINUTES
Suite 200, Fifth Avenue Center
Fairbanks

CALL TO ORDER

The meeting was called to order by Co-chair Carol Jackson at 9:35 a.m.

The following members were present:

Carol Jackson, Alaska State Housing Authority
Jesse Bartlett, Alaska State Housing Authority
Kelly Gunnels, Denali State Bank
Cynthia Parker, Anchorage Neighborhood Housing Services
Bob Arwezon, Real Estate Broker
Velma Ellyson, Homer Senior Citizens

Staff Present:

Heather Arnett

Public Present:

Dorothy Englund, North Star Council on the Aging

APPROVAL OF AGENDA

The agenda was unanimously approved.

APPROVAL OF MINUTES

The minutes from the April 20, 1989 subcommittee meeting were unanimously approved.

HPDC Aide Heather Arnett gave a short presentation to the subcommittee, explaining that they needed to draft their policy statements at this meeting.

Presentation by Kelly Gunnels, Denali State Bank
Mortgage Loan Availability

Ms. Gunnels distributed a list of 5 mortgage loan issues recommendations to the subcommittee members. (That list attached).

Issue #1

Although young families and single parents can often aff a monthly mortgage payment, they are frequently unable t come up with an initial downpayment and closing costs.

Recommendation:

> The state should set up an assistance fund for this Income limits and credit history must be positive ar must acknowledge and accept the program.

Ms. Gunnels does not believe that homeowners will walk a mortgage payments if they have not provided a large down She does think some homeowner counseling prior to purcha home is important.

Mr. Arwezon said that AHFC's three biggest delinquency p have been the zero down program, the HOF program and the home program. He added that giving potential homeowners for downpayments is not necessarily the answer.

Ms. Parker recommended that only families that meet unde criteria and receive homeowner counseling should qualify downpayment and closing cost assistance.

Ms. Gunnels agreed and suggested that possibly the mortg should re-pay the downpayment assistance.

Ms. Ellyson asked if water, sewer and electric service s part of the assistance package?

Ms. Parker did not think that utilities should be part c package.

It was determined that staff should obtain HOF delinquen and profiles from Alaskan banks for the next subcommitte meeting.

The subcommittee hopes to determine if the delinquency r related to an initial deep subsidy. Also, they hope to if the delinquency rate is higher with condominium owner single family home owners. Staff will also attempt to d the age of the homeowners.

Ms. Parker said that because of the high HOF delinquency rate, lenders are about ready to scrap low and moderate-income home loans.

She added that it may be appropriate to designate a "housing council" to receive federal funds and distribute the money to appropriate state agencies.

POLICY STATEMENT

The State of Alaska should be encouraged to establish an Alaska Housing Commission charged with housing program review, coordination and oversight. This commission shall be the designated agency to review and distribute federal programmatic resources and shall designate agency recipients throughout the state.

Ms. Parker recommended that the Commission have private lenders on the commission so that the lending community's viewpoint is represented.

Presentation by Dorothy Englund, Director, North Star Council on Aging

Ms. Englund had reviewed the subcommittee's matrix and draft recommendations and said that they fairly closely follow the recommendations of the Older Alaskans Commission housing report. The commission's recommendation for a Senior Housing Office could be expanded to oversee all housing programs in the state.

It is important that the subcommittee doesn't overlook "small" projects that don't cost a lot of money. For instance, frequently after an older person comes home from the hospital, railings need to be installed in a house. Perhaps a state grant program could be established to fund such a program.

Two Fairbanks housing projects that house seniors do not have elevators.

Senior housing should be viewed as a "continuum of care." The needs of seniors will change as people change. The population of seniors in the state is growing.

Ms. Ellyson asked Ms. Englund, if as the age of working Alaskans increase are more parents of these working people coming to the state to live?

Ms. Englund responded that it appears so.

Ms. Parker recommended that the final Housing Policy Development Committee report contain senior population projections.

Ms. Englund asked, with the surplus of REO's, why haven't boarding homes been opened?

Mr. Arwezon responded that this is a very complex issue; that there are a lot of zoning and code regulations involved.

Ms. Englund said that the Fairbanks Assembly routinely gives out waivers for construction of boarding and other types of group homes.

Ms. Gunnels added that financing is a major issue with boarding homes.

Ms. Parker proposed the following policy statement:

POLICY STATEMENT

The State of Alaska's first priority should be to dedicate its housing resources to providing housing opportunities for low and moderate income residents.

The subcommittee recessed at 11:45 a.m. for lunch and to tour Southall Manor, an ASHA independent living complex.

The subcommittee reconvened at 1:30 p.m.

Ms. Gunnels continued her presentation on mortgage loan availability.

Issue #2

Many families are unable to to sell smaller homes to "move up" to a larger home or are unable to finance home improvements to enlarge existing homes.

Recommendation

DCRA is in the process of developing a new loan program called the Homeowner Energy Loan Program (HELP). This program could possibly be expanded to help solve this problem.

Issue #3

Active duty military personnel who have decided to extend their tour in Alaska are often unable to purchase homes through AHFC, due to a current AHFC regulation stating that all active duty military personnel must have two years remaining on their date of rotation. AHFC will consider loan requests with less than two years, however, but often require a 10% downpayment. In the majority of cases, that downpayment is not possible.

Recommendation

AHFC should change their regulations pertaining to active duty military personnel, reducing DEROS time remaining from two years to one year. This was the operating policy in effect until mid-1985, when AHFC introduced the longer time period.

Issue #4

Lenders over the past three years have had difficulty placing FHA and Federal VA loans in the secondary marketplace due to the state's real estate market conditions. If the loan is sold to a secondary investor, Alaska borrowers often do not know where their loan will be placed. They are faced with servicing problems in states thousands of miles away.

Recommendation

AHFC has an infrequently used loan program designated as a "Conventional Refinance Program." This non-subsidized program is only funded by AHFC. Should AHFC elect to fund these federally insured programs, Alaska borrowers may be able to have their loans serviced in-state.

The subcommittee saw the availability of capital in the state and the issue of keeping home loan servicing in the state as very important. Ms. Parker proposed the following policy statement:

POLICY STATEMENT

In order to encourage and keep the number of markets open for the creation of affordable housing for Alaska residents, the State of Alaska should encourage both the issuance of tax exempt bonds as well as taxable forms of financing.

Issue #5

Past AHFC borrowers have had their mortgages sold to outside investors, i.e. Fireman's Fund and others. Alaska homeowners have repeatedly been faced with a variety of servicing problems on their loans, without any state or local representative to assist with even the simplest servicing.

Recommendation

AHFC should implement a system which allows borrowers to refinance (HOAP) with the lender of their choice.

Ms. Parker proposed a policy statement:

POLICY STATEMENT

Mortgage loans issued in the state and originated by state

sponsored lenders should, whenever possible, remain with Alaskan lenders for servicing.

It was suggested that the previous policy statement should be presented to the State Legislature as proposed legislation.

Ms. Parker said that part of this subcommittee's action plan should include recommending that AHFC improve servicing education programs for state lenders.

Presentation by Jesse Bartlett, ASHA
Present ASHA Programs

Ms. Bartlett spoke about ASHA's Certificate and Voucher rental assistance programs and the management of ASHA owned properties.

Certificate Program

Tenants apply for the certificate program. Once the tenant has applied, there is a 6-12 month waiting period. The tenant can choose the dwelling of their choice, with the price not to exceed an established fair market rent value. The tenant must also meet an income limit. Units are inspected annually by ASHA inspectors. Certain properties are "certified" by ASHA.

Voucher Program

The rent voucher is portable and can be taken out of state. With the voucher program, the tenant can pay over the fair market rent for an apartment. Any amount over the fair market rent, however, must be paid by the tenant.

Low Rent Program

ASHA is the landlord of the projects it owns. Project managers are either on-site or are on 24-hour call. A landlord briefing class is held once a month. Landlords are paid directly by ASHA.

Ms. Gunnels asked what is the property criteria?

Ms. Bartlett responded that there is no property criteria. But, ASHA properties must pass "Housing Quality Standards (HQS)" and be decent, safe and sanitary.

It was discussed that if a landlord participates in the Section 312 rental rehabilitation program (funded through HUD), their property is automatically certified for the voucher program.

Ms. Jackson commented that the new rental assistance programs proposed by HUD will be rental certificates.

Ms. Bartlett stated that if a tenant is on the waiting list and

has no place to go, ASHA will give the tenant either a certificate or voucher and will send him or her "shopping" for a unit.

Handicapped Qualifications

To qualify as handicapped under ASHA regulations, the tenant must either be receiving social security benefits or provide ASHA with a doctor's letter stating the tenant's disability.

Presentation by Carol Jackson, ASHA
Homeownership Programs

Ms. Jackson stated that with the new leadership of HUD Secretary Jack Kemp, the direction of HUD has changed.

Secretary Kemp has proposed six initiatives for HUD:

* Day care assistance
* Empower tenant management
* Homeownership
* Drug Free
* Job Opportunities
* Establish enterprise zones

ASHA will be developing programs for day care assistance, tenant management, homeownership and to establish job opportunities.

Ms. Jackson added that a housing commission is one of the vehicles the state will need to attract federal funds.

The Homeownership Program

This will be a joint project by HUD, ASHA, AHFC and the locality involved.

Ms. Jackson said that homeownership counseling is essential for these programs to work.

It is hoped that existing state loan programs such as HOF and LIFE will be the vehicles for low-income homeownership.

Ms. Jackson added that a homeownership model program that is acceptable to HUD must be developed. Anchorage will be the first community to develop the model. A "skeleton" homeownership program for Anchorage will be developed by June 27, 1989.

Mr. Arwezon asked if this could be a mechanism to bail out the REO situation?

Ms. Jackson said yes. She said that they will shop in the HUD, VA, FmHa and possibly AHFC inventories.

She said that there are 1,500 HUD units statewide to choose from. HUD is encouraging scattered site homes in mixed-income areas for their homeownership program.

Who qualifies for homeownership

Section 8 and Voucher recipients, although ASHA hopes to eventually open the program to more people.

Ms. Jackson brought up that ASHA will be interviewing 75 Willow Park replacement residents by the end of July for possible interest in the program.

She said that ASHA has to develop partnerships in order to attract federal dollars.

To utilize McKinney Homeless Assistance Act funds, ASHA is considering creating housing for the homeless from existing housing stock.

ASHA is also working on a 5-year plan, which is required by HUD.

A policy statement was proposed to support ASHA's work.

POLICY STATEMENT

The State of Alaska should, through the Alaska State Housing Authority and other public agencies, encourage public-private partnerships to foster and develop affordable housing.

POLICY STATEMENT

A statewide housing needs inventory should be periodically conducted and updated on a regular basis.

The subcommittee determined that they would schedule their next meeting for Friday, July 14 in Anchorage. At this meeting, they will finalize their policy recommendations.

The subcommittee was adjourned by Co-chair Carol Jackson at 3:00 p.m.

PROPOSED POLICY STATEMENT

It is the policy of the State of Alaska that a continuum of care housing program should be implemented with supportive services necessary to allow seniors and handicapped persons to live independently at their level of ability.

Action Plan:

1. Present regulations shall be changed to create two categories of housing:

   a. Medical - requiring specialized medical assistance.
      i. Intermediate care
      ii. Long term care

   b. Non-Medical/Supportive - requiring assistance with daily living.
      i. Nutrition needs
      ii. Housekeeping
      iii. Personal care
      iv. Transportation
      v. Other non-medical needs unique to the individual

2. The availability of senior housing in the state should be increased.

   a. Retrofit existing surplus housing to be appropriate for senior living.

   b. Encourage and assist in the creation of group living situations.
      i. Bed and board
      ii. Congregate home/apartments
      iii. Adult foster homes

LOW AND AFFORDABLE HOUSING ISSUES

Mortgage Loan Availabilty:

PROBLEM

1). Young families/single parents have problems financing homes due to child care costs, etc. Most families can afford rent payments ranging from $500.00 to $800.00 per month. These payments would translate to a $50,000.00 to $80,000.00 mortgage which is well within the price structure of most homes in the state. What most couples or single parents are unable to do is pay the necessary down and closing costs to get into the home. These range from $8,062.50 for an Alaska Housing Finance Corporation/ Federal Housing Authority combination loan to $4,198.00 AHFC/Veterans Administration zero down $50,000.00 transaction. These two programs are the most used loan programs effective in the state.

RECOMMENDATION

The state set-up an assistance fund for this situation. Income limits and credit history must be positive. AHFC must acknowledge and accept program. Possible special program in lieu of HOF or new LIFE program. Fannie Mae has acknowledged and encouraged this type of state or local assistance programs.

2). Growing Families are unable to sell smaller homes to "move up" and unable to finance any form of home improvements to enlarge existing homes. Financial institutions are mandated to specific loan to value ratios which in a negative equity market traps families into homes which do not suit their needs. Unable to enlarge and/or make necessary repairs, families are faced with hardships. Many end up leaving their homes and renting housing better suited to their needs. The results are homes are unnecessarily foreclosed upon.

RECOMMENDATION

DCRA is in the process of developing a new loan program called the Homeowner Energy Loan Program (HELP) which could be expanded to aid with this problem. See attached program guidelines.

3). Active duty military personnel who have decided to either extend their tour in Alaska are often unable to purchase homes through AHFC due to a current AHFC regulation stating that all active duty military personnel must have two years remaining on their date of rotation. AHFC will look at loan requests with less than two years, however, then require a 10% down payments which is not possible in the majority of cases.

In most instances military personnel who begin a four year tour must first get acquainted with the area, spend a winter, etc. before they decide to purchase a home. In most cases where I have been involved, perspective borrowers come to a bank to be pre-qualified for financing only to find that they do not meet the two year criteria (by the time they locate a home in their price range, save the necessary funds for closing and process the paperwork.) Unable to extend their date of rotation until they are within twelve months of their scheduled DEROS, active duty personnel are basically out of the real estate market.

RECOMMENDATION

AHFC to change their regulation pertaining to active duty military personnel, reducing DEROS time remaining from two years back to one year. This was the operating policy in effect until mid 1985 when AHFC introduced the two year period.

4). Lenders over the past three years have had difficulty placing FHA and Federal VA loans in the secondary market place due to our real estate market conditions. Private investors have priced Alaska loans at time 3% higher than in other areas of the nation, if they were to accept them at all. It seems that mortgages from Alaska are not very desirable in the secondary market place and difficult to place in GNMA pools as AHFC can easily verify. In other words, Alaska is expendable on a national level. In most cases at times if an individual was not seeking or could not qualify for AHFC financing, there was no other market available. Recently this market has returned, however, this could easily recur. Alaska borrowers if entering into this secondary market do not know where their loan is going to be placed. They are faced with servicing problems in states thousands of miles away. The original lenders have very little impact on this situation. They can only place telephone calls as a courtesy, however, can not control the quality of service these borrowers receive on their loans. Most lenders do not have the volume of loan necessary to purchase GNMA, Freddie Mac or Fannie Mae pools to prevent the need for this secondary private market situation.

RECOMMENDATION

AHFC has a infrequently used loan program designated as a "Conventional Refinance Program". This is not a subsidized program. It is only funded by AHFC. Should AHFC elect to fund these federally insured programs it would reduce or eliminate the Alaska borrowers from having their loans sold to outside investors. It would also create a more stable environment for future mortgage financing. AHFC would have the ability to charge appropriate loan discount points as does the other investors to earn additional income, as well as, charge the prevailing interest rate. Because the lenders are underwriting and providing the FHA Mortgage Insurance Certificates and the VA Loan Guaranty Certificates the AHFC underwriting staff would not need to be utilized. AHFC has the knowledge and ability to pool mortgages and this seems a natural conclusion that their assistance would provide a more stable secondary market for all Alaska loans with Federal loan guaranty's for residential housing.

5). Past AHFC borrowers have had their mortgages sold to outside/back east investors as well, i.e. Firemans Fund and others. The level of service on mortgages have often times been poor to say the least. Alaska homeowners have repeatedly been forced with a variety of different servicing problems on their loans, without any state or local representative to assist with even the simple day to day issues. The difficult issues such as payment problems, forebearance work-out arrangements income loss, property tax issues and escrow account analysis issues were not handled appropriately.

RECOMMENDATION

AHFC to implement a system which allows borrowers to refinance (HOAP) with the lender of their choice. In a rare case, our bank had an AHFC borrower refinance their home simply to have the mortgage held in Fairbanks. This was an out of pocket expense to the borrower in the amount of $10,000.00 without an interest rate reduction. This situation was so unusual that an AHFC representative contacted our office to clarify the purpose of the loan.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

RURAL DEVELOPMENT DIVISION

949 E. 36th Ave.
Suite 403
Anchorage, AK 99508
907-563-1955
FAX 907-563-1734

May 15, 1989

Ms. Kelly Gunnels
Assistant Vice President
Denali State Bank
PO Box 74568
Fairbanks, AK 99707

Dear Ms. Gunnels:

Our Office of Energy Conservation Programs has $800,000 that we are planning to use to promote the purchase of energy conservation products for homes. Because of problems involved with loan programs handled by the State in the past, we are interested in developing a program that will use private sector lenders. Our idea is to use this money to subsidize the interest on loans provided by private lenders.

We are asking for your input so that we can decide whether there is an adequate interest on the part of private lenders to develop this program. Attached is a short questionnaire. Please take the time to complete this questionnaire and return it to us as soon as possible.

We are calling this program the Homeowner Energy Loan Program (HELP). An outline of our current ideas for this program are included. Depending on what information you provide, the concept for this program can be developed to fit very well within your loan programs.

If you have any questions, please call Norman Bair at 563-1955.

Sincerely,

Steve Baden
Chief, Energy
Conservation Section

Enclosures

HOMEOWNER ENERGY LOAN PROGRAM

GOALS

- More comfortable, healthier and affordable homes
- Driven by private sector
- Leverage other funding sources
- Stimulate job creation in housing industry
- Restitution from petroleum violation escrow (PVE)

PARAMETERS

- Oil Overcharge Advisory Committee Priorities
- $800,000
- Augment existing residential energy conservation programs
- Simple administrative procedures
- Develop program in-house

PROGRAM GUIDELINES

- Available to all private Lenders competitively
- Utilize existing private and public Lenders
- Subsidize interest on loans
- Subsidy only for approved energy-conserving products
- 2% to 5% interest rates for eligible products
- Bigger subsidy for better energy rating of building
- Maintain Master List of approved product types
- Maximum 5-year subsidy
- Subsidy on no more than $20,000 for building or applicant
- Single family through 4-unit residential buildings only
- New and existing buildings
- Subsidy is not transferable or assumeable
- Labor costs not subsidized
- Consumer applies to participating Lender
- Lenders responsible for credit review/acceptance
- Subsidy payments paid annually or one-time to Lender

National Association of Home Builders
Governmental Affairs Division

National Housing Center
15th and M Streets, N.W.
Washington, D.C. 20005
Telephone (202) 822-0470

LEGISLATIVE FLASH!

MAY 24, 1989

(S.774)

LOAN LIMIT CRISIS IN SENATE VERSION OF FINANCIAL INSTITUTIONS REFORM, RECOVERY AND ENFORCEMENT ACT OF 1989 (FIRREA)

The United States Senate recently passed its version of FIRREA. While NAHB generally supports this legislation, it adamantly opposes the loan-to-value ratios prescribed in the Senate bill. These loan-to-value ratios would apply to all types of real estate loans made by federally-insured banks and thrift institutions. The loan-to-value ratios would be as follows:

(1) Loans to finance one to four family residences 95%;

(2) Loans on property improved by a completed structure 80%;

(3) Loans on improved property (no completed structure . . . . . 70%; and

(4) Loans on undeveloped property . . . . . 65%.

Construction loans of 70% or less would cripple all builders' ability to produce housing. And only 65% loans for development would have almost as negative an impact on, particularly, small- and medium-sized builders.

We need your help at once to assure that this provision does not make its way into the final version of FIRREA The current status of FIRREA is that it has passed the Senate, and the House version has been reported by the House Banking, Finance and Urban Affairs Committee.

Since the loan-to-value ratio provision is not likely to be included in the House-passed version of FIRREA, this most likely will be a matter to be decided in Conference between the House and Senate. It is unclear when the Conference on FIRREA will begin. However, the Conference could occur within the next few weeks. The time for action is now.

INCOME LIMITS ALASKA STATE BUILDING AUTHORITY
VERY LOW-INCOME LIMITS
FEBRUARY 27, 1989
NUMBER OF PERSONS IN HOUSEHOLDS

Location	1	2	3	4	5	6	7	8+
Anchorage	17,450	19,650	22,450	24,950	26,950	28,950	30,950	32,950
Bethel	15,500	17,700	19,950	22,150	23,900	25,700	27,450	29,250
Cordova	17,300	19,750	22,250	24,700	26,700	28,650	30,650	32,600
Fairbanks	15,100	17,250	19,400	21,550	23,250	25,000	26,700	28,450
Homer	15,100	17,250	19,400	21,550	23,250	25,000	26,700	28,450
Juneau	21,750	24,900	28,000	31,100	33,600	36,100	38,550	41,050
Kenai	15,100	17,250	19,400	21,550	23,250	25,000	26,700	28,450
Ketchikan	18,900	21,600	24,300	27,000	29,150	31,300	33,500	35,650
Kodiak	17,200	19,650	22,100	24,550	26,500	28,500	30,450	32,400
Nome	15,500	17,700	19,950	22,150	23,900	25,700	27,450	29,250
Palmer	15,100	17,250	19,400	21,550	23,250	25,000	26,700	28,450
Petersburg	17,000	19,400	21,800	24,250	26,200	28,150	30,050	32,000
Seward	15,100	17,250	19,400	21,550	23,250	25,000	26,700	28,450
Sitka	20,000	22,900	25,750	28,600	30,900	33,200	35,450	37,750
Valdez	17,300	19,750	22,250	24,700	26,700	28,650	30,650	32,600
Wasilla	15,100	17,250	19,400	21,550	23,250	25,000	26,700	28,450
Wrangell	17,000	19,400	21,800	24,250	26,200	28,150	30,050	32,000

SECTION 8 EXISTING HOUSING ASSISTANCE

Section 8 Existing Housing Assistance is available through funding granted by the U.S. Department of Housing and Urban Development (HUD).

In Anchorage, the Federal monies and program policies are administered by the Alaska State Building Authority.

The Section 8 Existing - Anchorage program is designed to assist families with the payment of their rent. Eligibility for the program is based on family size, and family income.

Families who qualify for; and are approved on the program, will find their own housing from the various types available in the area: single-family homes, mobile homes, condominiums, townhouses, and other apartments.

Maximum rental amounts are set by Federal audits. The tenant's portion of the rent is computed as a portion of their total gross monthly income. The balance of the contract rent is paid by the Authority.

The tenant pays the security deposit.

Housing Assistance payments begin when the rental unit passes inspection. The Authority uses HUD guidelines to ensure participating families obtain safe, sanitary and decent housing.

The Section 8- Existing program is rental assistance only; it is not designed to enable families to purchase their dwelling.

If a participating family is required to pay utilities, the contracted utilities must be in the family's name.

Once the tenant family's rent has been calculated, they cannot pay any additional amount for rent, i.e. no "extras" for pet deposit, utilities, etc.

Tenants sign a one-year lease agreement. During the first year under contract, this lease cannot be broken unless BOTH the tenant AND the landlord agree to mutually terminate.

Tenants must notify the Authority at such time their family size or income changes. The Authority can then determine any change in the tenant's portion of the rent.

Landlords must notify the Authority if there is a change in ownership of the rental unit. They are also responsible to notify the Authority if the tenant is not current in rent payment; if the tenant vacates the unit; if the tenant is suspected of housing an individual not named on the lease; if there are any circumstances which the Authority may need to investigate, as specified on the lease agreement.

HUD places a high priority on preventing fraud. Program participants - tenants AND landlords - face severe fines, possible imprisonment, repayment of all overpaid rental assistance if convicted. Tenants who commit fraud will be prohibited from receiving Housing Assisance in the future.

This information includes basic program policy. For additional information, call 563-1901. Applications are available at 624 W. International Airport Rd.

8/88

Elderly Housing Low Rent & Section 8 Programs

Low Rent& Section 8 New Construction

Chugach Manor has 120 unit capacity. It is currently filled, with 100 of the 120 units occupied by elderly tenants.

Chugach View also has a 120 unit capacity, and currently houses 110 families with a head of household age 62 or older.

The remaining units in each facility are occupied by disabled/handicapped tenants.

Fairmont Housing Project - Senior Units (41)
25 units on Lane Street, 8 Units on Park Street and 8 located on Taylor Street.

For all other Low Rent/Anchorage housing, the 25 units on N. Lane (Mt. View area) are currently occupied by seniors. All other housing occupied by non-elderly families.

Currently there are 154 families/individuals age 62 or over on the Low Rent Waiting List.

Section 8 Existing (Certificate & Vouchers)

Section 8 currently has 1,482 housing certificates and vouchers being used by families. Of these, 235 certificates and 37 vouchers are issued to efficiency (one person) and one-bedroom (couple) families. At least 50% of these (136) are issued to applicants over age 62.

Of the remaining 1210 families on program, it would be reasonable to assume that 15% (182) had an elderly head-of-household.

Presently there are 3 elderly applicants on the Section 8 waiting list. This number is exceptionally low, as the program closed the application period in November 1988.

SECTION 8EXISTING WAITING LIST

Anchorage

BDRM	(S)
0	32
1	1
2	148
3	162
4	29

For the above applicants, the waiting period is still 6 to 12 months; more or less depending on the availability of Certificates or Vouchers.

Section 8 Existing Fair Market Rents

Market Area	Bedroom Size	Fair Market Rent
Anchorage	0	$ 402.00
	1	$ 489.00
	2	$ 576.00
	3	$ 720.00
	4	$ 806.00
Fairbanks	0	$ 393.00
	1	$ 478.00
	2	$ 562.00
	3	$ 703.00
	4	$ 788.00
Homer	0	$ 393.00
	1	$ 478.00
	2	$ 562.00
	3	$ 703.00
	4	$ 788.00
Juneau	0	$ 478.00
	1	$ 580.00
	2	$ 683.00
	3	$ 854.00
	4	$ 956.00
Kenai	0	$ 393.00
	1	$ 478.00
	2	$ 562.00
	3	$ 703.00
	4	$ 788.00
Ketchikan	0	$ 478.00
	1	$ 580.00
	2	$ 683.00
	3	$ 854.00
	4	$ 956.00
	5	$1099.00
Mat/Su	0	$ 393.00
	1	$ 478.00
	2	$ 562.00
	3	$ 703.00
	4	$ 788.00

CERTIFICATE/VOUCHER STATUS

Field Office: Anchorage Date: May 31, 1989

CERTIFICATES

Project No.	Total No.	Under Contract	Shopping	Outstanding
001	58	57	1	0
004	67	64	3	0
006	438	390	46	0
007	92	81	11	0
012	125	111	14	0
014	95	88	7	0
019	69	59	10	0
023	19	19	0	0
024	26	* 63	2	0
030	20	18	2	0
031	20	19	1	0
033	8	8	0	0
038	20	18	2	0
039	20	17	3	0
042	28	27	1	0
043	30	27	3	0
	Overissues	*(39)		
Totals	1,135	1066	106	0

CO = 94%
CO + SH = 103%

Lu Dudley
PROJECT OFFICE MANAGER

S8E/S8EV
10-87

CERTIFICATE/VOUCHER STATUS

Field Office: Anchorage

Date: May 31, 1989

VOUCHERS

Project No.	Total No.	Under Contract	Snopping	Outstanding
001	19	17	2	0
002	21	18	3	0
003	12	12	0	0
004	34	31	3	0
005	16	16	0	0
006	100	90	10	0
008	17	* 40	3	0
010	25	24	1	0
	Overissues	*(26)		
Totals	244	248	22	0

CO = 102%
CO + SH = 111%

Lu Dudley
PROJECT OFFICE MANAGER

S8E/S8EV
10-87

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

House of Representatives

SOLDOTNA
312 TYEE STREET
SOLDOTNA, ALASKA 99669
(907) 262-7841

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

July 14, 1989

Thomas C. Behan, Executive Director
Alaska Housing Finance Corp.
P.O. Box 101020
Anchorage, AK 99510

Dear Director Behan;

Pursuant to our recent conversations, as well as interaction with the Administration, I respectfully request your support of the Housing Finance Task Force stemming from SCR 28. As you are aware, the Administration failed to pass the funding which was designated to support the task force. It would greatly assist our effort to review the housing loan programs if the Alaska Housing Finance Corporation would provide a consulting service for this project.

I feel confident that we share the mutual goal of enhanced loan programs for Alaskans which are equitable, feasible and practical. The task force would, naturally, like to participate in outlining the specific tasks the consultant would perform. The Administration, Legislature and AHFC all want to go the same direction, working together is undoubtedly the best way to accomplish this.

I look forward to working with you on this project.

Sincerely,

Rep. C.E. Swackhammer

CES/cn

Alaska State Legislature

SENATOR JIM DUNCAN

P.O. BOX V JUNEAU, ALASKA 99811-3100

(907) 465-4766

COMMITTEES:
FINANCE
VICE CHAIR – HEALTH EDUCATION & SOCIAL SERVICES
BUDGET & AUDIT
BANKING & ECONOMIC DEVELOPMENT

June 8, 1989

Thomas C. Behan
Executive Director
Alaska Housing
Finance Corporation
P.O. Box 101020
Anchorage, Alaska 99510

Dear Mr. Behan:

I am writing to express my concerns about the hiring of the new positions approved and budgeted for the Alaska Housing Finance Corporation. In addition I am requesting your assistance in helping me understand the rationale for some of the recent reassignment of core personnel at the Corporation.

The Legislature, both directly and through the Legislative Budget and Audit Committee, has approved 109 additional positions for the Corporation over the last two budget years. This is a large increase in the number of employees and more than doubles the size of the Corporation. In spite of the fact that AHFC is exempted from the state Personnel Act under AS 18.56.070 it is a public corporation. The Legislature created the Corporation to assist private enterprise in providing housing and empowered it to act on behalf of the state and its people in serving this public purpose for the benefit of the general public. As such, AHFC is required under the State Equal Employment Opportunity statutes and the State Commission for Human Rights statutes to develop, implement, and maintain a plan of policies and procedures to prohibit discriminatory employment and labor practices.

I have reviewed the Equal Employment Opportunity/Affirmative Action Plan that has been developed for presentation to your Board of Directors at your June 12, 1989 meeting. The proposed Equal Employment Opportunity/Affirmative Action Plan is a good first step to assuring fair and equitable employment opportunities and working conditions. However, I am concerned that in addition to having an Equal Employment Opportunity/Affirmative Action Plan that the appropriate employment and personnel processes and procedures are approved by the AHFC Board of Directors. These processes and procedures should then be properly administered by the Corporation's staff. It is very important that these labor considerations apply to all positions and openings that may be available at the Corporation.

It has come to my attention that some higher level positions at AHFC are to be filled without ever being posted or openly recruited. These include the Chief Operating Officer, Mortgage Operations Supervisor, Claims Administrator, and Consumer Relations Officer. Even if these positions are to be filled by appointment, proper notices should be posted and recruitment procedures followed. Also, additional positions have been created and filled by moving experienced staff from positions of high responsibility. This practice could create a void in the Corporation's ability to serve the public.

To help me understand the personnel and organizational changes proposed and occurring at AHFC I would like to have an organizational chart of the Corporation's staff by position, name, and position control number as approved by the Legislature as of July 1, 1988. I would like to have a listing of the current status of those positions with the Corporation, date of termination, resignation or change of assignment and the new assignment or job title. In addition I would like to have a copy of the current organizational chart and, if the corporation is to be reorganized, a copy of the proposed organizational chart.

I thank you in advance for your prompt response to this request and your consideration of these important issues.

Sincerely,

Jim Duncan
Senator

cc: Governor Steve Cowper
Michael McKennett, Director
Office of Equal Employment Opportunity
Paula Haley, Executive Director
Human Rights Commission
Bob Mintz, Chairman
AHFC Board of Directors
Rick Ender
AHFC Board member
Commissioner Jim Sampson
AHFC Board member
Commissioner Larry Merculieff
AHFC Board member
Commissioner Hugh Malone
AHFC Board member

MEMORANDUM

TO: TOM MAHRE, AIDE DE CAMP
REP. LYMAN HOFFMAN

FROM: CARL F. NICKEL, AIDE
REP. SWACKHAMMER

DATE: JULY 10, 1989

TOPIC: LASER PRINTER, STATE SERIAL NO. 10007388

This memorandum acknowledges the loan of the above mentioned Laser Printer by the Rep. Hoffman staff to me for the interim. Return of the printer to Rep. Hoffman will occur prior to the second session.

MEMORANDUM

TO: Rep. C.E. Swackhammer

FROM: Carl F. Nickel

DATE: July 20, 1989

TOPIC: Guideline for Housing Finance Task Force (HFTF)

Membership: (Based on SCR 28)
- Rep. C.E. Swackhammer
- Rep. Richard Foster
- Rep. Randy Phillips
- Sen. Pat Rodey
- Sen. Mike Szymanski
- Sen. Rick Halford
- Thomas C. Behan AHFC
- Mike Harper, DCRA, Rural Development Div.
- Ray Price, DCED, Alaska State Housing Authority

Suggested Membership:
- Mary Halloran

Goals:

Report that includes:

Status of all state assisted residential programs and opportunities related to those programs.
- Identify all programs
- Number of participants
- Target Population (Guidelines for participants)
- Current status of participants, e.g., foreclosures, in arrears
- Financial stability (Assets vs Liabilities)

research

Status of all bonds capitalizing the loans
- Identify bonds and sources
- Liquidity of the bonds
- Availability of bonding in futur.

management

Options re: management of loan program
- Centralized loan management
- Streamlining
- Internal restructuring

Reorganization/Privatization
- Economics of reorg./priv.
- Privatize some aspects/components
- Salability of each program

eventual output

PHASE-OUT

DISCUSSION

The organization should have a chair from one body of the legislature and a vice chair from the other. I think the executive branch people should participate as resource people and experts only. They are the ones being scrutinized.

If a consultant is hired by the loan agencies, the committee should have a say-so on who is selected. The consultant (firm) necessary to look at AHFC will obviously have to be of high caliber. I've been told such a consultant would probably cost 100,000 to 500,000.

The philosophy of the HFTF should be to meet the expectations of SCR 28. The goals should be directed at financial savings, potential streamlining, trimming down costs, analyzing and synthesizing, changing loan criterias, alteration of target populations.

There should be consideration for short term and long term adjustments and/or changes. Each loan program is unique and that has to be considered at all times.

The long term considerations should include the eventual phasing out of total loan programs.

It is tough speculating what all has to be covered until the initial discussion has been completed. Each member will have preconceived ideas of what should happen.

MEMORANDUM

TO: Rep. C.E. Swackhamer

FROM: Carl F. Nickel

DATE: July 31, 1989

TOPIC: Alaska Housing Marketing Council Teleconference 7/28/89

Attached is the material covered by the Housing Policy Development Committee regarding Policy Statements, as well as other applicable minutes.

Swack, the meeting did not go well in my estimation. There seems to be some confusion regarding what is a policy statement and what is an action plan, etc. Some policy statements were contradicted by the proposed action plan. I think the problem stems from a single staff person rewriting and consolidating all the information from the various subcommittees, consequently, something is lost in interpretation.

I must assume policy statements and action plans are simply new terms for goals and objectives, If so, there is little continuity or direction.

The Marketing Council is rewriting the policy statements for distribution and approval.

HOUSING POLICY DEVELOPMENT COMMITTEE

DRAFT POLICY STATEMENTS

1) It is the policy of the State of Alaska to adopt and execute a state housing policy and coordinate state housing services by establishing an Alaska Housing Commission.

Action Plan:
(To include)

This commission shall include representatives from both the public and private sector. It shall provide information statewide on housing opportunities, oversee a statewide housing needs inventory and shall be the designated agency to review and distribute federal programmatic resources. It shall also designate agency recipients for those resources throughout the state.

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, procedures and regulations shall be regionalized to the greatest extent possible.

Rural & Urban
#4
land

Action Plan:
(To include)

Land use issues should be under the jurisdiction of local governments as much as possible. Communities will be encouraged to take an active role in land use issues, keeping in mind the importance of the private sector in determining supply and demand.

Philosophy
#3

It is the policy of the State of Alaska to improve the quality of housing so that safe, sanitary living conditions are available to all citizens of the state.

4) It is the policy of the State of Alaska to improve the availability, accessibility and affordability of low-income housing, transitional and long-term housing for those with special needs, and housing for the general population. In the allocation of state housing resources, the first funding priority will be to meet the state's most urgent housing needs: low-income housing; transitional and long term housing for those with special needs; and the development of affordable housing.

5) It is the policy of the State of Alaska to encourage and assist the citizens of the state in homeownership while using fiscally responsible guidelines.

Action Plan:
(To include)

The state shall participate in homeowner counseling and education.

Mortgage loans issued in the state and originated by state sponsored lenders should, whenever possible, remain with Alaskan lenders for servicing.

6) 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.

7) It is the policy of the State of Alaska to address housing needs in the state which cannot be met by traditional lending sources.

Action Plan:
(To include)

Direct involvement by state government in the housing market should be minimized, with the exception of accessing capital markets and providing information.

8) It is the policy of the State of Alaska to promote the availability of quality, affordable rental housing.

9) 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 and handicapped persons to live independently at their level of ability.

10) It is the policy of the State of Alaska to develop and maintain stable sources of revenue to support housing needs in the state.

Action Plan:
(To include)

The state shall encourage the issuance of tax exempt bonds as well as taxable forms of financing, in order to encourage and keep the number of housing markets open for Alaska's residents.

DEPT. OF PUBLIC SAFETY

FY 90 BUDGET VS FY 89
ALL FUNDING SOURCES

COMPONENT	89 ATH	90 CC	DIFF	(HB)	EXCL. HB	FOOTNOTE
F&W ENFORCE	9387.4	9473.5	86.1	171.7	257.8	1.0
F&W DIRECTOR	211.7	211.6	(.1)	4.8	4.7	
F&W AIRCRAFT	987.6	872.7	(114.9)	8.9	(106.0)	
F&W MARINE	2429.1	2395.0	(34.1)	29.9	(4.2)	
FIRE PREVENT OPS	1269.3	1248.8	(20.5)	26.5	6.0	
FIRE TRAINING	422.2	414.5	(7.7)	6.4	(1.3)	
HSPA OPS	213.0	216.5	3.5	3.4	6.9	
HSPA COMMERCIAL	62.5	62.1	(.4)	.4		
HSPA FED GRANTS						
DMV DRIVER SVCS	967.1	1242.1	275.0	36.8	311.8	2.0
DMV VEHICLE SVCS	365.4	386.6	21.2	11.2	32.4	
DMV FIELD SVCS	4090.9	4080.4	(10.5)	133.6	123.1	
DMV ADMIN	632.2	632.2		20.0	20.0	
AST DETACH	24483.7	24625.5	141.8	473.8	615.6	3.0
AST SPEC. PROJ.	395.5	519.4	123.9	17.6	141.5	
AST CIB	4662.5	4373.8	(288.7)	69.5	(219.2)	
AST DIRECTOR	590.8	665.9	75.1	15.6	90.7	
AST JS ANCH	1338.2	1287.1	(51.1)	37.5	(13.6)	
AST PRISONER TRANSP	1025.0	992.0	(33.0)		(33.0)	
AST SEARCH/RESC	169.7	169.7				
AST RURAL HSG	650.4	521.4	(129.0)		(129.0)	4.0
AST NARC	1509.0	1277.3	(231.7)	3.6	(228.1)	5.0
VPSO CONTRACT	4506.8	4806.8	300.0		300.0	
VPSO SUPPORT	1472.2	1462.2	(10.0)	17.6	7.6	
VPSO ADMIN	228.4	223.4	(5.0)	4.6	(.4)	
APSC	324.5	310.9	(13.6)	4.8	(8.8)	
VCCB	548.9	880.6	331.7		331.7	6.0
DVSA	5568.3	5650.6	82.3	4.8	87.1	
DPS CONTRACT JAIL	2798.9	2985.9	187.0	3.2	190.2	7.0
DPS COMMISSIONER	506.2	484.7	(21.5)	8.5	(13.0)	
DPS ACADEMY	690.6	1110.3	419.7	32.8	452.5	8.0
DPS ADMIN	2208.0	2178.0	(30.0)	63.8	33.8	
DPS CAP	420.0	420.0				
DPS LAB SVCS	1387.1	1471.1	84.0	34.9	118.9	
DPS INFO SVCS	1341.3	1292.5	(48.8)	18.0	(30.8)	
DPS BLDG SECURITY	250.0	250.0				
	78114.4	79195.1	1080.7	1264.2	2344.9	

EXPLANATION OF SPREAD SHEET

All numbers have been taken from the Fiscal Year 1990 Operating Budget (Short Form). All funding sources have been considered.

LEGEND

COMPONENT: APPLICABLE A.S.T. PROGRAM
89 ATH: FUNDS AUTHORIZED IN FY 89
90 CC: FUNDS ALLOCATED BY CONFERENCE COMMITTEE FOR FY 90
DIFF: DIFFERENCE BETWEEN 89 AND 90
HB: HEALTH BENEFITS REDUCTION IN FY 90
EXCL. HB: DIFFERENCE BETWEEN 89 AND 90 IF HEALTH BENEFITS REDUCTIONS ARE EXCLUDED

FOOTNOTES:

1.0 LEGISLATIVE INTENT TO INCREASE ENFORCEMENT PATROLS IN CANTWELL

2.0 INCLUDES 300.0 NEW FEDERAL RECEIPTS

3.0 TO REDUCE VACANCY FACTOR

4.0 DEPARTMENT PHASING OUT HOUSING

5.0 LOSS OF 231.7 FEDERAL RECEIPTS

6.0 GENERAL FUNDS SUPPLANTED BY 736.6 PFD

7.0 ENHANCE CONTRACTUAL JAILS

8.0 FUNDS AN "ABBREVIATED ACADEMY" FOR RETURNING TROOPERS AND MUNICIPAL POLICE CERTIFIED OFFICERS ENTERING A.S.T.

M E M O R A N D U M

TO: Rep. C.E. Swackhammer

FROM: Carl F. Nickel

DATE: July 24, 1989

TOPIC: Time Line Considerations (HFTF)

The following things will have to be discussed in the HFTF, in terms other than those spelled out in SCR 28.

MEETINGS TO ACCOMPLISH:

1. Organize and establish strategy
2. Meet with non-legislative members
3. Identify all applicable loan programs
4. Presentations from each loan program
5. Presentations from Legislative Audit if applicable
6. Analyze and synthesize loan programs
7. Seek audits
8. Overview of bonding
9. Make recommendations re; loans and/or bonding
10. Write report
11. Present findings/report to legislature

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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

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

House of Representatives

August 1, 1989

Ray Price, Executive Director
Alaska State Housing Authority
PO Box 100080
Anchorage, AK 99510-0080

Dear Director Price;

As an advisory member of the Housing Finance Task Force, you are cordially invited to attend our next meeting. It is August 23, 1989, 5:30 PM in the 5th Floor Conference Room of the Anchorage LIO, 3111 "C" St. The agenda is as follows:

Report from AHFC regarding auditor selection
Overview by DCRA
Overview by the Alaska Housing Market Council
Overview by Mary Halloran, re; Administration's position

If you have any questions, please contact my staff person, Carl Nickel, in Juneau.

Sincerely,

Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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SOLDOTNA, ALASKA 99699
(907) 262-7841

JUNEAU
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JUNEAU, ALASKA 99811
(907) 465-2689

House of Representatives

August 1, 1989

Mike Harper, Director
Rural Development Division
949 E. 36th, ROOM 430
Anchorage, AK 99508

Dear Director Harper;

As an advisory member of the Housing Finance Task Force, you are cordially invited to attend our next meeting. It is August 23, 1989, 5:30 PM in the 5th Floor Conference Room of the Anchorage LIO, 3111 "C" St. The agenda is as follows:

Report from AHFC regarding auditor selection
Overview by DCRA
Overview by the Alaska Housing Market Council
Overview by Mary Halloran, re\; administration's position

You will note that you are part of the agenda, if this creates a problem, or if you wish additonal information, please contact Carl Nickel on my staff in Juneau.

Sincerely,

Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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(907) 465-2689

House of Representatives

August 1, 1989

Mary Halloran, Director
OMB Division of Policy
PO Box AM
Juneau, AK 99811

Dear Director Halloran;

As noted in the memorandum to the Governor, you were selected by the Housing Finance Task Force as an ex officio member. The next meeting of the task force is August 23, 1989, 5:30 PM in the 5th Floor Conference Room of the Anchorage LIO (3111 "C" St.).

The tentative agenda is as follows:

Report from AHFC regarding auditor selection
Overview by DCRA
Overview by the Alaska Housing Marketing Council
Overview by Mary Ha loran regarding the Administrations position on the task force.

You will note that the agenda includes a brief presentation by you. If this creates a problem, would you please contact Carl Nickel on my staffin Juneau.

Sincerely,

Rep. C.E. Swackhammer

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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(907) 465-2689

House of Representatives

August 1, 1989

Thomas C. Behan, Exec. Dir.
Alaska Housing Finance Corp.
PO Box 101020
Anchorage, AK 99510

Dear Director Behan;

As an advisory member of the Housing Finance Task Force, you are cordially invited to attend our next meeting. It is August 23, 1989, 5:30 PM in the 5th Floor Conference Room of the Anchorage LIO, 3111 "C" St. The agenda is as follows:

Report from AHFC regarding auditor selection
Overview by DCRA
Overview by the Alaska Housing Market Council
Overview by Mary Halloran, re\; administration's position

You will note that you are part of the agenda, if this creates a problem, or if you wish additonal information, please contact Carl Nickel on my staff in Juneau.

Sincerely,

Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

August 1, 1989

Glenda Straube, Exec. Dir.
Alaska Housing Market Council
PO Box 240048
Anchorage, AK 99524

Dear Director Straube;

As an advisory member of the Housing Finance Task Force, you are cordially invited to attend our next meeting. It is August 23, 1989, 5:30 PM in the 5th Floor Conference Room of the Anchorage LIO, 3111 "C" St. The agenda is as follows:

Report from AHFC regarding auditor selection
Overview by DCRA
Overview by the Alaska Housing Market Council
Overview by Mary Halloran, re\; administration's position

You will note that you are part of the agenda, if this creates a problem, or if you wish additonal information, please contact Carl Nickel on my staff in Juneau.

Sincerely,

Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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(907) 465-2689

House of Representatives

The Honorable Steve Cowper
Governor, State of Alaska
P.O. Box A
Juneau, AK 99811-0101

Dear Governor Cowper;

The Housing Finance Task Force, stemming from SCR 28, met July 26, 1989. Besides the six legislative members and the four advisory members listed in SCR 28, it was unanimous among the membership present that Mary Halloran, Director of OMB Division of Policy should be included as an ex officio member.

We feel confident that Mary Halloran can contribute greatly to the task force, as well as act as a communications link with the Executive Branch.

We sincerely hope you will support this appointment.

Sincerely,

Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

cc: Mary Halloran, Director
OMB Division of Policy

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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(907) 465-2689

House of Representatives

M E M O R A N D U M

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair, HFTF

DATE: August 1, 1989

TOPIC: Housing Finance Task Force Meeting

The next meeting of the aforementioned task force is August 23, 1989, 5:30 PM in the 5th Floor Conference Room of the LIO in Anchorage, Alaska (3111 "C" Street).

The tentative agenda is as follows:

Report from AHFC regarding the auditor selection
Overview by DCRA
Overview by the Alaska Housing Marketing Council
Overview by Mary Halloran regarding the Administration's position on the task force.

cc: Senator(s) Rodey
Szymanski
Halford
Representative(s)
Foster
Phillips

M E M O R A N D U M

TO: Rep. C.E. Swackhammer

FROM: Carl F. Nickel

DATE: August 7, 1989

TOPIC: BUDGET

The following is a proposed budget for the Housing Finance Task Force. It does not include the legislator's long term per diem stipend.

August 23, 1989 Anchorage Meeting

1 r/t Soldotna	90.00
1 r/t Nome	440.00
2 days Per Diem	172.00
	702.00

September Juneau Meeting

1 r/t Soldotna	456.00
1 r/t Nome	682.00
4 r/t Anchorage	1464.00
6 days per diem	516.00
	3118.00

October Fairbanks Meeting

1 r/t Soldotna	322.00
1 r/t Nome	470.00
4 r/t Juneau	928.00
6 days per diem	516.00
	2236.00

Four additional Anchorage meetings

702.00 x 4	2808.00

Total Task Force Member Travel

8864.00

Staff Travel: Carl

Anchorage 5 x 366.00 (r/t airfare)		1830.00
Fairbanks 1 x 598.00 (r/t airfare)		598.00
Car rental 6 x 55.00 (approximate)		330.00
Taxi fare 6 x 30.00 (Juneau, approx.)		180.00
Per diem 6 x 2 days x 86.00		1032.00
		3970.00
Member travel		8864.00
Member and staff travel		12834.00
Postage 5 mo. x 25.00	125.00	
Publishing	300.00	
Supplies	200.00	
	625.00	625.00

Additional Travel: Chair

2 r/t Juneau 2 x 456.00	912.00	
6 days per diem 6 x 86.00	516.00	
Taxi 2 x 30.00	60.00	
	1488.00	1488.00
		14947.00

This is an approximation, may be you can think of additonal ancillary costs, I'm drawing a blank on added costs.

M E M O R A N D U M

TO: REP. C.E. SWACKHAMMER

FROM: CARL F. NICKEL

DATE: JULY 11, 1989

TOPIC: BUDGET COSTS

Here are some budget costs. I based everything as a single day meeting and all per diem at $86.00/day and only those members actually traveling. I did not take into account the stipend legislators receive for doing legislative work in their own districts.

Anchorage Meeting	
1 r/t Soldotna	90.00
1 r/t Nome	440.00
2 days Per Diem	172.00
	702.00
Fairbanks Meeting	
1 r/t Soldotna	322.00
1 r/t Nome	470.00
4 r/t Anchorage	928.00
6 days Per Diem	516.00
	2236.00
Juneau Meeting	
1 r/t Soldotna	456.00
1 r/t Nome	682.00
4 r/t Anchorage	1464.00
6 days Per Diem	516.00
	3118.00

Kenai Meeting

1 r/t Nome	530.00
4 r/t Anchorage	360.00
5 days Per Diem	430.00
	1620.00

Nome Meeting

1 r/t Soldotna	530.00
4 r/t Anchorage	1760.00
5 days Per Diem	430.00
	2720.00

This equals $10,396.00 for one "round" of meetings. If there was one meeting each month for July, August and September and a meeting approximately every two weeks the remainder of the year it would equal (about) 10 meetings, or two complete cycles. This would amount to $20,792.00.

It would naturally pay to conduct all the meetings in Anchorage where 10 meetings would be roughly $7,000.00.

MEMORANDUM

TO: Rep. C.E. Swackhammer

FROM: Carl F. Nickel

DATE: August 8, 1989

TOPIC: ARLF Good Borrower Regulations

AS 03.10 establishes the Alaska Agricultural Loan Act. It is the enabling legislation, authorizing loans to qualified farmers and/or farm oriented efforts. It basically says that loans for up to 30 years may be given, with a 7 year limit on chattel loans (AS 03.10.030 (1)), may not exceed an aggregate loan of $1,000,000 (03.10.030 (2)), must have an interest rate of no less than 8% (AS 03.10.030 (4)) and is not in arrears if paid within 30 days of due date (03.10.030 (4)(e).

The 1988 Cumulative Supplement to the statutes shows the authorizing law for the proposed change:

> AS 03.10.050 (e) To encourage the prompt payment of loans, the department may establish a program of credits for persons who have a loan from the agricultural revolving loan fund and maintain good financial standing. The credits may be applied against no more than two percentage points a year of the interest due on agricultural revolving loan fund loans.

The "bottom-line," the authorization to do it exists. As far as it being a good idea, I don't know.

It seems that the good payers, those who are solvent will make their payments on time. If a farmer is insolvent, there is no incentive in the world that will enable the farmer to make his payments at any time. I guess what I am asking, is this a reward system for success, or an incentive to pay on time?

If a farm project is solvent and the payments are not made on time, it may be in the state's best interest to take actions as outlined by law, as opposed to giving incentive percentage breaks.

Honestly, Swack, it sounds of rewarding the good guys. Maybe a percentage incentive for the struggling farmer would lower his payments sufficiently to be able to meet payment deadlines.

Interest is attached to loans to meet the cost of "doing business", included in the cost of doing business is covering losses stemming from people not repaying loans. I could support this incentive program, if it could be shown that lowering payments makes people pay on time, but, if it is simply a reward to the solvent farmer, who will pay anyway, it only means a loss of revenue to the ARLF.

I feel quite confident that farmers cannot get private money at 8%. If interest is lowered to 6%, we are simply digging a hole into which to throw ourselves. Lower interest means less funds available for future loans.

If I fail to make my car payment, the bank takes my car away, they don't call me up and say, "Hey, lets make a deal, if you make your car payment, we'll lower your interest rate.

Somehow, this whole thing does not ring of sound business practices. ARLF has statutory authority to do this, it is simply a policy call. The first question I would ask is whether there is any significant proof that this will work? The second question would be about the economics of it, will the ARLF gain or lose funds?

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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JUNEAU, ALASKA 99811
(907) 465-2689

House of Representatives

August 9, 1989

Bert Wagnon, Exec. Director
A.I.D.E.A.
1577 C St. Suite 304
Anchorage, AK 99501

Dear Director Wagnon;

The Housing Finance Task Force which stems from SCR 28 is reviewing all residential loan programs offered by the state. It is my understanding A.I.D.E.A. does have a program which allows making loans on certain multiple dwellings.

Any information you provide regarding this loan program would be greatly appreciated. If you have any questions, please contact my staff person in Juneau, Carl Nickel.

Sincerely,

Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

House of Representatives

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August 9, 1989

David A. Rose, Exec. Dir.
Alaska Permanent Fund Corp.
PO Box 4-1000
Juneau, AK 99802

Dear Director Rose;

It is my understanding the APFC has made residential loans; it is also my understanding this has been on a limited basis.

I would greatly appreciate any information you provide me regarding the criteria for loans and the number of loans the corporation has made. Our task force, stemming from SCR 28, is reviewing all state residential loan programs.

If you have any questions, please contact my staff person in Juneau, Carl Nickel.

Sincerely,

Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

Alaska Housing Market Council

August 9, 1989

Carl Nickel
Office of Rep. Swack Swackhammer
PO Box 'V'
Juneau, AK 99811

Dear Carl:

Hello! Enclosed please find a copy of the 12 policy statements conceptually approved by the full committee at the July 28 meeting.

Glenda tells me that you have some concerns with the statements, i.e., some may not actually be policy statements, but would better fit as action plans.

Please take a minute to look them over and give me a call so we can discuss your thoughts on this.

As you know, the next meeting is scheduled for September 8-9, in Anchorage. At that meeting, the full policy statements will be reviewed again. Final statements will be adopted and the subcommittee action plans will be drafted.

It would be great if either you or Swack could attend this meeting. I would have to double check on bringing you up, as we're budgeted for bringing Swack to Anchorage from Soldotna and a Juneau trip would be more expensive.

I look forward to hearing from you, Carl.

Sincerely,

Heather

Heather Arnett
Housing Policy Development Committee Aide

624 W. INTERNATIONAL AIRPORT ROAD, SUITE E • ANCHORAGE, ALASKA 99518 • P.O. BOX 240048 • ANCHORAGE, ALASKA 99524-0048 • (907) 563-3325

8/2/89

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.

M E M O R A N D U M

TO: Rep. C.E. Swackhammer

FROM: Carl F. Nickel

DATE: August 7, 1989

TOPIC: BUDGET

The following is a proposed budget for the Housing Finance Task Force. It does not include the legislator's long term per diem stipend.

August 23, 1989 Anchorage Meeting

1 r/t Soldotna	90.00
1 r/t Nome	440.00
2 days Per Diem	172.00
	702.00

September Juneau Meeting

1 r/t Soldotna	456.00
1 r/t Nome	682.00
4 r/t Anchorage	1464.00
6 days per diem	516.00
	3118.00

October Fairbanks Meeting

1 r/t Soldotna	322.00
1 r/t Nome	470.00
4 r/t Juneau	928.00
6 days per diem	516.00
	2236.00

Four additional Anchorage meetings

702.00 x 4	2808.00

Total Task Force Member Travel

8864.00

Staff Travel: Carl

Anchorage 5 x 366.00 (r/t airfare)		1830.00
Fairbanks 1 x 598.00 (r/t airfare)		598.00
Car rental 6 x 55.00 (approximate)		330.00
Taxi fare 6 x 30.00 (Juneau, approx.)		180.00
Per diem 6 x 2 days x 86.00		1032.00
		3970.00
Member travel		8864.00
Member and staff travel		12834.00
Postage 5 mo. x 25.00	125.00	
Publishing	300.00	
Supplies	200.00	
	625.00	625.00

Additional Travel: Chair

2 r/t Juneau 2 x 456.00	912.00	
6 days per diem 6 x 86.00	516.00	
Taxi 2 x 30.00	60.00	
	1488.00	1488.00
		14947.00

This is an approximation, may be you can think of additonal ancillary costs, I'm drawing a blank on added costs.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

MEMORANDUM

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair, HFTF

DATE: August 7, 1989

TOPIC: July 26, 1989 HFTF Meeting

Sent 8-18 (thru bud men

Attached, please find a recap of the organizational meeting held in Anchorage, on July 26, 1989.

Please direct any additions and/or corrections to Carl Nickel of my staff in Juneau.

I look forward to meeting with you August 23, 1989, at the Anchorage LIO.

HOUSING FINANCE TASK FORCE
JULY 26, 1989 MEETING
ANCHORAGE, ALASKA

SYNOPSIS

The organizational meeting of the Housing Finance Task Force (HFTF) was held in the 5th Floor Conference Room of the Anchorage LIO, on July 26, 1989. Present were:

Senator(s) Rodey
Szymanski
Halford

Representative(s)
Swackhammer
Phillips

NOTE: Representative Foster was not able to attend due to a conflict, he expressed his apologies for not being able to attend.

The first order of business was to organize. Rep. Swackhammer was nominated and unanimously approved as Chair of HFTF, Senator Rodey was unanimously named Vice Chair.

Other members of the task force, pursuant to SCR 28, were named:
Thomas C. Behan, Exec. Director AHFC
Mike Harper, Director, DCRA Rural Development Division
Ray Price, Exec. Director, DCED, ASHA
Glenda Straube, Exec. Director, Alaska Housing Market Council

NOTE: These members, as stated in SCR 28, serve in an advisory capacity only.

Mary Halloran, Director, OMB Division of Policy, was nomiated and unanimously approved as an additional, ex officio, member of the HFTF.

ISSUES DISCUSSED

STAFFING;

It was the general concensus that each member designate a key staff person to be responsible for information pertinent to the HFTF. Senator Rodey designated Mark Begich, Rep. Swackhammer designated Carl Nickel. Other members are to designate staff and inform the task force.

BUDGET;

Because the Administration vetoed the funds which were to be used to fund the HFTF, the question of funding was discussed. It was assumed that approximately 20.0 was needed to cover costs of travel, supplies, publishing, etc. It was the concensus that the senate members would charge their costs of "doing state business" to their general leadership account. It was moved and unanimously

approved that the amount of 20.0 be requested and designated as the cost of conducting HFTF business. This amount would be a guideline figure.

It is the understanding that AHFC will cover the cost of a consultant to assist in assessing their program. Likewise, the cost to the advisory membership will be borne by the administration.

FOCUS OF THE TASK FORCE;

The general concerns of the HFTF were: (AHFC Emphasis)

None of the efforts of the HFTF have an adverse affect on the precarious mortgage market,

Have a gradual elimination of the subsidy program in a manner that it will not have an adverse affect on AHFC bond standing,

Look at a reasonable return from AHFC without impairning its financial standing or bond rating,

Have a careful plan that will allow all, or a portion of AHFC to be privatized in the future, and, in general,

That the HFTF look solely at subsidized, privately owned, housing projects.

GENERAL GOALS OF THE TASK FORCE; (as outlined in the 7-20-89 memo from Carl Nickel to Rep. Swackhammer).

Status of all state assisted residential programs and opportunities related to those programs.
- Identify all programs
- Number of participants
- Target population (Guidelines for participants)
- Current status of participants, e.g., foreclosures, in arrears
- Financial stability (Assets vs Liabilities)

Status of all bonds capitalizing the loans.
- Identify bonds and sources
- Liquidity of the bonds
- Availability of bonding in the future

Reorganization/Privatization
- Economics of above
- Privatize some aspects/components
- Salability of each program
- * Phase-out (added in committee)

DISCUSSION: Concerns were expressed regarding the impact of short term goals which deal with the economics of continued funding and changes in "trailor and condo" loan programs.

ALASKA HOUSING FINANCE CORPORATION
PRESENTATION BY
THOMAS C. BEHAN, EXECUTIVE DIRECTOR

(Initial presentation is verbatim)
(See attached)

(AHFC's Corporate Mission Statement)
(See attached)

(Questions posed to HFTF)
(See attached)

GENERAL DISCUSSION:

It is the general concensus that AHFC "is the market" and because it is a subsidy, it is price driven. The average subsidy is approximately $100 per month for 45,000 loans. If the removal of the subsidy is essential, it is important to profile the market. The key issue is the fact that during the real estate growth era, AHFC was subsidizing individuals to make a profit, now the market is going down and the question is whether, under these circumstances, the subsidy should be "pulled out?"

It was discussed that the legislature must share the responsibility for the general shape of sudsidy and AHFC because it responded to the needs and wishes of the public at AHFC's inception.

The question is how to reduce/eliminate the subsidy program without destroying the market, public monies involved and the liabilities of AHFC?

No matter what happens to AHFC, the reality of $4+ billion in bonds still exists. AHFC has approximately $400 million in unrestricted funds. The question is, if AHFC was put, in its entirety, on the market, what would be the net gain? (What is the the marketability of AHFC?)

It was the concensus that objective consulting is necessary to assess the worth and future of AHFC. The HFTF wants something concrete before the next session. AHFC thinks 60-90 days is adequate time for an overview. There was an expressed concern that whoever does the consulting work is independent and free of conflict. A university was suggested as a potential consultant.

It was a general concensus that the consultant be followed through the process to make sure the right questions are being asked and the correct direction maintained. It was suggested the consultant give interim updates to the HFTF to assure desired goals are attained.

An immediate concern of AHFC is the response by M.G.I.C. to claims.

(Alaska Daily News 7-30-89 Article)
(See attached)

The next meeting was scheduled for 5:30 PM, August 23, 1989.

VERBATIM TRANSCRIPT

THOMAS C. BEHAN
ALASKA HOUSING FINANCE CORPORATION

THOMAS C. BEHAN: Thank you Mr. Chairman - appreciate the opportunity to share Alaska Housing's present circumstances. First of all I think most of you are well aware that the Corporation was originally created to assist lower to moderate income, for housing citizens of the state to obtain housing in support of the housing industry. There's been a series of adjustments to that original charge over the years, and for almost ten years now there's been consistant subsidy of mortgage loans for Alaskan families that creation of the core (?) business of the corporation and that is to sell bonds and provide loans from Alaskan banks or mortgage bankers. That has resulted presently with the corporation having 2/3 market share of all outstanding residential loans in the state; 2/3rd of the market, about 66% of the outstanding loans are - are loaned by Alaska Housing Finance Corporation. And presently we are a vital link to the continued support of that market in roughly $30 million dollars a month (indeterminate) into the state due to our sale of bonds and purchase of mortgages. That's - that's the amount of loans recorded (?) these are rough figures of course but - on average about $30 million dollars a month is what we continue to purchase, and provide in mortgage finances of course - to our citizens. Most of that activity presently has evolved into FHA and VA financing - it has been increasing in the last year which is a good sign in terms of our ability to accomodate what we consider to be a slow recovery in the housing markets - and we feel that given - where interest rate levels are and where our present volumes are - we're relatively comfortable in terms of

being able to meet the demands of - the present demands on - on our resources to accomodate the mortgage markets. I want to get back to that in a few minutes in terms of what we see in the future. But we know have a balance sheet if you look at the Corporation of roughly about $5.8 million dollars- or billion dollars, in total assets, and I have - like to share with you a copy of that balance sheet and talk about it for a moment. And if I may I'd like to just elaborate on - on how to - how to look at the Corporation in terms of it's financial structure. What you see is a typical balance sheet where we list assets and then liabilities and then our equity or net worth. As you can see, the assets of the Corporation are primarily loans that we own, and they total $5.8 billion dollars - that in essence has been relatively the same over the last three years. Also the liabilities (indeterminate-coughing) total $4.3 billion dollars and the net worth - or the total fund equity is a little less than $1.5 billion dollars. The way to look at Alaska Housing is to really understand that it is an operating business in the sense that it is contantly utilizing working capital - hundreds of millions of dollars that are necessary to continue with it's operaitons -daily, weekly, monthly - in the physically purchasing loans in $60 - $80 - $100 million dollar transactions from (seller servicers ?) - taking those loans, bundling them, securitizing them and selling them into - into a bond sale to recover those funds. So, much like - in some cases you can look at a mortgage loan just like a sack of potatoes, it has a value - it has a- it's a commodity and we buy them from mortgage bankers in the state and turn around and replenish ourselves by (bundling ?) them and putting them into bond issues - and then basically we loan that money by people who invest in those bonds and expect a return. So that's the activity - the phenomenon that's unusual - is the subsidy that's included in our activity. As you know, the first $90 thousand dollars of our loan production is

subsidized - any amount of our cost of funds that's in excess of 10% - the Corporation subsidizes - if there's a veteran that's (indeterminate - coughing) that number is in excess of 9% - and what ever our cost of funds may be - we make up the difference for that borrower - when we - that loan is originated, so wherever interest rates are in the world and whatever our cost of funds are - really dictates the expense of doing business - when we factor in the subsidy- because we have a fixed charge of anything in excess of 10% we pick up; however, there is a cap on that - it's not to exceed 3% of - of our total expense - so we could have up to a 3% subsidy for any single borrower - and then if our cost of funds were in excess of 13% - in that example - the difference we could pass on to the borrower (indeterminate). We have operated in high rate cycles and now we're in a - as I recall a moderate rate cycle and as- course if interest rates go down our- the cost of subsidizing goes down along with it. And if I can just walk you through the mechanics of how this works - and how the bond issues are structured - may help understand how the - how the corporation must function. We basically go out and borrow - or - if we are in need of funds - and we are buying loans, as I said about $ llion dollars a month, we can project the need to go k to the bond market and borrow more money. Let's say we have $100 million dollar bond issue for the sake of discussion, that the interest rate cost of money to the bond holder is about 11%. And if we were to go out and originate loans at 10%, we would than have $100 million dollars borrowed - cost us 11%, we're earning 10% on the loans that we just originated and matched against - against the bond sale. The investors, knowing that we have a subsidy when we structure that sale, will request and require additional collateral, over and above what the loans are that we're matching into the bond sale. In other words, all the loans we originate are pledged to the bonds, but the cash flows, because we're

a subsidy that are matched, $100 million dollars at 11%, $100 million dollars (indeterminate (10%) - coughing) require us to make up with additional loans or cash, or from our own resources that 1% difference. So we have to sweeten the bond sale by more assets. This is where we go into loans that are unrestricted or that are on the - the corporations books that we can utilize for these purposes - allocate and attach to these bond issues - and maybe we have to find another $10 million dollars in loans, plus the $100 million we just - we just originated or purchased - for a total of $110 million dollars that is pledged against $100 million dollars of new money. Now if interest rates go up - and we have say a 12% cost of funds - the same phenomenon- although it requires us to pledge more dollars, more money - more of a sweetner to balance that out. So - from the practical side of running the business when you look at it as an operative business - there is a lot of working capital requirements that are associated with this function. And in order to continue the operations with the subsidy in place - we have to be able to continue to have the resources to pledge and to be able to have the bond situation work out to an investors satisfaction. That's the way we have been doing business for some time. And as I said - when interest rates were higher - a number of years ago - we- our cost of doing business was far greater than what it is right now. It's down and, if interest rates were to continue to go down, of course we - this would be quite nice for us but we're subject to - because of the fixed nature of the subsidy, we're subject to the swings on where ever interest rates are. If you look at the Corporation's balance sheet, and then understand that phenomenon, there is a factor of expense that's associated with the subsidy - that in essense this Corporation gets a return on it's $5.8 billion dollars in assets, (indeterminate) invested either short term investments or is yielding in loans - that we have purchase. So let's say

that we have total return on our assets of 9% - again for the sake of discussion - when you look at our cost of funding - typically that cost of funding is about 1% over what we're yielding on our investments - so we have what's known as the negative spread between what we're earning on our assets and what we're paying out on our borrowers. That's a reverse what a traditional bank of someone who - well some banks are doing that now - (indeterminate) but you can't really stay in business that long, and the only thing and the only reason that Alaska Housing is - has continued in business - and remain relatively solvent - is that the fact that it has so many assets in excess of it's liabilities that billion and a half dollars in equity is invested, it's either in loans or short term investments. The earnings are enough to overwhelm that negative subsidy and make a slight profit. When I say slight profit, I'm talking about - a range of $30 to $50 million dollars a year - that's slight when you compare it back to $5.8 billion dollars in assets. If you were running a bank you'd be making a lot more money than that - but the subsidy cost is in there and - and taken care of - but because the Corporation is a stand alone Corporation- it's not part of the state - it has to stand on it's own two feet and support it's debt - the balance sheet works fairly well and - not on a break even basis - but even a slightly - - to make a slight profit- under normal circumstances. We have not been operating under normal circumstances and that brings me to the income statement for the corporation - which I'd like to share with you. As I said - excluding extraordinary circumstances - we think our balance sheet would - and should make us $30 to $50 million dollars a year. If you take a look at past performance - and a lot of that - a lot of those earnings is also - depending on where interest rates are- but - if you take a look at actual performance here - you'll see - in 1987 the Corporation - had a net income before it took a

extraordinary item loss of $8 million dollars- is roughly $29 million or $30 million dollars. That was with some run downs on - and net operating expense associated with real estate and mobile homes of about $8 and 1/2 million dollars. Those are somewhat extraordinary events so - so back to the model I suggested - the Corporation really - without those extraordinary - hits- so to speak - should have run about $40 million dollars that year. If you then take a look at 1988 - you'll notice the - where it says expenses - the- last item - right down - the net operating expenses associated with real estate and mobile homes owned - jump from $8.5 million in 1987 to $25 million in 1988. That's the impact of - of the Alaska Real Estate recession we were showing up in our income statement - the expenses of carrying real estate - right down to mobile home loans etc., that as recession set in we - we had some very real expenses and they were recognized in that line item. We didn't have any extraordinary adjustments that year and the Corporation for the first time lost $12 million. We got in the loss column about $12 million dollars. What you see in 1989 are the first nine months of operations. So it's not a year to year comparison - when you can see after nine months that line item was grown to $33 million dollars - and will be higher by the end of this year. So that's the extraordinary item that - that I'm referring to and the drag on our earnings and ability to make money - is and understandbly so - associated with - the fact we have 2/3 of the market - we are certainly not insulated from - from the problems in the market and it costs us money - and that's - that's where a lot of this is showing up. It's my objective - and the Corporation's objective to recognize and realize our financial - circumstance - calculate what affect the - Alaskan Real Estate recession has on a corporation - and make sure that we can share what we feel the financial impact is in it's entirety - as opposed to continueing to drag this line item in our expense area -

because it's important to us to (develop ?) our creditors - for them to understand - what are we really talking about - we have - how big is this problem - is this number exponential is it going to continue to go - - as a lender - it would be a great concern if we could not answer that question - so we're working hard now to identify and model - what impact we have remaining that the write downs and the expenses associated with our real estate owned - will have so we intend to identify that and - reflect it in our year end statement this year. And hopefully once that adjustment is made - if it's accurate - we can return the Corporation profitability in that $30 to $50 million dollar range - in fiscal year 1990. So I hope that - that explains roughly the financial status of how things work. I would like to share with you further, and I'd be happy to respond to any questions - so please interupt me at any time. But beyond that - I'd like to share with you - where we are organizationally - and there's been some comment earlier about some of the internal problems that we have - there is no question we have internal problems - and they are what I would call classic management challenges - in organization dynamics primarily. Every Corportation that has had significant challenges - a lot of growth - a whole new business that it has been forced into - unprepared - and I'm referring to primarily to property acquisition and disposition. Totally different now from our core business that we were set up iin terms of selling bonds and buying loans. And as a result - because of the volume of work and the - gear up and inability to respond quickly enough to get ahead of the power curve so to speak - the property acquisition and disposition process is very difficult - and so we have been playing catch up for some time - and especially in the last - in the last few months. We do have resources to - to attack this problem and preform an additional - people which you all are familiar with the expansion of the human resource that was authorized here

earlier this year - and all of the associated systems and the ability to - to basically absorb this work load - has created it's own set of facts in terms of internal dynamics - From September of last year to September of this year - the Corporation will more than double the number of people that are working in it. And there - good part of that - is a new start (indeterminate) back log and continued in-flow of property to determine how to dispose - so - We have presently a number of positions that are what I would call interim positions because obviously the work of this committee - this task force - and others who are looking at the future of the corporation, are going to dictate where we go in the 1990's - but one of the things - one of my priorities was to focus a corporate mission throughout the organization as soon as possible - and even on a short term time horizon if necessary to say -okay - this is what we're doing here - so with respect to what the Corporation has evolved to - and it's immediate challenges - I've come up with a mission statement that is Alaska Housing Corporate Mission statement - and some primary goals- and there are three of them, and I'd like to just share with you where we are. And again these are short term - but - our work agenda and the pressing needs that we see in the company are - are really incorporated in these priorities. First of all the Mission here is to preserve the integrity of the residential real estate market - and assist Alaskan home ownership. Not necessarily in that order - would be interchangeable - but - we are cognizant of the responsibility and the position we have with 2/3 market share of the relatively tiny and recovering market - it's very important for us to keep the vital link between what we see as not only the dominant player in the market presently - but perhaps one of the only ones if we were to go out - because of the experience of other secondary (?) market traditional resources i.e.,freddy-mack and fanny may others who are - who are used to buying loans. We're not

sure that it would be an infill that would adequate to support present price levels (indeterminate) some of the dynamics of our being (indeterminate) so - the integrity of the residential real estate market is the mission of ours and we think that our charge here is to do our job well - to support the efficiency of the market - and at least the consistency of our funding - to do that we have to remain financially strong- we have to be able to continue to bond - to not have an interuption of our flow of funds into the market place, i.e., that $30 million dollars a month. And at least to be in a position to foster any kind of recovery it becomes. So - in terms of the integrity of the market - that's - the financial integrity is one - first of all though - and high on our agenda is to effectively dispose of those excess properties - to get a fair market return is important for the institution - and that certainly includes us - to get out of the sales (indeterminate - someone is playing with something very close to the mic) - - - - - - we want to reduce the inflow of property that we're bringing in the forclosures we'd definitely like to find ways to reduce those - and we'd also like to increase the number of sales - that we are experiencing. We did hit a mile post here in the month of June for the first time we sold more property than we took in - first time in years so - - that's something we would very much like to continue - and work on a net reduction of our overall - (indeterminate) not only for the benefit of the corporation - but for the benefit of the market - the faster we can get (indeterminate).

SZYMANSKI: Is that an anomaly - I mean this June - because of the oil spill.

BEHAN: We hope not - June is typically a good sales month in the cycle so - so - the real test is going to be this winter - whether we can keep that up or not.

SZYMANSKI: But did that include all your - I mean - weren't - maybe I'm mistaken - I thought - didn't you guys turn a lot of your mobile homes - Port of Valdez project.

AHFC'S CORPORATE MISSION STATEMENT

"AHFC's mission is to preserve the integrity of the residential real estate market and assist Alaskan homeownership."

Our primary goals:

1. Effectively dispose of excess property.

    a. Reduce the inflow of property and increase sales of real estate owned to result in net reductions through the property disposition system (Alaskan Home Properties division).

    b. Reduce foreclosures by providing a menu of presale options and workout opportunities and implementing a HOAP III program.

2. Financial stability and profitability.

    a. Financial statement production and monitoring throughout the organization (budget, performance).

    b. Year-end loan loss adjustment.

    c. Implement an investment policy.

    d. Forecasting and modelling the balance sheet for the future (interest rate sensitivity).

    e. Enhance creditor relationships and communication.

3. Internal organization to meet major challenges.

    a. Personnel Rule improvement.

    b. Establishment of a communications department.

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

M E M O R A N D U M

TO: Senate Resolution 28 Task Force

FROM: Thomas C. Behan

DATE: July 26, 1989

****

For the contractual arrangement, we have the following questions that must be asked and are important to obtain an objective analysis of:

1. What is the future demand for housing in Alaska?

   a. By region.
   b. By price range:

      i) under $135,000 (FHA limit)
      ii) Over $235,000 (Freddie Mac limit)
      iii) Under tax-exempt limit

2. How much liquidity reserves and earnings does AHFC require?

   a. The minimum by bond covenants.
   b. To maintain a current bond rating.
   c. To maintain present programs.

3. In the absence of AHFC programs, what would the effect be, short and long term, on the Alaska real estate market?

4. What would be the effect on the real estate market (prices, demand, and supply) of eliminating all AHFC subsidy July 1, 1990, i.e., effect on public perceptions?

5. If AHFC stopped all subsidy July 1, 1990, how much cash flow would be produced from earnings and how much assets from bond retirements?

6. How must AHFC restructure it's relationship with the State in order to be able to be sold in whole or in part?

7. What is the market value of AHFC under various sale structure scenarios?

8. What would happen if AHFC stopped purchasing loans on July 1, 1990?

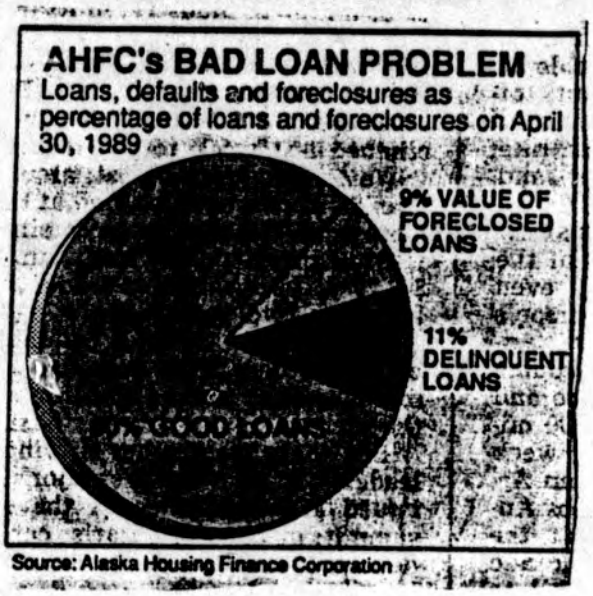
These and other questions must be included in the study and contract contemplated to be RFPed through the Task Force efforts.

AHFC, MGIC face off in claims battle

Flood of foreclosures leads to huge dispute between housing agency, mortgage insurer

By GEORGE FROST
Daily News reporter

JULY 30, 1989



The Alaska Housing Finance Corp. stands to lose a staggering $80 million of public funds in a dispute with an insurance company over the payment of claims on thousands of foreclosed homes.

Mortgage Guaranty Insurance Corp., a Wisconsin-based company that is the nation's largest private mortgage insurer, provided AHFC insurance during the early 1980s housing splurge and now regrets it. The company, backed by a wealthy European insurance consortium, is undergoing painful losses in its Alaska insurance portfolio.

As more and more AHFC borrowers defaulted on their mortgages during the state's three-year real estate tumble, the agency took back more and more property. With each foreclosure, AHFC submitted insurance claims for lost loan payments and the costs of managing and selling the house. A foreclosure is the process by which a lender takes away property to satisfy an unpaid debt.

But Alaska Housing officials say that MGIC, anxious to deflate its ballooning losses, is "nickel-and-diming" the agency to death when it mails in claims.

Of every $1 claimed, MGIC is discounting between 20 and 25 cents, AHFC records show. MGIC says every nickel it takes is legitimate.

Financial analysts on Wall Street say the insurance fight is potentially the largest ever between a public housing agency and an insurer. The stakes are huge: Multiply every 20 cents sliced from a claim by $400 million to $500 million. That is AHFC's estimate of the total claims it will submit for reimbursement in the next few years.

In Alaska, the financial repercussions are severe because AHFC isn't just the most important player in real estate here — it is almost the entire market. AHFC owns roughly 4,600 foreclosed homes that it is trying to sell as fast as possible without driving down home values any further.

And of those homeowners still making loan payments, two of three are paying off AHFC loans.

What AHFC does, or fails to do, largely will determine whether Alaskans buy homes and what price they pay.

According to interviews, memos and AHFC records obtained by the Daily News, MGIC has reduced or denied more than 1,100 of the 1,631 claims submitted in the 15 months ending last March. And the insurance company is getting even stingier lately — reducing payments on 95 percent of all claims submitted.

Insurance officials say the state agency

has great exaggerated the s
insurance problem and is at fau
managing its programs.

Shortsighted policies, sloppy
bungled sales programs and im
penses in the management and
AHFC's giant inventory of forecl
are not insurable claims, accordi
Ster, an insurance troubleshooter
from the Houston real estate di
last year to head MGIC operatio
ka.

Ster say
company w
legitimate
won't subsi
mistakes.

If Alask
would act m
sionally in
dling of lo
ance claims
sales, he s
be down
shadow of
perceive th
to be."

Tom Be
took over a
director at
lion AHFC
months ag
there are m
in the system. The agency, banks
service its mortgage loans, and
brokers it hires to manage and
closed homes all share some blan

But Behan said that through it
denials of legitimate claims, MG
to blame.

"They are taking real license h
not just making it up," he said.

After months of negotiations
shouting and charges of bad fa
amiable relationship between
and the agency has fizzled. La
pouring over the fine print in
contracts. The AHFC board on
thorized its attorneys to draw u
and administrative complaint
MGIC.

"They (AHFC directors) want
them, but they gave me the
waiting while we try to work
thing," said Behan.

If no reasonable progress has b
ed by Sept. 1, AHFC will sue,
man Bob Mintz. "The message is
going to be serious about enf
insurance rights," he said.

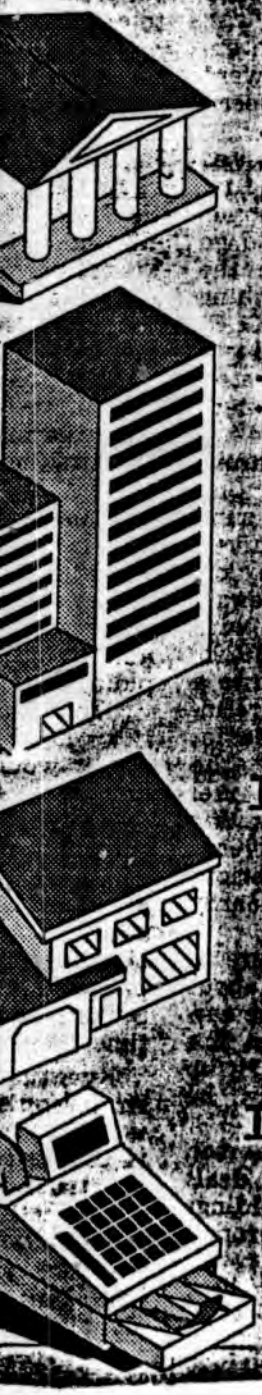
The fight could not have come
time for Behan and a greenho
senior aides. The agency is unde
siderable turmoil while doublin
and attempting to transform its
cautious bond financier into th
thington of used homes.

Alaska Housing, a legislative
after year for liquidation and
savings accounts, faces dauntin
that may hasten a final decisio

• If AHFC can't collect tens of
dollars of insurance claims, it m
the $459 million of reserves

LL STREET TO YOUR STREET

How Foreclosures Burn Through the Home-Financing System



THE BANKS

1) Home buyer borrows $95,000 from the bank, makes a $5,000 down payment and acquires a $100,000 house.

2) The bank sells the loan to AHFC but continues to service it.

THE CORPORATIONS

3) AHFC bundles up hundreds of these loans and uses them as collateral to sell $100 million in bonds on Wall Street.

4) Insurance companies, such as MGIC, back the bonds against default. They will cover $20 million to $25 million of mortgage loan foreclosures, but no more.

5) AHFC then uses the bond proceeds to purchase additional home loans from banks, repeating the cycle.

THE FORECLOSURES

6) The home buyer defaults on the loan and AHFC forecloses.

7) AHFC tries to sell the house but incurs additional costs due to maintenance, repairs, utilities and lack of mortgage payments.

8) AHFC finally sells the house and pays the real estate agent's commission.

THE LOSSES

9) AHFC files a claim with the insurer for the loss. MGIC settles the claim.

10) After so many foreclosures, the insurer's pool of money runs dry and pays no more. AHFC and the bond holders are exposed to direct losses.

Anchorage Daily News/Ron Engstrom

nce housing, Behan insisted that AHFC n't need a legislative bailout.

At least four insurance "pools" — mul- illion-dollar buckets of MGIC insurance ney used to pay off claims on foreclosed nes — are running dry, exposing AHFC direct losses of about $9 million within ee years.

The insurance deadlock has virtually e-capped several cooperative programs insurer and AHFC crafted to bail out the te's housing market, including the highly ted condo exchange program, a special ancing program, multiple sales of condos investors and condo rentals.

AHFC's financial difficulties could mpt bond-rating companies to down- ade its creditworthiness, costing millions additional dollars because it must pay a her percentage rate to borrow money on all Street. Much of these costs would be ssed along to future home buyers.

Although both sides have tried to keep eir differences private, the sheer size and mplexity of the dispute is forcing public

posturing and argument. The financial world will be aghast at the "spectacle of these two giant institutions thrashing around," said Ster, who is worried the AHFC fight will besmirch his company's reputation as a fair insurer.

How did two corporate giants get into this fix?

The answer isn't easy. Spanning a decade, it is a story of financial buck-passing from the glass towers of Wall Street, where AHFC has floated more than $4 billion of bonds to generate mortgage cash, to the tree-lined streets of Anchorage.

Along the way, the whole real estate world here turned upside down. Investors lost their footing. Families lost their homes. A dozen banks were closed, merged or taken over by regulators.

As MGIC has learned, the Alaska mortgage market was the absolute worst place for an insurer to be. Mortgage for mortgage,

Please see Page C-3, DISPUTE

Continued from Page C-1

it has a higher default rate than Texas, Oklahoma and other oil-patch states that sank into depressions when world oil prices tumbled in 1986.

But until now, Alaska Housing itself had avoided any serious damage.

"I think it is incredible we've been able to hold losses as we have," Behan recently told a legislative task force probing AHFC finances.

A legislative crusade to provide affordable home financing for low-and-moderate income citizens gave rise to AHFC. The state built a huge money-making machine operated by bureaucrats, Realtors, bankers and bond lawyers.

The mortgage machine was stoked by a rising population and fed with oil money. People needed homes. Builders wanted to cash in. Alaska Housing created dozens of programs and financed more than 46,000 single family homes, condos and mobiles in the 1980s.

Each program is different, but here are the basics: A home buyer goes to a bank, savings and loan or mortgage company for a home loan. Then the bank sells the mortgage to AHFC, immediately pocketing a couple thousand dollars and passing on the risk of a default.

Although AHFC owns the loan, the bank continues to collect mortgage payments, insurance and taxes on behalf of the agency and is supposed to make sure the borrower stays current.

An Alaska Housing loan delivers a subsidy of the interest rate paid by the home buyer. An average subsidy amounts to $100 a month to each of those 46,000 borrowers. Each time a family sits down to write a $1,000 check to pay the mortgage, Alaska Housing is paying $100 of the bill.

Agency staff figure that $100 a month equals about $11,000 in terms of actual purchasing power when a family goes shopping for a home.

The subsidy is the real estate equivalent of the Alaska Permanent Fund Dividend — and AHFC programs proved just as popular.

To satisfy the state's prodigious appetite for mortgage money, AHFC needs cash. Some money came from oil taxes — about $1 billion over the years. But most of the money used for mortgage financing was raised on the Wall Street bond market.

A bond is basically piece of paper beari AHFC's promise to repay loan with interest. In t same way a credit offic scrutinizes a would-be bo rower, Wall Street investo consider how good a cre risk a public housing agen is before buying a bond.

Bond investors use cre it-rating companies to he them decide how likely public agency is to repay debt. Agency bond issues a rated on a scale from AA — the best — to D, which

basically a default. M AHFC issues got a AA r ing, which is about as hi as public housing agenc get.

A higher rating brings lower interest rate beca the investment is conside the safest. A fraction o percentage point can add subtract millions of doll to the cost of repay AHFC bond debts.

In some years, Alas Housing was borrow more money each year Wall Street than Gene Motors. Investors today h more than $3.7 billion bonds.

To secure a good rati Alaska Housing bundles gether thousands of lo and uses them as secu for each bond issue. "sweetener" of additio mortgage loans — usu worth about 10 percent the total needed to colla alize the bond — is tuc into the loan portfolio. T helps maintain a cushio safety that secures a h bond rating and speeds sale of the bond issue.

Just as banks pass on risks of default to AH the state agency spreads risk.

Almost all homes nanced through AHFC b sales are protected by i vidual insurance policies homeowner pays for month. But these poli don't cover the entire m gage amount.

A good rating requires even more protection, and that's where MGIC entered the picture.

During the early 1980s, the insurer agreed to provide "pool" insurance protection for more than 25 bond issues worth a couple billion dollars. MGIC promised to pay about 20 percent of the total dollar amount of losses on each of the issues, above and beyond the private insurance coverage.

This insurance was issued by the "old MGIC," a Milwaukee-based company that had been the dominant force in the industry throughout the 1970s. The company fell on hard times after its purchase by Baldwin-United Corp., a Cincinnati company that asked for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code.

A corporate shell of the old MGIC was formed in 1985 to pay off claims when Northwestern Mutual Life Insurance bought 90 percent of the old MGIC from Baldwin.

This company, called Wisconsin Mortgage Assurance Corp., just pays off old claims and does not write any new insurance business. A new MGIC was created out of the Bankruptcy Court action, and it is this company that operates in Alaska.

A key to the creation of the old and new MGICs was the participation of a European insurance syndicate, spearheaded by the giant Swiss Re, which promised to pay almost all of the claims. The new MGIC holds 20 percent of the policies, and 20 percent of the losses. Swiss Re pays the lion's share.

Borrowers are making



MGIC's Tom Ster

payments on about 8,000 MGIC-insured loans in Alaska, of which 4,500 were renegotiated through a special hardship program called the Home Owners Assistance Program. Many of these HOAP borrowers are still in trouble and headed for default, according to AHFC.

Ster said MGIC has some 5,000 other loans in foreclosure or headed there.

During a four-year stretch through 1988, the company paid out more than $132 million in claims, said Wisconsin insurance official Brian Hogan.

In those four years MGIC collected only $13 million in premiums, he said.

Ster won't say how much MGIC expects to lose on its Alaska portfolio, but he acknowledged it to be the highest claims payout compared to premium earnings that he knows about. AHFC officials estimated the insurer will be forced to set aside another $300 million to $400 million to pay claims.

The Wall Street companies that rate the performance of public housing agencies are aware of the struggle between AHFC and its insurer, and the implications.

"If some claims are not going to be paid, that can have a negative impact on the agency and some of their bonds," said Bill Desante, head of public finance ratings for Moody's Investors Service Inc.

Desante said he has never heard of a hassle of this magnitude between an insurer and public housing agency. Moody's will study the claims dispute and make a judgment about which side will prevail.

Another potentially troubling problem the bond raters will examine is the likelihood that four of AHFC's tax-exempt bonds, worth about $400 million dollars when issued in 1982 and 1983, are "burning through" their pool insurance protection. MGIC agreed to pay up to 20 percent of losses.

"If in fact the losses burn through those pools and we talk about the agency making those up, it's a question of how much," he said.

The other Wall Street ratings powerhouse, Standard & Poor's Corp., also is watching the agency closely.

An S&P rating team is planning a trip to Alaska to evaluate the agency's health, said Tom Gillis, managing director of the firm's mortgage ratings department.

It will look at financial reserves, bond performance, expected losses and the agency's balance sheet as well as general economic conditions.

"Pretty much all the oil economy-based states have experienced higher losses on portfolios than the rest of the nation," he said. "Unfortunately, Alaska may be the worst of those states."

When the bond raters examine AHFC's balance sheet, they will see mounting losses caused in part by the extraordinary costs of managing so many foreclosed homes and partly by the hybrid character of a public agency that subsidizes interest rates below the market level.

As an example, when AHFC sells a $100 million bond issue, investors get paid 11 percent interest a month. But the underlying mortgages are only paying about 10 percent a month to AHFC.

That crucial difference is theoretically recouped through profits from the $1.5 billion that Alaska Housing puts into government bonds and other investments.

But lately Alaska Housing's losses have outstripped its investment earnings. In fiscal 1987, it made profits of about $21 million. But the next year it lost $12.6 million as the cost of foreclosures ate away at its earnings.

During the first nine months of the 1989 fiscal year, which ended June 30, Alaska Housing had already lost $27.5 million — and expects to accumulate more than $40 million of losses for the year.

The main culprit was the rising cost of managing foreclosed homes, which increased from about $8.5 million two years ago to about $34 million for the first nine months of the 1989 fiscal year.

But now the issue of unpaid insurance claims threatens to overwhelm all else.

At the nitty-gritty level of claims adjustment, millions of dollars are going to be lost or saved.

AHFC's Behan said the agency won't give up what it calls legitimate claims. Ster said MGIC won't pay for the mistakes of Alaska Housing, the banks that service the loans or the brokers who sell foreclosed homes.

Much of the dispute hinges on mind-boggling technicalities that are the life-blood of the insurance industry. As might be expected, they involve filling out the right forms, mailing them at the right time and then performing the actions required under the policy.

Ster estimated that between 20 and 30 percent of all AHFC loan files have faulty documentation.

According to AHFC officials, the agency has a lot of trouble keeping track of all the loans, missed payments, foreclosures, insurance claims, repair work, listings and sales that roll through the system.

John Scott, a senior computer programmer who recently left AHFC after complaining about management practices, said the accounts payable system is in chaos. Although most expenses are detailed in hard-copy form, researching those claims would be a massive undertaking.

"There is no way in hell we can do that," Scott said.

These are among the problems that Mintz, relatively new to his job, calls "outrageous policy mishandling."

Bankers who get paid for servicing the loans are supposed to notify MGIC if a homeowner is going into default. That gives the insurance company time to try to work out a deal with the borrower or sell the home prior to foreclosure. About 1,650 borrowers have been approached before foreclosure, and many saved their homes, Ster said.

Behan said the failure to notify MGIC does not cause much harm to the insurer.

Incredibly, AHFC has never conducted a substantial audit of banks doing the agency's business despite glaring irregularities in paperwork, said Mintz.

After a home is taken away through foreclosure, AHFC turns over the properties to select real estate brokers who manage them, authorize repairs and then try to sell them. The brokers get a commission when the home sells. They bill AHFC for the costs of advertising, repair and other expenses. A highly critical state audit prompted AHFC to reform its so-called designated broker system. It is expanding the number of brokers and trying to establish a system to oversee their activities.

Although AHFC has been doing a better job at getting homes ready for sale, some foreclosed properties sit for months without being put on the market, according to MGIC. Others are priced so high that nobody wants them.

The insurer generally wants AHFC to lower prices. AHFC worries that "dumping" would wipe out the value of its own portfolio of foreclosed homes, as well as trigger another wave of defaults among homeowners who owe thousands more than their homes are worth. But Ster said MGIC does not advocate auctions or other destabilizing marketing strategies — just selling homes for what they are worth.

A typical foreclosed home costs MGIC about $800 or so a month in payments to AHFC, and the company argues that throughout the industry it is common practice to adjust claims for non-performance by a housing agency.

Alaska Housing argues the insurance company has no legal basis for refusing to pay claims merely because a home didn't go right on the market. And in this market, Behan said, it is absurd to believe those homes would have sold any faster anyway.

More fussing takes place over repairs done on foreclosed homes to pretty them up for sale.

Under the standard insurance policy, MGIC pays for "wear-and-tear" items like new carpets and painting. It throws in microwaves.

But if a home needs a new wall, roof or foundation, MGIC says that Alaska Housing has to pay.

The insurer wants AHFC to sell some homes as bargain fixer-uppers, but AHFC says that it would be exposed to lawsuits if it sold homes in serious disrepair.

"Barring that, if there was proper servicing (of the loans by banks and mortgage companies) and proper marketing, there would be virtually no adjustments," Ster said.

Another major disagreement involves the sale and rental of blocks of AHFC-financed condos to investors. MGIC has received offers on six condo projects involving 127 units, and wants to close those deals before the investors go elsewhere.

But the Alaska Housing board decided that people living in AHFC-financed condos should get a chance to veto any bulk sale in their projects. AHFC wants to restrict bulk sales to vacated "donor" projects in a proposed condo-exchange program. That joint AHFC/MGIC program would let owners in donor projects trade up to nicer condos. The Alaska Housing board also attached some strings on the bulk sales program that MGIC rejects.

Both Behan and Ster said the condo-exchange program is on hold indefinitely as the corporations try to work on the insurance claims dispute.

According to Behan, MGIC's stinginess has already cost the agency a lot of money. Under the previous administration, AHFC staff cashed millions of dollars of MGIC claims checks that bore a restrictive endorsement, basically saying "paid in full" — denying the agency any chance of recovering the disputed claims.

Since putting a stop to the practice, about $10 million worth of such checks have stacked up, he said.

Ster said that MGIC has used the endorsement for years and it is a standard, industrywide practice. But MGIC stopped a few months ago when a new state law went into effect that made it harder to justify the endorsement.

All of these issues have congealed into a real mess.

Behan said the claims argument is too important to just set aside while going ahead in other areas.

Ster said Alaska Housing veered away from previous agreements on the condo exchange program and other major programs when the Behan administration took charge.

"It is a symptom of the kind of reaction we have gotten, just a lot of changes and new items we had not anticipated," he said. "We are trying to separate the issues, not pick anybody's pocket."

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%.

Currently, fourteen banks and mortgage companies servic
mortgages. National Bank of Alaska provides service fo
our loans. Fifteen loans are serviced by eight institu
the other mortgages are serviced by the remaining four

Our delinquency rate for loans over 59-days delinquent
Half of these loans are over 120-days delinquent. Of t
several are in the modification process, one is in judi
foreclosure, and others are in non-judicial foreclosure

I see several options we could discuss in regard to ser
loans that go into foreclosure after your purchase of t
portfolio:

1) AHFC could market all foreclosed properties a
any loss or gain on the sale, eliminating any
from the Permanent Fund in the Alaska-housing

2) The Permanent Fund may buy back foreclosed pr
the first year after your purchase and provid
provide, financing to new buyers, possibly co
the housing industry on an extremely small sc

3) For a one-year period, the Permanent Fund cou
the foreclosures and sell them back to AHFC a
value, allowing the Permanent Fund to recogni
losses and at the same time, staying out of t
housing market.

I suggest that we meet with you to review this informat
and answer any questions you might have. If you plan t
Juneau in the near future, we could meet here and you w
opportunity to review a sampling of files in the portfo
Several members of our staff will be in Anchorage on Se
or 26. If this would be a more-convenient time for you,
meet with you then. We would also be happy to present
to your board and respond to their questions.

If there is any further information we could send to yo
your consideration of this offer, please do not hesitate
or Llewellyn Lutchansky, the manager of the mortgage pr

Sincerely,

Pete Jeans
Real Estate Investment Officer

PJ:LL:ls

August 14, 1989

Heather Arnett, Committee Aide
Alaska Housing Market Council
PO Box 240048
Anchorage, AK 99518

Dear Heather,

Thanks for sharing the policy statements. I hope you do not
that I am attempting to meddle. Several years ago I was act
involved in developing goals and objectives for an educat
model for prisons. I ended up teaching the concepts of devel
goals and objectives.

At the time, we dealt in philosophies, goals and objectives
time passed, the verbage changed to missions, etc. Now we
of policies and action plans. Time has not changed me; I con
to think in the earlier terms. That is partially why I
comments at the past teleconference about No. 3 being
philosophy (you guys called it a mission statement). So, i
will bear with me, I would like to just share my thoughts.
place it in the "for what it's worth" category.

PHILOSOPHY

It is the philosophy of the State of Alaska that safe and san
living conditions should be available to all citizens of the s

GOAL NO. 1

It is a goal of the State of Alaska to adopt and execute a
housing policy. (#1)

SUB GOALS

Recognize the significant regional differences in housing n
standards and requirements within the state. (#2)

Minimize direct state involement in the housing market, wit
exception of accessing capital markets and providing informa
(#9)

Encourage local/regional involvement in land use issues wi
circumventing private enterprise. (#3)

GOAL NO. 2

To assure uniform consideration of housing needs, it is the
of the State of Alaska to facilitate the coordination of ho
services. (#1)

SUB GOALS

Improve the availability, accessibility and affordability of housing for people with limited or low incomes. (#4)

Improve the availability, accessibility and affordability of transtional and long term housing for those with special needs. (#5)

Promote the availability of quality, affordable rental housing. (#10)

Implement a senior housing program which emphasizes a continuum of care and allows independent living at the level of their ability. (#11)

GOAL NO. 3

It is the goal of the State of Alaska to develop and maintain stable sources of revenue to support housing needs in the state. (#12)

SUB GOALS

Give first funding priority to the state's most urgent housing needs. (#6)

Encourage and assist homeownership opportunities in a fiscally responsible manner. (#7)

Encourage housing partnerships which include public, private and non-profit entities, to develop affordable housing. (#8)

Heather, I think this breaks down the three fundamental concerns, i.e., policy, uniform consideration and a revenue source. At this time, it is essential to look at objectives which are met by action plans. Let me digress for a second. There is a simple test for an objective called the SPAMO TEST. This means an objective must be Specific, Pertinent, Attainable, Measurable and Observable. In other words, you can't say "The objective is to make seniors feel good about themselves." How is "feel good" measured? It can't because feelin' good is different from one person to the next.

What follows are examples of SPAMO objectives.

OBJECTIVES

The State shall establish an Alaskan Housing Commission in FY1991. NOTE: This meets the SPAMO test. It is specific, pertinent and attainable, likewise, it is measurable and observable. Got it?

Within six months of establishing the Housing Commission, the commission shall develop state housing policies for public review

and adoption.

By the end of FY 1992, state housing policies shall be promulgated and adopted.

Annually, the State Housing Commission shall list, by priority, all housing needs.

Annually, state revenues shall be proportionately allocated, based on established prioritites.

Specific objectives (which must be realistic) can be established for all of the goals and sub-goals. With them in order, action plans can be developed. Example Objective No. 1: Get the governor to have applicable legislation introduced, or, get a legislator to make the introduction, etc.,etc.,etc.

Again, this is strictly "for what it's worth." I felt obligated to share my opinion, maybe for no reason other than to put things in a perspective that I understood. You are doin' a great job.

Respectfully,

Carl F. Nickel

cc: Rep. C.E. Swackhammer

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

SOLDOTNA
312 TYEE STREET
SOLDOTNA, ALASKA 99669
(907) 262-7841

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

House of Representatives

MEMORANDUM

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair, HFTF

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.

REPRESENTATIVE
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M E M O R A N D U M

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair, HFTF

DATE: August 18, 1989

TOPIC: AHFC RFP Proposal

Attached is the draft for the proposed RFP by the Alaska Housing Finance Corporation, as well as a cover memorandum from Mr. Paul M. Kapansky.

I hope you receive this in time to given it a preliminary review, prior to Wednesday's meeting.

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1596 SCOMM 60: HOUSING FINANCE TASK FORCE, 1989

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 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

REPRESENTATIVE
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Alaska State Legislature

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House of Representatives

August 22, 1989

Mitsubishi Electric Sales America, Inc.
1070 East Arques Avenue
Sunnyvale, CA [illegible]086

Dear Manager;

I recently saw a brochure advertising MEMS, Mitsubishi Electronic Monitoring System. I found the information very interesting and would appreciate any additional information regarding this system you wish to send. Like most states, Alaska is also faced with overcrowding and expensive supervision of offenders. As Chair of Alaska's House Finance Subcommittee on Corrections, I continue to research innovative means of supervising offenders in a setting other than a prison.

Please direct your mailings to me, in care of my finance staff person, Carl Nickel, Box V, Juneau, AK 99811.

Sincerely,

Rep. C.E. Swackhammer, Chair
House Finance Subcommittee on Corrections

This brochure was prepared by the Housing Department of the Federal Home Loan Bank of Seattle to help borrowers understand why residential mortgages are often sold to investors—and how the sale may affect them.

Q: When we bought our home, we went to our savings and loan for the mortgage. We've always banked there. But recently we received a notice in the mail to send our mortgage payments to a company we've never heard of! They're not even in this state! What's going on?

A: What's going on is called the secondary mortgage market. It means that your lender has sold your loan, in whole or in part, to another financial institution.

Q: Is that legal? And who are these institutions?

A: This practice is not only legal, it has been encouraged by the federal government. The secondary mortgage market expanded to ease the "credit crunch" of the late 1960s and early 1980s when there was a severe shortage of money for home loans. Its aim is to attract new mortgage money from investors and to move funds from parts of the country that have a surplus to parts where there isn't enough.

Two institutions do most of the buying, both of them private companies with government backing: the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. You may have seen them mentioned in the newspapers or on television as, respectively, "Fannie Mae" and "Freddie Mac." While Fannie Mae and Freddie Mac buy the majority of residential loans sold, there are a number of wholly private companies involved as well.



Study for Pink House, John Worthey, 1985

Q: So Fannie, Freddie, and some private companies are buying up mortgages. What do they all do with the mortgages they've bought?

A: They group them and create an investment package called a mortgage-backed security. Mortgage-backed securities are purchased by insurance companies, financial institutions, pension funds, and private individuals. For example, a "Ginnie Mae" is a mortgage-backed security issued by private institutions and backed by the full faith and credit of the federal government through the Government National Mortgage Association. You can invest in Ginnie Maes just as you would in the stock market.

Q: Did our lender sell our loan because they thought we were a bad risk?

A: The selling of first (or second) mortgages by your lender is no reflection on you or your credit rating. On the contrary, if your loan did not meet certain high standards, it would not find a buyer on the secondary market. Investors only wish to buy loans that are of high quality and will not default.

Q: If our lender thought we were of such "high quality," why sell the loan?

A: No savings and loan or savings bank has to sell any or all of its residential loans. There are many reasons for a savings association to choose to sell, the most important being to free up money to lend to others in your community, whether for a home, a car, or a college education. By selling its loans, a savings and loan or savings bank brings more money into your area. By selling its loans, that association serves the community by having the money necessary to make new loans.

But when we speak about selling mortgages, remember that your lender can sell the loan in a couple of different ways.

Q: How does that make a difference to us—what changes would we see in our own mortgage?

A: None, most likely, if your loan is sold "service-retained." You will continue to send your mortgage payments to the lender that gave you the loan—they are "servicing" your loan by collecting the payments. If you have any questions or problems, you ask them.

If your loan is sold "service-released," your lender will notify you that your loan has been sold and will give you instructions on where to send your payments. However, if any difficulties arise with the new company servicing your loan, you should still contact the savings and loan or savings bank you started with. Their involvement doesn't end when they sell your loan! They can quickly help you get answers to your questions.

Q: But it all sounds so complicated! My parents never went through this. Why has the mortgage market changed so much?

A: The financial climate has changed, and mortgages are increasingly looked upon as profitable and safe investments. In 1975 only 10 percent of all mortgages were sold by the original lender; in 1986, that figure had climbed to 68 percent.

Selling mortgages is legal and common practice for the lenders involved, and it is good business.

Q: Never mind the lenders. What about the borrowers? How much extra are we paying for all this?

A: If your loan is sold, you pay nothing extra. In fact, the interest rate on your mortgage is very probably lower than it would be without a secondary market—and the money is there when you and others in your community need it. In the past when mortgage funds in the community were limited by the amount of savings deposits there, credit could just "dry up." Today, your savings and loan association can tap almost unlimited sources of mortgage funds nationwide.

Q: There must be a catch somewhere.

A: There's no catch, but there can be problems. You should check your annual statement from the company servicing your loan to be sure your home insurance and real estate taxes are being paid regularly, if they are included in your mortgage payments. And, since loans can be sold, resold, and sold again, it's always best to ask your lender to verify any notice of a change in the ownership of your loan.

Q: Well, it seems to make sense, but I still have questions.

A: Just ask the loan officer at your local savings and loan or savings bank!

This brochure is made available to you by the more than 120 members of the Federal Home Loan Bank of Seattle in Alaska, Hawaii, Idaho, Montana, Oregon, Washington, Utah, Wyoming, and the Territory of Guam. The Federal Home Loan Bank of Seattle is a privately owned and managed financial institution operating under federal charter. With assets of more than $8 billion, it is one of the 12 self-supporting regional reserve credit banks that service savings and loan associations and savings banks in the United States and regulate FSLIC-insured savings associations.

Housing Department
Federal Home Loan Bank of Seattle
1501 Fourth Avenue
Seattle, Washington 98101-1693
(206) 340-2300

9/87

EQUAL HOUSING OPPORTUNITY

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

MEMORANDUM

TO: Rep. Sam Cotten, Speaker
Attention: JULIE

FROM: Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

DATE: August 22, 1989

TOPIC: HFTF Meeting Expenses, July 26, 1989

Attached is a copy of the expenses incurred by my staff person for the first Housing Finance Task Force Meeting. I have yet to submit per diem for my participation, it will be for one day.

I have instructed my staff person to be sure to submit travel authorizations well enough in advance. This should avoid the mild confusion we had over travel for the second meeting to be held August 23, 1989.

Thank you.

FINANCE TASK FORCE

Travel Advance Requested:

Yes ✓ No _____

TR # _____
Return Used Tickets

Attach all used or unused tickets, yellow TR copy and return to DAA Accounting. TR's are controlled forms. If a TR or ticket is not used for its original authorized purpose it must be returned to Accounting. Accounting must be informed if a TR is lost or voided.

ITINERARY

1. I (will travel) (traveled) to ANCHORAGE (City) ON 7-25-89 (6:05 AM) Month/Day/Year
   and (will overnight) (overnighted) in ANCHORAGE ON 7-25 & 26, 89
   and/or (will be) (was) on official business in _____ ON _____
   $80.00 = 160.00 + 6.00 meal adv. 7/27 _____ ON _____
   and return to JUNEAU (Home Station) ON 7-27 (Date) AT 10:00 a.m. p.m. (Indicate time off official business)
2. I claim 2 days per diem. Put O if you do not wish to claim per diem. Leave blank if you wish Accounting to calculate per diem. NOTE: If a portion of this trip (was) (will be) for personal business, indicate number of days or shortest time trip could have been taken. (166.00)

FINAL TRAVEL COSTS	CLAIM	ACCOUNTING
1. Was this trip completed as stated above? Yes____ No____ If no, please note changes. If yes, continue.		166.00
	PER DIEM	PER DIEM
2. Taxi, parking, car rental, rental car gas receipts. Please itemize all costs and attach receipts. Items less than $10 do not require a receipt but must be itemized below or on attached sheet. See attached receipts		79.56
3. Airfare reimbursement (please attach copy of back of airline ticket, or written quote from travel agency or air carrier). DO NOT claim if the ticket was paid by TR.		
4. Mileage: _____ miles at 25 cents per mile. From _____ to _____.		
5. Business phone calls (attach itemized hotel bill showing telephone charges - calls to be reimbursed must be initialed).		
TOTAL		245.56
Less Travel Advance		166.00
Final Payment		79.56

CARL F. NICKLES
Print Name of Traveler

Print Name of Person Who Is Authorizing Trip

Signature of Traveler

Signature Of Authorizer (Or Authorizing Memo May Be Attached)

Warrant Mailing Address Date

OFFICE USE				
Other	Warrant #	Vendor	Amount	Date
TR#	Warrant #	Vendor	Amount	Date
914040	2178925	AT584366	366.00	7/25/89
PVN	CAN89202		EMR	

cc: 31-92-	LC#	Account Code	Warrant #	Amount	Date
2535		72550	7009715	166.00	7/24/89
2535		72250	2176589	79.56	8/7/89

** CLAIMANT CERTIFIES BY SIGNING THE TA THAT THE FACTS CONTAINED ON THE TA AND SUPPORTING DOCUMENTS ARE CORRECT AND CONSTITUTE A VALID CLAIM AGAINST THE STATE OF ALASKA.

MEMORANDUM

TO: Rep. C.E. Swackhammer

FROM: Carl Nickel

DATE: August 22, 1989

TOPIC: August 23, 1989 HFTF Meeting

Initially, I was unable to give a detailed list of the mortgage programs available to Alaskans. I have not had responses from everyone.

There is a list of the membership and mailing list. Please note there are still some blanks for staff contacts. Would you please ask the membership for the names.

The agenda:

Glenda Straube, Exec. Dir. Alaska Housing Market Council

Rural Development, DCRA presentation

RFP presntation from AHFC. The members should all have a copy of the RFP. Paul Kapansky of AHFC will give the presentation on Tom Behan's behalf.

Mary Halloran, OMB Administration's position on HFTF.

MORE NOTES
Ask the membership if there are any problems with the last meeting recap we sent out.

My vacation is Sep. 2 to 18th.

I have made up a note book for you. If okay, you may want to ask if the membership wants me to make one for them. I don't know if it is practical or not, everyone has their own system.

I have a duplicate copy of the note book plus my reading file with me.

Yuppers!

GENERAL INFORMATION

HOUSING FINANCE TASK FORCE

VOTING MEMBERSHIP

Rep. C.E. Swackhammer, Chair
34832 K-Beach Road
Soldotna, AK 99669
Staff: Carl F. Nickel

Sen. Pat Rodey, Vice Chair
2335 Lord Baranof
Anchorage, AK 99503
Staff: Mark Begich

Rep. Richard Foster
PO Box 1028
Nome, AK 99762
Staff: Liz Walters

Sen. Mike Szymanski
3111 C Street
Anchorage, AK 99503
Staff:

Rep. Randy Phillips
PO Box 142
Eagle River, AK 99577
Staff: Janet Seitz

Sen. Rick Halford
PO Box 190
Chugiak, AK 99567
Staff:

ADVISORY MEMBERSHIP

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AHFC PO Box 101020
Anchorage, AK 99510
Staff: Linda Barrows

Ray Price, Exec. Dir.
ASHA PO Box 100080
Anchorage, AK 99510-0080
Staff:

Mike Harper, Dir.
RDD 949 E. 36th Rm 430
Anchorage, AK 99508
Staff:

Glenda Straube, Exec. Dir.
AHMC PO Box 240048
Anchorage, AK 99524
Staff:

Mary Halloran, Dir.
OMB Policy PO Box AM
Juneau, AK 99811
Staff:

MAILING LIST

Rep. Mike Navarre
3111 C Street
Anchorage, AK 99503
Staff: Ken Johnson

Chris Foster, R.E. Broker
1111 W. 9th St. Suite 200
Juneau, AK 99801
Staff:

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Housing Department
Federal Home Loan Bank of Seattle
1501 Fourth Avenue
Seattle, Washington 98101-1693
(206) 340-2300

9/87

EQUAL HOUSING OPPORTUNITY

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Chris Foster, R.E. Broker
1111 W. 9th St. Suite 200
Juneau, AK 99801
Staff:

561-0364

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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(907) 262-7841

JUNEAU
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JUNEAU, ALASKA 99811
(907) 465-2689

House of Representatives

MEMORANDUM

TO: Senator J. Kerttula, Chairman
Legislative Budget and Audit

FROM: Rep. C.E. Swackhammer, Chairman
Housing Finance Task Force

DATE: August 24, 1989

TOPIC: Funding Considerations

During the first session of the 16th Legislature, HCS CSSCR 28 passed. This resolution (Resolve NO. 54) established a

> "Housing Finance Task Force to review and recommend changes to publicly-assisted residential finance programs."

The legislature appropriated up to 200.0 (Pg 15 ln 15 CS hb 100) for this task. Because of a misunderstanding between the administration and the legislature, the Governor's Office cut these funds. At this time, the administration supports the expenditure of up to 300.0 for a consultant. The leadership has appointed Senator(s) Rodey, Szymanski and Halford, as well as Representative(s) Foster, Phillips and myself to the task force. The aforementioned individuals, along with the advisory members outlined in Resolve NO. 54 have formed the task force and have had two meetings, to date. It was the unanimous decision of the task force to invite Mary Halloran, Director of the Office of Management and Budget (Policy) to participate, in an advisory capacity, to sit on the task force. This she did willingly.

What started as a task force of legislators to scrutinize publicly-assisted finance programs, has evolved into a meaningful and viable cooperative effort of the legislature and the administration. Thomas C. Behan, Executive Director of the Alaska Housing Finance Corporation, has been extremely receptive to the task force's wishes to fully review AHFC for potential restructuring. The suggestion of privatization of all or part of the corporation has been discussed, as has issues of eventual elimination of the subsidy of loans.

Realtors and representatives of the Mortgage Guarantee Insurance Corporation (MGIC) have become actively interested participants in the efforts of the task force. Consequently, members of the legislature, administration, public sector and private enterprise have sat down at the same table to discuss the future of public financing of Alaskan residences.

I feel strongly, as does the membership of the task force, that the operation of AHFC and the future of public residential financing will be a major issue during the second session.

The efforts of the task force, however, face two distinct dilemmas, both stemming from the need for professional consulting and logistics. One, the cumbersome guidelines surrounding procurement procedures, and secondly, readily available funds. At the on-set, AHFC offered to fund a consultant from program receipts. AHFC has thoroughly investigated the prospects of using their existing budget to obtain a consultant. It is their opinion that the funds already allocated for expenditure are insufficient to meet these costs.

The administration has shown the willingness to expedite both the procurement process and the development of a RPL for presentation to Legislative Budget and Audit. The RPL would address the expenditure of AHFC program receipts of "up to $300,000.00" for procurring a consultant. The task force unanimously voted support for this; a resolution to LB&A is in the making.

The Housing Finance Task Force respectfully requests Legislative Budget and Audit to calendar time for the AHFC RPL during its September 8-9 meeting in Seward. Time is of the greatest essence, if the task force is to present its findings to the legislature in a timely manner.

Alaska State Legislature

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

RESOLUTION NUMBER 1

BE IT RESOLVED BY THE HOUSING FINANCE TASK FORCE:

WHEREAS the State of Alaska, 16th Legislature has adopted HCS CSSCR 28 which addresses the role of publicly-assisted residential loans, the management of these loans and recent economic hardships; and

WHEREAS the Legislature has formed a Housing Finance Task Force stemming from Legislative Resolve NO. 54; and

WHEREAS membership of the State agencies providing residential loans has joined the task force in an advisory capacity; and

WHEREAS the private sector and private enterprise has pledged cooperation with the task force; and

WHEREAS the Administration of the State of Alaska has given support to the efforts and direction of the task force; and

WHEREAS the Housing Finance Task Force unanimously supports the procurement of a consultant to make an indepth analysis of the Alaska Housing Finance Corporation, as well as provide direction toward the restructuring, removing and/or privatization of all or part of the Alaska Housing Finance Corporation; and

WHEREAS the Housing Finance Task Force unanimously supports the RFP (Request for Proposals) for a consultant proposed by the Alaska Housing Finance Corporation;

BE IT RESOLVED by the Housing Finance Task Force that Legislative Budget and Audit allow the expenditure of up to $300,000.00 of Alaska Housing Finance Corporation program receipts for the procurement of a consultant to perform the tasks as spelled out by the AHFC RFP.

Signed, this date, August 30, 1989;

_____

Rep. C. E. Swackhammer, Chairman
Housing Finance Task Force

MEMORANDUM

TO: Legislative Affairs

FROM: Carl F. Nickel

DATE: August 24, 1989

TOPIC: Travel Reimbursement

Attached are copies of ticket for air travel, vehicle parking, car rental and the Travel Authorization Report. I respectfully request reimbursement for car rental, vehicle parking and per diem as outlined on the authorization report.

I think a ticket agent through away the copy of the T.R. because, for the life of me, I can't find it. The T.R. was used at Alaska Travel Service in Juneau.

Travel Authorization Report (TA) LEGISLATIVE AFFAIRS AGENCY LAA/Admin Svcs 3/17/89

Trip Purpose: HOUSING FINANCE TASK FORCE

Charge To Account:

Travel Advance Requested:

Yes_____ No ✓

TR #_____

Return Used Tickets

Attach all used or unused tickets, yellow TR copy and return to LAA Accounting. TR's are controlled forms. If a TR or ticket is not used for its original authorized purpose it must be returned to Accounting. Accounting must be informed if a TR is lost or voided.

ITINERARY

1. I (will travel) (traveled) to ANCHORAGE (City) ON 6:05 pm 8 23 89 Month/Day/Year

and (will overnight) (overnighted) in ANCHORAGE ON 8 23 89

and/or (will be) (was) on official business in ANCHORAGE ON 8 23 89

ON

and return to Juneau Home Station ON 8.24.89 Date AT 10:00 a.m. p.m. (Indicate time off official business)

2. I claim _____ days per diem. Put O if you do not wish to claim per diem. Leave blank if you wish Accounting to calculate per diem. NOTE: If a portion of this trip (was) (will be) for personal business, indicate number of days or shortest time trip could have been taken.

FINAL TRAVEL COSTS	CLAIM	ACCOUNTING
1. Was this trip completed as stated above? Yes_____No_____ If no, please note changes. If yes, continue.		
	PER DIEM	PER DIEM
2. Taxi, parking, car rental, rental car gas receipts. Please itemize all costs and attach receipts. Items less than $10 do not require a receipt but must be itemized below or on attached sheet.		
3. Airfare reimbursement (please attach copy of back of airline ticket, or written quote from travel agency or air carrier). DO NOT claim if the ticket was paid by TR .		
4. Mileage:_____miles at 25 cents per mile. From _____ to _____.		
5. Business phone calls (attach itemized hotel bill showing telephone charges - calls to be reimbursed must be initialed).		
TOTAL		
Less Travel Advance		
Final Payment		

OFFICE USE				
Other	Warrant #	Vendor	Amount	Date
TR#	Warrant #	Vendor	Amount	Date
PVN			EMR	

cc: 31-92-	LC#	Account Code	Warrant #	Amount	Date

CARL NICKEL — Print Name of Traveler

SAM COTTEN — Print Name of Person Who Is Authorizing Trip

Signature of Traveler

Signature Of Authorizer (Or Authorizing Memo May Be Attached)

Warrant Mailing Address Date

** CLAIMANT CERTIFIES BY SIGNING THE TA THAT THE FACTS CONTAINED ON THE TA AND SUPPORTING DOCUMENTS ARE CORRECT AND CONSTITUTE A VALID CLAIM AGAINST THE STATE OF ALASKA.

PASSENGER RECEIPT

ARC

ALASKA AIRLINES

ALASKA TRAVEL SERVICE

NICKEL/CARL

NOT VALID FOR*

TRANSPORTATION

0162/ US 0 NICKEL/CARL

16AUG89 JUNEAU AK JNUANCAS 73Y 23AUG

1ER3KQ/UA A02830715 ANCJNUAS 62Y 24AU

THIS IS YOUR RECEIPT TE9DWS

Y9

FP CHECK-ACCTDLA955 FC 23AUG JNU AS ANC 169.44 AS JNU 169.44 $338.88 END

USD338.88

US27.12

50772296746

0 027 1461677920 6

USD366.00

STOCK CONTROL NO. XQ 009

DO NOT MARK OR WRITE IN THE WHITE AREA ABOVE

90816243 01 DLA955

NOT VALID FOR TRAVEL

0 027 1461677920 6

JUNEAU AIRPORT
APCOA
AK

OUT 08/24 10:00
IN 08/23 04:58
FEE 3 $9.00
TOTAL --> $9.00
CASH $10.00
CHANGE $1.00

THANK YOU!

93134 1

DO NOT WRITE

06/01/88 05/90 CV

CARL F NICKEL

NATIONAL CAR 2
[illegible]
[illegible]
ANCHORAGE AK

EXPIRATION DATE CHECKED

ABOVE THIS LINE

DATE	AUTHORIZATION NO.	SALES CLERK	DEPT.	I.D.

QUAN.	CLASS	DESCRIPTION	PRICE	AMOUNT
		W-406234-2		26.27
			SUB TOTAL	26.27
			SALES TAX	—
		SALES SLIP	TOTAL	26.27

The issuer of the card identified on this item is authorized to pay the amount shown as TOTAL upon proper presentation. I promise to pay such TOTAL (together with any other charges due thereon) subject to and in accordance with the Agreement governing the use of such card.

SIGN HERE X [signature]

VISA OR MasterCard

BANKCARD SALES SLIP CUSTOMER COPY

CUSTOMER: RETAIN THIS COPY FOR YOUR RECORDS

[illegible] Nickel

		MILES ALLOWED	MILES	(41)
[illegible]	(69) END AUTH. NO. / AMT. / DATE	PER DAY	DAYS	(42) 23.00
[illegible] NO. / AMT. / DATE	(74) CREDIT CARD / CREDIT TYPE VI	PER WEEK	WEEKS	(43)
[illegible] NUMBER	(98) RECAP NO.	PER HOUR N/A	HOURS	(44)
[illegible] COMPANY'S NAME (PLEASE PRINT) [illegible] LEGISLATURE		SPECIAL	SPECIAL	(45)
[illegible] RENTER'S (CUSTOMER'S) NAME (Full) (PLEASE PRINT) NICKEL		DISTANCE OUT	DISTANCE IN	SUB-TOTAL (46) 23.00
[illegible] ADDRESS			RATE CODE	(47)
(71) CITY	(72) STATE	(73) ZIP	TOTAL TIME AND MILEAGE OR MINIMUM CHARGE	(48) 23.00
BIRTHDATE [illegible]	(77) FREQUENT TRAVELER NO.	SEE TERMS AND CONDITIONS	INTER-CITY FEE	(49)
DRIVERS LICENSE NO. [illegible]	STATE AK	COLLISION DAMAGE WAIVER OPTION: ACCEPTS YES / DECLINES NO	CDW OPTION (PER DAY)	(50)
EXPIRATION DATE [illegible]	(AREA CODE) HOME AND/OR BUSINESS PHONE 000	PERSONAL EFFECTS COVERAGE	REFUELING SERVICE TAXABLE @ [illegible]	(81)
RENTER'S (CUSTOMER) NAME CARL F NICKEL		ACCEPTS YES / P.E.C. / DECLINES NO	SUB-TOTAL	(51) 23.00
ADDRESS [illegible] BOX 881		FUEL QTY. OUT IN	(52) TAX	
[illegible]	STATE AK (80) ZIP [illegible]	ACCEPTS YES / P.A.I. / DECLINES NO	[illegible]	
[illegible]	PHONE NO.	PERSONAL [illegible] INSURANCE	REFUELING SERVICE TAXABLE	
I HAVE RECEIVED AND AGREE TO THE TERMS AND CONDITIONS OF THIS RENTAL AGREEMENT. RENTER'S SIGNATURE X [signature]			PAI (PER DAY)	(54)
(67) ADDITIONAL AUTHORIZED DRIVER		(16) CASH / TYPE OF COUPON	TOTAL CHARGES	(55) 26.27
		(17) ORIG. DEPOSIT / (58) ADDITIONAL	MISC. CREDITS	(56)
		ADD'L [illegible] / DATE	MISC. CHARGES	(60)
		(63) UNUSED DEPOSIT $	NET CHARGE	(57) 26.27
		(64) GAS, ETC. $	LESS DEPOSIT	(59)
		(65) TOTAL REFUND $	AMOUNT DUE (IN U.S. $)	(60) 26.27
		REFUND RECEIVED BY X	(61) PAID BY: CASH OR CHECK / BILL DIRECT / CRED. CARD / CONTRACT BILL	

BY SIGNING ABOVE, I HAVE RECEIVED AND AGREE TO: THE TERMS AND CONDITIONS OF THIS RENTAL AGREEMENT; A REFUELING SERVICE CHARGE APPLIES IF I RETURN VEHICLE WITH LESS FUEL; ONLY I AND ADDITIONAL AUTHORIZED DRIVER MAY DRIVE VEHICLE; RATES SUBJECT TO CHANGE IF NOT RETURNED TO LOCATION/DATE/TIME ABOVE AND THAT COLLISION DAMAGE WAIVER OPTION IS NOT INSURANCE.

COMMENTS

[illegible] 406234 [illegible]

[illegible] X 406234-2

National Car Rental

WHEN YOUR NATIONAL CAR RENTAL CARD HAS BEEN USED FOR YOUR RENTAL, YOU WILL BE BILLED FROM AND PAYMENT SHOULD BE MADE TO: NATIONAL CAR RENTAL, 7700 FRANCE AVENUE SOUTH, MINNEAPOLIS, MINN. 55435.

PLEASE DETACH AND RETURN THIS STUB WITH PAYMENT

GOLDENROD CUSTOMER MEMO 5

STATE OF ALASKA

DEPT. FINANCE

TRANSPORTATION REQUEST NO. 813949

AGENCY	ORIGIN JNU	DESTINATION ANC
BILLING ADDRESS	PLACE OF ISSUE JNU	DATE OF ISSUE 8-29-89
CITY STATE ZIP	CARRIER AS
NAME & TITLE OF TRAVELER Carl Nickel	TICKET NUMBER 027 1461677920
	VALUE $ 366.00 NO TAX PAYABLE

FINANCIAL CODING

SY	CC	PGM	LC	ACCT	FY
			171		

FOR AIR CHARTER HOURS RATE

SHADED BOX TO BE COMPLETED BY THE CARRIER.
SEE COMPLETE INSTRUCTIONS ON REVERSE.

CERTIFICATION:
The facts stated herein or on supporting documents are correct and in accordance with established travel regulations.

SIGNATURE OF TRAVELER Carl Nickel

02-019 (Rev 6/85)

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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

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

House of Representatives

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.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

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House of Representatives

M E M O R A N D U M

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

DATE: August 29, 1989

TOPIC: Legal Opinion and Scheduling the Next Meeting

Attached is a legal opinion I requested regarding solciting and accepting bids for the AHFC RFP. As indicated, the process fundamentally rests with AHFC, however, there is a potential "window" for the task force's input.

It is my intention to include the review and selection process of a consultant as a part of the next meeting's agenda. Because of the pace, I have left the remainder of the agenda open to meet specific issues and needs which materialize.

The next meeting is scheduled for 3:00 PM, September 20, 1989, 5th Floor Conference Room, Anchorage L.I.O., 3111 C STREET. I look forward to continue working with you.

STATE OF ALASKA
THE LEGISLATURE

COPY

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M August 25, 1989

SUBJECT: Housing Finance Task Force - CSSCR 28(Fin) am
(Work Order No. 6-1099)

TO: Representative C.E. Swackhammer
Housing Finance Task Force

FROM: Michael F. Ford
Legislative Counsel

You have asked if the Housing Finance Task Force can solicit and accept bids for contract work, if the contract funds are program receipts of the Alaska Housing Finance Corporation. If the contract funds belong to A.H.F.C., then the recommended procedure is to allow A.H.F.C. to administer the bid process. The task force could certainly review the bids submitted and recommend that a particular bidder be chosen. This approach is legally preferable in that the funds being committed belong to A.H.F.C. and not to the legislature.

If the task force wishes to administer the bid process, then A.H.F.C. could contract with the task force to solicit bids and award a contract. In either case, applicable bidding procedures would need to be followed.

Please contract me if you have further questions.

MFF:mi
wkmi4/074

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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(907) 465-2689

House of Representatives

MEMORANDUM

TO: Voting Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

DATE: August 29, 1989

TOPIC: Consultant Selection

It is obvious to me, after reading the legal opinion regarding the RFP-Process for the consultant, that the actual process should be completed through the AHFC. I do, however, think the task force should be involved in the selection process. For this reason, it is my intent to appoint a subcommittee composed of two task force members and two members of the AHFC Board of Directors.

I have discussed this with Mr. Behan. He agrees the task force should be involved in the eventual selection process.

If you are interested in serving on the proposed subcommittee, please let me know as soon as possible.

cc: Thomas C. Behan, Exec. Dir., AHFC

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

House of Representatives

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312 TYEE STREET
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JUNEAU, ALASKA 99811
(907) 465-2689

August 30, 1989

Charles J. Akers, Dep. Director
Rural Development Division, DCRA
949 E. 36th Room 403
Anchorage, AK 99508

Dear Mr. Akers;

This is a follow up letter to our recent meeting with the Housing Finance Task Force. Two requests were made of the Rural Development Division. One, Senator Halford asked for statistics regarding how often loan applications are hampered, or loans defaulted, stemming from errors and/or oversights by banking institutions. Secondly, I was asked to work with your agency to provide the task force with loan applicant qualifications.

I assume your agency has written qualification policies. If you send them to me, I will gladly review them and distribute the information to the task force.

I am going on a brief vacation, but will review the information you provide as fast as possible. Please direct your correspondence to Rep. Swackhammer's Juneau Office, Attention Carl Nickel.

Respectfully,

Carl F. Nickel, Task Force Aide
Rep. C.E. Swackhammer, Chair H.F.T.F.

cc: Senator Halford
Rep. Swackhammer

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

MEMORANDUM

TO: Rep. Sam Cotten, Speaker
Attention Julie

FROM: Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

DATE: August 30, 1989

TOPIC: Travel Authorization

I respectfully request travel authorization for my staff person, Carl F. Nickel to attend the next Housing Finance Task Force. The tentative date for the meeting is set for Sept. 20, 1989 in Anchorage.

If you have any questions, please do not hesitate to contact me.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

MEMORANDUM

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair, H.F.T.F.

DATE: September 1, 1989

TOPIC: 2nd H.F.T.F. Meeting Recap, August 23, 1989

Attached is a brief recap of our recent Housing Finance Task Force Meeting. Please share any concerns and/or corrections with my office.

I look forward to meeting with you September 20, 1989, at 3:00 PM.

HOUSING FINANCE TASK FORCE
AUGUST 23, 1989 MEETING
ANCHORAGE, ALASKA

SYNOPSIS

The second meeting the the HFTF was held in the 5th Floor Conference Room of the Anchorage LIO, 5:30 PM on August 23, 1989. A quorum was present:

Senator Halford
Senator Rodey
Rep. Phillips
Rep. Swackhammer

Advisory membership present:
Mary Halloran, OMB
Charles Akers, DCRA
Pay Price, ASHA
Paul Kapansky, AHFC
Glenda Straube, AHMC

Rep. Kay Brown was present as well. Also present was Thomas D. Ster, manager of MGIC, as well as members of the real estate industry, and a representative, Danna Moser, of Leg. Audit.

The meeting started by Rep. Swackhammer giving an overview, to newcomers, of what happened at the first meeting.

The first presentation was by Charles Akers, DCRA. A recent portfolio analysis was distributed from which Mr. Akers gave his presentation. (I will not reiterate his presentation because of the hand-out, if a copy is desired, please contact Carl Nickel at Rep. C.E. Swackhammer's Juneau Office.)

Three areas of discussion stemming from Mr. Akers' presentation arose. Mr. Akers is to present the information to the HFTF.

(1) Foreclosure Process, Policies and Procedures,

(2) Statistics regarding bank errors impact on loans, and

(3) Loan applicant qualifications.

Carl Nickel of Rep. Swackhammer's Office is to work with Mr. Akers regarding request No. 3.

The next presentation was made by Glenda Straube, AMHC. Policy statements of AMHC were distributed.

ATTACHED IS A (NEAR) VERBATIM COPY OF MS. STRAUBE'S PRESENTATION

Copies of the AMHC policy statements are available upon request.

The third presentation was made by Mary Halloran, OMB.

The present administration, upon taking office, looked at receiving some returns from AHFC. They did not take any action in fear of hurting the depressed real estate market. Approximately one year ago, the Administration again looked at the prospects of receiving funds from the AHFC. (Mary handed out the guidelines during her presentation.) However, nothing was done because AHFC was going through a management transitional period.

The Administration is basically happy with the RFP because it parallels the guidelines they developed in 1988. The Administration warns that the task force should be cautious in its efforts. What happens to AHFC can greatly impact the "average person on the street."

Mary Halloran had specific comments about the process:

Normal Procurement Process would take approximately 60 days which means the first part of Novemeber before there would be a contract "on the street." She urged that timelines be changed and asked for consideration of having a preliminary draft from the contractor at the start of the next session, with a final draft to follow.

The next concern was the dropping of the subsidy by July 1, 1990. It was felt the timeline was too soon, that 1991 would be a better objective. Mary agreed that the subsidy should be gradually reduced.

Likewise, the consultant should react to the financial impact of each of the options listed on Page 22 of the RFP.

The Governor has requested OMB to look at housing policies in the rest of the states, and possibly this may benefit the task force.

The final presentation was by Paul Kapansky of AHFC about the proposed RFP. The RFP is basically directed at AHFC and to include the rest of the loan programs would mean developing a historical perspective of each program included. It was concluded that, if other areas need to be included, it could be accomplished by amending the contract.

Thr procurement process was discussed as a major constraint to the completion of the consulting contract. It was agreed upon that the task could take until February and still have sufficient time to present the information to the total legislature. Mary Halloran offered to assist in expediting the administrative process.

It is the role of the AHFC to solicit for the consultant. A resolution passed unanimously that the task force request authorization from LB&A for expenditure of up to $300,000.00 of AHFC program receipts for the RFP.

I. AHMC History - closing down March 12, 1990

II. Work - as listed on sheet. Additionally:

A. Research

1. Supply and Demand analyses and numerous other research studies. (Hand out Women's transitional report) (will refer to this report later)

2. Mortgage Loan Data Report - has been recognized on the national level as the most comprehensive ongoing study of the Alaska housing market: used by bond insurers, FNMA, FHLMC, HUD, FDIC, etc.

B. Policy Development

1. The Housing Stabilization Task Force report in March of 1988. Many of the recommendations were instituted - either through legislation, or more often through administrative or regulatory changes.

2. Housing Policy Development Committee - consists of a diverse group of people from the public, the housing and real estate industry, and the legislature. Legislative Resolve 55 requires that the housing policy recommendations be delivered to the Legislature by January 31.

Members of the HPDC have conceptually agreed upon 13 policy statements which will receive

FINAL APPROVAL ON SEPTEMBER 8. AT THAT TIME, THEY WILL ALSO BEGIN FINALIZING THE SPECIFIC RECOMMENDATIONS WHICH WILL ACCOMPANY THOSE POLICIES. (HAND OUT).

IT IS OUR HOPE THAT THE HPDC AND THIS COMMITTEE WILL FEED INFORMATION BACK AND FORTH SINCE WE ARE APPROACHING SOME OF THE SAME ISSUES FROM DIFFERENT PERSPECTIVES. OBVIOUSLY, WE DO NOT HAVE THE FINANCIAL AND ADMINISTRATIVE CAPABILITIES TO DO A FINANCIAL ANALYSIS OF STATE HOUSING AGENCIES. BUT THE RESULTS OF THE STUDY YOU WILL BE COMMISSIONING WILL BE IMPORTANT TO THE HPDC'S WORK.

AS A POINT OF INFORMATION, A FNMA INVESTMENT OFFICER ON THE WEST COAST INFORMED US THAT THEY HAD HEARD ABOUT OUR HPDC AND THIS TASK FORCE HERE AND VIEWED THESE ORGANIZATIONS AS THE GOVERNOR'S AND THE LEGISLATURE'S SERIOUS COMMITMENT TO SOLVING OUR HOUSING PROBLEMS. HE MENTIONED THAT THIS COMMITMENT WILL BE THE REASON THAT OUTSIDE INVESTORS AND INSURERS WILL RETURN TO ALASKA.

III. I WOULD NOW LIKE TO SHARE WITH YOU SOME OF MY OBSERVATIONS AND CONCERNS ABOUT HOUSING AND MORTGAGE LOANS IN ALASKA:

1. SINCE MAY OF 1987, WHEN I TOOK THIS JOB, WE BEGAN TALKING ABOUT THE OBVIOUS NEED TO TAKE EMPTY HOUSES AND USE THEM FOR SOCIALLY ACCEPTABLE PURPOSES, SUCH AS HOUSING FOR THE HOMELESS, TRANSITIONAL HOUSING FOR WOMEN COMING OUT OF CRISIS SHELTERS (REFER AGAIN TO THE REPORT), ETC. YET WE HAVE MADE VIRTUALLY NO PROGRESS ON THAT FRONT - EXCEPT FOR A SMALL PROJECT WHICH ANCHORAGE NEIGHBORHOOD HOUSING SERVICES IS WORKING ON. THERE ARE WAYS THAT WE CAN MAKE GOOD USE OF OUR OVERABUNDANCE OF HOUSING, BUT TURF WARS AND A LACK OF DEDICATION TO THOSE ENDS HAVE STOOD IN THE WAY. SOME OF THOSE PROJECTS COULD HAVE BEEN INEXPENSIVE AND, IN THE LONG RUN, COST EFFECTIVE.

2. I'D LIKE TO ADDRESS THE ISSUE OF PRIVATIZATION OF AHFC. IN DISCUSSIONS WITH MR. BEHAN, WE BOTH CONCEPTUALLY AGREED THAT AHFC, AS WE KNOW IT TODAY, WILL NOT EXIST IN TEN YEARS. WE TALKED ABOUT SPLITTING AHFC INTO TWO ORGANIZATIONS: THE ONE THAT EXISTS NOW WOULD BECOME PRIVATIZED, THE SUBSIDIES WOULD GRADUALLY BE REDUCED AND THEY WOULD PHASE THEMSELVES OUT OF BUSINESS WHILE THE OTHER PART OF AHFC WOULD REMAIN AS ORIGINALLY INTENDED AND, LIKE MOST EVERY OTHER HOUSING FINANCE AGENCY IN THE COUNTRY, IT WOULD DEAL WITH LOW TO MODERATE INCOME PEOPLE. AND, AS OTHER STATES DO, PROVIDE MORTGAGES TO NON-PROFIT GROUPS TO FILL HOUSING NEEDS.

I HAVE THREE CONCERNS ABOUT A NEW PICTURE FOR AHFC:
FIRST, MY OVERALL FEAR ABOUT PRIVATIZATION IS THAT THERE ARE MANY STATE AGENCIES WHO DREAM AND PRAY FOR PRIVATIZATION SO THAT THEY CAN REMOVE THEMSELVES FROM YOUR JURISDICTION. IF YOU DECIDE TO PRIVATIZE AHFC, I HOPE THAT YOU WILL ENSURE THAT IT IS FOR THE PURPOSE OF PHASING THEM OUT - BECAUSE ONCE PRIVATIZED, THE PUBLIC AND YOURSELVES WILL HAVE LITTLE CONTROL OVER THEIR ACTIONS.
SECOND, I AM CONCERNED THAT THE CONCEPT OF LEAVING AHFC AS IT ORIGINALLY WAS CREATED - TO HELP LOW TO MODERATE INCOME CITIZENS, DOES NOT GET LOST IN THE SHUFFLE AND EXCITEMENT OF PRIVATIZING OR CLOSING DOWN AHFC'S PRESENT PROGRAMS.
THIRD, DCRA HAS A GOOD REPUTATION FOR SERVICE DELIVERY TO RURAL AREAS AND IT WOULD BE A SHAME IF AHFC TOOK OVER TOO MUCH OF THEIR PORTFOLIO AND THOSE PEOPLE WOULD GET LOST IN THE BIGGER PROBLEMS WHICH AHFC FACES. BESIDES, AHFC HAS NEVER WILLINGLY BEEN IN THE BUSINESS OF RURAL LOANS AND THEY WERE NEVER REALLY SET UP TO DEAL WITH THOSE LOANS.

3. "HURTING OUR BOND RATING" IS THE ONE PHRASE THAT STRIKES FEAR IN ALL OF US. HOWEVER, TOO OFTEN, IN THE PAST, THAT PHRASE WAS USED TO CONVINCE US THAT WE COULDN'T DO CERTAIN PROGRAMS - OR WE HAD TO CONDUCT OUR BUSINESS A CERTAIN WAY IN ORDER TO KEEP OUR BOND RATING; BUT THIS WAS NOT ALWAYS NECESSARILY SO. HIGH FINANCE IS NOT BEYOND ANY OF OUR UNDERSTANDING, THUS WE SHOULD REFUSE TO ACCEPT THAT ARGUMENT (IT'LL HURT OUR BOND RATING) WITHOUT QUESTION. WHAT I HAVE LEARNED IS THAT PLAYERS IN THE BOND MARKET DON'T ALWAYS

FROWN ON US FUNDING SOME NON-CONFORMING LOANS, AND OUR LOSSES HAVE NOT PARTICULARLY SCARED THEM AWAY - AS YOU CAN SEE - AHFC'S BOND RATING WENT UP THIS LAST YEAR. WHAT THEY LOOK FOR IS STABILITY: THEIR NEED TO BE ABLE TO PREDICT WHAT THE STATE OF ALASKA WILL BE DOING IN THE MARKET.

4. ONE LAST COMMENT IS THAT WE ALL RECOGNIZE THE SERIOUSNESS OF THE PROBLEMS OF URBAN HOUSING AND ITS SUBSEQUENT EFFECTS ON OUR RESIDENTS. IT IS A HORRIBLE FEELING TO LOSE YOUR HOME. I DON'T MEAN TO MINIMIZE IT. BUT HOUSING PROBLEMS IN THE RURAL AREAS ARE SO DIFFERENT, AND SOMETIMES FAR MORE SERIOUS, THAN OUR OWN. TRY TO PICTURE 5-7 PEOPLE, FROM THREE GENERATIONS, LIVING IN A 700-800 SQUARE FOOT HOME. THE OVERCROWDEDNESS AND THE LACK OF BASIC SANITARY CONDITIONS IN RURAL HOUSING IS HARD TO COMPREHEND UNTIL YOU EITHER SEE IT YOURSELF OR READ THE RESULTS OF DCRA'S RURAL HOUSING NEEDS ASSESSMENT STUDY. SO, I ASK THAT WE REMEMBER RURAL HOUSING CONDITIONS WHEN WE HAVE TO DECIDE WHERE TO ALLOCATE OUR DWINDLING RESOURCES.

THERE ARE MANY MORE ISSUES THAT I COULD ADDRESS HERE, BUT I WAS MOST CONCERNED ABOUT ARTICULATING THOSE WHICH HAVE NOT ALREADY BEEN BROUGHT UP. THESE ARE CONCERNS WHICH YOU MAY WISH TO TAKE INTO CONSIDERATION WHEN YOU MAKE YOUR RECOMMENDATIONS CONCERNING THE FUTURE OF MORTGAGE LOAN PROGRAMS IN ALASKA.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

Vern Porter
PO Box 4478
Soldotna, AK 99669
(907) 262 3224

Dear Mr. Porter;

Thank you for your expressed concern regarding the issue of exclusive guiding in Alaska.

After giving it some thought, I have decided to ask the Soldotna office of Rep. Swackhammer respond to your concerns. During the interim, The Juneau Office is literally stripped of all files and documentation, with exception of issues regarding finance. By copy of this letter, the office will be informed of your issue of concern and I am positive someone will be contacting you for enlightenment.

I am sorry that you must experience some delay, it would take greater time for me to accumulate back up materials than it will for the office in Soldotna to respond.

Respectfully,

Carl F. Nickel, Finance Aide to
Rep. C.E. Swackhammer

cc: Tom Wright, Special Assistant

HOUSING FINANCE TASK FORCE

SEPTEMBER 20, 1989

AGENDA

1. Legal Opinion

2. Appointment of Subcommittee (AHFC Consultant)

3. Progress Report on Consultant Selection

4. Report on Status of Legislative Budget and Audit

5. Information Re: DCRA Regs. (Info coming soon)

6. Report on Mortgage Bankers Association

7. Next Meeting

COPY

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM August 25, 1989

SUBJECT: Housing Finance Task Force - CSSCR 28(Fin) am
(Work Order No. 6-1099)

TO: Representative C.E. Swackhammer
Housing Finance Task Force

FROM: Michael F. Ford
Legislative Counsel

You have asked if the Housing Finance Task Force can solicit and accept bids for contract work, if the contract funds are program receipts of the Alaska Housing Finance Corporation. If the contract funds belong to A.H.F.C., then the recommended procedure is to allow A.H.F.C. to administer the bid process. The task force could certainly review the bids submitted and recommend that a particular bidder be chosen. This approach is legally preferable in that the funds being committed belong to A.H.F.C. and not to the legislature.

If the task force wishes to administer the bid process, then A.H.F.C. could contract with the task force to solicit bids and award a contract. In either case, applicable bidding procedures would need to be followed.

Please contract me if you have further questions.

MFF:mi
wkmi4/074

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To SWACK	From CARL
Co.	Co.
Dept.	Phone #
Fax # 262-1881	Fax # 465-3700

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

House of Representatives

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October 3, 1989

B.G. Geller
1315 4th Avenue
Kenai, AK 99611

Dear Mr. Geller;

Please accept this letter as a follow up to our conversations regarding eligibility for permanent fund dividends.

I spoke with Mr. Ervin Jones, Director of the Division of Permanent Funds. He explained the following. The absentee limitations expressed in the 1989 PFD Booklet does not address 1989, and had the ruling gone into effect it would have restricted absentee limitations to 60 days during the eligibility period which is October through March.

The eligibility period has been changed from six months to 24 months. The new limitations for absenteeism will read "no absenteeism to exceed 180 days during the eligibility period of 24 months." Director Jones further explained this could mean 90 days a year, during the 24 month period, or it could mean 120 days one year and 60 the next. I was led to believe it could be any combination of 180 days during the 24 month eligibility period.

Director Jones assured me the new information is being sent to all Legislators within the next few days. At that time, it would be easier to address exceptions to the rules, e.g., absenteeism due to schooling, illness, etc.

Specific information regarding the "Town Meeting" in the Kenai area on the permanent fund (Nov. 11) is available from Fate Putman, 561-7624 in Anchorage.

I hope this helps.

Respectfully,

Carl F. Nickel, for
Rep. C.E. Swackhammer

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

M E M O R A N D U M

TO: Rep. Sam Cotten, Speaker **ATTENTION : JULIE**

FROM: Rep. C.E. Swackhammer, Chair, HFTF

DATE: October 4, 1989

TOPIC: Travel Authorization

I respectfully request travel authorization for my staff person, Carl Nickel, to travel to Anchorage, Alaska for the next Housing Finance Task Force meeting. It will be November 1, 1989, 4:00 PM, Anchorage LIO, 3111 C St.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

House of Representatives

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MEMORANDUM

TO: Membership, HFTF

FROM: Rep. C.E. Swackhammer, Chair

DATE: October 5, 1989

TOPIC: Requested Information: DCRA, Housing Assistance Division

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Attached is the information received from DCRA regarding specific questions posed to the Housing Assistance Division, as well as their "Default and Foreclosure" Regulations.

If you have specific questions regarding this infomration, I suggest you contact either Charles Akers, Dep. Director, HAD or Hank Hodge of the same division. Both men have been very helpful.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

RURAL DEVELOPMENT DIVISION

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☐ P.O. BOX 348
BETHEL, ALASKA 99559
PHONE: (907) 543-2885

September 11, 1989

The Honorable C.E. Swackhammer
Alaska State Legislature
Box V
Juneau, AK 99811

Dear Representative Swackhammer:

This is in response to your request for answers to questions raised at the recent meeting of the Housing Finance Task Force. The Loan Manager for the Housing Assistance Section has provided the following information.

Question: Why is the current value so low in comparison to the amount owed on the foreclosed loans? Why are urban delinquent loan rates higher than rural delinquent loans?

Answer: The reason for the current value being lower than the amount owed is because at the time of foreclosure an appraisal is required to establish value at the time the State takes possession. Economics plays an important part in the downturn in real estate values, as indicated in both rural and urban areas. To a certain extent, whatever happens to the urban communities' economy filters out to the rural areas of the state.

Additionally, when an appraisal is made, usually there is a negative value included due to physical depreciation of the structure. It is unfortunate, but when a borrower cannot make their house payments, maintenance on their home is the first item in their budget to be spent on other things. This lack of maintenance is passed on to the investor and is shown on the appraisal as 'physical depreciation.'

Question: Could we provide the Task Force with a copy of our Procedures Manual for foreclosures (for both direct and indirect loans)?

Answer: Guidelines are enclosed.

Question: Why are nonowner occupied delinquencies and foreclosures higher than residential?

Answer: The Nonowner Occupied program was established to stimulate rental availability to those in rural areas where purchasing or building a home was not possible. To do this, the program was made available to anyone statewide as a business venture or tax incentive. The idea behind the multi-dwelling loans is that the project meet the debt service on its own and not be a burden on the borrowers personal income. Therefore, if any of the units are vacant, it imposes a hardship in meeting principal and interest payments on the loan. If the project does not make money for itself or break even, the borrower walks away.

The nonowner-occupied loans have a maximum loan amount of $1.25 million per loan and the owner-occupied residential loan a maximum of $199,875 per home. In comparing delinquency rates of owner-occupied versus nonowner-occupied loans, one nonowner occupied loan that defaults would be very obvious.

I believe certain areas have an impact as to the number of nonowner occupied foreclosed and delinquent loans. As an example, the Housing Assistance Section has two multi-dwelling units that have been foreclosed upon in Delta Junction. The reason investors built in Delta Junction was that military personnel were being allowed to live off base. Soon after these units were built, military officials changed their policy and stated military personnel must live on base. In Delta Junction we have two large complexes foreclosed upon due to vacancy problems where the borrower or investor couldn't meet debt service.

Question: What are the demographics of the nonowner occupied loan?

Answer: We have always encouraged local residents in each community to invest; however, urban residents have also invested in rural Alaska. Remember, these loans need not be owner-occupied and usually have a property manager on hand. The Housing Assistance Section has a total of 77 nonowner occupied loans.

Of the total, the investors in 10 of these loans are urban residents, mainly from Anchorage, Fairbanks, and Juneau. The remaining 67 loans are investments by local rural residents.

Please call me if you need further information.

Sincerely,

Charles J. Akers
Deputy Director

Enclosure

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

MEMORANDUM

TO: Rep. Sam Cotten, Speaker,
Alaska House of Representatives

FROM: Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

DATE: November 13, 1989

TOPIC: Consultant Liaison and Travel

I have enclosed a copy of the successful proposal regarding the purview of the Alaska Housing Finance Corporation. The figure on Page 37 was revamped to $214,285. It is still well below the expected cost of 300.00, and the lowest bid.

I have reviewed this proposal and I, frankly, believe the State was well founded in selecting the firm of Ernst and Young. This was reinforced last Thursday when I had the opportunity to meet with AHFC and the principle consultants. It was obvious to me, the caliber of individuals performing the task was extremely high.

Part of my responsibility as chair is to gather and disseminate information to the consultants; we are operating on a very tight time schedule. I will, naturally, depend upon my staff person, Carl Nickel, to collect information. It is of great importance the consulting tasks be accomplished in a timely manner, if we are to have adequate time to share and debate the results of this study during the second session of the 16th Legislature, as well as act on any legislation deemed necessary.

For this reason, I respectfully request travel authorization, not to exceed once a week during the term of this contract, for Carl Nickel. I do not believe informal telephone meetings would be sufficient to track the progress of the consultants, or to provide necessary information. I will naturally exercise discretion regarding this travel and, if the work can be accomplished with less travel, we will do so.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

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NEWS RELEASE

AFTER SEVEN MONTHS OF EFFORT WHICH INCLUDED USING THE EXPERTISE OF ERNST & YOUNG, ONE OF THE TOP FIVE CONSULTING FIRMS IN THE WORLD, THE HOUSING FINANCE TASK FORCE HAS RELEASED PROPOSED LEGISLATION WHICH ADDRESSES NEEDS IDENTIFIED WITHIN THE ALASKA HOUSING FINANCE CORPORATION.

THE NUMBER ONE CONCERN IDENTIFIED BY THE TASK FORCE AND THE CONSULTING FIRM IS THE CURRENT LOAN SUBSIDY PROGRAM. THE HOUSING POLICY DEVELOPMENT COMMITTEE OF THE ALASKA HOUSING MARKET COUNCIL ALSO SUPPORTS THE FINDINGS OF THE TASK FORCE. SINCE ITS INCEPTION, THE STATE HAS CONTRIBUTED $808 MILLION TO OVERCOLLATERALIZE LOANS SO QUALIFIED RESIDENTS COULD OBTAIN INTEREST RATES BELOW MARKET RATES. TO MEET THIS CONCERN, THE TASK FORCE RECOMMENDS A TWOFOLD APPROACH. THE LOAN LEVEL COVERED BY THE SUBSIDY WILL BE SYSTEMATICALLY REDUCED BY $20,000 A YEAR UNTIL IT IS ZERO. AT THE SAME TIME, THE ORIGINAL INTENT OF AHFC, TO PROVIDE LOW TO MODERATE INCOME LEVEL MORTGAGE LOAN ASSISTANCE, WILL BE REINSTATED AT THE $50,000 LEVEL.

THIS PROPOSED LEGISLATION WILL HAVE NO IMPACT ON EXISTING LOANS.

NOT COMPLETELY ELIMINATING THE LOAN SUBSIDY PROGRAM, WILL ENABLE AHFC TO MAINTAIN A "BACK-STOP" FOR HIGH INTEREST CYCLES IN THE FUTURE.

THE ALASKA HOUSING FINANCE CORPORATION WILL ALSO BE REMOVED FROM THE PROCUREMENT PROCEDURES AND EXECUTIVE BUDGET ACTS TO ALLOW THEM TO OPERATE IN A MORE EFFICIENT, BUSINESS-LIKE MANNER. THEY WILL STILL, HOWEVER, BE MONITORED TO ASSURE THE BEST INTERESTS OF THE STATE AND THE CORPORATION ARE SAFEGUARDED.

By: Rep. C.E. Swackhammer, Chair
Sen. Pat Rodey, Vice Chair
Sen. Mike Szymanski, member
Sen. Rick Halford, member
Rep. George Jacko, member
Rep. Randy Phillips, member
Housing Finance Task Force

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

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POSITION PAPER

During the interim between the first and second sessions of the 16th Legislature, the Housing Finance Task Force reviewed the state operated residential loan programs. The task force consisted of Rep. C.E. Swackhammer, Chair, Senator Pat Rodey, Vice Chair, Senator(s) Halford and Szymanski, and Rep.(s) Jacko and Phillips.

An integral part of the task force's efforts included the use of Ernst & Young, one of the top five consulting firms in the world, to look at the Alaska Housing Finance Corporation (AHFC). My office distributed a draft copy of their report on January 17, 1990 to each legislative office.

Among the many issues covered by the report, Ernst & Young put special emphasis on the subsidy program, the need for expeditious management decisions by AHFC and returning AHFC to its original purpose, providing loans for low to moderate income families.

The attached bill addresses these concerns. Basically, the bill does as follows:

* Removes AHFC from the Executive Budget Act
* Removes AHFC from the Procurement Procedures Act
* Rachets down the subsidy program on general mortgage loans over a four year period
* Establishes a low to moderate income, subsidized, loan program

REMOVE AHFC FROM EXECUTIVE BUDGET ACT

Timing is extremely important in an operating business and that decisions sometimes be made immediately to best meet the needs of the operation. Because of the nature of the Executive Budget Act, and the process that surrounds it, time is lost and time translates into money lost.

An example is the need for AHFC to file claims to insurers, such as the Mortgage Guarantee Insurance Corporation (MGIC). Two years ago, what could have taken a few weeks to file claims had staff been hired, instead took several months. Conservatively, it is estimated the delay in issuing claims against MGIC cost AHFC, and the state, at least $20 million.

Likewise, AHFC is an enterprise fund and realistically should adopt a "business approach" in its operation. Because of the dynamics

of a large corporation, which are impacted by a variety of factors, it is difficult to project budgetary needs 14-15 months in advance, especially staffing adjustments.

Statute still mandates an audit trail without the Executive Budget Act.

REMOVE AHFC FROM THE PROCUREMENT PROCEDURES ACT

Just as the Executive Budget Act can place time restraints on doing business in a profitable and expeditious manner, the procurement procedures act can also hamper business.

A good example is the disposition of Real Estate Owned (REO's) by AHFC. There are legal requirments to repair REO's prior to resale to meet safe and sanitary minimums. Procuring repair work is slow and costly. The faster a unit returns to the market, the sooner it will sell. AHFC is going to be the heaviest seller of real estate in Alaska for the next 3 to 5 years. Each delay in repair, in turn, represents a delay in placing an REO back on the market.

Another example is simply attempting to make adjustments in contracting with real estate brokers and general contractors for any reason.

This does not mean to say that AHFC should not have a procurement procedure. This could be accomplished "in-house" through regulation and in a manner to reduce unnecessary delay.

SYSTEMATIC (RACHETING DOWN) THE GENERAL LOAN SUBSIDY

Since its inception, the loan subsidy program has cost the state approximately $808,000,000.00. Each month AHFC is literally writing a check in the amount of $100.00 for each of its approximate 46,000 mortgages. Ernst & Young stated that the one single issue most negatively impacting AHFC is the loan subsidy program. Their recommendation was to eliminate the subsidy immediately because there is a "unique window of opportunity" to do so at this time. Mortgage loan funds available, for the most part, are below the subsidy level. The consultants stated the elimination of the subsidy would save the state $43-91,000,000.00 over a three to five year period.

Rather than eliminating the loan subsidy, the task force and housing industry felt it better to eliminate the impact of the subsidy by systematically lowering the subsidy level until it was nonexistent. Over a four year plan, the subsidy level will go from $90,000 to $70,000 to $50,000 to $30,000 and eventually zero.

Allowing the subsidy "potential" to remain intact, but reducing the applicable mortgage level, gives the state access to a loan subsidy program as a back stop during severe high interest cycles.

ESTABLISH A LOW TO MODERATE INCOME LOAN SUBSIDY PROGRAM

As a means to return to the original intent of AHFC's purpose, a modified version of the loan subsidy will remain intact.

During the systematic reduction of the applicable loan level, for loan subsidy, at the $50,000.00 level a low to moderate income subsidy program will be instituted. This program will have specific guidelines based on federal criteria and will stay at the constant $50,000.00 as the existing subsidized level continues to be reduced and eventually eliminated.

CONCLUSION

There are additional issues which the consultants recommended, however, the task force felt the aforementioned issues have the greatest impact on the solvency of the Alaska Housing Finance Corporation.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

SECTIONAL ANALYSIS
OF
HOUSE BILL

*SEC. 1 AS 18.56.089: This amendment simply removes the Executive Budget Act in the statute applicable to the Alaska Housing Finance Corporation.

*SEC. 2 AS 18.56.091: This added section redirects the mortgage level applicable to a redefined low to moderate income loan subsidy program, and eliminates Home Owners Assistance (HOF) as outlined in AS 18.56.098 (f).

*SEC. 3 AS 18.56.098(f)(2): This addition maintains the loan subsidy level in accordance to the systematic reduction of the existing subsidy until it reaches zero, or meets the criteria of a new low to moderate income subsidy program.

*SEC. 3 AS 18.56.098(f)(3): Reinstates, " 'mortgage loan' includes a beneficial interest or participation in a mortgage loan;"

*SEC. 3 AS 18.56.098(f)(4): This addition identifies a residence to mean an owner occupied single-family residence, including mobile homes, duplex, triplex or fourplex.

*SEC. 4 AS 18.56.098(f): This section is repealed and reenacted to address a ceiling of $50,000 for loan subsidies under the new low to moderate income level subsidy program.

*SEC. 5 AS 18.56.098(g)(1)through(6): These amendments change the loan subsidy level from $90,000 to coincide with the systematic reductions in the existing subsidy program and the new low to moderate income level program which includes an additional one percent subsidy for veterans. Subsection (2) also changes the qualified veterans' mortgage bonds from 26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980), AS AMENDED, to the applicable provisions of 26 U.S.C. (Internal Revenue Code).

*SEC. 5 AS 18.56.098(g)(7): This subsection is added to give AHFC the option to determine the applicable interest rate based on the rate, at time of loan application, bond issuance or other factors determined by AHFC.

*SEC. 5 AS 18.56.098(g)(8): This is a technical adjustment to allow insertion of the new subsection (7).

*SEC. 6&7 AS 18.56.098(h)&(i) respectively: These are amendments to coincide with the amendments in the previous subsections in AS 18.56.098.

*SEC. 8 AS 36.30.990: This amendment removes AHFC from the Procurement Procedures Act.

*SEC. 9 AS 37.07.120(1): This amendment removes AHFC from the Executive Budget Act.

*Sec. 10: This addresses the systematic reduction of the applicable mortgage loan levels in the existing loan subsidy program, e.g.,

* From $90,000 to $70,000 July 1, 1990,
* From $70,000 to $50,000 July 1, 1991,
* From $50,000 to $30,000 July 1, 1992, and
* From $30,000 to ZERO, July 1, 1993

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

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House of Representatives

January 22, 1990

Eric E. Wohlforth, Atty. At Law
Wohlworth, Argetsinger, Johnson and Brecht
900 West 5th Avenue, Suite 600
Anchorage, Alaska 99501

Dear Mr. Wohlforth;

Thank you for sharing your expressed concerns regarding extraction, expropriation or reappropriation of funds as found in Appendix E of the draft provided by Ernst & Young.

I assure you the Housing Fiance Task Force will take this issue, as well as your other concerns, into consideration before a final draft is released.

If you have additional questions or concerns, please do not hesitate to contact my office. Again, thank you for your interest and input.

Sincerely,

Swack

Rep. C.E. Swackhammer

CES/cn

cc: Housing Finance Task Force Membership
Dr. James A. Gibson, Ernst & Young
555 Capitol Mall, Suite 1490
Sacramento, CA 95814

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January 18, 1990

Representative C.E. Swackhammer,
Chairman,
Housing Finance Task Force
Alaska State Legislature
Room 521
State Capitol
Juneau, Alaska 99811

Dear Representative Swackhammer:

Some important clarifications are necessary in the legal opinion set forth as Appendix E in the draft Ernst & Young Report on Alaska Housing Finance Corporation dated January 12, 1989. As bond counsel to the Corporation, we have issued our opinions on numerous occasions with respect to the validity of pledges of Corporation assets and covenants with respect to those assets which secure bonds of the Corporation. We also have a responsibility in connection with "full disclosure" of material facts regarding the Corporation in the official statements or circulars, which accompany each of the Corporation's bond issues. In this capacity, we would like to point out for the committee's record several aspects of the opinion which we respectfully submit need correction.

The portions of the opinion referred to are found on page 13 where the author states that covenants of AHFC to maintain collateral are not enforceable against the State if collateral is expropriated, the similar statement on pages 14 and 15, to the effect that while bondholders may have a valid claim against AHFC if the State reappropriated Corporation assets, bondholders would not have a claim against the State for such breach of covenant to the extent of State expropriation, and the statement on page 15 that "bondholders would not have a valid claim against the State of Alaska by virtue of the extraction of a pledged asset from AHFC by the State of Alaska."

Our view is that both the assets referred to in the "maintenance" covenants and assets pledged to bondholders are protected against expropriation by Article I § 10 of the United States Constitution which prohibits a State from passing any

"Law impairing the Obligation of Contracts..." as well as Article I, Section 7 of the Alaska Constitution. The Contract Clause of the United States Constitution was most recently considered by the United States Supreme Court in United States Trust Company of New York v. New Jersey, 431 U.S. 1 (1977). There the court held that the repeal of a statutory covenant impaired the obligation of the States' contract with bondholders. The Court held that repeal of the covenant eliminated an important security feature for the benefit of the bondholders and impaired the obligations of the Contract between them and the States of New York and New Jersey.

It is submitted that extraction, expropriation or reappropriation of moneys pledged to bondholders or to which bondholders have a covenanted maintenance right is a much clearer impairment of contract than that considered in the United States Trust Company case and in other cases since. An example is Continental Illinois National Bank v. Washington 696 F.2d 692 (1983), where the Court considered that imposition of a vote requirement before completion bonds could be issued impaired earlier bondholder's rights.

I suggest respectfully that the problem with the opinion is that the writer does not accept the fact that the appropriation of the funds to AHFC was complete when made and that the funds were then available for expenditure or pledge without further State action. Neither the anti-dedication provision nor other provisions respecting appropriations of the State Constitution are violated by AHFC when it spends, pledges or enacts covenants with respect to appropriated funds, because the appropriations are complete when made. (The opinion does not apparently question the validity of the covenants and pledges to bondholders made under AS 18.56.110.) M-K Engineering Co., Inc. v. Alaska Power Authority. 662 F. Supp. 303 (D. Alaska 1986) is not applicable because of specific statutory provisions providing for general fund deposit of that Authority's funds.

I would not presume to speak for the attorney general on this point, however, a review of his past opinions including 1982 Op. Att'y Gen., (November 30; J66-785-81) and 1985 Op. Att'y Gen., (April 24; 366-463-85) do not reveal any inconsistency between the position I am stating above and his position. Of course he may wish to comment directly on the issue. Our position is simply that once appropriated moneys are spent or obligated by valid pledge or negative covenant to bondholders they are no longer available for reappropriation.

Our other disagreements with the opinion are minor in nature. I would be less optimistic about the ease with which consents of bondholders are obtainable to substantial changes in the Corporation's structure or covenants. My experience is that such consents typically involve substantial time and expense where they are obtainable. Also, I note that a change in the form of the Corporation to a stock Corporation could have implications for its ability to finance on a tax exempt basis.

Very truly yours,

WOHLFORTH, ARGETSINGER,
JOHNSON & BRECHT

By _____
Eric E. Wohlforth

EEW/jf

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

SOLDOTNA
312 TYEE STREET
SOLDOTNA, ALASKA 99669
(907) 262-7841

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

House of Representatives

January 25, 1990

Pam Siegfried
700 Bill St.
Anchorage, AK 99515

Dear Pam,

Thanks for sharing your concerns regarding the subsidy program within AHFC. I hope I can alleviate them.

The Housing Finance Task Force has been reviewing the operations of AHFC, including using Ernst & Young one of the top five consulting firms in the world. It has been everyone's consensus that adjustments must be made. This, however, does not impact existing loans. When you made a contract with AHFC regarding your mortgage loan, both sides reached an agreement that is legally binding.

The task force will be introducing legislation in the immediate future that gives AHFC a little more latitude to conduct business in a profitable manner, as well as directing it back to its original purpose of addressing the needs of the low to moderate income family.

Alaska is slowly recovering from a severe economic crisis. It is our intention to help this process.

It is obvious to me that you are a responsible individual and I hope this answers your concerns. If you have additional questions, or wish to share other concerns, please do not hesitate to contact this office.

Sincerely,

Swack

Rep. C.E. Swackhammer

PUBLIC OPINION MESSAGE

DEAR: REPRESENTATIVE SWACKHAMMER

NAME: PAM SIEGFRIED
TITLE:
ADDRESS: 700 BILL ST.
CITY: ANC ZIP: 99515
PHONE: 349-2645
BILL NO:
SUBJECT: AHFC SUBSIDIES
MESSAGE: ELIMINATING AHFC SUBSIDIES WILL RESULT IN NUMEROUS FORECLOSURES. I HAVE FED A FAMILY OF 6 ON $100 FOR 2 WEEKS TO MAKE MY MORTGAGE. I CAN DO THAT AGAIN. OTHER PEOPLE CAN'T. THE STATE GUARANTEED THEIR MORTGAGES AND SHOULD NOT RENIG.

POMID: 03152359
DATE: 01/23/90
TIME: 15:23:59
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COPIES:

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BARNES	BOUCHER	ADAMS
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GOLL	GRUENBERG	FISCHER
GRUSSENDORF	HANLEY	FRANK
HOFFMAN	HUDSON	HALFORD
JACKO	KOPONEN	JONES
KUBINA	LARSON	KELLY
LEMAN	MACLEAN	KERTTULA
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MILLER	NAVARRE	POURCHOT
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SHULTZ	TAYLOR	SZYMANSKI
ULMER	WALLIS	UEHLING
ZAWACKI		ZHAROFF

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

January 26, 1990

Ray Smith, B.A.
Painters Local Union # 1140
1818 W. Northern Lights Blvd.
Anchorage, AK 99517

Dear Ray:

Thank you for sharing your concerns regarding AHFC's loan programs.

The Alaska Housing Finance Corp. has never gone out of business. In fact, it hold almost 2/3 of the residential mortgage loans in Alaska. The original intent of AHFC was to meet the needs of low to moderate income families and it is the intent of the task force to return to the original purpose.

I must assume from your letter the condo you own, or owned, was purchased under the subsidy program of AHFC, and you, as well as AHFC have been negatively impacted by the drastic downturn of the housing market. The subsidy program basically lends money to individuals up to three percent less than what AHFC can make available, just as long as it does not go below 10 %.

You mentioned your involvement in the Home Owners Assistance Program (HOAP). This was introduced by AHFC to aid borrowers in adjusting their mortgage payments. Although this has worked well, AHFC has still had to repossess about 4000 living units.

The condo "next door" has a selling price based on current market figures and the low interest rate is based on the going rate; interest cannot be subsidized below 10 % with exception of Veterans.

The task force has introduced legislation to return AHFC to its original purpose, as well as to help the corporation become a bit more streamlined. If AHFC were to close down, there would be no one to replace them which could be even more devastating.

I hope this input helps.

Sincerely,

Swack

Rep. C.E. Swackhammer

Painters Local Union No. 1140

of the International Brotherhood Of Painters And Allied Trades AFL-CIO

TELEPHONE: (907) 279-3556 FAX (907) 258-6202 OFFICE: 1818 W. NORTHERN LIGHTS BLVD., ANCHORAGE, ALASKA 99517

January 19, 1990

C.E. Swackhammer
Representative
Box V
Juneau, AK 99811

Dear Representative Swackhammer:

Thank you for your correspondence of December 19, 1989 regarding Housing Assistance.

I am a little leary of the State of Alaska becoming involved in the Loan Business again.

My own experience with a condo, and subsequent problems involved, lead me to believe you should direct attention to those trying to hang on and make it through this economic downturn. New loans are not the answer.

Please consider those people already out there and there is no real assistance for them.

My loan payment after the Hope Program was approximately $750.00 at 10%. The condo next to mine could be purchased for less that half of what mortgage was left on my condo and they were giving new buyers 7% interest.

No one wants to help those trying to hang on.

I ask that you consider carefully any future legislation concerning money the state doesn't have to loan.

Thanking you in advance, I remain

Sincerely,

Ray Smith
Business Representative

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

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M E M O R A N D U M

TO: Senator Jan Faiks

FROM: Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

DATE: February 14, 1990

TOPIC: Mobile Home Market and the AHFC

Directly after the meeting of the Special Committee on Banking and Economic Development which considered SB 427 on 2/14/90, I contacted the Alaska Housing Finance Corporation regarding the mobile home market. The task force did not specifically address mobile homes as a separate issue.

AHFC informed me they have not specifically looked at the mobile home loan programs as a separate sub-set of the market. The Corporation is continuing to make loans on trailers, but there is very little activity. They did say, however, that they were aggressively marketing their repossessed trailers and reducing the inventory. Part of their effort has been working with trailer park owners to mitigate differences.

If you have additional questions, or wish to share added insights, please do not hesitate to contact me.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

February 20, 1990

Lucille Stietz, Chair, Legis. Committee
Alaska Mortgage Bankers Association
P.O. Box 107025
Anchorage, AK 99510-7025

Dear Lucille:

On February 14, 1990, Senate Bill 427 which is the companion bill to mine, HB 462, was heard in the Special Senate Committee on Banking and Economic Development.

Mr. Crandall of the National Bank of Alaska testified in support of the bill with the addition of two board members, from the private sector, for the Board of Directors, Alaska Housing Finance Corporation. I also support this and there seemed to be sufficient interest that this could happen through amendment.

The greatest concern I have is that legislation passes which includes the systematic reduction of loan levels applicable to the current AHFC subsidy program and its eventual return to serving low to moderate income borrowers.

Again, thank you for your support, I sincerely hope the housing industry and the Housing Finance Task Force can continue to work together in developing needed policy change in AHFC.

Sincerely,

Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

February 10, 1990

Lucille Stietz, Chair, Legis. Committee
Alaska Mortgage Bankers Association
PO Box 9-2691
Anchorage, AK 99509-2691

Dear Lucille:

I wish to thank you and the A.M.B.A. for your support of HB 462. I think our shared efforts will have a positive impact on the Alaska Housing Finance Corporation and the Alaska housing market in general.

February 15, 1990, House Bill 462 will be heard by the Community and Regional Affairs standing committee at 1:30 PM. I will provide a copy of your position to the committee for their consideration.

Again, thanks for the support. If I can be of service to you, please do not hesitate to contact my office. If you have specific questions regarding the status of HB 462, please contact Carl Nickel of my staff (465-2262).

Sincerely,

Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

Suggested response

OK Good letter

February 15, 1990

Lucille Stietz, Chair, Legis. Committee
Alaska Mortgage Bankers Association
P.O. Box 107025
Anchorage, AK 99510-7025

Dear Lucille:

On February 14, 1990, Senate Bill 427 which is the companion bill to mine, HB 462, was heard in the Special Senate Committee on Banking and Economic Development.

Mr. ~~Crawford~~ CRANDALL of the National Bank of Alaska testified in support of the bill with the addition of two board members, from the private sector, for the Board of Directors, Alaska Housing Finance Corporation. I also support this and there seemed to be sufficient interest that this could happen through amendment.

The greatest concern I have is that legislation passes which includes the systematic reduction of loan levels applicable to the current AHFC subsidy program and its eventual return to serving low to moderate income borrowers.

Again, thank you for your support, I sincerely hope the housing industry and the Housing Finance Task Force can continue to work together in developing needed policy change in AHFC.

Sincerely,

Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

Swack, I had already responded to the original A.M.B.A. letter, see attachments. I assume you signed them because they didn't come back.

Pat

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

M E M O R A N D U M

TO: Rep. Eileen P. MacLean

FROM: Rep. C.E. Swackhammer

DATE: March 3, 1990

TOPIC: HB 462 (CR&A)

I apologize for th apparent slowness in response to your correspondence regarding House Bill 462. I appreciate your support.

HB 462 (CR&A) has received two days of debate in the House Finance Committee; it will be receiving more before going to Rules and the eventual hearing on the Floor.

I think I addressed your concerns about the procurement procedure. The bill was amended to read that AHFC will establish procurement procedures which are "substantially equivalent" to the state's code. This means they must have a correct procedure, it simply stays within the corporation. What has been occurring is, AHFC has followed the code. Consequently, they will submit an order for materials and the Division of Supply will attach their order to another agency's order and then the bidding process begins. What is anticipated is a savings, but what oftentimes occurs is delay. As an example, AHFC recently requested software to supplement their existing programs. The order was placed with another and, after a five month delay, they were informed the requested version was no longer available. This means AHFC must resubmit a request for a different version. So, the procedure reaches out farther than dealing with repossessed properties.

Your concern regarding the amendment on page 5 line 20-21 can be explained. It states that AHFC, when making a loan which is applicable to this section, shall consider interest rates based on the time of bond issuance and other factors. AHFC is an enterprise corporation and is expected to "turn a profit." Other considerations could easily be anticipated change in market trends which could have long term impact. Or, it could mean consideration of pricing an REO and how the price could impact the rest of the housing market.

A good example would be: If AHFC wishes to dispose of 100 REO's

at 60% of the fair market value, what would that do to the value of the "house across the street" that is owned by an individual who is faithfully making his or her payments? Lowering the fair market value of housing, increases the potential for increased negative equity. This means a person owns a residence with a mortgage greater than the market value of the property. Statistically, the greater the negative equity becomes, the greater the risk a home owner will default on a mortgage. Without this consideration, AHFC could be hurting the housing market.

I hope this has answered some of your concerns.

Sincerely,

Rep. C.E. Swackhammer

Alaska State Legislature

House of Representatives
Community & Regional Affairs

February 16, 1990

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

Dear Representative Swackhammer:

As you know, HB 462 relating to the Alaska Housing Finance Corporation and its housing programs, passed out of the House Community and Regional Affairs Committee yesterday with one amendment; to increase the board membership from two to four public members.

I am in support of the bill and believe it will provide substantial long term savings to the state in the future. However, in discussing the bill with the Legal Services Division after it passed out of committee, I believe there are two areas than can be improved upon.

First, the exemption from the state procurement code gives the AHFC far too much authority and discretion. When I asked Mr. Sullivan why they needed the exemption he replied that it was necessary in dealing with foreclosed homes, and that holding homes on the market while waiting for needed repairs was very costly and time consuming.

I have been informed by the Legal Services Division that language could be drafted to provide flexibility within the procurement code to address this need.

The other concern is on page 5 line 20 -21. This new section states that <u>for loans made under this section, the corporation shall give effect to interest rate changes applicable to the loans based on time of loan application, time of issuance of the corporation's bonds issued to purchase loans, or other factors as the corporation determines.</u>

My concern again, is that we are giving the AHFC too much discretion under "other factors as the corporation

Room 128, Capitol Building, P.O. Box V, Juneau, Alaska 99811 (907) 465-3882 or 465-4833

determines". When I asked Mr. Sullivan about this clause, he indicated that the factors would be clarified within the regulation process. My preference would be to see this area addressed by the legislature, not by regulation.

As you review the bill in the House Finance Committee I would ask that the committee consider these two points.

Sincerely,

Eileen P. MacLean

Eileen P. MacLean
Representative
District 22

cc: House Community & Regional Affairs members
House Finance Committee members

M E M O R A N D U M

TO: Rep. C.E. Swackhammer

FROM: Carl Nickel, Finance Aide

DATE: March 6, 1990

TOPIC: March 5th HB 462 Strategy Meeting

Here's some info regarding our meeting with Mary Halloran and group.

Amendments

1 "Substantially equivalent" for Procurement.
2 Four public members, at least one from finance community and one from Alaska Assn. of Realtors.
3 Return to Executive Budget Act.
4 Withdrawn
5 Dividend authorization
6 Failed
7 Honoring contracts
8 General Council
9 HOF

NEEDED	CURRENT	WHERE TO GO
RATCHET DOWN	HAVE	OK
PROCUREMENT	HAVE	OK
EXEC. BUDGET		HELP
AG ATTORNEY		HELP
	REALTOR	LICENSE BROKER
	DIVIDEND	LEGAL CLARIFICATION
		BOND COUNCIL REVIEW
	6MO FOR EFFECT	OK
	HOF PROGRAM	ASSUMABLE

WORK ON

AG ATTORNEY - Gov. and AHFC, AG is willing to put in RSA Atty and allow RFP for specialized Atty on retainer. 1/Bob Mintz for Bond Council, 2/Bob Sullivan & Joe Hayes/Bob, Tom, Joe talk to Randy

HOF, AHFC input by Thursday

EXECUTIVE BUDGET ACT - Original bill most desired, next - LB&A ratification, third choice - Conditional Appropriation. OMB to work on language. Joe Hayes to talk to Ramona.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

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BOX V
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(907) 465-2689

April 5, 1990

Mary Halloran, Director of Policy
Office of the Governor
Division of Policy, O.M.B.
MAIL STOP 0101

Dear Mary:

Thank you for your memorandum dated March 20, 1990, regarding the comments of the AHFC Bond Counsel, Eric Wohlforth.

It is obvious that great care must be taken regarding the payment of dividends by the Alaska Housing Finance Corporation.

I continue to enjoy working with you regarding AHFC.

Sincerely,

Swack

Rep. C.E. Swackhammer

MEMORANDUM

State of Alaska
Office of the Governor
Division of Policy

TO: Representative Swackhammer
House Finance Committee

DATE: March 20, 1990

FROM: Mary Halloran
Director, Policy

PHONE: 465-3568

SUBJECT: AHFC: DIVIDEND POLICY
Comments from Bond Counsel

FILE NO:

In addition to the earlier comments already forwarded to you, here are comments on the proposed dividend policy from bond counsel Eric Wohlforth. Mr. Wohlforth makes several points:

(1) Dividend policy language needs to contain a provision that the dividend will not be paid unless AHFC is in compliance with all covenants and agreements with respect to its borrowings and after payment of the dividend will remain in compliance. This language was in an earlier version, but was dropped in the latest proposal by the subcommittee.

(2) Dividend policy language also needs to explicitly recognize that AHFC will not issue dividend income if it had no unrestricted net income for the prior fiscal year.

Mr. Wohlforth also endorses the proposed delayed effective date of a dividend policy.

Attachment

cc: Members, House Finance w/ attachment
Bob Mintz, AHFC

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
900 WEST 5TH AVENUE, SUITE 600
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 276-6401
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PETER ARGETSINGER
JULIUS J. BRECHT
CYNTHIA L. CARTLEDGE
ROBERT M. JOHNSON
THOMAS F. KLINKNER
BRADLEY E. MEYEN
JAMES A. SARAFIN
JAMES B. SZENDER
KENNETH E. VASSAR
ERIC E. WOHLFORTH

OF COUNSEL
ROGER G. CONNOR

OF COUNSEL
HARRIS, ORR & WAKAYAMA
3210 FIRST INTERSTATE CENTER
999 THIRD AVENUE
SEATTLE, WASHINGTON 98104
TELEPHONE (206) 621-1818

MAR 19
CARR-GOTTSTEIN PROPERTIES

MEMORANDUM

TO: Representative Steve Rieger
Chairman, House Finance Sub-Committee
CSHB 462 (C&RA)

FROM: Wohlforth, Argetsinger, Johnson & Brecht EGW

DATE: March 16, 1990

This memorandum is written responsive to Chairman Robert Mintz's request of March 14, 1990 for our comments on the proposed committee substitute dividend language. I attach a copy of Mr. Mintz's request and the proposed substitute. The previous draft contained a provision that the dividend would not be paid unless the Corporation was in compliance with all covenants and agreements with respect to its borrowings and after the dividend payment would remain in compliance. Addition of this language to the proposed substitute is important because, for example, the Corporation may have unrestricted net income in a particular year but may not be meeting equity maintenance requirements of bond covenants. It may be argued that the board would in such event establish, by resolution, that payment of no dividend is required to maintain the financial soundness of the Corporation. It is my view, however, that bondholders who did not expect this legislative change (whether rightly or wrongly) when they purchased bonds need objective assurances that income will not be diverted away from the Corporation at times when bond covenants and agreements may not be met. The other provisions of the prior draft stated that the Corporation could not dividend income if it had no unrestricted net income for the prior fiscal year. Again, although it might be assumed that the Corporation's Board of Directors would, in such event, determine that a lessor dividend or no dividend would be required to maintain the financial soundness of the Corporation, it is important that the objective criteria be maintained to assure bondholders and the rating services in public offering material of the exact circumstances when dividends will be paid.

Objective criteria will tend to give assurances that the Board would not in a given year be swayed by state

P.2/3
MAR 02 '87 08:29

budgetary considerations to the detriment of the Corporation's bond programs.

I feel as well that a delay of the effective date of the Dividend statute would be a prudent and wise step. The Corporation is in the midst of very substantial financing programs as it attempts to deal with its REO inventory, maintain housing values and assist homeowners through its Homeowners' Assistance Program. An Official Statement just completed today required mention of the pendency of the legislative proposal to dividend income to the general fund. At the same time that the Corporation is proceeding with its financing plans, it has initiated litigation against MGIC. Credit enhancers and others are properly concerned about the affairs of the Corporation. These factors argue for a postponed effective date of this very significant change in State policy toward the Corporation.

EEW/jf

cc: Robert Mintz
Mark Cameron
Thomas Behan
Larry Pederson

P.3/3

MAR 02 '87 08:30

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

House of Representatives

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(907) 465-2689

April 24, 1990

Ron Moore Co.
44539 Sterling Hwy. Suite 201
Soldotna, Alaska 99669

Dear Ron:

Senate Bill 427 passed the House and received concurrence in the Senate. I am confident the Governor will sign this bill into law.

The dividend amendment was withdrawn and does not appear in the final version. I sincerely hope this legislation will assist in stabilizing the housing market. The market's recovery is essential for our economy.

If I can be of service to you, or if you wish to share any insights or information, please do not hesitate to contact this office.

Sincerely,

Rep. C.E. Swackhammer

Ron Moore Co.
44539 Sterling Hwy. • Suite 201 • Soldotna, Alaska • 99669

SOLDOTNA, AK
1990
APR 19
99669

USA 25

Representative C.E. Swackhammer
P.O. Box V
Juneau, AK 99811

Carl

Pls advise Bon
of outcome

G

Ron Moore Co.

April 19, 1990

Representative C.E. Swackhammer
P.O. Box V
Juneau, AK 99811

Dear Representative Swackhammer:

I am opposed to the amendment to SB 427 that would divert 60% of AHFC's earnings to the general fund.

I do not believe the long range effect of such an amendment has been thoroughly thought through. One of the changes in the current legislation would reduce the subsidy on AHFC loans in the future. It was my opinion that this was to strengthen its favorable bond rating and we can continue to enjoy a stabilizing housing market through solid, consistent financing.

It would appear that the proposed amendment contradicts the current legislation.

Sincerely,
Ron Moore Co.

Ron Moore

Ron H. Moore, CCIM
Broker/Owner

RHM/hd

Ron Moore, CCIM • Broker
44539 Sterling Hwy. • Suite 201 • Soldotna, Alaska • 99669 • (907) 262-2112 FAX (907) 262-1444

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1597 SCOMM 60• HOUSING FINANCE TASK FORCE,•1989

SCOMM

60:3

STATE OF ALASKA

THE LEGISLATURE

1989

Source: HCS [illegible]SCR 28(Fin)

Legislative Resolve No. 54

Establishing a Housing Finance Task Force to review and recommend changes to publicly-assisted residential finance programs.

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

WHEREAS the State of Alaska has created a substantial public financing system designed to assist Alaska homebuyers and has provided more than $1,000,000,000 of capital as well as bonding authority to initiate and sustain these loan programs; and

WHEREAS the management of these loan programs has been assigned to several agencies, including executive departments and public corporations; and

WHEREAS the Alaska residential housing market has evolved tremendously since most of these loan programs were established; and

WHEREAS, due to recent economic hardship, these agencies have taken possession of hundreds of residential properties throughout the state; and

WHEREAS scrutiny of the state's initial capital investment, outstanding bonded indebtedness incurred by these agencies, authorities, and public corporations, and the reinvestment of income earned from residential loans requires the expertise of the agencies, authorities, and public corporations currently involved;

BE IT RESOLVED by the Alaska State Legislature that a Housing Finance Task Force is established to review and analyze the publicly-assisted residential finance programs, including but not limited to housing loan programs managed by the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs; and be it

FURTHER RESOLVED that the task force shall report to the legislature by the 15th day of the Second Session of the Sixteenth Alaska State Legislature summarizing the financial condition of all state-assisted residential loan programs, guidelines governing each of the loan programs, and the status and condition of any bonds sold to capitalize these loans; and be it

FURTHER RESOLVED that the task force shall administer an independent evaluation of the options and implications for restructuring, reducing the size of, privatizing, or phasing out the Alaska Housing Finance Corporation, and that the evaluation also include an analysis of the potential for return on the capital invested in the corporation by the state; and be it

FURTHER RESOLVED that the task force shall review the proposal which would require the Alaska Housing Finance Corporation to purchase mortgage loans from the housing assistance loan fund, the effects of this policy on each of the loan programs, whether the purchases should be at par value or at market value and, if at market value, an appropriate method for determining that value, and the long-term anticipated demand for residential loans through the housing assistance loan fund; and be it

FURTHER RESOLVED that the task force shall consist of six members, including three members of the Senate to be appointed by the president of the Senate and three members of the House of Representatives to be appointed by the speaker of the House, and that the task force shall have an advisory group composed of the director of the rural development division of the Department of Community and Regional Affairs, the executive director of the Alaska Housing Finance Corporation, the executive director of the Alaska State Housing Authority, and the executive director of the Alaska Housing Market Council, or their designees; and be it

FURTHER RESOLVED that the Housing Finance Task Force terminates when the task force submits its report.

M E M O R A N D U M

TO: Rep. C.E. Swackhammer

FROM: Carl Nickel, Finance Aide

DATE: April 3, 1990

TOPIC: HB 462/SB 427

Senate Bill 427 passed the Senate by a vote of 13-6 with two amendments. The NAYS were Adams, Coghill, Fischer, Halford and Kerttula.

The first amendment by Senator Faiks was directed at the Railroad. According to debate, the fundamental change of the procurement code for the railroad excludes Alaska Bidder's Preference for anything that directly relates to railroad "rolling-stock" and rails. The rationale is, there are so few manufacturers of specific railroad that the bidder preference was thwarted by "someone in Alaska with a FAX machine, PC and a $25.00 business license could call potential bidders and offer to bid for them for a fee." Senator Faiks gave examples of large commissions being paid for virtually no involvement.

The question regarding railway ties not having Alaska Bidder's Preference. They too would be excluded, but it was decided that the bidder's preference for Alaska wood products covered that issue.

The second amendment by Senator Kerttula removed the exclusion of LB&A from AHFC expenditures of program receipts. He stated there has to be oversight and if LB&A does nothing within 45 days. an appropriation request automatically passes. There was considerable debate regarding the funds in front of the budget vs funds in general. I do not think people walked away with this resolved in their minds.

There is a sectional analysis attached which addresses this bill. Please note the separate sheet dated April 2, 1990 by Diercorff. It was requested to clarify (4) at the top of Page 2.

AMENDMENT #1

OFFERED IN THE SENATE BY SENATOR FAIKS & SZYMANSKI

TO: CSSB 427 (Rules)

Page 7, line 3:

Delete "the Alaska Railroad Corporation,"

Insert "[THE ALASKA RAILROAD CORPORATION]"

Page 7, line 4, after "Corporation":

Delete ","

Page 7, following line 14:

Insert a new bill section to read:

"* Sec. 9. AS 36.30.015 is amended by adding a new subsection to read:

(f) The board of directors of the Alaska Railroad Corporation shall adopt procedures to govern the procurement of supplies, services, professional services, and construction. The procedures must

(1) reflect competitive principles and provide vendors reasonable and equitable opportunities to participate in the procurement process;

(2) include procurement methods to meet emergency and extraordinary circumstances; and

(3) for a contract awarded for supplies, services, and construction, comply with the provisions of AS 36.30.170(b) and 36.-30.250(b) that establish a preference for an Alaska bidder, except

that the Alaska bidder preference provisions of AS 36.30.170(b) and 36.30.250(b) do not apply to a contract that actually and directly relates to the purchase, operation, expansion, reduction, or maintenance of track structure or equipment moving upon track structure of the railroad."

Renumber the following bill sections accordingly.

6-2074Gb
Chenoweth

AMENDMENT #2

w/memo

OFFERED IN THE SENATE BY SEN. KERTTULA

TO: CSSB 427 (Rules)

Page 1, line 10, after "Code":

Delete "and allowing the corporation to expend additional corporation receipts immediately after submission of a revised program to the Legislative Budget and Audit Committee"

Page 7, line 29, through page 8, line 16:

Delete all material.

Renumber the following bill sections accordingly.

3/29/90

MEMORANDUM

State of Alaska
Office of the Governor
Division of Policy

TO: Representative Swackhammer
House Finance Committee

DATE: March 20, 1990

FROM: Mary Halloran
Director, Policy

PHONE: 465-3568

SUBJECT: AHFC: DIVIDEND POLICY
HB 462

FILE NO:

Here are comments about the proposed dividend statute for AHFC from the following organizations: Bear Stearns, Shearson Lehman Hutton, and Paine Webber.

Bear Stearns and Shearson Lehman Hutton's representatives remain concerned about adverse financial consequences of adopting such a policy. Bear Stearns notes that the proposed language calls for "at least 50%" of AHFC's unrestricted annual net income, which would contribute to investors' perception of "extra risk." Shearson Lehman Hutton advises that the proposed amendment will adversely affect credit evaluations of investors and others. Paine Webber indicates that the discretionary nature of the proposed dividend is beneficial to AHFC, and that the delayed effective date is "an excellent suggestion."

cc: Members, House Finance
Bob Mintz, AHFC

HB462

BEAR STEARNS

BEAR, STEARNS & CO. INC.
245 PARK AVENUE
NEW YORK, NEW YORK 10167
(212) 272-2000

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March 19, 1990

Mr. Robert Mintz
Chairman
Alaska Housing Finance Corporation
520 East 34th Avenue
Suite 300
Anchorage, AK 99503

Dear Bob,

You have asked me for my comments concerning the revised Dividend Statute for the Alaska Housing Finance Corporation. I have attached to this letter my letter to you dated March 12, 1990 and call your attention to my concerns which have not changed. Any perception to the investor that the Legislature can penetrate the Corporation for funds will be detrimental to its fiscal health whether it be couched in mild or harsh terms. In today's environment sound business practices, which include the preservation of capital, are necessary. I do not believe the proposed Dividend Statute meets this criteria.

Sincerely,

Alfred B. Thacher, Jr.

Alfred B. Thacher, Jr.

BEAR STEARNS

BEAR, STEARNS & CO. INC.

245 PARK AVENUE
NEW YORK, NEW YORK 10167
(212) 272-2000

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March 12, 1990

Mr. Robert Mintz
Chairman
Alaska Housing Finance Corporation
520 East 34th Avenue
Suite 300
Anchorage, AK 99503

Dear Bob,

On Friday, March 9, I had a phone call with Shearson Lehman Hutton Inc. in order to update myself on the state of affairs at Alaska Housing. The reason for this letter is because I am concerned about one of the topics we discussed: namely, the Alaska Legislature's continued interest in the Corporation's cash flows and their desire to appropriate some or all of them.

I do believe that an investor is due, if at all possible, a return on his investment, and I do believe that changing circumstances may alter the desires and expectations of an investor. In good times, he may be satisfied with letting his investment grow reinvesting his dividends. While in bad times, there may be a need for liquidity or other uses for the monies his investment is earning. I am not against such alterations of cash flow if they are made in a reasonable manner under sound business practices.

As I understand it, the Legislature would like to implement a dividend policy that would require the Corporation to pay to the State's General Fund at <u>least</u> 50% of its unrestricted yearly net income. It would be an understatement to say that such a policy makes me feel uncomfortable. In this day when the financial markets have been so unsettled and volatile and where the flight to good credit has been so marked, perception has become very much a part of reality. The reasoning of investors is very simple; if the legislature can take 50% of the Corporation's net income or more at whim, even with stand alone transactions, they would regard this as a depletion of net worth and thereby a reduction of its credit worthiness. This would make it more difficult for the Corporation to finance itself due to the probable loss of investor confidence. It would most definitely make the cost of money to the Corporation more expensive. This would be due to the need of increased spread for securities over treasuries to compensate investors for the perceived extra risk.

I realize that there has been a great deal of debate concerning the future role of the Corporation in Alaska. I must urge that whatever is done, should be done in an orderly fashion and in a manner that would never give the impression that the Corporation was being raided or could be raided for its surpluses. Some might argue that reputation and integrity have not been as important a factor in the past few years as long as the analysis on a transaction has been considered reasonable: as more weight was given the objective rather than the subjective. Today, investors are listening and considering everything in their search for credit worthiness.

Therefore, if the Corporation is to stay in business in today's market place, I must emphasize a most conservative approach to its cash flows and an implementation of change which is open and leaves no room for misunderstanding.

Sincerely,

Alfred B. Thacher, Jr.

John C. Moore
Senior Vice President

206-344-5880

SHEARSON LEHMAN HUTTON

March 16, 1990

Mr. Robert Mintz
Chairman
Alaska Housing Finance Corporation
520 East 34th Avenue
Anchorage, AK 99503

Re: Proposed Dividend Policy

Dear Mr. Mintz:

We reviewed the revised language being considered for the proposed amendment to CSHB 462 (C&RA) regarding the institution of an annual dividend payment to the state general fund by the Alaska Housing Finance Corporation (the "Corporation").

Even though this new language permits the Corporation's Board of Directors to rescind or reduce such a dividend payment if required to maintain the financial soundness of the Corporation, we still believe, as financial advisor to the Corporation, that the proposed amendment will affect the perceptions and credit evaluations of investors, credit enhancement providers and rating analysts involved in the Corporation's financing activities.

As we discussed in our letter to you dated March 8, 1990, any action taken by the Legislature to reduce the Corporation's control over its financial resources will be viewed negatively. Ongoing maintenance of the Corporation's credit worthiness is largely dependent on its ability to manage and deploy its resources in a prudent and conscientious manner. None of us are sure what the future will hold and it is entirely possible that the Corporation may eventually need those funds if actual events deviate from the assumptions originally made in structuring the Corporation's outstanding debt issues.

Also, because of the long term nature of the Corporation's debt, much of which is scheduled to mature beyond the year 2000, it is difficult for investors to assess how an ongoing and open-ended dividend policy might affect their investment in the future. Therefore, they tend to react conservatively and may demand higher returns to compensate themselves for the uncertainty even if the proposed dividend payments are deferred until 1994 or beyond.

We appreciate your willingness to hear our views on this matter and hope that they convey our concern appropriately.

Very truly yours,

John C. Moore

JCM:jf 0692m

PaineWebber Incorporated
100 California Street, 12th Floor
San Francisco, CA 94111
415 954-6700
415 362-8000

March 16, 1990

PaineWebber

Mr. Robert Mintz
Chairman
Alaska Housing Finance Corporation
520 East 34th Avenue
Anchorage, Alaska 99503

RE: Revised AHFC Dividend Statute (attached)

Dear Mr. Mintz:

As you have requested, our observations on the current proposal to amend AS18.56, as well as the discussion regarding moving the effective thereof to 1994, are summarized below.

Our understanding is that the revision would allow the Board of Directors to review the financial performance of AHFC within six months after the close of the fiscal year before determining its ability to pay a dividend to the state general fund for that year. Conceptually the discretionary power conferred on the Board in this manner is beneficial to AHFC. The implementation may prove to be cumbersome in that "financial soundness" is a subjective standard in the absence of formal guidelines or definition. The Board will have to develop guidelines within which to measure financial soundness. The guidelines may take the form of minimum ratio targets such as total fund balances to total debt outstanding and unrestricted fund balances to total debt outstanding. We expect that annual presentations to the rating agencies would be necessitated allowing Moody's and S&P to review the Board's proposed dividend payment before the fact.

Postponement of the effective date is an excellent suggestion for the following reasons. Delaying dividend payouts until 1994 will give AHFC the opportunity to get through the worst of the impact of the downturn in the State's real estate market on its financial position. With all of its resources intact AHFC may continue to play an integral role in the recovery. In addition, it gives AHFC an adequate time frame within which to develop procedures for determining the circumstances under which the full 50% dividend payout would be acceptable to the rating agencies and credit enhancement providers. Third, any negative impact on AHFC's ability to access the capital markets may be greatly diminished by giving capital market participants advance notice and allowing them to become comfortable that the dividend payout does not adversely affect the soundness of the debt obligations of AHFC.

Please call us (415-954-5997) if you have any questions.

Sincerely,

Marie A. DeRosa

Marie A. DeRosa
Vice President

* Sec. AS 37.07 is amended by adding a new section to read:

Sec. 37.07.085. ALASKA HOUSING FINANANCE CORPORATION BUDGET. (a) Notwithstanding the provisions of AS 37.07.080, the Alaska Housing Finance Corporation may, by resolution adopted by the board of directors, increase an item appropriated from corporation receipts if:

(1) the board of directors determines that exigent circumstances require an increase in appropriations; and

(2) additional corporation receipts not specifically appropriated by the full legislature are available.

(b) Before the resolution required by (a) of this section takes effect, the board of directors shall submit a revised program to the governor and the legislative budget and audit committee.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

TELECOPIER TRANSMITTAL LETTER

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: Bob Minte

LOCATION: Anch - Carr Gott. PHONE: _____

TELECOPIER NUMBER: 561-7860

REMARKS: As we discussed

TOTAL NUMBER OF PAGES 02 INCLUDING COVER LETTER.

DATE: 3-19-90 TIME: 9:45

FROM: J. L. Baldwin

IN RE SUBJECT/FILE NO. AHFC - Legislation

CHARGE TO:

☐ 100	☑ 110	☐ 523
☐ 543	☐ 546	☐ 674
☐ 740	☐ OTHER _____	

IF YOU DO NOT RECEIVE ALL THE PAGES OR IF YOU HAVE ANY PROBLEMS,

PLEASE CONTACT: J.L.B

AT (907) 465-3600 - ATTORNEY GENERAL'S OFFICE - JUNEAU

NOTE: Please fill in ALL of the blanks.

To: Bob Sullivan

HOUSE BILLS

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ATE BILLS

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HCS CSSB 427(Fin)amH

HOUSE CS FOR CS FOR SENATE BILL NO. 427 (Finance) amended House
"An Act relating to program and administration requirements of certain state corporations; expanding the number of directors of the Alaska Housing Finance Corporation; exempting the Alaska Housing Finance Corporation from the State Procurement Code; amending the corporation's special mortgage loan purchase program and progressively reducing the maximum level of loan amounts eligible for a reduction under a mortgage loan subsidy; amending the corporation's mortgage loan subsidy program for persons of lower and moderate income; and relating to procurement practices of certain state corporations; and providing for an effective date."

The question being: "Shall HCS CSSB 427(Fin)amH pass the House?" The roll was taken with the following result:

HCS CSSB 427(FIN)AMH

Yeas:	33	Boucher, Boyer, Brown, Collins, Cotten, Davis, C., Davis, M., Donley, Ellis, Finkelstein, Foster, Furnace, Goll, Gruenberg, Grussendorf, Hanley, Hudson, Koponen, Kubina, Larson, Leman, MacLean, Menard, Miller, Navarre, Pettyjohn, Phillips, Rieger, Sharp, Swackhammer, Ulmer, Wallis, Zawacki
Nays:	1	Barnes
Excused:	2	Martin, Taylor
Absent:	4	Davidson, Hoffman, Jacko, Shultz

And so, HCS CSSB 427(Fin)amH passed the House.

Representative Navarre moved and asked unanimous consent that the roll call on the passage of the bill be considered the roll call on the effective date clause. There being no objection, it was so ordered.

HCS CSSB 427(Fin)amH was referred to the Chief Clerk for engrossment.

A M E N D M E N T

HB 462 (CR&A)

HOUSE FINANCE COMMITTEE SUBSTITUTE

Page 7, line 8:

Insert a new bill section to read:

* Sec. 9. AS 36.30.015(e) is amended to read:

(e) The boards of directors of the Alaska Railroad Corporation [AND], the Alaska Housing Authority and the Alaska Housing Finance Corporation shall adopt procedures to govern the procurement of supplies, services, professional services, and construction [BY THE CORPORATION]. The procedure must be substantially equivalent to the procedures prescribed in this chapter and in regulations adopted under this chapter.

Renumber the following bill sections accordingly.

Rep. C.E. Swackhammer

6-2074Aa
Chenoweth

A M E N D M E N T

OFFERED IN THE SENATE BY SEN. FAIKS

TO: SB 427

Page 1, lines 6 - 7:

Delete "the Alaska Housing Finance Corporation and its housing programs"

Insert "program and administration requirements of certain state corporations"

Page 1, lines 7 - 8:

Delete "corporation"

Insert "Alaska Housing Finance Corporation"

Page 1, line 14, after "income;":

Insert "relating to procurement practices of the Alaska Railroad Corporation;"

Page 6, following line 26:

Insert a new bill section to read:

"* Sec. 8. AS 36.30.015(e) is amended to read:

(e) The board [BOARDS] of directors of [THE ALASKA RAILROAD CORPORATION AND] the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction [BY THE CORPORATION]. The procedures must be substantially equivalent to the procedures prescribed in this

chapter and in regulations adopted under this chapter."

Renumber the following bill sections accordingly.

Page 7, following line 21:

Insert a new bill section to read:

#3

"* Sec. 11. AS 42.40.100 is amended to read:

Sec. 42.40.100. MANAGEMENT BY THE BOARD. The board is responsible for the management of the corporation but shall delegate certain powers and duties to the chief executive officer in accordance with AS 42.40.120. In managing the corporation the board shall

(1) be responsible for the management of the financial and legal obligations of the Alaska Railroad;

(2) operate the Alaska Railroad as a common carrier subject to the jurisdiction of the United States Interstate Commerce Commission consistent with 45 U.S.C. 1207;

(3) generally manage the corporation on a self-sustaining basis;

(4) apply to the legislature for an appropriation with the concurrence of the governor to be used to provide a particular service that is not otherwise self-sustaining if a subsidy is required to maintain that service;

(5) provide for safe, efficient, and economical transportation to meet the overall needs of the state;

(6) raise needed capital by issuing bonds of the corporation upon approval by the legislature while ensuring that borrowing by

the corporation does not directly or indirectly endanger the state's own borrowing capacity;

(7) review all state and other land disposal proposals to aid in planning for future development or expansion of transportation services;

(8) adopt and publish procedures to govern the procurement of supplies, services, professional services, and construction by the corporation; the procedures adopted must [ENSURE THAT THE PROCUREMENT PROCEDURES OF THE CORPORATION] meet accepted railroad industry standards;

(9) ensure that the accounting procedures of the corporation meet generally accepted accounting principles consistent with industry standards for comparable railroads."

Renumber the following bill sections accordingly.

M E M O R A N D U M

TO: Rep. C.E. Swackhammer

FROM: Carl Nickel, Finance Aide

DATE: February 28, 1990

TOPIC: House Finance Committee Substitute HB 462

This amendment should work to direct AHFC to develop procurement procedures "substantially equivalent" to the regular procurment code. It simply adds AHFC to ARRC and AHSA in the procurement code section.

The Banking and Economic Development substitute changes the title of the bill to enable fixing the Alaska Railroad Corporation. It removes the ARRC from AS 36.30.015(e) which is the "substantially equivalent" section and directs the management of the ARRC Board to "adopt and publish procedures to govern the procurement of supplies, services, professional services and construction by the corporation: the procedures adopted must meet accepted railroad industry standards."

Our amendment is specifically directed at AHFC and I think cleaner.

STATE OF ALASKA
1990 LEGISLATIVE SESSION

No. 1
BILL VERSION: CSHB 462(C&RA)
PUBLISH DATE: HOUSE 2/20/90

FISCAL NOTE

REQUEST:

Revision Date:
Title: ..relating to AHFC and its housing programs...
Sponsor: Rules
Requestor: C & RA

Agency Affected:
BRU: Alaska Housing Finance Corporation
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0 -

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Anach a separate page if necessary)

Prepared by: Judith DeSpain, Chief Administrative Officer
Division: Alaska Housing Finance Corporation
Phone: 561-1900
Date: 2/15/90

Approved by Commissioner: Hugh Malone
Agency: REVENUE
Date: 2/16/90

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

A M E N D M E N T

HOUSE FINANCE COMMITTEE SUBSTITUTE

HB 462 (CR&A)

Page 1, line 26:

* Sec. 1. AS 18.56.030(a)(3) is amended to read:

(3) four [TWO] public members appointed by the governor of which at least one shall be a member of the finance community.

Rep. C.E. Swackhammer

SECURITY PACIFIC BANK

Lynn M. Manley
First Vice President

Security Pacific Bank
Washington, NA
Corporate Banking: T23-3
Security Pacific Tower, Box 3966
Seattle, Washington 98124
(206) 621-4216

April 17, 1990

House Finance Committee
House of Representatives
Alaska State Legislature
Juneau, Alaska 99801

Re: Amendment to CSSB 427 (Rules)

Gentlemen and Ladies:

Tom Behan, Executive Director of Alaska Housing Finance Corporation, has asked me to comment on the effect, if any, the proposed amendment offered by Representative Rieger would have on the financial health of AHFC.

By way of background, this bank, both formerly as Rainier Bank and now as part of Security Pacific Corporation, has had a relationship with AHFC since 1982. We have acted as financial advisor to AHFC in the private placement of three corporate bonds amounting to $65 million in the aggregate, and we have made available to AHFC credit in various forms in amounts in excess of $26 million. AHFC is currently obligated to Security Pacific Bank Washington (SPBW) on a contingent basis for $15.8 million, representing the balance on a standby letter of credit supporting the first of the previously-mentioned corporate bonds.

Alaska Housing's financial structure is highly complex. To generalize somewhat, while most of its bond issues are structured as "stand alone" financings (with income from pledged assets sufficient to repay the debt), all issues carry the full faith and credit of the Corporation. If there is an occurrence in which the cash flow from assets committed to a bond issue is insufficient to repay the bond, lenders can rely on the consolidated net income of the Corporation to provide for repayment of interest and principal. To the extent that income is perceived as being sufficient (with ample margin) to repay all current and contemplated obligations, the risk of loss is relatively low, and most lenders would be inclined to extend larger amounts of credit at a lower price. If the Corporation's income is reduced for any reason, the amount of available credit would very likely be restricted and/or the price increased. In my opinion, one probable result of mandating a decrease in net income would be tighter structuring of each individual bond issue--that is, requiring commitment of more cash and/or collateral as security for a specific bond issue.

There are many other possible ramifications of a planned reduction of AHFC's net income. Unfortunately, it is difficult to assess on short notice what would be the actual effect on the capital markets of the proposed legislative amendment. I forward these brief comments to you in the interest of meeting your deadline and supplying you with at least one opinion from a lender actively engaged in supplying credit to AHFC.

I am pleased to have the opportunity of offering this testimony to the House Finance Committee on behalf of Alaska Housing Finance Corporation. Should anyone desire elaboration on any point included in this letter, please feel free to contact me.

Sincerely,

(64)

Lynn M. Manley

Lynn M. Manley
First Vice President

LMM/lh

cc: Mr. Tom Behan

AMENDMENT

*Sec. 18.56.089 is amended to read:

ANNUAL ACCOUNTING. The [EXECUTIVE BUDGET ACT. THE OPERATING BUDGET OF THE CORPORATION IS SUBJECT TO THE EXECUTIVE BUDGET ACT (AS 37.07). TO FURTHER ENSURE EFFECTIVE BUDGETARY DECISION MAKING BY THE LEGISLATURE, THE] corporation shall present a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving funds, to the legislature by January 10 of each year. The accounting shall be audited by an independent outside auditor and shall include a full description of all mortgage loan interest and principal repayments and program receipts, including mortgage loan commitment fees, received by or accrued to the corporation during the preceding fiscal year, [and] all income earned on the assets of the corporation during that period, including earnings on assets of the state assisted mortgage funds, and all changes in personal services activities within the corporation.

Original sponsor(s): Rules/Housing Finance Task Force

IN THE HOUSE BY THE C&RA COMMITTEE

CS FOR HOUSE BILL NO. 462 (C&RA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the Alaska Housing Finance Corporation and its housing programs; expanding the number of directors of the corporation; exempting the corporation from the Executive Budget Act and the State Procurement Code; amending the special mortgage loan purchase program and progressively reducing the maximum level of loan amounts eligible for a reduction under a mortgage loan subsidy; amending the mortgage loan subsidy program for persons of lower and moderate income; and providing for an effective date."

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

* Section 1. AS 18.56.030(a) is amended to read:

(a) The corporation shall be governed by a board of directors consisting of

(1) the commissioner of revenue and the commissioner of commerce and economic development;

(2) one other member who is the head of a [THE] principal department of the executive branch of state government appointed by the governor; and

(3) four [TWO] public members appointed by the governor.

* Sec. 2. AS 18.56.089 is amended to read:

Sec. 18.56.089. ANNUAL ACCOUNTING. The [EXECUTIVE BUDGET ACT. THE OPERATING BUDGET OF THE CORPORATION IS SUBJECT TO THE EXECUTIVE

BUI T ACT (AS 37.07). TO FURTHER ENSURE EFFECTIVE BUDGETARY DECISION MAKING BY THE LEGISLATURE, THE] corporation shall present a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving fund, to the legislature by January 10 of each year. The accounting shall be audited by an independent outside auditor and shall include a full description of all mortgage loan interest and principal repayments and program receipts, including mortgage loan commitment fees, received by or accrued to the corporation during the preceding fiscal year, and all income earned on assets of the corporation during that period, including earnings on assets of the state assisted mortgage fund.

* Sec. 3. AS 18.56.091 is amended by adding a new subsection to read:

(b) Notwithstanding (a) of this section, the loan amount eligible for assistance under the subsidy authorized by (a) of this section is the amount determined under AS 18.56.098(f).

* Sec. 4. AS 18.56.098(f) is amended to read:

(f) In this section and in AS 18.56.099

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

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

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

(2) <u>"loan amount eligible for assistance" means the amount</u>

of a mortgage loan that does not exceed the amount of the loan established by law; if an amount has not been established by law, the amount is zero;

(3) [REPEALED] "mortgage loan" includes a beneficial interest or participation in a mortgage loan;

(4) "residence" means

(A) an owner-occupied, single-family residence, including a mobile home; [,] or

(B) an owner-occupied duplex, triplex, or fourplex.

* Sec. 5. AS 18.56.098(f) is repealed and reenacted to read:

(f) In this section and in AS 18.56.091 and 18.56.099

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

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

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

(2) "loan amount eligible for assistance" means

(A) the first $50,000 of a mortgage loan for persons of lower or moderate income whose purchase of a home is assisted under AS 18.56.091; or

(B) except as to persons whose purchase of a home is assisted under AS 18.56.091, the amount of a mortgage loan that does not exceed the amount of the loan established by law; if an

amount has not been established by law, the amount is zero;

(3) "mortgage loan" includes a beneficial interest or participation in a mortgage loan;

(4) "residence" means

(A) an owner-occupied, single-family residence, including a mobile home; or

(B) an owner-occupied duplex, triplex, or fourplex.

* Sec. 6. AS 18.56.098(g) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under the applicable provisions of 26 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds the loan amount eligible for assistance [$90,000] is equal to the cost of funds to the

corporation attributable to that part of the loan.

(4) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) For loans made under this section, the corporation shall give effect to interest rate changes applicable to the loans based on time of loan application, time of issuance of the

corporation's bonds issued to purchase loans, or other factors as the corporation determines.

(8) [(7)] In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under applicable provisions of 26 U.S.C. (Internal Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980)] issued to finance the purchase of first mortgage loans.

* Sec. 7. AS 18.56.098(h) is amended to read:

(h) The corporation shall establish the interest rate on a second mortgage loan purchased under (a) of this section in the manner established for computing the interest rates on a first mortgage loan under (g) of this section except that, in the case of a second mortgage loan, if the first mortgage loan made to the same borrower is held by the corporation and was purchased under the special mortgage loan purchase program, the outstanding principal balance of the existing first mortgage loan is subtracted from the loan amount eligible for assistance [$90,000] to determine the amount of the loan that is eligible for an interest rate on a second mortgage loan determined by reference to (g) of this section.

* Sec. 8. AS 18.56.098(i) is amended to read:

(i) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under

applicable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREATER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate for other loans to veterans under (g)(2) of this section [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required by applicable provisions of 26 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

* Sec. 9. AS 36.30.990(1) is amended to read:

(1) "agency"

(A) means a department, institution, board, commission, division, authority, public corporation, the Alaska Pioneers' Home, or other administrative unit of the executive branch of state government;

(B) does not include

(i) [, EXCEPT FOR] the University of Alaska;

(ii) [,] the Alaska State Housing Authority;

(iii) the [AND] Alaska Railroad Corporation;

(iv) the Alaska Housing Finance Corporation;

(v) [IT DOES NOT INCLUDE] a regional Native housing authority created under AS 18.55.996, or a regional electrical authority created under AS 18.57.020;

* Sec. 10. AS 37.07.120(1) is amended to read:

(1) "agency"

(A) means a department, officer, institution, board, commission, bureau, division, or other administrative unit forming the state government, and includes the Alaska Pioneers' Home and the University of Alaska;

(B) [, BUT] does not include

(i) the legislature;

(ii) [OR] the judiciary; or

(iii) the Alaska Housing Finance Corporation;

* Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second mortgage loans purchased by the Alaska Housing Finance Corporation from the special mortgage loan purchase program and from qualified veterans' mortgage bonds

(1) after June 30, 1990, and before July 1, 1991, the loan amount eligible for assistance under AS 18.56.098 is $70,000;

(2) after June 30, 1991, and before July 1, 1992, the loan amount eligible for assistance under AS 18.56.098 is $50,000;

(3) after June 30, 1992, and before July 1, 1993, the loan amount eligible for assistance under AS 18.56.098 is $30,000.

* Sec. 12. Of the two additional public members appointed by the governor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall serve a term of two years and one shall serve a term of one year. When making the appointments, the governor shall specify the length of the term of each person appointed.

* Sec. 13. Sections 3 and 5 of this Act take effect July 1, 1992.

* Sec. 14. Except for secs. 3 and 5 of this Act, this Act takes effect July 1, 1990.

#1

A M E N D M E N T

HB 462 (CR&A)

HOUSE FINANCE COMMITTEE SUBSTITUTE

Page 7, line 8:

Insert a new bill section to read:

* Sec. 9. AS 36.30.015(e) is amended to read:

(e) The boards of directors of the Alaska Railroad Corporation [AND], the Alaska Housing Authority and the Alaska Housing Finance Corporation shall adopt procedures to govern the procurement of supplies, services, professional services, and construction [BY THE CORPORATION]. The procedure must be substantially equivalent to the procedures prescribed in this chapter and in regulations adopted under this chapter.

Renumber the following bill sections accordingly.

Rep. C.E. Swackhammer

#2
ADOPTED

A M E N D M E N T

HOUSE FINANCE COMMITTEE SUBSTITUTE

HB 462 (CR&A)

Page 1, line 26:

* Sec. 1. AS 18.56.030(a)(3) is amended to read:

(3) four [TWO] public members appointed by the governor of which at least one shall be a member of the finance community

Rep. C.E. Swackhammer

6-2004Eav
Bannister/
Chenoweth

#3

AMENDMENT

OFFERED IN THE HOUSE BY REP. BROWN

TO: CSHB 462(C&RA)

Page 1, line 9:

Delete "the Executive Budget Act and"

Page 1, line 27, through page 2, line 11:

Delete all material.

Renumber the following bill sections accordingly.

Page 7, line 22, through page 8, line 2:

Delete all material.

Renumber the following bill sections accordingly.

Page 8, line 19:

Delete "3 and 5"

Insert "2 and 4"

Page 8, line 20:

Delete "3 and 5"

Insert "2 and 4"

#5

Amendment By Rieger

To. CSHB 462 (CRA)

Page 2, line 12, insert a new section to read:

" * Sec. 3. AS 18.56 is amended by adding a new section to read:

Sec 18.56.091 Dividend Policy. The corporation shall pay an annual dividend to the state general fund equal to at least fifty percent of the annual net earnings, if any, of the corporation as determined under AS 18.56.089. The dividend shall be paid within six months of the close of the fiscal year, unless the board of directors establishes by resolution that the cash flow of the corporation will not permit the payment of the dividend without causing significant harm to the financial soundness of the corporation."

(renumber following sections accordingly)

6-2004Hd -
Chenoweth

AMENDMENT #7 ADOPTED

OFFERED IN THE HOUSE BY REP. BARNES

TO: CSHB 462(C&RA)

Page 8, following line 13:

Insert a new bill section to read:

"* Sec. 12. CONTRACTS TO BE HONORED. Notwithstanding the amendments made to AS 18.56.098 by secs. 4 and 6 - 8 of this Act, the Alaska Housing Finance Corporation shall purchase a loan of a person whose loan purchase qualifies under the special mortgage loan purchase program of AS 18.56.098 as it read on the day before the effective date of secs. 4 and 6 - 8 of this Act if the person's intention to purchase the home is evidenced by a contract for sale, earnest money agreement, or document exercising an option to purchase if the contract, agreement, or document is executed before the effective date of those sections." Revise new language

Renumber following bill sections accordingly.

6-2004Hb
Bradley

AMENDMENT #3 adopted

OFFERED IN THE HOUSE BY REP. PHILLIPS

TO: CSHB 462(C&RA)

Page 1, line 15, after "income;":

Insert "permitting the corporation to appoint a general counsel;"

Page 1, after line 26:

Insert a new bill section to read:

"* Sec. 2. AS 18.56 is amended by adding a new section to read:

Sec. 18.56.056. GENERAL COUNSEL. The corporation may employ a general counsel. If the corporation employs a general counsel, the general counsel shall advise the corporation in legal matters and represent it in litigation."

Renumber the following bill sections accordingly.

Page 8, after line 18:

Insert a new bill section to read:

"* Sec. 14. AS 18.56.055 is repealed."

Renumber the following bill sections accordingly.

Page 8, line 19:

Delete "3 and 5"

Insert "4 and 6"

Page 8, line 20:

Delete "3 and 5"

Insert "4 and 6"

6-2004Hc
Chenoweth

AMENDMENT #1

OFFERED IN THE HOUSE BY REP. RIEGER

TO: CSHB 462 (C&RA)

Page 2, lines 12 - 15:

Delete all material and insert:

"* Sec. 3. AS 18.56.091 is amended to read:

Sec. 18.56.091. HOME OWNERSHIP ASSISTANCE PROGRAM. The corporation shall implement a home ownership assistance program to assist persons of lower and moderate income to purchase homes financed under the special mortgage loan purchase program by providing a subsidy to the persons as determined under AS 18.56.098(f) [IN AN AMOUNT NOT GREATER THAN THE DIFFERENCE BETWEEN

(1) THE AMOUNT ANNUALLY REQUIRED TO PAY INTEREST AND PRINCIPAL ON THAT PERSON'S LOAN AND REAL PROPERTY TAXES AND INSURANCE FOR THE HOME PURCHASE WITH THE LOAN; AND

(2) 25 PERCENT OF THAT PERSON'S ANNUAL GROSS INCOME]."

Page 8, following line 13:

Insert a new bill section to read:

"* Sec. 12. A loan made under AS 18.56.091 before July 1, 1992, is assumable with a down payment of not less than five percent of the purchase price."

Renumber the following bill sections accordingly.

Page 8, line 19:

Delete "Sections 3 and 5"

Insert "Sections 3, 5, and 12"

Page 8, line 20:

Delete "Except for secs. 3 and 5,"

Insert "Except for secs. 3, 5, and 12,"

MEMORANDUM

State of Alaska
Department of Law

TO: Mary Halloran
Director
Division of Policy Development
Office of Management and Budget

DATE: March 5, 1990

FILE NO: *

TEL NO: 465-3600

SUBJECT: House Finance Committee Amendments to CSHB 462 (C&RA)

FROM: James L. Baldwin
Assistant Attorney General

As requested, set out below are some brief comments concerning three of the amendments adopted on March 2 by the House Finance Committee to CSHB 462 (C&RA).

1. Amendment No. 5:

A. This amendment uses the term " annual net earnings." The term is not defined. This leaves substantial doubt as to what might be intended. The reference to AS 18.56.089 does not clarify the ambiguity. That section requires an annual report to the legislature. The report must include a statement of income earned on assets of AHFC. Is it intended that earnings and income mean the same thing?

B. The requirement to pav a dividend may conflict with bond covenants applicable to one of the many issuances of AHFC. This amendment should be reviewed by bond counsel to determine if such a conflict would result.

C. The amendment doesn't appear to operate within the time periods specified. The report required by AS 18.56.089 is to include income earned "during the preceding fiscal year." This report must be submitted by January 10 of each year. Under the amendment, the dividend must be computed on an annual basis and must be paid within six months of the close of the fiscal year. The timing of the report and date by which the dividend is to be paid must be coordinated.

2. Amendment No. 7:

A. This amendment gives purchasers grandfather rights to receive loans under existing law for a period of six months after the amendments in the bill take effect. It would be preferable if the amendment referred to commitments made before the effective date of the act.

B. The amendment refers to a person's intention to purchase a home. This may open AHFC to the argument, the legislature did not intend the documents designated as evidence of intent set out in the amendment to be exhaustive.

C. It must be presumed that the amendment would apply only to owner-occupied residential financings because it refers to the purchase of a "home." AHFC has limited authority to finance rental housing.

3. Amendment No. 8:

A. This amendment allows AHFC to hire a general counsel. The amendment allows AHFC to designate the attorney general as general counsel. Existing law designates the A.G. as the counsel for AHFC.

B. We would very much like to hear the reasons why it is felt that AHFC should have independent counsel. Generally, the centralized system for the delivery of legal services to state agencies in effect in this state is the model to which several other states aspire. Centralization assures consistency and economy.

4. Amendment No. 9:

A. This amendment effectively repeals the home ownership assistance program under AS 18.56.091. Loans under this program would be no different than those purchased under the special mortgage loan purchase program.

B. It is presumed that the five percent down payment provision is intended to create an incentive to assume section 91 mortgages after the subsidy terminates.

We hope these comments will assist you and the committee in further deliberations on this bill.

JLB:jr

cc: Art Peterson
Jeff Bush
Tom Behan

Original sponsor(s): Rules/Housing Finance Task Force

IN THE SENATE BY THE RULES COMMITTEE

CS FOR SENATE BILL NO. 427 (Rules)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to program and administration requirements of certain state corporations; expanding the number of directors of the Alaska Housing Finance Corporation; exempting the Alaska Housing Finance Corporation from the State Procurement Code and allowing the corporation to expend additional corporation receipts immediately after submission of a revised program to the Legislative Budget and Audit Committee; amending the corporation's special mortgage loan purchase program and progressively reducing the maximum level of loan amounts eligible for a reduction under a mortgage loan subsidy; amending the corporation's mortgage loan subsidy program for persons of lower and moderate income; and relating to procurement practices of certain state corporations; and providing for an effective date."

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

* Section 1. AS 18.56.030(a) is amended to read:

(a) The corporation shall be governed by a board of directors consisting of

(1) the commissioner of revenue and the commissioner of commerce and economic development;

(2) one other member who is the head of a [THE] principal department of the executive branch of state government appointed by

the governor; and

(3) four [TWO] public members appointed by the governor, one of whom shall be a representative of the financial community and one of whom shall be a person licensed as a real estate broker under AS 08.88.171(a).

* Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

(b) Notwithstanding (a) of this section, the loan amount eligible for assistance under the subsidy authorized by (a) of this section is the amount determined under AS 18.56.098(f).

* Sec. 3. AS 18.56.098(f) is amended to read:

(f) In this section and in AS 18.56.099

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

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

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

(2) "loan amount eligible for assistance" means the amount of a mortgage loan that does not exceed the amount of the loan established by law; if an amount has not been established by law, the amount is zero;

(3) "mortgage loan" includes a beneficial interest or participation in a mortgage loan; [(3) REPEALED]

(4) "residence" means

(A) an owner-occupied, single-family residence, including a mobile home; [,] or

(B) an owner-occupied duplex, triplex, or fourplex.

* Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

(f) In this section and in AS 18.56.091 and 18.56.099

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

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

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

(2) "loan amount eligible for assistance" means

(A) the first $50,000 of a mortgage loan for persons of lower or moderate income whose purchase of a home is assisted under AS 18.56.091; or

(B) except as to persons whose purchase of a home is assisted under AS 18.56.091, the amount of a mortgage loan that does not exceed the amount of the loan established by law; if an amount has not been established by law, the amount is zero;

(3) "mortgage loan" includes a beneficial interest or participation in a mortgage loan;

(4) "residence" means

(A) an owner-occupied, single-family residence, including a mobile home; or

(B) an owner-occupied duplex, triplex, or fourplex.

* Sec. 5. AS 18.56.098(g) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under the applicable provisions of 26 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds the loan amount eligible for assistance [$90,000] is equal to the cost of funds to the corporation attributable to that part of the loar..

(4) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) For loans made under this section, the corporation shall give effect to interest rate changes applicable to the loans based on time of loan application, time of issuance of the corporation's bonds issued to purchase loans, or other factors as the corporation determines.

(8) [(7)] In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent

the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under applicable provisions of 26 U.S.C. (Internal Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980)] issued to finance the purchase of first mortgage loans.

* Sec. 6. AS 18.56.098(h) is amended to read:

(h) The corporation shall establish the interest rate on a second mortgage loan purchased under (a) of this section in the manner established for computing the interest rates on a first mortgage loan under (g) of this section except that, in the case of a second mortgage loan, if the first mortgage loan made to the same borrower is held by the corporation and was purchased under the special mortgage loan purchase program, the outstanding principal balance of the existing first mortgage loan is subtracted from the loan amount eligible for assistance [$90,000] to determine the amount of the loan that is eligible for an interest rate on a second mortgage loan determined by reference to (g) of this section.

* Sec. 7. AS 18.56.098(i) is amended to read:

(i) The interest rate on the loan amount eligible for assistance [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under applicable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREATER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate for other loans to veterans under (g)(2) of this section [AS 18.56.-098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required by applicable provisions of 26

U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

* Sec. 8. AS 36.30.015(e) is amended to read:

(e) The boards of directors of the Alaska Railroad Corporation, the Alaska Housing Finance Corporation, and the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction for [BY] the respective public corporations [CORPORATION]. The procedures must

(1) reflect competitive bidding principles and provide vendors reasonable and equitable opportunities to participate in the procurement process; and

(2) include procurement methods to meet emergency and extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCEDURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS CHAPTER].

* Sec. 9. AS 36.30.990(1) is amended to read:

(1) "agency"

(A) means a department, institution, board, commission, division, authority, public corporation, the Alaska Pioneers' Home, or other administrative unit of the executive branch of state government;

(B) does not include

(i) [, EXCEPT FOR] the University of Alaska;

(ii) [,] the Alaska State Housing Authority;

(iii) the [AND] Alaska Railroad Corporation;

(iv) the Alaska Housing Finance Corporation;

(v) [IT DOES NOT INCLUDE] a regional Native housing authority created under AS 18.55.996, or a regional electrical authority created under AS 18.57.020;

* Se . 10. AS 37.07 is amended by adding a new section to read:

Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a) Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing Finance Corporation may, by resolution adopted by the board of directors, increase an item appropriated from corporation receipts if

(1) the board of directors determines that circumstances require an increase in expenditures in excess of an existing appropriation made under the authority conferred by this chapter; and

(2) additional corporation receipts are available.

(b) Before the resolution required by (a) of this section takes effect, the board of directors shall submit a revised program to the governor for approval as provided in AS 37.07.080(d). A copy of the revised program shall be submitted to the legislative budget and audit committee.

(c) The increase authorized by (a) of this section may not extend beyond the end of the fiscal year in which the resolution is adopted.

* Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second mortgage loans purchased by the Alaska Housing Finance Corporation from the special mortgage loan purchase program and from qualified veterans' mortgage bonds

(1) after June 30, 1990, and before July 1, 1991, the loan amount eligible for assistance under AS 18.56.098 is $70,000;

(2) after June 30, 1991, and before July 1, 1992, the loan amount eligible for assistance under AS 18.56.098 is $50,000;

(3) after June 30, 1992, and before July 1, 1993, the loan amount eligible for assistance under AS 18.56.098 is $30,000.

* Sec. 12. Of the two additional public members appointed by the governor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall

serve a term of two years and one shall serve a term of one year. When making the appointments, the governor shall specify the length of the term of each person appointed.

* Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

* Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect July 1, 1990.

A BILL

For an Act entitled: "An Act amending the interest rates on mortgage loans purchased by the Alaska Housing Finance Corporation; and providing for effective dates."

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

*Section 1. AS 18.56.098 is amended to add subsection (l):

(l) AS 18.56.098 (g) and (h) and (i) apply to interest rates on loans purchased with the proceeds of bonds sold prior to January 1, 1992, only. AS 18.56.098 (g), (h), and (i) shall expire and become null and void after all the proceeds of bonds sold prior to January 1, 1992, have been used to purchase loans.

*Section 2. AS 18.56.098 is amended to add subsection (m):

(m) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $70,000 [$90,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the first $70,000 [$90,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds $70,000 [$90,000] is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the first $70,000 [$90,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the first $70,000 [$90,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

NEW LANGUAGE

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

*Section 3. AS 18.56.098 is amended to add subsection (n):

(n) The interest rate on the first $70,000 [$90,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) as amended, is the greater of (1) four percent less than the cost of funds or (2) the rate for other loans to veterans under (g)(3) of this section [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required under 26 U.S.C. 103A.

*Section 4. Sections 2 and 3 of this Act shall take effect January 1, 1991, and apply to interest rates on loans purchased with the proceeds of bonds sold after January 1, 1991, and before December 31, 1991. Sections 1 and 2 of

this act shall expire and become null and void after the proceeds of bonds sold between January 1, 1991 and December 31, 1991 have been used to purchase loans.

*Section 5. AS 18.56.098 is amended to add subsection (o):

(o) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $50,000 [$70,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the first $50,000 [$70,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall

be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds $50,000 [$70,000] is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the first $50,000 [$70,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the first $50,000 [$70,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

*Section 6. AS 18.56.098 is amended to add subsection (p):

(p) The interest rate on the first $50,000 [$70,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) as amended, is the greater of (1) four percent less than the cost of funds or (2) the rate for other loans to veterans under (g)(3) of this section [AS 18.56.098(g)(3)].. A higher or lower interest rate shall be established on the entire loan amount if required under 26 U.S.C. 103A.

*Section 7.

Sections 5 and 6 of this Act shall take effect January 1, 1992, and apply to interest rates on loans purchased with the proceeds of bonds sold after January 1, 1992, and before December 31, 1992. Sections 4 and 5 of this act shall expire and become null and void after all the proceeds of bonds sold between January 1, 1992, and December 31, 1992, have been used to purchase loans.

*Section 8. AS 18.56.098 is amended to add subsection (q):

(q) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $30,000 [$50,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the first $30,000 [$50,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds $30,000 [$50,000] is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the first $30,000 [$50,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the first $30,000 [$50,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applic-

able to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

*Section 9. AS 18.56.098 is amended to add subsection (r):

(r) The interest rate on the first <u>$30,000</u> [$50,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) as amended, is the greater of (1) four percent less than the cost of funds or (2) the rate for other loans to veterans under <u>(g)(3) of this section</u> [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the

entire loan amount if required under 26 U.S.C. 103A.

*Section 10.

Sections 8 and 9 of this Act shall take effect January 1, 1993, and apply to interest rates on loans purchased with the proceeds of bonds sold after January 1, 1993, and before December 31, 1993. Sections 7 and 8 of this act shall expire and become null and void after all the proceeds of bonds sold between January 1, 1993 and December 31, 1993 have been used to purchase loans.

*Section 11. AS 18.56.098 is amended to add subsection (s):

(s) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

~~(1) The interest rate on the first $50,000 [$50,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue except that~~

~~(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and~~

~~(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.~~

~~(2) An interest rate determined under this subsection on the first $30,000 [$50,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.~~

~~(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds $30,000 [$50,000] is equal to the cost of funds to the corporation attributable to that part of the loan.~~

~~(4) The interest rate on the first $30,000 [$50,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.~~

~~(5) The interest rate on the first $30,000 [$50,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applica-~~

~~ble issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax exempt status of the bonds.~~

(1) The interest rate for all mortgage loans purchased by the corporation shall be equal to the cost of funds to the corporation attributable to the loan.

(2) [6] The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(3) [7] In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of

operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

*Section 12.

Section 11 of this Act shall take effect January 1, 1994 and apply to interest rates on loans purchased with the proceeds of bonds sold after January 1, 1994.

DRAFT

, 1990

M E M O R A N D U M

TO: Honorable Steve Cowper
Governor

FROM: Douglas B. Baily
Attorney General

RE: Attached draft
Our file: 773-90-0027

Attached is a bill to amend the method by which interest rates on mortgage loans purchased by the Alaska Housing Finance Corporation (AHFC) are established. This bill proposes to gradually reduce the amount of the loan which receives an interest rate below AHFC's cost of funds. Currently, this amount is established at $90,000. The bill will reduce this amount to $70,000 on January 1, 1991, $50,000 on January 1, 1992, and $30,000 on January 1, 1993. Effective January 1, 1994, the entire loan amount will have an interest rate equal to the applicable cost of funds.

The attached version is the result of a cooperative effort between this office, the AHFC board members and staff, and the private law firm serving as bond counsel to the Corporation.

A draft transmittal letter to the legislature explaining the bill in more detail is also attached.

DBB:tg

cc w/enc.: Alison Elgee, Director
Division of Budget Review
Mary Halloran, Director
Division of Policy
John Lucas, Director
Division of Audit & Management
Office of Management & Budget
Office of the Governor

D R A F T

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the establishment of interest rates on loans purchased by the Alaska Housing Finance Corporation. This bill provides for a gradual reduction and eventual elimination of the amount of the loan which receives an interest rate below AHFC's cost of funds. Currently, this amount is established at $90,000. The bill will reduce this amount to $70,000 on January 1, 1991, $50,000 on January 1, 1992, and $30,000 on January 1, 1993. Effective January 1, 1994, the entire loan amount will have an interest rate equal to the applicable cost of funds.

The changes are directed primarily at the AHFC's taxable mortgage program, AS 18.56.098(g)(1) and (2). Where the rates on other programs were dependent upon rates applicable under the taxable program, corresponding changes have been made. These other programs include the tax-exempt financed Veterans Mortgage Program, AS 18.56.098(i), and the tax-exempt financed First Time Homebuyers Program, AS 18.56.098(g)(5).

Additionally, section 20 of the bill repeals the preferential rate provisions applicable to certain veterans of the

armed forces, the national guard, and the public health service as of January 1, 1984. The eligibility of such individuals for the preferential rates is currently detailed in AS 18.56.101 with the one percent reduction in the assisted portion of the mortgage loan provided for in AS 18.56.098(g)(2). The impact of the elimination of the preferential rate is minimized by its application to the assisted portion of the mortgage loan which, under other provisions of the proposed bill, is gradually reduce over the next several years.

I urge your prompt action on this bill.

Sincerely,

Steve Cowper
Governor

Referred: _____ EEN/jf

FILE NO. 3598/0001

IN THE _____ BY _____

_____ BILL NO. ___

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to Alaska Housing Finance Corporation; and providing for an effective date."

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

* Section 1. AS 18.56.030 is amended to read:

Sec. AS 18.56.030. CORPORATION GOVERNING BODY. (a) The corporation shall be governed by a board of directors consisting of

(1) the commissioner of revenue and the commissioner of commerce and economic development;

(2) one other member who is the head of the principal department of the executive branch of state government appointed by the governor; and

(3) four [TWO] public members appointed by the governor.

(b) If a member described in (a) (1) or (2) of this section is unable to attend a meeting of the board, the member may by an instrument in writing filed with the board, designate a deputy or assistant to act in the member's place at the meeting. For all purposes of this chapter, the designee is a member of the board at the meeting.

(c) The board member[s] described in (a) (2) [and (a) (3)] of this section serves a two-year term. Two of the board members described in a (3) of this section serve three-year terms and two serve four-year terms as fixed by the governor.

(d) If a vacancy occurs on the board, the governor shall make an appointment, effective immediately, for the unexpired portion of the term.

(e) The members of the board described in (a) (3) of this section receive[d] [$100] compensation commensurate with service on boards of private corporations of similar asset size, as determined by the governor, for each day spent on official business of the corporation and may be reimbursed by the corporation for actual and necessary expenses at the

same rate paid to members of state boards under AS 39.20.180 (§ 1 ch 107 SLA 1971; am § 5 ch 151 SLA 1975; am § 79 ch 218 SLA 1976; am § 1 ch 167 SLA 1978; am § 13 ch 106 SLA 1980; am § 32 ch 37 SLA 1986)

* Sec. 2. AS 18.56.055 is amended to read:

Sec. AS 18.56.055. LEGAL ADVISOR. The corporation may employ staff legal counsel and retain outside legal counsel to perform all necessary legal services, including representation in litigation. [THE ATTORNEY GENERAL IS THE LEGAL COUNSEL FOR THE CORPORATION. THE ATTORNEY GENERAL SHALL ADVISE THE CORPORATION IN LEGAL MATTERS AND REPRESENT IT IN SUITS.]

* Sec. 3. AS 18.56.089 is amended to read:

Sec. AS 18.56.089. EXECUTIVE BUDGET ACT. From and after July 1, 1990, the [THE] operating budget of the corporation is no longer subject to the Executive Budget Act (AS 37.07). To further ensure effective budgetary decision making by the legislature, the corporation shall present a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving fund, to the legislature by January 10 of each year. The accounting shall be audited by an independent outside auditor and shall include a full description of all mortgage loan interest and principal repayments and program receipts, including mortgage loan commitment fees, received by or accrued to the corporation during the preceding fiscal year, and all income earned on assets of the corporation during that period, including earnings on assets of the state assisted mortgage fund. (§ 20 ch 106 SLA 1980; am § 3 ch 102 SLA 1983)

* Sec. 4. AS 18.56. is amended by adding a new section to read:

Sec. AS 18.56.102. HOUSING ASSISTANCE FUND. If and to the extent the corporation determines that (i) its net income for the previous fiscal year has increased, (ii) the corporation is in compliance with all covenants and agreements with respect to its borrowings and after the transfer will remain in compliance and (iii) a transfer will not impair the operation of any of its existing programs, the corporation shall transfer from the general account of its revolving fund an amount equal to one-half of the net income to a separate fund to be called the housing assistance fund.

Earnings on the housing assistance fund may be spent or pledged for low income or other special housing purposes. The principal of the fund shall not be spent except (i) to replenish any deficiency in funds pledged or covenanted to be maintained in connection with borrowings of the corporation and (ii) as necessary to pay general obligation debt of the corporation.

* Sec. 5. AS 18.56.098 (a) is amended to read:

(a) The corporation shall establish a special mortgage loan purchase program. Under the special mortgage loan purchase program, the corporation may purchase first or second mortgage loans. A first or second mortgage loan purchased under this subsection must be made for the purchase, improvement, or rehabilitation of a residence or must be a refinancing loan. First or second mortgage loans purchased under this subsection may include graduated payment mortgage loans and adjustable rate mortgage loans. A low and moderate income program is established to begin on July 1, 1991. The corporation shall establish by regulation under AS 18.56.088 criteria for purchase of mortgage loans under the program based on median family income.

*Sec. 6 AS 18.56.098 (g) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $90,000 until July 1, 1990, the first $70,000 between July 1, 1990 and June 30, 1991, the first $50,000 between July 1, 1991 and June 30, 1992 and on the first $30,000 between July 1, 1992 and June 30, 1993 (herein called the "state assisted amount") of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less that 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less that 10 percent. The state assisted amount

shall remain at $50,000 as to the low and moderate income program referred to in (a) of this section.

(2) An interest rate determined under this subsection on the state assisted amount [FIRST $90,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds the state assisted amount [$90,000] is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the the state assisted amount [FIRST $90,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the state assisted amount [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. In the event the corporation is no longer committing to the purchase of mortgage loans from the proceeds of taxable bonds, the interest rate determined under this subsection shall be equal to the cost of funds of the bonds from which the mortgage loans are expected to be purchased. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this

may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less that the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103a (MORTGAGE SUBSIDY BOND TAX ACT OF 1980)] and which were issued to finance the purchase of first mortgage loans.

(8) The corporation shall give effect to interest rate changes under this section for loans based on time of application, the time of issue of bonds issued to purchase loans, or other factors as the corporation determines.

* Sec. 7. AS 18.56.098 (h) is amended to read:

The corporation shall establish the interest rate on a second mortgage loan purchased under (a) of this section in the manner established for computing the interest rate[s] on a first mortgage loan under (g) of this section except that, in the case of a second mortgage loan, if the first mortgage loan made to the same borrower is held by the corporation and was purchased under the special mortgage loan purchase program, the outstanding principal balance of the existing first mortgage loan is subtracted from the state assisted amount [$90,000] to determine the amount of the loan that is eligible for an interest rate on a second mortgage loan determined by reference to (g) of this section.

* Sec. 8. AS 18.56.098 (i) is amended to read:

The interest rate on the state assisted amount [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under the applicable provisions of the Internal Revenue Code shall be [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREATER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate for other loans to veterans under AS 18.56.098 (g) (2) [(3)]. A higher or lower interest rate shall be established on the entire loan amount if required under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A].

* Sec. 9. AS 36.30.990 (1) is amended to read:

(1) "agency" means a department, institution, board, commission, division, authority, public corporation, the Alaska Pioneers' Home, or other administrative unit of the executive branch of state government, except for the University of Alaska, Alaska Housing Finance Corporation, the Alaska State Building Authority and the Alaska Railroad Corporation; it does not include a regional Native housing authority created under AS 18.55.996, or a regional electrical authority created under AS 18.57.020;

* Sec. 10. This act takes effect immediately under AS 01.10.070 (c).

DEPARTMENT OF LAW

DRAFT # 'e

DATE: 1/23/90

BOOKPROOFED: #5

APPROVED:

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

IN THE ____

_____ BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act amending the interest rates on mortgage loans purchased by the Alaska Housing Finance Corporation; and providing for effective dates."

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

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

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $\underline{\$70,000}$ [90,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

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

(2) An interest rate determined under this subsection on the first $\underline{\$70,000}$ [90,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

* Sec. 3. AS 18.56.098(g)(1) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $\underline{\$50,000}$ [70,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

* Sec. 4. AS 18.56.098(g)(2) is amended to read:

(2) An interest rate determined under this subsection on the first $\underline{\$50,000}$ [70,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

* Sec. 5. AS 18.56.098(g)(1) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $\underline{\$30,000}$ [50,000] of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10

percent, the interest rate may not be less than 10 percent.

* Sec 6. AS 18.56.098(g)(2) is amended to read:

(2) An interest rate determined under this subsection on the first $30,000 [50,000] of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

* Sec. 7. AS 18.56.098(g)(1) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on [THE FIRST $30,000 OF] a mortgage loan purchased under (a) of this section with the proceeds of an issue of [TAXABLE] bonds of the corporation is [THREE PERCENT LESS THAN] the cost of funds of that issue[, EXCEPT THAT

(A) IF THE COST OF FUNDS OF THAT ISSUE IS LESS THAN 10 PERCENT, THE INTEREST RATE IS EQUAL TO THE COST OF FUNDS; AND

(B) IF THE COST OF FUNDS OF THAT ISSUE IS MORE THAN 10 PERCENT, THE INTEREST RATE MAY NOT BE MORE THAN 10 PERCENT].

* Sec. 8. AS 18.56.098(g)(3) is amended to read:

(3) The interest rate for the amount of a mortgage loan purchased under (a) of this section that exceeds the amount set out in AS 18.56.098(g)(1) [$90,000] is equal to the cost of funds to the corporation attributable to that part of the loan.

* Sec. 9. AS 18.56.098(g)(4) is amended to read:

(4) The interest rate on the amount set out in AS 18.56.098(g)(1) [FIRST $90,000] of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds

is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

* Sec. 10. AS 18.56.098(g)(5) is amended to read:

(5) The interest rate on the amount set out in AS 18.56.098(g)(1) [FIRST $90,000] of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. In the event the Corporation is no longer committing to the purchase of mortgage loans from the proceeds of taxable bonds, the interest rate determined under this subsection shall be equal to the cost of funds of the bonds from which the mortgage loans are expected to be purchased. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

* Sec. 11. AS 18.56.098(h) is amended to read:

(h) The corporation shall establish the interest rate on a second mortgage loan purchased under (a) of this section in the manner established for computing the interest rates on a first mortgage loan under (g) of this section except that, in the case of a second mortgage loan, if the first mortgage loan made to the same borrower is held by the corporation and was purchased under the special mortgage loan purchase program, the outstanding principal balance of the existing first mortgage loan is subtracted from the amount set out in AS 18.56.098(g)(1) [$90,000] to determine the amount of the loan that is eligible for an interest rate on a second mortgage loan determined by reference to (g) of this section.

DEPARTMENT OF LAW

DRAFT #_____

DATE:_____

BOOKPROOFED:_____

_____

APPROVED:_____

* Sec. 12. AS 18.56.098(i) is amended to read:

(i) The interest rate on the first $70,000 [90,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under the applicable provisions of the Internal Revenue Code shall be [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREATER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate for other loans to veterans under AS 18.56.098(g)(2[3]). In the event the Corporation is no longer committing to the purchase of mortgage loans from the proceeds of taxable bonds, the interest rate determined under this subsection shall be equal to the cost of funds of the bonds from which the mortgage loans are expected to be purchased. A higher or lower interest rate shall be established on the entire loan amount if required under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A].

* Sec. 13. AS 18.56.098(i) is amended to read:

(i) The interest rate on the first $50,000 [70,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980), AS AMENDED], is the greater of (1) four percent less than the cost of funds or (2) the rate for other loans to veterans under AS 18.56.098(g)(2[3]). In the event the Corporation is no longer committing to the purchase of mortgage loans from the proceeds of taxable bonds, the interest rate determined under this subsection shall be equal to the cost of

funds of the bonds from which the mortgage loans are expected to be purchased. A higher or lower interest rate shall be established on the entire loan amount if required under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A].

* Sec. 14. AS 18.56.098(i) is amended to read:

(i) The interest rate on the first $30,000 [50,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED], is the greater of (1) four percent less than the cost of funds or (2) the rate for other loans to veterans under AS 18.45.098(g)(2[3]). In the event the Corporation is no longer committing to the purchase of mortgage loans from the proceeds of taxable bonds, the interest rate determined under this subsection shall be equal to the cost of funds of the bonds from which the mortgage loans are expected to be purchased. A higher or lower interest rate shall be established on the entire loan amount if required under the applicable provisions of the Internal Revenue Code [26 U.S.C. 103A].

* Sec. 15. AS 18.56.098 is amended by adding a new subsection to read:

AS 18.56.098(l). The corporation shall give effect to mortgage loan interest rate changes resulting from amendments to this section and AS 18.56.101 based upon the date the mortgage loan was submitted to the corporation for consideration of approval for purchase.

* Sec. 16. AS 18.56.098(g)(2), 18.56.098(i), and 18.56.101 are repealed.

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1598 SCOMM 60. HOUSING FINANCE TASK FORCE, 1989

* Sec. 17. Sections 1, 2, and 12 of this Act take effect January 1, 1991.

* Sec. 18. Sections 3, 4, and 13 of this Act take effect January 1, 1992.

* Sec. 19. Sections 5, 6, and 14 of this Act take effect January 1, 1993.

* Sec. 20. Sections 7 and 16 of this Act take effect January 1, 1994.

* Sec. 21. Sections 8, 9, 10, 11, and 15 of this Act take effect immediately under AS 01.10.070(c).

* Sec. 6 AS 18.56.098 (g) is amended to read:

(g) The corporation shall establish the interest rate on the first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $90,000 until July 1, 1990, the first $70,000 until June 30, 1991, the first $50,000 until June 30, 1992, the first $30,000 until June 30, 1993 and none thereafter of a mortgage loan purcnased with the proceeds of an issue of taxable bonds of the corporation is three percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

* Sec 5. AS 18.56.098 (a) is amended to read:

(a) The corporation shall establish a special mortgage loan purchase program. Under the special mortgage loan purchase program, the corporation may purchase first or second mortgage loans. A first or second mortgage loan purchased under this subsection must be made for the purchase, improvement, or rehabilitation of a residence or must be a refinancing loan. First or second mortgage loans purchased under this subsection may include graduated payment mortgage loans and adjustable rate mortgage loans. A low and moderate income program is established to begin on July 1, 1991. The corporation shall establish by regulation under AS 18.56.088 criteria for purchase of mortgage loans under the program based on median family income and shall be applicable to the first $50,000 of the mortgage loan.

* Sec 5. AS 18.56.098 (a) is amended to read:

(a) The corporation shall establish a special mortgage loan purchase program. Under the special mortgage loan purchase program, the corporation may purchase first or second mortgage loans. A first or second mortgage loan purchased under this subsection must be made for the purchase, improvement, or rehabilitation of a residence or must be a refinancing loan. First or second mortgage loans purchased under this subsection may include graduated payment mortgage loans and adjustable rate mortgage loans. A ow and moderate income program is established to begin on July 1, 1991. The corporation shall establish by regulation under AS 18.56.088 criteria for purchase of mortgage loans under the program based on median family income.

1/22/90

Draft Proposed AHFC Legislation
(being put in bill form)

Section 18.56.030. Corporation governing body. (a) The corporation shall be governed by a board of directors consisting of

(1) the commissioner of revenue and the commissioner of commerce and economic development;

(2) one other member who is the head of the principal department of the executive branch of state government appointed by the governor; and

(3) [two] four public members appointed by the governor.

(b) If a member described in (a) (1) or (2) of this section is unable to attend a meeting of the board, the member may by an instrument in writing filed with the board, designate a deputy or assistant to act in the member's place at the meeting. For all purposes of this chapter, the designee is a member of the board at the meeting.

(c) The board member[s] described in (a) (2) [and (a) (3)] of this section serves a two-year term. Two of the board members described in A(3) of this section serve three-year terms and two serve four-year terms as fixed by the governor.

(d) If a vacancy occurs on the board, the governor shall make an appointment, effective immediately, for the unexpired portion of the term.

(e) The members of the board described in (a) (3) of this section receive[d] [$100] compensation commensurate with service on boards of private corporations of similar asset size, as determined by the governor, for each day spent on official business of the corporation and may be reimbursed by the corporation for actual and necessary expenses at the same rate paid to members of state boards under AS 39.20.180 (§ 1 ch 107 SLA 1971; am § 5 ch 151 SLA 1975; am § 79 ch 218 SLA 1976; am § 1 ch 167 SLA 1978; am § 13 ch 106 SLA 1980; am § 32 ch 37 SLA 1986)

Section 18.56.055 Legal Advisor. [The attorney general is the legal counsel for the corporation. The attorney general shall advise the corporation in legal matters and represent it in suits.] The corporation may employ staff legal counsel and retain outside legal counsel to perform all necessary legal services, including representation in litigation.

Section 18.56.089. Executive Budget Act. From and after July 1, 1990, the [The] operating budget of the corporation is no longer subject to the Executive Budget Act (AS 37.07).] To further ensure effective budgetary decision making by the legislature, the corporation shall present a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving fund, to the legislature by January 10 of each year. The accounting shall be audited by an independent outside auditor and shall include a full description of all mortgage loan interest and principal repayments and program receipts, including mortgage loan commitment fees, received by or accrued to the corporation during the preceding fiscal year, and all income earned on assets of the corporation during that period, including earnings on assets of the state assisted mortgage fund. (§ 20 ch 106 SLA 1980; am § 3 ch 102 SLA 1983)

Separate New Housing Assistance Fund Section

The corporation shall annually calculate whether or not its net income for the previous fiscal year has increased. If and to the extent the corporation determines that (i) its net income for the previous fiscal year has increased, (ii) the corporation is in compliance with all covenants and agreements with respect to its borrowings and (iii) a transfer will not impair the operation of any of its existing programs, the corporation shall set aside one-half of the net income in a separate fund to be called the housing assistance fund.

Earnings on the fund may be spent or pledged for low income or other special housing purposes. The principal of the fund shall not be spent except (i) to replenish any deficiency in funds pledged or covenanted to be maintained in connection with borrowings of the corporation and (ii) as necessary to pay general obligation debt of the corporation.

Section 36.30.990. Definitions. In this chapter*, unless the context in which a term is used clearly requires a different meaning or a different definition is prescribed for a particular provision,

(1) "agency" means a department, institution, board, commission, division, authority, public corporation, the Alaska Pioneers' Home, or other administrative unit of the executive branch of state government, except for the University of Alaska, Alaska Housing Finance Corporation, the Alaska State Building Authority and the Alaska Railroad Corporation; it does not include a regional Native housing authority created under AS 18.55.996, or a regional electrical authority created under AS 18.57.020;

*Chapter refers to the State Procurement Code

1/22/90

Subsidy Reduction and New Program

Legislation will be prepared to reduce the amount of mortgage loan subsidized from $90,000 to $70,000 in 1991, $50,000 in 1992, $30,000 in 1993 and to zero in 1994. When the subsidy level for the program goes to $50,000, a new permanent program will start at that level for lower and moderate income housing. The lower and moderate income housing program at this level will be based on the existing federal program limitation of median income.

Alaska State Legislature

HOUSE OF REPRESENTATIVES



REPRESENTATIVE FRAN ULMER

September 13, 1989

Rep. C. E. Swackhammer
312 Tyee Street
Soldotna, Alaska 99669

Dear Representative Swackhammer:

I would like to request that the Housing Policy Task Force review HB 218, relating to AHFC loans for senior congregate housing, at its next meeting on September 21. I introduced this bill last session as an encouragement to the private sector to provide congregate housing for senior citizens in Alaska. It received strong support from senior advocacy groups in the state as well as from the Older Alaskans Commission. I believe that this bill may provide part of the solution to the problem of alternative housing for seniors who wish to remain independent as long as possible.

As a result of legislative action taken last session and further consideration of this bill, I have decided to introduce a sponsor substitute for HB 218. The substitute will broaden the definition of borrower to include non-profit groups and governmental entities; in addition, congregate housing projects will not be limited to senior citizen occupancy only. It has become apparent that there are other population groups in the state who would benefit from construction of congregate housing and that they should be included in this bill. The passage of HB 160, the Neighborhood Revitalization Act, opens the door to public-private partnerships for the very purpose that HB 218 originally addressed. For that reason, the definition of borrower should be expanded to include a variety of public purpose groups who may wish to provide congregate housing.

I offer this bill for consideration by the Housing Policy Task Force because I believe there are substantial rewards for Alaska, both financially and socially, in pursuing a policy which seeks to maximize the independence of Alaskans. Women and children at risk, the developmentally disabled, as well as senior citizens, should be

District 4B — Juneau
P.O. Box V • Juneau, Alaska 99811-3100 • (907) 465-4947

assisted to retain their financial and social independence to the greatest extent possible. That independence will free the state from the costly services currently required by citizens unable to live on their own.

Thank you for your consideration of this request. I look forward to the comments of the Task Force on HB 218.

Sincerely,

Fran Ulmer

enclosure
FU/dl

Introduced: 3/13/89
Referred: State Affairs and Finance

IN THE HOUSE BY ULMER AND HUDSON

HOUSE BILL NO. 218

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act extending the authority of the Alaska Housing Finance Corporation to assist in the development of senior citizens' housing; and providing for an effective date."

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

* Section 1. AS 18.56.100(b) is amended to read:

(b) Consistent with AS 18.56.090, the corporation may make temporary and permanent loans from the housing development fund, at an interest rate or rates determined by the corporation, and with the security for repayment that is necessary and practicable, to purchase, make, or participate in the making of mortgage loans

(1) to borrowers for loans to develop, build, repair, remodel, or rehabilitate residential housing for senior citizens and their spouses that is used and occupied as congregate housing; or

(2) that are not federally insured or guaranteed for residential housing, if the corporation determines that the loans are not otherwise available, wholly or in part, from private lenders upon reasonably equivalent terms and conditions.

* Sec. 2. AS 18.56.100 is amended by adding new subsections to read:

(l) The corporation shall use money in the housing development fund to reduce the interest payable by borrowers who develop housing for senior citizens and their spouses under (b)(1) of this section. The corporation may reduce the interest rate on a loan entered into under (b)(1) of this section and this subsection to one percent less

The primary sponsors of congregate housing have traditionally been nonprofit organizations, especially churches which have targeted the low-to-moderate-income elderly. With the growth in the size and wealth of the nation's elderly population, private developers have entered the market in the 1980's. However, market conditions appear to work against project feasibility in Alaska without some form of public support and without available financing. The relatively small pool of potential senior residents, higher labor and material costs, the absence of affordable financing, and the lack of economies of scale in smaller-sized housing projects make it difficult to create congregate housing which will fall within the financial constraints of even middle income seniors.

It is appropriate for the state to participate in these types of housing projects through a reduced interest rate from the Alaska Housing Finance Corporation. At this time, AHFC is uncertain whether it has the statutory authority in its market stabilization program [AS 18.56.210(a)(5); 2 ch 147 SLA 1988] to provide developer financing for these projects. HB 218 clearly establishes that authority. It is possible that some of the vacated condominium projects in the state would be appropriate for conversion into senior congregate housing by a private developer. This bill provides an incentive for the private developer to take primary responsibility for the creation of this type of housing.

Alaska State Legislature

Representative Fran Ulmer

P.O. Box V
Juneau, Alaska 99811
(907) 465-4947

HOUSE OF REPRESENTATIVES

M E M O R A N D U M
May 1, 1989

TO: Rep. Red Boucher, Chair
House State Affairs Committee

FROM: Rep. Fran Ulmer

RE: HB 218, relating to senior citizens' housing

HB 218 extends the authority of the Alaska Housing Finance Corporation to make mortgage loans to borrowers for the construction, repair, remodel or rehabilitation of residential housing for use as congregate housing for senior citizens. The purpose of this legislation is to address a growing problem within Alaska: the need for housing which combines both privacy and independence with the provision of some services for the elderly. This is a problem for all seniors, regardless of income; the solution must be available to all seniors.

Senior congregate housing is apartment-style living with various services, including one to three meals per day, weekly housekeeping and laundry, transportation, and social/recreational activities. It is intermediate between the fully independent lifestyle of a single family home or apartment and the dependent or skilled-care attention provided in a nursing home. Congregate housing allows ambulatory persons to live independently of their families. Seniors typically emphasize their desire for the degree of privacy which congregate housing provides, as opposed to other types of housing for seniors.

Residents are typically 75 to 85 years old, between the "young retirees" (65 - 74 years old) and the "frail elderly" (85+ years old). Based on detailed 1985 Department of Labor population figures, this age group represents about 24 percent of Alaska seniors statewide. The potential market today in various census areas may be as follows:

Census Area	Est. Seniors 75-85 yrs old
Anchorage	1,630 seniors
Fairbanks	530
Kenai Peninsula	400
Matanuska-Susitna	360
Juneau	300
Ketchikan	190

INDIVIDUAL TIMESPAN:
PRIMARY MORTGAGE INSURANCE CLAIM FILING UNTIL PRIMARY MORTGAGE INSURANCE PAYMENT

AHFC requires primary mortgage insurers to pay claims within 60 days after claims are received. Table 4 shows the average elapsed time from the primary mortgage insurance claim filing date until the date the claim was paid. As shown, the average insurance claim was not paid within the 60 day timeframe.

Timeliness for this portion of the foreclosure process is mainly the responsibility of the primary mortgage insurer. It is included in our analysis because the servicer can influence payment timeliness by preparing adequately documented claims and following up in cases where payment is not timely.

TABLE 4

SUMMARY OF AVERAGE TIMESPANS
BETWEEN PRIMARY INSURANCE CLAIM
AND RECEIPT OF INSURANCE PAYMENT

Period	# Loans Analyzed	Average Number of Days Before Insurance Claim Payment
FY 1986	3	81
FY 1987	17	115
FY 1988	995	80
FY 1989	627	72
TOTAL LOANS	1,642	AVERAGE 78 DAYS

There are few loans in this timespan for 1986 and 1987 because the mortgage insurance filing date is a relatively new date field in the mortgage loan system.

FY 1989 loans include those for which both dates were available and for which the insurance claim was paid in FY 1989 by November 9, 1988. The foreclosure process may have begun in prior years.

Table 4 summarizes the data in Appendix D, which shows average timespans ranging from 48 days to 609 days, and noncompliance for most loans.

COMBINED TIMESPANS:
LOAN DELINQUENCY
UNTIL LOAN FORECLOSURE

AHFC has not defined a maximum standard timeframe from loan delinquency until loan foreclosure in written policy. Allowable maximum time can be inferred to be approximately 260 days. This consists of 110 days between the delinquency date and the date AHFC gives permission to foreclose, and 150 days between the permission to foreclose date and foreclosure.

Table 5 shows that the period to foreclose loans has increased steadily between FY 1986 and FY 1989. The FY 1989 foreclosed loan took more than 100 days longer than the inferred 260 maximum. Although there is no absolute standard for evaluating servicer timeliness between delinquency and foreclosure, the derived 260 benchmark is useful for comparative purposes.

TABLE 5

SUMMARY OF AVERAGE TIMESPANS
BETWEEN LOAN DELINQUENCY AND LOAN FORECLOSURE

Period	# Loans Analyzed	Average Number of Days Before Foreclosure
FY 1986	554	283
FY 1987	1,817	312
FY 1988	2,813	348
FY 1989	1,167	377
TOTAL LOANS	6,351	AVERAGE 337 DAYS

For this timespan, 1989 loans include those for which both dates were available and for which foreclosure was completed in FY 1989 by November 9, 1988.

Average processing time from loan delinquency until loan foreclosure for FY 1986-1989 is shown by servicer in Appendix E. This table, as have others, shows that average processing time has increased steadily for some servicers and that most servicers did not complete their foreclosures within 260 days of delinquency.

COMBINED TIMESPANS:
LOAN FORECLOSURE
UNTIL PRIMARY INSURANCE PAYMENT

Combined timespans that cover servicer responsibility to file primary mortgage insurance claims (60 days) and the insurer's responsibility to pay claims (60 days) are shown in Appendix F, and summarized in Table 6, below. This shows improvement in

FY 1989, and overall performance that has not deviated significantly from AHFC's 120 standard for this timespan.

TABLE 6

SUMMARY OF AVERAGE TIMESPANS
BETWEEN LOAN FORECLOSURE AND PRIMARY INSURANCE PAYMENT

Period	# Loans Analyzed	Average Number of Days Before Payment Receipt
FY 1986	249	142
FY 1987	1,103	148
FY 1988	2,828	162
FY 1989	789	125
TOTAL LOANS	4,969	AVERAGE 152 DAYS

This includes foreclosed loans for which both dates were available and for which primary mortgage insurance payment was received in FY 1989 by November 9, 1988.

COMBINED TIMESPANS:
LOAN DELINQUENCY
UNTIL PRIMARY INSURANCE PAYMENT

Finally we present a view of the entire period from loan delinquency to primary mortgage insurance claim recovery.

Table 7 shows a steady and substantial increase in the length of time it takes to move an uncollectible loan through the foreclosure process and ultimately to collect primary mortgage insurance payments.

TABLE 7

SUMMARY OF AVERAGE TIMESPANS
BETWEEN LOAN DELINQUENCY AND PRIMARY INSURANCE PAYMENT

Period	# Loans Analyzed	Average Number of Days Before Payment Receipt
FY 1986	225	333
FY 1987	1,061	385
FY 1988	2,837	460
FY 1989	789	482
TOTAL LOANS	4,912	AVERAGE 441 DAYS

FY 1989 loans include foreclosed loans for which both dates were available and for which primary mortgage insurance payment was received in FY 1989 by November 9, 1988.

AHFC has not formally defined its maximum requirements for this overall timeframe. Allowable maximum time can be inferred as 380 days (approximately 13 months). This consists of 110 days between delinquency and permission to foreclose, 150 days between the permission date and foreclosure, and 120 days from foreclosure to receipt of primary mortgage insurance claim payment.

Appendix G illustrates the average processing time for this combined timespan by servicer. This table shows that processing time increased steadily for some servicers more than others.

CONCLUSIONS AND RECOMMENDATIONS

The downturn of Alaska's economy and subsequent increase in foreclosures played a major role in increasing servicer processing times for foreclosures. Regardless of the causes, AHFC must increase its own efficiencies and servicer monitoring efforts to help offset the effect of external events.

Considering the large number of loans in its portfolio, AHFC needs the efficiency of additional automated reports that bring attention to loans which are delinquent or remain in key phases of foreclosure for lengthy periods. For example, aging reports are needed to disclose elapsed days for:

- loans more than 95 days delinquent (or 75 days if time requirements change) for which no form #SER-71 has been received; and
- loans where more than 150 days have passed since AHFC gave permission to foreclose but foreclosure has not yet occurred.

Automated date arithmetic performed on each loan can highlight loans most needing AHFC and servicer attention. Aging reports should go beyond simply categorizing loans in the usual ranges of delinquency (30, 60, 90, and more than 120 days). Actual time lags should be computed and displayed.

AHFC already captures data on magnetic media which can be used to produce monthly aging reports with summary and detail information.

Our analysis shows that some loans are not foreclosed for a long time after permission is given to foreclose. Quick foreclosures are not always the best course of action, however. An aging report designed specifically to monitor loans after permission to foreclose is given will help AHFC by highlighting cases where foreclosure time appears unreasonably long. This information will facilitate timely follow-up by AHFC staff and also provide overview information for management.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY
AND PERMISSION TO FORECLOSE

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
ALASKA FEDERAL SAVINGS AND LOAN	148	7	108	22	127	26			122	55
FIRST NATIONAL BANK OF ANCHORAGE	126	125	134	376	137	341	216	2	134	844
FRONTIER ALASKA STATE CREDIT UNION	105	5	128	14	160	10			135	29
SPOKANE MORTGAGE COMPANY	128	14	169	3					135	17
MT. MCKINLEY MUTUAL SAVINGS			128	8	141	17	188	1	139	26
WESTERN MORTGAGE LOAN CORPORATION	138	2	172	19	119	24			142	45
ALASKA USA FEDERAL CREDIT UNION	201	20	130	71	141	112	72	1	143	204
G.M.A.C. MORTGAGE CORPORATION	120	21	112	26	188	33			145	80
NATIONAL BANK OF ALASKA	142	85	146	293	148	362	13	1	146	741
DENALI FEDERAL CREDIT UNION	128	6	115	15	203	11			148	32
ALLIANCE BANK	125	277	135	611	168	670	618	1	148	1559
COMMONWEALTH WESTERN MORTGATE CORPORATION	134	19	141	40	177	38			154	97
GOLDOME REALTY CREDIT CORPORATION	195	63	179	64	142	209			159	335
SEAFIRST MORTGAGE COMPANY	143	12	173	32	169	30			167	74
B.M. BEHRENDS BANK	205	2	199	31	122	24			167	57
RAINIER BANK ALASKA	167	83	175	219	162	67	305	3	172	372
FIREMAN'S FUND MORTGAGE COMPANY	165	64	177	321	197	346	247	1	186	732
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	176	41	158	26	262	19	249	1	190	87
HOME SAVINGS & LOAN	164	37	190	56	199	117			190	210
FIRST FEDERAL BANK OF ALASKA	193	7	154	6	202	19			191	32
ALASKA STATEBANK	143	30	211	24	274	17			197	71
FIRST NATIONAL BANK OF FAIRBANKS	240	33	233	84	259	87	540	1	247	205
KEY PACIFIC MORTGAGE COMPANY	202	18	221	58	279	70	280	1	247	147
TOTAL LOANS		971		2,419		2,648		13		6,051
AVERAGE DAYS - ALL SERVICERS	150		155		170		273		161	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN PERMISSION TO FORECLOSE
AND LOAN FORECLOSURE

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
SPOKANE MORTGAGE COMPANY	106	13	142	10					122	23
MT. MCKINLEY MUTUAL SAVINGS	114	1	109	10	150	17	146	4	136	32
ALASKA FEDERAL SAVINGS AND LOAN	163	7	140	20	130	33	170	6	140	66
FIRST NATIONAL BANK OF ANCHORAGE	119	103	135	345	154	381	171	138	146	967
RAINIER BANK ALASKA	124	45	170	193	138	158	163	26	153	422
ALASKA STATEBANK	127	58	156	27	218	30	138	5	157	120
NATIONAL BANK OF ALASKA	127	70	144	245	161	373	185	158	158	846
FIRST FEDERAL BANK OF ALASKA	153	10	141	12	164	15	198	9	162	46
HOME SAVINGS & LOAN	115	29	173	67	176	94	170	53	167	243
GOLDOME REALTY CREDIT CORPORATION	104	37	174	80	165	157	208	90	171	364
ALLIANCE BANK	129	197	162	540	193	833	226	244	181	1814
WESTERN MORTGAGE LOAN CORPORATION			183	11	209	32	171	16	194	59
ALASKA USA FEDERAL CREDIT UNION	98	10	179	47	199	92	214	68	195	217
FIRST NATIONAL BANK OF FAIRBANKS	146	25	167	56	212	97	242	53	201	231
SEAFIRST MORTGAGE COMPANY	204	7	259	27	176	44	150	8	202	86
KEY PACIFIC MORTGAGE COMPANY	137	5	189	39	199	73	230	44	203	161
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	182	16	207	53	201	29	249	13	207	111
DENALI FEDERAL CREDIT UNION	131	4	178	8	235	14	230	7	208	33
G.M.A.C. MORTGAGE CORPORATION	168	12	219	26	228	33	188	23	208	94
B.M. BEHRENDS BANK	164	3	174	9	218	50	337	5	219	67
FIREMAN'S FUND MORTGAGE COMPANY	191	25	200	187	229	401	229	169	221	782
FRONTIER ALASKA STATE CREDIT UNION	188	3	176	10	234	17	347	3	223	33
COMMONWEALTH WESTERN MORTGATE CORPORATION	235	19	231	30	244	46	226	24	236	119
TOTAL LOANS		699		2052		3019		1166		6,936
AVERAGE DAYS - ALL SERVICERS	134		165		186		207		178	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN LOAN FORECLOSURE AND
PRIMARY MORTGAGE INSURANCE CLAIM FILING

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
FRONTIER ALASKA STATE CREDIT UNION					9	5	9	1	9	6
GOLDOME REALTY CREDIT CORPORATION			15	6	8	96	14	64	11	166
MT. MCKINLEY MUTUAL SAVINGS					12	7			12	7
ALASKA USA FEDERAL CREDIT UNION					12	50	16	37	14	87
SPOKANE MORTGAGE COMPANY			16	1					16	1
DENALI FEDERAL CREDIT UNION					14	7	18	8	16	15
RAINIER BANK ALASKA	19	1	11	11	21	70	21	12	20	94
ALASKA STATEBANK					20	11			20	11
FIRST NATIONAL BANK OF ANCHORAGE			18	8	21	199	20	93	21	300
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA			64	1	26	11	16	3	27	15
G.M.A.C. MORTGAGE CORPORATION					25	14	44	4	29	18
HOME SAVINGS & LOAN			27	3	31	32	22	3	30	38
FIRST FEDERAL BANK OF ALASKA					24	4	40	3	31	7
ALASKA FEDERAL SAVINGS AND LOAN					35	21	6	3	31	24
WESTERN MORTGAGE LOAN CORPORATION			14	2	8	10	100	4	32	16
FREMAN'S FUND MORTGAGE COMPANY	42	1	74	14	34	232	25	42	35	289
NATIONAL BANK OF ALASKA			29	4	33	147	52	98	40	249
B.M. BEHRENDS BANK					39	19	54	9	44	28
ALLIANCE BANK	8	1	42	15	47	451	37	174	44	641
FIRST NATIONAL BANK OF FAIRBANKS	50	3	62	7	55	39	56	47	56	96
KEY PACIFIC MORTGAGE COMPANY			89	3	84	43	61	19	78	65
SEAFIRST MORTGAGE COMPANY	28	1	153	1	89	13	54	6	79	21
COMMONWEALTH WESTERN MORTGATE CORPORATION			16	1	99	25	39	9	81	35
TOTAL LOANS		7		77		1506		639		2,229
AVERAGE DAYS - ALL SERVICERS	35		42		36		35		36	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX C

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN PRIMARY MORTGAGE INSURANCE CLAIM
AND RECEIPT OF INSURANCE PAYMENT

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
B.M. BEHRENDS BANK					52	16	39	8	48	24
FIRST FEDERAL BANK OF ALASKA					46	3	59	2	51	5
DENALI FEDERAL CREDIT UNION					44	6	64	4	52	10
MT. MCKINLEY MUTUAL SAVINGS					66	5	42	1	62	6
NATIONAL BANK OF ALASKA			94	1	71	89	66	60	69	150
ALLIANCE BANK			126	3	70	252	69	215	70	470
FIRST NATIONAL BANK OF ANCHORAGE			60	1	73	136	67	94	71	231
ALASKA USA FEDERAL CREDIT UNION					71	35	74	34	72	69
FRONTIER ALASKA STATE CREDIT UNION					74	3	70	1	73	4
GOLDOME REALTY CREDIT CORPORATION					90	66	62	56	77	122
FIREMAN'S FUND MORTGAGE COMPANY	126	1	101	2	84	162	88	74	86	239
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA					91	9	72	3	86	12
HOME SAVINGS & LOAN			35	1	89	28	106	4	89	33
ALASKA FEDERAL SAVINGS AND LOAN					72	11	110	10	90	21
RAINIER BANK ALASKA	56	1	127	3	93	71	62	10	90	85
COMMONWEALTH WESTERN MORTGATE CORPORATION					87	15	116	4	93	19
ALASKA STATEBANK					109	6	62	2	97	8
WESTERN MORTGAGE LOAN CORPORATION					110	4	79	2	100	6
FIRST NATIONAL BANK OF FAIRBANKS	62	1	154	5	113	32	69	20	100	58
SEAFIRST MORTGAGE COMPANY					162	7	50	8	102	15
KEY PACIFIC MORTGAGE COMPANY			29	1	114	34	76	11	103	46
G.M.A.C. MORTGAGE CORPORATION					127	5	91	3	114	8
SPOKANE MORTGAGE COMPANY							609	1	609	1
TOTAL LOANS		3		17		995		627		1,642
AVERAGE DAYS - ALL SERVICERS	81		115		80		72		78	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX D

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY
AND LOAN FORECLOSURE

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
ALASKA FEDERAL SAVINGS AND LOAN	327	6	239	17	250	32	286	6	258	61
SPOKANE MORTGAGE COMPANY	257	10	261	7					259	17
MT. MCKINLEY MUTUAL SAVINGS			216	8	291	15	294	4	269	27
FIRST NATIONAL BANK OF ANCHORAGE	223	67	264	304	288	360	316	138	279	869
NATIONAL BANK OF ALASKA	252	49	281	210	312	347	330	158	303	764
RAINIER BANK ALASKA	294	39	335	173	312	144	327	26	322	382
ALLIANCE BANK	264	165	289	467	348	772	375	244	327	1648
GOLDOME REALTY CREDIT CORPORATION	321	30	355	75	308	146	351	90	331	341
WESTERN MORTGAGE LOAN CORPORATION			328	6	372	24	283	16	335	46
ALASKA USA FEDERAL CREDIT UNION	300	10	336	39	327	90	352	68	336	207
ALASKA STATEBANK	268	41	311	22	452	26	447	5	338	94
SEAFIRST MORTGAGE COMPANY	361	7	369	27	348	37	299	8	351	79
G.M.A.C. MORTGAGE CORPORATION	272	9	337	19	375	32	371	23	354	83
HOME SAVINGS & LOAN	284	22	348	58	375	89	359	53	355	222
DENALI FEDERAL CREDIT UNION	241	4	294	7	371	14	451	7	355	32
FRONTIER ALASKA STATE CREDIT UNION	288	2	276	9	403	15	485	3	364	29
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	367	16	353	50	367	22	457	13	372	101
FIRST FEDERAL BANK OF ALASKA	358	8	404	3	364	14	397	9	375	34
B.M. BEHRENDS BANK	282	3	363	6	377	49	434	5	376	63
COMMONWEALTH WESTERN MORTGATE CORPORATION	368	16	351	28	395	45	409	24	383	113
FIREMAN'S FUND MORTGAGE COMPANY	356	24	375	193	406	387	425	170	401	774
FIRST NATIONAL BANK OF FAIRBANKS	379	22	381	50	460	88	509	53	445	213
KEY PACIFIC MORTGAGE COMPANY	314	4	378	39	435	65	540	44	44[illegible]	152
TOTAL LOANS		54		1817		2813		1167		6,351
AVERAGE DAYS - ALL SERVICERS	283		312		348		377		337	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX E

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN LOAN FORECLOSURE
AND PRIMARY MORTGAGE INSURANCE PAYMENT

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY [illegible] AVERAGE DAYS	FY [illegible] # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
DENALI FEDERAL CREDIT UNION	65	2	58	7	80	11	80	4	72	24
MT. MCKINLEY MUTUAL SAVINGS			79	7	83	11	65	2	80	20
B.M. BEHRENDS BANK	228	1	127	7	105	30	154	10	121	48
FRONTIER ALASKA STATE CREDIT UNION	106	1	152	4	127	8	82	2	126	15
RAINIER BANK ALASKA	103	14	111	102	143	234	128	18	132	368
ALASKA FEDERAL SAVINGS AND LOAN	185	2	173	16	98	26	147	11	133	55
FIRST NATIONAL BANK OF ANCHORAGE	146	39	144	193	142	415	110	104	138	751
ALASKA USA FEDERAL CREDIT UNION	117	6	135	17	163	88	91	41	139	152
NATIONAL BANK OF ALASKA	154	25	135	146	145	319	127	74	140	564
WESTERN MORTGAGE LOAN CORPORATION			173	1	162	20	98	6	148	27
ALLIANCE BANK	124	72	140	313	162	736	131	231	150	1352
GOLDOME REALTY CREDIT CORPORATION	160	15	165	40	166	149	98	62	150	266
FIREMAN'S FUND MORTGAGE COMPANY	227	5	144	62	166	349	128	120	156	536
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	178	7	150	37	164	44	86	4	156	92
SEAFIRST MORTGAGE COMPANY			184	14	187	43	117	17	179	74
HOME SAVINGS & LOAN	126	8	204	26	186	75	124	24	175	133
FIRST FEDERAL BANK OF ALASKA	170	5	204	7	177	11	107	2	178	25
KEY PACIFIC MORTGAGE COMPANY	131	3	135	8	213	71	190	18	200	100
ALASKA STATEBANK	147	25	219	26	237	32	148	3	202	86
COMMONWEALTH WESTERN MORTGATE CORPORATION	155	8	218	19	224	42	162	6	210	75
FIRST NATIONAL BANK OF FAIRBANKS	193	5	217	26	233	83	166	25	217	139
G.M.A.C. MORTGAGE CORPORATION	266	2	233	11	232	28	163	4	228	45
SPOKANE MORTGAGE COMPANY	114	4	212	14	375	3	625	1	235	22
TOTAL LOANS		249		1103		2828		789		4,969
AVERAGE DAYS - ALL SERVICERS	142		148		162		125		152	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY
AND PRIMARY MORTGAGE INSURANCE PAYMENT

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
MT. MCKINLEY MUTUAL SAVINGS			215	6	300	11	332	2	277	19
ALASKA FEDERAL SAVINGS AND LOAN	455	2	430	15	308	26	399	11	366	54
FIRST NATIONAL BANK OF ANCHORAGE	259	33	353	185	392	417	429	104	382	739
DENALI FEDERAL CREDIT UNION	264	2	309	7	397	11	555	4	387	24
NATIONAL BANK OF ALASKA	246	23	356	143	407	319	447	74	393	559
RAINIER BANK ALASKA	371	14	362	100	446	235	456	18	421	367
ALLIANCE BANK	333	67	348	299	447	743	486	231	426	1340
FIRST FEDERAL BANK OF ALASKA	500	5	349	6	446	11	486	2	436	24
FRONTIER ALASKA STATE CREDIT UNION	324	1	442	4	462	9	400	2	441	16
ALASKA USA FEDERAL CREDIT UNION	406	6	381	17	463	88	432	41	443	152
GOLDOME REALTY CREDIT CORPORATION	257	13	493	36	465	150	405	82	444	261
WESTERN MORTGAGE LOAN CORPORATION			516	1	437	19	489	6	452	26
SPOKANE MORTGAGE COMPANY	247	2	433	13	626	3	588	1	452	19
B.M. BEHRENDS BANK	570	1	291	7	488	30	475	10	458	48
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	346	7	501	37	448	43	553	4	466	91
ALASKA STATEBANK	341	19	417	25	560	32	758	3	470	79
SEAFIRST MORTGAGE COMPANY			486	14	502	42	451	17	487	73
HOME SAVINGS & LOAN	405	8	412	23	528	75	477	24	490	130
G.M.A.C. MORTGAGE CORPORATION	690	2	402	8	540	28	552	4	522	42
FIREMANS FUND MORTGAGE COMPANY	468	5	491	62	536	350	547	120	533	537
COMMONWEALTH WESTERN MORTGATE CORPORATION	465	7	524	19	549	42	605	6	539	74
FIRST NATIONAL BANK OF FAIRBANKS	468	5	509	26	591	82	625	25	577	138
KEY PACIFIC MORTGAGE COMPANY	238	3	479	8	589	71	644	18	580	100
TOTAL LOANS		225		1061		2837		789		4,912
AVERAGE DAYS - ALL SERVICERS	333		385		460		482		441	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX G

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

OFFICE OF
MANAGEMENT & BUDGET

April 28, 1989

MAY 3 1989

AUDIT AND MANAGEMENT
SERVICES

Mr. John Lucas
State of Alaska
Office of the Governor
Office of Management & Budget
Division of Audit & Management Services
P. O. Box AM
Juneau, AK 99811

Dear Mr. Lucas:

First let me apologize on behalf of the Corporation for not responding earlier with respect to the audit in question outlined in your April 26, 1989 letter. Somewhere in the process of the management change of our Corporation, the responsibility for responding to the above mentioned audit was overlooked. Both Tom And myself, as well as pertinent staff members, have found the contents to be extremely accurate as well as extremely helpful. Currently we are in the middle of negotiations with one of our pool insurers that addresses the very issues brought out in the audit of February, 1989.

It is my understanding that in the past AHFC had recognized the need to monitor seller/servicers. In late 1987, as part of a continuing monitoring effort, an audit department was established. It was established to coordinate and direct the seller/servicer monitoring function. At the beginning it was intended to staff the department with two auditors. Their primary function was to plan, execute and follow-up on off-site audits. Evaluations of the seller/servicers' performance would result from audit findings as well as management reports. One position was filled and the department began to function as planned. Several audits were performed and management reports were developed.

The audit and monitoring functions began to deteriorate as other organizational priorities arose and decisions had to be made concerning the deployment of limited personnel resources. The department also spent considerable time auditing seller/servicers concerning whether they had primary mortgage insurance in force on all required loans. The nature of this was critical to the Corporation, in that, if primary was lost AHFC may have significant loss exposure in the event the servicer did not have the ability or desire to repurchase the loan.

LP2

Introduced: 3/13/89
Referred: State Affairs and
Finance

6-1011A

IN THE HOUSE BY ULMER AND HUDSON

HOUSE BILL NO. 218

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act extending the authority of the Alaska Housing Finance Corporation to assist in the development of senior citizens' housing; and providing for an effective date."

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

* Section 1. AS 18.56.100(b) is amended to read:

(b) Consistent with AS 18.56.090, the corporation may make temporary and permanent loans from the housing development fund, at an interest rate or rates determined by the corporation, and with the security for repayment that is necessary and practicable, to purchase, make, or participate in the making of mortgage loans

(1) to borrowers for loans to develop, build, repair, remodel, or rehabilitate residential housing for senior citizens and their spouses that is used and occupied as congregate housing; or

(2) that are not federally insured or guaranteed for residential housing, if the corporation determines that the loans are not otherwise available, wholly or in part, from private lenders upon reasonably equivalent terms and conditions.

* Sec. 2. AS 18.56.100 is amended by adding new subsections to read:

(l) The corporation shall use money in the housing development fund to reduce the interest payable by borrowers who develop housing for senior citizens and their spouses under (b)(1) of this section. The corporation may reduce the interest rate on a loan entered into under (b)(1) of this section and this subsection to one percent less

than the interest rate payable on the corporation's bonds issued under AS 18.56.110 - 18.56.170 for development of the project. If a project developed by a borrower with a reduced interest subsidy made under this subsection ceases to be used for senior citizen congregate housing, the corporation shall adjust the interest rate payable on the unpaid balance of the loan to the prevailing rate of interest charged by the corporation on loans made for other residential purposes; but may not reduce the interest rate payable below the subsidized rate

(m) The corporation shall adopt regulations to implement (b)(1) and (1) of this section that

(1) determine borrower eligibility;

(2) define procedures for the application, review, and approval of authorized loans;

(3) establish loan guidelines, loan terms, and acceptable security for loans; and

(4) identify characteristics of housing projects eligible for loans.

(n) In (b)(1), (1), and (m) of this section

(1) "congregate housing" means a multi-family group-living building that contains individual residence areas and common facilities for congregate living;

(2) "senior citizen" means a resident of the state who is 65 years of age or older.

* Sec. 3. This Act takes effect July 1, 1989.

March 15, 1989

C. E. "Swack" Swackhammer
Box V
Juneau, Ak 99811

ref. Letter dated 2/28/89 - Sr congregate housing

Dear Swack,

I'm somewhere between Seattle + Wash., D.C., hence - no type writer, etc. for traditional response. Will be attending American Assoc of Aging convention. Hope to pick up materials on housing there.

March 30-31 I'll be in Juneau because I'm on AHMC Housing Policy Development Commission as senior housing advocate. My sub-committee has come up with some very specific recommendations for submitting to the Governor next year. I'd be happy to share with you or your staff. I'll be staying at the Westmark and our meetings should last the about 4 PM or I could probably "sneak out" if I had to do so. But you might be interested in sending a staff person to some sessions of our meetings.

I'm not surprised that Kiran suspects as Mary Conrad found out, to build on the medical model is extremely costly. (p13 - p. 14 3/3 your attachment) We had an engineer (the committee I'm on) give us a cost comparison of:

$300 sq. ft = medical model const.
$90 " " = conventional const cost

What we're looking (committee) at are some regulations that need to be changed in order to make the construction of congregate housing affordable and profitable for developers + non-profits. A specific example is the "Bed + Board Regs" which apply to everyone except seniors and are what is needed by seniors. Also take a look at Residential Level I + II reg's. They're based on a medical model.

There's a fine line between medical and social models:

social ← → medical

"Isn't it time to take your medicine?" "Take this medicine."

The same problem is found in all of Alaska's programs dealing with seniors and that's what's making costs of Day Care programs, housing, Pioneer homes so expensive. Everything is based on a medical model.

Homer Senior Citizens has applied for a direct grant from the Admin. on Aging in D.C. for a grant for a "field initiated research and demonstration model" to prove that even in a rural community, an adult day care can be cost effect. Keep your fingers crossed for us.

But back to the whole concept of social versus medical — research shows that only 6% of the population ever needs a medical model type of care. Medical models say — "Let's build a building that has services and lots of specialized personnel, then fill it with people." Social models say — "Here are the people. Let's take the people to where the only once a week service is that they may need if the service is

not mobile, otherwise, let's take the services to the people."

Maybe part of the reasons Alaskans are unwilling to pay high prices is because Alaska builds such "Tahj Ma Hals" (I'd look that up if planes had dictionaries) that cost so much to operate! I've never had trouble placing a low income senior in Homer who has realized he can no longer live in the Olson Mt cabin he built. There's plenty of low-income space + even the voucher system. The problem lies elsewhere.

I'll be on the east coast until the 28th - fly to Juneau the 29th. If you're interested in continuing what could turn into a book in Juneau, leave word at Homer Senior Center 1-235-7655 before the 29th or at the West Mark 29-31 in Juneau.

Pioneer homes have become nursing homes charging congregate living or low prices. Why? because of cases like the senior I sent to Palmer last week who needed someone

to remind her to take her medicine, be aware if she walked out at night because she hadn't, etc. What Alaska needs is the "assisted" living congregate housing — not the medical model.

Velma Ellyson
P.O. Box 1964
Homer, Ak 99603

Introduced: 3/23/89
Referred: Labor and Commerce

IN THE SENATE

BY THE SPECIAL COMMITTEE ON BANKING AND ECONOMIC DEVELOPMENT

SENATE CONCURRENT RESOLUTION NO. 27

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

Urging the Alaska Housing Market Council to develop a statewide housing policy for the decade of the 1990's.

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

WHEREAS, since the first initiatives of Alaska's territorial legislature in 1945 to improve housing, state housing policy has developed randomly, in response to real and perceived needs and to the demands made by groups within the state; and

WHEREAS, while principal responsibility for development and implementation of a comprehensive housing policy was first assigned to the Alaska State Housing Authority, subsequent legislation has since extended elements of that policy to the Alaska Housing Finance Corporation and regional housing authorities (ch. 107, SLA 1971), the housing assistance division of the Department of Community and Regional Affairs (ch. 106, SLA 1980), the Alaska Industrial Development and Export Authority (ch. 113, SLA 1982), and, most recently, the Alaska Housing Market Council; and

WHEREAS the Alaska Housing Market Council, created by Administrative Order No. 94, is composed of members of the Alaska State Building Authority, Alaska Housing Finance Corporation, rural development division of the Department of Community and Regional Affairs, the Alaska Industrial Development and Export Authority, the Alaska Permanent Fund Corporation, and other public members for the purpose of coordinating interagency housing policy; and

WHEREAS development and implementation of housing policy must take into account the roles and responsibilities of various federal agencies and

consider significant groups who contribute to the development of a housing market, including particularly building contractors and lending institutions; and

WHEREAS recent changes in the state economy and federal budgets have affected the need and demand for housing, leaving surplus housing available in some urban areas but unfulfilled demand in rural parts of the state; and

WHEREAS a review of current state housing programs in light of housing demand and supply and the changing state economy, and development of the draft of a coordinated statewide housing policy would be timely;

BE IT RESOLVED by the Alaska State Legislature that the Governor is respectfully requested to direct the Alaska Housing Market Council to develop the draft of a coordinated statewide housing policy for the State of Alaska as a guideline for the state's housing activities during the 1990's; and be it

FURTHER RESOLVED that the draft of a statewide housing policy should recommend objectives of a statewide housing policy, consider the changing role of each of these state agencies and of the federal government in the planning, development, and financing of essential housing units and services, and recommend whether any one state agency should be assigned principal responsibility for housing policy implementation; and be it

FURTHER RESOLVED that the draft of a statewide housing policy should give attention to changes and modifications of the principal components of the state's current housing programs, including mortgage assistance, the housing needs of low-income families, senior citizens, and residents of rural areas, and the demand for and supply of multi-family housing and rental housing; and be it

FURTHER RESOLVED that the Governor shall submit the draft of the statewide housing policy, together with recommended legislation to make changes recommended and appropriations necessary to implement the draft

policy to the Second Session of the Sixteenth Alaska Legislature not later than January 31, 1990.

Introduced: 4/27/89
Referred: Special Committee on
Banking and Economic Development

6-1050A

IN THE SENATE

BY RODEY, HALFORD, FAIKS, FISCHER AND KELLY

SENATE JOINT RESOLUTION NO. 47

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

Urging the Federal Deposit Insurance Corporation to reconsider its liquidation policies for the real property that it controls in the state.

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

WHEREAS the state continues to experience a severe economic crisis and the real estate market continues to be severely depressed; and

WHEREAS the crisis has caused the failure or instability of many financial institutions in the state, and the Federal Deposit Insurance Corporation has found it necessary to close or restructure several of these financial institutions; and

WHEREAS as a result of closing and restructuring these financial institutions, the Federal Deposit Insurance Corporation presently controls many pieces of real estate in the state that are in danger of foreclosure or that have already been foreclosed; and

WHEREAS due to the amount of real property that the Federal Deposit Insurance Corporation controls in the state, the FDIC plays a significant role in the establishment of real property values in the state; and

WHEREAS because of the important role played by the FDIC in the real property market of the state, the wholesale disposal of the real estate controlled by the FDIC in the state would severely lower property values; and

WHEREAS the FDIC has a policy of expeditious liquidation of real properties that are securing overdue obligations owed to the financial institutions of which it has taken control; and

WHEREAS the marketing of large numbers of these properties at one time would further the economic slowdown in the state, while a more cautious marketing of these properties would help the market to recover and the FDIC to recover more money from their sales;

BE IT RESOLVED that the Alaska State Legislature encourages the Federal Deposit Insurance Corporation to reconsider its present real property liquidation policies and to consider staggering the sale of the properties that it controls in the state in a manner that will help to prevent the real property market in the state from suffering a further decline in property values.

COPIES of this resolution shall be sent to the Honorable Dan Quayle, Vice-President of the United States and President of the U.S. Senate; the Honorable Jim Wright, Speaker of the U.S. House of Representatives; to the Honorable L. William Seidman, Chair of the Board of Directors of the Federal Deposit Insurance Corporation; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

Introduced: 2/6/89
Referred: Labor and Commerce
and Finance

IN THE SENATE

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

SENATE BILL NO. 162

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act reviving the simplified refinancing mortgage loan purchase program of the Alaska Housing Finance Corporation; and providing for an effective date."

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

* Section 1. Section 9, ch. 41, SLA 1987 is repealed.

* Sec. 2. AS 18.56.102, repealed on December 10, 1988 by authority of sec. 9, ch. 41, SLA 1987, is revived. As of the effective date of this Act, AS 18.56.102 will read as follows:

Sec. 18.56.102. SIMPLIFIED REFINANCING MORTGAGE LOAN PURCHASE PROGRAM. (a) The corporation shall establish a simplified refinancing mortgage loan purchase program. Under the simplified refinancing mortgage loan purchase program, the corporation may purchase refinancing mortgage loans to provide relief to borrowers under circumstances described by regulations adopted by the corporation.

(b) AS 18.56.098(c), (e), and (k) apply to refinancing mortgage loans purchased under (a) of this section.

(c) Subject to (d) of this section, the interest rate on a refinancing mortgage loan purchased under (a) of this section is three percent less than the cost to the corporation of the money used to purchase the refinancing mortgage loan, except that if the cost of money

(1) is 10 percent or less, the interest rate is equal to the cost of money; and

(2) is more than 10 percent, the interest rate may not be

less than 10 percent.

(d) If the refinancing mortgage loan is an adjustable rate mortgage loan, the corporation shall establish the initial interest rate as provided in (c) of this section and shall recalculate the interest rate from time to time in accordance with (c) of this section. However, notwithstanding (c)(1) of this section, the corporation may establish a minimum interest rate applicable to an adjustable rate refinancing mortgage loan; the interest rate on the adjustable rate refinancing mortgage loan may not be less than the minimum interest rate so established, regardless of the cost of money to the corporation. The corporation may adopt regulations to implement this section, including regulations to define "cost of money" for purposes of this section. The regulations may provide for recalculation of the cost of money under this subsection at the times and frequencies the corporation considers appropriate. The time and frequency for a recalculation under this subsection is not required to match the time or frequency of a change in the cost of money to the corporation.

(e) Equity extraction may not be allowed under this program.

(f) In this section, "refinancing mortgage loan" means a loan refinancing another mortgage loan owned by the corporation.

* Sec. 3. Regulations adopted to implement AS 18.56.102, revived by sec. 2 of this Act, are also revived and need not be readopted to remain in effect.

* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

Amended: 4/22/89
Offered: 4/20/89
Referred: Rules

6-1099E

Original sponsors: Uehling and Sturgulewski

IN THE SENATE BY THE FINANCE COMMITTEE

CS FOR SENATE CONCURRENT RESOLUTION NO. 28 (Finance) am

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

Establishing a Housing Finance Task Force to review and recommend changes to publicly-assisted residential finance programs.

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

WHEREAS the State of Alaska has created a substantial public financing system designed to assist Alaska homebuyers and has provided more than $1,000,000,000 of capital as well as bonding authority to initiate and sustain these loan programs; and

WHEREAS the management of these loan programs has been assigned to several agencies, including executive departments and public corporations; and

WHEREAS the Alaska residential housing market has evolved tremendously since most of these loan programs were established; and

WHEREAS, due to recent economic hardship, these agencies have taken possession of hundreds of residential properties throughout the state; and

WHEREAS scrutiny of the state's initial capital investment, outstanding bonded indebtedness incurred by these agencies, authorities, and public corporations, and the reinvestment of income earned from residential loans requires the expertise of the agencies, authorities, and public corporations currently involved;

BE IT RESOLVED by the Alaska State Legislature that a Housing Finance Task Force is established to review and analyze the publicly-assisted residential finance programs, including but not limited to housing loan programs managed by the Alaska Housing Finance Corporation and the

Department of Community and Regional Affairs; and be it

FURTHER RESOLVED that the task force shall report to the legislature by the 15th day of the Second Session of the Sixteenth Alaska State Legislature summarizing the financial condition of all state-assisted residential loan programs, guidelines governing each of the loan programs, and the status and condition of any bonds sold to capitalize these loans; and be it

FURTHER RESOLVED that the task force shall review the current subsidies of the loan programs and make recommendations as to the gradual phasing down or elimination of these subsidies, returning to the state its initial investment in the loan programs, the options available to the legislature regarding efficiency changes in the management structure of those programs, and the possibility of privatizing the state's involvement in the residential loan market; and be it

FURTHER RESOLVED that the task force shall review the proposal which would require the Alaska Housing Finance Corporation to purchase mortgage loans from the housing assistance loan fund, the effects of this policy on each of the loan programs, whether the purchases should be at par value or at market value and, if at market value, an appropriate method for determining that value, and the long-term anticipated demand for residential loans through the housing assistance loan fund; and be it

FURTHER RESOLVED that the task force shall consist of 10 members, including three members of the Senate to be appointed by the president of the Senate; three members of the House of Representatives to be appointed by the speaker of the House; the director of the rural development division of the Department of Community and Regional Affairs; the executive director of the Alaska Housing Finance Corporation; the executive director of the Alaska State Housing Authority; and the executive director of the Alaska Housing Market Council; and be it

FURTHER RESOLVED that the Housing Finance Task Force terminates when

1 the task force submits its report.

Introduced: 3/23/89
Referred: Labor and Commerce

IN THE SENATE

BY THE SPECIAL COMMITTEE ON BANKING AND ECONOMIC DEVELOPMENT

SENATE CONCURRENT RESOLUTION NO. 27

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

Urging the Alaska Housing Market Council to develop a statewide housing policy for the decade of the 1990's.

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

WHEREAS, since the first initiatives of Alaska's territorial legislature in 1945 to improve housing, state housing policy has developed randomly, in response to real and perceived needs and to the demands made by groups within the state; and

WHEREAS, while principal responsibility for development and implementation of a comprehensive housing policy was first assigned to the Alaska State Housing Authority, subsequent legislation has since extended elements of that policy to the Alaska Housing Finance Corporation and regional housing authorities (ch. 107, SLA 1971), the housing assistance division of the Department of Community and Regional Affairs (ch. 106, SLA 1980), the Alaska Industrial Development and Export Authority (ch. 113, SLA 1982), and, most recently, the Alaska Housing Market Council; and

WHEREAS the Alaska Housing Market Council, created by Administrative Order No. 94, is composed of members of the Alaska State Building Authority, Alaska Housing Finance Corporation, rural development division of the Department of Community and Regional Affairs, the Alaska Industrial Development and Export Authority, the Alaska Permanent Fund Corporation, and other public members for the purpose of coordinating interagency housing policy; and

WHEREAS development and implementation of housing policy must take into account the roles and responsibilities of various federal agencies and

consider significant groups who contribute to the development of a housing market, including particularly building contractors and lending institutions; and

WHEREAS recent changes in the state economy and federal budgets have affected the need and demand for housing, leaving surplus housing available in some urban areas but unfulfilled demand in rural parts of the state; and

WHEREAS a review of current state housing programs in light of housing demand and supply and the changing state economy, and development of the draft of a coordinated statewide housing policy would be timely;

BE IT RESOLVED by the Alaska State Legislature that the Governor is respectfully requested to direct the Alaska Housing Market Council to develop the draft of a coordinated statewide housing policy for the State of Alaska as a guideline for the state's housing activities during the 1990's; and be it

FURTHER RESOLVED that the draft of a statewide housing policy should recommend objectives of a statewide housing policy, consider the changing role of each of these state agencies and of the federal government in the planning, development, and financing of essential housing units and services, and recommend whether any one state agency should be assigned principal responsibility for housing policy implementation; and be it

FURTHER RESOLVED that the draft of a statewide housing policy should give attention to changes and modifications of the principal components of the state's current housing programs, including mortgage assistance, the housing needs of low-income families, senior citizens, and residents of rural areas, and the demand for and supply of multi-family housing and rental housing; and be it

FURTHER RESOLVED that the Governor shall submit the draft of the statewide housing policy, together with recommended legislation to make changes recommended and appropriations necessary to implement the draft

policy to the Second Session of the Sixteenth Alaska Legislature not later than January 31, 1990.

Introduced: 3/13/89
Referred: State Affairs and Finance

IN THE HOUSE BY ULMER AND HUDSON

HOUSE BILL NO. 218

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act extending the authority of the Alaska Housing Finance Corporation to assist in the development of senior citizens' housing; and providing for an effective date."

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

* Section 1. AS 18.56.100(b) is amended to read:

(b) Consistent with AS 18.56.090, the corporation may make temporary and permanent loans from the housing development fund, at an interest rate or rates determined by the corporation, and with the security for repayment that is necessary and practicable, to purchase, make, or participate in the making of mortgage loans

(1) to borrowers for loans to develop, build, repair, remodel, or rehabilitate residential housing for senior citizens and their spouses that is used and occupied as congregate housing; or

(2) that are not federally insured or guaranteed for residential housing, if the corporation determines that the loans are not otherwise available, wholly or in part, from private lenders upon reasonably equivalent terms and conditions.

* Sec. 2. AS 18.56.100 is amended by adding new subsections to read:

(l) The corporation shall use money in the housing development fund to reduce the interest payable by borrowers who develop housing for senior citizens and their spouses under (b)(1) of this section. The corporation may reduce the interest rate on a loan entered into under (b)(1) of this section and this subsection to one percent less

than the interest rate payable on the corporation's bonds issued under AS 18.56.110 - 18.56.170 for development of the project. If a project developed by a borrower with a reduced interest subsidy made under this subsection ceases to be used for senior citizen congregate housing, the corporation shall adjust the interest rate payable on the unpaid balance of the loan to the prevailing rate of interest charged by the corporation on loans made for other residential purposes; but may not reduce the interest rate payable below the subsidized rate.

(m) The corporation shall adopt regulations to implement (b)(1) and (1) of this section that

(1) determine borrower eligibility;

(2) define procedures for the application, review, and approval of authorized loans;

(3) establish loan guidelines, loan terms, and acceptable security for loans; and

(4) identify characteristics of housing projects eligible for loans.

(n) In (b)(1), (1), and (m) of this section

(1) "congregate housing" means a multi-family group-living building that contains individual residence areas and common facilities for congregate living;

(2) "senior citizen" means a resident of the state who is 65 years of age or older.

* Sec. 3. This Act takes effect July 1, 1989.

Introduced: 3/1/89
Referred: Senate Special Committee on Banking and Economic Development and Finance

6-0925A

BY HALFORD, UEHLING, FAIKS, COGHILL, ELIASON, BINKLEY, ADAMS AND PEARCE

IN THE SENATE

SENATE BILL NO. 200

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act amending the interest rate on mortgage loans purchased by the Alaska Housing Finance Corporation under its special mortgage loan purchase program; and providing for an effective date."

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

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

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $90,000 of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is <u>one</u> [THREE] percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the first $90,000 of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan

purchased under (a) of this section that exceeds $90,000 is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the first $90,000 of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the first $90,000 of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an

additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

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

(i) The interest rate on the first $90,000 of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) as amended, is the greater of (1) <u>two</u> [FOUR] percent less than the cost of funds or (2) the rate for other loans to veterans under <u>(g)(3) of this section</u> [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required under 26 U.S.C. 103A.

* Sec. 3. This Act takes effect July 1, 1989.

IN THE SENATE BY THE FINANCE COMMITTEE

SENATE BILL NO. 245

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act requiring the Alaska Housing Finance Corporation to purchase certain home mortgage loans; and providing for an effective date."

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

* Section 1. Notwithstanding any other provision of law, before January 1, 1990, the Alaska Housing Finance Corporation shall purchase at par value home mortgage loans from the housing assistance loan fund (AS 44.47.380) in an amount of at least $80,000,000.

* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

6-1671A
Chenoweth
10/26/89

IN THE HOUSE BY SWACKHAMMER

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to residential housing assistance provided by the Alaska Housing Finance Corporation."

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

* Section 1. AS 18.56.088(c) is amended to read:

(c) The board may adopt regulations to carry out the purposes of this chapter, and shall adopt regulations necessary for the following purposes:

(1) determination of borrower eligibility including, but not limited to, income limitations and the determination of remote, underdeveloped or blighted areas of the state;

(2) loan guidelines and terms including but not limited to

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

6-1671A
Chenoweth
10/26/89

IN THE HOUSE BY SWACKHAMMER

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to residential housing assistance provided by the Alaska Housing Finance Corporation."

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

* Section 1. AS 18.56.088(c) is amended to read:

(c) The board may adopt regulations to carry out the purposes of this chapter, and shall adopt regulations necessary for the following purposes:

(1) determination of borrower eligibility including, but not limited to, income limitations and the determination of remote, underdeveloped or blighted areas of the state;

(2) loan guidelines and terms including but not limited to maximum loan amounts and required loan-to-value ratios, but excluding mortgage loan interest rates;

(3) characteristics of housing eligible for loans or purchase of loans, including compliance with the requirements of AS 18.56.300; [AND]

(4) the qualifications of loan originators and servicers and the method of allocating amounts available for the purchase of loans; and [.]

(5) establishment of a procedure, including a fee schedule, for the commitment for one year or less of money for the purchase of an individual mortgage loan at a specific interest rate.

* Sec. 2. AS 18.56 is amended by adding a new section to read:

Sec. 18.56.300. CONSTRUCTION STANDARDS FOR HOUSING ELIGIBLE FOR

LOANS OR PURCHASE OF LOANS. (a) The corporation may not make or purchase a housing loan for residential housing constructed after the effective date of this section unless the borrower complies with the provisions of this section.

(b) The corporation may not make or approve purchase of a loan for the construction of a new unit of residential housing or for the purchase of an existing unit of residential housing constructed after the effective date of this section unless

(1) the unit is in compliance with the construction codes of the municipality, if the unit is located within a municipality that has adopted and enforces construction codes and each of those codes meets or exceeds the comparable standards for similar housing established by the state building code; or

(2) the unit is in compliance with the comparable standards for similar housing established by the state building code

(A) if the unit is located

(i) within a municipality whose construction codes do not meet the standards for similar housing established by the state building code;

(ii) within a municipality that does not enforce construction codes; or

(iii) outside a municipality; or

(B) as to each specific code within the construction codes of the municipality that has adopted and enforces construction codes if the specific code does not meet or exceed the comparable standard for similar housing established by the state building code.

(c) As a condition of approval of a loan under this section, the corporation shall require inspection of the unit of residential

housing that is the subject of the loan. The inspection must be performed by a municipal building inspector or by a person who is approved or certified to perform residential inspections by the International Conference of Building Officials. The person who makes the inspection shall determine whether the construction conforms to relevant provisions of the construction codes of the municipality or of the state building code, as applicable, at each of the following stages of construction:

(1) plan approval;

(2) completion of footings and foundations;

(3) completion of electrical installation, plumbing, and framing;

(4) completion of installation of insulation;

(5) final approval.

(d) An action for damages may not be maintained against a person performing an inspection under (c) of this section if the claim is based on the person's inspection or failure to inspect for a violation of the construction codes of the municipality or the state building code, as applicable, as a condition of approval of a housing loan under this chapter.

(e) In this section,

(1) "construction codes" means, with reference to a municipality, the building, mechanical, plumbing, and electrical codes, or any of them that have been adopted and are enforced by the municipality;

(2) "state building code" means

(A) for building and mechanical standards, the minimum building and mechanical code provisions adopted by regulation by the Department of Public Safety under AS 18.70.080;

(B) for plumbing standards, the minimum plumbing code adopted by the Department of Labor under AS 18.60.705; and

(C) for electrical standards, the minimum electrical standards prescribed by AS 18.60.580.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

SECTIONAL ANALYSIS

Chenoweth draft, dated 10/26/89

"An Act relating to residential housing assistance provided by the Alaska Housing Finance Corporation."

SECTION ONE: Incoporates language that refers to new section (AS 18.56.300) that will be added to existing statutes.

SECTION TWO: New section added to AS 18.56.

(a) AHFC may not make or purchase a housing loan unless the borrower complies with the provisions of the new language (as defined under AS 18.56.300).

(b) Outlines the new conditions under which AHFC may make or approve purchase of a loan for the construction of a new unit of residential housing. These conditions include:

(1) Compliance with the construction codes of a municipality, if the building is within a municipality that has adopted and enforces a construction code that meets or exceeds the standards established by the state building code; or

(2) Compliance with the standards established by the state building code if the residential unit is located within a municipality whose construction code does not meet the standards of the state building code, within a municipality that does not enforce a building code, outside a municipality or if a municipal code does not meet the standards as described in state building codes, then the specific state code will take precedence over the code adopted by a municipality.

(c) Requires that the inspection be performed by a municipal building inspector or by a person who is approved or certified by the International Conference of Building Officials. The person who is conducting the inspections will make a determination whether the construction conforms to municipal construction or state building codes at each of these stages of construction:

(1) Plan approval;
(2) Completion of footings and foundations;
(3) Completion of electrical, plumbing and framing;
(4) Completion of installation of insulation; and
(5) Final approval.

(d) A hold harmless clause that protects the person conducting the inspection from claims for damages if the claim is based on the person's inspection or failure to inspect for a violation of the municipal code or the U.B.C. as a condition of approval of a housing loan.

(e) Definitions:
(1) Construction code refers to a municipality, the building, mechanical, plumbing and electrical codes or any of them that have been adopted and enforced by the municipality.
(2) State building code refers to the minimum building and mechanical code adopted by regulation by the Department of Public Safety under A.S. 18.70.080; minimum plumbing code adopted by the Department of Labor under A.S. 18.60.705; and the minimum electrical standards prescribed by A.S. 18.60.580.

Referred: Senate Special Committee on Banking and Economic Development and Finance

BY HALFORD, UEHLING, FAIKS, COGHILL, ELIASON, BINKLEY, ADAMS AND PEARCE

IN THE SENATE

SENATE BILL NO. 200

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act amending the interest rate on mortgage loans purchased by the Alaska Housing Finance Corporation under its special mortgage loan purchase program; and providing for an effective date."

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

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

(g) The corporation shall establish the interest rate on a first mortgage loan purchased under (a) of this section in accordance with the following:

(1) The interest rate on the first $90,000 of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is <u>one</u> [THREE] percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the first $90,000 of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan

purchased under (a) of this section that exceeds $90,000 is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the first $90,000 of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the first $90,000 of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an

additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

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

(i) The interest rate on the first $90,000 of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) as amended, is the greater of (1) <u>two</u> [FOUR] percent less than the cost of funds or (2) the rate for other loans to veterans under <u>(g)(3) of this section</u> [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required under 26 U.S.C. 103A.

* Sec. 3. This Act takes effect July 1, 1989.

Referred: Senate Special Committee on Banking and Economic Development and Finance

BY HALFORD, UEHLING, FAIKS, COGHILL, ELIASON, BINKLEY, ADAMS AND PEARCE

IN THE SENATE

SENATE BILL NO. 200

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act amending the interest rate on mortgage loans purchased by the Alaska Housing Finance Corporation under its special mortgage loan purchase program; and providing for an effective date."

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

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(1) The interest rate on the first $90,000 of a mortgage loan purchased with the proceeds of an issue of taxable bonds of the corporation is <u>one</u> [THREE] percent less than the cost of funds of that issue, except that

(A) if the cost of funds of that issue is less than 10 percent, the interest rate is equal to the cost of funds; and

(B) if the cost of funds of that issue is more than 10 percent, the interest rate may not be less than 10 percent.

(2) An interest rate determined under this subsection on the first $90,000 of a mortgage loan that is not purchased from the proceeds of bonds that are qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980), as amended, shall be reduced by one percentage point if the loan is made to an eligible veteran under AS 18.56.101.

(3) The interest rate for the amount of a mortgage loan

purchased under (a) of this section that exceeds $90,000 is equal to the cost of funds to the corporation attributable to that part of the loan.

(4) The interest rate on the first $90,000 of a mortgage loan purchased with money that is not the proceeds of either taxable or tax-exempt bonds is the rate the corporation determines is appropriate by application of the provision of (1) of this subsection.

(5) The interest rate on the first $90,000 of a mortgage loan purchased from the proceeds of bonds that are exempt from taxation other than bonds that constitute qualified veterans' bonds under (i) of this section, is equal to the interest rate determined under (1) and (2) of this subsection on a loan purchased under (a) of this section from the proceeds of the most recent applicable issue of taxable bonds sold by the corporation. A higher or lower interest rate shall be established on the entire loan amount if required to ensure the tax-exempt status of the bonds.

(6) The corporation shall determine the interest rate on a mortgage loan that is an adjustable rate mortgage loan as provided in this subsection. The corporation shall recalculate the interest rate from time to time based on changes in the cost to the corporation of the funds used to purchase the adjustable rate mortgage loan. However, the corporation may establish a minimum interest rate applicable to an adjustable rate mortgage loan, and the interest rate on the adjustable rate mortgage loan may not be less than the minimum interest rate so established regardless of the cost of funds to the corporation.

(7) In this subsection

(A) "cost of funds" means the true interest cost expressed as a rate on bonds of the corporation plus an

additional percentage as determined by the corporation to represent the allocable expenses of operation, costs of issuance, and mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) issued to finance the purchase of first mortgage loans.

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

(i) The interest rate on the first $90,000 of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under 26 U.S.C. 103A (Mortgage Subsidy Bond Tax Act of 1980) as amended, is the greater of (1) <u>two</u> [FOUR] percent less than the cost of funds or (2) the rate for other loans to veterans under <u>(g)(3) of this section</u> [AS 18.56.098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required under 26 U.S.C. 103A.

* Sec. 3. This Act takes effect July 1, 1989.

IN THE SENATE BY HALFORD

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the interest rate on state loan programs; and providing for an effective date."

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

* Section 1. AS 37.05.035 is amended by adding a new subsection to read:

(b) Notwithstanding any other provision of law, the interest rate for loan programs administered by the state or an instrumentality of the state shall increase by one-half percent October 1 of each year until the interest rate is equal to

(1) the prevailing market rate for each type of loan; or

(2) the cost of funds, if the loan program is financed by the sale of bonds or other indebtedness.

* Sec. 2. This Act takes effect October 1, 1985.

SCOMM

60:4

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) 465-3600

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, 313 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.

(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
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

MEMORANDUM 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

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:

☐ 1031 W 4th AVENUE
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PHONE: (907) 276-3550

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PHONE: (907) 452-1568

☑ POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

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:

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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

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1599 SCOMM 60. HOUSING FINANCE TASK FORCE, 1989 1167

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, 313 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. 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.

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(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

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*/ AS 18.56.020 provides:

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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
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

M E M O R A N D U M

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.

Delinquency Rates*

	Mobile Homes		1st Mortgage Loans	
	10/86	6/87	10/86	6/87
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	19.42%	24.77%	12.24%	15.48%
Real Estate Owned**	9.52%	20.83%	1.82%	3.88%

* 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 loosing 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. 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 ANCIENNE MUTUELLE REASSURANCE, Defendants.	Case No. 3AN-90-____ Civil

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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

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

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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

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.

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.

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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,

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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

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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),

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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,

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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. <u>The Liability of New MGIC and the European Companies to AHFC Under the Assumption Plan</u>

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:

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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

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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

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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.

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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

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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

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

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,

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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.

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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,

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.

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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

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.

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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.

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

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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

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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 emplcying, 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. Baily
ATTORNEY GENERAL
STATE OF ALASKA

Joseph McKinnon

Joseph H. McKinnon
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EXHIBIT A

Mortgage Trust Insurance Policies For Supplemental Insurance

POLICY NO.	POLICY DATE	BOND SERIES	AGGREGATE LOSS LIMIT
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

POLICY NO.	POLICY DATE	BOND SERIES	AGGREGATE LOSS LIMIT
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

POLICY NO.	POLICY DATE	BOND SERIES	AGGREGATE LOSS LIMIT
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

POLICY NO.	POLICY DATE	BOND SERIES	AGGREGATE LOSS LIMIT
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

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

ALASKA STATE HOUSING AUTHORITY

Carl FY1 8

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

Ray Price
Executive Director

Enclosure

ar:c:wp50:lihtc:comment.req

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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.

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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.

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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:

Period	Cutoff Date	% of Annual Credit Ceiling
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.

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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

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ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1600 SCOMM 60 HOUSING FINANCE TASK FORCE, 1989

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.

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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

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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

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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:	38
Total points possible:	92

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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. <u>First Evaluation - Acceptance</u>

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. <u>Second Evaluation - Conditional Allocation</u>

1) Certification of all state, local and federal subsidies.

2) Permanent financing commitments.

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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.

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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.

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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

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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 anrual 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.

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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

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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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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.

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Senior Housing Report. Older Alaskans Commission. September 1989.

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APPENDIX

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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
Kenal	42	74	116
Ketchikan	50	12	62
Kodlak	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 <80% 1980 Census	% of Total Pop Census 1980 Cen.	% of Total Pop. Census Area 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%	32.8%	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%	37.6%	2.5%	2.6%	Kodiak
0.70%	0.61%	1.66%	1.40%			0.6%	37.2%	1.6%	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/Soldotn
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)	

DRAFT

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 New WL	Exist. Units	Sec 8. AA WL	Exist Units	Low Rent WL	Exist Units	Sec. 8 Exist WL	Exist C & V	Waiting Total	Stock 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					26	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.

Approved by governor: May 25, 1971
Actual effective date: 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.

Approved by governor: May 23, 1972
Actual effective date: August 21, 1972

LAWS OF ALASKA

Source	Chapter No.
CSHB 547	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 cooperation 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.

Approved by governor: June 20, 1976
Actual effective date: September 18, 1976

LAWS OF ALASKA

Source HCSSR 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.

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

(e) AS 33.20.010, as re-enacted in sec. 17 of this Act, applies persons serving terms of imprisonment in state correctional institutio or after the effective date of this Act, but is not retroactive in ap tion.

(f) Sections 1 - 12 of this Act do not apply to or govern the co struction of and punishment for any offense committed before the effe date of this Act or the construction or application of any defense to a prosecution for the offense. An offense shall be construed and punish according to the law existing at the time of the commission of the offe the same manner as if this Act had not become law.

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

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

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

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 corporation is conducted and the manner in which its powers are exercised. The board shall delegate supervision of the

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 & 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.

LAWS OF ALASKA

Source
FCCSHB 20

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

(i) 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 (i) of this section does not apply to the first two weeks for which extended benefits are payable to an individual (determined without regard to (i) 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

[redacted]

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.

Approved by the Governor: July 27, 1981
Actual Effective Date: July 28, 1981

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 on 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

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 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.

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

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

* Sec. 4. This Act takes effect immediately in accordance with AS 44. 10.070(c).

LAWS OF ALASKA

[redacted]

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 Dukeda Lock
President

cc: Alaska Housing Finance
Task Force Committee
Members



ALASKA

16th LEGISLATURE

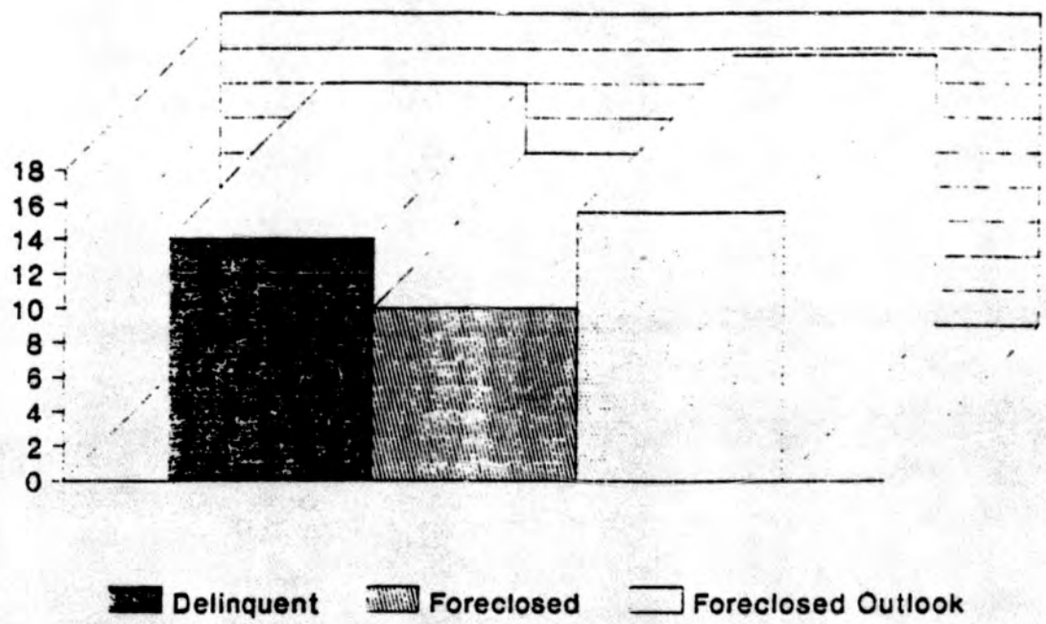
State Loan Programs

Presentation

HOUSE FINANCE COMMITTEE

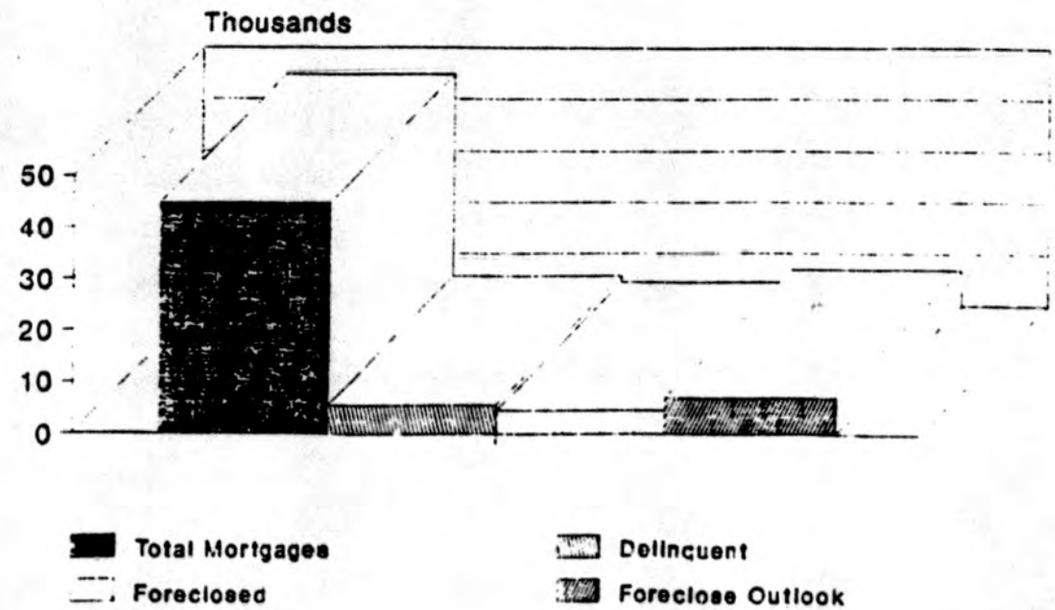
REP. C.E. SWACKHAMMER

AHFC
Non-Performing



% of Total Loans

AHFC
Status Comparison



Thousands of Loans

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	-26,0C1.0
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

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

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

House of Representatives

M E M O R A N D U M

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair, HFTF

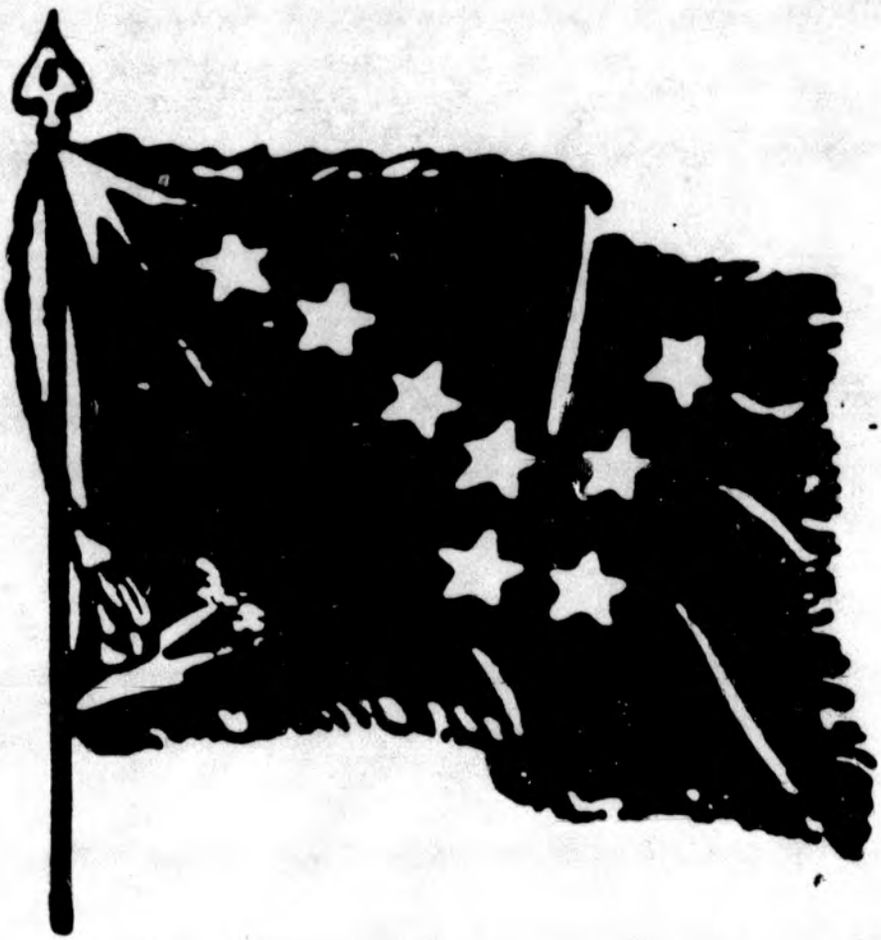
DATE: August 18, 1989

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 a 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 ½ 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	Telephone Number ( )
Mailing Address (Street/P.O. Box, City, State, Zip Code)	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 owing 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 Owing
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 ☐ 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: 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 Owing
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 ☐ 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: 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

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
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

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
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

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
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

08-936 (Rev. 3/89)

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 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

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 _____

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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

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

URGENT
Please Reply
Within 48 Hours
LOAN PENDING

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Name of Financial Institution _____

Checking Account Number _____ Savings Account Number _____

Loan Number _____ Loan Number _____

Address _____

City _____ State _____ Zip _____

Applicant's Signature _____ Date _____

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BANK VERIFICATION OF FINANCIAL INFORMATION
(For Bank Use Only)

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

Loa	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 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

URGENT
Please Reply
Within 48 Hours
LOAN PENDING

EMPLOYMENT VERIFICATION

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.

-9,752,100.00	FY 82 rural funds expended
-6,576,400.00	FY 82 urban funds expended
$23,677,825.00	FY 82 carry forward
+ 551,750.00	FY 81 carry forward *
$24,229,575.00	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	FY 83 appropriation
24,229,575.00	FY 82 carry forward
$69,229,575.00	TOTAL AVAILABLE FUNDS
- 6,358,292.61	FY 83 urban funds expended
- 8,869,200.14	FY 83 rural nonconforming funds
-32,881,000.00	FY 83 rural owner-occupied funds expended
- 8,611,950.00	FY 83 rural nonowner-occupied funds
- 500,000.00	Title loss reserve account
$12,009,132.25	TOTAL CARRY FORWARD TO FY 84

FY 84

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+12,009,132.25	FY 83 carry forward
+ 3,038,150.00	Prior Year Commitments Cancelled in FY84
$60,047,282.25	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	FY 85 Appropriation
$11,375,782.25	FY 84 Carry Forward
$ 3,927,403.14	FY 84 Carry Forward Principal
$ 5,660,901.76	FY 85 Principal
$ 2,468,600.00	Prior Year Cancellations
$68,432,687.15	TOTAL AVAILABLE FUNDS

Portfolio Analysis
June 30, 1989

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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.

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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.

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

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.

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

For first deeds of trust, the 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	FY 81 appropriation
5,639,900.00	FY 81 urban funds expended
4,353,775.00	FY 81 rural funds expended
$ 6,325.00	TOTAL CARRY FORWARD TO FY 82

FY 82

$40,000,000.00	FY 82 appropriation
6,325.00	FY 81 carry forward
$40,006,325.00	TOTAL AVAILABLE FUNDS

Portfolio Analysis
June 30, 1989

-9,752,100.00	FY 82 rural funds expended
-6,576,400.00	FY 82 urban funds expended
$23,677,825.00	FY 82 carry forward
+ 551,750.00	FY 81 carry forward *
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*This amount consists of $551,750 in FY 81 commitments cancelled in FY 82

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$ 5,660,901.76	FY 85 Principal
$ 2,468,600.00	Prior Year Cancellations
$68,432,687.15	TOTAL AVAILABLE FUNDS

Portfolio Analysis
June 30, 1989

$-10,793,250.00	Nonconforming Funds Expended
$-43,619,775.00	Rural Owner-Occupied Funds Expended
$-12,774,900.00	Rural Nonowner-Occupied Funds Expended
$ 1,244,762.15	TOTAL CARRY FORWARD TO FY 86

FY 86

$ 4,000,000.00	FY 86 Appropriation
$ 1,244,762.15	FY 85 Carry Forward
$12,380,633.19	FY 85 Interest
$10,599,682.67	FY 86 Principal(through 06/86)
$16,856,076.80	FY 86 Interest(through 06/86)
$ 45,122.83	FY 85 Receipts
$ 80,799.24	FY 86 Receipts
$ 1,313.76	FY 86 Gain/Loss transactions
$-2,109,831.40	FY 86 Administration Costs Through 6/86
$ 3,879,087.71	Prior Year Cancellations
$- 202,133.79	FY 85 HOAF Program Costs
$46,775,513.16	TOTAL AVAILABLE FUNDS
$ -3,447,000.00	Rural Nonowner-Occupied Funds Expended
$-32,419,275.00	Rural Owner-Occupied Funds Expended
$ 10,909,238.16	TOTAL CARRY FORWARD TO FY 87

FY 87

$ 10,909,238.16	FY 86 Carry Forward
$ 14,196,518.56	FY 87 Principal
$ 14,070,346.60	FY 87 Interest
$ -1,839,430.00	Admin. Costs
$ 94,121.54	Receipts
$ -184,030.42	Operating Loss Reserve
$ -47,468.49	Gain/Loss Transactions
$ 2,859,225.00	Prior Year Cancellations
$ 40,058,520.95	AVAILABLE FUNDS AS OF 6/30/87
$ -200,000.00	Rural Nonowner-Occupied Funds Expended
$-29,305,100.00	Rural Owner-Occupied Funds Expended
$ 10,553,420.95	TOTAL AVAILABLE FUNDS AS OF 6/30/87

Portfolio Analysis
June 30, 1989

FY 88

$10,553,420.95	FY 87 Carry Forward
2,500,000.00	FY87 Appropriation
8,442,978.82	FY 88 Principal
12,306,980.86	FY 88 Interest
-2,134,716.83	Admin Expense
213,401.23	Receipts
-262,395.05	Operating Loss Reserve
-183,542.74	Gain/Loss Transactions
919,500.00	Prior Year Cancellations
$32,355,627.24	AVAILABLE FUNDS AS OF 6/30/88
$ -729,200.25	Rural Non-Owner Occupied Funds Expended
-21,954,650.00	Rural Owner Occupied Funds Expended
$ 9,671,776.99	TOTAL AVAILABLE FUNDS AS OF 6/30/88

FY 89

$ 9,671,776.99	FY88 Carry Forward
-2,196,800.00	FY 89 Transfer to General Fund
7,505,241.83	FY 89 Principal
10,852,852.88	FY 89 Interest
-2,889,700.00	Administrative Expense
449,347.36	Receipts
-500,000.00	Operating Loss Reserve
-104,578.24	Gain/Loss Transactions
965,800.00	Prior Year Cancellations
$23,753,940.82	EXPENDABLE FUNDS TO DATE FOR FY 89
-314,000.00	Rural Non-Owner Occupied Funds Expended
-19,851,700.00	Rural Owner-Occupied Funds Expended
$ 3,588,240.82	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
TOTALS	1540	$158,414,062	152,549,395.06	$102,866

Portfolio Analysis
June 30, 1989

RESOLD REO PROPERTIES

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

NONCONFORMING ACTIVITY AS OF 06/30/89

	NO. LOANS	LOAN AMT.	PRIN. AS OF 06/30/89	AVG. LOAN AMT.
FY 81				
Active	18	$ 1,366,050	$ 1,204,314.42	$ 75,[illegible]
Cancelled	5	307,600		
Paid Off	76	4,505,650		
Foreclosed	1	147,750	117,970.00	
TOTALS	100	$ 6,327,050	$ 1,322,284.42	
FY 82				
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	
TOTALS	346	$21,676,691	$ 3,308,760.56	
FY 83				
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	
TOTALS	245	$16,540,326	$ 1,976,908.59	
FY84				
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	
TOTALS	145	$ 9,481,500	$ 331,367.89	

Portfolio Analysis
June 30, 1989

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

FY 87				
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	
TOTALS	329	$32,611,800	$25,679,139.79	
FY88				
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		
TOTALS	233	$22,458,650	$19,727,238.21	
FY89				
Active	110	$10,653,100	$10,614,381.43	$ 96,846
Committed	97	9,307,950		
Cancelled	8	984,650		
TOTALS	215	$20,945,700	$10,614,381.43	

NONOWNER-OCCUPIED ACTIVITY AS OF 06/30/89

	NO. LOANS	LOAN AMT.	PRIN. AS OF 06/30/89	AVG. LOAN AMT.
FY 83				
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	
TOTALS	34	$ 8,893,000	$ 7,378,420.92	
FY 84				
Active	19	$ 3,965,850	$ 3,853,146.11	$208,729
Cancelled	6	1,277,300		
Paid Off	7	696,000		
TOTALS	32	$ 5,939,150	$ 3,853,146.11	
FY 85				
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	
TOTALS	57	$13,559,300	$ 7,220,570.75	

Portfolio Analysis
June 30, 1989

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

FY 83			
Rural	184	$22,062,175	$20,800,246.06
TOTALS	184	$22,062,175	$20,800,246.06
FY 84			
Rural	210	$21,387,862	$20,397,441.68
TOTALS	210	$21,387,862	$20,397,441.68
FY 85			
Rural	212	$22,320,950	$21,425,675.89
Urban	1	80,750	79,071.14
TOTALS	213	$22,401,700	$21,504,747.03
FY 86			
Rural	238	$25,775,425	$24,895,133.62
TOTALS	238	$25,775,425	$24,895,133.62
FY 87			
Rural	267	$26,485,850	$25,812,904.37
Urban	1	47,500	46,620.62
TOTALS	268	$26,533,350	$25,859,524.99
FY 88			
Rural	213	$20,755,700	$20,400,598.88
Urban	1	28,500	27,728.25
TOTALS	214	$20,784,200	$20,428,327.13
FY89			
Rural	119	$11,370,000	$11,328,671.32
Urban	3	158,750	145,074.39
TOTALS	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
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	43	$ 3,195,625	$ 2,879,860.32
Urban	3	174,000	112,590.24
TOTALS	46	$ 3,369,625	$ 2,992,450.56
FY 83			
Rural	29	$ 2,024,400	$ 1,854,308.59
TOTALS	29	$ 2,024,400	$ 1,854,308.59

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.

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

COMPARISON BY NUMBER:

	TOTAL NO. LOANS	NO. 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%
TOTALS	1540	101	6.6%	N/A

COMPARISON BY DOLLAR AMOUNTS:

	PORTFOLIO'S PRIN. AS OF 06/30/89	DELINQ. PRIN. 06/30/89	DELINQ. AS % OF TOTAL	DELINQ AS % OF LOAN TYPE
Resold REO	$ 731,176.03	0	0	0
Nonconforming	6,203,312.60	$ 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%
TOTALS	152,549,395.06	$15,573,080.66	10.2%	N/A

*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	RO	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
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
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
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
KENAI	NC	84	$77,500	$49,000.00	$76,895.08	SFR
Subtotal			$77,500	$49,000.00	$76,895.08	1
KIANA	RNO	83	$148,400	$144,984.62	$144,984.62	DUP
Subtotal			$148,400	$144,984.62	$144,984.62	1

Portfolio Analysis
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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	RO	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

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

COMMUNITY	LOAN AMOUNT	PRINCIPAL BALANCE	# OF LOANS
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

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1601 SCOMM 60• HOUSING FINANCE TASK FORCE,•1989

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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/Servicer'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 that 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/Servicer 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:

Foreclosure Date	Taxable Year	Non-Taxable Year
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;

H. 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 those 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 entitites. 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

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

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

House of Representatives

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 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%.

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

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

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.

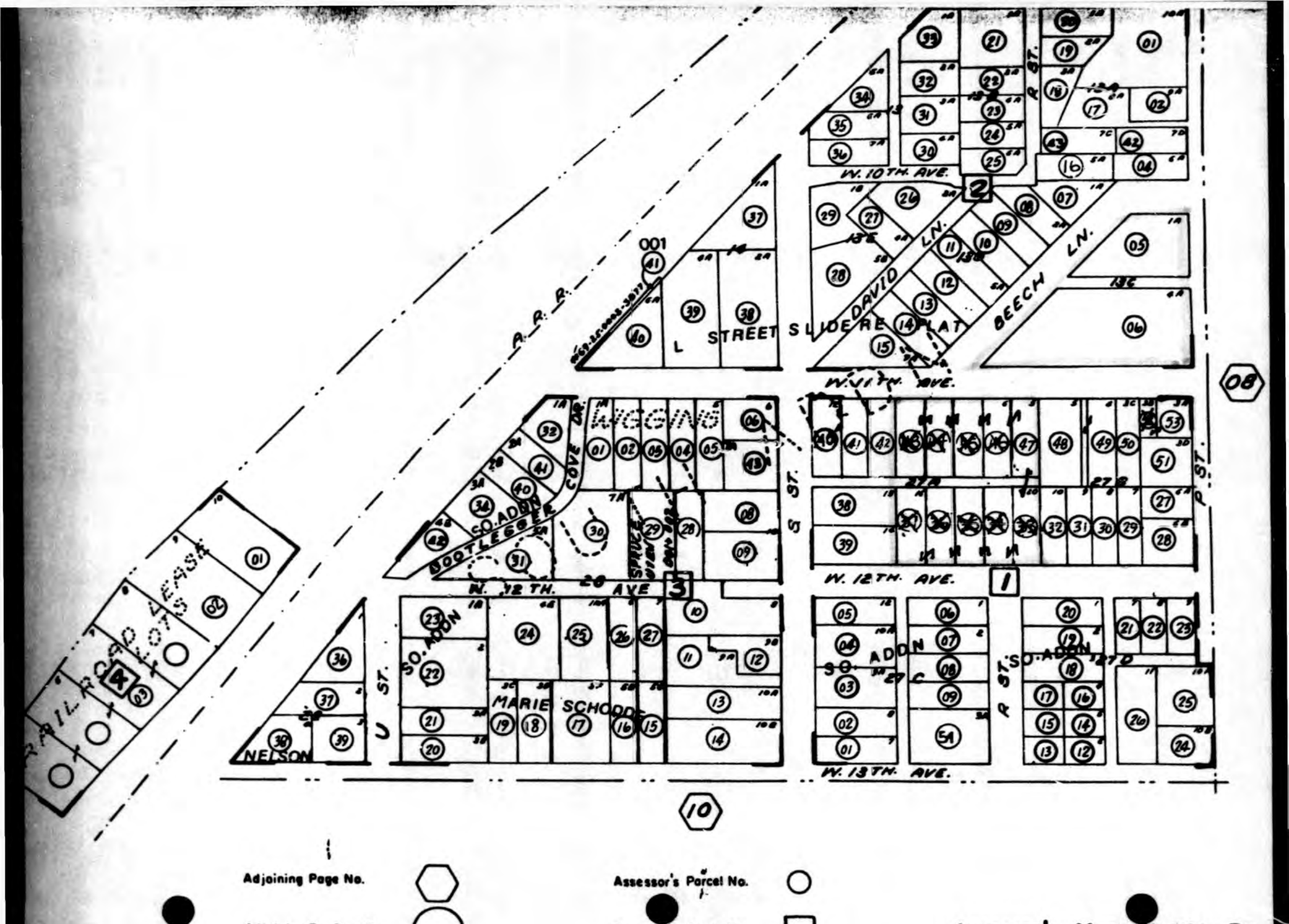
I was told by people at the Dept. of Community and Regional Affairs that they can only make housing loans in rural areas, however my reading of what I think are current regulations, state up to 20% of the housing assistance funds may be used in urban areas.

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



A. R. R.
RAILROAD LEASE LOTS
W. 10TH. AVE.
W. 11TH. AVE.
W. 12TH. AVE.
W. 13TH. AVE.
DAVID LN.
BEECH LN.
L STREET SLIDE RE PLAT
WIGGINS
SO. ADDN
BOOTLEGGER
COVE DR.
SPRUCE
W. 12TH. AVE
MARIE SCHODDE
NELSON
U ST.
S ST.
R ST.
P ST.
001
08
10
Adjoining Page No.
Assessor's Parcel No.

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.

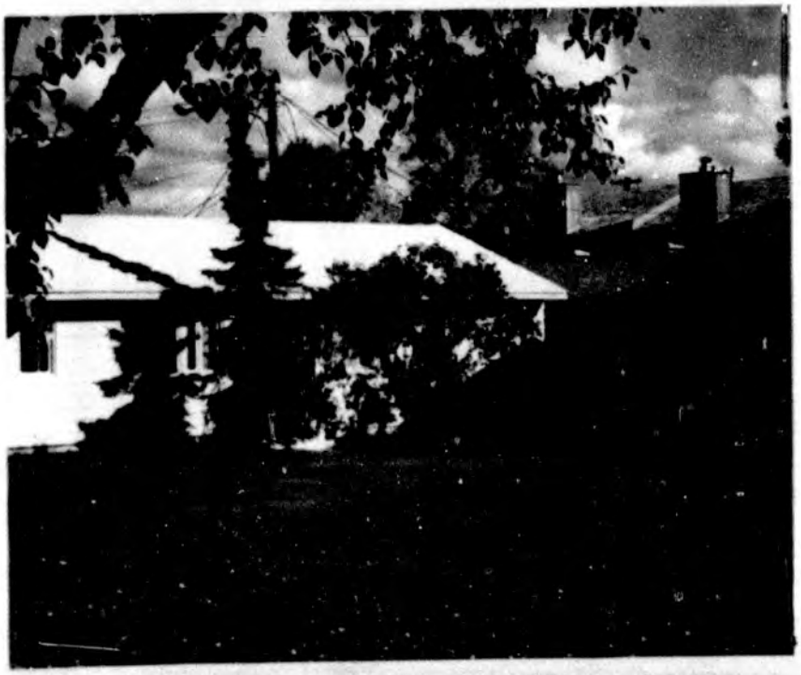
Sincerely,

Bertram L. Wagnon
Executive Director

BLW/ec







THE STATE OF THE NATION'S HOUSING 1989

JOINT CENTER FOR HO
HARVARD UNIVERSITY

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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.

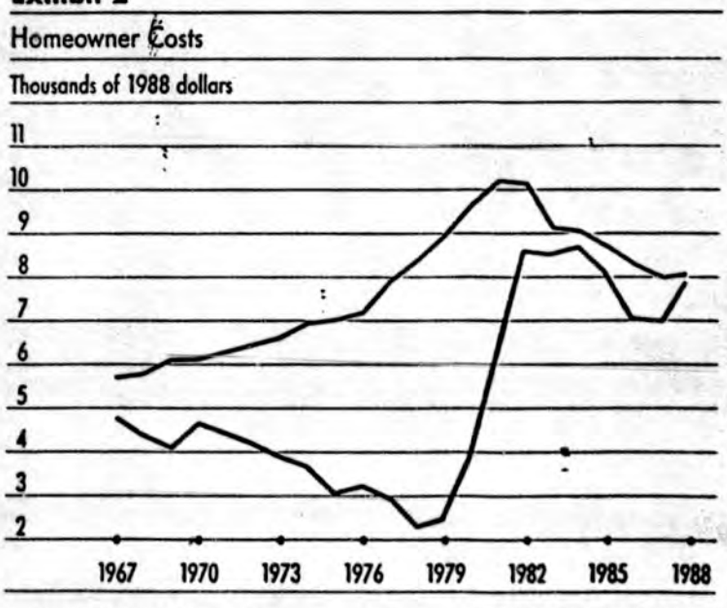
By estimating the homeowner or renter cost for a unit of fixed attributes, the indices provide a reliable measure of the extent to which housing costs have increased relative to household income over the past two decades. In addition, they isolate the effect that individual components of cost, including 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



SOURCE: Appendix Table 1.

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)

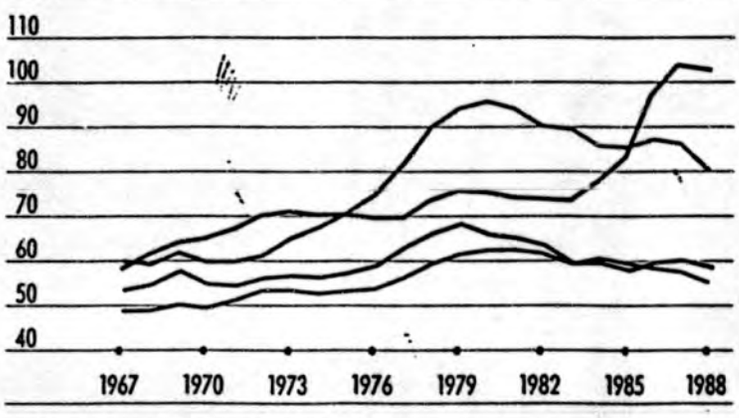
	1982	1984	1986	1988
House Price	$69,661	$68,184	$69,154	$65,949
Mortgage Rate (%)	14.8	12.0	9.8	9.0
Mortgage Payment	8,508	6,955	6,001	5,376
Other Costs	2,963	2,994	2,910	2,800
Before-Tax Cash Cost	11,471	9,949	8,912	8,176
Tax Savings	1,110	821	611	196
After-Tax Cash Cost	10,361	9,128	8,301	7,980
Other 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.

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

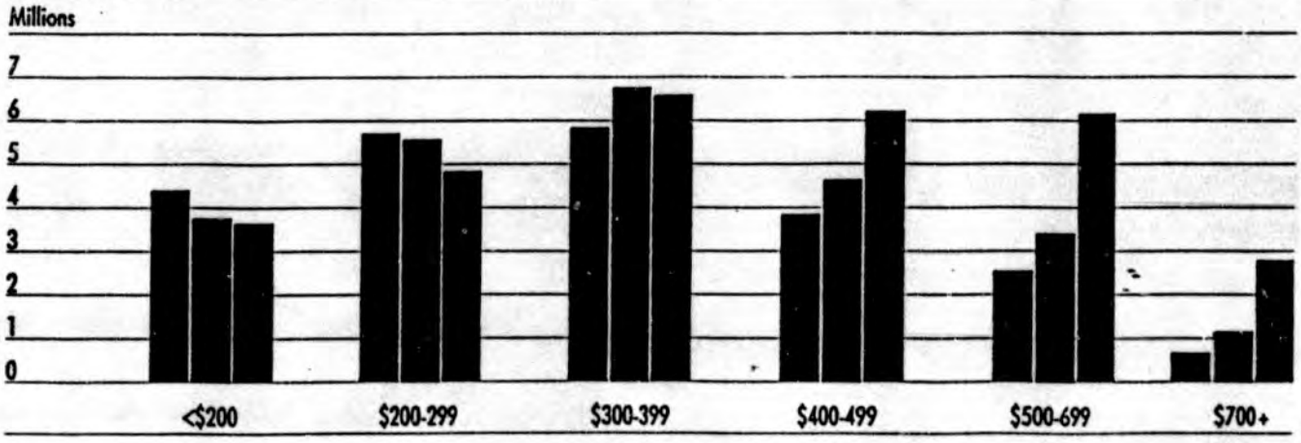
After a sharp jump in 1981-86, real rent increases slowed somewhat in the last two years due to a surge in new apartment construction and record vacancy rates in over-built areas. Despite this recent slowdown, the long-term increase in real rents parallels the more than decade-long decline in the low-cost 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



NOTE: Rent in 1988 dollars.

SOURCE: Appendix Table 6.

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.

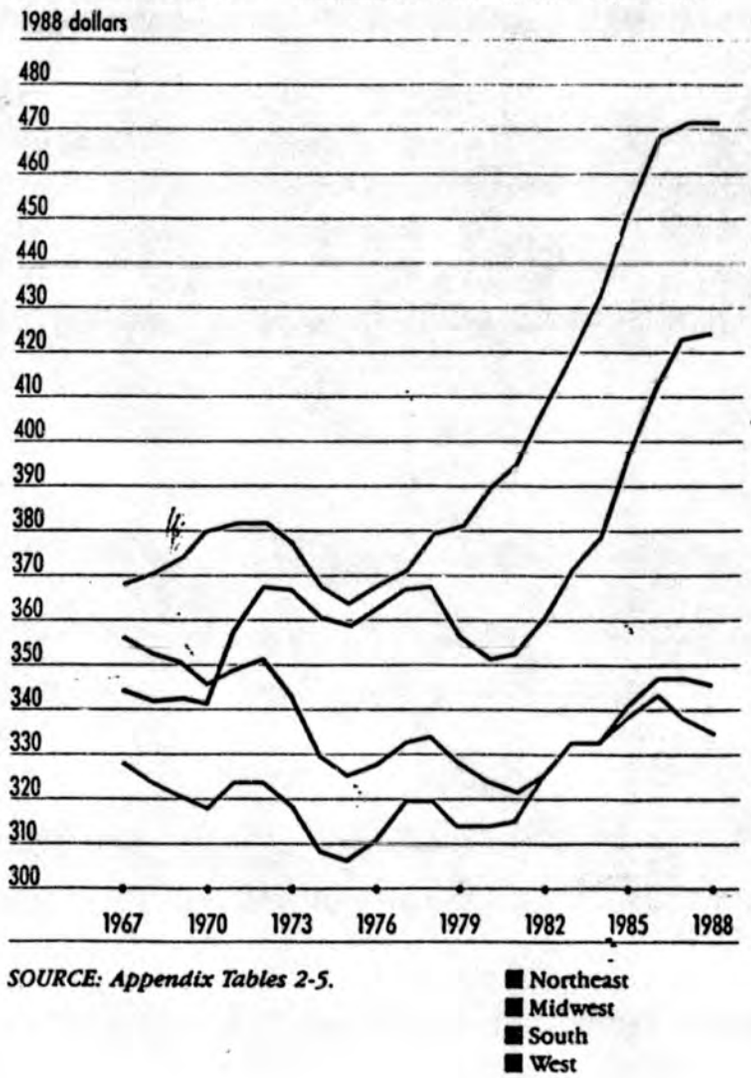
The rapid rent increases in the Northeast and the West mirror the dwindling number of low-cost, privately owned, unsubsidized dwelling units (Exhibit 7). Between 1974 and 1985, the number of these units in the Northeast fell by nearly 45 percent, with particularly dramatic declines during the first half 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

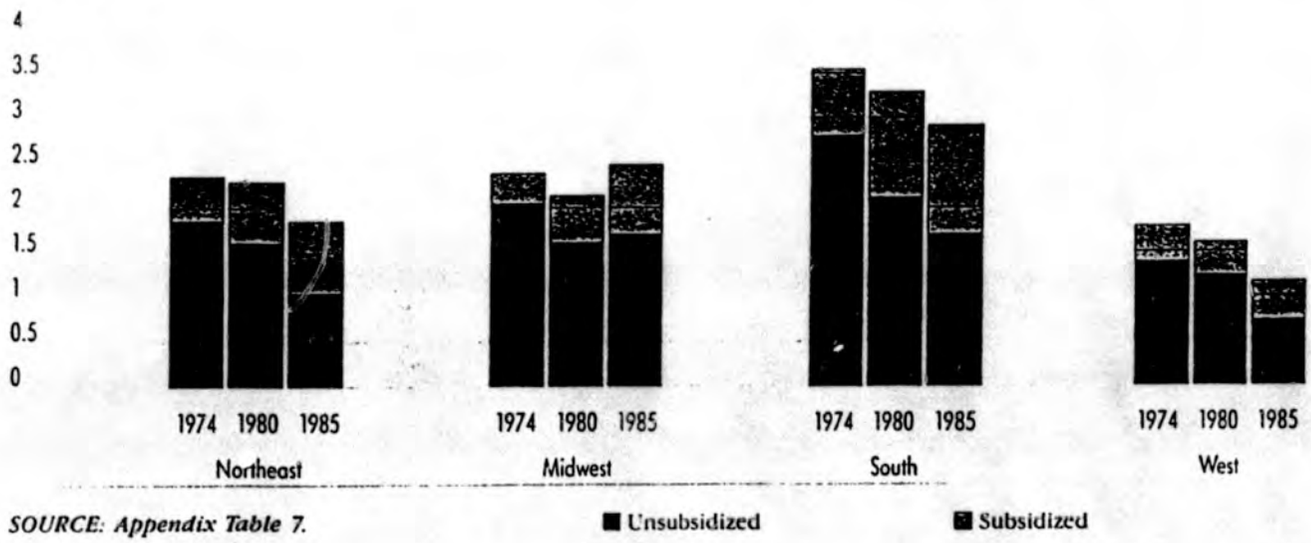
Gross Rents by Region



SOURCE: Appendix Tables 2-5.

Exhibit 7

Housing Stock Renting for Less than $300



SOURCE: Appendix Table 7.

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.

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.

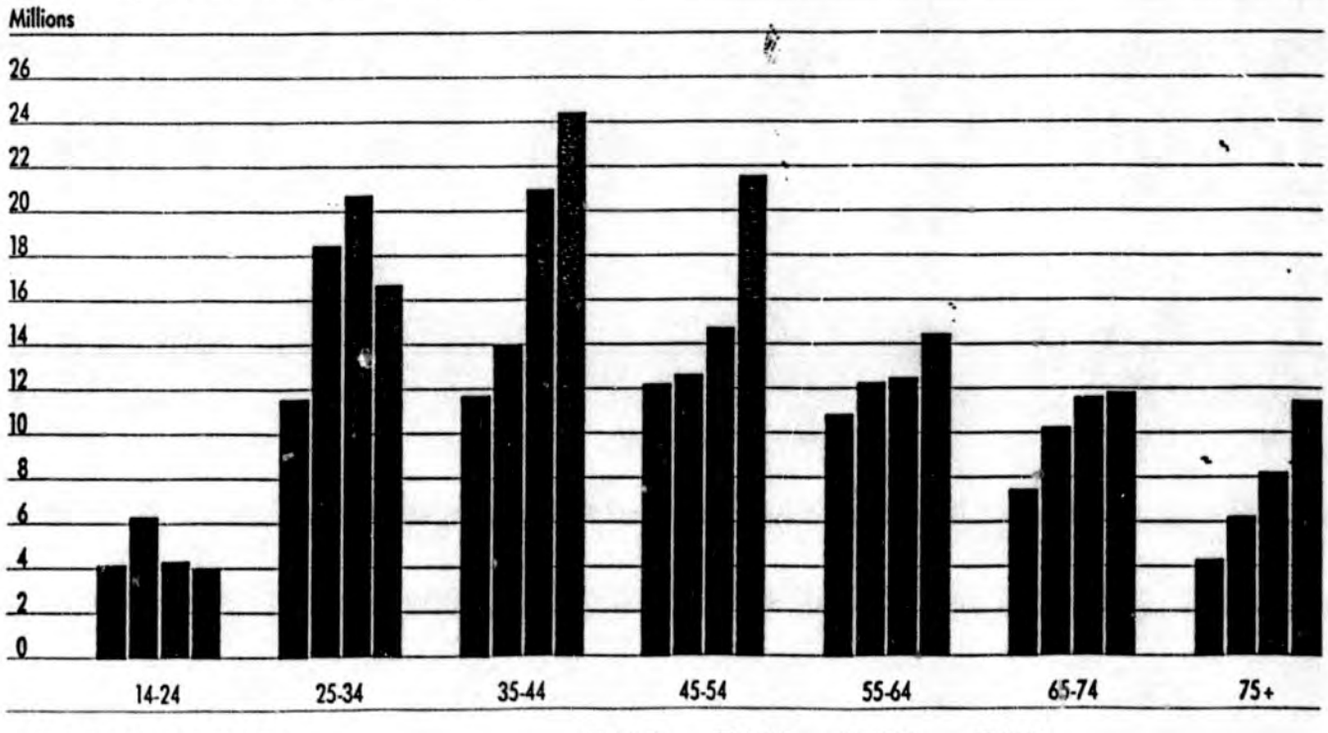
Significant Changes in Household Composition

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.

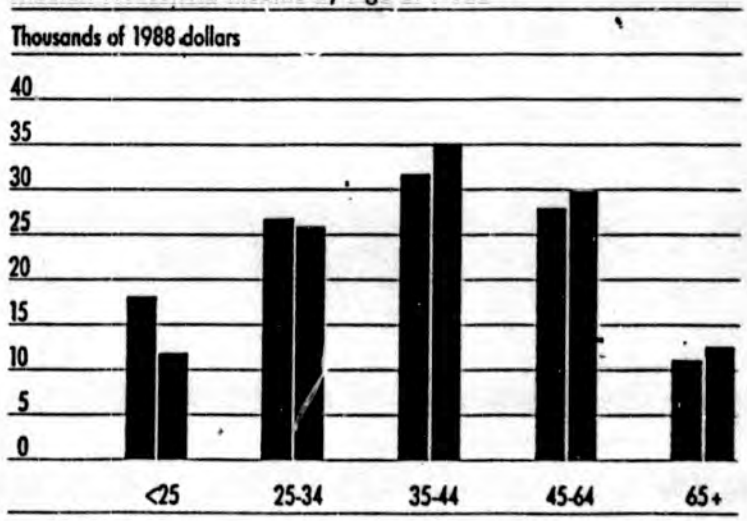
As a result, increasing numbers of children will live in nontraditional households. In 1970, married couples headed some 88 percent of all households with children; by the year 2000, that share will drop to just 74 percent. During the same 30-year span, the number of households headed by single parents 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



SOURCE: Appendix Table 9.

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)

		Age of Head			Race of Head		
	TOTAL	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.

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 ho[illegible]nership have drifted upward (Exhi[illegible] These burden measures are based on the [illegible]sts 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).

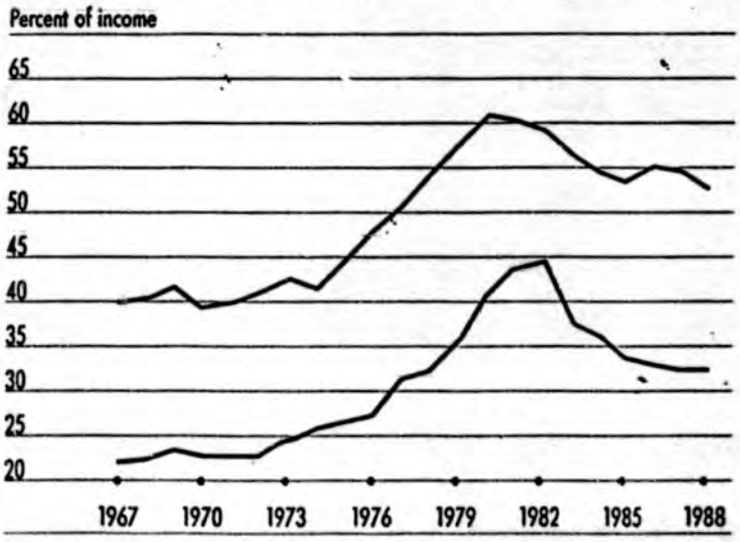
Although down from their peak in the early 1980s (due primarily to the decline in mortgage rates), the after-tax cash costs of homeownership remain high relative to the incomes of potential first-time buyers. In 1988, the cash cost burden was 32.8 percent of income, unchanged from 1987 but some 50 percent 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



SOURCE: Appendix Table 1.

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

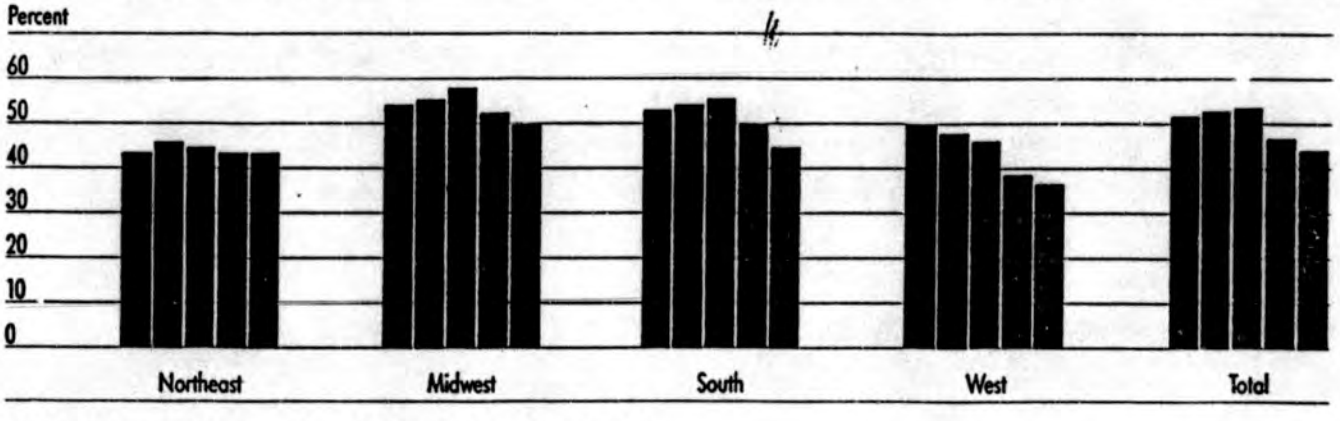
For those households with limited income and wealth, rising house prices simply make homeownership an even more distant goal. Analysis of the Federal Reserve Board's 1986 Survey of Consumer Finance illustrates the relative importance of the income and up-front cash constraints to potential homebuyers. 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.

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.

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		Paying More Than 50% Of Income For Housing: Households (Thousands)		Paying More Than 50% Of Income For Housing: Percent
	Owners	Renters	Owners	Renters	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 regardless 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



SOURCE: Appendix Table 1.

Exhibit 20

Housing Costs for Poverty-Level Households

	1974	1985	Perce Chan
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-uni 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 bouseholds 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)

	Income			Owner Costs								Renter Costs			Cost as Percent of Income: First-Time Buyers		Cost as Percent of Income: All Renters	
Year	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	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	$4,067	$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	8.78%	$4,684	$2,811	$ 7,494	$ 428	$ 7,066	$4,429	$3,638	$300	$341	$41	26.0%	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%	$6,773	$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%	27.2%
1981	$28,655	$14,985	$23,266	$71,999	14.51%	$8,650	$2,897	$11,547	$1,200	$10,347	$6,229	$6,308	$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	$316	$378	$60	35.8%	33.2%	23.9%	28.4%
1986	$31,627	$16,083	$24,611	$69,[illegible]4	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)

	Income			Owner Costs								Renter Costs			Cost as Percent of Income: First Time Buyers		Cost as Percent of Income: All Renters	
Year	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	Cash 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	$ 64,215	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	$ 3,910	$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	$ 3,883	$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	$355	$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%	30.6%	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	$32,529	$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)

	Income			Owner Costs								Renter Costs			Cost as Percent of Income: First-Time Buyers		Cost as Percent of Income: All Renters	
Year	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	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	$2,672	$ 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	$66,832	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	$322	$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	$14,360	$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)

	Income			Owner Costs									Renter Costs			Cost as Percent of Income: First-Time Buyers		Cost as Percent of Income: All Renters	
Year	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	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	$15,506	$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	$ 728	$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	$ 93	$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)

	Income			Owner Costs									Renter Costs			Cost as Percent of Income: First-Time Buyers		Cost as Percent of Income: All Renters	
Year	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	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	$92,930	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
$7[illegible]	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)

	Unsubsidized Households			Subsidized Households		
Region and Rent	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) 1974	Number of Households (Thousands) 1988	Median Income (1988 dollars) 1974	Median Income (1988 dollars) 1988	Poverty-Level Owners (Thousands) 1974	Poverty-Level Owners (Thousands) 1988	Poverty-Level Renters (Thousands) 1974	Poverty-Level Renters (Thousands) 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

NOTE: 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 1974 American Housing Survey and 1988 Current Population Survey.

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

	Owner		Unsubsidized Renter		Subsidized Rente	
Region	1974	1985	1974	1985	1974	19
Northeast	269	267	296	376	148	1
Midwest	171	237	267	319	128	1
South	125	170	191	303	105	1
West	294	209	287	391	148	1
TOTAL	176	202	251	336	123	1
Age and Family Type						
Under 65						
Single	146	189	219	292	107	1
Married With Children	308	309	264	374	201	2
Married Without Children	217	229	251	316	176	1
Single Parent With Children	342	377	296	358	144	2
Other	162	211	296	416	114	1
TOTAL	258	252	267	348	144	1
65 and Over						
Single	96	148	169	229	91	1
Married	141	207	207	314	107	2
Other	119	180	181	289	192	1
TOTAL	105	162	178	251	91	1

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.

SCOMM

60:5

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1602 SCOMM 60• HOUSING FINANCE TASK FORCE, •1989

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

House of Representatives

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MEMORANDUM

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

DATE: August 29, 1989

TOPIC: Legal Opinion and Scheduling the Next Meeting

Attached is a legal opinion I requested regarding solciting and accepting bids for the AHFC RFP. As indicated, the process fundamentally rests with AHFC, however, there is a potential "window" for the task force's input.

It is my intention to include the review and selection process of a consultant as a part of the next meeting's agenda. Because of the pace, I have left the remainder of the agenda open to meet specific issues and needs which materialize.

The next meeting is scheduled for 3:00 PM, September 20, 1989, 5th Floor Conference Room, Anchorage L.I.O., 3111 C STREET. I look forward to continue working with you.

COPY

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM August 25, 1989

SUBJECT: Housing Finance Task Force - CSSCR 28(Fin) am
(Work Order No. 6-1099)

TO: Representative C.E. Swackhammer
Housing Finance Task Force

FROM: Michael F. Ford
Legislative Counsel

You have asked if the Housing Finance Task Force can solicit and accept bids for contract work, if the contract funds are program receipts of the Alaska Housing Finance Corporation. If the contract funds belong to A.H.F.C., then the recommended procedure is to allow A.H.F.C. to administer the bid process. The task force could certainly review the bids submitted and recommend that a particular bidder be chosen. This approach is legally preferable in that the funds being committed belong to A.H.F.C. and not to the legislature.

If the task force wishes to administer the bid process, then A.H.F.C. could contract with the task force to solicit bids and award a contract. In either case, applicable bidding procedures would need to be followed.

Please contract me if you have further questions.

MFF:mi
wkmi4/074

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

MEMORANDUM

TO: Voting Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair
Housing Finance Task Force

DATE: August 29, 1989

TOPIC: Consultant Selection

It is obvious to me, after reading the legal opinion regarding the RFP-Process for the consultant, that the actual process should be completed through the AHFC. I do, however, think the task force should be involved in the selection process. For this reason, it is my intent to appoint a subcommittee composed of two task force members and two members of the AHFC Board of Directors.

I have discussed this with Mr. Behan. He agrees the task force should be involved in the eventual selection process.

If you are interested in serving on the proposed subcommittee, please let me know as soon as possible.

cc: Thomas C. Behan, Exec. Dir., AHFC

ISER PUBLICATIONS
AHFC FUNDED PROJECTS

REPORTS

The Effect of Changes in the Alaska Housing Finance Corporation Mortgage Programs, (Final Report), Matthew Berman and Lee Huskey, (November 1986).

Alaska's Economy and Housing Market, (Final Report), O. Scott Goldsmith, Matthew Berman, Lee Huskey, Linda Leask and Teresa Hull, (October 1987).

Estimated Demand for Mobile Homes in Anchorage 1987-1992, (Draft Report), ISER (December 1987).

Alaska's Housing Markets, 1988, Linda Leask (September 1988).

Stabilizing Alaska's Housing Markets, (Final Report), Matthew Berman and Linda Leask (March 1989)

PUBL. IN ALASKA REVIEW OF SOCIAL AND ECONOMIC CONDITIONS (ARSEC)

Alaska's Economy: What's Ahead? Scott Goldsmith, ARSEC 24,2 (December 1987): 20 pp. Based on materials from "Alaska's Economy and Housing Market" (October 1987).

Alaska's Housing and Recession, Scott Goldsmith, Matthew Berman, Lee Huskey, Linda Leask and Teresa Hull, ARSEC 25,1 (February 1988): 16 pp. Based on materials from "Alaska's Economy and Housing Market" (October 1987).

The Effects of Alaska's Economic Recession on Anchorage Households, Karen Pyle Foster, Linda Leask and Teresa Hull, ARSEC 25,2 (May 1988) 32 pp.

PUBLISHED IN THE SERIES, "ISER RESEARCH SUMMARY (RS)

AHFC's Market Effects, 1980-1986, Matthew Berman and Lee Huskey, RS 32 (November 1986): 2 pp. Based on the November 1986 report, "Effects of Changes in the AHFC Mortgage Programs."

Alaska's Economy and HOusing Market, O> Scott Goldsmith and Matthew Berman, et al, RS 36 (November 1987): 2 pp. Based on the October 1987 report, "Alaska's Economy and Housing Market."

The Future of Anchorage Housing Markets, Matthew Berman and Linda Leask, RS 42 (March 1989): 4 pp. Based on the March 1989 report, "Stabilizing Alaska's Housing Markets."

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

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House of Representatives

M E M O R A N D U M

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair, HFTF

DATE: August 18, 1989

TOPIC: AHFC RFP Proposal

Attached is the draft for the proposed RFP by the Alaska Housing Finance Corporation, as well as a cover memorandum from Mr. Paul M. Kapansky.

I hope you receive this in time to given it a preliminary review, prior to Wednesday's meeting.

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

August 9, 1989

MEMORANDUM

TO: Representative C. E. Swackhammer, Chairman
Housing Finance Task Force (HFTF)

FROM: Paul M. Kapansky
Alaska Housing Finance Corporation

SUBJECT: Draft RFP

The attached RFP is for review to assure it is in accordance with the directions established by the HFTF.

The content is heavily weighted toward AHFC as SCR 28 appears to be. I realize the mission of HFTF is beyond that of the analysis of AHFC but I am unaware as to how broad the Scope of Services in the RFP should be to assist in that mission.

Please use the RFP as a format to finalize HFTF's intent of the RFP. If further assistance is needed, kindly advise.

DRAFT

REQUEST FOR PROPOSALS

The State of Alaska Housing Finance Task Force (the "Task Force") is inviting proposals from financial consultants to assist in the analysis and evaluation of the financial condition of state assisted residential loan programs, guidelines governing each of the loan programs and the status and condition of any bonds sold to capitalize these loans.

Review

Offerors shall carefully review this RFP for defects and questionable or objectionable materials. Offerors' comments concerning defects and questionable or objectionable material in the RFP must be made in writing and received by AHFC at least 10 days before the proposal opening date. This will also help prevent the opening and the exposure of offerors' proposals upon which award cannot be made.

Offerors' comments should be sent to _____at the address shown on the front of this RFP. A copy of the offerors' comments should be forwarded to Commissioner, Department of Administration, P. O. Box C, Juneau, Alaska 99811-0200.

Submission of Proposals

DRAFT

To receive consideration, _____copies of your proposal must be received at the following office:

Mailing Address

Address for Hand Delivery

Proposal must arrive at the Task Force's office no later than 4:00 p.m._____, 1989. Failure to meet this submittal deadline with the required number of copies will result in disqualification.

The Task Force reserves the right to accept or reject any or all proposals in whole or in part. The Task Force may require proposals to be clarified or supplemented through additional written submissions. The Task Force may modify any of the terms of the RFP. If, before the award, the Task Force determines the modifications to be material, all responding proposers will be given an equal opportunity to modify their proposals in those specified areas designated by the Task Force.

Inquiries

All inquiries soliciting information regarding the proposal must be in writing and addressed to:

DRAFT

All questions will be answered in writing. No questions will be answered that are received after_____,1989.

This RFP does not in any way bind or commit the Task Force to reimburse recipients of this RFP for any costs involved in the preparation of a proposal.

Contractual Agreement

The basic agreement between the parties shall be within the framework of the State of Alaska's standard contract form.

A copy of the Contract is attached to this RFP and should form the basis, along with this RFP, for your proposal.

Preamble

The State of Alaska created a substantial public financing system designed to assist Alaskan home buyers and has provided more than $1,000,000,000 of capital as well as bonding authority to initiate and sustain these loan programs. The management of these loan programs has been assigned to several agencies, including executive departments and public corporations. The Alaska residential housing market has evolved tremendously since most of these loan programs were established. Due to recent economic hardship, these agencies have taken possession of thousands of residential properties throughout the state. The scrutiny of the state's initial capital investment, outstanding bonded

DRAFT

indebtedness incurred by these agencies, authorities, and public corporations, and the reinvestment of income earned from residential loans requires the expertise of the agencies, authorities, and public corporations currently involved.

In consideration of the aforementioned the 1989 Legislature established a Housing Finance Task Force to review and analyze the publicly-assisted residential finance programs, including but no limited to, housing loan programs managed by the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs.

The task force is to report to the legislature by the 15th day of the Second Session of the Sixteenth Alaska State Legislature summarizing the financial condition of all State-assisted residential loan programs, guidelines governing each of the loan programs, and the status and condition of any bonds sold to capitalize these loans.

Of all state-assisted residential loan programs the Alaska Housing Finance Corporation ("AHFC/Corporation") is by far the dominant player; and, as such, attention should be closely focused on its current and future role in the market. The impact of the dominance of the Corporation is fundamental to the integrity of the Alaskan residential real estate market.

DRAFT

Overview

Alaska Housing Finance Corporation is a secondary purchaser of mortgages made by private financial institutions or mortgage companies operating in Alaska. It does not loan money directly to borrowers. Most of the funds used to buy the mortgages are generated through the issuance of taxable and tax-exempt bonds.

AHFC is a public corporation and government instrumentality with the State of Alaska, Department of Revenue. It is governed by a Board of Directors comprised of the Commissioner of Revenue, the Commissioner of Commerce and Economic Development, and three other members who are appointed by the Governor, one of whom must be the Commissioner of another department within the executive branch of state government.

The Corporation's History

Alaska Housing Finance Corporation is charged with providing mortgage financing at the lowest rates possible to Alaskan citizens, while increasing the number of decent, safe and sanitary homes in the state. By adopting loan programs that are unique among state housing agencies and developing financing structures that have been in the forefront of those utilized in the capital markets, AHFC has been able to meet the diverse needs of Alaskan home buyers.

AHFC has been in operation for more than 18 years. From 1971 to 1975, AHFC purchased only federally insured mortgage loans for low-to moderate-income

borrowers. Then state legislation passed in 1975 established a State Mortgage Insurance Fund which allowed the Corporation to purchase loans not federally insured; and while income limits and maximum loan amounts remained in effect, the number of eligible borrowers increased. As a result, AHFC grew to be about 25% of the statewide market.

In 1980, both federal and state legislation significantly changed AHFC's programs. With state legislative action income limits on AHFC programs were removed, loan limits were increased, mobile home and rural loan programs were established and the Home Ownership Assistance Program (HOF) was started.

Also, subsidized interest rates were established at 10% on the first $90,000 of a loan (9% for veterans.) The legislature appropriated more than $500 million to the Corporation to assist in implementing these changes. In the same year, Congress restricted the use of tax-exempt funds to first-time home buyers and limited the amount of tax-exempt mortgage revenue bonds which could be sold to $200 million a year.

The net effect was that AHFC's volume surged. By 1981, when all the changes had been implemented, AHFC was purchasing 85% of all mortgage loans made in the state.

Further changes occurred in 1983 when the Alaskan voters adopted the Veterans Mortgage Program. This program allows AHFC to fund loans made to qualifying veterans with tax-exempt bonds.

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AHFC has often been on the cutting edge of new financing techniques. In 1981, AHFC was the first public agency to sell taxable bonds. In 1983 AHFC became the third largest issuer of taxable bonds in the U.S. corporate market.

In FY 1983, AHFC adopted the Alaska Building Equity Mortgage (ABE), to take advantage of shorter term, lower interest taxable bonds. An ABE mortgage has a fixed interest rate, but the monthly payment increase by 5% in years four through nine. The increased portion of the monthly payment is applied directly to the outstanding principal balance and the loan is paid off in 16 to 18 years.

In FY 1984, an agreement was signed with the Federal National Mortgage Association (Fannie Mae) to swap Alaskan mortgages for Mortgage Backed Securities which raised the Corporation's bond rating to AAA on taxable issues. The agreement also eliminated the need for mortgage pool and special hazard insurance. Also, State Guaranteed Veterans Mortgage Bonds were restructured to extend the bond maturity to 30 or 35 years allowing AHFC to take advantage of prepayments by recycling them to make new loans.

During FY 1985 the Corporation became an issuer of Government National Mortgage Association (GNMA) mortgage certificates as a means of securitizing Veterans Administration guaranteed loans.

Due to the overall slowing in the state economy, FY 1986 offered new and different challenges to the Corporation. The price of oil started a dramatic decline in December, 1985, slowing economic activity, and national tax reform

dramatically changed the way mortgages could be financed. AHFC responded to these changes by making loans assumable, establishing two refinancing programs and providing lower interest rates.

Also in FY 1986, AHFC loans were approved by the Federal Housing Administration, qualifying AHFC loans for FHA insurances. This program allowed moderate income borrowers who do not have the ability to make large downpayments the option of choosing FHA-insured loans when conventional loans do not meet their needs.

Many of FY 1987 activities centered on responding to Alaska's slowing economy and changing borrower needs.

Internally, AHFC's Special Credits Department expanded as foreclosures and delinquencies increased, Also, AHFC instituted a real estate owned broker program, employing private real estate firms across Alaska to market AHFC foreclosed properties.

Much of the FY 1987 activities which were due to the downturn in the state's economy continued in FY 1988.

Home Owners' Assistance Program

The most significant activity in FY 1988 was the implementation of the Home Owners' Assistance Program known as HOAP (pronounced hope.) Under this unique and unprecedented program thousands of Alaskan homeowners had the opportunity to

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make their house payments more affordable and in some instances avoid foreclosure.

HOAP began as a more formalized workout or forbearance program and grew into the more sophisticated refinance and assistance program. The program was developed in conjunction with companies that have either insured or secured a majority of the 45,000 loans AHFC owns. The Mortgage Guaranty Insurance Corporation (MGIC), the Federal National Mortgage Association (Fannie Mae) and several private mortgage insurance companies embraced HOAP in an effort to make mortgages more affordable and help those Alaskans experiencing temporary financial difficulties. Nowhere else in the nation have so many housing industry companies provided so much cooperation in helping people stay in their homes and in loss mitigation.

Other Activities

In an effort to continue financing new mortgages in FY 1988, AHFC signed a new contract with the Federal Home Loan Mortgage Corporation (Freddie Mac) for $200 million. This contract helps to continue the availability of new financing for low-cost mortgages for Alaskans. In conjunction with this change, the Corporation has now switched to a 30-year, level payment mortgage structure. Due to the increasing workload from high delinquencies and foreclosures, AHFC staff expanded in FY 1988 and FY 1989. With staff doubling in size AHFC moved its headquarters to a larger office space.

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AHFC also focused its efforts on establishing marketing programs for repossessed mobile homes and foreclosed properties. By year's end, many new regulations and management guidelines were in place allowing for bulk sales of mobile homes and more efficient handling of foreclosed properties.

In an effort to help non-AHFC borrowers, the Corporation in FY 1988 expanded its Refinance Program to include refinance on non-AHFC loans. These loans, however, are not subsidized. The interest rate charged to the borrower will be at the Corporations cost of funds.

PROGRAMS

The AHFC offers twelve mortgage programs to meet the financing and refinancing needs of Alaskan home buyers.

Home Owners' Assistance Program

This program helped borrowers who were either current or late in making their mortgage payments. Specifically, HOAP eliminated the scheduled increases in monthly principal and interest payments resulting in a 30-year mortgage and lowered the interest rate, if possible, resulting in a lower mortgage payment. If a borrower was experiencing a hardship HOAP may have provided advances to bring the loan current and perhaps provided assistance with the monthly mortgage payment for up to two years. Any assistance provided must be repaid by the borrower.

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Taxable Mortgage Program

This program is used by the largest number of Alaskan borrowers.

The program is available to all borrowers who cannot qualify for tax-exempt funds which are restricted for use to first-time home buyers or veterans. Up to $199,850 may be borrowed for a single-family residence or $255,650 for a duplex. If AHFC's interest rate is above 10%, the first $90,000 of the loan is financed at the subsidized rate. The interest rate on any additional loan amount above $90,000 is set at the Corporation's cost of funds.

Tax-exempt Mortgage Program

In the Mortgage Subsidy Bond Tax Act of 1980, Congress established a program under which individual states could issue tax-exempt bonds and use the proceeds to make loans to first-time home buyers. Under this program, borrowers must meet criteria established by the federal government to be eligible for the funds, including average area purchase price limits for the residence and not having an ownership interest in a principal residence in the last three years.

Home Ownership Assistance Program

By providing an additional subsidy, the Home Ownership Assistance Program (HOF) reduces the monthly mortgage payment that borrowers pay. Although the mortgage loan is written at the current interest rate, borrowers receive a subsidy. The

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subsidy is based on their income in an amount that would reduce the monthly payment to 28% of their income or a 6% interest rate loan, whichever is greater. Since an additional subsidy is provided, there are criteria for the program including the amount of total assets based on family size, and sales price limits. The limits insure use of the funds by families who could not afford to purchase a home without this assistance.

Federal Housing Administration

Mortgage loans are available with Federal Housing Administration insurance under FHA's 203b, 203b2 and 234c programs.

Down payments and qualifying guidelines are more lenient under this program.

Mobile Home Loan Program

AHFC offers a choice of a 10% down payment with a 20-year loan term or a 5% down payment with a 10-year loan term. The maximum loan amount is $75,000.

Triplex/Four-Plex Program

Under this program an owner-occupant can borrow up to $308,900 for a triplex or up to $384,000 for a four-plex. There is a minimum of 15% down payment. For the Taxable Mortgage Program, the Corporation offers a subsidized interest rate

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on the first $90,000 of the loan if AHFC's interest rate is above 10%. The interest rate on amounts over $90,000 are at the Corporation's cost of funds.

Pledged Account Mortgage Program

A graduated payment mortgage is available through the Corporation's Pledged Account Mortgage Program (PAM) With a PAM mortgage, the borrower places a portion of the down payment in an interest-bearing savings account which is pledged as additional security. Money is drawn out of the account each month to pay a portion of the borrower's monthly mortgage payment. Since the borrower is qualifying on a lower first-year payment, borrowers can purchase a larger home in anticipation of their income increasing.

Second Mortgage Program

The Second Mortgage Program is divided into two categories; the Second for Purchase Program and the Second for Home Improvement Program. The Second for Purchase Program was developed to provide a vehicle for borrowers to assume an older first mortgage, where allowed, in order to maintain a lower average interest rate. The Second for Home Improvement Program was designed to aid borrowers who wanted to retain their present lower interest rate first mortgage but needed financing to make improvements that would suit their current housing needs.

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For the Second Mortgage Program, the total-financing-to-value ratio may not exceed 80%. The Corporation's loan maximums are $99,900 for single-family residences and $127,800 for duplexes.

Veterans Mortgage Program/State Veterans Interest Rate Preference and Federal Veterans Administration Loans

The Veterans Mortgage Program allows AHFC to fund the mortgage loans made to qualifying veterans with tax-exempt bonds.

The savings from the use of tax-exempt funds directly reduces the subsidy costs of operating this below-market mortgage program.

Loans under the program may be for single-family through four-plex residences, with loan limits and down payment requirements the same as under the Taxable Mortgage Program and The Triplex/Four-Plex Mortgage program.

The State of Alaska has offered lower interest rate home loan programs for veterans since before statehood, and currently offers a one percent lower interest rate on the first $90,000 of a loan.

As a result of new federal restrictions on the Veterans Mortgage Program, many veterans who entered service after January 1, 1977, and who have been out of service for more than 30 years, will find this state program an option in the

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future. The lower interest rate may be applied to any of the programs of the Corporation except the Veterans Mortgage Program.

Also available to veterans is a loan guarantee by the Federal Veterans Administration which allows for a lower down payment when purchasing a home. The guarantee may be applied to all of the Corporation's loan programs, except the PAM.

Refinance Program

The Refinance Program allows mortgagors the opportunity to reduce their monthly mortgage payments and make the loans assumable.

Non-Conforming Property Program

The Corporation also purchases loans secured by properties for which typical financing cannot be obtained through other private, state, or federal lending programs. Although these properties are structurally sound and marketable, they have non-conforming features such as low ceilings or lack of conventional utilities. Single-family homes, duplexes, and mobile homes on lots are eligible for this program.

Condominium Projects

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Prior to purchase of loans secured by units within a condominium or PUD project, AHFC review all aspects of a project including the marketability of the units, the amenities offered in the project, and adequacy of the association's budget, among others.

The Corporation maintains an approved list of condc and PUD projects. Each project must submit annually a report, including information on reserve accounts, newly elected officers, and information on owner-occupancy, in order to maintain the project's approval.

Mobile Home Parks

AHFC will purchase mobile home loans in mobile home parks that have been approved by the Corporation. The approval process includes inspections, as well as receipt of copies of appropriate health approvals, municipal permits, copies of park rules, and rental agreements. More than 136 parks have been approved and must recertify annually to maintain park approval.

Providing the lowest financing available to Alaskan home buyers continues to be a major priority for AHFC.

Fiscal Information

Fiscal years 1988 and 1989 were difficult years for the Alaska economy and the Alaska housing market. Both population and employment continued to decline.

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The housing market was a reflection of the economy. Delinquencies continued to be in double-digit levels and foreclosures were at disturbingly high rates. At the end of fiscal year 1989, delinquencies exceeded 11% which was down from an all-time high of 17.6% in February, 1988. Foreclosures for fiscal year 1989 exceeded ____% of AHFC's portfolio and AHFC real estate owned totalled _____ as of July 31, 1989.

In fiscal year 1988 the Corporation had a net loss for the first time in its history. The net loss was not an operating loss, but resulted from a substantial increase in the Loan Loss Reserve, a decrease in the value of Real Estate Owned (REO) and a decrease in the estimated collectible value of receivables involving REO's and insurance claims for REO. The total charges of $71.5 million against net income resulted in a net loss of 12.6 million. Additional charges were incurred in 1989 which resulted in an approximate net loss of $_____million.

SCOPE OF SERVICES TO BE PERFORMED

The purpose of this study is to help the State, both the Legislature and the Administration, and AHFC management and Board, to determine the Corporation's role in housing and real estate in the future. The fundamental question is should AHFC return to its original charge of only providing housing to low- to moderate-income Alaskans in a more traditional government role, or should it take some other form or a combination of both. The study should take into

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account that AHFC's current mission is to help present and future Alaskan homeowners while preserving the integrity of the residential real estate market.

The services required are:

I Alaska Housing Finance Corporation

A. An analysis of the options and implications of:

1. Restructuring AHFC to accommodate its purpose
2. Reducing the size of AHFC
3. Privatizing all or a portion of AHFC
4. Returning AHFC to providing housing strictly for low to moderate income borrowers.

5. Phasing out all or a portion of AHFC's programs, i.e.

a. Eliminating the subsidy as of July 1, 1990, or phasing out the subsidy over time.

1) What would be the effect on the real estate market, i.e. public perception, prices, demand, supply.
2) How much cash flow would be produced from earnings.
3) How much assets from bond retirements.

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b. In the absence of AHFC programs, what would be the short- and long-term effect on the Alaska real estate market.

6. Selling AHFC in whole or in part, i.e. what is required? What are market values under various sale scenarios?

B. An analysis of liquidity, reserves and earnings as they are required:

1. By minimum bond covenants
2. To maintain current bond ratings
3. To maintain present programs

C. An analysis of the housing demand in Alaska by:

1. Region
2. Price range:

a. Under $135,000 (FHA limit)
b. Over $235,000 (FHLMC limit)
c. Under tax-exempt limit

D. An analysis of the potential for returns on the capital invested in AHFC by the state.

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E. An analysis of a proposal which would require AHFC to purchase mortgage loans from the housing assistance fund and:

1. The effects of this policy on each of the loan programs.
2. Whether the purchases should be at par value, and
3. If at market value an appropriate method for determining that value

II (Are there other services in other areas the Task Force wants included?)

Items which should be included in Proposal

1. The proposing firms experience in performing the services requested under Scope of Services.

2. Resumes of key individuals to be assigned to project.

3. Proposed approach and work plan defined by task and subtasks.

4. Proposed timetable.

5. Proposed fee. The fee must be a total fee as opposed to an hourly rate.

Evaluation of Proposals

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The Task Force will appoint an evaluation committee to review the proposals. Oral presentations, if necessary, will be decided upon and scheduled by the Task Force and, if scheduled, be considered in the evaluation of the proposals. The Task Force will award the contract to the proposer ranked highest by the evaluation committee within the specific areas.

1. Firm's experiance (%)
2. Qualifications of individuals assigned to project (%)
3. Proposed workplan and timetable (%)
4. Proposed fee (%)

Additional Information

1. Project must be completed by December 1, 1989.

2.

3.

A Proposal to the

State of Alaska
Housing Finance Task Force

Status Review Concerning the Alaska Housing Finance Corporation

Presented by:

Ernst & Young

October 20, 1989

Ernst & Young

Suite 601
301 W. Northern Lights Boulevard
Anchorage, Alaska 99503
Telephone: (907) 279-1411

October 20. 1989

OCT 2 0 1989

Ms. Judith De Spain
Alaska Housing Finance Corporation
P.O. Box 101020
Anchorage, Alaska 99510

Dear Ms. De Spain:

Thank you for the opportunity to respond to your request for proposals to conduct an analysis and evaluation of the financial condition of the Alaska Housing Finance Corporation. Ernst & Young is pleased to submit this proposal in accordance with all the terms and conditions identified in your RFP.

As set forth in the scope of services to be performed in the RFP, our proposal provides for a thorough assessment of State assisted residential loan programs and the guidelines pertaining to each program. We have also provided for a full financial analysis of the status and condition of any bonds sold to capitalize these loans.

In addition to these basic requirements, our approach has re-organized work plan tasks to provide for a parallel analysis of each realistic alternative. In order that the Task Force be in the position to make truly informed decisions concerning the future direction and policy of the AHFC, we have defined an approach which accounts for human factors and needs as well as the evaluation of financial conditions.

To provide direct insight and assistance to the Task Force, we intend to apply a set of criteria to the evaluation of each option and alternative. We will assess the ease of implementation of a given option, evaluating it from the standpoint of the political implications of a proposed transition, and outlining the likely steps necessary to achieve desirable changes.

Ernst & Young understands the timeframe and commitments to the Legislature to provide an analysis for presentation in January, 1990. To meet the required timeframe and produce a final report by the end of this calendar year, we are assuming that the appropriate parties will be available to us from the State. This includes timely access to appropriate background materials, management, staff, and the Attorney General for potential legal opinions necessary to complete our comprehensive work within the timeframe as outlined in the RFP.

It is our intent to review thoroughly with you our approach and to make any necessary adjustments before initiating the project. This will ensure that the process we intend to follow responds to the expectations and needs of the Task Force and the Legislature.

A Proposal to the

State of Alaska
Housing Finance Task Force

Status Review Concerning the Alaska Housing Finance Corporation

Presented by:

Ernst & Young

October 20, 1989

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

02-576(2/77)

Ernst & Young

Suite 601
301 W. Northern Lights Boulevard
Anchorage, Alaska 99503
Telephone: (907) 279-1411

October 20, 1989

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Ernst & Young is one of the largest professional management consulting firms in the world. Our proposed project team consists of professionals dedicated to the high quality standards upheld by our firm. We are equipped to provide you with a full array of professional skills and the technical capacity necessary to deliver a usable final report and product, couched in realistic terms, and fully responsive to your requirements.

We hope that the information contained in this proposal meets favorably with your anticipated outcomes for this important engagement. Should you have any questions, please feel free to contact Mr. Joe Hill or Mr. Jim Gibson in Sacramento, California at 916-443-6756, or Mr. Vere Harlow in Seattle, Washington, at 206-623-9000. As Partner-in-Charge of this effort, Mr. Hill is designated as the person legally authorized to bind Ernst & Young in any negotiations and to sign any resultant contract.

We look forward to the opportunity to discuss this project personally with you. Thank you for your consideration.

Very truly yours,

Ernst + Young

Ernst & Young

A Proposal to the

State of Alaska
Housing Finance Task Force

Status Review Concerning the Alaska Housing Finance Corporation

Presented by:

Ernst & Young

October 10, 1989

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1. Background

1. Background

The State of Alaska has been at the cutting edge of providing aggressive public financing assistance to Alaskan home buyers. Through the vehicle of several publicly owned and operated entities, 85% of the state's home mortgages have been processed, and more than $1,000,000,000 of capital and bonding authority applied to initiate and sustain a series of independent home loan programs.

Concerned over the future of the state's investment in the housing market, and responsible for setting policy direction, the 1989 Legislature created a Housing Finance Task Force. The charge of the Task Force is to review and analyze the publicly-assisted residential finance programs including those loan programs managed by the Alaska Housing Finance Corporation.

As the most dominant player among all the state-assisted residential loan program sponsors, the initial role and specific purpose of the Alaska Housing Finance Commission has dramatically changed since its inception in 1971. Originally intended to provide assistance to low-income potential homeowners, the Commission's programs have evolved to address a broadening population group and wider spectrum of home buying needs.

During its nearly 20 year history, the Commission has profitably functioned with more than sufficient cash flow and operating reserves. It is only due to very recent downturns in the Alaska economy that the residential housing market has changed, resulting in an increase in residential mortgage foreclosures and unprecedented outstanding bonded indebtedness held by the State.

It is the intent of this analysis that the Legislature receive documentation and usable information as to the impact of the Alaska Housing Finance Corporation on the integrity of the Alaskan residential real estate market. The study will provide direct insights and assistance to the State, the Legislature, the Administration, and AHFC management and Board to assist these parties in their determination of the Corporation's future role in housing and real estate. This will include a review of its current operating environment and loan program results, and development of alternatives which account for AHFC's mission in a changing economy and real estate market.

2. Introduction

2. *Introduction*

The State of Alaska has created and maintained a policy of assisting its residents in buying homes. Over the past 18 years the State has developed some of the most innovative programs in the country to provide affordable mortgage financing. As a result, many of its residents enjoy some of the lowest home mortgage interest rates in the country. At the same time, State investment in these programs has also dramatically increased.

At the center of these programs is the Alaska Housing Finance Corporation (AHFC). The AHFC was created in 1971 as a self-supporting public corporation to be a secondary purchaser of mortgages from private financial institutions operating in Alaska. As of June 30, 1988, the AHFC's loan portfolio contained 44,815 loans totalling $3.76 billion.

The majority of this portfolio is financed through an inventive use of taxable and tax-exempt bonds and notes. The scale of the Alaska financing programs is apparent when one considers that only a few years ago, the AHFC was reported to be the third largest issuer of taxable bonds in the U.S. corporate market—in the past 16 years, the AHFC has issued $6.64 billion in taxable and tax-exempt bonds.

While the growth of the AHFC and its programs can be traced in part to the State's interest in serving its residents, it also appears to be in response to changes that have been occurring in the Alaskan economy. When the price of oil dramatically declined in 1986, the Alaskan economy was severely affected. The AHFC responded to the situation by adapting its existing programs and developing others to support its citizens when many became unemployed. Through last year, the economy has continued to decline with population and employment dropping by an estimated 2-3% during FY 1988. Delinquencies and foreclosures in the housing market have resulted and housing values have continued to decrease.

The impact of these factors has led to the AHFC 1988 annual report disclosing a net loss of $12.6 million — the first time in its history the Corporation has experienced a net loss. As stated in the report, the net loss was not an operating loss, but resulted from a substantial increase in the Loan Loss Reserve, a decrease in the value of its

real estate owned (REO) and a decrease in the estimated collectible value of receivables involving REO's and insurance claims for REO's. According to the report, however, there are a number of positive trends occurring which indicate the economy may have "bottomed out" and at least portions of the housing market have stabilized.

As the AHFC moves forward it will continue to face the challenges and opportunities presented by the Alaska economy. In its history of responding to these challenges and opportunities, it has created a variety of programs and financing structures which we understand are the primary focus of the study being requested. In the remainder of this section of our proposal we briefly review the major programs and financial instruments being used by the AHFC. Our approach and work plan for the study presented in the following section has been created to take into account the many unique characteristics of these programs and instruments.

Programs of the Alaska Housing Finance Corporation

AHFC's programs have evolved significantly since it began purchasing only federally insured mortgage loans for low-to-moderate income borrowers in 1971. At present, the AHFC provides thirteen mortgage programs which are briefly described below along with information on the level of activity of these programs in FY 1988.

- **Home Owner's Assistance Program (HOAP)** eliminates the scheduled increases in monthly principal and interest payments,resulting in a 30-year mortgage and lower interest rates, possibly resulting in a lower mortgage payment. It also provides for advances to bring loans current and assistance with monthly mortgage payments for up to two years for borrowers experiencing a hardship. A total of 363 HOAP loans were purchased in FY 1988.
- **Taxable Mortgage Program** for borrowers such as first-time buyers or veterans who cannot qualify for tax-exempt funds. Up to $199,850 may be borrowed for a single family residence or $255,650 for a duplex. The first $90,000 of the loan is financed at a subsidized rate if AHFC's interest rate is above 10%, and any additional loan amount above the $90,000 is set at the Corporation's cost of funds. A total of 1,018 borrowers used this program in FY 1988 representing 42.7% of total loans purchased.
- **Tax-Exempt Mortgage Program** for loans to first-time home buyers who meet federal eligibility criteria and are subject to other restrictions. There were 645 home buyers who used this program in FY 1988.
- **Home Ownership Assistance Program** reduces the monthly mortgage payment that eligible borrowers pay through a subsidy based on their income such that the

monthly payment is reduced to 28% of their income or a 6% interest rate loan whichever is greater. Forty-eight homeowners used this program in FY 1988.

- **Federal Housing Administration (FHA)** insurance programs under FHA's 203b, 203b2 and 234c programs which allow more lenient down payments and qualifying guidelines. AHFC purchased 861 loans in FY 1988.
- **Mobile Home Loan Program** allows a choice of a 10% down payment with a 20-year loan term or a 5% down payment with a 10-year term on a maximum loan of $75,000. Nine borrowers used this program in FY 1988.
- **Triplex/Four-Plex Program** allows an owner-occupant to borrow up to $308,900 for a triplex or $384,000 for a four-plex with a minimum of 15% down payment. Six owner-occupants used this program in FY 1988.
- **Pledged Account Mortgage Program** provides a graduated payment mortgage where the borrower places a portion of the down payment in an interest-bearing savings account which is pledged as additional security. Funds are drawn from the account each month to pay a portion of the monthly mortgage payment. Four home buyers used this program in FY 1988.
- **Second Mortgage Program** is divided into two categories: the Second for Purchase Program to provide a vehicle for borrowers to assume an older first mortgage; the Second for Home Improvement Program for borrowers who want to retain their present first mortgage interest rate but need financing to make improvements. Seven borrowers used these programs in FY 1988.
- **Veterans Mortgage Program/State Veterans Interest Rate Preference and Federal Veterans Administration Loans** each offer veterans the following advantages: the first allows AHFC to fund below-market mortgage interest loans for qualifying veterans with tax-exempt bonds, and 349 veterans used this program in FY 1988; the second offers a 1% lower interest rate on the first $90,000 of a loan and can be applied to any of the AHFC's programs except the Veterans Mortgage Program; finally, the FVA provides a loan guarantee program which allows for a lower down payment, and it was used by 340 veterans during FY 1988.
- **Refinance Program** allows mortgagors the ability to reduce their monthly mortgage payments and make their loans assumable. A total of 109 borrowers used this program in FY 1988.
- **Rental Program** is limited to refinancing loans already owned by the AHFC that required continued owner-occupancy so that the borrower could rent the property on a long-term basis. Though 137 loans were refinanced in FY 1988, this program was discontinued in the latter part of FY 1988.
- **Non-Conforming Property Program** involves purchasing loans for properties that are structurally sound but have non-conforming features (*e.g.*, lacking conventional utilities) which reduces the possibility of obtaining financing from other loan sources. Thirteen loans were purchased in FY 1988.

In addition to these thirteen programs, the AHFC is also involved in condominium project loans and mobile home parks. In both cases, the AHFC inspects these

facilities and has other requirements that must be met before it will purchase loans in condominium projects and mobile home parks.

Financing Activities of the Alaska Housing Finance Corporation

AHFC has a history of pursuing the use of new financing techniques. It was the first public agency to sell taxable bonds in 1981. In FY 1983, it began using the Alaska Building Equity Mortgage to take advantage of shorter term, lower interest taxable bonds. In FY 1984, Federal National Mortgage Association (Fannie Mae) agreed to swap Alaskan mortgages for Mortgage Backed Securities, and more recently, the AHFC has arranged a swap process with the Federal Home Loan Mortgage Corporation (Freddie Mac). The AHFC has recently experienced a lower level of financing activity due in part to the downturn in the Alaskan economy. The major financing activities of the AHFC in recent years are briefly presented below.

- **Taxable Mortgage Program Financing.** A single issue for the Taxable Mortgage Program was sold in October, 1987 which combined issuance of: $72.5 million medium-term notes with maturities of 2 to 9 years; $8 million floating rate notes maturing in 10 years; and $19.5 million Z-bonds.
- **Tax Exempt Mortgage Program Financing.** Collateralized Home Mortgage Bonds, 1987 Series B in the amount of $50 million were sold in November, 1988. This issue was to refund an earlier series which was found to not have sufficient flexibility to accommodate 30 year loans converted to Freddie Mac participation certificates. Proceeds from this series will be used to continue funding the Tax Exempt Program for first-time home buyers.
- **Veterans Mortgage Program Financing.** The only financing for this program was the Collateralized Bonds 1988 First Series in the amount of $50 million occurring in March 1988.
- **Home Owner's Assistance Program Financing.** This program was established in December 1987 with the issuance of a $110 million multiple series transaction. The overall structure combined $43 million of medium-term notes, $12 million in floating rate notes, a 15 year term bond with 5 years of call protection, a 30 year term bond callable after 7 years, and a $10 million Z-bond which does not pay interest until the rest of the bonds are paid off. A second financing for the HOAP was sold in April 1988 in the amount of $75 million and was the AHFC's first true collateralized mortgage obligation (CMO).
- **Mortgage Backed Bonds.** AHFC sold $62 million mortgage-backed bonds in September 1987 consisting of $22 million of floating rate bonds and $40 million fixed rate securities.

- **Short-Term Financing Facilities.** AHFC continued managing its liquidity through the sales of its Fannie Mae mortgage backed securities and GNMA certificates under REPO agreements.
- **Euro Commercial Paper Program.** This program was begun in April 1987 to supplement the AHFC's short term financing activities. During FY 1988 an aggregate of $284 million of Euro Commercial Paper was issued with an average maturity of 3 months and an interest rate of 7.4%.
- **Euro Revolving Facility Agreement.** In addition to the above program, the AHFC entered into a revolving facility agreement with a number of international banking institutions, initially in the amount of $150 million with provisions to permit an increase to $200 million providing the AHFC additional access to various methods of short-term financing.

In conclusion, it is obvious the AHFC operates a wide variety of mortgage loan programs and is involved in an array of financing activities. The diversity and breadth of these programs and activities have been considered in the preparation of our approach to the project and our work plan which is presented in the next sections of our proposal.

3. Proposed Project Approach

3. Proposed Project Approach

The request for proposals lays out the tasks required of the consultant. Our approach generally follows these tasks, but they are re-ordered to reflect interdependence of tasks and actual scheduling. The scope of work is also expanded somewhat to ensure that all options receive comparable analysis.

We have divided the work into three phases:

Phase 1: Environmental Analysis

Phase 2: Strategic/Organizational Options

Phase 3: Financial Implications

Our phasing approach, and the detail within each phase, provides the Alaska Housing Finance Task Force with certain advantages, discussed below.

Advantages of our Proposed Approach

While it fully addresses all the work elements defined in the request for proposals, the approach we propose has several advantages:

1) Our approach defines the environment prior to beginning analysis. Especially, we place RFP Tasks II and III ahead of other tasks, in order to come to a full understanding of the financial, regulatory, market, and human needs situation in AHFC's service area prior to attempting any form of prospective analysis.

   Advantage: Defining the environment first means minimal lost time due to re-analysis as research forces changes in assumptions. In addition, a thorough understanding of the situation means that the right questions are more likely to be asked from the outset of analysis.

2) Our approach defines strategic and organizational options through a two-step process. We propose that the options defined in the RFP be given a preliminary review, and then, in consultation with the Task Force, the options be refined, combined, or added to prior to final analysis.

Advantage: The strategic and organization options used in the final analysis will be thoroughly discussed and tested; no time will be wasted analyzing financial effects of obviously infeasible options, and we will have the greatest probability of inclusion of all promising avenues of action.

3) Our approach clearly separates the economic, organizational, and service provision impacts of each option from the fiscal impacts. Our approach addresses these areas separately, with a Task Force screening step prior to financial analysis.

Advantage: Our approach envisions ultimate use of information generated in cost-benefit analyses. In other words, program cutbacks may generally have negative effects in the economic and service provision areas, but they may have positive impacts in the financial area. A clear separation of costs from benefits facilitates weighing one against the other to arrive at appropriate public policy.

4) Our approach evaluates all identified options using the same set of criteria. In order to choose among alternative paths, apples-to-apples and oranges-to-oranges comparisons must be made. Our approach ensures that identical criteria are used to evaluate options in all areas—economic, organizational, service provision, and financial.

Advantage: Decision-makers will be able to easily compare the potential effects of each proposed course of action in each affected area. Trade-offs will be easily identified and quantified.

Description of the Proposed Approach

The following, which discusses our approach briefly, is further expanded in Section 4, the Work Plan.

Phase 1: Environmental Analysis

This phase includes those tasks which define the environment within which strategic and organizational options must be evaluated:

- Regulatory—Those regulations and policies which currently govern AHFC's operations, or which would govern any operations under a new structure, for instance if program elements were sold, spun off, or otherwise privatized;
- Legal—Applicable State and federal laws which might affect the proposed sale or privatization of portions of AHFC's activities;
- Financial—The bond covenants and prudent business practices which affect or govern AHFC's liquidity, reserves, assets, profitability, future cash flows, program needs, and bond ratings;
- Market—The supply/demand situation in AHFC's geographic area of responsibility, including anticipated market changes by geographic segment and housing market segment and special housing needs; and
- Needs—Those human needs, both current and expected, which lead to a perceived demand for AHFC programs.

A thorough understanding of AHFC's environment in these terms will simplify the evaluation of strategic and organizational options, and will make possible reasoned and defensible assessments of the options open to AHFC.

This phase includes RFP Task III.

Product: The product of this phase will be a thorough definition of AHFC's environment in the regulatory, legal, financial, market, and human needs areas.

Phase 2: Strategic/Organizational Options

This phase includes Task I of the request for proposals. It deals with the analysis of a number of potential changes in direction for AHFC, and analyzes the probable effects of these changes.

It is critical to the structure of our proposal that:

- All options must be considered within the same framework if dependable comparisons are to be made; and
- This phase addresses only the organizational and service provision aspects of each option—financial impacts are analyzed separately in Phase 3, below.

We intend to pursue the definition and analysis of options as follows:

1) Review the options with the Task Force to gain the benefit of latest thinking and to sharpen the definitions of each option (*e.g.*, option B is currently "Reduce the size of AHFC". This definition must be expanded upon before meaningful analysis can take place). Options currently defined include:

   — Restructure AHFC to accommodate its purpose

   — Reduce the size of AHFC

   — Privatize all or a portion of AHFC

   — Return AHFC to providing housing strictly for low to moderate income borrowers

   — Phase out all or a portion of AHFC's programs

   — Sell AHFC in whole or in part.

   In each case, more specific definition of the option will be required prior to analysis; that re-definition is included in this phase.

2) Develop a list of evaluation criteria and review with the Task Force, to include items such as:

   — Effects of each option on the housing market (demand, supply, prices)

— Effects of each option on services available to groups currently served by existing programs

— Effects of each option on size and organization of AHFC

— Effects of each option on public expenditures (direct and indirect)

— Implementation costs

— Legal considerations

— Other evaluation criteria as appropriate.

3) Perform an analysis of each option within the environment defined in Phase I, above, using these evaluation criteria.

4) Review the organizational and service provision impacts with the Task Force to determine if:

— One or more of the options should be discarded at this point;

— One or more of the options should be combined for the financial analysis; and/or

— One or more options should be added to the list for consideration.

5) Complete the organizational and service provision analysis taking into account any changes from step 3.

6) Review the analysis with the Task Force to determine the final list of strategic options to be submitted for financial analysis (Phase 3, below).

This phase includes RFP Task I, except for Tasks I.E.1.b., I.E.1.c., and I.F. It also includes RFP Task II.A.

Product: At the end of Phase 2, we will have come to a final decision as to the strategic and organizational options open to AHFC, and will have defined the organizational and service provision impacts of each.

Phase 3: Financial Implications

The result of Phase 2 will be a final list of strategic and organizational options which the Task Force believes are feasible from a regulatory, economic, organizational, and service provision point of view. The next step is to analyze each option from a fiscal point of view.

The issues to be addressed in this phase are, for each option:

1) Effects on future cash flows to AHFC;

2) Effects on bond covenants;

3) Potential effects on bond ratings; and

4) Potential effects on returns on capital invested in AHFC by the State.

Another issue to be addressed in this phase is the proposal that AHFC be required to purchase mortgage loans from the Housing Assistance Fund, currently administered by the Alaska State Building Authority. Since there is a possibility that some of these loans may be non-performing, the work will include an analysis of fair market value for such loans and effects on AHFC's various loan programs of the purchase.

This phase includes RFP Tasks I.E.1.b., I.E.1.c., I.F., Task II.B., II.C., Task IV, and Task V.

Product: At the completion of Phase 3, and the project, the Task Force will have an analysis of all identified strategic and organization options available to AHFC, and the potential impacts to AHFC and the State in the areas of organization, service levels, housing markets, housing needs, and finance.

4. Work Plan

Phase 1: Environmental Analysis

Phase 1 of our proposed work plan includes those tasks necessary to begin the project, and to define the various aspects of the environment within which decisions regarding AHFC programs and organization are to be made.

Task 1: Initiate project

We will meet with the Task Force and, if appropriate, with AHFC staff to determine:

- Project details with respect to timing, review processes, on-site work areas, available data sources, and format of deliverables;
- Task Force goals and objectives with respect to the study; and
- Persons to be interviewed during the course of the study, and availability of these persons during the approximate periods anticipated for the interviews.

During this meeting, we will update our understanding of the project with the Task Force to determine if there have been any changes in policy direction or additional options to be considered in Phases 2 and 3.

Task 2: Assess regulatory environment

We will review with AHFC staff State and federal regulations governing the activities of AHFC's programs and financing for these programs. This review will include definition of requirements for various mortgage-backed securitization activities through organizations such as GNMA, FNMA, and FHLMC, and underwriting/insurance requirements of organizations such as FHA and VA. It also will include State and AHFC requirements for bond issuance under the HOAP and related programs.

Task 3: Assess legal environment

Since the options include scenarios under which certain AHFC programs and activities might be sold, spun off, or privatized, we will research applicable State and federal laws to determine what considerations might impede or facilitate such actions. We anticipate obtaining legal opinions, if required, from the State Attorney General's office; if this cannot be arranged, independent legal counsel may be necessary. (Cost of independent legal counsel is not included in our proposed fee.)

Task 4: Assess housing market

We will implement a program to assess current and anticipated demand for housing in Alaska by region, as follows:

- South Central (Anchorage, Mat-Su, Kenai Peninsula, other South Central);
- North (Fairbanks and other North);
- Southeast (Juneau, Sitka, Ketchikan, and other Southeast); and
- Other.

This demand assessment will segment demand in each area by price range:

- Under $135,000 (FHA limit);
- Over $235,000 (FHLMC limit); and
- Under the tax-exempt limit.

To the extent possible, and in the interests of completing the study quickly, we will use trend and current demand estimates developed by organizations such as HUD and ISER, both of whom have pertinent data available. Where primary research can quickly generate additional useful data, we will undertake such research, using AHFC staff as available for data gathering.

Task 5: Assess financial requirements

In order to evaluate the effect of various options on AHFC's financial condition, we will review AHFC's liquidity, reserves, and earnings as required by:

- Bond covenants;
- Maintenance of current bond ratings; and
- Maintenance of current programs.

This review will have to be accomplished, in large part, by program. We intend to address these issues as follows:

Bond covenants—Review with AHFC financial staff to determine reserves, debt service coverages, liquidity, and other factors required to avoid default or other undesirable consequence;

Bond ratings—Interview representatives of Moody's, Standard & Poor's, and possibly other rating agencies to determine what State actions with regard to options considered in this study might affect bond ratings; and

Current programs—Review with AHFC staff any forecasts of program utilization, and calculate prospective financing requirements for these programs.

Task 6: Assess human needs

No decisions regarding AHFC programs can be made without reference to current needs for the services these programs were designed. Accordingly, we will work with AHFC staff to determine, by program:

- Demographic descriptions of groups most affected by each program;
- Estimated sizes of these groups;
- Alternatives available to these groups; and
- Likely degree of hardship caused by cessation of programs.

Task 7: Review Phase 1 results with Task Force

At this point, we will meet with the Task Force to share our understanding of AHFC's environment:

- Regulatory

- Legal
- Financial
- Housing
- Human needs.

We will discuss any issues which have arisen and seek guidance as appropriate.

This meeting will likely be lengthy, since it will include the activities of Tasks 8 and 9, below.

Phase 2: Strategic/Organizational Options

In Phase 1, we set the environment. In Phase 2, we will evaluate options potentially available to the State within that environment.

Task 8: Define strategic options

In the same meeting as Task 7, we will present to the Task Force our proposed lists of strategic options.

The options list will be as originally stated in the RFP, modified by Task Force guidance from Task 1, and by our subsequent findings during the environmental assessment. The options list currently includes:

- Restructure AHFC to accommodate its purpose;
- Reduce the size of AHFC;
- Privatize all or a portion of AHFC;
- Return AHFC to providing housing strictly for low to moderate income borrowers;
- Phase out all or a portion of AHFC's programs; and
- Sell AHFC in whole or in part.

The list will be tightened during discussions with the Task Force. Part of our work at this point will be to define each option narrowly enough that costs and benefits can clearly be assigned.

Task 9: Define evaluation criteria

In the same meeting, we will present a draft list of evaluation criteria (excluding financial) which will be used to evaluate the options. These criteria currently include:

- Effects of each option on the housing market (demand, supply, prices);
- Effects of each option on services available to groups currently served by affected programs;
- Effects of each option on size and organization of AHFC;
- Effects of each option on public expenditures (direct and indirect);
- Implementation costs;
- Legal considerations; and
- Other evaluation criteria as appropriate.

Working with the Task Force, we will finalize this list and assign weights to each criterion.

Task 10: Assess market impact by each option

For each option, we will estimate the housing market impact in Alaska with respect to supply, demand, and market pricing. This analysis will be especially important for options which consider placing AHFC REO directly on the market, because of the significant negative effect such action might have on overall housing prices.

Task 11: Assess service provision impact by each option

For each option, we will assess the impacts on AHFC users both current and potential. Again, a key point here is AHFC's non-conforming loan programs; alternatives to AHFC may not be easily available for borrowers under these programs, especially because of Alaska's unique geography and isolated situations.

Task 12: Assess organizational impact by each option

For each option, we will assess the likely organizational impact within AHFC. The objective will be to identify options which offer significant

savings in terms of staffing and organization costs, or which offer program savings because of potential synergies through a reorganization.

Task 13: Assess public expenditure impact by each option

For each option, we will estimate the likely impact on current and future public expenditures in Alaska. Such impacts may be direct (substitution of one subsidy for another, where a parallel program exists outside of AHFC), or indirect (where failure to provide housing may cost the State money in other areas under existing programs).

Task 14: Estimate implementation cost by each option

Certain options, especially privatization or major service cutbacks, will certainly have high implementation costs. To the extent possible we will identify and quantify these costs, which may include items such as additional staff, special studies, etc.

Task 15: Summarize findings

We will summarize our findings in matrix format for Task Force review. The matrix will list options along one axis, and evaluation criteria along the other. Each cell will contain a numerical score defining the impact of each option with respect to each criterion.

We will also use the weights developed in Task 9 to assign overall scores to each option, and to rank them. This will be a very preliminary indication of the relative attractiveness of each option, but without respect to financial benefit.

Task 16: Review Phase 2 results with Task Force

During this review, we will present our summary of findings to the Task Force and participate in an open discussion. Questions to be answered at this meeting will be:

- Which options are truly feasible? Are certain options so politically unpalatable, difficult of execution, or costly that they should be discarded now?

- Can some options be combined? Would a combination of options add to benefit without increasing costs?
- Are there additional options to be considered?
- Are the criteria scores meaningful? Are adjustments required in view of the experience of the Task Force?
- Should the weights change?

After the Task Force has agreed on answers to these questions, we will complete our analysis (Task 17, next).

Task 17: Preform residual analysis and finalize option list

Based on the results of the Phase 2 meeting, we will analyze any new options or option combinations, revise criteria scores and weightings, and re-cast the evaluation matrix. Copies will be sent to the Task Force along with our Phase 2 summary, but no further meeting is planned at this point.

Phase 3: Financial Implications

In Phase 3, we conclude the scope of study by providing the financial analysis to accompany the environmental and options analyses already completed.

Task 18: Review bond covenants by issue/series

Working with AHFC staff, we will review major bond covenants by issue and, where applicable, by series within issue. The purpose will be to identify those areas where changes in AHFC's scope, mission, or programs may bring AHFC's financial condition into conflict with the requirements of the covenants. Such conflicts may occur in the areas of earnings, cash reserves, funding of special bond reserves, ongoing debt service coverage, net asset values, etc.

Task 19: Construct computer models

To evaluate the financial impacts of program or organizational changes, we will construct a number of computer models to simulate "what-if" scenarios. Since the options to be considered will already be fully defined, constructing these models will be relatively easy.

They will include such input variables as future default rates by class and program, future service demand by program, interest rate climate, etc. The intent will be to include as input variables those aspects of the future environment most likely to cause significant changes in AHFC's financial condition.

Output variables will include liquidity position, period earnings, and borrowing requirements. Again, the intent will be to identify output variables most likely to indicate the health of remaining AHFC programs under any scenario.

Task 20: Estimate future cash flows and ROI's by option

Using the computer models from Task 19, we will establish three scenarios—"Pessimistic", "Moderate", and "Optimistic". Then, for each scenario, we will simulate AHFC's financial operation over the next three years under each of the options identified in Phase 2. Outputs will include cash flows and annual return on State funds invested, by program where identifiable. Graphic presentations will be prepared for ease in communicating results.

Task 21: Interview bond rating sources

Based on the results of Task 20, we will informally discuss each potential scenario with representatives of bond rating sources such as Moody's and Standard & Poor's. The purpose will be to establish which option, under which scenario, might affect the ratings of State-associated bonds, whether AHFC or otherwise. It is possible that any State action which appears to impair timely interest or principal payments on AHFC bonds (for instance, HOAP issues) may have a parallel impact on ratings of other State issues.

Task 22: Summarize findings

We will summarize our findings by option in a manner parallel to the previous presentation in Phase 2. The summary will concentrate on:

- Financial results of each option under the three scenarios; and
- Potential impacts on bond ratings of each option.

Other issues will undoubtedly have arisen as well, which will be discussed in this summary.

Task 23: Review status of Housing Assistance Fund loans

We will evaluate the proposal that AHFC purchase mortgages from the Housing Assistance Fund. While the transfer of assets from a State entity (the Alaska State Building Authority) to a State corporation (AHFC) possibly will have no net impact to the State (on the "out of one pocket, into another" theory), there may be significant impact on AHFC's published financial position if:

- The mortgages are purchased at par value;
- Significant numbers of mortgages are discountable because of non-performance or other factors; and
- This discount is reflected in subsequent audited financial statements.

For this reason, it will be necessary to review the status of the mortgages to determine whether or not discountability is a factor. To do this, we will select either the entire pool of mortgages slated for purchase, or a representative sample if the pool is quite large. We will then prepare evaluation criteria for discountability and guide AHFC staff in evaluation of each mortgage. This will result in an aggregate potential discount factor for the pool.

Task 24: Establish yield level for fair market value determination

To convert the mortgage par values to fair market value, it will first be necessary to covert the potential discount factor from Task 23 to a percentage yield figure. This yield figure will be the sum of the expected yield for a "comparable performing" mortgage and a risk premium. The two numbers will be derived as follows:

- The yield of a "comparable performing" mortgage will be determined from published current mortgage rates and from interviews with established residential mortgage brokers. The spread of published numbers and opinions should be quite small, so there will be little problem establishing a satisfactory figure.

- The risk premium will be more subjective and will be established by reference to current estimates of the capital market pricing line, which relates perceived risk to required rates of return. Our initial estimates will be confirmed through interviews with mortgage brokers and others associated with risky secured obligations.

The product of this task will be an "expected yield" for securities which approximate the cash return patterns and risk characteristics of the aggregate of Housing Assistance Fund mortgages slated for purchase by AHFC.

Task 25: Determine fair market value

The fair market value of the Housing Assistance Fund mortgages will then be determined by discounting the aggregate future cash flows resulting from the mortgages by the expected yield derived in Task 24.

Task 26: Review Phase 3 results with Task Force

This will complete our scope of work under the Request for Proposals. We will summarize Task 3 results in the following manner:

- Significant bond covenants affecting options for AHFC;
- Description of computer models used to measure financial impacts of the options;
- Descriptions of the three scenarios under which the financial impacts were estimated; and
- Estimated future cash flows and ROI's for each option under each scenario.

This summary will complement the Phase 2 analysis, which covered the legal, organizational, market, service provision, and public expenditure aspects of each option.

In addition, our summary will include the assessment of Housing Assistance Fund mortgages, and their estimated fair market value at the yield rates determined.

Task 27: Prepare draft final report

Subsequent to Task Force review of our Phase 3 findings, we will prepare a final report in draft form. The format of this report will follow the structure of the work as presented in this proposal:

- Environmental Analysis;
- Strategic/Organizational Options; and
- Financial Implications.

All relevant findings, analysis, and presentations will be shown in a clear, concise, and organized fashion. Graphical exhibits will be used generously.

Since the request for proposals did not ask for recommendations, we do not intend recommending specific courses of action unless asked. However, the analysis contained in the report should provide information in a clear and even-handed way that will support efficient decision-making.

Task 28: Prepare and deliver final report

After Task Force review of the draft report, we will make any needed changes and deliver ten bound copies plus one set of camera-ready originals.

5. Project Organization

5. *Project Organization*

This section describes our overall project organization, discussing the key functional areas our team members will address, summarizing the qualifications of our personnel, and the specific role we envision each team member will play. The project team proposed for this engagement will be composed of seasoned professionals from Ernst & Young. Our personnel assignments complement the work elements contained in the request for proposals, with the skills and experience of our individual team members corresponding to the various tasks as outlined in the proposed work plan.

Description of Key Functional Areas

Our consultant team is qualified in several key functional and programmatic areas relevant to this effort. The most pertinent of these are described as follows:

- **Familiarity with Housing Issues**–This study requires demonstrated knowledge and experience in bond-financed housing, assessment of affordable housing needs, and an analysis of current and alternative housing subsidy programs. Our team consists of individuals who have provided this type of assistance through strategic planning for housing authorities, development of state wide housing plans, analysis of housing requirements, and awareness of housing programs and strategies.

- **Experience in the Real Estate Market**–Our project team members have extensive experience in the field of real estate advisory services. Three of our team members have demonstrated expertise and understanding of the real estate appraisal industry, loan purchaser problems associated with home equity loans, familiarity with real estate owned and foreclosed properties, and other applicable areas.

- **Financial Analyses Capabilities**–This proposal requires the evaluation of the current financial status of the AHFC and its individual loan programs in order to develop alternatives for retaining, refining, or otherwise changing existing programs in response to future market needs. Our team has the necessary

capacity to evaluate the current operating environment of AHFC, and to perform a comprehensive analysis of liquidity, reserves, and earnings affecting bond covenants and ratings.

- **Public Policy Analysis and Development Experience**–The ultimate audience for the results of this study will be the Alaska legislature, the decision-makers who will determine future policy direction for the AHFC. Our consultants are accustomed to working with elected officials. We will prepare a succinct report which summarizes the results of our research efforts and highlights alternatives for consideration by the Legislature. The financial impacts of our recommendations will be summarized, along with other major factors important for the Legislature to evaluate in its deliberations concerning state housing policy.

- **Strategic Planning and Organizational Analysis**–Preliminary recommendations resulting from the assessment of AHFC's current operations and future alternatives will require strategic insight and analysis. Our team is accustomed to framing key strategic decisions in light of such factors as the availability of financial resources, likely political support, effects on constituents, and probable organization or structural changes. Our work with the Task Force will draw from our strategic planning methodology and approach, which has often been successfully applied to housing issues.

The structure of our proposed team fully addresses each of these important topical areas.

Individual Roles of Team Members

This section describes the role of each team member and their associated qualifications as proposed in our project organization.

1. Partner-in-Charge: Joseph F. Hill

At Ernst & Young, the Partner-in-Charge is responsible for the overall success of the engagement. The Partner-in-Charge ensures that all work is performed in accordance with our agreement, that the work and deliverables meet the firm's quality standards and project requirements, and that there is overall client

satisfaction with our performance. In addition, the Partner-in-Charge ensures that the engagement obtains the necessary resources and attention of the firm.

Joseph F. Hill, Director of the Government Operations group for the northern portion of our West Region Consulting Practice, has over twenty years of operating and consulting experience with government.

2. **Technical Director: O. Andrew Orien**

For this engagement, we have assigned a Technical Director, M. O. Andrew Orien. Mr. Orien, an Audit Partner in our Anchorage office, has extensive experience in valuation of residential loan portfolios and is familiar with the securitization process for pooled loan portfolios. He has recent experience advising the North Pacific Rim Housing Authority and Alaska Pacific (now Key Pacific Mortgage).

Mr. Orien's valuation experience and his local familiarity with AHFC's position and the Alaska housing finance situation will be invaluable in this engagement.

3. **Project Manager: James Gibson**

The Project Manager has the responsibility for supervising all work performed under this contract, including:

- Quality control and review of all products;
- Detailed planning and scheduling;
- Determining specific knowledge and skills needed and assigning team members to specific project tasks;
- Review of project documentation, interim reports, and the final report;
- Progress monitoring and reporting; and
- Participating directly in task activities.

In addition, our Project Manager will serve as the primary point-of-contact for the Task Force, working with you to insure proper communication and timeliness of all tasks performed under this contract.

Our Project Manager will be Mr. James Gibson, a Director of the firm's Northern West Region Economic and Financial Consulting Practice. He offers eighteen

years of experience in applied financial, economic, and market analysis to this project. Mr. Gibson will also serve as our primary contact with the Task Force.

4. **Lead Technical Consultants:**

To meet the requirements in the outlined work plan, we have assigned professional, technical consultants to assume lead responsibilities in the major research areas of real estate, financial analyses, housing policy, and strategic/organizational issues. The following individuals will have primary roles in conducting the necessary data collection, research, and analysis of your current operating environment and financial status, development of alternatives, and assessment of the policy implications and projected results of the alternatives. These lead consultants include:

Real Estate Leader: Vere Harlow, Senior Manager. Mr. Harlow is Director of Ernst & Young Seattle's Strategic & Financial Services Group. He is also Chairman of Ernst & Young Seattle's Real Estate Focus Group, a ten-member team concentrating on consulting, tax, and accounting services to the real estate industry. In managing several recent real estate-related engagements, Mr. Harlow has been responsible for assessing current market conditions in specific areas and projecting demand and development trends.

Real Estate Second: Ron Morris, Senior Consultant. Mr. Morris, Senior Consultant in Real Estate for the West Region Corporate Services consulting group, has extensive experience in real estate demand and feasibility studies for office, hospitality, and single-family properties. He is experienced in basic research, demand projections, and financial analysis.

Financial Analysis Leader: Ed Kaempf, Senior Manager. Mr. Kaempf, a Senior Manager, serves as Director of our Northern West Region Analysis Services Group. Mr. Kaempf has 12 years of quantitative analysis experience with a special focus on real estate.

Financial Analysis Second: John Michelmore, Senior Manager. Mr. Michelmore, with over eight years of auditing and financial analysis experience, will work closely with Mr. Kaempf. He brings a specialty in the financial analysis of both single and multi-family housing projects and issues.

Policy, Strategic and Organizational Issues Leader: Margie Harris, Manager. Ms. Harris is a member of our Northern West Region Government Operations Practice, with a 15 year history of public sector and non-profit management experience. She has been project manager for the Seattle Housing Authority Strategic Plan, (now being updated) and has direct experience in the development of state-wide low-income housing incentive programs involving bonding, low-interest loans, and tax credits. Ms. Harris has also recently completed a housing needs study for the Seattle–King County area and is presently facilitating a Home-Ownership Commitee process for the City of Seattle, Department of Community Development.

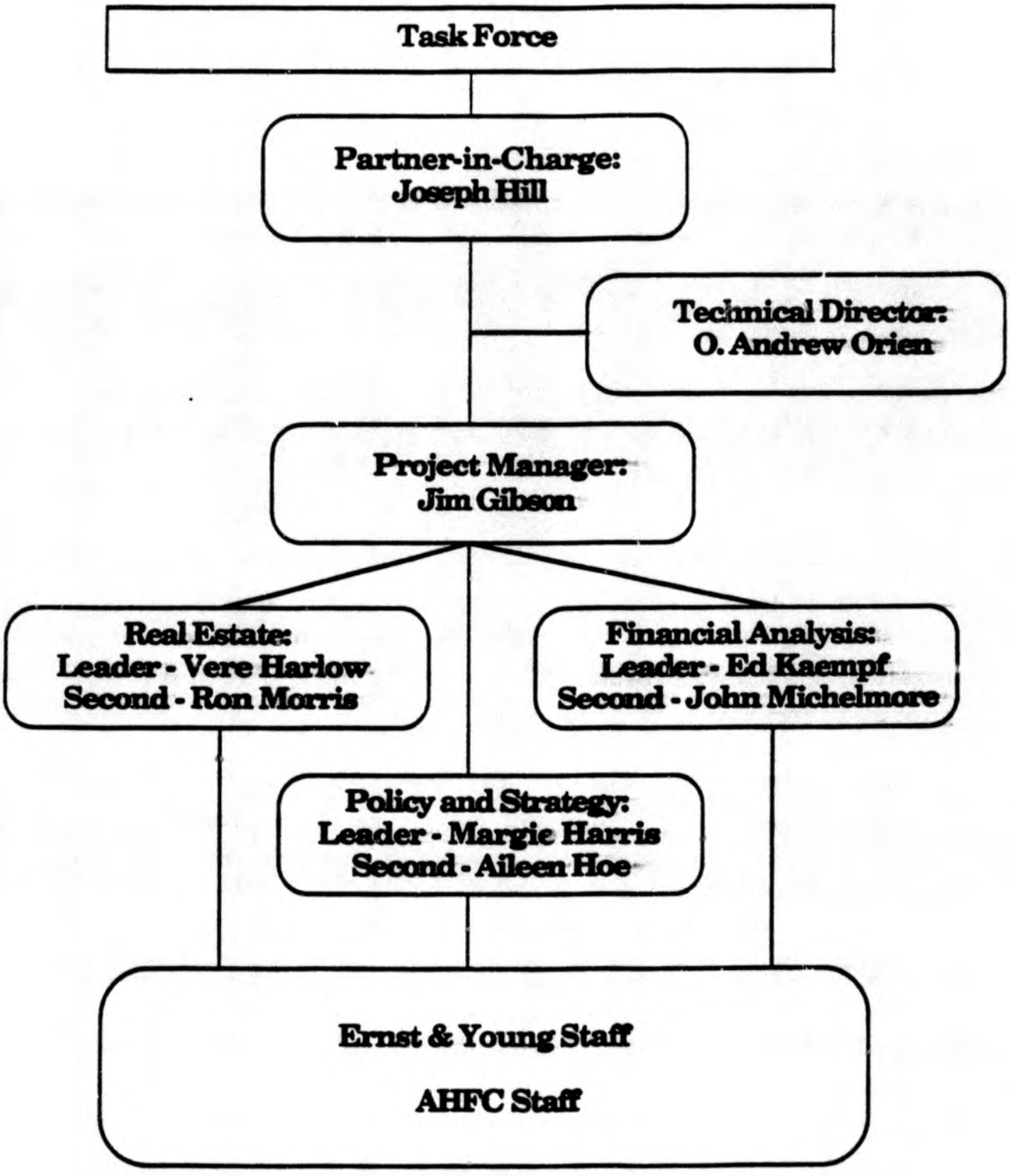
Policy, Strategic and Organizational Issues Second: Aileen Hoe, Manager. Ms. Hoe is a member of the Management Consulting Group of our West Region with demonstrated experience in both the development of financial projects and organizational alternatives specific to housing authorities. She brings a structural analysis capability to the team from the perspective of conducting numerous management reviews of government agencies, including housing authorities.

The combined roles of these individual team members address all essential elements and skill areas required to perform the work plan tasks necessary to this engagement. Detailed resumes of all team members identified in this section are provided in Section 8.

In addition to the persons identified above, Ernst & Young will assign other staff and management resources as required to provide the best and most useful study for the Task Force. No substitutions for management personnel will be made without Task Force consent.

A schematic of our proposed project organization is shown on the next page.

Project Organization



6. Schedule and Fees

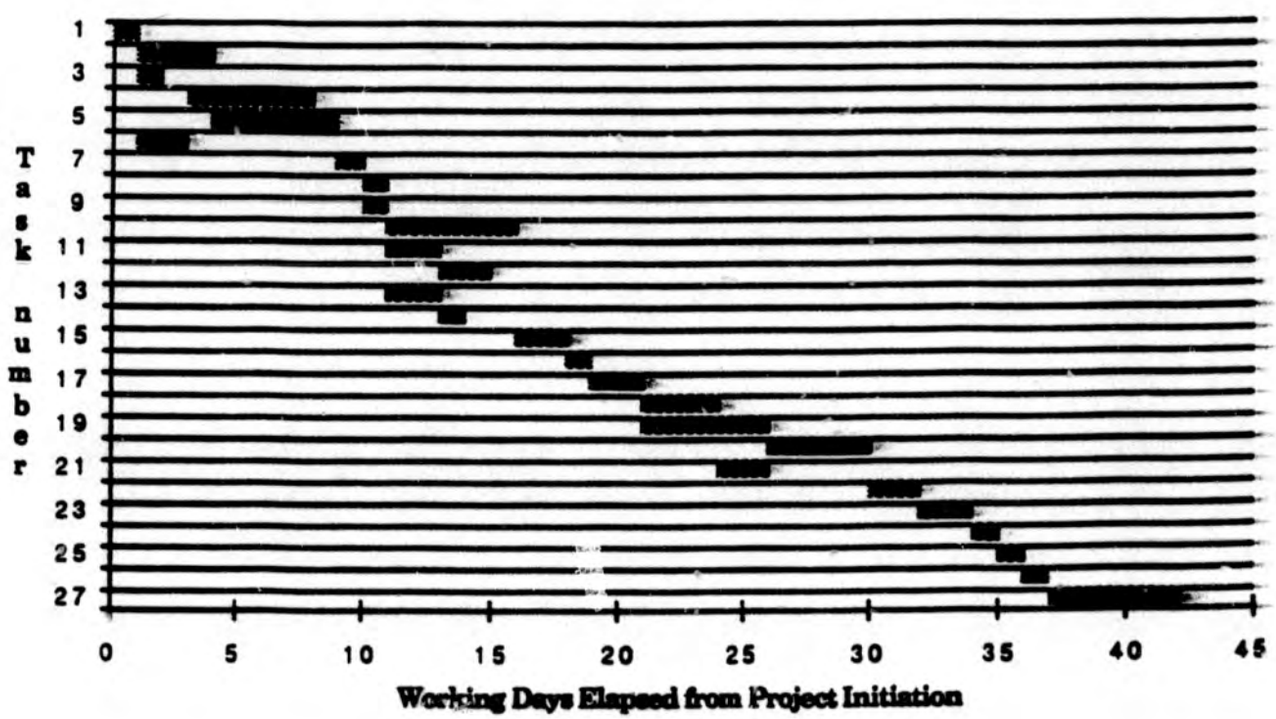
6. *Schedule and Fees*

Project Schedule

Our project schedule is shown below. Although the number of professional hours involved in this engagement is quite high, some tasks may be performed concurrently. Accordingly, and with full concentration of our resources, we estimate that the draft final report (Task 27) can be delivered 42 working days from project initiation—if all information requested is readily available and personnel required for interview are available at scheduled times through the performance period.

We emphasize that the schedule below contains no slack time.

Estimated Project Timeline



Project Budget

Our total budget for this engagement is $194,285. This includes both professional fees and out-of-pocket costs reasonably anticipated, including transportation and per diem costs for consulting resources where required.

7. Ernst & Young Qualifications

7. Ernst & Young Qualifications

Ernst & Young is a general partnership which provides management consulting, accounting, and tax services to a wide range of public and private sector clients throughout the world. We are one of the largest professional services organizations in the U.S. and in the world, with a reputation for high quality professional work and distinguished client service.

The firm was created in 1989 by the merger of the two "Big Eight" public accounting firms of Arthur Young & Company, founded in 1894, and Ernst & Whinney, founded in 1903. Ernst & Young is organized on an international basis with over 200 offices in major metropolitan areas throughout the United States, including our office in Anchorage. Worldwide, we have offices in over 100 countries. In total, the firm has 70,000 employees, including more than 3,200 Management and Information Systems consultants.

Our size provides the strength and resources of a multi-national organization, but our system of local practice development offices and expertise guarantees personal services to all of our clients. Ernst & Young brings together the varied experience of financial and real estate analysis, strategic planners, and policy analysts who hold a professional commitment to excellence in service to our clients.

Ernst & Young offers a specialized line of services to state and local governments through our government operations practice serving the Western United States. These services feature practical, proven, and structured methodologies which emphasize a participatory approach involving our client's management and personnel. Distinct from other firms providing similar services, we tailor our approach and our services to the particular concerns, needs, environment and requirements of our every client.

The following section provides a sampling of our qualifications and experience in the three primary areas of importance to this project:

A. Financial Analyses;

B. Real Estate; and

C. Strategic Planning, Organizational and Housing Policy.

A. Financial Analyses

Skills in financial analysis are fundamental to providing the Task Force with a dependable view of future financial results under the variety of options considered. At Ernst & Young, we have used sophisticated computer modeling techniques for many years to simplify the process of testing multiple scenarios for our clients. But in this process, we have never lost sight of the fact that solid and accurate research is required to support the calculations, and that poorly thought out assumptions will destroy the validity of any calculation, however sophisticated.

Below is a sampling of our experience performing financial analysis relevant to this engagement.

<u>State of California Department of Real Estate</u>

We were engaged to determine the actuarial solvency of the recovery account and developed a flexible, long-term method of funding the account. We also developed a base of historical data related to recovery account activities and balances, determined state costs of the Recovery Account Program for the current fiscal year; evaluated and prepared a plan to implement a recovery account monitoring and tracking system; and designed and implemented an automated, microcomputer-based recovery account cash forecasting system. In addition, we projected the status of the recovery account over the following four years and over the following five to ten years; evaluated the financial impact which mortgage loan brokers claims would have on the recovery account over the following four years and the following five to ten years; and determined possible changes to current funding mechanisms, including the ratio of

education and research account funds to recovery account funds, and the license fee.

City of Sacramento—Economic Assessment of Alternative Revitalization Strategies

We provided economic analysis of alternative revitalization strategies for downtown Sacramento. The planning objectives of the City and results of the urban design plan were integrated to produce program objectives and corollary mechanisms for implementation which were tailored to the specific characteristics of the Sacramento central business district. The resultant products included an overview of the office market, a summary incentive programs used by other cities, preliminary recommendations for Sacramento downtown support program and preliminary projections of office demand for the Sacramento downtown and metropolitan area.

City of Fontana—Redevelopment Agency Review of Impact Fees

We reviewed the City of Fontana's existing impact fees for a designated planned community (Southridge) which was projected to have over 9,000 residences at buildout. We assessed the adequacy and equity of current developer charges, and calculated new impact fees where appropriate.

National CTA for Housing Management

Ernst & Young was asked to join the client in assessing needs of the Puerto Rico Urban Renewal and Housing Corporation. Specifically, Ernst & Young was assigned to evaluate the manual and automated procedures in financial management areas, to develop a concept for financial systems development, and to set out a plan to effect improvements in their financial operations. PRURHC war the second largest public housing authority in the U.S. (60,000 units, $45 million budget) and was considered by HUD to be "operationally troubled."

Chicago Housing Authority

The CHA needed to fully understand its 1987 cash requirements for the upcoming meetings with HUD. Ernst & Young was asked to assist the CHA in determining an estimate of 1987 cash requirements and supporting cash flow

estimates. The engagement involved working with CHA management to instruct their staff on developing estimates for cash flow line items. Ernst & Young independently conducted a limited review of staff estimates. We confirmed cash requirements for 1987 and provided findings and recommendations to senior management.

New York City Housing Authority

We have worked with the Housing Authority for over three years in developing and implementing a new financial management system. For the past year we have assisted the Authority in supporting the operation of the system. The Authority later asked us to provide a reduced level of assistance for an additional five months.

City of Chicago - Department of Housing

Ernst & Young analyzed the department's accounting and financial reporting procedures. The following areas were considered; Purchasing, budgeting, accounts receivable, personnel control, general ledger, programmatic reporting, and cash flow projections.

Carolinas Council on Housing

Ernst & Young provided accounting services quarterly and annually for this group. This included accounting certification, rate analyses, loss projections and asset-liability matching.

Columbia Association

We evaluated the current organization and operations, the isolation of key problem conditions and constraints and the development of practical and cost effective recommendations for improvement. We also developed creative strategies to secure significant operational savings which could be applied to new and expanded services while not increasing associated administrative costs.

B. Real Estate Industry

Our professionals have the industry background to provide first-rate service. Our involvement in the real estate industry has been recognized in many ways:

- Members of our Real Estate Advisory Group have performed numerous valuation engagements for financing. Clients we have served in this capacity include Security Pacific National Bank, Citicorp Industrial Credit Corp., and Federal Asset Disposition Association. Ernst & Young has actively assisted investors in taking advantage of low-income housing credits. We have worked with California Equity Fund (CEF), one of the leading non-profit low-income housing development programs, and the first national program to make widespread use of the credit. We also assisted this non-profit provider of low-income housing in identifying Fortune 500 investors. These investors were solicited to raise funds for the construction and development of low-income housing in California.

- We have frequently conducted seminars that deal with such key industry topics and issues as financial sourcing and transactions, mergers and acquisitions, the Tax Reform Act of 1986, and utilizing the low income housing credit. We also have presented seminars for the foreign investor. Recent examples included:

  — "The Real Estate Industry: Building a Winning Team for Maximizing Global Opportunities," an *Institutional Investor Seminar* co-sponsored by Ernst & Young and held in Tokyo.

  — An International Investors Symposium, co-sponsored by Ernst & Young and the Braemer Group and held in Atlanta. Ernst & Young professionals and representatives from Salomon Brothers, London & Edinburgh Trust, Sanwa Bank, Prudential Development Company, Lloyds International Bank, and Swiss Bank Corporation spoke on such topics as "Foreign Banks - The Next Wave," "Japanese Investment in U. S. Real Estate, "The Tax Implications of the 1986 Tax Act on the Foreign Investor, and "The International Investor Discovers Atlanta."

- We are active members of the Urban Land Institute. Other professional organizations in which we actively participate include International Association of Corporate Real Estate Executives; International Real Estate Institute; Mortgage Bankers Association (including representation on the

Internal Management Committee); National Association of Home Builders; National Association of Industrial and Office Parks; National Association of Realtors; and the Real Estate Securities and Syndication Institute.

- Ernst & Young real estate professionals frequently testify as experts on matters relating to real estate accounting and auditing.

- Our Real Estate Advisory Group produces a number of publications which address the tax, accounting, and operational issues of current interest to the real estate community. Among them is *Real Estate Alert*, which provides over 20,000 readers with timely information on new developments in the industry and in our practice, and *The Ernst &Young Real Estate Report*,, a quarterly audio cassette on current developments in the real estate industry. In addition, we are co-authors of *The Dow Jones-Irwin Guide to Commercial Property Development*. On an as-needed basis, we also issue other publications to treat significant developments in greater technical detail.

Ernst & Young is, therefore, a recognized leader in serving the real estate industry. We are the real estate advisors to such industry leaders as Public Storage, Rockefeller Group, Cushman & Wakefield, Daniel Realty, Paine Webber Properties, Mobile Land Development, Trammell Crow, Grubb & Ellis Company, Balcor, and Pulte Homes, as well as hundreds of small to mid-size real estate clients. We serve the full spectrum of real estate companies, from traditional developers and builders, to today's new and emerging organization, including real estate investment trust, syndications, and master limited partnerships.

Below is listed a representative sampling of our real estate experience.

<u>California Department of Real Estate—Evaluation of Licensee Interaction with Respect to the Marketing of REO's</u>

This study was undertaken to examine licensee interaction with respect to the marketing of real estate owned/foreclosed properties (REO). This study arose primarily from concern about the increasing inventory of commercial and residential properties acquired by lenders as a result of record loan foreclosures during the early 1980's. The goal of this study was to assess and evaluate new techniques and methods for marketing and disposing of REO properties through

improved lender/owner and licensee interaction. Recommendations were developed for improving licensee interaction in the REO marketing and disposal process.

California Department of Real Estate—Evaluation of Real Estate Appraisal Industry

The purpose of this project was to conduct an evaluation of the past history and future outlook of the California real estate appraisal industry. Recent legislative actions regarding appraisers and appraisals at both State and Federal levels provided the basis for a study of this nature. Major study tasks included: (1) conduct of interviews with relevant federal regulatory and legislative officials, real estate appraisal industry trade association, mortgage lending and insurance institutions, and realty companies, (2) development, administration, compilation, and analysis of 1,500 surveys distributed to relevant industry-related professionals, and (3) development of viable alternative recommendations regarding the appraisal industry.

California Department of Real Estate—Study of Home Equity Lending by Mortgage Loan Brokers

The project examined (1) the business practices, and (2) borrower and lender problems associated with home equity loans made or arranged by mortgage loan brokers (MLB's) in California. The project involved telephone and personal interviews with these principals of home equity transactions in order to develop recommendations regarding the business practices of mortgage loan brokers. A major mail survey was made of over 5000 MLB's in order to solicit comments on the proposed recommendations.

Morgan Stanley & Co. Inc.

We were engaged to verify the mathematical accuracy of computations relating to a bond issue prepared by our client. We verified cash flows and yields using locally developed software.

YMCA of Metropolitan Madison, Inc.

We examined the financial projections for a new YMCA facility to be located in downtown Madison, Wisconsin. These projections were to be used to support the issuance of Development Revenue Bonds by the City of Madison.

Analysis of the Future Outlook for Common Interest Developments

This report concentrated on the primary factors that ensure and enhance the market values of Common Interest Developments (CID's), namely the active support of home owners in the CID, and the proper financial planning and funding of the CID by its Home Owner's Association. The study examined and made recommendations in the following areas: (1) developer setup budgets and government documents, (2) lawsuit and arbitration issues, (3) licensing, training, and education deficiencies by home owners, board members, and other professionals, (4) liability concerns by board members, and (5) CID marketing deficiencies by developers. Telephone and on-site interviews were conducted with home owner trade associations, real estate attorneys, title company representatives, developers, lenders, local government planners and regulators, appraisers, and property managers. A state wide mail survey was made of over 400 CID consumers, providers and regulators in order to solicit comments on the proposed recommendations.

Analysis of Specialized Licensure and Education for Non-Residential Licensees.

The principle goal of this study was to evaluate the need, feasibility, and advisability of requirements for brokers and sales persons employed in California mortgage banking and loan brokering, property management, business opportunity brokerage, commercial and industrial brokerage, and time-share sales. Surveys were conducted of licensees who are active in these specialty fields, enabling us to produce a profile of licensees who provide services in one or more of these specialized real estate fields. A cost and benefit analysis was then performed to determine which system of specialized licensure and education, if any, could deliver more benefits for an overall lower cost to the consumer, when compared with the current system of real estate licensing. Recommendations for the Legislature necessary to accomplish the improvement

and continuation of support programs were included along with the method of implementing the programs and systems needed to fulfill these recommendations.

C. Strategic Planning, Organizational and Housing Policy Experience

Ernst & Young has provided expertise on a wide range of housing issues and matters of public policy, including low income housing needs analyses, provision of case studies for low income housing publications, and assessments of affordable and frail and elderly housing markets. Additionally, we have provided technical expertise in the evaluation of several redevelopment, revitalization, urban and suburban development projects. Many of these projects called for recommendations consistent with local and state housing policy and land use plans.

The following is a sampling of our engagements, demonstrating our familiarity with strategic planning, organizational and policy issues related to housing.

Dimeo Enterprises—Low Income Housing Analysis

Ernst & Young conducted an analysis of refinancing alternatives for eight buildings that contained low income housing. The buildings were eligible for Section 8 low income housing subsidies and the study analyzed the potential for using Section 8 rehabilitation loans.

Urban Land Institute—Low Income Housing

We provided five case studies for an Urban Land Institute book on low income housing. We also contributed a chapter on the role of low income housing tax credits in financing projects developed through public/private partnerships.

Sacramento Housing and Redevelopment Agency—Affordable Housing Needs Assessment

We conducted a needs assessment to determine the role of housing rehabilitation as a tool in providing affordable housing. The report contained two major components including: (1) an affordable housing needs assessment, and (2) a rehabilitation needs assessment. Within the affordable housing needs

assessment, questions regarding the current and projected affordability of owner and renter-occupied housing were addressed. Specifically, the demand for, and supply of affordable housing by county income level, and the influence of housing market trends on the future supply of affordable housing were discussed.

Sacramento Housing and Redevelopment Agency—Frail and Elderly Housing Market Analysis

We prepared a demographic profile of the elderly population in Sacramento County, showing population trends and projections by location. The "at risk" elderly population was described, accompanied by an analysis of the geographic areas with the highest concentrations of this population sub-group. The concept of the frail and elderly then was defined, and estimates of the size of the frail and elderly population were projected to 1990.

The demand for housing for the frail and elderly also was analyzed. The market area and the mobility of the elderly in general was described. Managers or administrators of 28 residential care facilities and 35 independent facilities for the elderly were surveyed. Information on absorption, vacancy, and rent levels was assessed, emphasizing the characteristics of residential care facilities.

Seattle Housing Authority

Ernst & Young was engaged to facilitate the development of a five-year strategic plan for the Seattle Housing Authority. Using the E&Y/FOCUS approach to strategic planning, E & Y conducted a planning retreat with the Management Team to develop a common mission, goals, objectives, and priority programs. Subsequent work sessions resulted in management and budget training and the preparation of a draft strategic plan for public comment. This engagement included extensive public involvement activities with SHA constituents, residents and social service providers as well as an employee survey.

Local Initiatives Support Corporation

Ernst & Young was retained by the Local Initiatives Support Corporation (LISC) in Seattle to perform an analysis of housing needs for the Seattle-King County area. The analysis included extensive data collection on existing low-income

housing, eligibility criteria, monthly costs, and gaps between available supply and demand. The study resulted in a final report containing individual summary matrices of available housing units vs. need, organized by special needs population groups. The report received widespread distribution, and has been cited as a reference in policy and budget decisions affecting the future of local housing programs.

City of Seattle, Department of Community Development

Ernst & Young has been retained by the City of Seattle, Department of Community Development to assist in the facilitation of a Home Ownership Committee. The Committee is comprised mainly of residents in an area of the City impacted by the completion of Interstate 90. The goal of this effort is to insure that local residents have the opportunity to provide input to the City's plan to increase home ownership opportunities among long-time local tenants of housing currently owned by the Washington State Department of Transportation.

City of Santa Rosa

Ernst & Young was engaged by the City of Santa Rosa to conduct a management audit of the Housing Authority & Redevelopment Agency.

Portland Bureau of Community Development

We reviewed and developed an understanding of HUD, city and program statutes, regulations and rules, files and identified other potential problems or weaknesses in processes and guidelines. We also reviewed a completed policy and procedures manual, prepared a report of conclusions and recommendations and developed detailed work plans for organization management and staffing. Our work also included a review and quarterly follow-up of reviews of progress and effectiveness of policies and procedures implementation actions.

Portland Bureau of Community Development

Ernst & Young assisted in a quarterly compliance review, conducted a review of updates and amendments to the policy and procedures manual and tested compliance with selected prescribed procedures.

Hawaii Housing Authority

We were engaged to conduct a performance review of the single family mortgage purchase revenue bonds program and home mortgage purchase revenue bonds program (HULA MAE Loan Program). The objectives of this performance were to evaluate the HULA MAE program's operations to ascertain that amounts authorized had been authorized or were being utilized for the purposes for which such authorizations were made and to evaluate the effectiveness of the HULA MAE program in accomplishing legislative intent.

County of Kauai

We conducted a procedures review of the development branch of the Hawaii Housing Authority. This included a general assessment of the branch operations and its administration of the program and the development of a procedural guide.

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1603 SCOMM 60• HOUSING FINANCE TASK FORCE.•1989

8. References

8. *References*

Several references to Ernst & Young's recent housing finance and real estate work follow. We urge you to contact these references to assure yourselves of the quality of our performance, and that the value of our consulting and advisory services is held in high esteem by our clients.

- **Mr. Karney Hodge, Director**
  California Housing Finance Agency
  Director, National Council of State Housing Agencies
  1121 "L" Street, 7th Floor
  Sacramento, CA 95814
  Phone: (916) 324-4638

- **Paul Isaki, Special Assistant for Policy**
  Office of the Governor, State of Washington
  3rd Floor, Insurance Building
  Olympia, WA 98504
  (206) 586-0820

- **The Honorable Emilio Cantu, Senator**
  Ways and Means Committee
  Washington State Senate
  Olympia, WA 98504
  (206) 786-7680

- **Kanellos J. Astor, President/CEO**
  Washington State Convention and Trade Center
  720 Olive Way, Suite 1515
  Seattle, WA 98101
  (206) 464-5414

- **Brent Donaldson, President**
  Liquidity Fund Investment Corporation
  1900 Powell Street, Suite 730
  Emeryville, CA 94608-1831
  (415) 652-1462

- **Richard Wollock, President**
  Johnstown/Consolidated Institutional Advisors, Inc.
  2000 Powell Street
  Emeryville, CA 94608-1831
  (415) 652-7171

- **Tom Lackman, Chief Financial Officer**
  Storek & Storek
  484 Ninth Street
  Oakland, CA 94607
  (415) 444-3300

- **Jim Cote, President**
  Grubb & Ellis Securities Corporation
  One Montgomery Street, 32nd Floor
  Crocker Center - West Tower
  San Francisco, CA 94104
  (415) 956-1990

9. Project Team Member Resumes

FIRM POSITION

Mr. Hill is the Director of Government Consulting for the Northern half of our West Region. Mr. Hill has twenty-five years of operational and consulting experience in the government and private sectors.

EDUCATION AND PROFESSIONAL ACHIEVEMENTS

- He was educated at St. Mary's College and John F. Kennedy University, majoring in Public Administration.
- He has also taken specialized legal courses at the Golden Gate Law School.

RELEVANT EXPERIENCE

- **California Department of Real Estate** - Partner-in-Charge on a study of licensee interaction with respect to the marketing of real estate owned/foreclosed properties (REO). This study arose primarily from concern about the increasing inventory of commercial and residential properties acquired by lenders as a result of record loan foreclosures in 1986/87. The goal of this study was to assess and evaluate new techniques and methods for marketing and disposing of REO properties through improved lender/owner and licensee interaction. A broad range of ideas and recommendations were made for improving licensee interaction in the REO marketing and disposal process.

- **California Office of Statewide Health Planning and Development** -The California Health Facility Mortgage Insurance Program has over $1.5 billion (1987) in outstanding insurance contracts for health facility construction loans. The objective of this study was to review and analyze all federal, state, and industry regulations, policies, procedures, practices, and market conditions concerning life care facilities which impact solvency of the program. The study evaluated financial risk and exposure to the program which life care contract facilities represent, and made recommendations concerning financial operation of the program.

- **California Debt Advisory Commission** - Partner-in-Charge on an engagement to develop and implement a state and local debt issue data base. The project included report definition, specifications and data base design, resulting in screen, query language, data standards, dictionary, and performance

recommendations. DBMS vendor evaluations resulted in an Informix DBMS operating under UNIX.

- **Solano County** - Partner-in-Charge of a project to analyze and structure financing of eighteen capital facility projects. The objective of this project was to structure specific financing instruments which the County could use to fund a variety of new construction and remodeling building projects. The study included the following tasks: (1) review and preparation of projected year-by-year costs for each capital outlay project, (2) development of projected case inflows from County sources which could be used to fund the building projects, (3) analysis of a wide range of municipal financing instruments, and (4) preparation of specific financing instruments for each building project, including issue size, financing costs, and project drawdown schedules.

- **Land Developer** - Partner-in-Charge on a study to determine the feasibility of converting apartment property to a parking lot development. The engagement included income and cash flow analyses for different joint ownership structures.

- **City of Fremont, California** - Partner-in-Charge of a project to develop a comprehensive Capital Improvement Program (CIP) for the City. The study included an analysis of revenue, alternatives, development impact charges, and debt financing alternative, as well as the development of specific capital improvement policies and plans. An automated CIP model was developed, and multi-year cashflow projections were prepared.

- **California Department of Real Estate** - Project Manager to conduct a study of home equity lending by mortgage loan brokers. The principal goal of this study was to develop information on mortgage loan broker home equity lending practices and borrower and lender problems experienced as a result of these practices. A major mail survey of California mortgage loan brokers was conducted. The study provided recommendations for regulations to address problems with home equity lending by mortgage loan brokers in California.

- **California Department of Real Estate** - Lead Consultant to examine mortgage financing services in California. The objective of the study was to examine current practices and probably future developments in the use of computers and telecommunications technology in delivering mortgage financing services. The study includes determination of systems employed, transaction types, service providers, contractual relationships formed, general costs and benefits, and consumer experiences with applications of the technology. The final report will address changes in the industry and in consumer attitudes resulting from the use of automation.

JAMES A. GIBSON, PH.D. — PROJECT MANAGER

FIRM POSITION

Dr. Gibson is a Director in our West Region Management Consulting Group, with a specialty in economic and financial consulting. Dr. Gibson has successfully directed, managed, and participated in over 170 individual client engagements during the course of his consulting career. He has eighteen years of experience in applied financial, economic, and market analysis and has been with Ernst & Young for eleven years.

EDUCATION AND PROFESSIONAL ACHIEVEMENTS

- Advanced Training in Economics, Graduate School of Industrial Administration, Carnegie Mellon University, 1988
- Ph.D. in Resource Economics, Iowa State University, 1976
- Nominated to Phi Kappa Phi National Honor Society at I.S.U.
- Attended I.S.U. on a Full Research Scholarship
- Nominated for the National Science Foundation Graduate Fellowship, University of California, Davis, 1971
- B.S. in Applied Economics with High Honors, University of California, Davis, 1971
- Received U.C. Davis Department of Agricultural Economics Citation for outstanding Graduating Senior.
- National Association of Business Economists
- National Economists Club
- American Economics Association
- Western Economics Association
- National Association of Forensic Economists
- American Agricultural Economics Association
- Phi Kappa Phi National Honor Society
- Gamma Sigma Delta Honor Society of Agriculture
- Sacramento Economics Roundtable

RELEVANT EXPERIENCE

- **California Department of Real Estate** - Project Director on an engagement to conduct an analysis of the escrow industry as it affects real estate licenses. The study examined and compared different regulatory constraints confronting alternative providers of escrow services, and identified and explained the regional variations in escrow business practices between northern and southern California. A major component of this study involved conducting a statewide survey of 2,500 industry-related professionals for the purpose of determining the effects of differing escrow industry business practices on the consumer and the real estate industry.

- **California Department of Real Estate** - Project Director on an engagement to study the past performance and future outlook of the real estate appraisal industry. Major study tasks included: (1) conduct of interviews with relevant federal regulatory and legislative officials, real estate appraisal industry trade associations, mortgage lending and insurance institutions, and realty companies, (2) development, administration, compilation, and analysis of 1,500 surveys distributed to relevant industry-related professionals, and (3) development of viable alternative recommendations regarding the appraisal industry.

- **California Department of Real Estate** - Project Director on a study to assess the (1) business practices, and (2) borrower, lender, and loan purchaser problems associated with home equity loans made or arranged by mortgage loan brokers (MLBs) in California. The study involved telephone interviews with these principals of home equity loan transactions in order to develop recommendations regarding the business practices of mortgage loan brokers. A major mail survey was made of over 500 MLBs in order to solicit comments on the proposed recommendations.

- **California Department of Real Estate** - Project Director to study licensee interaction with respect to the marketing of real estate owned/foreclosed properties (REO). This study arose primarily from concern about the increasing inventory of commercial and residential properties acquired by lenders as a result of record loan foreclosures in the early 1980s. The goal of this study was to assess and evaluate new techniques and methods for marketing and disposing of REO properties through improved lender/owner and licensee interaction. Recommendations were developed for improving licensee interaction in the REO marketing and disposal process.

- **California Department of Real Estate** - Project Director to review California's continuing education program, including testing requirements. Study tasks included: (1) obtaining broad-based public input regarding the continuing education programs for real estate licensees in other states, and (3) preparing

recommendations concerning the California real estate license continuing education program.

- **California Department of Real Estate** - Project Director to conduct an actuarial study of the real estate recovery account. This study included providing short- and long-term projection of recovery account activities, such as cash flows and State of California real estate license activity. The projections were based on statistical and econometric analysis. A detailed cash forecast model and a microcomputer on which to run the model were delivered to the Department at the conclusion of the study.

- **California Department of Real Estate** - Project Manager on a study to evaluate the Continuing Education Program for the real estate industry. The objective of this engagement was to evaluate the real estate continuing education program for real estate licensees. The evaluation included an estimation of approximately thirty million dollars in costs incurred by licensees and identification and estimation of the private and social benefits derived from the program. The study also assessed the adequacy of policies, procedures, and practices, used by the Department in its administration of the program.

- **California Department of Real Estate** - Staff Advisor to the Commissioner. Developed a master work plan and schedule for reform of the statewide real estate subdivision process.

- **California Department of Real Estate** - Project Manager to develop, through research, data required by the client for establishing minimum criteria for all real estate license preparatory courses. The study involved the formulation and application of a major mail survey. The detailed survey was designed to systematically sample from a population of over 300,000 licensees in order to allow statistical inferences.

- **Solano County** - Project Director to provide financial services for funding of County facilities. The goal of this project was to identify funding sources for construction and capital improvements of approximately $42 million of County facilities. Potential financing scenarios were developed which considered and evaluated feasible combinations of public and private financing and ownership. The recommended funding approach included sized, lease-purchase financings, using certificates of participation. An implementation plan was prepared for obtaining funds necessary to meet assumed capital project costs.

OTHER QUALIFICATIONS

Dr. James Gibson joined Ernst & Young in 1978 after serving two years as a Principal Resource Economist for Harza Engineering Company, Chicago, Illinois. In this capacity, he was responsible for performing economic, environmental, and social analyses of major international projects in the field of energy development,

land and water development, agricultural development, regional development, and environmental quality.

Dr. Gibson's previous experience also included employment as an Instructor and Research Associate in Economics at Iowa State University. He taught economic courses in natural resources and was involved in applied research on land and water resource allocation problems, including the economic evaluation of multi-purpose reservoir projects, pesticides, energy, environmental policies, and agricultural land uses.

PUBLICATIONS

- Gibson, James A. and Timmons, John F., "Land Use Inventory and Projection Model with Application to Iowa and its Subregions." Center for Agricultural and Rural Development Report 82, Iowa State University, October 1978, 351 pages.

- Gibson, James A., "On the Allocation of Prime Agricultural Land." Journal of Soil and Water Conservation, Vol, 32, No. 6, November-December 1977, pp. 271-275.

- Gibson, James A., "A Review of Recent Extensions of Linear Economic Models to Regional Environmental Quality Analysis." Journal of Environmental Systems, Vol. VI, No. 2, 1976-1977, pp. 147-172.

- Gibson, James A. and Timmons, John F., "Information Needs and Models for Land Use Planing." American Journal of Agricultural Economics, Vol. 58, No. 5, December 1976, pp. 902-908.

- Gibson, James A., "Possible Impacts of United States' Domestic Environmental Policies on Less-Developed Countries' Trade, Investment, and Foreign Aid." Journal of Environmental Affairs, Vol. III, No. 1, Spring 1974, pp. 109-127.

In addition to the above referred professional journal papers, Dr. Gibson has published numerous general audience articles on a broad range of economic and finance topics.

FIRM POSITION

Mr. Harlow is Chairman of Ernst & Young's Seattle Real Estate Group. The Rea Estate Group, including ten professionals from audit, tax, and managemen consulting, assists Ernst & Young clients in all aspects of real estate activity.

Mr. Harlow recently returned to Seattle from Arthur Young Hong Kong, where h was Executive Director, Arthur Young Management Consultants Ltd. He wa heavily involved in comme cial real estate development in Hong Kong and in th People's Republic of China.

EDUCATION AND PROFESSIONAL ACHIEVEMENTS

- BA, Finance (with Honors), California State University
- MBA, California State University
- Financial Management Honor Society
- Author of articles on China investment (Puget Sound Business Journal) and o China's electronics industry (Journal of the American Chamber of Commerce)
- Expert testimony on facility ownership and financing, Legislature of the State o Washington
- Lecturer on Financial Feasibility and Investment Criteria in Seattle, Juneau Denver, Hong Kong, and in the PRC (Guangzhou, Fuzhou, Dalian)

RELEVANT EXPERIENCE

While in Hong Kong, Mr. Harlow developed a set of client services known as "Projec Development Services", provided to developers, construction companies, an financial institutions. These services included:

- Performance of financial feasibility studies;
- Coordination with architects and quantity surveyors in detailed project definition costing, and space allocation;
- Provision of negotiating support with respect to public sector involvemen (primarily in the PRC, where development projects are usually public/privat joint ventures); and
- Development of financing packages and financing cooperation arrangements.

Mr. Harlow managed professional service teams in one or more of the above areas with respect to several major projects, including:

- Central Plaza (Tianjin) Hotel (PRC, US$36 million)
- Guangzhou World Trade Center (PRC, US$176 million)
- Zhaoqing Star Lake Resort Hotel (PRC, US$20 million)
- Repulse Bay residential development (Hong Kong & Shanghai Hotels project, US$30 million).

Other development-related projects included pure demand studies and feasibility studies for manufacturing facilities.

Since his return to Seattle, Mr. Harlow has been working closely with Ernst & Young's Hong Kong office to connect Far East construction companies and financial institutions with local developers and others in Northwest commercial project development.

He has also managed several real estate-related engagements for Ernst & Young clients, including:

- A multi-firm consulting project to determine the feasibility of a 1,500 acre planned community near Puyallup, Washington.
- A study of the financial impacts of various redevelopment alternatives for the Union Station site in Tacoma.
- A facility siting and life-cycle cost analysis for the University of Washington.
- A detailed analysis of the potential fiscal impacts on the State of expanding and assuming full ownership of the Washington State Convention and Trade Center.
- Development of a cost accounting system and other services for the Washington State Convention and Trade Center.
- Financial analyses supporting a UDAG grant/loan application for a major retail complex.
- Reconnaissance of a proposed 400-acre industrial park in Pennsylvania for a local interested investor.
- Feasibility study for an 80-unit vacation condominium project in Anchorage.
- Financial projections for a major real estate holding company in Seattle.
- Project development services for a $3 million manufacturing facility in Seattle.
- Financing alternatives study for a proposed 500,000 square foot State office facility.
- Due diligence for a proposed purchase of a major class-A office building in downtown Seattle.
- Demand study for a proposed major class-A office building in downtown Seattle.

Prior to transferring to Hong Kong, Mr. Harlow was practice manager for financial planning and control for Arthur Young Seattle. In this capacity, he performed a number of feasibility studies and other engagements for both public and private clients in the Northwest.

FIRM POSITION

Mr. Morris is a senior staff consultant in Ernst & Young's Seattle-based Real Estate consulting group. His primary responsibilities include market research and financial modeling/analysis on both public and private ventures with emphasis on real estate and tourismelated projects.

EDUCATION AND PROFESSIONAL ACHIEVEMENTS

- BA, Accounting, Western Washington University
- Member American Society of Travel Agents (ASTA)
- Member Pacific Area Travel Association (PATA)
- Member National Association of Industrial Office Parks (NAIOP)

RELEVANT EXPERIENCE

- Performed market research and analysis to support the development of international marketing strategies for a one billion dollar proposed Washington State ski resort. The analysis, with emphasis on Europe, Canada and the Pacific Rim, included developing a profile of the target consumer groups and their preferred product mix and set of amenities. The market research was also used to support a five year forecast of the level of inbound travel to the Pacific Northwest of these international visistors.

- Developed a financial model and conducted primary and secondary market research to support a feasibility study for a restaurant to be located in a major Colorado State destination ski resort. Analyses included study of competition, study of potential demand, and overall assessment of the project characteristics. The assignment also involved projecting future revenues and expenses for this restaurant.

- Performed research and analysis for a major Caribbean economic and marketing study sponsored by the U.S. Agency for International Development. The objective of this study was to determine the feasibility of a regional Caribbean campaign targeting North America.

- Performed research and analysis on critical assumptions and developed a financial model to support economic and operational analyses and business plans for a start-up cruise line.

- Performed research on critical assumptions to support financial analysis of a multi-million dollar start-up "hotel alternative" venture in the State of Alaska. Analyses included study of hotel occupancy and rental rate sensitivities and their impact on the hotel pro formas.

- Performed detailed financial analysis of the potential fiscal impacts on the State of Washington expanding and assuming full ownership of the Washington State Convention and Trade Center. Structured and performed market research and directed a nationwide telephone survey and data collection study of the major convention centers throughout the United States.

- Performed a due diligence study in support of an acquisition by a foreign buyer of a 450,000 square foot, $100 million, Class "A" commercial office building in Seattle, Washington. The study included an analysis of historical, current and projected operating revenues and expenses.

- Performed research on critical assumptions to support a market demand and pricing study for a 300,000 square foot Class "A" commercial office building to be located in a major U.S. metropolitan city on the West coast. Analyses included study of historical absorption, vacancy and rental rates for comparable office space. This analyses was then used to estimate and project future demand and rental rates for this project.

- Conducted detailed financial analysis, developed financial models, and conducted research on critical assumptions to support a life-cycle cost analysis and a decision by the State of Washington to construct/own or lease a $110 million office building.

- Directed market research and land valuation study for a financial feasibility analysis of a $88 million 1,500 acre real estate project in South Puget Sound. Research model included interviews with real estate professionals, government officials and prominent business people.

- Performed "sensitive information" market research and analysis for a major foreign raw materials production facility planning to establish facilities in the United States. The research model included extensive interviews with corporate executives.

- Developed financial models and conducted primary market research to support the economic and operational analyses, strategic and business plans of a $15 million fisheries project in the Bering sea.

- Extensive auditing and systems analysis experience with automated accounting information systems for public and private enterprise. Auditing was performed in accordance with Generally Accepted Accounting Principles.

EDWARD R. KAEMPF — FINANCIAL ANALYSIS LEADER

FIRM POSITION

Mr. Kaempf is a Principal in our West Region Management Consulting Practice where he currently serves as Director of our Northern California Analysis Services Group. He has twelve years of quantitative analysis experience and has managed over thirty separate engagements for California State Government agencies and departments. He joined Ernst & Young nine years ago as an EDP specialist after several years experience as a systems analyst.

EDUCATION

- B. S. in Computer Science, University of Oregon, 1974
- B. S. in General Science, University of Oregon, 1975
- M.B.A. in Operations Research, University of Oregon, 1979

RELEVANT EXPERIENCE

- **California Department of Real Estate** - Project Manager of a study to assess the (1) business practices, and (2) borrower, lender, and loan purchaser problems associated with home equity loans made or arranged by mortgage loan brokers (MLBs) in California. The study involved telephone and personal interviews with these principals of home equity loan transactions in order to develop recommendations regarding the business practices of mortgage loan brokers. A major mail survey was made of over 500 MLBs in order to solicit comments on the proposed recommendations.

- **California Department of Real Estate** - Project Manager to conduct an actuarial study of the Real Estate Recovery Account. This study included providing short- and long-term projections of recovery account activities, such as cash flows and State of California real estate license activity. The detailed projections were based on advanced statistical and econometric analyses.

- **California Department of Real Estate** - Project Director to design and implement a microcomputer data base system to monitor legal claims made against the Real Estate Recovery Account. Major tasks performed included identifying needs of Department attorneys which manage the claims, designing data input and query screens, and writing a series of dBASE III programs.

- **California State Department of Education, Office of Food Distribution** - Project Manager of a detailed cost analysis of California's statewide surplus commodity distribution program. Among other activities, the study included:

  - Development of a detailed survey questionnaire administered to more than 2,000 participating local agencies in California and conduct of on-site interviews at 50 selected agencies.

  - Development of detailed costs for OFD services, including all state pro rata and departmental indirect charges and comparison of OFD costs and services with those of private sector food distribution firms and with programs in four other states.

  - Analysis of the cost and other trade-offs of contracted versus in-house warehousing and distribution and evaluation of a three-county pilot project in the Fresno area that utilized contracted services in lieu of state services.

- **State of Missouri, Environmental Improvement and Energy Resource Authority (EIERA)** - Project Manager on an engagement to conduct a comprehensive Statewide Resource Recovery Feasibility and Planning Study. The overall mission of this study was to determine the amount of solid waste produced, identify existing disposal practices, determine markets for secondary materials, and evaluate alternative technologies. Major study tasks included the following:

  - Performed a statistically-valid analysis of the solid waste stream in Missouri, and estimated the composition of solid waste by twenty-six categories (e.g., newspaper, corrugated paper, leaves and grass clippings, and aluminum beverage containers)

  - Conducted a comprehensive survey of all 157 refuse disposal facilities in the State, and prepared detailed findings on: (1) tipping fees required to cover the costs of operation, (2) amount of refuse received at the facility and its source, (3) remaining capacity at Missouri sanitary landfills, (4) plans for new or expanded facilities, and (5) amount and type of materials recovered at the facilities

  - Conducted a survey of all markets for secondary (recyclable) materials in Missouri and eight surrounding states, and markets for energy recovered from solid waste in Missouri

  - Evaluated the available and emerging technologies for resource recovery, and determined the economics of alternative technologies.

- **Diepenbrock, Wulff, Plant & Hannegan** - Project Manager on a litigation project involving a major retailer. There were three separate phases . First, an independent random sample was designed and conducted to determine the proportion of sale items which were marked at a price higher than the advertised sale price. Then an analysis of the District Attorney's own survey of sale item price marking was performed. Finally, a review and detailed analysis of present price marking procedures were conducted.

FIRM POSITION

Mr. Michelmore is a Senior Manager in our West Region Management Consulting Group. He has over eight years of auditing and financial analysis experience with government, non-profit, and private sector clients. Mr. Michelmore specializes in residential housing issues, both single-family and multi-family projects.

EDUCATION

- Certified Public Accountant
- B. S. in Accounting, California State University, Chico

RELEVANT EXPERIENCE

- **California Housing Finance Agency** - Project Director of the firm's annual financial audit of the Agency. The Agency's portfolio consists of $2.5 billion in loans to single-family homeowners and $500 million in loans to multi-family property owners.
- **California Housing Finance Agency** - Project Director of several engagements to issue comfort letters associated with the Agency's bonds.
- **California Housing Finance Agency** - Project Director of our annual single compliance audit of the Agency in regards to requirements of the Department of Housing and Urban Development. This work involves various procedures to determine compliance with various HUD requirements including tenant qualifications, political activities, civil rights, cash management, internal control, Davis-Bacon Act, schedules for receipts and disbursements, relocation assistance, and allocation of indirect costs.
- **Various Housing Construction Subcontractors** - Project Director of annual financial reviews of subcontractors to various housing General Contractors.
- **Real Estate Construction and Development Firm** - Project Director of our annual financial audit of one of Sacramento's largest home builders.
- **Savings and Loan** - Managed the real estate portion, including evaluation of REOs, for a large Sacramento-based savings and loan.
- **Real Estate Investment Firm** - Coordinated the review and client assistance for a large real estate advisory and property management firm. This included

development of a system to generate reports for the State of California Public Employee Retirement System, for whom this private firm managed all real estate investments.

- **Coordinator** - tax compliance and planning opportunities for several companies in the real estate industry.

- **Project Director** - in charge of a project designed to establish ownership of properties and allocation of property value amongst members of an affiliated group.

MARGERY S. HARRIS — HOUSING POLICY, STRATEGIC AND ORGANIZATIONAL LEADER

FIRM POSITION

Ms. Harris is the Manager of our Northwest Government Operations practice, specializing in services to state and local governments and non-profit organizations. She has over 15 years of both public and private sector management experience. Her expertise is in long-range strategic planning, management reviews and audits, organizational development, and public policy analysis.

EDUCATION

- Bachelor of Science, University of Michigan, School of Natural Resources, Ann Arbor, Michigan

RELEVANT EXPERIENCE

- City of Seattle. Department of Community Development—Ernst & Young is currently assisting the Department of Community Development in its efforts to define new homeownership strategies for residents of the Interstate 90 corridor. A twelve-member Homeownership Committee comprised largely of neighborhood residents is working with the Department to develop a plan to enable local renters to purchase state-owned homes they now occupy. E&Y is facilitating the community process for insuring neighborhood involvement in the preparation of City and State homeownership plans.

- Project Manager, Seattle Center Strategic Plan, Seattle, Washington. At present, developing a five-year strategic plan with the City Council, management, and employees of this 74-acre park, entertainment and cultural facility. Entails a comprehensive, participatory process to clarify the overall mission and purpose of this City of Seattle Department by developing of goals, objectives, strategies, and action plans. Emphasis on implementation of the strategic plan through the budget and ongoing operating plans.

- Project Manager, Seattle Housing Authority Strategic Plan, Seattle, Washington. Developed a five-year strategic plan with the Board of Commissioners and management team of the Seattle Housing Authority. Clarified and reinforced priority roles and opportunities for the Authority through the development of a shared vision, mission statement, goals, and objectives for the organization. Approach emphasized development of action plans and management tools to integrate agency budget and departmental

operating plans with strategic plan implementation. Included public meetings and other extensive opportunities for employee and community participation.

- Senior Management Consultant hired to conduct a series of management audits for the City of Bellevue, Washington. First audit analyzed purpose, structure, organization, and operation of the Property Services Division of the Public Works Department. Identified key issues and developed recommendations to maintain and improve service delivery and functions of the Division.

- Project Manager for a Relocation Study for the Fred Hutchinson Cancer Research Center, Seattle, Washington. Analyzed the necessary requirements for relocating the Administrative and Development Divisions of the Research Center. Approach included interviews, information gathering and analysis of space and work requirements. Developed recommendations to preserve communications and enhance operations during a period of transition to a new location.

- Co–Manager of project to conduct a comprehensive management audit of the Bremerton Fire Department, Bremerton, Washington. Included analysis of organization structure, efficiency and response times, budget matters and revenue sources, as well as personnel issues. Identified opportunities for improving delivery of services and enhancing Department operations.

- Joint Project Manager for the development of a Housing Needs Report for the City of Seattle and King County, Washington. Commissioned by the Local Initiative Support Corporation, the Report identified housing types along a continuum, from emergency shelters to independent housing alternatives. The gap between available housing units and need for such housing was identified. Emphasis was placed on the specific needs of special population groups.

- Consultant, Management Review of Personnel and Fiscal Office, Oregon Research Institute, Eugene, Oregon. Analyzed structure, operations, and personnel classifications of the fiscal office of a large not-for-profit behavioral research organization. Included personal interviews with organization management and Board members, analysis of findings, and development of recommended alternatives.

- Research Assistant, Management Audits of Fire Department, Police Department, Planning Department, and Mechanical System operations, City of Bellevue, Washington. Collected and analyzed comparative data through interviews, surveys, and literature review. Analyzed functions, organizational structure, number of personnel, and budget allocations for these city agencies. Compiled and analyzed data for reports.

- Coordinator, User Fee Seminar, Portland, Oregon. Conducted seminar on User Fees for local government officials, focusing on alternate ways for city and county governments to recover costs of local services. Included presentation of research findings concerning fee options for specialized services.

- Senior Advisor to member of City Council, Portland, Oregon. Management responsibilities for priority projects in community and economic development, energy conservation, parks and recreation, and public works. Researched, formulated, and implemented city policies, developed recommendations, and presented findings to City Council. Reviewed and prepared city ordinances and state legislation, coordinated press conferences and community workshops, and wrote major speeches. Responsible for long-range staff planning and strategy sessions. Investigated City Council teambuilding opportunities. Served as liaison to city bureaus, community organizations, and businesses. Resolved citizen and constituent concerns.

- Program Manager, Energy Conservation Act, Portland, Oregon. Secured over $2.5 million for the City of Portland as payment for energy conservation programs and accomplishments under the Northwest Regional Power Planning and Conservation Act. Saved city taxpayers upwards of 50% on associated energy costs.

- Project Manager, Public Involvement Strategy for the Northwest Power Planning Council, Portland, Oregon. Designed and implemented public information campaign concerning the development of the Region's first energy conservation plan strategy. Publicized and coordinated public meeting and workshop series, conducted individual interviews and facilitated community work sessions. Analyzed public opinions and prepared written comment summaries for inclusion in the final plan.

- Project Manager, Waterfront Development, Portland, Oregon. Prepared and implemented a detailed workplan for the revitalization of Portland's downtown riverfront, including major park property development and waterfront tourist attractions. Completed groundwork for the construction of an esplanade park, and a major stream-powered tour boat. Coordinated related policy and land-use decisions, and enlisted private business and community support.

- Project Manager, Methane Gas Pipeline, Portland, Oregon. Initiated public-private partnership resulting in profits to the city from the sale of surplus methane gas. Secured buyer to purchase the gas, a usable by-product of sewage treatment. Led negotiations with all parties, prepared contractual agreements, obtained financing and tax credits, prepared press materials, and monitored project construction. Project received distinguished Governor's Energy Conservation Award.

- Project Manager, Steam Plant Closure, Portland, Oregon. Facilitated the orderly closure of a local utility's downtown steamplant operation. Developed the strategy and planned the stages for over 700 customer conversions to new heating systems. Designed a low-interest loan program to assist low-income people and non-profit organizations.

- Liaison to Central City Plan, Portland, Oregon. Represented member of City Council during development of comprehensive plan for Portland's central core area. Included participation in steering committee meetings and public workshops. Contributed to development of written policy, goals and objectives to guide future housing, recreation, transportation, natural resources and other facets of urban growth.

- Facilitator, City of Portland Energy Office, Portland, Oregon. Designed and facilitated two planning sessions for the staff of the City of Portland Energy Office. Included preparatory interviews and discussions with meeting attendees, agenda setting, and group facilitation. Determined work plan priorities, projects and schedules in the context of meeting local energy policy goals and objectives.

- Consultant, Portland Energy Conservation, Inc., Portland, Oregon. Designed and facilitated planning retreat for newly-established, non-profit energy conservation organization. Conducted individual interviews with staff and designed planning agenda. Designed system for ranking work priorities and developed corresponding work plans and schedules.

- Outreach Services Director, Western Solar Utilization Network, Portland, Oregon. Responsible for preparation, management, and implementation of annual operating plan for 13-state regional solar energy commercialization program. Facilitated planning sessions for 22-person staff to design innovative strategies for achieving solar energy goals. Allocated $2.5 million annual budget to priority projects. Included monitoring and evaluation of program effectiveness using work plans and quarterly reports. Represented organization during federal and regional policy, planning and budget discussions.

- Conservation Program Supervisor, Oregon Department of Energy, Salem, Oregon. Responsible for preparation, management and implementation of annual state energy conservation plan. Included development of statewide strategies to achieve federal conservation goals. Designed and facilitated strategy sessions for conservation staff to determine program and budget priorities. Included development of work plans and quarterly reporting systems. Designed two strategic planning retreats for all department managers, and coordinated preparation and follow-up with management consultant and facilitator.

- Project Director, Public Information Campaign, Oregon Department of Energy, Salem, Oregon. Identified constituency impacted by the passage of seven new energy laws and designed statewide outreach and marketing program. Designed and facilitated small group workshops and two statewide conferences geared toward public acceptance and participation in new incentive programs.

FIRM POSITION

Ms. Hoe is a Manager in our West Region Management Consulting Group. She has extensive experience in developing financial projections using computer modeling techniques. She also brings direct experience in working with housing issues and related public policy.

EDUCATION AND PROFESSIONAL ACHIEVEMENTS

- Bachelor of Arts Degree with honors from the University of Hawaii
- Master of Business Administration Degree from Kansas State University

RELEVANT EXPERIENCE

- Project Manager in an engagement to assist in reorganizing the Hawaii Housing Authority (HHA) into two separate entities: HHA, and the Housing Finance and Development Corporation. Assistance included assessing the existing operations and organization, developing reorganization alternatives, preparing detailed position organization charts and cost estimates, preparing revised functional statements and the formal memorandum requesting reorganization approval from the Governor, and suggesting changes to job classifications for selected positions.

- Other engagements for the Hawaii Housing Authority (HHA) and the Housing Finance and Development Corporation (HFDC) include:

  - Project Manager on a project with the Hawaii Housing Authority (HHA) to recommend an organizational structure and staffing for housing financing programs designated to fund single family mortgages.

  - Project Manager to conduct a comprehensive management review of the Hula Mae Loan Program. The objective of the review was to provide the Board of Commissioners and HHA management with an assessment relating to the implementation and administration of the Hula Mae Program. During this engagement, we identified several areas requiring

attention, developed key questions relating to monitoring and internal control, and reviewed management and lender reporting systems.

- Project Manager for the detailed management review of the Land Reform Branch of the HHA. The objective of this engagement was to determine how well the program's objectives were being met as well as a general operating and performance review of the Land Reform Branch. Our review subsequently led to another engagement which focused on the development of a procedural guide which documented operational procedures followed in all aspects of the various programs conducted by the Land Reform Branch.

- Project Manager for an engagement involving conducting a performance review of the Development Branch. The objectives of this project were to determine how well the branch was performing and to identify and make recommendations to improve the management and control of development projects, including a review of existing systems.

- Project Manager for an engagement to update the Accounting Manual for the Finance and Accounting Office of the HHA. This project included a review of existing accounting systems documentation, identification of areas requiring updating and documentation of policies and procedures for those areas to reflect current tasks and functions performed.

- Lead Consultant to assist a local real estate developer in the review of the feasibility of the first large-scale mixed use complex to break ground in the Kakaakosection of Honolulu. The first phase of this $100 million development resulted in construction of seven low-rise buildings totaling over 510,000 square feet for office and commercial use. As part of our engagement, we reviewed projections of cash flow, tax benefits and profit and loss from operations for eight years.

- Consultant on our engagement with the Hawaii High Technology Development Corporation and the County of Hawaii to develop a marketing strategy and plan for the proposed Hawaii Ocean Science and Technology Park. The project involved identification of potential tenants, determination of demand, price strategies, as well as development of an overall strategy for marketing the Park.

- Project Consultant to conduct an evaluation and analysis of the State of Hawaii's organization/reorganization review processing system for the Department of Budget and Finance (B&F). The project involved: reviewing statutes and administrative directives governing organizational change; conducting interviews with all State executive departments to discuss their internal procedures and experiences with B&F's review process and the requirements of the Department of Personnel Services for implementing organizational changes; analysis of B&F internal records of organizational change reviews conducted; identification of improvements to the existing system; development of

a new administrative directive, proposal documentation and procedures guide for use internally and by executive departments.

In a separate follow-up engagement, we are providing assistance to the Division in developing specific classification specifications and position job descriptions for new classes/positions in order to implement the reorganization of the Division.

- Project Manager for a project for the Department of Human Services to provide assistance in developing alternatives for an overall reorganization of the Department including all programs on Oahu and the neighbor islands and all staff office. We conducted interviews with management throughout the Department and on the neighbor islands, developed an explicit set of reorganization criteria, and developed alternative conceptual organization structures. Following selection of a conceptual design by the Department, we developed preliminary position organization charts and developed estimates of the impact on the Department's budget.

- Project Consultant for a project to provide assistance to a local real estate trading company in the design and implementation of a property management information system to manage their portfolio of properties.

- Project Consultant on a City and County of Honolulu project to conduct a feasibility study for contracting out public services to private companies. The scope of work included a review of all services performed by City personnel and a joint selection of five specific services identified as having the potential for being contracted out. Then, a detailed analysis of the five services was performed from which statement of work, quality assurance plans and cost comparisons were prepared.

STATE OF ALASKA LEGISLATURE

HOUSING FINANCE TASK FORCE

Evaluation of Policy Options Concerning the Future of the Alaska Housing Finance Corporation

January 12, 1990

Ernst & Young

DRAFT
FOR DISCUSSION PURPOSES ONLY

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January 12, 1990

Representative C. E. Swackhammer
Chair, Housing Finance Task Force
Alaska State Legislature
Room 521, Capitol
P. O. Box V
Juneau, Alaska 99811

Dear Representative Swackhammer:

Ernst & Young is pleased to present this Draft Final Report on our analysis of the Alaska Housing Finance Corporation's future role in providing financing for Alaskan homebuyers. An Executive Summary is presented in this report which summarizes the background for this study, and highlights our findings.

We wish to thank both you and your Legislative Assistant, Mr. Carl Nickel, for not only your own continued support throughout this study but for the help you provided us in identifying and obtaining assistance from individuals throughout State Government. We owe Mr. Nickel a special thanks, as he was especially helpful in our research efforts and coordinating many requests for information.

Members of the Housing Finance Task Force, including Vice Chair Senator Patrick Rodey and Representative Randy Phillips, also provided us advice during the study. We wish to thank the members.

During this study we have enjoyed the full cooperation of AHFC's Board Chairman, Mr. Robert Mintz, and AHFC's Chief Executive Officer, Mr. Thomas Behan. We also wish to express appreciation to the many AHFC management and staff for their help, advice, and cooperative spirit during this study. This especially includes Mr. Mark Cameron and Mr. Paul Kapansky. Without their availability during this study's compressed time schedule, completing this project would have been impossible.

This study's schedule required we complete the final report within 42 working days of project startup. Although the schedule was abbreviated, we are confident that our analysis of policy options focuses on all the important issues raised during the study.

We look forward to presenting our findings to the Task Force in person. Our Project Director, Dr. James A. Gibson, members of the project team (Messrs. Edward R. Kaempf, John Michelmore, and Vere Harlow), and our legal subcontractor (Delaney, Wiles, Hayes, Reitman & Brubaker, Inc.) are all prepared to address any comments or questions which the Task Force, AHFC, or the interested public may have concerning this report.

Very truly yours,

cc: Senator Patrick Rodey, Vice Chair
Senator Rick Halford, Member
Representative George Jacko, Jr., Member
Representative Randy Phillips, Member
Senator Mike Szymanksi, Member

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EXECUTIVE SUMMARY

Ernst & Young

EXECUTIVE SUMMARY

The State of Alaska Legislature established the Housing Finance Task Force in 1989 to review and recommend changes in publicly-assisted residential finance programs, including those loan programs managed by the Alaska Housing Finance Corporation (AHFC). This study was commissioned to provide information regarding potential changes in AHFC programs, and included addressing the following concerns of the Task Force:

- Availability of a return on the State's $1 billion investment in AHFC, without impairing AHFC's financial condition
- Affect on AHFC's financial standing from a change in the subsidy policy
- Impact on AHFC's financial position and on the State's housing market, due to changes in the AHFC subsidy and/or a return of AHFC to its original legislative intent
- Feasibility of "privatizing" AHFC.

The results of our analysis are summarized in following subsections of this Executive Summary:

- *AHFC Present Activities*
- *AHFC Financial Position and Availability of Funds*
- *Policy Option to Change AHFC Subsidy*
- *Policy Option to Return AHFC to Original Legislative Intent*
- *Policy Option to Change Ownership of AHFC*
- *Conceptualization of an Idealized AHFC.*

A. AHFC PRESENT ACTIVITIES

The Legislature created AHFC in 1971 to provide housing for low-income Alaskans. Since that time, the Legislature has progressively expanded AHFC's role, where the Corporation now provides financing for the varying housing needs of all

qualified Alaskan homebuyers. AHFC's core activities are selling bonds and purchasing home loans originated by Alaskan lending institutions.

During fiscal year 1988/89, AHFC purchased 2,740 new loans. One half of these new loans were purchased under the tax-exempt, first-time homebuyers program. In addition to purchases of new loans, AHFC also refinanced 6,316 existing AHFC loans in the same fiscal year. In total, AHFC purchased approximately 9,000 loans totalling almost $900 million.

Over the past five years AHFC's purchases of new loans have dramatically declined while refinancings have significantly increased. In total, AHFC loan purchase activity has increased slightly in the past five years.

B. AHFC FINANCIAL POSITION AND AVAILABILITY OF FUNDS

In June of 1980, legislation was passed which allowed the State to subsidize interest rates on mortgage loans purchased by AHFC. In connection with the legislation, the State contributed monies to AHFC to provide for the overcollateralization of these loans so that qualified residents could obtain interest rates on mortgages below market rates.

Through fiscal year 1983/84, just over $1 billion was contributed by the State to AHFC. Of this amount, $808 million was contributed for the overcollateralization purposes described above. The remaining $225 million was provided for various other specifically identified purposes. The Corporation has not required a direct State capital infusion since 1984.

The Corporation's ability to operate as a going concern depends on both its liquidity and solvency. The concept of liquidity includes AHFC's ability to meet necessary cash flow payments. Currently, the Corporation is experiencing liquidity problems as reflected in the most recent year's net loss of income. The concept of solvency includes AHFC's equity strength and general credit worthiness. The financial community still generally views the Corporation as financially stable because of the solvency of its balance sheet.

However, further extraction of Corporation assets, in any form, may have a serious impact on Corporate financial health.

Under the current AHFC practice of using general obligation financing, if funds were appropriated from the Corporation, a precedent would be set and the bond programs would likely be less solvent and credit worthy. Additionally, if funds were withdrawn, the State could conceivably run the risk of being held responsible for any resultant future losses in the bond programs.

AHFC had retained earnings of over $300 million as of June 30, 1989. However, these cumulative earnings were principally a result of interest earned on State contributions, and that without prior State contributions the Corporation would reflect a deficit to-date.

As of June 30, 1989, AHFC had $519 million of net Corporate assets not pledged as collateral for specific bond indentures. The $519 million equity balance is only as strong as the Corporation's assets. Based upon our review, it appears that a fairly significant portion of these assets may not be liquid, if collectible or realizable at all. In addition, a significant portion of the mortgage loans maintained in the Corporate Operating and General accounts were either already pooled, or scheduled for pooling, to be subsequently pledged to a bond issue. Although these receivable balances (pooled loans) represent valid and collectible assets, the principal intent is to place these balances into a bond issue. Finally, AHFC's short-term borrowing agreements require minimum equity balances be maintained, which AHFC has met.

Therefore, after deducting from the $519 million equity balance those assets considered non-liquid, and adjusting for current borrowing arrangements, we estimated AHFC had only $10 million in unrestricted net liquid assets as of June 30, 1989. Virtually all of AHFC's $519 million equity balance is thus restricted.

C. POLICY OPTION TO CHANGE AHFC SUBSIDY

For virtually all AHFC loan programs, a subsidy is provided to the borrower if the cost of AHFC's funds used to purchase a loan is greater than ten percent (nine percent to veterans). By law, this subsidy cannot exceed three percent. With the current level of

market interest rates, there is no subsidy on tax-exempt programs, an approximate 0.75 percent subsidy on the taxable program, and an estimated two percent subsidy on the Home Owners' Assistance Program.

We believe the subsidy program is presently not desirable because it presents a major drain on increasingly scarce AHFC assets and it prevents the re-entry of outside capital into the Alaska market. The cessation of the subsidy will not only make possible some long-term future return on prior State appropriations, it also will provide a great stride towards long-term fiscal responsibility for the Corporation.

Furthermore, a unique window of opportunity exists now to eliminate the subsidy because AHFC's cost of funds is generally below the ten percent threshold rates (although some slight subsidy is in effect for the taxable program), demand for mortgages is low as compared to the last couple of years, the price of housing appears to be at or near the bottom, and market interest rates are expected to remain stable in the short-term.

However, we wish to emphasize that elimination of the subsidy as of a set date (June 30, 1990) is only appropriate under the conditions noted above. A significant time delay in implementation could result in changed market and economic circumstances. Therefore, as a possible backstop, a ratchet mechanism may be wise to consider. That is, eliminate the subsidy through revised legislation as of a set date (again June 30, 1990 seems to be appropriate), but provide for the ability to extend this date if conditions are not actually favorable at that time.

We addressed the impact of changing the subsidy as to its effect on the housing market, AHFC, and the State (appropriated funds). Below is a summary of what we determined to be the impacts:

Market: We addressed the impact to the housing market under three separate circumstances, and determined that only in a worse case scenario (interest rates increasing significantly during the transition period) would any negative effects likely to occur. In this event, some form of ratcheting (such as extending the effective date of eliminating the subsidy until conditions were more favorable or phasing-out the subsidy over time)

would eliminate this problem. However, based on projected interest rates, we do not currently believe this to be the likely scenario.

AHFC: Either the elimination or phase-out of the interest rate subsidy will provide for a financially stronger Corporation and no negative effects to Corporation bond or loan covenants, or bond ratings from credit agencies. Without the interest rate subsidy for the taxable programs, the Corporation will lose much of its competitive market advantages over the private sector. In the long-term, this could lead to a healthier competitive capital market environment.

Without any future changes to the subsidy, and no further State capital injections, we have projected that the Corporation will have a major decrease in its unrestricted net liquid assets over the next five-year period. Because of the immaterial amount of total unrestricted net liquid assets available as of June 30, 1989 (only $10 million), any substantial decrease in unrestricted assets will have the following two important negative impacts on the Corporation's short-term borrowing arrangements:

- If minimum unrestricted net liquid asset balances are not maintained, the Corporation may be in a default position on its working capital debt
- If net losses resulting from bond programs continue in the future, the critical short-term Corporation borrowing arrangements necessary for day-to-day operations may be severely jeopardized.

State Appropriations: Because elimination of the subsidy will provide for a more financially solvent AHFC, this may be one of the few ways for the State to ever receive a return on their substantial contributed capital . This is assuming the AHFC has to reach at least break-even operations in order to be able to return a dividend from operations to the State.

The net effect over a five-year period of eliminating the subsidy may range from $43 million to $91 million, depending on market conditions. In summary, elimination of the subsidy will reduce costs, either to the State or to the Corporation, by these substantial amounts.

D. POLICY OPTION TO RETURN AHFC TO ORIGINAL LEGISLATIVE INTENT

The original legislative intent was for AHFC to provide housing for low- to moderate-income individuals. Based on this interpretation of intent, we made a determination that the taxable program and the second mortgage program did not meet original legislative intent. Because the magnitude of the second mortgage program is negligible, we then estimated the impact of phasing-out the taxable program on Alaska's housing market and on the financial position of AHFC and the State.

The effect of phasing-out the taxable program on AHFC's financial position is measured by the change in unrestricted net liquid assets. The potential change in these assets arises from two sources:

- First, to the extent that loans under the taxable program are subsidized, terminating this program means that further subsidies are unnecessary and these assets, therefore, should increase
- Second, because bond issues supporting the program are overcollateralized as a credit enhancement measure, terminating this program frees up assets which would otherwise be pledged as collateral.

The additive effect (over and above elimination of the subsidy) of eliminating the taxable program as of June 30, 1990, would be to reduce by $45 million the level of unrestricted net liquid assets otherwise required over the five-year period of fiscal years 1990 through 1994.

Due to the generally perceived role of AHFC, its long-term institutional relationships with other secondary market purchasers, and the continuing importance of the taxable program to the Corporation's REO sales, any phase-out of the program should proceed carefully and take place over an extended period of time. A careful implementation of the phase-out will avoid market disruption because if any disruption does become evident, mechanisms will then be in place to slow the phase-out and stabilize the situation.

In summary, AHFC programs supported by taxable bonds compete directly with private sector sources of financing. The AHFC, in absence of the subsidy, adds no unique value to these taxable mortgage programs, over and above the private sector. In addition, AHFC is not serving primarily low- to moderate-income persons with it's taxable programs. However, it should be clarified that even though AHFC programs supported by taxable bonds appear to be presently expendable, we are not suggesting that this occur. These taxable programs must remain accessible to AHFC, but only on an "as needed" basis.

E. POLICY OPTION TO CHANGE OWNERSHIP OF AHFC

The legislature requested an evaluation of the potential for "privatizing" all or a portion of AHFC. Typically, privatization has been an arrangement in which the private sector supplies goods, facilities, and services that have been traditionally provided by the public sector. However, in the case of the Housing Finance Task Force request, this policy option actually extends to selling all, or a portion, of the Corporation's assets and related liabilities to a third party.

The sale of AHFC assets is probably not feasible for several reasons:

- There is little or no interest in the purchase
- The price paid could be far below State investment in AHFC
- Legal problems may exist with respect to the Alaska constitution and various bond covenants.

However, contracting out of the REO disposition process may be a viable option, and could offer cost-savings to AHFC. The REO functions performed are commercially available, non-governmental in nature, somewhat routine, and easily defined in terms of workload. A private firm(s) could avoid many government restrictions which presently hamper the AHFC REO disposition process, such as civil service requirements, procurement restrictions, and difficulty in authorizing needed additional staff positions. Competitive bidding for providing the services could lower the cost of disposing of REO properties. If AHFC used the private sector, rather than its own employees, to deliver the REO service, it would not have to give up its responsibility to provide the service.

F. CONCEPTUALIZATION OF AN IDEALIZED AHFC

We recommend the Legislature consider a new formal mandate for AHFC in order to redefine its role in the years ahead. We believe that the role of AHFC, as described below, makes good public policy sense and serves to stabilize Alaska's cyclical housing market, both in good times and bad.

The net effects of the proposed legislative mandate would be positive to the State, AHFC, and the Alaska real estate market, and would make AHFC a more effective organization in carrying out public policy. We recommend, therefore, that the Legislature consider the following long-term mandates:

- Focus AHFC'S role on low- and moderate-income housing, but retain AHFC in a "backstop role" to provide taxable mortgage financing, as required. This will help stabilize the Alaska housing market in the long-term
- Restructure AHFC's financing mechanisms to concentrate on tax-exempt revenue bonds. This will be consistent with its focus on low- and moderate-income housing and holds the long-term potential of freeing up part of AHFC's capital base
- Enable AHFC (through elimination of the subsidy and by operations improvements) to operate on a break-even or profitable basis. This will provide funding for the housing backstop role and provide the potential to pay dividends from operations to the State
- Make AHFC more independent of close legislative control. This will promote both efficiency of operations and the ability to respond to market conditions based on long-term legislative policy
- Require AHFC to pay operating dividends to the State. This is a reasonable condition considering the large investment already made by the State
- Protect AHFC's capital base and avoid new capital infusions by the State. This will protect AHFC's financial integrity. Also, because AHFC will be breaking even or making a project, no new capital will be required.

SECTION I

OBJECTIVES AND SCOPE OF EVALUATION

Ernst & Young

I. OBJECTIVES AND SCOPE OF EVALUATION

The State of Alaska Legislature established the Housing Finance Task Force (Task Force) in 1989 to review and recommend changes in publicly-assisted residential finance programs, including those loan programs managed by the Alaska Housing Finance Corporation (AHFC). The Task Force issued a Request for Proposals to assist in the analysis and evaluation of the financial condition of the AHFC as it pertains to the Corporation's loan programs. Ernst & Young's response to the RFP was presented in its proposal dated October 20, 1989. A contract with Ernst & Young to perform the study was approved November 9, 1989.

The remainder of this introductory section is organized under the following headings:

- *Background of State of Alaska Housing Finance Task Force*
- *Objectives of Evaluation*
- *Scope of Evaluation*
- *Study Tasks and Schedule.*

Subsequent sections of the report are organized as follows:

- **Section II** **Background of Alaska Housing Finance Corporation**
- **Section III** **Present Financial Position of AHFC**
- **Section IV** **Present Economics of Alaska Housing Market**
- **Section V** **Description of Policy Options and Evaluation Methodology**
- **Section VI** **Policy Option to Change AHFC Subsidy**
- **Section VII** **Policy Option to Return AHFC to Original Legislative Intent**
- **Section VIII** **Policy Option to Change Ownership of AHFC**

- **Section IX** **Conceptualization of an Idealized AHFC**

Following Section IX are five appendices:

- Appendix A Selected AHFC Operational Concerns
- Appendix B Projections of AHFC Unrestricted Net Liquid Assets
- Appendix C Survey of the Alaska Real Estate Market
- Appendix D Evaluation of Housing Assistance Fund Mortgage Loan Purchase by AHFC
- Appendix E Legal Review by Delaney, Wiles, Hayes, Reitman, & Brubaker, Inc.

A. BACKGROUND OF STATE OF ALASKA HOUSING FINANCE TASK FORCE

The Alaska State Legislature has provided for a substantial public financing system to assist homebuyers. Through the Alaska Housing Finance Corporation, the Legislature has provided more than $1 billion of capital, as well as bonding authority, to initiate and sustain a large variety of residential loan programs.

Concerned over the future of the State's significant investment in AHFC, particularly in light of recent economic hardship in the State, the 1989 Legislature created the Housing Finance Task Force through Legislative Resolution Number 54. The charge of the Task Force was to review and evaluate the financial condition of AHFC's residential loan programs. Specifically, the Legislature requested the Task Force to:

- Summarize the financial condition of AHFC's residential loan programs, guidelines governing the loan programs, and the status and condition of any bonds sold to capitalize these loans
- Evaluate options and implications for restructuring, reducing the size of, privatizing, or phasing out AHFC, and to evaluate the potential return on the capital invested in AHFC by the State
- Review a proposal which would require AHFC to purchase mortgage loans from the Housing Assistance Loan Fund, and determine whether the purchase should be at par value or market value.

The Housing Finance Task Force was comprised of six members of the State Legislature, including three members of the Senate and three members of the House of Representatives. The Task Force had an advisory group composed of the Director of the Rural Development Division of the Department of Community and Regional Affairs, and the Executive Directors of AHFC, the Alaska State Housing Authority, and the Alaska Housing Market Council. The Housing Finance Task Force was to dissolve when the Task Force submitted its report to the Legislature.

B. OBJECTIVES OF EVALUATION

The primary goal of this study was to provide information and assistance to the Task Force, the State administration, and AHFC board and management in their determination of AHFC's future role in providing financing for Alaskan homebuyers. This included addressing the following concerns of the Task Force:

- Availability of a return on the State's $1 billion investment in AHFC, without impairing AHFC's financial condition.
- The affect on AHFC's financial standing from a change of the subsidy program
- The impact on the State's housing market due to changes in the AHFC subsidy and/or AHFC programs.

In meeting the needs of the Task Force, the following were established as specific goals of the study:

- Determine the status of AHFC programs, including number of participants, target population, current status of loans outstanding, and financial condition
- Determine status of bond programs capitalizing the loan programs
- Assess restrictions on the State's original $1 billion investment in AHFC
- Evaluate the history and present economics of the State's housing market, and AHFC's role in the housing market
- Evaluate the impact on the State's housing market, AHFC financial position, and State funds from implementation of various options which change existing AHFC programs and ownership
- Determine the feasibility and impact of a proposal to purchase mortgage loans administered by the Housing Assistance Division (HAD) of the Department of Community and Regional Affairs.

C. SCOPE OF EVALUATION

The primary focus of this study was an analysis of three basic policy options regarding the long-term role of AHFC in providing financing for homebuyers, and a determination of the implications of these options on the State's housing market and financial condition of AHFC. The policy options originally were outlined by the Legislature in its formation of the Task Force. Working with the Task Force, Ernst & Young then refined these alternatives to the following three basic policy options:

- Terminating the subsidy now available to Alaska homebuyers, either by a one-time elimination or gradual phase-out
- Returning AHFC to its original charge of primarily providing residential housing financing for low- to moderate-income Alaskans
- Changing the ownership of AHFC, which could involve the selling of some or all Corporation assets.

In addition to addressing the above three basic policy options concerning the future of AHFC, Ernst & Young also spent a considerable amount of effort addressing the legislative question of the present availability of, and amount of, AHFC net unrestricted assets which could be returned to the State.

This study impartially evaluated future policy options for the AHFC. The evaluation primarily considered financial impacts on AHFC and economic impacts to the Alaskan housing market. Minor emphasis was placed on social or welfare considerations as it was assumed that these issues would be debated in the legislative process. The findings in this report are presented independent of AHFC management and Task Force member positions. However, we did obtain considerable input from both AHFC management and Task Force members during the course of the study.

The scope of this study did not focus on review of day-to-day AHFC operations or cash management and financial systems. However, during the course of this policy review areas of concern were noted which are briefly commented on in Chapter II, "Background of AHFC."

The analysis of each policy option required an examination of its impact on the State's housing market, considering the significant role AHFC now plays in residential housing. The analysis also examined the impact of each policy option on AHFC's financial position, specifically the expected change in the Corporation's unrestricted assets over the next five years. Finally, the analysis determined what impact each option would have on the State's General Fund, whether a return on capital originally invested by the State was possible, or if additional State funds would be needed by AHFC as a result of the policy change.

In addition to an economic and financial analysis of each policy option, the study also obtained selected legal advice regarding the implementation of each option. Legal questions addressed included the following:

- What is the legal definition and structure of AHFC?
- What legal steps must be taken to modify the subsidy?
- Can the State legally expropriate funds from AHFC? Is AHFC required to provide a return on the State's capital investment in AHFC?
- Will an expropriation of Corporation funds by the State create an obligation of the State of Alaska for ultimate repayment of AHFC bonded indebtedness?
- Are there any significant legal issues which constrain AHFC from selling any, or a portion of, its assets?
- Are there any legal constraints to establishing a new agency to provide for low- to moderate-income housing as originally intended by the legislature? Can specific bond programs be eliminated?
- Can AHFC issue revenue bonds?

Ernst & Young retained as a subcontractor the Anchorage law firm of Delaney, Wiles, Hayes, Reitman & Brubaker, Inc. to perform this legal review. Their letter report addressing these legal issues is presented as **Appendix E** to this report.

The analysis in this report was based on an internal review of AHFC programs, and an external review of the present housing market in Alaska. Numerous interviews were conducted with AHFC staff, management, and board; Task Force members; Alaska State Government representatives; banks and other financial institutions both within and outside Alaska; selected financial intermediaries (Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, etc.); real estate brokers and developers, title companies, rating agencies and mortgage insurers; Alaska Housing Market Council; and University of Alaska and Alaska House and Senate researchers. The analysis included a detailed review of the financial position of AHFC, including requirements of bond covenants and short-term borrowing agreements.

This study did not involve construction of detailed econometric or financial models to complete the analysis. Rather, the analysis was kept at a macro level, and modelled only significant factors influencing AHFC liquidity and the State's housing market. These factors included general demand for home loans in Alaska, interest rates, and over-collateralization needed for the subsidy and for maintaining AHFC bond credit rating.

D. STUDY TASKS AND SCHEDULE

This project began November 9, 1989 with a kickoff meeting with the Task Force in Anchorage. With the due date for a final report already established by the Legislature, the study had just forty-two (42) working days to complete this report. Therefore, study emphasis was placed on an internal analysis of AHFC liquid assets and an external, macro-economic analysis of the State's housing market. On December 6th, Ernst & Young conducted a status meeting for the Task Force in Anchorage, providing findings to-date regarding AHFC financial position and recent trends of the Alaksa housing market.

Other specific tasks which were completed in this study included the following:

- Initiate and Administer Project
- Assess Current Status of AHFC Financing Programs
- Determine Financial Requirements of Bond Covenants
- Evaluate Present Financial Position of AHFC
- Assess Historical and Existing State Housing Market
- Interview Industry Representatives
- Define Policy Options Regarding the Future Role of AHFC in Providing Housing in Alaska
- Develop Evaluation Methodology and Criteria
- Assess Policy Option Impact on AHFC Financial Position
- Assess Policy Option Impact on Housing Market
- Assess Policy Option Impact on State Funds
- Assess Legal Issues Which Impede or Facilitate Each Policy Option
- Evaluate Proposal Requiring AHFC to Purchase Housing Assistance Division (HAD) Mortgage Loans
- Summarize Findings
- Prepare Draft and Final Report
- Present Results of Study to the Housing Finance Task Force.

SECTION II

BACKGROUND OF ALASKA HOUSING FINANCE CORPORATION

Ernst & Young

II. BACKGROUND OF ALASKA HOUSING FINANCE CORPORATION

In this section we provide a historical review of the Alaska Housing Finance Corporation, as well as a description of each housing program now administered by the Corporation. This background information is organized in the following subsections:

- *AHFC Enabling Legislation*
- *Evolution of AHFC*
- *Existing AHFC Financing Activities*
- *Existing AHFC Programs.*

During the course of performing our study of AHFC programs, we noted several issues and possible concerns which we summarize in **Appendix A** to this report.

A. AHFC ENABLING LEGISLATION

The Alaska Housing Finance Corporation was created by the State Legislature in 1971 as a public corporation within the Department of Commerce[1] but having a legal existence independent of and separate from the State. The Legislature determined that the private sector and existing federal government programs were inadequate in meeting the housing needs of low-income individuals. The AHFC was created to provide affordable housing for low-income residents, and was given the authority to issue bonds to carry out its programs.

The newly created AHFC was given a broad range of powers to provide low-income housing, including the following:

- Make or participate in construction loans to sponsors, developers, and builders
- Make or participate in the making of mortgage loans to sponsors, developers, and builders
- Purchase mortgage loans on the secondary market
- Make partial rental or mortgage interest payments
- Make loans from the Housing Development Fund (created by the enabling legislation)
- Issue bonds as a means of financing programs.

The Corporation eventually selected the actual scope of its activities, limiting its initial activities to the purchase of federally-insured[2] mortgages (secondary market purchases) originated and serviced by private lending institutions. Construction and direct mortgage lending were viewed as being in direct competition with the private sector. In addition, the AHFC decided not to provide rental subsidies because the Alaska State Housing Authority already had a rental subsidy program.

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1 The name of the Department of Commerce was later changed to the Department of Revenue.

2 Most loans purchased by the AHFC from 1972 to 1975 were loans insured by the Federal Housing Administration or the Veterans Administration.

The purchase of loans through the secondary market would be financed by the sale of tax-exempt bonds, which provided for a mortgage loan interest rate that was below market rates. The enabling legislation did not appropriate any State funds to AHFC for financing the housing programs.

B. EVOLUTION OF AHFC

Since 1971, there have been several significant changes to AHFC, most of which have generally expanded the market which the Corporation serves, while leaving unchanged its core activities of selling bonds and purchasing mortgage loans. Legislative actions removed income limits, increased loan limits, and created a special interest rate subsidy so many Alaskans could afford to buy their own home. Additional programs allowed for more loans for rural and mobile homeowners, provided additional subsidies to low-income borrowers, and allowed AHFC mortgage holders to refinance their loans in order to lower payments and avoid delinquencies.

In the subsections which follow, we briefly summarize milestones in the evolution of AHFC.

1. Changes From 1972 Through 1979

In May, 1972, prior to the first bond issue in October, 1972, the legislature expanded AHFC's programs to include moderate-income individuals, as well as persons living in remote, underdeveloped, or blighted areas. The criteria qualifying such individuals was left to AHFC, although all individuals still had to have incomes sufficient to qualify for federal government mortgage insurance or guarantees because AHFC was only purchasing federally-insured mortgages.

In 1975, the Legislature created the State Mortgage Insurance Fund which allowed the Corporation to purchase loans which were not federally-insured. This allowed purchase of conventional loans (i.e., not FHA or VA insured), which was the majority of new home loans. While income limits and maximum loan amounts remained unchanged, the number of eligible borrowers in the state increased. Mortgages held by AHFC went from 2,161 at fiscal year end 1974 to 4,965 at FY year end 1977. The insurance fund lessened the risk to bondholders and improved the marketability of the insured mortgage bonds sold to finance purchase of mortgage loans.

During 1978 and 1979 the Legislature created a rural housing program to be administered by AHFC. Although AHFC's insured mortgage program already authorized loan purchases in rural areas, relatively few loans were purchased. The Legislature requested AHFC make a special effort in making mortgage loans in rural areas, and appropriated $13 million to fund the program. The AHFC operated two rural programs from 1979 until 1982, when the programs were transferred to the State Department of Community and Regional Affairs.[3]

Beginning in 1979, AHFC developed a mobile home loan program at the request of the Legislature. Mobile homes were less expensive than other housing types, and were viewed as needed during a period of higher population growth and general housing price inflation. However, financial institutions treated mobile homes as personal, not real, property. Loan terms for mobile homes resembled consumer loans, with higher interest rates and shorter terms than real estate loans. This caused problems for low- and moderate-income buyers, a potentially large segment of the population. This new program was initially funded by State appropriations.

2. Changes In 1980

During 1980, State and Federal legislation resulted in significant changes to AHFC programs and operations. The legislation expanded AHFC's housing programs to all owner-occupying purchasers (not just low- to moderate-income individuals) and increased the State costs of these programs. These changes are summarized below:

- *State Legislation*
  - -- Subsidized interest rates were established at ten percent on the first $90,000 of all loans (nine percent for veterans), regardless of AHFC's cost of funds

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3 One rural program provided for State funded mortgage title insurance and mortgage hazard insurance accounts, enabling AHFC to provide financing in those areas where title to the land may still be subject to conveyance under the Native Claims Settlement Act or where commercial hazard insurance is effectively unavailable due to cost. The second rural program provided for financing of rental housing in rural areas, by not requiring owner occupancy of the property.

- -- Borrower income limits were removed, opening up AHFC programs essentially to all Alaskans

- -- Loan limits were increased

- -- The Home Ownership Fund (HOF) was established which reduces the monthly mortgage payment a borrower is required to pay. The loan is written at the current interest rate but the borrower was required to pay a maximum of 25 percent of their annual income, with the AHFC paying the difference[4]. Because of the additional subsidy, AHFC subsequently developed qualifying criteria including the amount of total assets based on family size, and sales price limits

- -- Refinancing loans for home improvement were allowed

- -- A program for financing mobile homes in trailer parks was funded, providing for 20 year (or less) loan terms

- -- A rural housing program was funded

- -- For the first time, AHFC's operating budget was to be subject to the Executive Budget Act for fiscal years beginning June 30, 1982. This provision required that AHFC's budget be approved by both the Legislature and the Governor, meaning more direct control over the level of AHFC activities.

- *Federal Legislation*

  - -- The Mortgage Subsidy Bond Tax Act of 1980 was enacted, restricting the use of tax-exempt bonds to first-time home buyers and limiting the amount of tax-exempt mortgage revenue bonds which could be sold in the State of Alaska to $200 million per year. This limited the issuance of AHFC Home Mortgage Bonds, also known as AHFC's first-time home buyer bonds.

In order to implement the new programs, the Legislature appropriated to AHFC more than $500 million in cash and residential mortgage loans held by the State General Fund. Earnings on the appropriated mortgage loans and a portion of the cash were utilized

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4 The HOF program has changed since 1980, where the amount of the subsidy is now based on a borrower's income in an amount that would reduce the monthly payment to 28 percent of their monthly income or a six percent interest rate loan, whichever is greater. The amount of the computed monthly payment not paid by the borrower is paid directly by AHFC each month to the seller/servicer.

to subsidize the difference between the legislatively mandated interest rate and the Corporation's cost of funds.

The Corporation also implemented the Pledged Account Mortgage (PAM) program in 1980 as a means of offering a type of graduated payment mortgage plan. With a PAM, the borrower places a portion of the down payment in an interest-bearing savings account which is pledged as additional security. Money is drawn out of the account each month to pay a portion of the mortgage payment in the early years of the loan. Because the borrower is qualifying on a lower first-year payment, borrowers can purchase a larger home in anticipation of their income increasing.

3. Changes From 1981 Through 1985

The AHFC's volume increased sharply in 1981 as a result of changes made through 1980. According to AHFC, by 1981 the Corporation was purchasing eighty-five percent of all mortgage loans made in the State. In FY 1979/80, AHFC held 15,879 mortgages in its portfolio. In FY 1981/82, after all changes were implemented, AHFC held 29,037 mortgage loans.

The original structure of the interest rate subsidy, provided for ten percent loans to the majority of applicants. As a result, AHFC was subsidizing many loans purchased in 1980 and early 1981 at up to six percent below the Corporation's cost of borrowing money. Recognizing this uncapped subsidy, the Legislature in 1981 changed the subsidy program, limiting the subsidy to a maximum of three percent (four percent for veterans) below AHFC's cost of borrowing.

In 1981, AHFC issued taxable bonds (the first public agency to do so) in order to meet the growing demand for AHFC funded home loans With the federal cap on tax-exempt debt, the AHFC had to develop other sources of financing the increased loan demand. The taxable debt increased the Corporation's overall costs of borrowing. The cost of the taxable State Assisted Mortgage (SAM) Bonds reached 18.8 percent (SAM Series D and E).

Also in 1981, the Legislature required a "due on sale" provision for all loans; in effect, AHFC loans were not assumable. This was established partly so that new buyers would have to pay current interest rates rather than the more heavily subsidized earlier rates. In 1986, loans became assumable.

In 1982, legislation transferred AHFC's rural programs to the Department of Community and Regional Affairs. In addition, two new programs were implemented in fiscal year 1982:

- Second Mortgage Loan Program, which allows a borrower to: (1) obtain a second for home improvement while maintaining their existing interest rate, or (2) assume an older first mortgage to maintain a lower interest rate
- Tax-Exempt Mortgage Loan Program for first-time home buyers, which are those who have not owned a home in the previous three years and who meet federal requirements, including purchase price limits.

In response to increased interest rates, AHFC on June 1, 1982, implemented the Alaska Building Equity (ABE) mortgage. These graduated payment loans are structured to pay off within 16 to 18 years. The AHFC could then issue shorter-term bonds which generally had lower interest rates than longer-term bonds. The ABE structured loans applied to all AHFC programs, with the exception of the Mobile Home Loan program and the Second Mortgage Loan program. Loans purchased under the tax-exempt, veterans, and taxable bond programs from June, 1982 through 1986 have the ABE loan structure.[5]

In fiscal year 1982/83, two new programs were implemented:

- The Veterans Mortgage Program was approved by Alaska voters. This allowed issuance of tax-exempt bonds guaranteed by the state for use in purchasing qualified veterans mortgage loans[6]

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5 In 1987, AHFC signed an agreement with FHLMC ("Freddie Mac") which, among other provisions, required all loans to be written for 30 years.

6 Veterans who cannot qualify for the Veterans Mortgage program still can get the "veterans preference" of one percentage point below the current interest rates from AHFC on the first $90,000 of AHFC loans. Veterans under any AHFC program also can qualify for VA loan guarantees, allowing them to take out loans with no down payment.

- The Triplex/Four-Plex Program was developed in response to concerns about the shortage of rental units throughout the State.

In FY 1984/85, the Legislature transferred authority for making non-conforming loans in urban areas from the Department of Community and Regional Affairs (DCRA) to AHFC. The program is intended for purchasers of houses that do not meet typical structural or other standards of private mortgage lenders. In remote areas of Alaska there are a number of houses that are not of standard construction, and it is difficult for borrowers to obtain conventional financing. The DCRA administers state financed loans geared towards rural areas.

From fiscal year 1980/81 through fiscal year 1983/84, the Legislature appropriated approximately $1 billion to AHFC. A large portion of these funds, plus earnings on mortgage loans, was used to subsidize the difference between the interest rates offered to borrowers and the Corporation's cost of borrowing.

Through fiscal year 1984/85, the AHFC issued three types of bonds to finance loan purchases: tax-exempt, tax-exempt veterans, and taxable bonds. In fiscal year 1983/84, AHFC signed an agreement with the Federal National Mortgage Association (FNMA, also referred to as "Fannie Mae"), to swap Alaskan mortgages for Mortgage Backed Securities, achieving "AAA" bond rating on taxable issues for the first time and eliminating the need for mortgage pool and special hazard insurance through FNMA's guarantee of timely payment of mortgages. Also, the State Guaranteed Veterans Mortgage bonds were restructured to extend bond maturities to 30 or 35 years, and to allow AHFC to use loan prepayments to purchase new loans. This ability to "recycle" funds provided AHFC with continued access to a pool of funds at a known tax-exempt rate, hedging against a rise in interest rates or a loss federal tax-exemption on future issues.

In fiscal year 1984/85, the AHFC became an issuer of Government National Mortgage Association ("Ginnie Mae") mortgage certificates as a means of securitizing VA guaranteed loans. Also, AHFC signed another agreement with FNMA allowing the Corporation to swap mortgages financed with tax-exempt funds and extending the "AAA" rating to the tax-exempt Home Mortgage (first-time home buyers) and Veterans Mortgage bonds.

4. Changes from 1986 Through 1989

The price of oil started a dramatic decline in December, 1985, slowing overall economic activity and reducing State revenues. Also, the Tax Reform Act of 1986 changed the way mortgages could be financed. The Act substituted a ceiling on annual issuance of qualified private activity bonds at a level of $250 million for the remainder of 1986, $250 million for 1987, and $150 million per year thereafter. This ceiling encompasses not only qualified mortgage revenue bonds but also student loan bonds and some of the bonds which are issued by other Alaska State agencies. The Governor allocated half of the new ceiling to AHFC and the other half to the Alaska Industrial Development and Export Authority.

Changes made by AHFC and the Legislature in fiscal year 1985/86 were in response to economic and tax reform changes, and included three new programs and two other changes:

- A refinance program was begun in March, 1986, allowing any AHFC borrower to refinance their existing loan, generally to obtain a lower monthly payment. This program also reduced AHFC's cost of the subsidy because older (higher interest rate) bonds could be retired with the refinancing of the older loans

- A rental program was initiated with the sale of two, $25 million note issues with five year maturities. The program allows a borrower to refinance a property for the purpose of renting. This was popular with borrowers with the means to "move up" but who were unable to sell their current home, as well as with borrowers who have moved out of state but have been unable to sell their homes

- AHFC began purchasing loans secured by properties for which typical financing cannot be obtained. These properties have non-conforming features such as low ceilings or lack of utilities. Single family homes, duplexes, and mobile homes on lots are eligible. In fiscal year 1985/86, AHFC purchased 27 such loans

- Regulations were adopted which made all AHFC loans assumable to qualified borrowers, providing the seller and buyer more flexibility and lower costs

- The ABE graduated loan structure was approved by the Federal Housing Administration (FHA), qualifying AHFC loans for FHA insurance. Moderate income borrowers who cannot meet AHFC down payment requirements may now make an FHA loan instead of a FNMA loan.

In 1988, the Home Owners' Assistance Program (HOAP) was implemented. Under the original program design, borrowers which were experiencing some hardship were allowed to refinance an existing AHFC loan in order to lower the interest rate, eliminate scheduled increases in principal and interest (from the ABE graduated payment loan structure), or provide funds to bring the loan current (if delinquent). In 1989, HOAP II was implemented which was open to any AHFC borrower. In 1990, HOAP III will be added which is different in two respects. The subsidy cannot be greater than two percent below AHFC's cost of borrowing, and the borrower cannot keep their old interest rate but must instead take the interest rate currently offered by AHFC.

Most of AHFC's loan activity in fiscal year 1988/89 involved refinancings. The AHFC purchased 9,081 loans made in fiscal year 1988/89, of which 6,316 were refinancings of existing loans under HOAP. In the prior fiscal year 1987/88, AHFC purchased just 363 HOAP loans. **Exhibit II-1**, on the following page, provides a summary of AHFC program activity in fiscal year 1989.

In the fall of 1989, AHFC initiated the Condominium Stabalization program which has three components:

- Retail Sales Financing Program will provide low interest rate (7.5 percent) financing for AHFC owned condominiums and planned unit developments. The program, referred to in public advertisements as the "Yes You Can" program, is funded from accumulated prepayments from the tax-exempt insured mortgaged bond program. The AHFC has estimated that this program is not subsidized because of accumulated excess earnings in the insured mortgage program

- Association Loan Program will provide loans to homeowners' associations for common area improvements necessary for the health and safety of the residents (essentially to make the property more marketable)

AHFC Programs and Level of Activity
Fiscal Year 1988/89

Program	Loans Purchased in FY 1988/89 Number	Dollar Amount ($ Millions)
New Loans		
Tax-exempt	1,371	$100.9
Tax-exempt veterans	254	29.8
Taxable	892	78.8
MGIC special financing	161	6.6
Mobile home	18	0.3
Home Ownership Assistance (HOF)	26	1.9
Non-conforming	16	1.2
Pledged account mortgage	2	0.2
Total new loans	2,740	$219.7
Refinancings and Seconds		
HOAP refinancings	6,316	$647.5
HOAP seconds	23	1.0
Refinance -- taxable and rental	2	0.2
Total refinancings and seconds	6,187	$648.7
Total loans purchased	9,081	$868.4

Source: AHFC 1989 Statistical Abstract

- Exchange Program will allow condo owners in projects with high foreclosures ("donor" project) to exchange their property for a condo of greater value owned by AHFC ("receptor" project). The AHFC then would return the vacated condo development to some other use (such as low-income housing).

In the past two years, AHFC has expanded its staff to handle the disposition of foreclosed properties. The number of delinquencies, foreclosures, and real estate owned (REO) properties increased significantly in the last few years. In 1986, AHFC had 360 REOs. Today, AHFC holds over 4,000 foreclosed properties. The AHFC expanded its activities and staff to handle the increased workload and to manage the disposition of REOs. A REO broker program was instituted which employs private real estate firms across the state to market and sell AHFC foreclosed properties.

In 1989, AHFC established the REO Financing program, providing financing of AHFC REO properties or MGIC (Mortgage Guarantee Insurance Corporation) pool insured properties which do not meet property requirements of other AHFC programs. The properties can be owner-occupied, second home loans, or non-owner occupied. Condominiums and mobile homes are not eligible under this program. The AHFC estimates that there are 300 properties which would fit under this program.

In addition to the mortgage programs, AHFC was requested by the Legislature in fiscal year 1985/86 to purchase $70 million in mortgage loans from the Alaska Department of Community and Regional Affairs, Housing Assistance Division (HAD). The AHFC used its own funds to purchase the loans in November, 1986. One year later, AHFC combined the $70 million in HAD loans plus an additional $9.5 million in other AHFC loans, and used the $79.5 million loan pool as collateral for a $62 million bond issue. In effect, bond holders paid for approximately $62 million of the HAD loans.

In fiscal year 1988/89, the legislature requested that AHFC purchase an additional $80 million of HAD loans. An evaluation of this second purchase is provided later in Section IX of this report.

C. EXISTING AHFC FINANCING ACTIVITIES

The AHFC does not lend mortgage money directly to home buyers but rather supplies the funds indirectly, purchasing mortgage loans originated by banks and other lending institutions. Both the bank originating the loan and AHFC review and must approve all new loans and refinancings, which includes a review of the borrower's eligibility and the property's appraisal documents. Payments by borrowers are made to the lending institution which then transfers accumulated payments to AHFC. The banks charge a fee for servicing the loan[7] and also charge an additional fee for originating the loan. Banks reduce their risks by not owning these long-term loans, and free up their own capital for other commercial and personal loans.

1. Source of AHFC Funds

Funds for purchasing the loans come from two sources: State appropriations and bond sales. State appropriations totalled approximately $1 billion through fiscal year 1983/84, the last year AHFC received State funds. The second source of funds is through the sale of bonds and notes of the Corporation. Through 1989 fiscal year-end, AHFC had cumulatively issued $6.7 billion in bonds and notes, of which $3.6 billion remain outstanding.

Exibit II-2, on the following page, shows total bond issuance by type of debt over the last five years. The type of debt issued includes the following:

- Tax-exempt debt used by first-time homebuyers
- Tax-exempt veterans bonds
- Taxable debt used by borrowers who cannot qualify for tax-exempt funds which are restricted to use by first-time homebuyers and veterans
- Home Owner's Assistance Program (HOAP) debt used by borrowers who want to refinance an existing AHFC loan.

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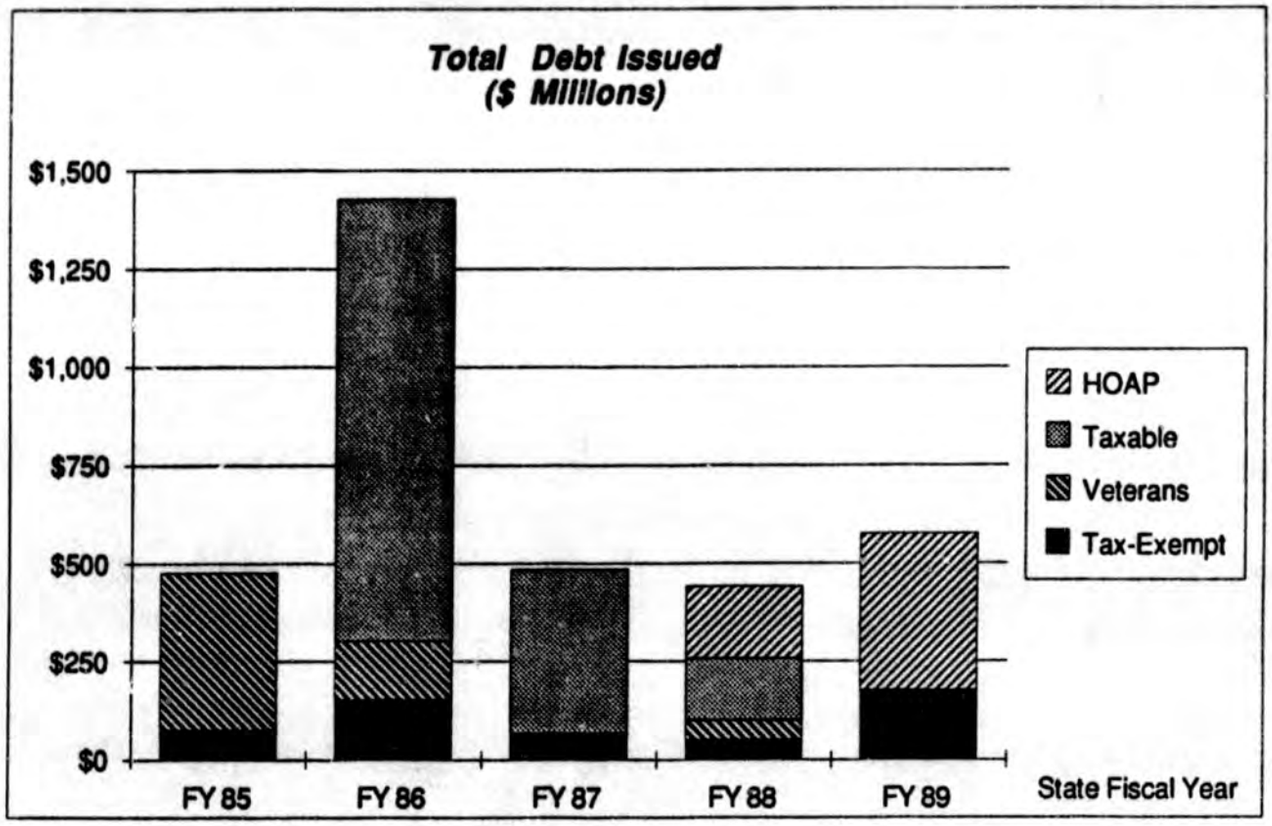
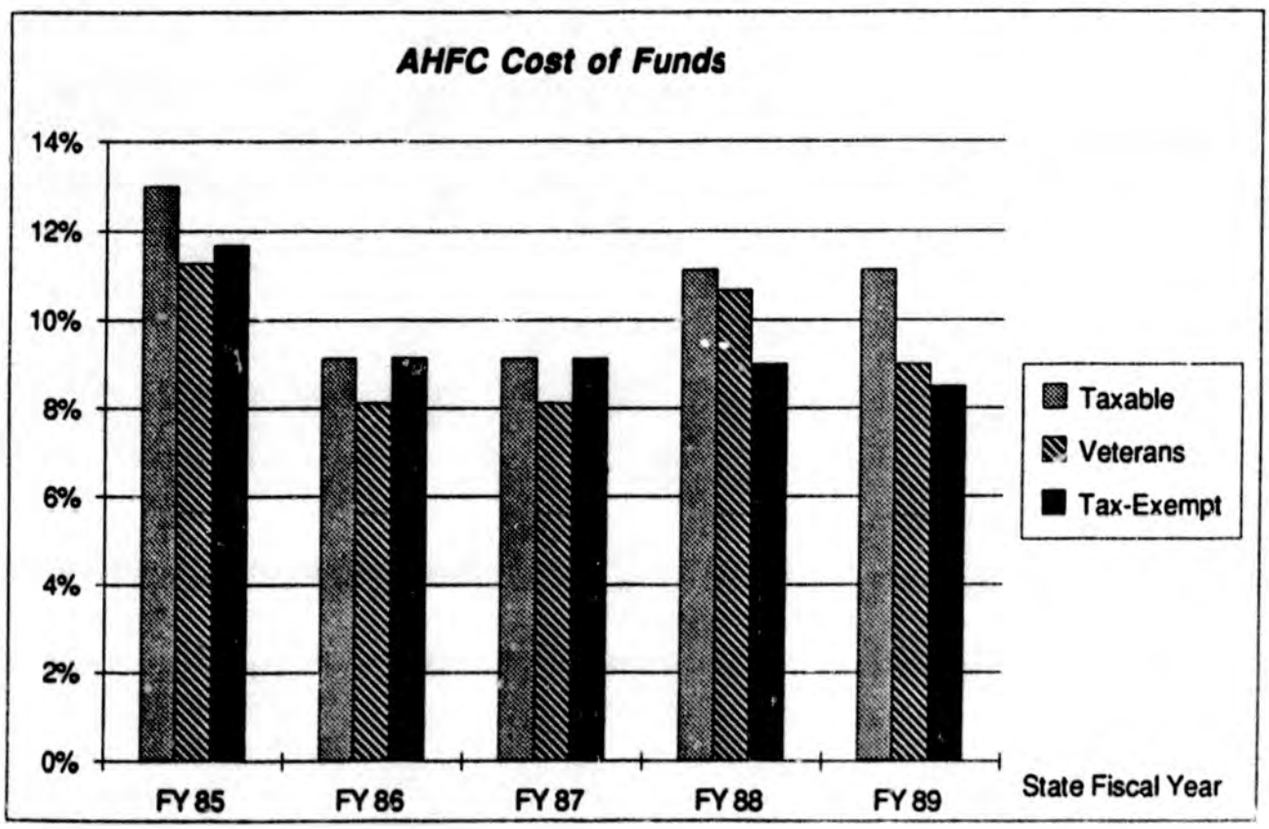
7 The monthly charge for servicing the loan is at an annual rate of generally 3/8 of 1 percent of the unpaid principal due on the mortgage loan.

AHFC Debt Issued and Cost of Funds
Fiscal Years 1985-1989





2. Security for AHFC Debt

Except for the tax-exempt veterans mortgage bonds which are unconditionally guaranteed by the State of Alaska, all bonds and notes issued by AHFC are general obligations of the Corporation. Security for the bonds and notes issued by AHFC are the revenues generated from a pool of mortgage securities. Mortgage loans purchased by AHFC are combined into loan pools which then are exchanged for a class of mortgage backed securities, depending on the type of loans purchased:

- Federal National Mortgage Association Mortgage Backed Securities (Fannie Mae MBSs) in the case of conventional mortgage loans
- Federal Home Loan Mortgage Corporation (FHLMC) Participation Certificates (Freddie Mac PCs), again for conventional mortgage loans[8]
- Government National Mortgage Association (Ginnie Mae) Certificates for those loans which are insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

Each mortgage backed security (or certificate) represents an undivided interest in the pool of mortgage loans created by AHFC. Timely payment of both principal and interest of the MBS is guaranteed by FNMA, FHLMC, and GNMA, whether or not the mortgage holder makes payment. This loan pooling and swap program was designed to obtain the highest possible rating for AHFC debt issued. Additional security for specific bond issues may be provided by a letter of credit purchased by AHFC.

3. Collateralization of AHFC Debt

Bonds and notes issued by AHFC generally are collateralized by mortgage backed securities of FHLMC, FNMA, or GNMA. Repayment of the bonds is dependent on the cash flow from these securities, which is essentially a pass-through of principal and interest

8 In connection with the agreement AHFC signed with Freddie Mac, AHFC in FY 1988 switched to a 30-year, level payment mortgage, dropping the Alaska Building Equity graduated payment structure.

from the underlying mortgages. The structure and number of mortgage backed securities which are pledged to an individual bond issue is designed to accommodate the following:

- Expected lags in the payment of principal and interest (i.e., delinquencies), as well as expected prepayments of the outstanding mortgage loans. Additional loans will be pledged to a bond or note series to obtain the maximum rating possible on the debt
- The interest rate subsidy provided borrowers. If the cost of the debt (including additional AHFC costs of borrowing) is greater than ten percent, there must be a sufficient number of underlying loans purchased at ten percent to generate the cash flow to repay the bonds. In simplest terms, to pay for the subsidy, more loans are needed than the size of the bond issue. The Corporation has estimated that for each one percent subsidy on a $100 million bond issue, an additional $7 million in mortgage loans must be pledged to meet the subsidy.

The cost of the subsidy, therefore, is reflected in the original over-collateralization of a bond issue (the aggregate principal balance of the underlying loans exceeds the aggregate principal balance of the bonds). Sufficient AHFC funds, plus mortgage loans pooled and swapped for mortgage backed securities, are pledged to a specific bond issue to generate the cash flow needed to service the debt and pay for the subsidy.

The over-collateralizaton of mortgage loans is estimated by AHFC to actually range from 105 percent to 120 percent of any particular bond issue. After a bond is fully redeemed (paid off), any remaining investment or loan pledged to the bond is freed-up and becomes available for use by AHFC for pledging to other new bond issues. The overcollateralized bond issues are:

- State Assisted Mortgage bonds (taxable)
- Home Mortgage bonds (tax-exempt)
- Second and Third Series of Insured Mortgage bonds (tax-exempt) issued in 1980 after the subsidy became effective
- Home Owner's Assistance Program (HOAP) bonds
- Collateralized FNMA and medium term notes.

4. AHFC's Cost of Borrowing

The cost to AHFC of the subsidy program is directly related to the Corporation's costs of funds. By statute, the current subsidy on the first $90,000 of a loan is up to three percent less than AHFC's costs of borrowing (four percent for veterans), if AHFC's costs of funds is greater than ten percent. If AHFC's costs of borrowing is less than ten percent (nine percent for veterans), then loans are made at AHFC's cost of borrowing, and there is no subsidy. The interest rate on the balance of a loan greater than $90,000 is at the Corporation's cost of funds.

The cost of funds is tied directly to the cost of borrowing money from investors through bond sales, plus additional costs of issuance, credit enhancement, the originating mortgage lender's fees for servicing loans, and AHFC overhead. Because of a general decline in interest rates nationwide, and because of specific financing actions of AHFC, the cost of funds in fiscal years 1985/86 and 1986/87 were lower than the ten percent threshold established for the AHFC subsidy. Essentially, AHFC was lending money at its cost of funds. Since fiscal year 1986/87, AHFC's cost of funds has increased to just over the threshold level of ten percent (nine percent for veterans), so that there was a subsidy of approximately one percent or less. Exhibit II-2 summarizes AHFC cost of funds since fiscal year 1984/1985. Because AHFC's cost of funds were at times lower than ten percent, there were periods when there was no subsidy.

The interest costs of just bond sales since July 1, 1989, are shown in **Table 1**, on the following page. Assuming other costs of borrowing add 0.8 percent to the actual bond debt costs, we make the following observation regarding the subsidy program:

- Tax-exempt — No subsidy currently, because the costs of funds are now about 7 percent. This may increase after the short term, floating rate bonds are converted to fixed-rate bonds in 1990. The floating rate changes weekly, and was 6.2 percent in early December
- Veterans — No subsidy currently. Estimated cost of funds for the $45 million issue is less than 9 percent

- **Taxable** — A subsidy of between 0.5 to 0.8 percent may exist for the most recent $70 million HOAP bond issue and two, $75 million taxable issues.

Table 1

AHFC Interest Costs of Bonds Sold Since July 1, 1989

Program	Size ($ Millions)	Bond Interest Cost
Tax-Exempt		
Home Mortgage Bonds	$148	Floating
Veterans	45	7.5%
Taxable		
HOAP	70	9.7%
Other:		
CMO Series 1989-2	75	10.0%
CMO Series 1989-4	75	9.7%
Total	$413	

D. EXISTING AHFC PROGRAMS

A summary of existing AHFC housing programs which had activity in fiscal year 1988/89 is provided in **Exhibit II-3,** following this page. It should be noted that approximately two-thirds of the loans purchased by AHFC under three bond financed programs (tax-exempt, tax-exempt veterans, and taxable), are guaranteed by the Federal Housing Administration (FHA). These FHA loans generally have more lenient down payment and qualifying guidelines. **Exhibit II-4,** following Exhibit II-3, summarizes general eligibility requirements, and shows the number of loans purchased in fiscal year 1988/89 for each program.

AHFC Housing Programs

Tax Exempt Program

Intended primarily for first-time homebuyers. Only those who have not owned homes in the previous three years and certain low-income residents qualify

Tax Exempt Veterans Mortgage Loan Program

Open to Alaskans who are military veterans and who meet specific service requirements

Taxable Program

Open to borrowers who do not qualify for the tax-exempt or veterans mortgage program

MGIC Special Financing Program

Provides low down payment financing of condominiums where MGIC previously provided pool insurance, and on certain properties owned by AHFC

Mobile Home Loan Program

Provides for loans on mobile homes in trailer parks with terms up to 20 years at the same rate as the taxable program

Non-Conforming Loan Program

Provides financing of properties which do not meet typical structural or other requirements of private, state, or federal mortgage programs

Home Ownership Assistance (HOF) Program

Provides loans for low- to moderate-income homeowners by subsidizing a portion of the borrower's monthly payment. Restrictions exist on purchase price and total assets.

Home Owner's Assistance Program (HOAP)

Provides for refinancing of any AHFC loan, including restructuring an ABE loan to a 30-year fixed payment loan and advances to bring a loan current

Second Mortgage Program

Provides financing for home improvement or for a second on the purchase of a property with an AHFC first

AHFC Housing Program Terms

Program	Number of Loans Purchased Fiscal Year 1988/89	Average Annual Income of Borrower (a)	Maximum Loan Amount				Down Payment	Income or Asset Ceiling
			Single Family Residence	Duplex	Triplex	Fourplex		
Tax Exempt	1,371	$42,305	New $108,180 Exist. $86,850	$97,793			10%	Yes
Tax Exempt Veterans	254	$59,125	$199,850	$255,650	$308,900	$384,000	10% SFR/Duplex 20% Tri/Fourplex	No
Taxable	892	$59,948	$199,850	$255,650	$308,900	$384,000	10% SFR/Duplex 20% Tri/Fourplex	No
MGIC Special Financing	161	$36,507	$199,850	$255,650	$308,900	$384,000	5%	No
Mobile Home	18	$33,018	I $125,000 II $75,000				10%	No
Non-Conforming Property	16	$42,354	$199,850	$255,650			10%	No
HOF	26	$25,431	$72,000	(b)			10%	Yes
HOAP (refinancing)	6,339	$56,158	(c)				N/A	No
Second Mortgage	2	$79,368	$99,900	$99,900			N/A	No

(a) Averages for all loans purchased from July 1, 1986 through June 30, 1989.

(b) AHFC sets the maximum purchase price of the home being financed, depending on family size, with a maximum limit of $100,000.

(c) Maximum loan amount for HOAP is 110% of the outstanding loan balance. Eligible properties include single family residences, duplexes, triplexes, fourplexes, and mobile homes.

SECTION III

PRESENT FINANCIAL POSITION OF AHFC

Ernst & Young

III. PRESENT FINANCIAL POSITION OF AHFC

The purpose of this report section is to provide a discussion of the Corporation's financial position. We first define the term financial position as it is used in this report. Secondly, we present a brief history of the Corporation's financial position. Finally, we present the financial position of AHFC at June 30, 1989, with an emphasis placed on the various restrictions imposed on the Corporation's assets and equity.

This section is organized under the following headings:

- *Definition of Financial Position*
- *History of Financial Position*
- *Analysis of Present Financial Position*
- *Summary of AHFC Financial Position.*

A. DEFINITION OF FINANCIAL POSITION

In our analysis of the present financial position of AHFC, we considered both the concepts of solvency and liquidity in determining the overall ability of the Corporation to continue to operate as a going concern. The concept of solvency includes the Corporation's equity strength and general credit worthiness. The concept of liquidity includes AHFC's ability to meet necessary cash flow payments.

Both criteria are equally important. As can be seen later in this section, it is essential to understand not only what the net liquidity of the Corporation is at any point in time, but also whether or not all debt covenants and minimum balances are being met and that credit ratings are being maintained.

B. HISTORY OF FINANCIAL POSITION

To understand the evolution of the Corporation's financial position at June 30, 1989, we reviewed key historical data and discussed AHFC's history with members of its management and various outside interested parties (including representatives of its credit rating agencies, FNMA, FHLMC, and local financial institutions and real estate businesses). From this extensive review process, we learned the following significant items:

- Prior to June, 1980, the Corporation had issued only tax-exempt bonds with no subsidy of interest rates. These bonds were issued under the Housing Mortgage Bonds (HMB) and Insured Mortgage Bonds (IMB) programs. (Note that the last two issuances of IMB, totalling $460 million, were sold after June, 1980, and were subject to the subsidy)

- In June of 1980, legislation was passed to allow for the State to subsidize interest rates on mortgage loans purchased by the Corporation. In connection with the legislation, the State contributed monies to the Corporation to provide for the overcollateralization of bonds sold to finance these loans so that qualified residents could obtain interest rates on mortgages below market rates

- During the fiscal years 1981 through 1984, a total of $808 million was contributed by the State of Alaska to AHFC for the overcollateralization purposes described above. Additionally, another $225 million was provided by through 1984 for various other specifically identified purposes. **Exhibit III-1**, following this page, summarizes these contributions, by year

- Of these total contributions, $766 million had been subsequently transferred to the bond-financed programs as of June 30, 1989. **Exhibit III-2**, following Exhibit III-1, shows how the remaining $267 million of contributed capital was allocated as of June 30, 1989.

History of State Appropriations to AHFC

($ Millions)

Year	-- Revolving Fund -- General Purposes	Home Ownership Fund (HOF)	Rural Mortgage Purchase	Mobile Home Purchase	State Mortgage Insurance Fund	Total State Funding
FY 1979 and Prior			$ 1		$ 7	$ 8
FY 1980					3	3
FY 1981	$474	$53	12	$12	7	558
FY 1982	222	43				265
FY 1983	105	45				150
FY 1984	7	42				49
Total	$808	$183	$13	$12	$17	$1,033

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1604 SCOMM 60 HOUSING FINANCE TASK FORCE, 1989

AHFC Equity -- Corporation and Combined
June 30, 1989
($ Millions)

Program	Retained Earnings	Contributed Capital	Total
Operating/General	$371	$148	$519
Home Ownership Fund (HOF)	(42)	103	61
Insurance Fund	(44)	16	(28)
Corporation Totals	$285	$267	$552
Bond Financed Programs	53	766	819
Combined Totals	$338	$1,033	$1,371

Other significant historical data which we reviewed relate to loan purchase activity, loan delinquency, and loan foreclosure and property disposal. From this review we noted the following significant items:

- **Exhibit III-3**, following this page, shows that new loan purchases decreased significantly since 1985. Refinancings, which were principally under the Home Owners' Assistance Program (HOAP), were dominant in fiscal years 1987 and 1989

- **Exhibit III-4**, following Exhibit III-3, illustrates the magnitude of delinquencies in recent years. Even though this rate dropped in fiscal year 1989, the AHFC delinquency rate remains significantly higher than national averages. It should be noted that the calculations of the delinquency rates exclude loans in foreclosure

- **Exhibit III-5**, following Exhibit III-4, shows the severity of loan foreclosure activity since 1985. This foreclosure activity, as well as the delinquency activity noted above, eventually lead to approximately $170 million of losses reflected on the Corporation's 1989 financial statements.

In summary, the Corporation has undergone significant changes over the past several years. The Corporation initially was established to provide only loans to low- and moderate-income persons. However, because of the economic boom in Alaska in the early 1980's, AHFC's role was expanded. During these boom years, the Corporation was financing up to 85 percent of the entire State's housing needs.

AHFC's audited financials reflect retained earnings of over $300 million as of June 30, 1989. However, it is important to note that these cumulative earnings were principally a result of interest earned on State contributions, and that without prior State contributions the Corporation would reflect a deficit to-date.

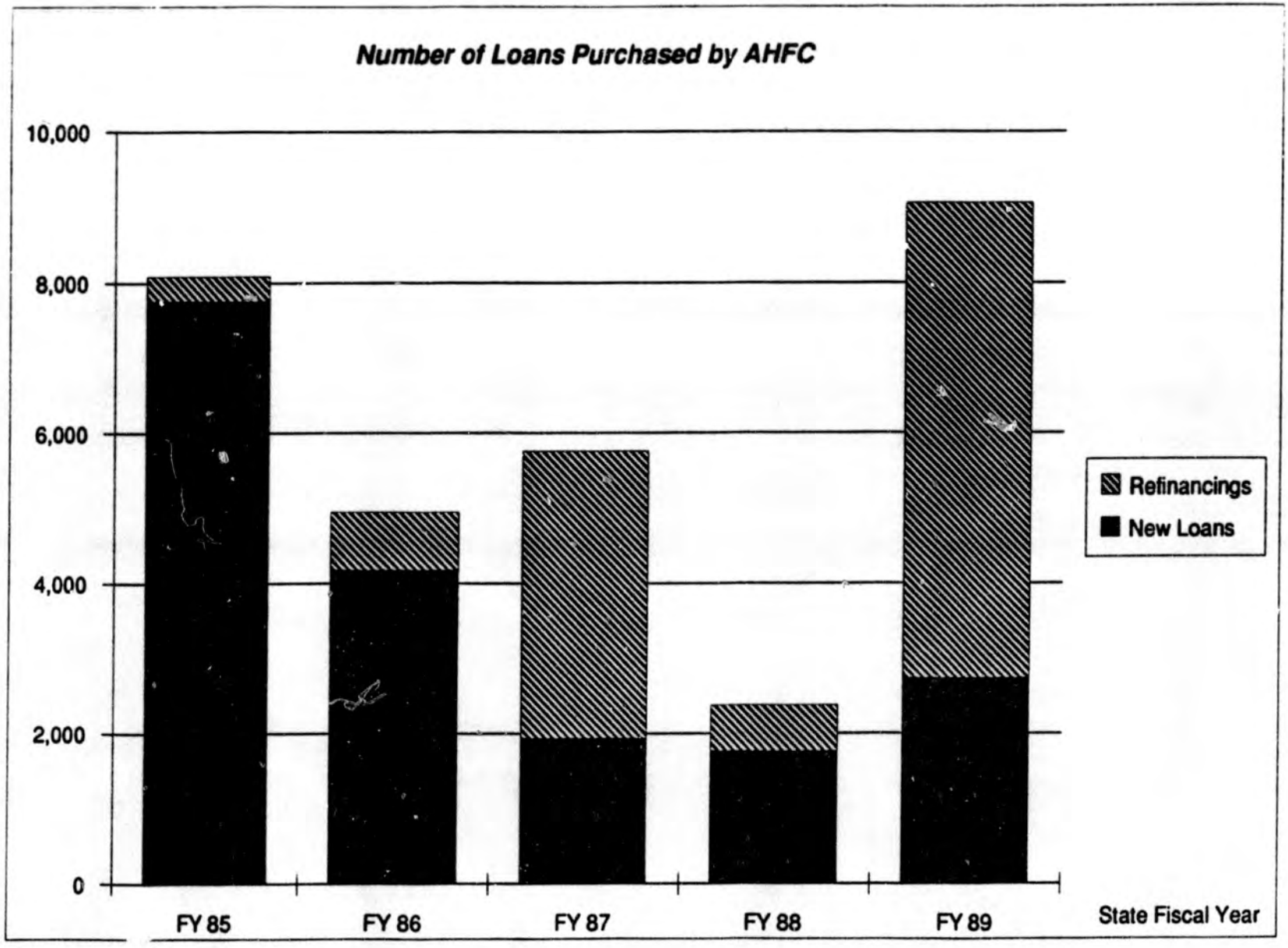


EXHIBIT III-3

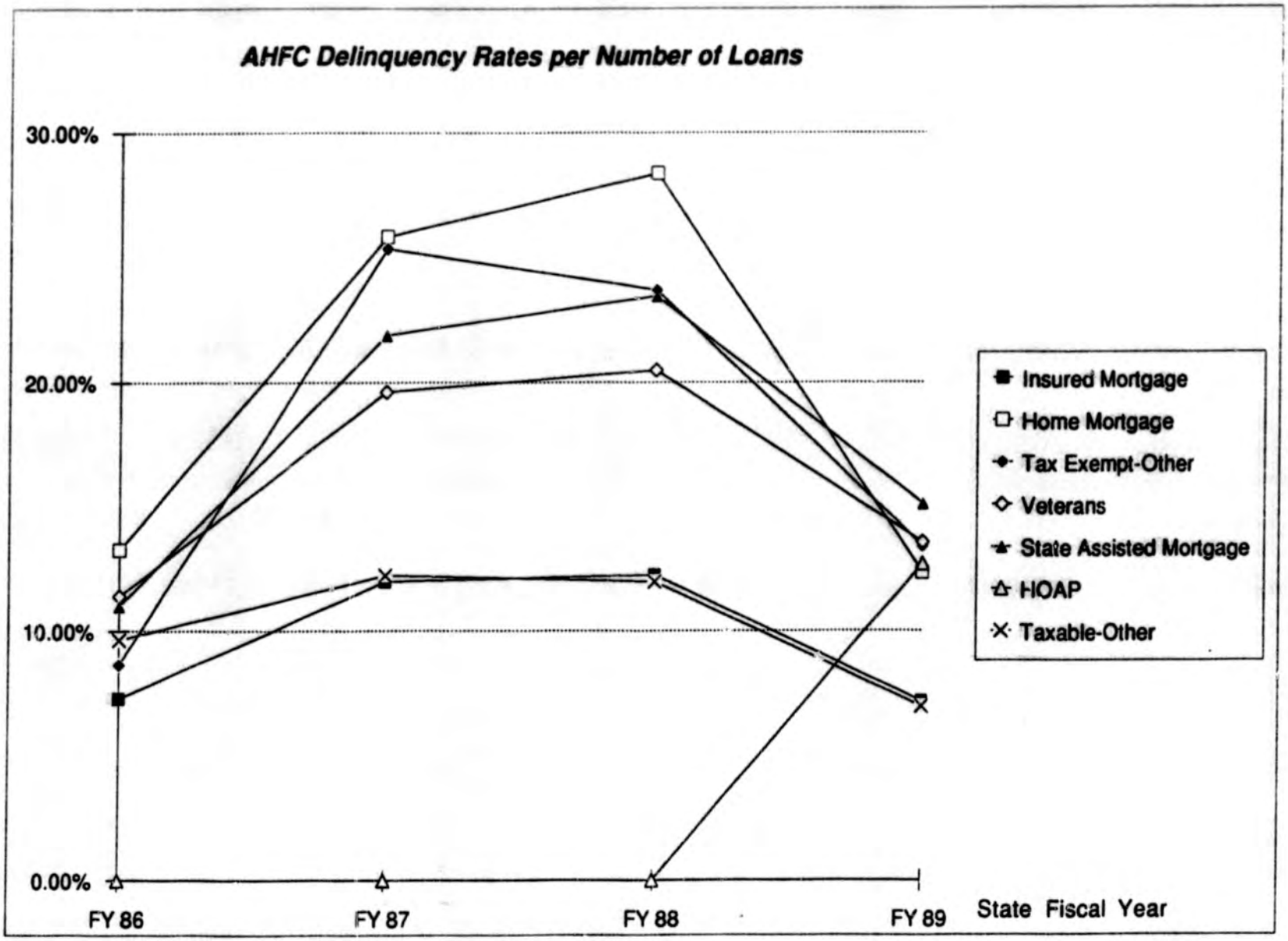


EXHIBIT III-4

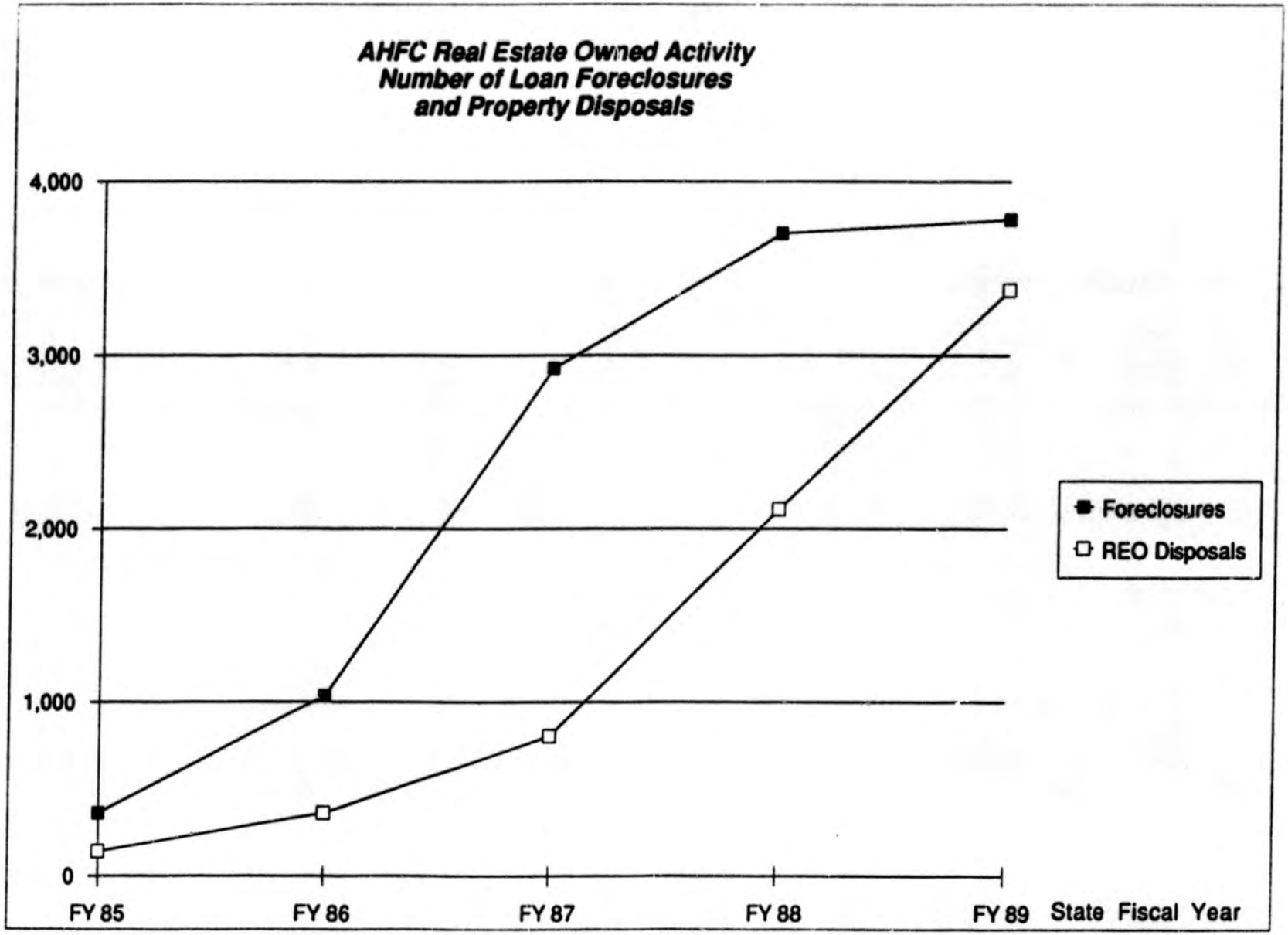


EXHIBIT III-5

C. ANALYSIS OF PRESENT FINANCIAL POSITION

We segregated the Corporation's programs and financing activities into two overall categories, State-financed activities and bond-financed programs. This division is shown on Exhibit III-2. Within these two broad categories, we further categorized the bond-financed programs as to tax-exempt (IMB and First-Time Homebuyers being separately classified), veterans, and taxable (HOAP and State Assisted Mortgage (SAM) programs being separately classified). These categories were chosen because these general programs were established by the Corporation for different reasons and generally provide for their own distinctly different risk factors.

1. Bond Financed Programs' Equity

As of June 30, 1989, the Corporation had cumulatively issued bonds totalling over $6 billion to finance the majority of the programs currently in existence. Of this total amount issued, $3.6 billion remained outstanding as of the end of fiscal 1988/89.

The retained earnings sections of most bond-financed programs currently reflect an accumulated deficit, indicating that these programs would not have been able to continue without State appropriations as support. As can be seen from **Exhibit III-6**, following this page, the two principal exceptions to this are the IMB and HMB programs which reflect retained earnings to date of approximately $134 million and $31 million, respectively. However, to present a more accurate picture of the IMB program, the deficit in the Combined Insurance Fund of $44 million (see Exhibit III-2), should be considered, because this is the only program which the Corporation self-insures. It is important to note here that these two programs with positive retained earnings contain the only bond issuances dated prior to the change in legislation in 1980, which provided for the subsidy of interest rates.

As previously discussed, $766 million of State funding remains in the bond-financed programs. Based on our reading of key documents and discussions with Corporation management, this entire balance is available almost exclusively for use by the respective bond programs. These assets were transferred from the revolving (Corporate

Equity of AHFC Bond Financed Programs

June 30, 1989
($ Millions)

Program	Retained Earnings	Contributed Capital	Total
Tax-Exempt			
Insured Mortgage Bonds (IMB)	$134	$(29)	$105
First-Time Homebuyers	(38)	142	104
Others (Principally HMB)	31	7	38
Veterans	(44)	106	62
Taxable			
HOAP	(5)	168	163
State Assisted Mortgage Bonds	(21)	174	153
Other	(4)	198	194
	$53	$766	$819

Operating/General Account) fund based on needs reflected by cash flow projections done at the time of the bonds being sold, and the funds cannot be drawn out of the programs until the bonds are paid in entirety.

Only minor exceptions apply to the exclusivity of each program's equity. Some indentures, within the tax-exempt and veterans programs only, allow for either excess revenues over expenses or prepayments to be used outside the indenture, but only for specifically identified purposes such as making or purchasing loans. In no instances did we note any allowance for withdrawing the funds from the Corporation itself.

We also performed an analysis of specific bond indenture covenant requirements, and found that certain programs and issuances of bonds require minimum balances to be maintained. Based on our review, we noted no significant requirements which were not being complied with, nor did we note this to be a significant factor in our study with regards to additional limitations or restraints on the liquidity of the Corporation's assets or the availability of funds.

Because of the previous transfers of assets and equity into these bond programs, principally at the time of the bonds being issued (based on cash flow projections), these programs should theoretically be self-sufficient. However, the liquidity of these programs is only as good as the related assets' ability to generate revenues to pay debt payments. When the assets turn into non-revenue producers, principally through foreclosure of loans, the ability to make debt payments becomes difficult because of lack of cash flow. In that event, the Corporation would be required to lend monies to the respective bond programs as necessary. As of June 30, 1989, the net amounts owed by the bond programs to the Corporation (Operating and General Account) totalled approximately $89 million. The repayment of this amount is discussed later in this Section.

As stated above, a big factor affecting each bond program's ability to maintain their present solvency and liquidity position is collectibility of their respective loans and the value received from disposal of their real estate owned (REO) properties. Although significant losses were realized in AHFC's fiscal 1989 audited financials (as a result of write-downs of loans and property values based on Corporation calculations), questions appear to exist as to whether further losses will result.

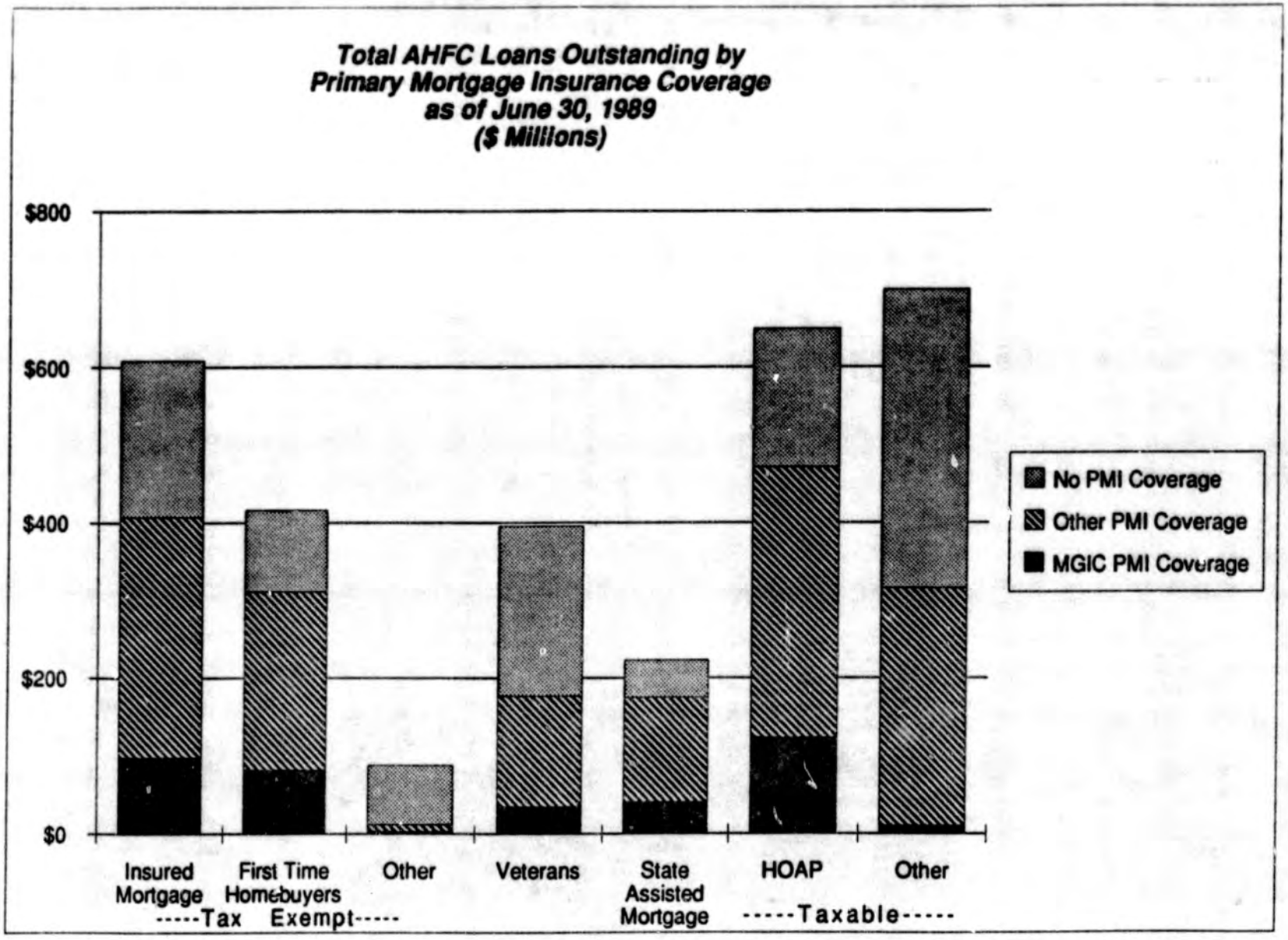
We understand that the Corporation is undertaking measures currently to alleviate future losses, including an effort to resolve its dispute with its largest insurer, Mortgage Guaranty Insurance Corporation (MGIC), and to most effectively dispose of its REO. As of June 30, 1989, MGIC was the primary insurer for $402 million of the Corporation's loans. Of this total, $124 million was under the taxable HOAP program and the majority of the remainder was under the IMB program ($98 million) and first-time homebuyer's program ($81 million) -- both tax-exempt programs.

Exhibit III-7, following this page, shows loans outstanding as of June 30, 1989, and the representative portion of loans by program which are insured by a private mortgage insurance (PMI) carrier, and by MGIC specifically. MGIC also is the principal pool coverage carrier, providing this secondary coverage to approximately a third of the Corporation's total loan portfolio. Again, the programs with the most dependency on PMI carriers are the HOAP program and the tax-exempt first-time homebuyers and IMB programs. We have been informed that as of this date no pool coverage is currently available, and that only one PMI carrier is currently providing primary coverage.

To summarize, the Corporation's financial condition has weakened in recent years. Because of the economic factors noted above, net losses resulted in fiscal 1989 totalling approximately $124 million. Although we have no indication from outside sources that any programs will not be self-sufficient, the unstable economy and its possible effects to the bond programs' equity in the future should provide one more reason for considering total bond equity to be currently restricted.

2. Corporation Equity

AHFC total equity not attached directly to bond-financed programs totalled approximately $552 million (see Exhibit III-2) at June 30, 1989. Of this total, $61 million remained in equity in the Home Ownership Fund (out of $103 million originally appropriated by the State) and the Combined Insurance Fund showed a negative equity balance of $28 million. Net of these two funds, the equity balance of $519 million represents net Corporate assets not pledged as collateral for specific bond indentures.


Total AHFC Loans Outstanding by
Primary Mortgage Insurance Coverage
as of June 30, 1989
($ Millions)
$800
$600
$400
$200
$0
Insured Mortgage
First Time Homebuyers
Other
Veterans
State Assisted Mortgage
HOAP
Other
-----Tax Exempt-----
-----Taxable-----
No PMI Coverage
Other PMI Coverage
MGIC PMI Coverage

As is the case with the bond-financed programs, this $519 million equity balance is only as strong as the Corporation's assets. Total assets of the Corporate Operating and General accounts, assuming the netting of all due to/due from balances, was $710 million as of June 30, 1989. Of this total, almost $400 million was comprised of loans or mortgage-backed securities. These loans, which have not yet been attached to a bond financial program, had a delinquency rate of over 13 percent as of the end of fiscal 1989. Additionally, a portion of this balance (approximately seven percent) represented uninsured loans with a loan-to-balance ratio of greater than or equal to 80 percent. The loans also had minimal pool or secondary coverage (less than 30 percent of the loan portfolio). The total asset amount also included $27 million of REO potentially subject to valuation problems. Based on our knowledge of these asset types, it appears that, as of June 30, 1989, a fairly significant portion may not be liquid, if collectible or realizable at all. The Corporation estimated that this non-liquid portion was approximately $146 million. We noted no reason to believe this amount was overstated.

As previously discussed, included in the total assets figure above is a net receivable from all programs in the amount of approximately $89 million. AHFC management estimates that 30 percent of this balance will not be reimbursed by the bond programs.

Another important factor to consider in the discussion of the Corporation's assets is what they are used for. Under the current financing structure, a significant portion of the mortgage loans maintained in the Corporate Operating and General accounts are continuously in the process of being pooled and replaced (by selling the loans to FNMA, FHLMC, GNMA) by MBS's for greater security. At June 30, 1989, approximately 19 percent and 40 percent of the revolving fund's loans, respectively, were either already pooled or scheduled for pooling. Although these receivable balances represent valid and collectible assets, the principal intent is to place these balances into a bond issue.

In addition to the above potential restrictions on the availability of the Corporation's assets and equity, consideration must be given to restrictions imposed by debt covenants. The Corporation's major source of financing its working capital needs is through Euro-commercial paper. In accordance with the Euro-dollar Revolving Facility Agreement, which supplements the commercial paper and provides for $150 million of additional credit (unused at June 30, 1989), certain equity balances must be maintained in the Corporation's

General Account. As of June 30, 1989, this minimum balance requirement of $336 million was met.

Therefore, under the Corporation's current borrowing arrangement, **Exhibit III-8**, following this page, represents the total net unrestricted funds available at June 30, 1989. It should be noted that this analysis, which arrives at a $10 million unrestricted net liquid asset balance, is not intended to place any ultimate restrictions on Corporate assets or equity, but is simply a measurement of net liquidity and a reflection of the availability of funds as of an historical point in time. Looking ahead, certain of the restrictions referred to could change (such as debt covenant requirements if a different borrowing arrangement were used). As previously stated, a significant assumption we are making in our analysis above is that the Corporation will continue to operate as it has in the past. **Appendix B** to this report provides projections of AHFC unrestricted net liquid assets under future scenarios.

AHFC Unrestricted Net Assets
June 30, 1989
($ Millions)

Total Unrestricted Net Assets		$519
Less:		
• Non Liquid Assets		
- Mortgage Loans	119	
- REO	27	
		(146)
• Net Due From Other Programs ($89 x .30)		(27)
Unrestricted Net Liquid Assets (Before Debt Covenant Requirements)		$346
Less:		
• Restrictions on Assets and Equity (from Debt Covenant Requirements)		(336)
Total Unrestricted Net Liquid Assets		$ 10

D. SUMMARY OF AHFC FINANCIAL POSITION

1. Credit Rating Agencies

In addition to bond and loan covenant requirements, to continue effective operations the Corporation must maintain a certain financial status as determined by credit rating agencies. Both Moody's and Standard & Poor's (S&P) constantly evaluate the Corporation's financial reserves, bond performance, expected losses and balance sheet.

Generally, the nature of the Corporation's debt evaluated by the credit rating agencies are either mortgage-backed securities, collateralized mortgage obligations, or tax-exempt issues. Under each of these, the debt is rated in a worst-case scenario considering both foreclosure frequency and dollar amount (or percentage) of loss expected per foreclosure.

The principal concerns of the rating agencies presently remain the ability of AHFC to work through its disputes with the pool insurance carriers (principally MGIC), so that the pool policies do not run through, and the potential vulnerability of the Corporation's equity to appropriations by the State of Alaska.

We understand that neither of these two rating agencies are pleased with the general economic conditions affecting AHFC. However, even in light of the significant write-downs of loans and REO activity in fiscal 1989, we are unaware of any drop in bond ratings to date or alarm being sounded on Wall Street. This is principally due to the overcollateralization of assets provided to bond issuances which allows for the pooling of loans into MBS's and the resultant transfer of risk (to FNMA, FHLMC, GNMA, etc.). Of course, the principal reason for the availability of internal funds necessary to enable the overcollateralization is the equity contributed by the State of Alaska. Primarily because of this, and the fact that all bonds are either general obligation bonds of the Corporation or of the State (State Guaranteed Bonds veterans program only), the bonds are able to obtain their high ratings.

It appears highly likely under the current scenario of doing business that, if funds were appropriated from the Corporation, a precedent would be set and the bond programs may appear to be less solvent and credit worthy. Additionally, if funds were withdrawn

presently, the State could conceivably run the risk of being held responsible for any resultant future losses in the bond programs.

The Corporation's ability to operate as a going concern depends on both its liquidity and solvency. Currently, the Corporation is experiencing liquidity problems as reflected in the most recent year's net loss of income. The financial community generally views the Corporation's stability as being due to the solvency of its balance sheet. Any further extraction of Corporation assets in any form presently may have a serious impact on the Corporate financial health.

2. Conclusion of Financial Position of AHFC

To summarize, even though the Corporation's combined balance sheet reflects equity at June 30, 1989 of approximately $1.4 billion, $819 million of this total was directly supporting the operations of bond-financed programs. Although portions of this $819 million may free up in subsequent years, it was inaccessible as of the Corporation's fiscal 1989 year end.

The remaining $552 million consists principally of the Corporation's working assets which allow AHFC the capability to carry on its business. At June 30, 1989, under its current borrowing arrangements and financing policies, virtually all of this equity also was restricted.

SECTION IV

PRESENT ECONOMICS OF ALASKA HOUSING MARKET

Ernst & Young

IV. PRESENT ECONOMICS OF ALASKA HOUSING MARKET

AHFC plays a major role in the Alaska housing market. It is the chief secondary mortgage purchaser in the State, and its policies largely determine the availability and cost of residential mortgage funds in Alaska.

This section reviews the background of Alaska's housing market, analyzes its existing condition, and discusses the current and potential AHFC role in the market. It is organized as follows:

- *Alaska's Population, Employment, and Construction Industry*
- *Review of Regional Housing Markets*
- *Summary of Housing Markets in Alaska*
- *General Comments on Alaska's Housing Market*
- *Structure of the Secondary Market*
- *Conceptual View of AHFC's Activities in the Housing Market.*

In compiling this report, it was necessary to investigate various regional markets in Alaska to determine their recent history and current conditions. The detailed regional reviews are contained in **Appendix C**, at the end of this report. Because this section contains summaries only, interested readers are referred to Appendix C for more detailed information on each regional market.

A. ALASKA'S POPULATION, EMPLOYMENT, AND CONSTRUCTION INDUSTRY

1. Population

Alaska's population showed a very high rate of growth in 1982 and 1983. The growth rate then declined through 1986, and was negative in 1987 and 1988. Some recovery is evident in 1989.

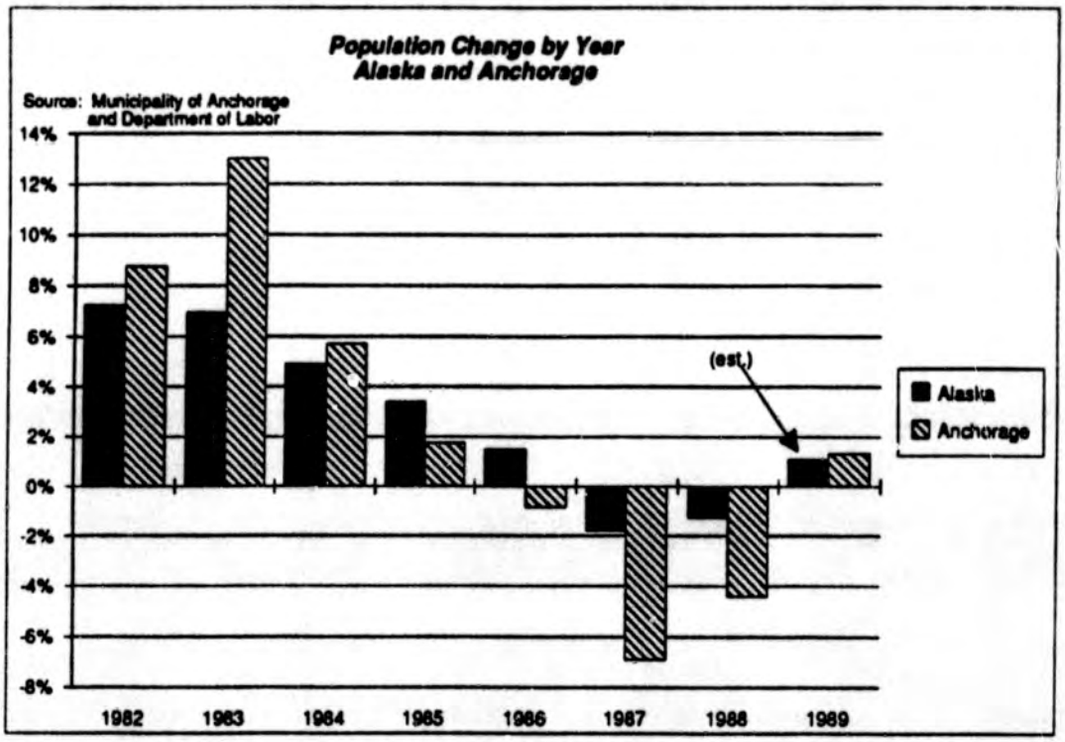
Anchorage, which contains about half of Alaska's population, showed a similar but even more pronounced swing. A graphical summary of changes in population is shown in **Exhibit IV-1**, following this page.

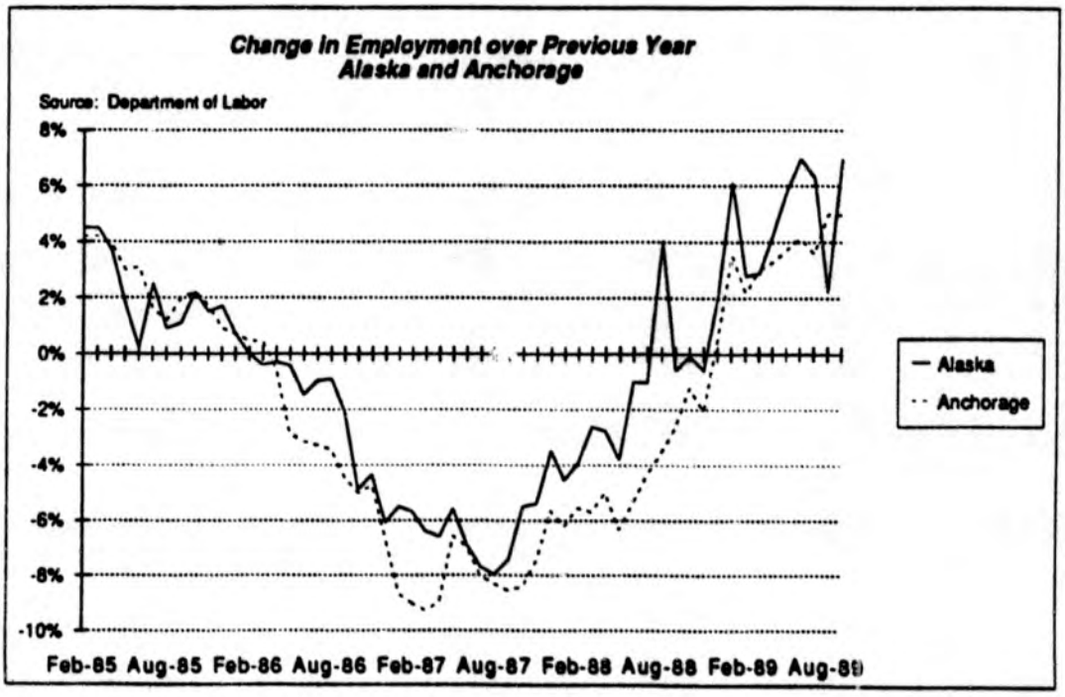
The dramatic loss of population in Alaska (and especially in Anchorage) in 1987 and 1988 had a major role in contributing to the crisis in Alaska's housing market. This loss in population, combined with overbuilding in the period 1983 to 1985, resulted in a substantial housing surplus and resulting high vacancies. It is important to realize that it was primarily demographics, not financing, that brought about the steep decline in housing prices experienced in 1987 through 1989.

In total, Anchorage lost just over 29,000 people between 1985 and 1988, representing 11.8 percent of its peak population. Assuming an average family unit size of 2.7 (Anchorage average for 1987 and 1988), this meant that demand for 10,740 housing units evaporated. Thus, about two-thirds of Anchorage's 1988 vacant stock of 15,287 housing units were vacant due to population loss.

Anchorage aside, the rest of Alaska did not lose population. Outside of Anchorage, Alaska realized small but real population gains in the period 1985 to 1988. This helps explain why the Anchorage market was hit so much harder than some other markets, particularly those in Southeast.

Alaska Population and Employment Change





Recent data indicate that both Anchorage and Alaska as a whole experienced population gains in 1989. These gains, while small, are a welcome sign, especially for Anchorage. Alaska gained about 2,900 new residents in 1989, for a net population gain of about 1.1 percent, while Anchorage population grew by just over 5,800 in 1989, a gain of 1.3 percent. Caution should be exercised when reviewing these numbers, since they are not based on census data but are derived from a variety of indirect indicators.

2. Employment

Total employment followed the same pattern. Exhibit IV-1, preceding this page, also shows change in monthly employment compared with monthly employment for the previous year, for both Alaska and Anchorage.

Interpreting Exhibit IV-1, employment increases dropped to zero at about the end of the first quarter of 1986. Net employment loss then occurred, with the highest rate of employment loss occurring through the year 1987. Jobs continued to be lost through 1988, but at a decreasing rate. Net job gains began at about the beginning of 1989, and the economy has continued to add jobs through the third quarter of 1989.

State and Municipality economists agree that the job gains in 1989 are partly oil spill-related, but they cannot measure the exact impact of the spill. The general opinion seems to be that about half of the job gain is due to spill-related activity and is thus non-sustainable. Even taking the spill into account, it appears that the bottom of the Alaska depression has been reached and that a gradual recovery may be beginning.

The recovery is more apparent in the Southeast than in the Kenai Peninsula, Anchorage, or points north. Strength in mining, fisheries, and timber sectors are providing relief to communities such as Juneau, Sitka, and Ketchikan.

Most observers agree, however, that job gains in Anchorage foreshadow a gradual recovery of markets in Northern areas. Even if part of the 1989 job gains are oil spill-

related, the residual increase is a welcome event after continuing job losses from 1986 through 1988.

3. Construction Industry

The history of housing construction in Alaska follows population changes. New housing units contracted each year are shown in **Exhibit IV-2**, following this page. As can be seen, a small increase is shown for 1989, probably based largely in the Southeast (Anchorage and Fairbanks show little increase in 1989).

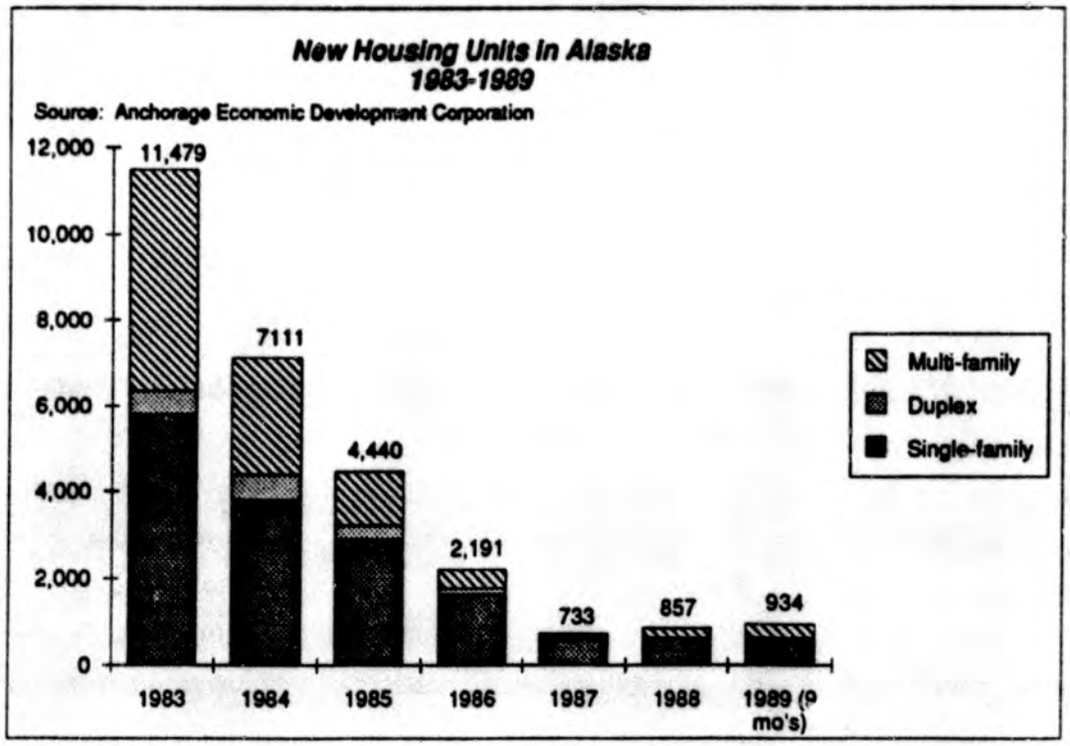
Exhibit IV-2 also shows total employment in the industry by quarter since 1981. Seasonal peak employment hit about 4,000 in 1983 and has been generally falling since. Current employment is less seasonal, reflecting a high percentage of plumbing, electrical, and remodelling work rather than new unit construction. Total employment now ranges between 700 and 1,200 people.

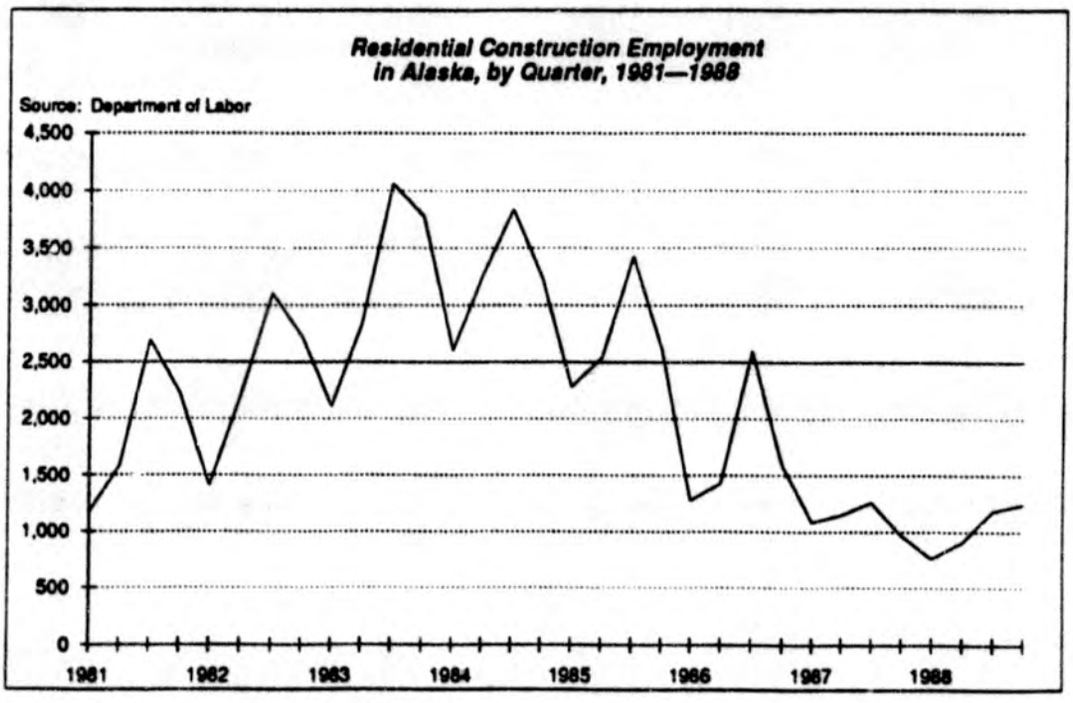
Average monthly payroll per employee for reporting companies predominantly active in residential construction has declined since 1983, dropping from a seasonal range of about $2,300 to $2,650 per month to a more recent range of about $1,900 to $2,300 per month. The total number of employers in this industry, which peaked at about 1,000 in mid-1984, has now dropped back to about the 1981 level of about 400.

In summary, the residential construction industry is much smaller and less prosperous than in the boom years of 1983 to 1985 and is less seasonal as well. Due to the lack of new unit construction, it is more heavily oriented to maintenance and remodelling and is less vulnerable to damage from real estate market slowdowns than it was five years ago.

We note without comment that many industry sources consider the construction boom of 1983 to 1985 to be a contributing factor to Alaska's subsequent real estate depression. These sources believe that the construction industry overheated the economy in two ways, both of which contributed to the "overshoot" and vacancies which followed the market collapse:

Alaska New Housing Units and Residential Construction Employment





- Construction workers during the peak years were considered stable members of the population, and demographic projections included them in the base population. This population was expected to continue growing and to generate demand for new housing units, many of which were built "on speculation" in anticipation of this demand. Of course, many construction workers left the state when construction slowed down and units were left empty

- Residential construction in particular is said to have a very high "multiplier" effect. If we assume that one dollar of construction cost generates two additional dollars of furniture, appliance, finishing, auto, school, road, etc. expenditures, then a contraction in the construction industry will have a similar multiplier effect.

To the extent that (as some say), "Construction is the engine of Alaska's economy," these two ideas should be carefully considered in setting State economic policy during any future economic expansionary periods.

B. REVIEW OF REGIONAL HOUSING MARKETS

1. General

Our investigations of regional markets concentrated on the following areas, accounting for about 96 percent of AHFC's current portfolio:

- Anchorage
- Fairbanks
- Matenuska-Susitna Valley
- Juneau
- Kenai Peninsula
- Ketchikan
- Sitka.

In general, housing markets remain quite depressed in Anchorage, Fairbanks, the Mat-Su Valley, and the Kenai peninsula. The Juneau market is improving, and Ketchikan and Sitka are both showing strong price gains. Unfortunately, the areas where AHFC has the highest exposure continue to be the worst-hit locations in Alaska, and only the tentative beginnings of a gradual recovery are evident.

The following material contains brief summaries of the housing market conditions in each of the above areas. More complete and detailed market analyses are contained in **Appendix C** of this report.

2. Anchorage

Anchorage accounts for about 58 percent of AHFC's total portfolio. It has experienced above-average delinquency and foreclosure rates. It remains Alaska's most active housing market, accounting for over half of Alaska's total annual transactions.

Anchorage suffers from acute overbuilding. New unit construction peaked at over 9,000 units in 1983—it dropped to about 200 units in 1987 and has remained stable at that

depressed level ever since. Given absorption at current rates (which may be inflated by oil spill activity), the market still has about ten years vacant stock to absorb.

Prices for single-family homes have dropped from the 1986 peak of $137,450 to as low as $96,890 (2nd quarter, 1989). Condominium prices have dropped from $102,900 to $36,942 (1st quarter, 1989). Prices for single-family residences appear to be stabilizing or increasing slightly, but condominium prices remain flat even though sales of these units are increasing.

There is increasing strength in the rental market, especially in high-end units. Vacancies in larger projects dropped dramatically in the twelve months ended June 1, 1989, but this appears to have put little pressure on sales prices. Housing starts are confined almost exclusively to very high-end single family homes, reflecting some demand in this area which is said to arise from incoming transfers of senior oil company personnel.

3. Fairbanks

Fairbanks accounts for about 13 percent of AHFC's portfolio. It has experienced very high delinquencies (higher than Anchorage's), but lower than average foreclosures.

To a certain extent the recent history of Fairbanks' housing market parallels that of Anchorage. A period of overbuilding has been followed by oversupply and falling housing prices. Single family housing prices fell from $102,587 in 1986 to $76,201 in 1989. Condominium prices fell from $79,729 to $36,732 over the same period.

The market has a smaller percentage of condominiums than Anchorage, which should help in its ultimate recovery. Only one-sixth of 1989 sales were of condominium units. In Anchorage, over half of sales were of condominium units during the second half of 1989.

4. Matenuska-Susitna Valley

The Mat-Su Valley, which accounts for about eight percent of AHFC's portfolio, was very hard hit by the housing downturn. It has experienced the highest delinquency and foreclosure rates of all geographic areas tracked by AHFC.

It is notable that this degree of damage was experienced in a market with very little multi-family housing. In Anchorage, the greatest damage was felt in condominium units while single family residences did comparatively better. But in the valley, single-family residences fell more in value than in Anchorage. Industry sources estimate that a "typical" 3-bedroom Valley home which would have sold for $110,000 in 1985 was worth only $55,000 to $60,000 by 1988, a drop of 45-50 percent. In Anchorage, single-family homes dropped only about 30 percent.

Industry sources feel some recovery is evident in 1989, but a month-by-month analysis of Valley multiple listing data shows no trend of increasing prices through the year. Market activity has increased slightly during the year, but announcement of a trend would be premature.

5. Juneau

Juneau accounts for about seven percent of AHFC's portfolio. It has experienced delinquencies and foreclosures at well below the AHFC average rates. Again, the Juneau market has shown a cycle of overbuilding followed by vacancies and price drops. But the market overshoot appears to have been less extreme than in the areas previously discussed. Transaction volumes are declining as available stock is shrinking, and prices appear to be firming.

Industry sources estimate that prices for single family detached housing are now at or near 1985 levels. Zero lot lines are still down about 15 percent from 1985 levels, while condominium prices are still down about 34 percent. But prices are improving in all cases.

In general, the Juneau market (like the Ketchikan and Sitka markets, below) is small and self-contained. It is affected strongly by events which may have no implications for other Alaska locations, and relatively small movements in population or jobs may have a disproportionate effect on the market.

6. Kenai Peninsula

The Kenai Peninsula market accounts for about six percent of AHFC's portfolio. It has experienced below average delinquency and foreclosure rates. Even though this market consists primarily of single family detached housing, it suffered steep price drops after 1985. Average home prices of $105,000 in 1985 had decreased to $70,556 by 1988, a drop of about 33 percent. Prices show no signs of recovery based on a month-by-month analysis through November, 1989.

Activity levels, which increased slightly in 1988, declined in 1989. Days on market continued to increase, indicating a very slow market.

7. Ketchikan

Ketchikan accounts for only about two percent of AHFC's portfolio, with a below-average delinquency rate and AHFC's lowest foreclosure rate. Ketchikan largely escaped the overbuilding-oversupply cycle which hit much of the rest of Alaska. To a large extent, Ketchikan was bypassed by builders who were put off by Ketchikan's small market and difficult terrain. As a result, there was only a small decline in prices following 1985, and prices are already above 1985 levels. Lot sales are increasing, perhaps indicating that new construction will pick up next year.

8. Sitka

Sitka accounts for less than two percent of AHFC's portfolio. It has AHFC's lowest delinquency rate, and the second-lowest foreclosure rate. Like Ketchikan, Sitka maintained a reasonably stable housing market after 1985. Prices are increasing, available stock is low, and increasing lot sales may presage new construction in the near future.

C. SUMMARY OF HOUSING MARKETS IN ALASKA

Table 1, below, presents a summary of activity levels, price levels, and stratification of housing markets in those geographic concentrations in Alaska which make up about 96 percent of AHFC's total portfolio. Table data, however, apply to the entire market areas, not just to AHFC activity within the markets.

Table 1
Summary of Housing Markets in Alaska

Location	% of AHFC Portfolio	Annual Volume	Prices (% of 1985)	% below $86,850	% below $135,000	% above $235,000	Price Trend
Anchorage	57.99%	4,500	60%	63%	85%	3%	Flat
Fairbanks	13.15	875	71	59	92	1	Flat/down
Mat-Su Valley	7.68	870	57	89	98	0	Flat
Juneau	7.11	500	90	65	80	0	Up
Kenai Peninsula	5.91	350	67	78	97	0	Flat
Ketchikan	2.36	250	105	45	90	0	Up
Sitka	1.57	40	106	10	65	1	Up
Totals or averages	95.77%	7,385	66%	64%	87%	2%	

Sources of the data in this summary table are as follows:

- Percent of AHFC portfolio: Percent by dollar value of total AHFC portfolio per AHFC records, as of October 31, 1989. This column is presented only to indicate AHFC activity levels and exposure in each market area.
- Annual volume: Transactions per year are from local multiple listing services in most cases, adjusted for an estimated 80 percent of sales involving MLS listings. Figures for some locations are industry estimates. All estimates are for calendar year 1989.

• Prices (percent of 1985):	In some cases, price changes are based on average selling prices in 1989 per the local MLS. In other cases, where MLS histories are unavailable or incomplete, industry estimates are used.
• Percent below $86,850:	Per MLS stratifications of actual closings in most cases. In others, industry estimates. All relate to market transactions during 1989.
• Percent below $135,000:	Same.
• Percent above $235,000:	Same.
• Price trend:	Consultant's judgment based on recent price movements and on views of industry sources.

Percentage figures listed in the "Total or average" row are averages of the individual figures for each location, weighted by participation in AHFC's overall portfolio.

D. GENERAL COMMENTS ON ALASKA'S HOUSING MARKET

Several comments are in order concerning Alaska's housing markets and residential financing vehicles. These comments do not all relate directly to the material following, but provide some background on specific issues which affect the markets.

The first set of comments relates to four issues which make the market very unusual in nature: (1) the varying natures of Alaska markets by location, (2) the new class of housing buyers currently in the market, (3) the high percentage of housing transactions occurring below the tax-exempt limit, and (4) the potential problems for mortgage buyers posed by Chapter 13 bankruptcies.

- Varying natures of the markets—Although the major concentrations in Alaska's housing market (Anchorage, Mat-Su Valley, and Fairbanks) suffer similar problems, some regions of the State have different situations which should be considered carefully when proposing actions with State-wide scope. Southeast, in particular, appears to have fewer problems, stronger markets, and more positive market trends

- New classes of housing buyers—Depressed housing prices in much of Alaska have had the salutary effect of making owner-occupied housing available to segments of the population which have previously only been able to rent. Many realtors report that most of their sales are to customers in entry-level jobs who would be unable to buy in a more normal market. As housing prices increase, a potential downside is that there may be fewer qualified buyers as housing becomes less affordable

- Housing below tax-exempt limit—The same depressed prices mean that much of Alaska's housing now falls below the tax-exempt limit. As prices increase, some homes will move above the tax-exempt limit, reducing housing stock available under tax-exempt programs. Currently, over 60 percent of housing sales take place below the tax-exempt limit (see Table 1, above)

- Chapter 13 bankruptcies—Prevailing negative home equities may lead to an increase in mortgageholder losses under a recent court ruling concerning Chapter 13 bankruptcies. According to this ruling, an individual seeking protection from creditors under Chapter 13 rules could have the secured portion of his residential mortgage written down to current market value; the remainder would be considered unsecured,

and subject to discharge after three years of good-faith payments. The net effect would be a pro-rata reduction in PMI and pool mortgage protection, leaving the holder of the mortgage with a significant loss upon discharge of the unsecured portion of the debt.

The second set of comments relate to industry views on the likely effects of reducing or eliminating the AHFC subsidy and of reducing the scope of AHFC's activities to original legislative intent. These comments are distilled from a large number of interviews with mortgage brokers, real estate brokers, residential mortgage lenders, and other industry representatives both in Anchorage and elsewhere in the State.

We emphasize that the following comments are industry views and do not necessarily reflect the conclusions reached in this report.

- Effect of reducing or eliminating the subsidy—Industry opinion is split. Most representatives interviewed felt that eliminating the subsidy would make little difference now, but that elimination might retard market recovery if interest rates were to rise significantly. A few felt that elimination now could cause a shock wave in the market and damage market confidence, and should be avoided at all costs. Most representatives agreed, however, that the subsidy is ultimately economically damaging and distorts normal market workings.

- Effect of reducing the scope of AHFC to original legislative intent—Many industry representatives believed that abruptly removing AHFC as a secondary market purchaser of standard mortgages would severely limit new mortgage originations and make housing purchases more difficult. They believed that there is no near-term alternative to AHFC as a secondary market for mortgages, and that an immediate rollback would reduce market volumes and depress housing prices. Contrary views, however, were presented. Most contrary views came from the Southeast.

A few more words are in order concerning these views. Several industry representatives interviewed believe that AHFC is the mortgage purchaser of choice in many cases for reasons of preference, not necessity, and that viable alternatives to AHFC currently exist in the secondary mortgage market. Three reasons for industry preference for AHFC over these secondary market alternatives were given:

- AHFC interest rates remain fixed for long periods of time, corresponding to individual bond issues, while commercial rates may vary between loan approval and closing, which often complicates transactions for realtors

- AHFC policies and procedures are well-known through long experience, and processing requirements are predictable

- Finally, of course, the subsidy (when one is present) makes AHFC an attractive alternative to other financing sources. Even a 1/2 percent difference in rates saves a buyer $30 each month in mortgage payments ($90,000 home, 10 percent down, 10 percent rate versus 10.5 percent rate).

In considering these views, the economic interests of industry representatives also should be considered. For players in the real estate market, higher volumes and prices are both inherently "good" because they increase the income of these players. But in economic terms, over-availability of financing, lack of strictness in qualifying buyers, and failure to consider longer-term potentials of the market may ultimately be very damaging.

E. STRUCTURE OF THE SECONDARY MARKET

1. What the Secondary Market Does

Most originators of residential mortgage loans do not retain the mortgages, but sell them to the secondary market. The secondary market includes AHFC as well as national quasi-public players such as FNMA, FHLMC, and GNMA, and purely private institutions such as Goldome and Fleet. The originator typically retains the right and obligation to service the loan, and receives a fee for doing this. The fee is usually about 3/8 of one percent of the outstanding balance of the loan annually.

This is definitely the pattern in Alaska. Alaska has few or no private portfolio buyers. We were unable to identify any banks, credit unions, saving and loan associations, or mortgage companies with a policy of retaining mortgages for their own accounts, except sometimes for their own REO. In other words, if an Alaska mortgage is not salable, it will likely not be made by a private institution.

We note here that mortgage lending does not appear to be a priority with most banks, even on the basis described. Alaska lenders indicated little interest in originating and servicing loans without the ability to later sell these mortgage loans to the secondary market. Mortgage companies seem to be somewhat more aggressive than banks in this respect.

We also note that there is a degree of nervousness among some industry representatives concerning the continued presence in Alaska of certain secondary market buyers. But in our discussions with officials of FNMA and FHLMC we were unable to discern any movement towards withdrawing from the Alaska market. Both institutions remain active in Alaska, either disposing of REO or financing new mortgage purchases.

In summary, the importance of the secondary market is that without it, lending institutions would not generally make residential mortgage loans in Alaska. There are exceptions to this statement, of course, but the limited capital available to Alaska lending institutions makes a secondary market absolutely essential to meaningful levels of mortgage lending.

2. AHFC's Role in the Secondary Market

AHFC is certainly the largest single purchaser of mortgages in the Alaska market. Industry estimates of AHFC secondary market share vary from 50 percent to over 70 percent. Although reliable statistics are lacking, AHFC management indicates that it believes that it currently purchases 60 to 65 percent of newly originated residential mortgage loans in Alaska. Most residential brokers interviewed also stated that AHFC was the largest purchasers of loans originated from their real estate sales.

We estimate that about 7,700 homes were sold in Alaska in 1989. In many cases these purchases involved assumptions of existing loans or direct contracts between buyer and seller, and thus do not result in new first mortgages. The number of purchases whose financing falls into these categories is unknown, although most industry sources feel it is quite large, possibly as large as 40 percent of all sales. Accordingly, AHFC's contention that its current purchase level of 2,723 (fiscal year 1989) mortgages represents the majority of new mortgage purchases seems reasonable.

AHFC total market share, including refinancings and seconds, is much larger. In fiscal year 1989 HOAP refinancings through AHFC were over twice total new mortgage purchases ($643 million versus $225 million). Although the HOAP programs are refinancing vehicles and do not directly impact housing sales, they actually stimulate the housing market in three ways:

- By helping homeowners with ABE (Alaska Building Equity) graduated payment structures to avoid foreclosure, they limit the REO stock which would otherwise depress market prices further
- By allowing assumptions of loans, they expand the pool of potential buyers and help homeowners avoid the necessity of paying off any negative equity at closing. This allows homeowners to more easily sell their homes and purchase new homes

- By allowing properties to be used as rentals (that is, by removing the requirement for owner occupancy), they allow homeowners to vacate their homes while earning an income stream to pay the existing mortgage. This avoids the necessity of a sale and payoff of any negative equity, allowing more homeowners to purchase new homes.

AHFC also has an important role as a pooling agency. Many of the loans purchased under its taxable program (892 loans in fiscal year 1989) are pooled and sold to other secondary market buyers in exchange for mortgage backed securities. FHLMC is the current buyer, although FNMA has purchased pools in the past. In this role AHFC can be seen as a facilitator rather than an ultimate purchaser of mortgage loans.

F. CONCEPTUAL VIEW OF AHFC'S ACTIVITIES IN THE HOUSING MARKET

Conceptually, AHFC's activities can be divided into four activities:

- Purchases of mortgages under tax-exempt bond financed programs (15 percent of AHFC's activity by dollar volume in fiscal year 1989)
- Purchases of mortgages under "special" programs (one percent of AHFC's activity in fiscal year 1989)
- Purchases of mortgages under the Taxable Program (nine percent of AHFC's activity in fiscal year 1989)
- HOAP and other refinancings of existing mortgages (75 percent of AHFC's activity in fiscal year 1989)

Of these activities, the first and the second may generally be considered to fall under the umbrella of "original legislative intent". The fourth is a special purpose program to limit damage to the housing market (and to AHFC and its partners such as FNMA, FHLMC, and MGIC) from the severe market downturn. Only the third, the Taxable Program, represents an area that would clearly be rolled back if AHFC were to be returned to its original legislative intent. The Taxable Program represented 31 percent of all new mortgage loans purchased by AHFC in fiscal year 1989.

To gain further perspective on this issue, an analysis is presented in **Table 2**, on the following page, of the Taxable program's relationship to AHFC activity in fiscal year 1989 excluding tax-exempt programs and refinancings/seconds. This remaining activity represents all of AHFC's new first mortgage purchases except those under tax-exempt programs.

Table 2

Analysis of AHFC Non Tax-Exempt Mortgage Purchases

Program	Number Purchased	Amount ($ Millions)	Percent of Total
Taxable	892	$78.8	88.5%
MGIC Special Financing	161	6.6	7.4
Mobile Home	18	0.3	0.3
HOF	26	1.9	2.1
Non-conforming	16	1.2	1.5
Pledged account mortgage	2	0.2	0.2
Total	1,115	$89.0	100.0%

As can be seen from this table, purchases under the taxable program represent almost 90 percent of all non tax-exempt mortgage purchases by AHFC in the current market. Most of the remaining programs are very small in scope and serve a minimal number of Alaska residents. A brief description of the remaining programs follows:

- The *MGIC Special Financing Program* allowed MGIC to borrow money from AHFC at low rates to finance the sale of AHFC REO. This program is being replaced by the "Yes You Can" Program which should have somewhat wider scope

- The *Mobile Home Program* is designed to allow purchasers of mobile homes access to financing on more generous terms than those offered by commercial lenders on their own accounts. Most lenders treat mobile homes as personal property, while this program offers terms more in conformance with real property loans. Interest in mobile homes is limited now because of the prevalence of inexpensive condominium units

- The *Home Ownership Assistance (HOF) Program* offers subsidized payment terms to low income borrowers. Access to this program is limited because loan originators find that loans made under this program are difficult and expensive to service. The recent steep decrease in housing prices also limits interest in the program

- The *Non-conforming Loan Program* offers loans on homes which do not meet standard underwriting criteria. AHFC management states that few applications under this program meet the "safe, sound, and sanitary" criteria specified in the enabling legislation

- The *Pledged Account Mortgage Program* allows otherwise unqualified buyers to pledge liquid assets against mortgage payments as a form of insurance. Few Alaskans seem interested in this approach to home financing.

In ummary, the taxable program represents the large majority of all new mortgage purchases currently made by AHFC outside of the tax-exempt programs. The remaining programs are either REO-related or serve small numbers of Alaskans with special needs.

Since the tax-exempt programs (except the Veteran's Mortgage Bond Program) are included in AHFC's "original legislative intent", and because HOAP and other refinancings are temporary expedients to prevent foreclosures and help make the market more liquid, only the taxable program need be considered when assessing the effects of a return of AHFC to its original legislative intent.

A further analysis of the taxable program and the importance of this program to Alaska's housing market is contained in Section VII of this report, where the effects of returning AHFC to original legislative intent are considered.

SECTION V

DESCRIPTION OF POLICY OPTIONS AND EVALUATION METHODOLOGY

Ernst & Young

V. DESCRIPTION OF POLICY OPTIONS AND EVALUATION METHODOLOGY

The State Legislature identified a number of options defining AHFC's role in providing housing, and requested an analysis of the implications of these options. In this section, we describe the various policy options, and present a description of how we evaluated the implications of each option. We also present the major assumptions made by our team in evaluating each option.

This section of the report is organized as follows:

- *Policy Options*
- *Evaluation Methodology*
- *Analysis Assumptions.*

A. POLICY OPTIONS

Three options were evaluated during the course of this study:

- Phase-out or eliminate the interest rate subsidy
- Return AHFC to original legislative intent of providing for low- and moderate-income housing
- Change the ownership of AHFC.

Each of these is described in the subsections which follow.

1. Change AHFC Subsidy

The first option evaluated was a change in the current interest rate subsidy now provided by AHFC. This change could range from a gradual phasing out of the subsidy to its one-time elimination. Phasing out of the subsidy would allow adjustment by the housing sector, including mortgage financing sources, in the removal of AHFC as a below market price source of mortgage funds. On the other hand, a one-time elimination of the subsidy, rather than a gradual phasing-out, would make sense if market conditions were such that AHFC was no longer providing lower than market rate financing.

Phasing out of the subsidy can be done by either of the following two methods:

- Reducing the spread between AHFC's cost of funds and the rate provided to a borrower (e.g., from three percent to zero percent over time)
- Reducing the loan amount on which the subsidy is applied (e.g., from the first $90,000 to some lower figure over time, eventually to no subsidy).

There may not be any effective difference between the above two alternatives if AHFC cost of funds are low enough that there is no subsidy being provided. It was pointed out in Section II of this report that there was no subsidy on most new loans purchased in fiscal year 1986 and 1987, and only with an increase in the costs of bonds issued in 1988 and 1989 has the subsidy actually reappeared for some AHFC programs. Depending on where

interest rates may head in the future, and AHFC's resulting cost of funds, there may be no significant subsidy provided by AHFC currently, and in the very near future.

By State statute, AHFC currently provides a subsidy of residential mortgage rates. For most loans purchased by AHFC, the interest rate on the first $90,000 is three percent less than the cost of funds used to purchase the loan, except that: (1) if the cost of funds is less than ten percent, the interest rate is equal to the cost of funds, and (2) if the cost of funds is greater than ten percent, the interest rate may not be less than ten percent. A qualifying veteran is provided an additional one percent subsidy on the first $90,000 of a loan. The interest rate on the remaining balance of a loan is at AHFC's cost of funds.

The only exceptions to how the interest rate on a loan is determined under the subsidy statutes are as follows:

- MGIC special financing of selected properties with previous MGIC pool insurance. The interest rate is to be selected by MGIC or by AHFC, depending on the property being financed. The weighted average interest rate on all 161 loans purchased in fiscal year 1989 was 9.1 percent, about one-half of one percent higher than the tax-exempt rate for fiscal year 1989.

- Non-Conforming property loans, which carry an interest rate which is one-quarter of one percent higher than the taxable rate for the same loan amount. The reason for the interest rate adjustment is because the risk is greater to AHFC, and because the loan cannot be sold to FNMA and must be held by AHFC.

2. Return AHFC to Original Legislative Intent

The second policy option examined involved restructuring AHFC housing programs to include just those which provide affordable housing for persons and families of low and moderate income, as well as for persons living in remote, underdeveloped, or blighted areas. Determining which existing programs actually meet the original legislative mandates can be accomplished in two ways:

- Identify programs whose eligibility requirements include income or asset ceilings, or provide an incentive (or remove a barrier) to financing properties in remote areas

The AHFC has income or asset limits on just two programs: tax-exempt bond financed program and the Home Ownership Assistance (HOF) program. None of the other programs have limits placed on a borrower's income or assets, and there are no programs specifically designed for persons in remote, underdeveloped, or blighted areas. A rural program is provided by the Department of Community and Regional affairs which makes loans at one percent less than AHFC, although this program is not limited specifically to underdeveloped or blighted areas

- Identify programs actually used by persons and families of low and moderate income, or who purchase housing in remote, underdeveloped, or blighted areas

  Determining who uses the programs can be accomplished by reviewing the demographic data maintained by AHFC on each borrower and on the entire loan portfolio

  The determination of what is low- or moderate-income has been made by AHFC for the tax-exempt program, following federal regulations. The borrower's annual family income cannot exceed 115 percent of the median income of the area. The maximum annual incomes which AHFC has established for nine geographic areas of the State range from $53,130 (all "other" areas of the State) to $71,530 (Juneau). The average income of the borrowers in each of the following programs is well below the lowest AHFC limit of $53,130 as shown in **Table 1**, on the following page.[1]

[1] AHFC also has established for the tax-exempt program the maximum purchase price of the home, based again on federal regulations. Federal regulations limit the purchase price to 90 percent of the area's average sale price.

Table 1
Average Annual Income of AHFC Borrowers

AHFC Program	Borrower Average Annual Income[2]
• Home Ownership Assistance (HOF)	$25,431
• Mobile Homes	$33,018
• MGIC Special Financing	$36,507
• Tax Exempt	$42,305
• Non Conforming Property	$42,354

The alternatives we examined included a gradual phase out of the two programs which are not specifically designed to provide for low- or moderate-income housing and which have not historically been used primarily by individuals of low or moderate income. These two other programs are taxable and second mortgage.

The veterans program was assumed maintained as an active AHFC housing program for financing of new loans. In addition, we assumed that AHFC would continue the Home Owners' Assistance Program (HOAP), although this program is not actually a low- to moderate-income program. This refinancing program is needed to assist AHFC borrowers in lowering their monthly payments, and to help mitigate the potential impact on AHFC's financial position from loans which may otherwise become delinquent or go into foreclosure.

Finally, although the mobile home loan program has resulted in significant losses to the AHFC, the program provides housing for that sector of Alaskans who may not otherwise be able to purchase a home. We have assumed that the mobile home program would be continued. We understand that AHFC is planning changes to the mobile home

[2] The programs listed are ranked by the average annual income of all borrowers obtaining financing in the program over the last three fiscal years (July 1, 1986 through June 30, 1989).

loan program which would increase the down payment required and reduce the loan terms to be more in line with industry underwriting practices for mobile home loans.

3. Change Ownership of AHFC

This third option was the most difficult to define of the three options examined. This option generally involves selling a portion or all of the Corporation to a third party. This could possibly include the following alternatives:

- Selling all AHFC assets
- Selling a selected portion of AHFC assets
  - -- Real estate owned (foreclosed) properties
  - -- Loans of a selected type or bond program
- Creating a joint venture of financial institutions and the State Permanent Fund
- Creating and selling stock in the Corporation and paying a dividend to stockholders
- Contracting with a private firm(s) to manage the disposition of real estate owned properties.

During the course of this study, we did not identify a single potential buyer of any AHFC assets. It should be pointed out that most of the financial institutions participating in AHFC programs do not maintain residential real estate loans but rather sell these to either AHFC or other secondary mortgage purchasers. We found little support or basis for assuming that these same institutions would buy back the loans or foreclosed properties, unless for a very deep discount on the assets.

B. EVALUATION METHODOLOGY

We determined the implications of each feasible policy option on the following:

- Alaska State housing market. We considered the potential impact on the present demand for home loans. Given an oversupply of housing in most geographic areas of the State, we focused on resales rather new construction
- AHFC financial position. Specifically, we projected the change in AHFC net unrestricted (or "liquid") assets through fiscal year 1993/94
- State Funds. We estimated whether an additional injection of state funds would be needed to support AHFC programs, or if AHFC had sufficient financial resources to provide a return to the State on its current investment in the Corporation.

1. Methodology to Evaluate Impact of Policy Options on Alaska State Housing Market

We estimated the total number of new loans originated statewide and AHFC's approximate share of that market. This included an estimate of the type of loans purchased, that is, whether the loans were FHA or VA insured, or were conventional loans which have private mortgage insurance or at most an 80 percent loan-to-value ratio. For each option we determined the number of new loans which may or may not be purchased by AHFC and whether there would be a secondary market for loans AHFC was no longer purchasing. A discussion is presented of the likely impact that AHFC's withdrawal from a market segment would have on the ability of home buyers to obtain financing at a reasonable cost.

2. Methodology to Evaluate Impact of Policy Options on AHFC Financial Position

Our measure of the financial position of AHFC was unrestricted net liquid assets available to the Corporation. As noted earlier in Section III of this report, unrestricted assets include cash, investments which mature over the five-year projection period, and mortgage loans available for pledging to bond issues. These assets are net of short-term

obligations of the Corporation. Also included are loans and investments which are currently pledged to a bond issue but which will be released when a specific bond issue is paid off during the five year projection period.

Under baseline conditions, that is, assuming continuation of existing AHFC volume of purchases under each major loan program, we projected what the change in unrestricted net liquid assets would be over the next five years (fiscal year 1989/90 through fiscal year 1993/94). For each policy option, we then estimated the change (i.e., increase or decrease) in net unrestricted assets over the next five years, due either to a change in the subsidy provided, a change in the number of loans purchased under a program, or both.

3. Methodology to Evaluate Impact of Policy Options on State Funds

Based upon the estimated change in net unrestricted assets over the next five years, we determined whether additional State funds would need to be appropriated to AHFC, or whether funds were available to return to the State. This estimate was judgmental because there is no legal requirement nor definition of appropriating funds from AHFC.

C. ANALYSIS ASSUMPTIONS

Because of the complexity of AHFC operations and of the Alaska housing market, it is difficult to measure precisely the impact of a specific change in policy. There are many other factors influencing AHFC's financial position and the housing market which will change over time and which AHFC and the legislature cannot control. Examples include changes in population, personal income, construction costs, and financial markets. These other factors influence the housing market regardless of AHFC's presence in that market.

In order to prepare our analysis, we made a number of assumptions regarding housing and financial markets. These assumptions were designed to simplify the analysis so that it is understandable and to focus on the more significant factors influencing the housing markets and AHFC's financial position. Our basic assumptions were as follows:

- AHFC's volume of loan activity over the next five years was assumed to be approximately the same level as the previous five fiscal years
- Under the new HOAP III program, $90 million in loans was assumed refinanced, with half being refinanced in fiscal year 1989/90 and half in fiscal year 1990/91
- Changes in AHFC subsidy were assumed not to have an impact on the total demand for loans statewide. Also, reductions in AHFC purchases of loans under the taxable program was assumed to be offset by increases in purchases by non-AHFC secondary market participants
- No subsidy was assumed for the tax-exempt or tax-exempt veterans bond programs because the cost of funds for these two programs was assumed to be below the threshold of the subsidy
- A subsidy of approximately 0.75 percent was assumed provided on loans financed with taxable bonds over the next five years under our baseline scenario. An alternative assumption was made for analysis purposes that interest rates would rise in fiscal year 1990/91, and that AHFC provided a two percent interest rate subsidy on loans purchased under the taxable program through fiscal year 1993/94

- A two percent subsidy was assumed provided under the HOAP III program, which is the maximum available under that program
- Bonds sold by AHFC were assumed overcollateralized by two percent in order to improve the bond's credit rating
- Interest earnings and expenses on Corporate Operating and General accounts were assumed to be equal to eighty percent of the average earnings and expenses over the last five years
- AHFC general and administrative expenses were assumed to be $10 million annually, approximately the annual budget for fiscal year 1989/90.

SECTION VI

POLICY OPTION TO CHANGE AHFC SUBSIDY

Ernst & Young

VI. POLICY OPTION TO CHANGE AHFC SUBSIDY

This section of the report reviews the policy option to change the AHFC subsidization of interest rates. It is organized under the following headings:

- *Overview of Subsidy*
- *Description of Alternatives to Change Subsidy*
- *Analysis of Elimination of Subsidy*
- *Analysis of Phase-Out of Subsidy*
- *Impacts of Changing the Subsidy*
- *Conclusions Concerning the Subsidy.*

A. OVERVIEW OF SUBSIDY

This section is intended to review the impact of changing AHFC's practice of subsidizing residential mortgage rates, either through immediate elimination of the subsidy or through some form of phase-out. For purposes of this section, we are referring to the term "subsidy" as the Corporation's practice of providing interest rates to mortgage holders at a rate below the Corporation's cost of funds. This subsidy is essentially financed through overcollateralizing bond issues (through the influx of Corporate capital).

The section is intended to only address bond-financed programs and not the various programs offered by the Corporation which are financed directly and/or entirely by State appropriated monies. Additionally, elimination or reduction of the subsidy as discussed in this section pertains only to the "buy-down" of interest and is not related to those interest rates necessary to ensure the tax-exempt status of applicable bonds.

The Corporation's (and State's) subsidization of interest rates first came about as a result of legislation passed in 1980 which stipulated the following[1]:

- The interest rate may not exceed nine percent for the first $90,000 of the loan if the loan is made to an eligible veteran
- The interest rate may not exceed 10 percent for the first $90,000 if the loan is made to a person other than an eligible veteran
- The interest rate for the amount of the loan which exceeds $90,000 shall equal the mortgage program costs to the Corporation attributable to that part of the loan.

Subsequently, in an effort to reduce the Corporation's exposure in times of escalating interest costs, a ratcheting measure was introduced to establish a cap on the subsidy. This was done in 1981, through changes in legislation. The principal effect of this change was to cap the Corporation's exposure to a three percent subsidy on the first $90,000 of a loan.

The Corporation's practice of subsidizing interest rates for almost ten years has accounted for an exhaustion of significant resources appropriated to AHFC by the State of Alaska. Eventually, depending on the scenario predicted for the future in regards to interest

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1 Excerpt from Alaska State law Chapter 106, Sec. 18.56.098 (1) (2) (3).

rates and loan demand, these State appropriations will be totally depleted if this practice is continued. Accordingly, without additional State appropriations sometime in the future, the Corporation's capital base will gradually be weakened and its ability to provide any assistance (even to first-time homebuyers) may some day no longer exist.

B. DESCRIPTION OF ALTERNATIVES TO CHANGE SUBSIDY

In this section we address alternatives for changing the historic and current practice of subsidizing interest rates. Although many possible alternatives exist, we believe the following three are the most meritorious, and we will therefore limit our discussion to these:

- Complete elimination of the subsidy as of a pre-determined future date (for purposes of this Section we chose June 30, 1990 for reasons shown below)
- Complete elimination of the subsidy as of a pre-determined future date, but only if conditions (principally interest rates) are favorable at that time
- A phase-out of the subsidy over a future period of time (such as would result from a draft bill dated October 5, 1989, proposed by Mr. Robert Mintz, Chairman of the Board, AHFC).

These alternatives, and their possible impacts on the market, the Corporation, and State appropriated monies, are discussed below.

C. ANALYSIS OF ELIMINATION OF SUBSIDY

Although the subsidy of interest rates provided valuable benefits to Alaskan homeowners at a time when the State had a need to attract buyers of residential property and also had the available resources to fund such an effort, today, circumstances have significantly changed. Specific negative attributes which are directly associated with the present subsidy are as follows:

- The subsidy may have historically contributed to artificially increased housing prices
- The subsidy may have acted as a factor in driving out of the market competitive sources of mortgage capital
- The subsidy is not a sound economic or financial practice for AHFC, and funds already appropriated will run out at some future date
- The subsidy today may be construed to be an indiscriminate use of increasingly scarce State resources.

Because of the above probable detrimental effects of the subsidy and the dramatic changes in the economy since the early-to-mid 1980's, the sooner the practice of subsidizing interest rates is terminated (as long as it is done properly), the better. Although we tried to consider all possible ramifications of subsidy elimination, our analysis of a termination of the subsidy was strongly motivated by the need to restore financial soundness to the AHFC.

Because we firmly believe that some change in the subsidy is inevitable, we determined under what conditions cessation of the subsidy would be most favorable. We believe the conditions when the least negative impact would be felt from elimination of subsidy would be at a time when:

- The Corporation's cost of funds pertaining to bond issuances are below threshold rates
- The demand for new mortgage loan applications is minimal
- Housing prices are at, or near, a low point in comparison with the recent past and expected (at least in the short-term) future
- Market interest rates, projected over at least the short-term, are expected to remain constant or decline.

We reviewed the current situation regarding the supply of unused bond proceeds at AHFC. **Exhibit VI-1**, following this page, lists all of the Corporation's currently active bond-financed programs and illustrates the proceeds (or overcommitted amounts) remaining for financing loans as of December 31, 1989. The exhibit includes proceeds from bonds issued through this date.

For purpose of Exhibit VI-1, the availability of proceeds (funds) includes not only investor pools already purchased, but investor pools ready to be purchased, mortgages ready to be pooled, and outstanding commitments to mortgage loans. Therefore, the "uncommitted funds" (or overcommitted amounts in some cases) reflect a minimum level of total availability of bond proceeds. We have included overcommitments on this exhibit merely to illustrate the demand level for certain of the programs. Along with this information, we have included the Corporation's cost of funds pertaining to the associated bond issuances. All information shown was made available from AHFC internal records.

Our observations of Exhibit VI-1, as well as our other analyses, is presented below. We have segregated this discussion into three principal program categories, as follows:

- Tax-exempt and Veterans bond programs
- Refinancing bond programs (HOAP)
- Taxable bond programs (other than HOAP).

Tax-exempt and Veterans' Bond Programs: An opportunity appears to currently exist for the complete elimination of the subsidy pertaining to these programs for the following reasons:

- The cost of the Corporation's funds are sufficiently below the threshold rates (10 percent and 9 percent, respectively)
- According to AHFC management, and recent history of loan applications, there currently exists sufficient available proceeds to meet demand over at least the next year.

AHFC Schedule of Available Funds
As of December 31, 1989
($ Millions)

Bond-Financed Program	Uncommitted (Over Committed) Funds	Cost of Funds
First-Time Homebuyers:		
1987 A	$ (2)	8.92%
1988 A-1	(1)	8.57%
1988 A-2	(5)	8.43%
1988 A-3	25	8.65%
1989 Series A[a]	-	-
1989 Series B[b]	148	Floating
	$165	
Veterans:		
1988 First	$ (5)	8.81%
1989 First	45	8.25%
	$ 40	
Taxable:		
CMO 1989-2	(1)	10.78%
CMO 1989-4	12	10.42%
	$ 11	
HOAP:		
1988-1[c]	$ (7)	
1988-2[c]	(7)	
CMO 1989-1	(20)	12.23%
CMO 1989-3[d]	-	-
	$(34)	

(a) Original issuance was for $90 million. This was subsequently refunded from proceeds of 1989 Series B.

(b) Issuance closed near the end of November 1989. Initial interest at 6.19 percent; cost of funds is currently below 10 percent.

(c) Cost of funds were unavailable, however rates were estimated at substantially above 10 percent.

(d) A $70 million issuance was sold late in 1989. All proceeds were committed at December 31, 1989.

Also, with regards to these two programs, a "subsidy" would still remain (only in a different form) because tax-exempt financings (by the very nature of these bond structures) should continue to provide qualified applicants with below market interest rates.

HOAP Bond Programs: We have segregated the HOAP programs from other taxable programs because of the importance of the Corporation's attempt to provide a vehicle to restructure (in the form of refinancings) certain of the earlier programs sponsored by the AHFC. Therefore, even though there is currently a definite subsidy involved with loans issued under the HOAP programs, we would not necessarily suggest that this particular subsidy be universally ceased.

We understand from AHFC management that demand for these loans has recently slowed and that total future bond proceeds expected to be necessary as of December 31, 1989, to fund the expected loans necessary to complete the HOAP programs, is estimated at $90 million. This will be accomplished through the issuances of bonds under the HOAP III program. Although the loan funding period is expected to continue throughout the Corporation's 1990 and 1991 fiscal years, two alternatives exist under the scenario of eliminating the subsidy in the HOAP programs as of June 30, 1990, as follows:

- The Corporation could issue all bond(s) necessary to fund the entire HOAP III program prior to the change in legislation as of June 30, 1990. We suggest this method be given top priority as it is the most financially sound alternative and because it treats all programs equitably with regards to removal of the subsidy

- If the first alternative is not feasible, we suggest a change in legislation as of June 30, 1990, with the intent of eliminating the subsidy, but specifically segregating refinancings with elimination of the subsidy under the HOAP programs as of June 30, 1991, if not before. However, from a legal perspective, this may result in due process concerns. Finally, if the second alternative is chosen, we would support a formal cost-benefit analysis be performed showing that the subsidy cost to AHFC for the HOAP III refinancings is offset by future savings in REO or other costs.

Taxable Bond Programs: As can be seen from Exhibit VI-1, the taxable programs present a potential downside to the proposal of eliminating the subsidy,

as recent bonds issued have a cost of funds at a rate slightly higher than the ten percent threshold rate. Also, even though some uncommitted funds exist, demand over the next few months will most likely exceed the amount of these available funds.

However, we believe that a window of opportunity still exists currently to eliminate the subsidy for taxable programs because of the following rationale:

- Interest rates, according to numerous industry sources (including the National Association of Realtors, economists polled by Wall Street, and representatives from the Federal Reserve Board) are expected to remain stable or decrease slightly in 1990[2]
- Demand for new home loans is at a low point as compared to the past couple of years
- The price of housing, according to local Anchorage real estate and financial institution representatives, appears to be at or near the bottom
- Additional taxable bonds could be issued, based on expected demand, to provide for a cushion of available funds, if necessary. This issuance of additional taxable bonds could provide for a smoother transition prior to the date set for elimination of the subsidy. However, this action should be taken only if interest rates are advantageous and it makes general economic sense considering all relevant factors.

In summary, because of the above considerations, it appears that a very unique window of opportunity currently exists to allow for the complete elimination of the subsidy. However, we wish to emphasize that an elimination as of a set date (June 30, 1990) is only appropriate under the conditions noted above. A significant time delay in implementing the change could result in changed market and economic circumstances. Therefore, as a possible backstop, a ratchet mechanism may be wise to consider. That is, eliminate the subsidy through revised legislation as of a set date (again June 30, 1990 seems to be appropriate), but provide for the ability to extend this date if conditions are not actually favorable at that time.

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2 On January 8, 1990, major U.S. banks cut their prime lending rates a half point to ten percent in a move that should translate into lower borrowing costs for consumers and businesses. First National Bank of Chicago took the first step and was followed by Citicorp, Bank of America, Wells Fargo, and First Interstate Bank of California. Reports indicate that long-term mortgage rates will also decline slightly.

D. ANALYSIS OF PHASE-OUT OF SUBSIDY

As an alternative to eliminating the subsidy as of a set date, it could be phased out over a period of time. A phase-out could be accomplished by either of two principal means. Either the maximum interest rate differential (between the threshold rate, and the Corporation's cost of funds) could be scaled back over time, or the dollar amount of the loan subsidized (currently $90,000) could be reduced pro-rata over a period of time. We understand that the latter method is currently being proposed in a draft bill by Mr. Robert Mintz, Chairman of the Board of AHFC.

Although either of the above two methods would eventually result in the same effect as the entire elimination of subsidy as of a set date, we believe that the more timely elimination is preferable. This is principally because of the unique window of opportunity which we feel currently exists in the near-term and which may not exist over the longer term. Also, earlier elimination of the subsidy will have less negative financial impacts to the AHFC and the State.

E. IMPACTS OF CHANGING THE SUBSIDY

We addressed the impact of changing the subsidy as to its effect on the housing market, AHFC, and the State (appropriated funds). Below is a summary of what we determined to be the impacts:

Market: We addressed the impact to the housing market under three separate circumstances, as follows:

- If no subsidy exists and is not expected to exist in at least the short-term future, there would theoretically be no effect on the housing market. This is currently the case with the tax-exempt and Veterans' programs
- If a minor subsidy is in effect, such as is the case with the taxable programs, the impact may be minor but it should not be significant because of the potential ability to create a cushion of available funds for financing loans during the transition period. Also, the premise that housing prices appear to be at or near the bottom should help to minimize any effect to the housing market
- If a minor subsidy exists, but interest rates increase significantly before the transition period, a more serious downside effect would occur. If this "worst-case scenario" were to take place, some form of ratcheting (such as extending the effective date of eliminating the subsidy until conditions were more favorable or phasing-out the subsidy over time) would obviously be necessary. However, based on projected interest rates, we do not currently believe this to be the likely scenario.

AHFC: Either the elimination or phase-out of subsidization of interest rates will definitely provide for a financially stronger Corporation. Other impacts to AHFC will be as follows:

- Generally, the eventual elimination of the subsidy will provide no negative effect to Corporation bond or loan covenants
- Because of the stronger financial condition which will result, there should be no negative effect to the Corporation's bond ratings from credit rating agencies. However, the cessation of interest rate subsidization must remain (in appearance as well as in fact) independent of any possible appropriations

by the State as it is important not to promote any form of an extraction of Corporate assets or equity

- Without the subsidization of interest rates for the taxable programs, the Corporation will appear to lose much of its competitive market advantages over the private sector. This may ultimately, in the long-term, lead to a healthier competitive capital market environment.

Perhaps even more important than the above considerations, without any future changes to the subsidy, and no further State capital injections, we have projected that the Corporation will have a major decrease in its unrestricted net liquid assets over the next five year period. Because of the immaterial amount of total unrestricted net liquid assets available as of June 30, 1989 (only $10 million), any substantial decrease in unrestricted assets will have the following two important negative impacts on the Corporation's short-term borrowing arrangements:

- If minimum unrestricted net liquid asset balances are not maintained, the Corporation may be in a default position on its working capital debt

- If net losses resulting from bond programs continue in the future, the critical short-term Corporation borrowing arrangements necessary for day-to-day operations may be severely jeopardized.

State Appropriations: Because elimination of the subsidy will provide for a more financially solvent AHFC, this may be one of the few ways for the State to ever receive a return on their substantial contributed capital . This is assuming the AHFC has to reach at least break-even operations in order to be able to return a dividend from operations to the State.

We have analyzed the effect to the Corporation's Operating and General accounts (measured by net liquid assets) over the next five-year period (ending June 30, 1994) under the assumption of eliminating the subsidy as of June 30, 1990. We followed the methodology as in our baseline projections, discussed in Section V.

As can be seen in Appendix B, at the end of this report, the net effect of this subsidy elimination is estimated to increase unrestricted net liquid assets of the Corporation by $43 million to $91 million over our projection of an "as-is" scenario

for the same future period. Therefore, the net effect over a five year period of eliminating the subsidy may range from $43 million to $91 million, depending on market conditions. In summary, elimination of the subsidy will reduce costs, either to the State or to the Corporation, by substantial amounts.

F. CONCLUSIONS CONCERNING THE SUBSIDY

Because the subsidization of interest rates, by definition, causes a major drain of the Corporation's equity, it must either be terminated at some future date or AHFC will eventually require additional State contributions. The cessation of the subsidy will not only make possible some long-term future return on prior State appropriations, it also will provide a great stride towards long-term fiscal responsibility for the Corporation.

We believe that the elimination of the subsidy as defined in this section, is currently feasible and desirable because of the unique window(s) of opportunity previously discussed. However, because this elimination only makes economic sense under these very favorable conditions, both urgency and caution must be followed in implementing the necessary changes.

SECTION VII

POLICY OPTION TO RETURN AHFC TO ORIGINAL LEGISLATIVE INTENT

Ernst & Young

VII. POLICY OPTION TO RETURN AHFC TO ORIGINAL LEGISLATIVE INTENT

Among the options defined by the State Legislature concerning future policies for AHFC was a return of AHFC to its original legislative intent. Since this policy option was not further defined, we investigated the original enabling legislation of AHFC and early subsequent amendments in order to determine original legislative intent.

Based on this interpretation of intent, we made a determination of which AHFC programs would be affected, and to what degree, and estimated the impact of these program changes on Alaska's housing market and on the financial position of AHFC and the State.

The effects of terminating the subsidy have been discussed previously in Section VI of this report. In discussing the effects of changes analyzed in this section (*i.e.*, termination of the Taxable Program) we assumed that the subsidy has already been terminated unless otherwise noted.

This section of the report is organized as follows:

- *Original Legislative Intent*
- *Effect on AHFC Programs of Return to Original Intent*
- *Implementation of Terminating the Taxable Program*
- *Potential Effects of Terminating the Taxable Program*
- *Summary and Conclusions Concerning Return to Original Intent.*

A. ORIGINAL LEGISLATIVE INTENT

AHFC was created by HB 167 in 1971, which amended AS 18.56. Enabling language clearly emphasized that AHFC was to assist in providing housing for lower income persons. Section 18.56.010, "Findings and Purpose," is quoted here in full:

> "(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 and rental of dwelling units for persons of lower income and that these activities serve a public purpose in benefiting the people of the State. The Alaska Housing Finance Corporation is empowered to act on behalf of the State and its people in serving this public purpose for the benefit of the general public."

To accomplish this purpose, AHFC was given a broad range of powers including making construction or mortgage loans, purchasing mortgage loans, subsidizing rental or mortgage interest payments, dealing in real property, selling mortgages to FNMA, and borrowing money. AHFC was specificaliy empowered to sell either revenue or general obligation bonds.

One year later, in 1972, CSHB 547 amended the language given above to specifically include housing for:

- Persons of moderate income
- Persons in "remote, underdeveloped or blighted areas."

If we include this 1972 amendment in the definition, then the words "original legislative intent" are taken to mean that AHFC's primary role is to facilitate decent, safe and sanitary housing for persons of low or moderate income, and for persons in remote, underdeveloped, or blighted areas.

AHFC's programs for persons in "remote, underdeveloped or blighted areas" have never been strong or active. Even programs for non-conforming housing, which are not very active currently, have been as much oriented to urban areas as rural ones. We understand that there are at least two reasons for this:

- Most rural non-conforming loans are handled by DCRA, and AHFC activity in this area would be duplicative
- AHFC, unlike DCRA, is not organizationally set up to qualify large numbers of borrowers or service loans in rural areas.

Therefore, in the discussion which follows, we do not assume any changes in AHFC activities relating to "rural, underdeveloped, or blighted areas."

B. EFFECT ON AHFC PROGRAMS OF RETURN TO ORIGINAL INTENT

Active AHFC programs serving low- and moderate-income Alaskans, as defined by the average income of borrowers in fiscal year 1989 (see Exhibit II-4 on page II-22), include:

- Tax-exempt (1,371 loans, average borrower income of $42,305)
- MGIC Special Financing (161 loans, average borrower income of $36,507)
- Mobile Home (18 loans, average borrower income of $33,018)
- Non-conforming (16 loans, average borrower income of $42,354)
- HOF (26 loans, average borrower income of $25,431).

Only the first of these programs is bond-financed, the others being financed by State-appropriated monies.

It would probably be advisable to retain special REO programs so long as the disposal of real estate owned is a significant problem to AHFC, regardless of borrower income. Of the programs shown above, the MGIC Special Financing Program is specifically designed to help AHFC dispose of its REO. We understand that this program will soon be replaced by the "Yes You Can" Program.

Two other programs deserve special mention because, even though they do not strictly meet the definition of original legislative intent, this section does not assume their elimination:

- The tax-exempt Veterans Program (254 loans in fiscal year 1989, average borrower income of $59,125) is assumed to continue for two reasons: First, it serves public policy in helping veterans obtain housing at preferential rates; and second, it enables qualified Alaska residents to take advantage of federal programs providing tax-exempt funding at no net cost to the State

- The HOAP Program (6,316 loans in fiscal year 1989, average borrower income of $56,158) is not a new mortgage purchase program, but allows mortgage holders with existing AHFC loans to refinance their mortgages. This provides a variety of benefits both to homeowners and to AHFC. Also, this program will phase out as its purpose is served.

Therefore, only two active AHFC programs remain which do not meet the definition of original legislative intent:

- Taxable Program (892 loans in fiscal year 1989, average borrower income of $59,948)
- Second Mortgage Program (two loans in fiscal year 1989, average borrower income of $79,368).

Thus, with the provisos above, the concept of returning AHFC to its original legislative intent involves eliminating these two programs. Since the magnitude of the Second Mortgage Program is negligible, all discussion following relates to eliminating the Taxable Program only. The discussion also applies to any future programs which might meet the same criteria as the Taxable Program, that is, they serve Alaskans by purchasing standard mortgages without specific policies with respect to housing type, income, or special need.

C. IMPLEMENTATION OF TERMINATING THE TAXABLE PROGRAM

Discussion of elimination of the Taxable Program following assumes that program termination, or the beginning of a phased termination, occurs on June 30, 1990. This date is chosen to be consistent with the analysis of termination of the subsidy in Section VI. A review of AHFC management's planned bond issuances indicates that the program should have several million dollars in uncommitted funds as of June 30, 1990.

1. Possible Elimination Mechanisms

There are two basic scenarios for Taxable Program elimination: Sudden or phased. The definition of a sudden termination is simple—after a certain date no new bonds would be issued to purchase loans under this program, and no new mortgages would be purchased after existing funds have been committed.

For the following reasons, a sudden termination would be unwise and should be avoided:

- It gives the State no way to test the secondary market. If the slack created by program termination cannot be filled by alternative sources (FNMA, FHLMC, etc.) then mortgage capital available will be less than demand and real estate transaction volumes and prices may suffer
- Because AHFC uses its Taxable Program to finance a significant portion of REO sales, abrupt termination might harm REO disposition efforts
- Even though the uncommitted funds as of the termination date should provide some "cushion" for a transition period, there is always a possibility that the cost of these funds will be below prevailing market rates even with the subsidy eliminated. This could potentially cause a "run" on remaining funds. Based on industry forecasts of interest rates, however, this scenario appears unlikely
- Since much of the real estate community perceives this program as important to the market, sudden termination may create a market shock beyond any otherwise foreseeable economic effects.

Therefore, a gradual process of phasing out the program is preferred. The phasing out could be accomplished either by limiting supply or limiting demand.

Limiting supply could be accomplished through smaller bond issues, or issues more widely spaced, until at some point no more bonds were issued. Advantages would include those generally applicable to gradual program termination (*e.g.*, "testing the waters" of the secondary market), and there would be no need to modify down payment or qualifying criteria or other loan characteristics. A major disadvantage to this approach, however, might be a "run" on AHFC mortgage funds if the Corporation's cost of funds were below prevailing market rates at some point during the phase-out. This could cause housing market fluctuations and damage market stability.

A sounder approach would be to limit demand for AHFC funds. This might be done by gradually increasing down payment requirements, other loan requirements, or interest rates. Advantages to this approach include:

- Housing market fluctuations would be avoided as demand for AHFC funds tapered off gradually
- Loan originators would increasingly seek alternative lending sources, such as FNMA or FHLMC, thus testing the availability of the secondary market in a gradual way
- In the case of higher interest rates, AHFC net income should increase. This income could either partially be returned to the State or used to fund necessary AHFC reserves.

2. Preferred Phase-out Mechanism

Each of the above gradual phase-out mechanisms could be applicable at different times and under different market conditions. Any one mechanism used by itself would probably be unpopular or unfair to specific groups of borrowers. Of all the mechanisms, sudden termination potentially could cause the most problems and should definitely be avoided.

A combination of several approaches, cautiously applied and tuned to the housing market as it changes, would be the best approach. We therefore recommend that a phase-out program include the following:

- AHFC management is given a formal legislative mandate to phase out the Taxable Program over the long term (*e.g.*, over a five-year period) while maintaining flexibility to act as a long-term "backstop" for the Alaska housing market (this concept is further discussed in Section IX of this report)
- Management prepares a plan to reduce Taxable Program demand using a combination of demand-reduction measures
- Management estimates the potential reduction in demand from this plan and scales down planned bond issues accordingly (thus limiting supply without significant market disruption)
- Management implements its plan and tracks actual demand reduction against its expectations, as well as the increases in direct market share of other secondary mortgage purchasers, in order to ensure that the phase-out does not adversely affect the Alaska housing market
- Management reviews results of the plan against its expectations, makes revisions as required, and continues with the phase-out program.

This phase-out program serves four purposes:

- It gives AHFC management control over the phase-out. Hands-on management control is essential if market disruption is to be avoided, since adjustments to the program may have to be made frequently and judiciously
- It allows AHFC to "pace" the phase-out to the rate at which other secondary market purchasers are filling any vacuum left by its departure
- It allows retention of the Taxable Program for a period of time so that the program can continue to serve as one of AHFC's vehicles for financing REO sales
- It scales down future bond issues based on decreased demand for borrowing, rather than trying to limit borrowing by rationing funds.

D. POTENTIAL EFFECTS OF TERMINATING THE TAXABLE PROGRAM

1. Effects on the Real Estate Market

The key to the effect of a phase-out of AHFC's Taxable Program on Alaska's housing markets is the availability of alternative funds for the residential mortgages purchased under the program. As discussed in Section IV of this report, many industry sources believe that availability of alternative funds is limited.

a. Magnitude of the Taxable Program Compared with the Housing and Mortgage Markets

Prior to addressing this issue directly, it is useful to review the magnitude of the Taxable Program it relation to statewide housing sales, new mortgage generation, and AHFC mortgage purchase activities, as shown in **Table 1**, below:

Table 1

Alaska Home Sales and Mortgage Statistics
Fiscal Year 1989

Category	Number	Percent	
Total home sales	7,700	100%	(1)
Total new mortgages	4,600	60	(2)
AHFC New Mortgage Purchases	2,740	36	(3)
AHFC Taxable Program purchases	892	12	(3)

Notes: (1) Estimated.based on market survey, Appendix C
(2) Estimated based on AHFC management's stated 60 percent share of the current new mortgage market
(3) AHFC statistics.

As can be seen from this table, purchases of mortgages under the Taxable Program currently support about 12 percent of total statewide home sales, or 19 percent of new mortgage generations in the State. While these percentages presently appear small, programs supported by taxable bond issuances have historically served an important

segment of AHFC's financing activities. The Taxable Program is also important to AHFC's financing of REO dispositions. Finally, the percentages shown above would probably be higher in a "normal" year in Alaska, for the following reasons:

- Most current transaction activity (64 percent in 1989) is below the tax-exempt limit because of the general fall in housing prices. This shifts demand for AHFC mortgage purchases into the tax-exempt programs. In a normal market the general price levels would be higher and the Taxable Program might play a larger role

- Further demand for tax-exempt program financing is caused by the wide availability and aggressive marketing of REO, which tends to be lower-end property. In more normal times, REO would represent a much smaller portion of the market

- The prevalence of negative home equities in the market has led to an evident high percentage of home sales made on the basis of mortgage assumptions or direct buyer-seller contracts. In a more normal market this situation would not exist. There would be a higher demand for new mortgages overall, and demand for AHFC's Taxable Program would be correspondingly larger.

The situation is further complicated by the differential in demand between AHFC Taxable Program funds (available at 10 percent as of this writing) and alternative funds (generally about 10 percent to 10.5 percent). To the extent that demand for AHFC funds is price-sensitive, then demand for Taxable Program funds is probably higher than it would be if alternative funds were relatively less expensive.

b. Marketability of Loans Purchased Under the Taxable Program

Availability of an alternative secondary market for loans which AHFC purchases under the Taxable Program will be largely determined by the types and quality of these loans. The following discussion addresses these issues.

Loans purchased under the Taxable Program are of the same type purchased by other secondary market purchasers. They are either FHA-insured, VA-insured, or conventional loans. All conventional loans have either a 20 percent down payment or 10 percent down with private mortgage insurance (PMI). **Table 2**, following this page, shows the relative percentages of loans purchased that fall into the three categories:

Table 2
AHFC Taxable Program Mortgage Purchases

Year	Percentage FHA-insured	Percentage VA-insured	Percentage Conventional
FY 1989	55%	10%	35%
FY 1990 (6 mos.)	59%	8%	33%

Source: AHFC management

The increasingly high percentage of FHA-insured loans is probably due to the fact that PMI is difficult to obtain. We understand that there is only one company currently providing this coverage in Alaska, and that it is applying very strict underwriting criteria to its new policies. Thus, the FHA program is the only method available to many borrowers to avoid a 20 percent down payment requirement.

Since AHFC's underwriting criteria are in accordance with those of FNMA and FHLMC and other secondary market purchasers, the loans appear to be fully acceptable to the secondary market in general. If an alternative market is available, these loans should be readily marketable.

In fact, while AHFC appears to be the secondary market purchaser of these loans, they are routinely sold through to other secondary market purchasers, with AHFC acting as a facilitator. The ultimate secondary market for the Taxable Program loans is currently AHFC's pool purchaser, FHLMC, which is in effect lending money to support Alaska mortgages under the program. We also found that FNMA is active in the Alaska market, and we understand that they have purchased more Alaska loans independently of AHFC during FHLMC's current commitment period than has FHLMC under its pool purchase commitment with AHFC.

c. Summary of Effects on the Housing Market

The following findings summarize the analysis above:

- AHFC's Taxable Program currently serves only a minor portion of Alaska's housing market. In more normal times the program would play a relatively larger role, but the size

of this role would be affected by the subsidy available and the cost of funds from other sources

- AHFC loans under the Taxable Program are of types which are readily marketable and are, in fact, currently being marketed to FHLMC. In effect, FHLMC is the ultimate secondary market and is using AHFC as a vehicle to buy Alaska mortgages under the program

- The role of the Taxable Program is therefore facilitating in nature, and may not be critical to the housing market in the long term.

Due to the generally perceived role of AHFC, however, its long-term institutional relationships with other secondary market purchasers, and the continuing importance of the Taxable Program to the Corporation's REO sales, any phase-out of the program should proceed carefully and take place over an extended period of time as described previously in this section. A careful implementation of the phase-out will avoid market disruption because if any disruption does become evident, mechanisms will then be in place to slow the phase-out and stabilize the situation.

In summary, AHFC programs supported by taxable bonds presently compete directly with private sector sources of financing. The AHFC, in absence of the subsidy, adds no unique value to these taxable mortgage programs, over and above the private sector. In addition, the AHFC is generally not serving low- to moderate-income persons with it's taxable programs. However, it should be clarified that even though the AHFC programs supported by taxable bonds may appear to be presently expendable, we are not suggesting that this occur entirely. These taxable programs must remain accessible to AHFC, but only on an "as needed" basis. Until the present Alaska real estate market improves, we believe that the taxable program still cannot be arbitrarily terminated.

2. Effects on AHFC

The effect of terminating the Taxable Program on AHFC's financial position is measured by the change in unrestricted net liquid assets, that is, those AHFC liquid assets which are not used to directly collateralize any AHFC obligations. The potential change in these assets arises from two sources:

- First, to the extent that loans under the Taxable Program are subsidized, terminating this program means that further subsidies are unnecessary and these assets, therefore, should increase

- Second, since bond issues supporting the program are overcollateralized as a credit enhancement measure, terminating this program frees up assets which would otherwise be pledged as collateral.

Since this section presupposes elimination of the subsidy, only increases arising from the second source need be considered.

As can be seen in Appendix B of this report, the additive effect (over and above elimination of the subsidy) of eliminating the Taxable Program as of June 30, 1990, would be to increase unrestricted net liquid assets of the Corporation by $45 million through June 30, 1994. Assuming the program is phased out rather than terminated abruptly, the potential increase in unrestricted net liquid assets might be half that amount, or $22.5 million.[1] It should be noted that these figures represent dollars that are "tied up" but not necessarily lost.

The assets freed up on a per-mortgage basis can be calculated from these amounts. Capital tied up on a long-term basis is approximately $8,000 per $100,000 mortgage, net of subsidy costs.[2] The composition of this $8,000 is:

- Overcollateralization for credit enhancement (about $2,000), from AHFC assets. These assets are encumbered for the life of the bonds, as are interest earnings from the funds. They are not available for any other purpose prior to issue retirement

- Other reserve funds (about $5,000), from AHFC internal funds. These funds are also encumbered for the life of the bonds

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1 Savings from eliminating the subsidy on the Taxable Program only, which are not included in these amounts, might vary from $31 to $73 million over the same period assuming abrupt termination, or $16 to $37 million under a gradual phase-out, depending on future interest rates. These amounts are based on the assumptions stated in Appendix C under scenarios A and B, and represent about three-quarters of AHFC's total expected subsidy costs over the period.

2 Subsidy costs per $100,000 mortgage might range from $5,000 to $12,000, depending on prevailing interest rates in the future. These are true costs, since monies pledged to the bonds for interest rate subsidies are intended to pay debt service and are not returned to the Corporation.

- Bond issuance costs (about $1,000), funded from bond proceeds and repaid with interest over the life of the bonds.

Thus, of this $8,000, about $7,000 should ultimately become available to AHFC after bond retirement. However, even this amount is at risk during the life of the bonds. The remaining $1,000 is a true cost and would never be recovered.

3. Effects on State-Appropriated Monies

While the expected increase in AHFC's unrestricted net liquid assets from Taxable Program termination may seem to make the Corporation's assets more appropriable to the State, in practice the opportunities for such appropriation are limited. Because most AHFC bonds are general obligation bonds, and thus secured by the "full faith and credit" of AHFC, any move toward appropriation of AHFC assets will be seen by existing and potential bondholders as an attack on AHFC's financial integrity. This could have the effect of lowering ratings on AHFC bonds, thus reducing the market value of existing bonds and making future bond sales more difficult and expensive.

Over the long term, there appear to be two principal ways that AHFC assets will become more readily appropriable by the State:

- Modify AHFC programs so that the Corporation can operate on a break-even basis or make a small profit, and implement a program of returning some of this profit to the State as a dividend from operations
- Shift AHFC's financing emphasis over the long term to revenue bond issues, which is consistent with low- to moderate-income housing financing entities in other states. Since the security of revenue bonds is limited to mortgage payments and other specific funds set up as reserves, much of the remainder of AHFC's capital base would ultimately become less relevant to bondholders and potentially could be appropriated to the State.

These mechanisms are consistent with Section IX of this report, which discusses the conceptualization of an idealized AHFC.

E. SUMMARY AND CONCLUSIONS CONCERNING RETURN TO ORIGINAL INTENT

Our conclusions relating to this section of the report are presented below:

- Under the concept of "original legislative intent," only the Taxable Program of AHFC should be considered for elimination. Certain other programs lie outside the scope of original intent, but they are largely oriented to REO sales and refinancings and serve important near-term needs in the current distressed market. However, need for these programs should diminish over time

- The Taxable Program currently serves only a minority of Alaska's housing market, although it supports an important segment of the market. Relative program size would probably be higher in a more normal housing market

- Loans originated under the Taxable Program should be readily marketable to other secondary market purchasers. In effect, the secondary market for these loans already exists in FHLMC though its current commitment with the Corporation

- Reduction of the Taxable Program should be very carefully conceived and controlled, and should be phased in over a period of years

- Net increase in AHFC's unrestricted net liquid assets from abruptly eliminating the Taxable Program are estimated at $45 million through June 30, 1994. Under a gradual reduction of the Taxable Program, as recommended, the increase should be about half that amount

- These additional unrestricted net liquid assets will not be readily available to the State. The legislature may wish to consider a long-term program for AHFC based on the concepts in Section IX of this report, which may ultimately provide dividends or return of capital to the State

- Even though the Corporation's unrestricted net liquid assets would be decreased the least over the next five years the sooner the taxable program was eliminated, the negative effect this policy option change would have on the housing market is overriding.

SECTION VIII

POLICY OPTION TO CHANGE OWNERSHIP OF AHFC

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VIII. POLICY OPTION TO CHANGE OWNERSHIP OF AHFC

The legislature requested an evaluation of the potential for "privatizing" all or a portion of AHFC. This section presents a discussion of this option and draws conclusions regarding the feasibility and likelihood that such an action could occur. We have organized this section as follows:

- *Ownership Alternatives*
- *Feasibility of Changing Ownership*
- *Conclusions Concerning Change of Ownership of AHFC.*

A. OWNERSHIP ALTERNATIVES

Faced with fiscal pressures to find alternative sources of funds, and perhaps hearing calls to streamline AHFC operations, the legislature desired to evaluate the concept of privatizing AHFC. Typically, privatization has been an arrangement in which the private sector provides goods, facilities, and services that have been traditionally provided by the public sector. Contracting out has been the most common alternative service delivery method used by governments. The contract services can be provided directly to the consumer, or improve the operations of the government entity.

However, in the case of the Housing Finance Task Force request, this policy option actually extends to selling all, or a portion, of the Corporation's assets and related liabilities to a third party. This policy option could possibly include the following alternatives:

- Selling all AHFC assets
- Selling a selected portion of AHFC assets
  - -- Real estate owned (foreclosed) properties
  - -- Loans of a selected type or bond program
- Creating a joint venture of financial institutions and the State Permanent Fund
- Creating and selling stock in the Corporation and paying a dividend to stockholders
- Contracting with a private firm(s) to manage the disposition of AHFC real estate owned properties.

The buyer(s) theoretically might be financial institutions (banks, mortgage companies, and credit unions) or private individuals (if stock were sold).

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B. FEASIBILITY OF CHANGING OWNERSHIP

1. Sale of All or a Portion of AHFC Assets

Proposals have been suggested for the sale of AHFC to a consortium of Alaska and/or "Lower 48" financial institutions. Should such a sale be feasible, the purchase price would probably be far below the State investment in AHFC, and the transaction would raise serious questions of public policy for that reason. Furthermore, the legality of such a sale could be challenged under the State constitution's prohibition on transferring public property, and because of the strictures of various bond covenants. **Appendix E** to this report provides a legal opinion regarding the sale of all or a portion of AHFC assets.

Also, affordable housing for low- and moderate-income individuals is a legislative objective of AHFC. There is a question of whether this public purpose of AHFC would continue to be served if AHFC were privately owned. Relief and support of the poor has been recognized by the courts as an obligation and a public purpose of government. It would be difficult to obligate a private entity to maintain such a public purpose unless terms and conditions of a transfer were imposed which required the private owner to continue the public purpose objectives of AHFC. Such terms and conditions would probably significantly impact the value of AHFC to any private purchaser.

The transfer of assets to the private sector may in fact be subject to constitutional challenge on the basis that it violates the Alaska constitutional prohibition against transferring public property. As pointed out in Appendix E to this report, the State's constitution prohibits transferring public property except for a public purpose. Under present conditions, there is arguably a public purpose served in selling some AHFCs assets which are causing a negative cash flow to AHFC which create a financial burden on the Corporation. However, if the REO properties were sold and the subsidy changed, and AHFC operated profitably, then a sale of AHFC's assets to the private sector could be considered in violation of the State's constitution because no public purpose is served in selling a profitable asset.

We did not identify a single potential buyer of AHFC assets. With respect to REO, no financial institution we interviewed was interested for obvious reasons. With respect to loans, it is the policy of most mortgage financial institutions not to hold residential real

estate loans but rather to sell these to secondary mortgage purchasers (like AHFC). We found little support or basis for assuming that these same institutions would buy back the loans or foreclosed properties, unless for a very deep discount on the assets. In fact, we have not even identified any formal inquiries regarding the purchase of all or any portion of AHFC assets.

2. Sale of REO to Investors

In much of Alaska the REO market is still a buyer's market, and REO prices are correspondingly depressed. Both local financial institutions and secondary market mortgage purchasers, such as AHFC, have substantial REO portfolios.

AHFC and others are vigorously marketing their REO holdings to both homeowners and investors. At this point there are some signs of market recovery, and REO is being sold more quickly than it is being generated through foreclosures. But any potential buyer of an REO portfolio as large as AHFC's (currently over 4,000 properties), should such a buyer exist, would probably seek extremely low prices to offset market risk and high holding costs.

We do not believe there is currently a buyer or buyers for AHFC's REO portfolio at a fair market price. Were one to appear, the buyer would probably offer a price which, in the long-term, would be below the realization AHFC can reasonably expect from its portfolio in an improving market.

3. Sale of Loans to Investors

If a private entity were to purchase AHFC loans, presumably these would be those loans owned by the Corporation and not pledged to the various bond programs. The loans purchased could be discounted if delinquencies are considered high, and if the underlying property securing the loan were worth less than the unpaid principal balance of the loan. As a result, AHFC could record a loss on sales of those loans not previously sufficiently written down by the Corporation.

The potential loss incurred on the sale of loans held by AHFC may or may not be any more than the loss which will ultimately occur or which AHFC already projects for the loans. The loan loss reserves maintained by AHFC may already have sufficiently considered the potential loss; in this case, the sale would be a simple transfer of assets, and there would be no economic benefit from the sale or transfer of the loans.

4. Contracting Out REO Disposition

One function which could be privatized is the property disposition function. The Corporation formed the Alaskan Home Properties Division to manage the pricing, marketing, and financing of REO properties. The functions performed are commercially available, non-governmental in nature, somewhat routine, and easily defined in terms of workload. A private firm(s) could avoid government restrictions which presently hamper the AHFC REO process, such as civil service requirements, procurement restrictions, and difficulty in authorizing needed additional staff positions. Control and supervision of the contract could be maintained by AHFC; this control is a key factor in assuring that the contract process is feasible and implemented according to the needs of the Alaska housing market.

Contracting out REO disposition will require AHFC to prepare a statement of performance requirements, specifying the technical requirements for the contract and the standards that will be used to determine if the requirements have been met. AHFC would also need to perform a cost-benefit analysis of continuing the REO functions in-house versus contracting out to determine if the private sector can actually perform the functions more efficiently.

C. CONCLUSIONS CONCERNING CHANGE OF OWNERSHIP OF AHFC

The following conclusions are apparent from the preceding discussion:

First, the sale of AHFC as an entity is probably not feasible for several reasons:

- There is little or no interest in the purchase
- The price paid could be far below State investment in AHFC
- Legal problems may exist with respect to the Alaska constitution and various bond covenants.

Second, sale of AHFC assets, specifically loans or REO properties, to local financial institutions does not appear feasible because these institutions have no interest in such assets. Third, sale of AHFC's REO to other investors, were such a sale possible, would likely be of less economic benefit to AHFC than its current marketing policies, because the offering price would probably be too low.

Fourth, sale of AHFC's loans to other investors, were such a sale possible, does not appear to offer any significant economic benefit to the State. Sale of assets pledged to bond issues may be prohibited because of bond covenants, and the transfer of ownership would involve complex issues. Furthermore, transfer of restricted or unrestricted assets from AHFC to the private sector may violate the Alaska Constitution if no public purpose is served. A public purpose might be served by such a transfer, if it would reduce the financial burden on AHFC from the assets transferred. However, it does not appear that the transfer would reduce losses associated with the assets, but would only cause the loss to be realized earlier.

Finally, contracting out of the REO disposition process may be a viable option, and could offer cost savings to AHFC. Competitive bidding for providing the services could lower the cost of disposing of REO properties, and use of the private sector might avoid civil service restrictions and State procurement requirements. If AHFC does use the private sector rather than its own employees to deliver the REO service, it does not give up its responsibility to provide the service.

SECTION IX

CONCEPTUALIZATION OF AN IDEALIZED AHFC

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IX. CONCEPTUALIZATION OF AN IDEALIZED AHFC

The discussions in previous sections analyze the potential effects of implementing certain policy options with respect to AHFC. From time to time we have noted in text certain other measures that should be considered by the legislature in order to make AHFC more effective and to better define its role in Alaska's housing market.

In this section, we bring these comments together to present a blueprint for AHFC that should help define its role in the years ahead. We have attempted to ensure that the role of AHFC, as described in this section, makes good public policy sense and serves to stabilize Alaska's cyclical housing market in both good times and bad.

This section is organized as follows:

- *Introduction*
- *Define and Limit AHFC's Role in the Housing Market*
- *Structure AHFC to Operate on a Break-even or Profitable Basis*
- *Require AHFC to Adopt a Dividend Policy*
- *Protect AHFC's Capital Base and Avoid New Capital Infusions*
- *Restructure AHFC's Financing Mechanisms*
- *Make AHFC More Independent of Direct Legislative Control*
- *Summary of the Future of AHFC.*

A. INTRODUCTION

We understand from discussions with legislators and others that consideration of a reduction of AHFC's scope to its original legislative intent derives from the following:

- Belief that AHFC's current scope of activities, while possibly appropriate for good times, may contribute to a mis-allocation of scarce State resources in lean years
- Belief that AHFC's extensive involvement in the housing market may cause market distortions, and could possibly prevent the return of private capital to the market
- Belief that, were AHFC's scope to be more limited, its capitalization could be reduced and some contributed State capital might be returned to the State
- Finally, belief that State involvement in the housing market to the extent represented by AHFC's current role is questionable public policy in more general philosophic terms.

While these beliefs may not be universally held, our observations during the course of this study generally support them. Accordingly, we attempt in this section of the report to pursue the question of "return to original legislative intent" to its logical conclusion. In our view, return to original legislative intent should consist of more than just trimming programs. It requires a comprehensive, overall view of what AHFC should be and what role it should play. It also requires, ultimately, a clear legislative mandate with respect to AHFC defining its long-term direction.

Original legislative intent was to facilitate decent, safe, and sanitary housing for persons of low- or moderate-income, and for persons in remote, underdeveloped, or blighted areas. AHFC currently serves this intent through most of its programs, although the "remote, underdeveloped, or blighted areas" are perhaps more directly served by DCRA programs—AHFC's Non-conforming Loan Program is not currently very active. Reduction of the Taxable Program, as discussed in Section VII, would focus AHFC even more on its original intent.

Beyond original intent, however, we note that three additional issues have arisen which are of concern to the legislature:

- First, the State is expecting increasingly severe fiscal pressures from a likely diminution of oil revenues. It is asking whether it should perhaps expect some return on its investment in AHFC to help supplement other revenues in balancing future budgets
- Second, the State is asking whether or not the capital contributed to AHFC is totally committed, or whether under some future circumstances some of that capital might be returned to the State
- Third, there is the issue of AHFC's effectiveness both in operational terms and in terms of its freedom to act in accord with market versus political conditions.

The first and second questions have been briefly addressed in Section VII of this report, and will be further discussed below. The third question, we believe, can be dealt with only by removing AHFC a further step from day-to-day oversight and control by the legislature. We believe that, in order to address all three questions in an effective manner, a clear and formal legislative mandate is required to define policy for AHFC on a long-term basis. The elements of a proposed mandate are discussed below.

B. DEFINE AND LIMIT AHFC'S ROLE IN THE HOUSING MARKET

The first part of the proposed formal legislative mandate is that AHFC should generally serve homebuyers in lower income levels. This concept is evident in the enabling legislation. The basic premise is that scarce State resources should be allocated where they best serve public policy, that is, in providing decent housing for those otherwise unable to obtain it.

At the same time, it is important that AHFC retain a role as "backstop" for the more general housing market, should one ever be required. Alaska's residential mortgage market is capital-poor and depends almost entirely on outside capital to function. At the same time the State is largely dependent on commodity markets for its economic health, and commodity prices tend to fluctuate frequently and widely. Thus, residential mortgage demand and housing prices will continue in the future to be affected both positively and negatively by swings in the overall economy.

This combination of a capital-poor mortgage market and an unstable housing market dictates that the State maintain an ultimate housing backstop mechanism to add stability to the market. AHFC is the ideal mechanism because it is already established, it has existing institutional relationships with outside capital sources, it has an existing substantial equity base, and it has both experience and expertise in funding the residential market.

But the backstop role brings with it certain responsibilities and the necessity for discipline:

- First, this is a "reserve role." That is, the backstop function should only be brought into play in economically hard times. It should not be used as a social benefit in good times, as has been the case in the recent past
- Second, to fulfill this role, AHFC should be allowed to bank good years against bad. Since the backstop role is not compatible with AHFC's long-term goal of break-even or profitable operations, AHFC should be allowed to retain sufficient earnings in good years to subsidize the market as necessary in bad years.

Public policy, in other words, must avoid the temptation to use AHFC as a channel for public benefits at precisely those times when such benefits can best be afforded. It must instead allow AHFC to earn some profits in good years, bank some of those profits, and use the resulting reserves to support the market in bad years.

C. STRUCTURE AHFC TO OPERATE ON A BREAK-EVEN OR PROFITABLE BASIS

The second part of the proposed formal legislative mandate is to structure AHFC programs to operate on an overall break-even basis, or to earn some profit. This supports two policy goals:

- First, it generates funds in good years which AHFC can retain to perform its backstop role
- Second, it generates earnings from operations for dividends which can be paid to the State.

There are several mechanisms to increase profitability:

- Terminate the subsidy. The subsidy of mortgages below AHFC's cost of funds will cause AHFC to incur continuing losses, diminish State-contributed equity, and ultimately require further State funding
- Reduce the taxable program. Under current financing mechanisms, the requirement for overcollateralization of bond issues ties up significant amounts of cash, even without a subsidy
- Consider termination of programs with minimal demand. Several AHFC programs served fewer than thirty Alaskans in fiscal year 1989. The cost of retaining and administering such programs likely far outweighs any benefits received
- Consider termination of programs which are uneconomic by nature. Whenever AHFC programs fund housing types that other market sources avoid, or on terms substantially better than other market sources, the potential for ultimate loss exists and may well be realized.

D. REQUIRE AHFC TO ADOPT A DIVIDEND POLICY

The third part of the proposed formal legislative mandate is to require a prudent dividend policy of AHFC. To the extent that AHFC has positive earnings, and those earnings are not required to fund reserves for AHFC's backstop or other market critical stabilization roles, the State should expect that these earnings from operations will be returned to the State.

Although it is not evident from original intent that such a return was expected, it is also clear that AHFC's subsequent massive funding was not anticipated at that time. Taking the opportunity cost of funds into account, the State (viewed as an investor) is incurring substantial conceptual losses on its investment in AHFC. A prudent dividend policy, combined with a more profitable AHFC, should help remedy this situation.

Again, discipline will be needed. The temptation may be to seek dividends at precisely those times when Alaska's economy (and most likely the housing market as well) is undergoing difficulties. Since these will probably be the times when AHFC is fulfilling its backstop role, no dividends are likely to be available. In other words, dividends should be most available at the times when they are least needed.

E. PROTECT AHFC'S CAPITAL BASE AND AVOID NEW CAPITAL INFUSIONS

The fourth part of the proposed formal legislative mandate is two-fold:

- Rule out any appropriation of AHFC's capital base to the State, either directly or indirectly. An example of an indirect appropriation is the proposed Senate Bill 245 requiring AHFC to purchase mortgage loans from the Housing Assistance Division. We evaluated this proposal and report our findings in Appendix D to this report
- Clearly state a policy of not further subsidizing AHFC through capital infusions.

The first part of this mandate is to protect AHFC's financial integrity. So long as AHFC must access capital markets for funds on a general obligation basis, and so long as substantial general obligations of AHFC's capital base exist, any threat of capital appropriation may impact AHFC's borrowing ability. Financial markets see even the threat of appropriation as reducing the security of their loans. Furthermore, AHFC may need substantial reserves in the near future to deal with continuing REO losses and contingent losses from insurance disputes. Ultimately AHFC may not need such a substantial capital base if funding mechanisms are changed (see below), but for the time being it is important that its capital not be threatened.

The second part of the mandate offsets the first. If AHFC is to be put on a break-even or profitable basis, and if its capital is not to be threatened, then it is reasonable that AHFC and its capital markets expect that the State not supply further funding. Proper maintenance of reserves to support AHFC's backstop role will mean that, even in bad years when AHFC may be required to subsidize the market, no further capital will be required.

F. RESTRUCTURE AHFC'S FINANCING MECHANISMS

The fifth part of the proposed formal legislative mandate is that AHFC implement a long-term program to restructure its financing mechanisms. Because its focus is to support low- and moderate-income housing, it is reasonable that it consider tax-exempt revenue bonds as a primary funding source, as do other states with housing finance agencies operating in a similar role.

While original legislation clearly allowed issuance of general obligation bonds, the effect of those issuances has been to use all contributed State capital as collateral for money borrowed by AHFC. Revenue bonds, unlike general obligation bonds, are not guaranteed by the "full faith and credit" of the Corporation. Their security is far more limited.

As the situation currently stands, any appropriation of money from AHFC to the State is likely to be viewed as weakening AHFC's financial position, thus threatening the security of holders of AHFC bonds, regardless of specific collateral requirements of the bond indentures. Revenue bonds, since they are secured only by mortgage income streams plus whatever specific reserve funds are required for additional security, would not have this effect.

G. MAKE AHFC MORE INDEPENDENT OF DIRECT LEGISLATIVE CONTROL

The final part of the proposed formal legislative mandate would be to redefine AHFC's organizational positioning to allow more independence from legislative pressures, and limit the legislative role to providing long-term policy direction and assessment of management's success in fulfilling policy objectives. Particular steps to be considered include:

- Increase the size of AHFC's Board of Directors and allow a higher percentage of private sector representation on the Board. It is essential that the Board be composed of knowledgeable and active members, and that the private sector members adequately represent the range of industry interests in the housing markets
- Free AHFC from the legislative appropriation process so far as possible, and judge organizational effectiveness based on results obtained.
- Allow AHFC within reason to set its own personnel policies, including hiring, termination, promotion, and compensation levels
- Allow AHFC to obtain in-house counsel of a strength commensurate with the magnitude and complexity of its activities.

H. SUMMARY OF THE FUTURE OF AHFC

The net effects of the proposed legislative mandate would be positive, and would make AHFC a more effective organization in carrying out public policy:

- Focusing AHFC's role on low- and moderate-income housing would reduce AHFC losses. Retaining the backstop role would help stabilize the housing market in the longer term
- Restructuring AHFC to operate on a break-even or profitable basis would mean no need for new State capital, funding for a backstop role, and the potential of dividends for the State
- Requiring operating dividends to the State is a reasonable step considering the potential profitability of AHFC's operations and the investment made
- Protecting AHFC's capital base and avoiding new capital infusions are both desirable. One protects AHFC's financial integrity and minimizes its cost of doing business; the other follows from the fact that, since AHFC will be breaking even or making a profit, no new capital should be needed
- Restructuring AHFC's financing mechanisms to concentrate on tax-exempt revenue bonds is consistent with its newly redefined focus and holds the long-term potential of freeing up part of AHFC's capital base
- Making AHFC more independent of close legislative control promotes both operating efficiency and the ability to respond to market conditions based on long-term legislative policy.

These steps toward an "idealized AFHC" should allow AHFC to serve the residential mortgage market in Alaska more effectively, both in good times and in bad. Although implementation is likely to be a long and arduous process in some instances, we believe the proposed mandate is worthy of consideration by the legislature.

APPENDIX A

SELECTED AHFC OPERATIONAL CONCERNS

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APPENDIX A
SELECTED AHFC OPERATIONAL CONCERNS

This appendix presents selected comments regarding AHFC's organization and operations. Although we did not perform a specific analysis per se of AHFC operations, our analysis of policy options did require that we interview a number of AHFC personnel, use the management information systems at AHFC, and obtain performance data on some AHFC operations (e.g., Property Disposition (REO) unit). As a result, we note areas where we had concern or where it appeared the operation of AHFC might be improved. In this appendix we present specific recommendations regarding the organization, management, and operation of AHFC.

Organization of this section is as follows:

- *Management and Personnel Recommendations*
- *Internal Improvement Recommendations*
- *Programmatic Recommendations*
- *Legislative Recommendation.*

A. MANAGEMENT AND PERSONNEL RECOMMENDATIONS

1. Evaluate the Size and Composition of the AHFC Board of Directors

A five member Board of Directors governs AHFC. The Board consists of three members of Alaska State Government and two public members. The Governor appoints all five members of the Board.

We found just one member of the Board, a private citizen involved in the real estate industry, to actually take an active part in our study. The assistance was invaluable to our entire study effort because of the insight and experience obtained on AHFC operations, housing markets, and the capital markets. Assistance from other Board members could have provided additional advice on our evaluation of policy options.

More importantly, the Board should be assisting the CEO and other AHFC management in guiding the direction of AHFC, providing input on organizational improvements, and establishing various committees for governing the manner in which AHFC conducts its business. This requires active participation of Board members, particularly in light of the significant changes in the housing market which AHFC serves.

We recommend that the Legislature evaluate the effectiveness of the current Board composition, and determine whether the Board composition and size should be changed. This includes an analysis of the advantages and disadvantages of having a majority of the Board be public members rather than State Government representatives. An alternative Board arrangement could be nine members, either with five members government representatives or public members.

2. Conduct a Staffing and Organizational Effectiveness Review

The Corporation has almost doubled in staff over the last three years, primarily because of increased workload related to REO dispositions. We noted a significant turnover in certain areas of the Corporation, particularly in key financial staff positions which were assisting us during this study. The rapid growth of AHFC and apparent staff

turnover problems could create a shortage of trained and experienced financial management and staff.

We recommend that AHFC conduct a study of current and future personnel requirements to facilitate an orderly development of qualified staff. This study should include an evaluation of management and staff compensation compared with those available in private industry. This study then should be followed by a program to recruit and retain qualified personnel to meet future needs.

Other areas should be addressed in the study as well:

- Sufficiency of staffing levels in various parts of the organization
- Depth and breadth of the management structure
- Effectiveness of AHFC in fulfilling the various components of its legislative mandate.

3. Obtain Authorization and Fill Legal Counsel Position at AHFC

The Corporation does not have an internal legal counsel, but rather obtains the services of a staff attorney from the Attorney General's Office. The Attorney General recently assigned to AHFC its third different staff attorney in 1989. This high turnover in staff at the Attorney General's office causes considerable expense for AHFC and inhibits the AG's responsiveness to AHFC. In addition, the Attorney General's attorney currently assigned has not had sufficient experience in business and corporate law, nor the background in bond financing, to effectively address and respond to the diverse and complex legal issues which arise at AHFC.

AHFC should substantiate and request authorization for a position for a Corporate attorney reporting directly to the Chief Executive Officer. This will require developing an appropriate job description, estimating the salary and benefits for a full-time attorney, and preparing a written justification for the new position. After the position is authorized, AHFC should fill the position, following appropriate procedures for State civil service (if not an exempt position).

4. Obtain Authorization and Fill Internal Auditor Position at AHFC

The Corporation does not have an internal auditor. The use of an internal auditor (or internal audit staff) would be an effective means of providing AHFC with the following benefits:

- Strengthening AHFC's internal financial and operating controls over assets and increasing the reliability of accounting records
- Reducing the amount of time spent on developing internal procedures
- Increasing assurance that AHFC policies are being adhered to and that internal procedures and controls are being reviewed objectively
- Providing a training ground for future management positions at AHFC.

This position (or audit staff) would report directly to AHFC's Executive Director.

We recommend that AHFC develop the job description and justification for an internal auditor position and submit a budget request for this new position. Upon authorization, the position should be filled.

B. INTERNAL IMPROVEMENT RECOMMENDATIONS

1. Establish a Formal Financial Forecasting System

Improved forecasting techniques are needed at AHFC to more accurately determine working capital needs, short-term financing needs, and longer-term results of specific loan programs. They also would assist in responding to requests from management, the Board, and the Legislature regarding the financial condition of the Corporation and assist in the identifying funds available for investment. These techniques, which should ultimately be expressed as formalized forecasting systems, should be able to forecast financial results by bond and loan program.

We found only informal techniques being used by AHFC for forecasting the financial condition of AHFC. It should be noted that AHFC does have very detailed and formal models for structuring a specific bond issue. There were no formalized systems for projecting cash flow, changes in unrestricted assets, or projected performance of individual bond and loan programs.

We recommend that AHFC design, develop, and test a formalized financial forecasting system. The new system would allow analysis of changes in loan demand, interest rates, loan programs, and debt structures, and how various changes impact the financial condition of AHFC and its loan programs.

2. Evaluate Adequacy of Existing Management Information System

We often had to rely on information regarding AHFC housing programs which is maintained by Data Processing (DP) systems. The report we primarily relied upon was the "Statistical Abstract," a 300-page document generated by DP containing information about loans, bond issues, markets served, and seller/servicer listings. We cannot comment on the accuracy of the information although we frequently had to get help from AHFC staff to interpret the report, to tie numbers reported in different sections of the report, and, in some cases, to correct the data reported. Due in part to the age of the system, we were told that our special requests for ad-hoc reports would be very difficult and time consuming to complete, and that there was not available staff time to complete special requests.

The role of DP should be to develop and maintain information systems throughout AHFC to meet the needs of management and staff. The recent growth of AHFC's property disposition activities, and the start-up of new loan programs, has put significant pressure on DP to keep up with user requests for new reports, while maintaining existing systems. Also new programs internal to AHFC may not be getting the priority or attention of DP. An example is the the critical need for management information regarding claims filed with MGIC.

We recommend a review be conducted of the effectiveness of the existing management information systems, and that an upgrading of DP systems and procedures be considered. This includes a determination of the significant information needs of management, and identification of program areas needing automated management information support.

3. Improve Cash Management Function

We noted during our discussions with AHFC staff that many of the cash management functions of the Corporation were being performed by staff with no substantial experience in treasury or cash management functions. There are many potential areas where improvement can be made in cash management activities which might result in direct and significant cash savings (and income enhancement) to AHFC.

We recommend that AHFC evaluate the entire cash management function and implement changes to improve this function. This includes evaluation of cash management techniques, cash reporting system, and investment strategies and goals.

4. Define Formal Investment Criteria

We noted that AHFC does not currently have formalized investment criteria to control investment of liquid assets. Wherever a significant portfolio of investments must be maintained, such criteria should be in place to assure responsible diversification of investments by industry sector, investment type, and investment grade. Specific risk and

return criteria should be spelled out . We recommend that AHFC management prepare such criteria, and implement a more formal investment management system based on the criteria.

C. PROGRAMMATIC RECOMMENDATIONS

1. Re-evaluate Loan Loss Reserves and Exposure to Insurance Losses

Because several months have passed since the last evaluation of AHFC's loan loss reserves, and because delinquencies and defaults are a continuing problem in most of AHFC's marketplace, it would be advisable to track loan loss reserves on a basis more frequent than yearly. Combined with this interim review should be a thorough review of MGIC's problems and AHFC's potential exposure arising therefrom.

We recommend that AHFC management arrange an interim loan loss reserve review, and re-evaluate its potential exposure to MGIC's situation.

2. Review REO Pricing and Disposition Policies

The Corporation maintains a very large inventory of REO. Since REO pricing and disposition policies have direct and potentially conflicting impacts on AHFC's financial position and on the housing markets, AHFC policies in this area have always been controversial. The picture is further complicated by the presence in the REO disposition market of other significant sellers (FNMA, FDIC, HUD, etc.)

The Corporation's REO policies can generally be divided into the segments of pricing, marketing, and financing. All three of these areas should be reviewed to ensure that a balance is being maintained among AHFC's financial integrity, the need to support the housing market, price levels versus holding costs, and AHFC's competitive position with respect to other REO sellers. We recommend that management undertake such a review.

3. Evaluate Costs of Maintaining Bond Ratings

The Corporation maintains excellent bond credit ratings largely through overcollateralization of bond issues. The cost of overcollateralization, to the extent that it commits substantial sums of money for extended periods of time, may be high if compared with the lowered interest cost obtained.

There is a need to formally evaluate the costs of "buying" good bond ratings versus the benefits derived (i.e., lower interest costs) from these ratings. We recommend that AHFC management undertake such a study to determine if current policies in this area are cost-effective.

4. Implement a Mortgage Insurance Program

AHFC is authorized to provide its own insurance on loans purchased by the Corporation, but the program has not been implemented. This is particularly relevant because private mortgage insurance is difficult to obtain in Alaska, pushing a higher percentage of buyers into FHA financing. Conventional mortgages are difficult to obtain unless the buyer has at least 20 percent of the purchase price in cash as a down payment.

We recommend that AHFC complete an evaluation of a self-insured mortgage program, and implement the program if appropriate. Such evaluation would include the effect of AHFC mortgage insurance availability on the housing market and, ultimately, on AHFC's own financial position. Implementation would involve: (1) developing goals and objectives for the program, (2) obtaining original capitalization, (3) developing procedures, manuals, and forms (e.g., for underwriting and claims processing), and (4) staffing, accounting, and developing investment strategies (for premiums collected).

D. LEGISLATIVE RECOMMENDATION

1. Exempt AHFC from the Executive Budget Act

The Corporation operated for its first ten years without direct legislative oversight or approval of its annual operating budget. It was only beginning in fiscal year 1981/82 that the legislature required that AHFC's operating budget be subject to the Executive Budget Act, and, therefore, be subject to review and approval by the legislature and the Governor. This was the same period when the subsidy was introduced, and AHFC's loan programs were opened up to all Alaskans.

The AHFC has operated and continues to operate in an industry that has seen significant and rapid changes. The economic changes in the State are amplified in the housing industry, and AHFC must respond rapidly to these changes. However, civil service requirements and procurement restrictions can prevent AHFC from responding. Recent insurance losses related to MGIC insured bond programs are an example where AHFC could not respond quickly enough. Requests for increased staff to handle the increased workload and complex requirements of claims filed with MGIC were reduced by the Division of Audit and Management. As a result of a shortage in staff, AHFC may have paid costs attributable to the insurer and lost several million dollars of valid claims.

We recommend that the Legislature consider the appropriateness of exempting AHFC from the Executive Budget Act. An exemption would allow AHFC to respond more quickly to its staffing needs, and operate more effectively as a result. More efficient operations would allow for break-even operations or the possibility of returning an operations dividend to the State.

APPENDIX B

PROJECTIONS OF AHFC UNRESTRICTED NET LIQUID ASSETS

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APPENDIX B
PROJECTIONS OF AHFC UNRESTRICTED NET LIQUID ASSETS

In this Appendix we present projections of the change in unrestricted net liquid assets of the Corporation over a five-year period ending June 30, 1994. We begin the Appendix with an overview of the projection model and assumptions, and then provide results of projections under alternative assumptions. These projections are presented in the following subsections:

- *Projection Methodology*
- *Projection Assumptions*
- *Projection Results*.

A. PROJECTION METHODOLOGY

The projection period was for the five fiscal years 1989/90 through 1993/94. We prepared projections of changes to the Corporation's balance sheets; specifically changes to the Corporate Operating and General accounts' unrestricted net assets. Unrestricted assets represent assets of the Corporation which are not pledged as collateral for specific bond indentures. We did not prepare projections of the individual bond programs, except to estimate assets which will be released from bond programs and could subsequently be used by the AHFC without restrictions.

Included in AHFC's unrestricted liquid assets, net of short-term obligations of AHFC (e.g., Euro commercial paper), were the following:

- Cash and short-term investments
- Mortgage loans available for pledging to bond issues
- Claims receivable and pledged receipts
- Net payments due from various bond programs
- Long-term investments which mature within the five-year projection period
- Investments, mortgage loans, and mortgage-backed securities which currently are pledged to a specific bond issue but which will be released because the bond issue is paid off in entirety or otherwise retired.

We excluded from liquid assets of AHFC those loans identified by the Corporation as having potential problems, and REO assets. Therefore, we do not project any future losses for these loans and REO properties already held by AHFC. However, our analysis does consider potential losses from loans to be purchased in the future, and additional REO acquired through foreclosure.

The financial operations of AHFC are quite complex, and the transactions affecting the Corporation's financial position are considerable and diverse. Because there was no formal forecasting system already developed for internal use at AHFC, we prepared a simplified model to project the change in unrestricted net liquid assets. With the assistance

of AHFC, we identified the following as significant items affecting changes over the five-year period:

- *Increases in Unrestricted Net Liquid Assets*

  - Collateral which is pledged to specific bond issues but which will be released because the bond will be retired. Collateral includes investments, mortgage-loans, and mortgage-backed securities

  - Interest earned on mortgage loans and investments of the Corporation. This is interest on short- and long-term investments, and interest on mortgage loans held by the Corporation in its Operating and General accounts and scheduled for pledging to bond issues

- *Reductions in Unrestricted Net Liquid Assets*

  - Interest rate subsidy provided to home buyers whose loans are purchased by AHFC. The subsidy is an amount based on the difference between AHFC's cost of funds and the rate the loans are purchased for, if the cost of funds is greater than ten percent (nine percent for veterans). The interest rate subsidy is a component of the original overcollateralization of a bond issue. That is, the total principal of loans and investments pledged to a bond issue is greater than the aggregate principal of the bonds

  - Overcollateralization of bonds also includes a "credit enhancement" component which presently allows for the Corporation to obtain a high credit rating on bonds. It should be pointed out that this overcollateralization theoretically will be released to AHFC after the specific bond issue against which the collateral pledged against is retired

  - Bond sales costs. These costs were assumed to be one percent of the bond issue, except for tax-exempt veterans bonds, which costs were assumed to be 1.75 percent of the bond issue

  - Reserve accounts. These were assumed established for the veterans mortgage bonds issued (at five percent of the total bond issue) and for the taxable and HOAP III bonds issued (at ten percent of the total bond issue)

  - An additional $50 million of State financed loans. These loans were assumed purchased over the five-

year projection period, using monies drawn from AHFC's accounts and not from the proceeds of bond issues

- Interest costs on short-term borrowings. These are the costs of borrowing for Corporate working capital through Euro commercial paper or other mechanisms

- Estimated losses on mortgage loans purchased in the future and losses on dispositions of properties acquired in the future through foreclosures (real estate owned)

- General and administrative costs of AHFC (for example, salaries and benefits).

We estimated the cumulative total dollar amount of each of the items listed above over the five-year projection period. We then added the total estimated five-year increases and subtracted the total five-year reductions to arrive at a net change in unrestricted net liquid assets through June 30, 1994.

B. PROJECTION ASSUMPTIONS

A number of assumptions were made for baseline case projections[1]. These assumptions are presented in **Exhibit B-1**, following this page. An implicit assumption we made for preparing our projections was that interest rates over the projection period would remain at their current rates, or in fact decrease slightly over the next five years. This was based on a review of interest rate projections made by various forecasters, including a consensus forecast prepared by a group of Wall Street economists, and a forecast prepared by Business Week magazine.

We developed two baseline scenarios for discussion purposes. The first (*Baseline A*) is based on assumptions shown in Exhibit B-1. The alternative baseline (*Baseline B*) assumes interest rates will rise by two percent in fiscal year 1990/91 and remain at the higher rate through June 30, 1994. As a result, for the alternative baseline scenario (B) we assumed that the subsidy on the taxable program would be two percent through fiscal year 1993/94, and for the veterans mortgage bond program, there would be a 0.5 percent subsidy through fiscal year 1993/94. This increased rate was assumed to have no effect on tax-exempt bond programs.

We also assumed that annual interest earnings on loans and investments of the Corporation remain constant over the five-year projection period. In reality, these earnings will fluctuate depending on actual interest rates, the number of loans held for pooling, the number of days loans are held by AHFC, and total dollars invested. We did not attempt to model changes in loan or investment balances, although these fluctuations will occur over time. Therefore, interest earnings could actually be more for those scenarios where we project an increase in unrestricted net liquid assets, and less for those scenarios where we project a decrease in unrestricted net liquid assets.

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1 The "baseline" case generally assumes as-is conditions over the five-year projection period. A comparison with this baseline case is our measure of the impact of alternative policy option scenarios.

Summary of Assumptions Used to Prepare Projections of AHFC Financial Position

Subsidy

No subsidy on tax-exempt or veterans mortgage bond program

A 0.75 percent subsidy on taxable program

A 2.5 percent subsidy on HOAP II program in FY 1989/90, a 2.0 percent subsidy on HOAP III program

Changes in AHFC subsidy were assumed not to have an impact on the total demand for loans statewide.

AHFC Loan Activity

AHFC's volume of loan activity over the next five years was assumed to be approximately the same level as the previous five fiscal years. We reviewed these with AHFC financial personnel. Specifically, the total purchases of loans over five years was assumed as follows:

Tax exempt	$300 million
Veterans	$150 million
Taxable	$680 million
HOAP III	$100 million
State financed	$50 million.

Bond Sales and Retirements

Bonds sold by AHFC were assumed overcollateralized by two percent in order to improve the bonds' credit rating

Total bond sales over the five-year projection period were assumed to be as follows:

Tax-exempt	$348 million
Veterans	$145 million
Taxable	$725 million
HOAP III	$90 million.

Total collateral released from retirement of debt over the five-year projection period was assumed to be as follows:

SAM D	$38.9 million
SAM H	2.2 million
SAM I	(3.9) million [1]
SAM J	(0.8) million [1]
SAM K	0.4 million
SAM L	0.4 million
SAM M	10.5 million
SAM N	9.0 million
FNMA #4	16.5 million
FNMA #5	7.5 million
Total	$80.7 million

(SAM = State Assisted Mortgage bond program)

Other Changes in Unrestricted Net Liquid Assets

Investment interest earnings were assumed to be equal to FY 1989/90 actuals. Interest earnings on loans held by AHFC were assumed equal to eighty percent of the average earnings over the last five years, which approximated the FY 1988/89 loan interest

Borrowing arrangements (Euro commercial paper) remain in effect, short-term borrowings remain constant, and debt covenant restrictions on assets and equity remain the same

AHFC general and administrative expenses were assumed to be $10 million annually, approximating the annual budget for fiscal year 1989/90

Net loan losses and REO losses total $50 million over five years.

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[1] A negative number represents contributions from AHFC required to accommodate payment of principal in full at maturity.

C. PROJECTION RESULTS

1. Baseline Scenario A

Based upon the assumptions presented in Exhibit B-1 for our first baseline scenario, we have projected that unrestricted net liquid assets of AHFC may decrease by approximately $107 million through June 30, 1994. **Exhibit B-2**, following this page, is a summary of the projected increases and reductions in unrestricted net liquid assets over the succeeding five-year period.

We estimated in Section III of this report that, as of June 30, 1989, AHFC had approximately $10 million of unrestricted net liquid assets after considering debt covenant requirements which are required to be maintained by various short-term borrowing agreements. The projected net decrease of $107 million over five years would consequently eliminate these net liquid assets.

2. Baseline Scenario B

As an alternative baseline scenario, we assumed the interest rate subsidy on the taxable program would be two percent in fiscal years 1990/91 through 1993/94. This is up from 0.75 percent which we assumed for our Baseline Scenario A. We also assumed that there would be a 0.5 percent subsidy on the veterans mortgage bond program in fiscal years 1990/91 through 1993/94. With these two changes, the total interest rate subsidy was projected to increase by $48 million over our original (Baseline A) projections.

3. Elimination of the Subsidy

The potential elimination of the subsidy as of June 30, 1990 was discussed in Section VI of this report. In order to project the impact on AHFC unrestricted net liquid assets from this alternative, we made two changes to our Baseline Scenario A assumptions:

- There is no subsidy on the taxable program beginning July 1, 1990 (we had originally assumed a 0.75 percent subsidy)

Change in Unrestricted Net Liquid Assets
For Five Year Period Ending June 30, 1994
Baseline A
($ Millions)

Increases Over Five Years	
Collateral Released From Retirement of Bonds	$80
Interest Earnings on Loans and Investments	215
Subtotal of Increases	$295
Reductions Over Five Years	
Interest Rate Subsidy	$83
Overcollateralization of Bonds (a)	109
State Financed Loan Purchases	50
Interest on Short-Term Borrowings	60
Loan Losses and Net REO Losses	50
AHFC General and Administrative Expenses	50
Subtotal of Reductions	$402
Total Five-Year Change in Unrestricted Assets	($107)

Assumptions

No subsidy on tax-exempt or veterans bond programs
A 0.75 percent subsidy on taxable program
A 2.5 percent subsidy on HOAP II program during FY 1989/90
A 2.0 percent subsidy on HOAP III program during FY 1989/90 and 1990/91
Total purchases of loans over five years as follows:

- Tax exempt $300 million
- Tax exempt veterans $150 million
- Taxable $680 million
- HOAP $100 million
- State financed $50 million

Bonds are assumed overcollateralized by 2 percent for credit rating enhancement.
Bond sales costs are 1.0 percent of bond sale (1.75 percent for Veterans bonds).
Reserve accounts for taxable bonds equals 5 percent, and for HOAP bonds, 10 percent. No reserve accounts assumed for tax-exempt or Veterans bonds.
Annual interest expenses and earnings of Corporate and General accounts are assumed equal to 80 percent of the average of the previous five years.
(a) This line item also includes bond sales costs and reserve accounts.

- There is no subsidy for HOAP III loans purchased in fiscal year 1990/91 (we had originally assumed that there would be a two percent subsidy, the maximum allowed by the program).

As a result of these two new assumptions, we estimated that the total amount of overcollateralization necessary to fund the interest rate subsidy over the projection period would decrease by approximately $43 million from our Baseline Scenario A case. All other increases and reductions noted for the Baseline Scenario A (Exhibit B-2) remain unchanged.

4. Elimination of the Taxable Program

The policy option of returning AHFC to its original legislative intent was discussed in Section VII of this report. As presented in Section VII, this essentially involves phasing out the taxable program. For purposes of preparing a projection of the impact of this option on AHFC's financial position, we made the following changes to the Baseline Scenario A assumptions:

- No subsidy for the HOAP III program beginning fiscal year 1990/91
- No taxable bonds sold after June 30, 1990.

Based upon these two changes to our Baseline Scenario A assumptions, we projected a $19 million net reduction in unrestricted net liquid assets over the five-year projection period. This compares with a $107 million decrease over the same five years under our Baseline Scenario A assumptions, or an $88 million difference.

5. Summary of Results

Table 1, following this page, summarizes the five-year projected change in AHFC unrestricted net liquid assets, under the various scenarios evaluated. There usually will be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Therefore, we provided a possible range of estimates (i.e., using two baseline scenarios) of the change in

AHFC financial position over the five-year period, rather than a point estimate of the final June 30, 1994 balance.

Table 1

Five-Year Projected Change in Unrestricted Net Liquid Assets

($ Millions)

Scenario	Baseline A (No Increase in Interest Rates)	Baseline B (A Two Percent Increase in Interest Rates)
No Change in Programs	($107)	($155)
Eliminate Subsidy July 1, 1990	($64)	($64)
Eliminate Subsidy and Taxable Program July 1, 1990	($19)	($19)

APPENDIX C

SURVEY OF THE ALASKA REAL ESTATE MARKET

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APPENDIX C
SURVEY OF THE ALASKA REAL ESTATE MARKET

In order to evaluate the potential effects of changes in State policy on the housing market and on AHFC, it is necessary to understand the recent history of the market and its current status. In this appendix, we review the real estate market in those locations from which AHFC buys most of its mortgages and provides the most market support.

This appendix is organized as follows:

- *Introduction*
- *Anchorage Real Estate Market*
- *Fairbanks Real Estate Market*
- *Matenuska-Susitna Valley Real Estate Market*
- *Juneau Real Estate Market*
- *Kenai Peninsula Real Estate Market*
- *Ketchikan Real Estate Market*
- *Sitka Real Estate Market.*

A. INTRODUCTION

The Alaska residential real estate market has seen substantial changes since 1985. A general decline in the economy brought hard times to most locations in Alaska, although the depth of the decline in real estate values varied from place to place, and some locations are showing a strong recovery already.

In investigating the Alaska real estate market, we attempted to gain a good understanding of recent events in each location, current volumes and prices, and industry views of likely future market conditions. To do this, we depended on data supplied by local governmental entities, real estate associations, multiple listing services, brokers, appraisers, and financial institutions.

Much of the data gathered were "hard" data compiled from large numbers of actual sales. Other data, especially in smaller locations, was judgmental in nature and involved estimates by industry sources. In small or thin markets, the judgment of professionals is often more valuable than statistical information due to non-comparability of data from period to period.

Our market investigation focussed on several key points. The questions we felt had to be answered included:

- What has been the history of the market?
- What is the current status and direction of the market?
- What are current annual sales volumes?
- What is the distribution of sales by price range?
- How important to market health is the AHFC subsidy?
- How important to market health is AHFC participation in the broader sense?

The answers to some of these questions varied from place to place. Others received similar answers in most locations.

The areas investigated represent about 96 percent of AHFC's total portfolio as shown in **Table 1**, below.

Table 1
Areas Investigated and Portfolio Performance

Location	Percent of AHFC Portfolio	Delinquency Index	Foreclosure Index
Anchorage	57.99%	1.01	1.15
Fairbanks	13.15	1.18	0.92
Mat-Su Borough	7.68	1.38	1.67
Juneau	7.11	0.71	0.38
Kenai Peninsula	5.91	0.76	0.62
Ketchikan	2.36	0.79	0.08
Sitka	1.57	0.63	0.13

In the table above, the "delinquency index" is the ratio of each location's delinquency rate to the delinquency rate of AHFC's overall portfolio as of October 31, 1989. The "foreclosure index" is defined similarly. Thus, the areas worst hit by the real estate market downturn, as defined by the calculated "foreclosure rate", are Mat-Su Borough, Anchorage, and Fairbanks, in that order. The Kenai Peninsula market was damaged somewhat less, and Southeast locations suffered the least damage.

The following sections describe the real estate market in each of the above locations. Disproportionate space is given to Anchorage in this description, for three reasons:

- Anchorage represents almost 60 percent of AHFC's portfolio and an even higher percentage of foreclosures. Anchorage is AHFC's biggest customer and biggest problem
- Detailed data from various sources in Anchorage support considerable analysis, generating findings that may be generally relevant in other Alaskan communities
- The history of the Anchorage housing market, which is presented in some detail, parallels the histories of other markets, even those in Southeast.

B. ANCHORAGE REAL ESTATE MARKET

1. General

The Anchorage area is the main focus of AHFC mortgage purchase activity. As of October 31, 1989, Anchorage represented 60 percent of AHFC's portfolio by value. Anchorage's delinquency and foreclosure rates were both above total portfolio average for AHFC.

The Anchorage market peaked in late 1985 and early 1986. Since that time demand has fallen, caused mainly by a net population outflow. Housing prices have decreased dramatically, and many Anchorage homeowners have negative home equities. Foreclosures are a continuing problem.

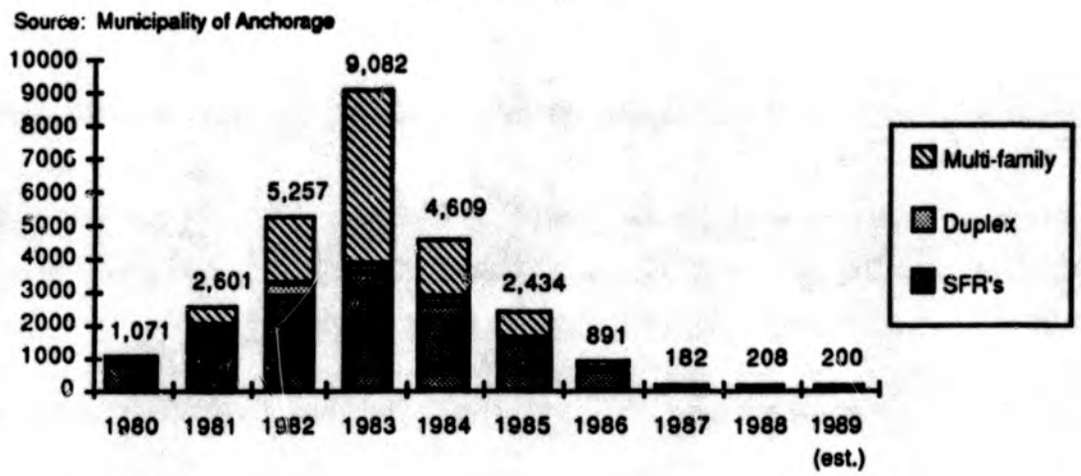
Vacant units represent ten years' demand at current absorption rates. Although the drop in single-family home prices appears to have slowed or stopped, substantial recovery is probably a long ways off. Condominium prices remain at extremely depressed levels. Financing is difficult because of a number of factors. Foreclosures appear to be slowing but remain a significant problem.

The 1989 population increase appears to have affected mainly the rental market—rental vacancies in larger projects have dropped from 24 percent to 8 percent over the past twelve months. Otherwise, the market remains depressed and signs of recovery are few.

2. Supply and Demand

Housing starts in Anchorage increased nine-fold between 1980 and 1983, peaking at over 9,000 units in 1983 (see chart below):

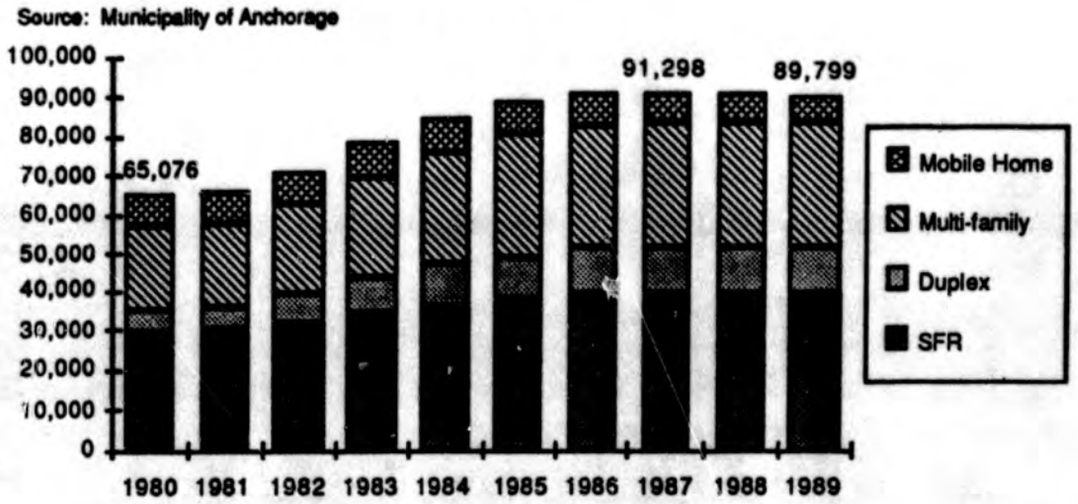
Anchorage New Housing Units Authorized
1980—1989



After 1983 starts decreased quickly and have hovered around 200 per year since 1987. Most starts currently are higher-end detached singe family residences, ranging from $140,000 to $250,000 or higher.

Total stock peaked at 91,298 units in 1987 and had declined to 89,799 units by 1989 (mid-year):

Anchorage Housing Stock (units)
1980—1989



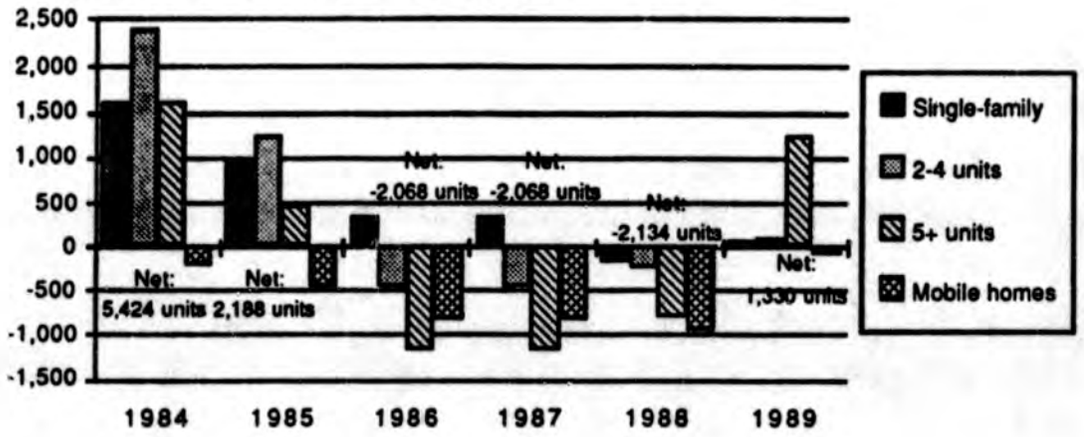
The decrease in units has been due to demolition or removal from the State of a substantial number of mobile homes and the boarding up of about 550 residential units in properties slated for demolition.

Net absorption was negative in 1986, 1987, and 1988, totalling about 6,300 units: That is, by 1989 there were 6,300 fewer occupied units in Anchorage than in 1985.

The year 1989 (twelve months through July) saw the first positive net absorption in several years. On July 1, 1,330 more units were occupied than one year previously:

Anchorage Net Absorption of Housing Units 1984—1989

Source: Anchorage Economic Development and Planning



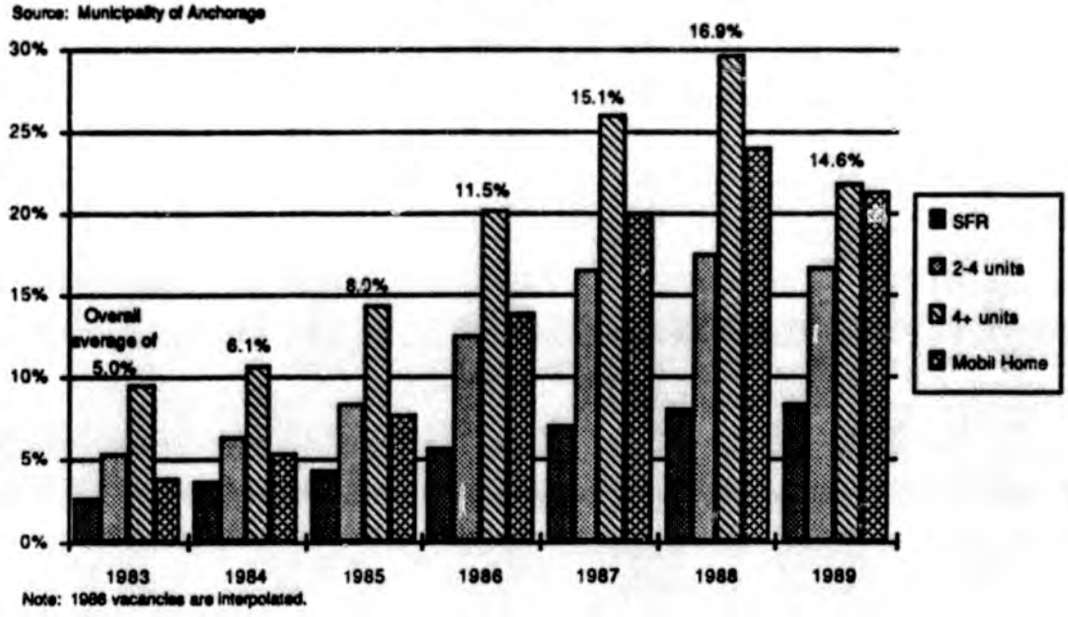
This increase was almost entirely in multi-family housing and appears to be mostly rental in nature. The annual Anchorage rental survey revealed that rental occupancy of projects with 20 or more units dropped from 24 percent in 1988 to 8 percent in 1989 (mid-years). Ken Kincaid of Shorett and Riely, who performs the annual rental survey, lays the increase in rental occupancy to three causes:

- Temporary population increase from oil spill activity
- Long-term population increase from an improving economy
- Rental demand by former homeowners who have undergone foreclosure and do not wish to leave the city.

Only the second of these three factors contributes to long-term demand for housing unit occupancy.

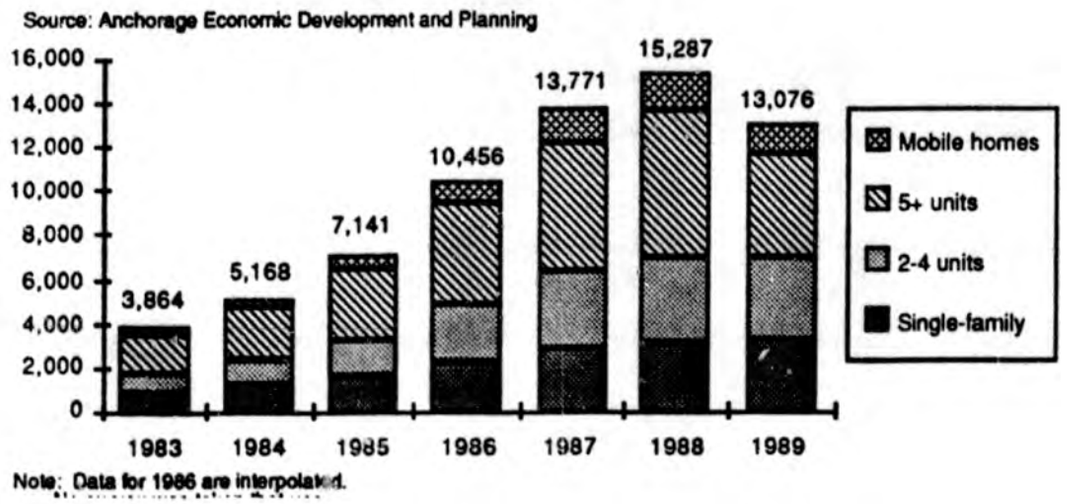
Vacancies peaked in 1988 at 16.9 percent and have declined somewhat in 1989 to 14.6 percent, with the improvement led by multi-family housing:

Anchorage Vacancies by Housing Type
1983—1989



Single-family residences (including zero lot lines) have the lowest vacancy rate at about 8 percent, 2- through 4-plexes run about 17 percent, while condominiums and apartments show about 22 percent vacancies. Mobile homes have improved from 1988's 24 percent to about 22 percent, reflecting demolition or out-of-state shipment of many units. Overall vacant stock is still over 13,000 units:

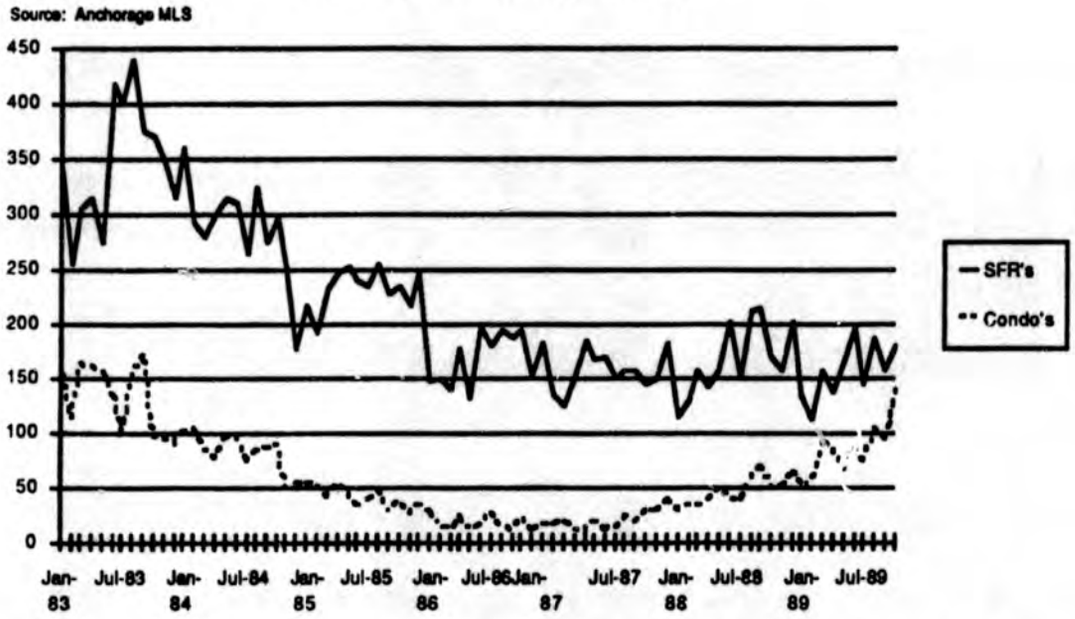
Anchorage Vacant Units
1983—1989



This represents about 10 years of demand at the 1989 absorption rate of 1,330 units. But since 1989 absorption was probably artificially high due to the oil spill, the actual picture may be even worse.

A good indicator of market activity is sales volumes in units, as shown in the graph below:

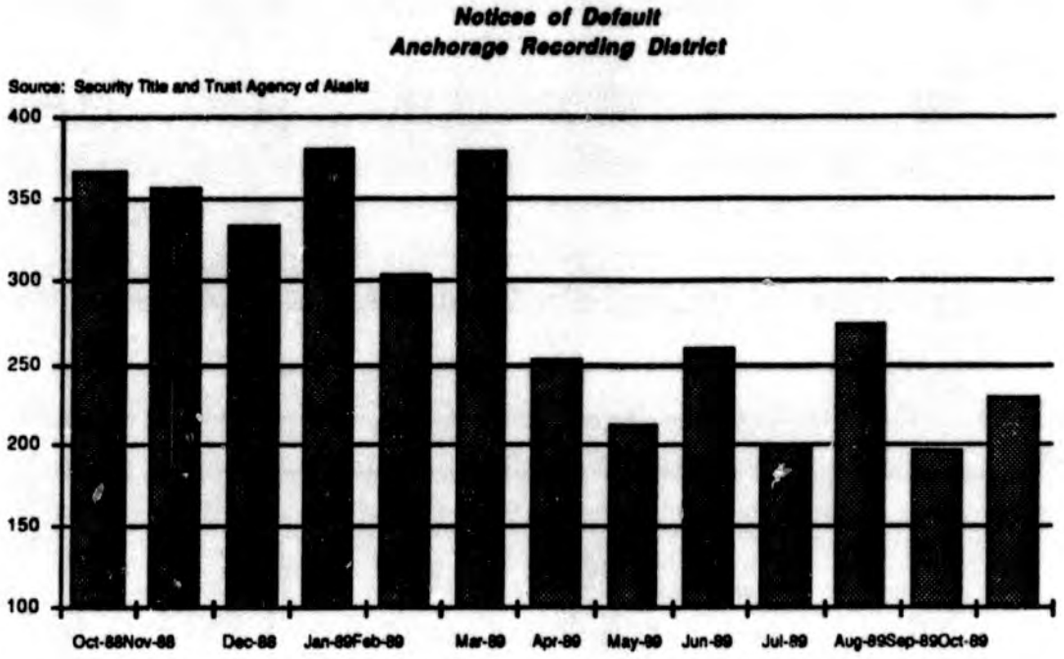
Anchorage Unit Sales, Single Family Homes and Condo's, 1982—1989 (MLS only)



Sales of single family residences, which peaked at over 400 per month in the summer of 1983, showed a steady decline to their current levels of 120-150 per month (winter) and 150-200 per month (summer) by 1986. There has been no apparent increase in activity through October 1989, at least considering only MLS figures; direct REO sales are now a significant portion of the market, and lack of data in this area may mask a slight upward trend.

Sales of condominiums dropped from a level of 100-150 per month in 1983 to under 20 per month in the 1986-1987 period. There has been an upward trend since mid-1987, however, to over 100 sales per month; there were almost 150 sales in the latest known month, October, 1989. This trend appears to be due to investment buying and purchases by low-income families brought about by depressed prices and availability of attractive financing programs from some REO holders.

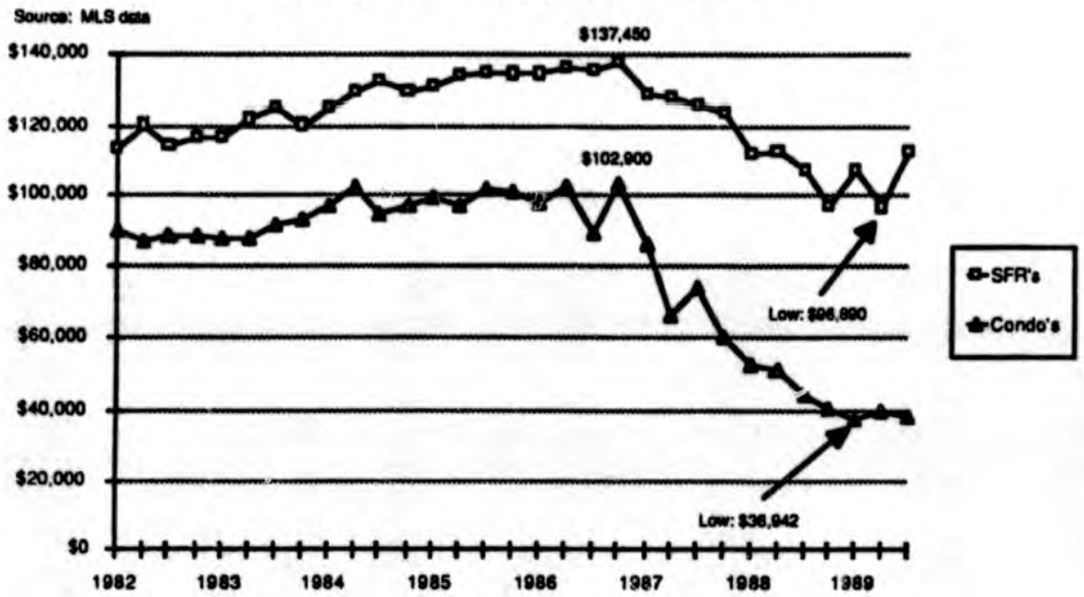
There is little doubt that, without a substantial boost to Anchorage's economy from some outside source, the large stock of unoccupied properties will continue to depress prices for some time to come. There is an additional danger that FDIC review of its portfolios will result in an additional REO spike, adding to the problem, but for the time being it appears that REO generation through foreclosure is slowing down. As the following graph shows, foreclosures from all sectors (but mainly residential) in the Anchorage Recording District have declined over the past year from a level of 300-400 per month to about 200-250 per month:



3. Prices

A general review of price movements in the Anchorage market is presented in the graph below:

Housing Prices, Single-family Homes and Condo's, Anchorage, 1982–1989 by quarter



Although the MLS data presented in this graph are not corrected for mix of types and qualities sold in each period and do not include substantial REO sales by various parties, the general picture is clear—real estate prices peaked near the end of 1986 (well after the economic downturn began) and have declined precipitously since.

Single family home prices averaged $137,450 in the peak quarter of 1986. They fell to a low of $96,890 by the second quarter of 1989, a drop of 29.51 percent. Prices rose to $112,512 in the third quarter, reflecting a possible recovery; but in October (the latest month available), single-family homes prices averaged only $103,171. It is unclear, therefore, whether recent price moves signal a recovery in this segment of the market.

Condominium prices fared far worse than single family prices. A peak of $102,900 was reached in 1986; prices then plummeted to a low of $36,942 in the first quarter of 1989, a drop of 64.10 percent. Prices were a bit stronger in the second and third quarter, but in October (the latest month) they averaged only $34,699.

In summary, prices for Anchorage homes appear to have stabilized at low levels. Some recovery may be present in the single family home segment, but condominium prices remain flat.

Stratification of prices follows, in Table 2, below. These figures are derived from total MLS sales in Anchorage for the latest three months available, August through October, 1989, and reflect actual sales prices for mixes of all residential property types:

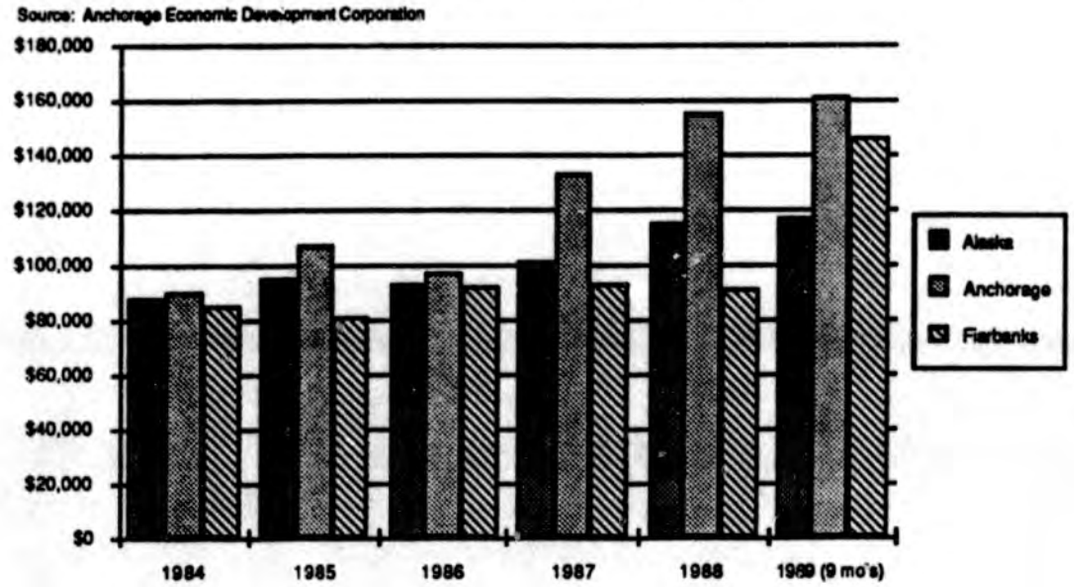
Table 2
Price Stratification of Housing Sales in Anchorage

Price Range	Percent of Sales
Under $86,850	62.69%
Under $135,000	84.67%
Over $235,000	2.72%

The high percentage of home sales under $86,850 reflects a ready availability of low-priced condominiums in the Anchorage market and is not typical of some other areas in Alaska (see other market analyses, following).

As noted above, some housing construction continues in Anchorage (estimated at 200 units in 1989). This construction is almost exclusively confined to higher-value homes in the $150,000 and up price ranges. Industry sources state that most of these homes are being built for oil company executives who are transferring into Anchorage and have difficulty locating suitable housing in the higher price ranges. The following graph, illustrating this trend, shows average construction cost for homes in Alaska, Anchorage, and Fairbanks by year:

Average New Home Construction Cost
Alaska, Anchorage, and Fairbanks, 1984—1989



Note that these costs do not include land, furnishings, or profit. They are simply the basic construction cost of the house. As can be seen, the average cost of a new house in Anchorage has increased from under $90,000 in 1984 to over $160,000 in 1989, reflecting almost exclusively the shift away from lower-quality housing and condominiums to high-end housing.

4. Factors Affecting Future Market Activity

In the long-term, improvement in the Anchorage real estate market will depend on increases in population and employment. Meanwhile, existing vacant stock will deteriorate, leading to demand for new units. Based on current trends, either of these two processes will take some years to show an effect.

Specific events which might cause short-term improvements in the market include:

- A sharp increase in oil prices, leading to an increase in State spending
- Construction of a gas pipeline

- Exploitation of the ANWR fields, leading to increased pipeline flows and increased State spending
- Expansion of Anchorage's role as an air transportation hub, one sign of which may be Federal Express's recent decision to base worldwide distribution services in Anchorage
- Increased military presence in the Anchorage area as a result of Stateside deployment of troops presently overseas, resulting from decreased international tensions (but see below)
- Some other unforeseeable event which improves the general economic climate in Anchorage.

The probability of any of these events occurring is problematical. It is equally likely that other events may retard market recovery or even cause further depression:

- Lowered State spending in anticipation of oil revenue decreases
- Movement of military personnel out of Alaska due to federal military spending cutbacks
- Possible new REO production as the FDIC reviews its portfolios in Anchorage for non-performing loans and increases foreclosures.

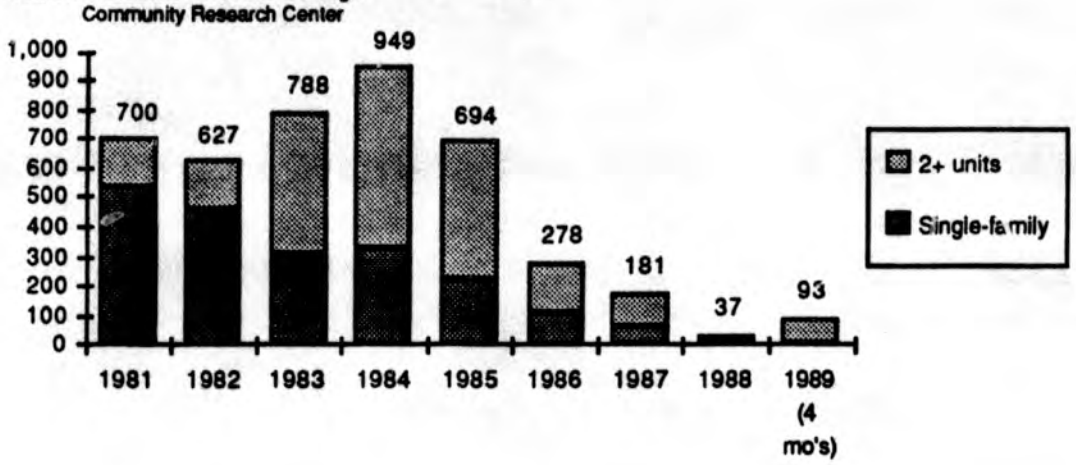
Given a very subjective view of the relative probability of these events, both positive and negative, it is difficult to feel overly optimistic about the near-term future of the housing market in Anchorage.

C. FAIRBANKS REAL ESTATE MARKET

Fairbanks represents AHFC's second largest market concentration, accounting for 13.15 percent of AHFC's total portfolio. Its delinquency rate is above Anchorage's, and above portfolio average, but its foreclosure rate is below average.

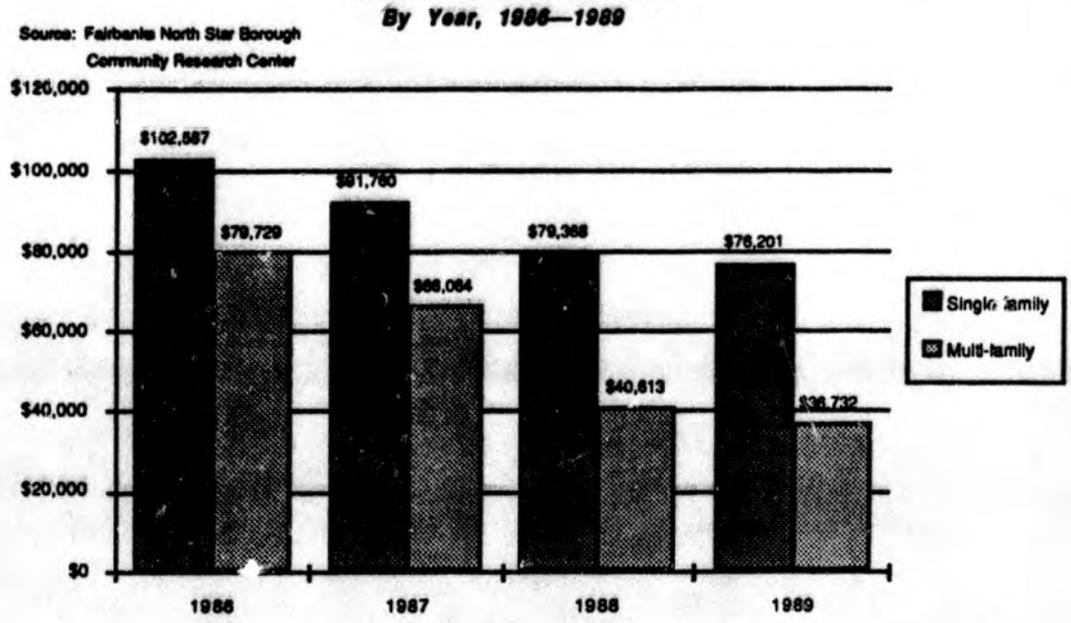
Fairbanks, like Anchorage, was hard hit by the real estate market downturn in 1986. Market supply anticipated the downturn, but not by enough. The following graph shows new units supplied to the Fairbanks market annually:

Fairbanks New Housing Units
1981—1989



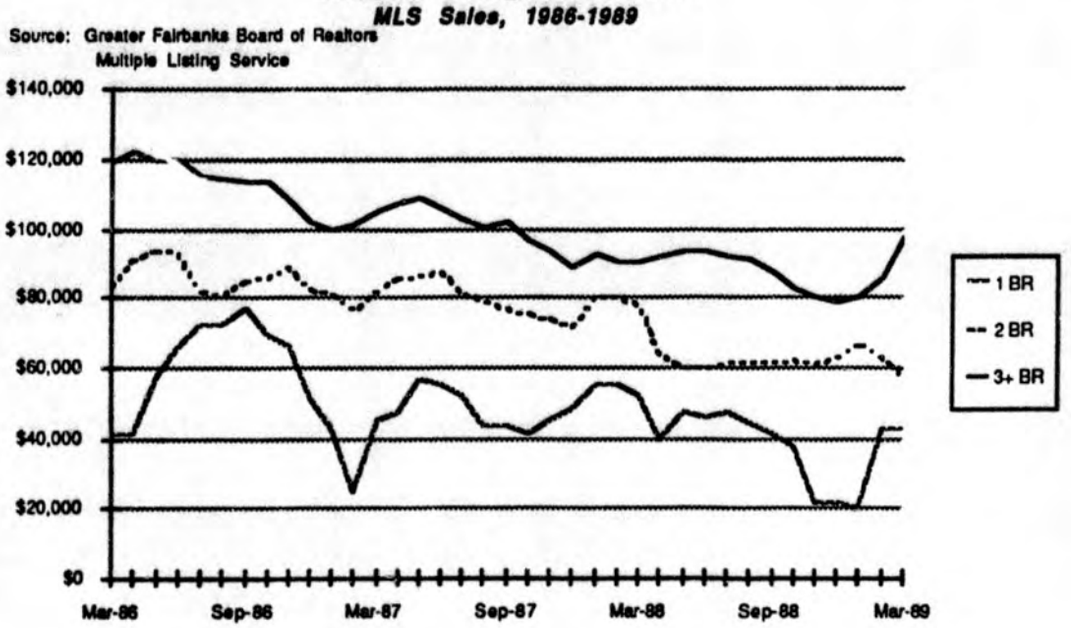
Since 1984 was the peak supply year (one year after Anchorage's peak of 1983), the oversupply situation in 1986 and years following was serious. This oversupply, combined with the economic downturn in Alaska generally, contributed to a continuing trend of lowered housing prices:

Fairbanks Home Sales Prices
By Year, 1986—1989



Detached single family home prices prices also may be viewed on a monthly basis. Although the accompanying chart only shows prices through March 1989, the average annual prices per the chart above, which show 1989 prices through December 4, confirm a continuing downward trend in 1989:

Fairbanks Average Sales Prices
MLS Sales, 1986-1989



Mobile home sales are also tracked by industry sources in Fairbanks, who offer an estimate of $18,880 as an average price in 1989.

Activity levels in the Fairbanks market remain reasonably high. The Greater Fairbanks MLS, which accounts for about 80 percent of all Fairbanks housing sales, showed the following closing counts for 1989 through December 4 in **Table 3**, below.

Table 3
Sales by Housing Type in Fairbanks

Housing Type	Number of Closings
Single-family	515
Townhouse/Condominium	104
Mobile home	20
Total closings	639

Demand for housing by price range is reflected by sales in the current market. Based on MLS closing price data for 358 sales in 1989, demand is stratified in **Table 4**, below, as follows:

Table 4
Price Stratification of Housing Sales in Fairbanks

Price Range	Percent of Sales
Under $86,850	59.22%
Under $135,000	91.62%
Over $235,000	1.12%

These data are partly confirmed by industry estimates in Fairbanks that of about 200 sales in the past six months, one was at $235,000, one at $215,000, and the remainder at $155,200 and below.

D. MATENUSKA-SUSITNA VALLEY REAL ESTATE MARKET

The Mat-Su Valley is AHFC's third largest market concentration, at 7.68 percent of AHFC's total portfolio. Of all areas in Alaska where AHFC maintains a substantial portfolio of loans, the Mat-Su Valley has been the hardest hit by the real estate market downturn. As of October 31, 1989, it had the highest delinquency and foreclosure rates of all AHFC geographic concentrations.

Local sources state that the reasons are twofold:

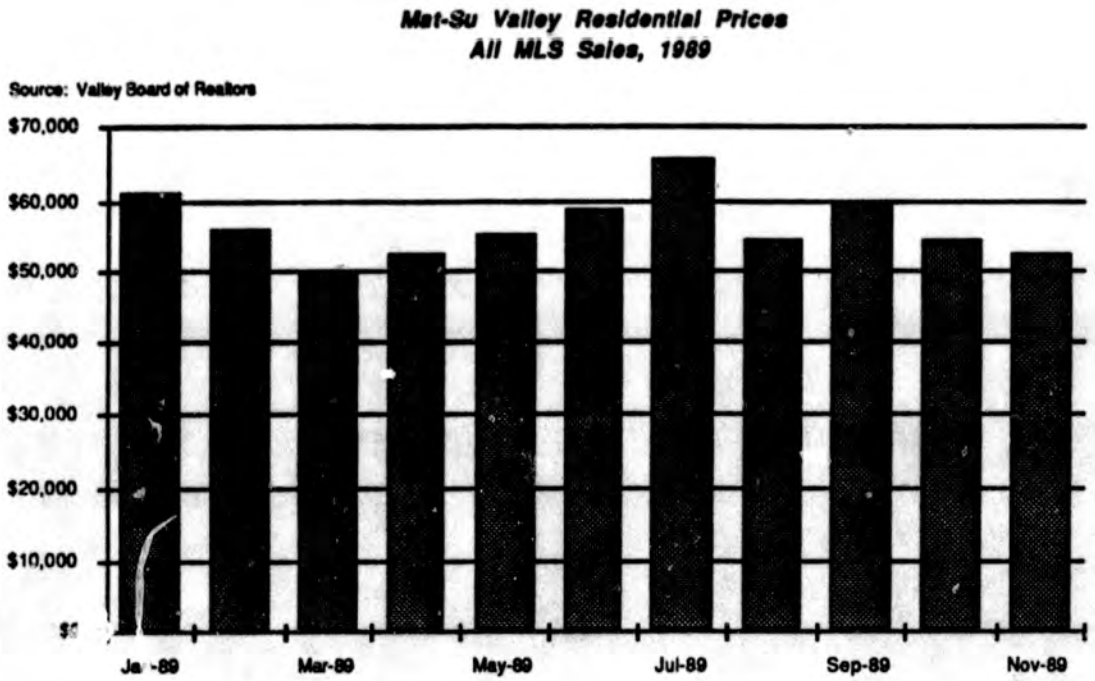
- The Valley is largely a bedroom community for Anchorage, and was thus directly affected by Anchorage's problems. This problem was exacerbated when Anchorage prices fell and deep vacancies occurred: Many Valley residents moved into Anchorage under the new, more affordable, conditions, and Anchorage's vacancies were to some extent "exported" to the Valley
- The Valley was home to many North Slope oil workers. As cutbacks occurred in the oil industry, the Valley felt the pinch harder than most.

In any event, prices have reflected the state of the market. Because the Valley MLS was part of the Anchorage MLS until relatively recently, a documented summary of historical price movements is difficult to compile. But industry sources estimate that housing prices fell violently in 1987, and are only now starting to recover as shown in **Table 5**, below:

Table 5
Price Movements in Mat-Su Valley

Year	"Typical" 3-Bedroom Home
1985	$110,000
1986	$110,000
1987	$55-60,000
1988	$55-60,000
1989	$60-65,000

Price movements in 1989 are shown in the following graph:

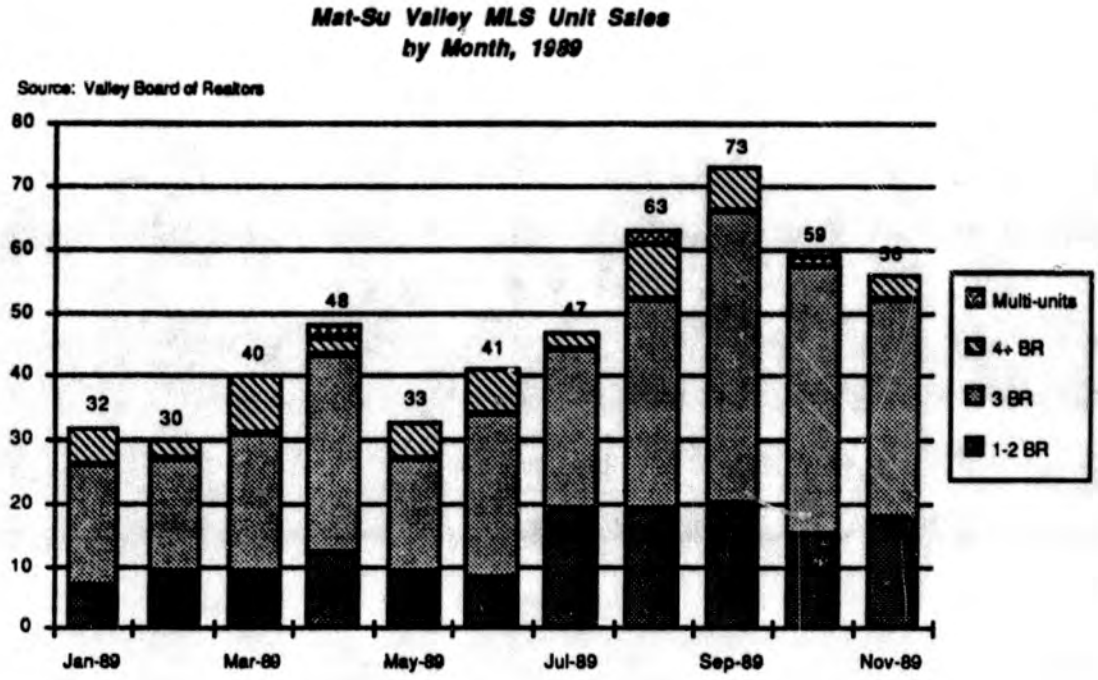


As can be seen, the average price of a home is in the high $50,000's, and has not shown a strong recovery through the year. Some industry sources, however, feel prices should recover about 5 percent during 1990.

These sources state that school enrollment and telephone hookups are up a bit in 1989, possibly portending a further improvement in the market. Rentals are also tight, but quite a few 2-4 plexes are "off the market" and could loosen up rentals when marketed.

MLS volumes in the Valley market are running about 5[illegible] sales per month, of which most are single-family residences. Condominium sales account for only about 1.5 percent of total sales. In general, the Valley marketplace is not condominium-heavy like Anchorage's.

The following graph shows market activity for 1989:



This graph appears to show market activity picking up somewhat as the year progresses, but it would be premature to announce a trend from these data.

Market stratification, based on all MLS sales for the first eleven months of 1989, is shown in **Table 6**, below, as follows:

Table 6
Price Stratification of Housing Sales in Mat-Su Borough

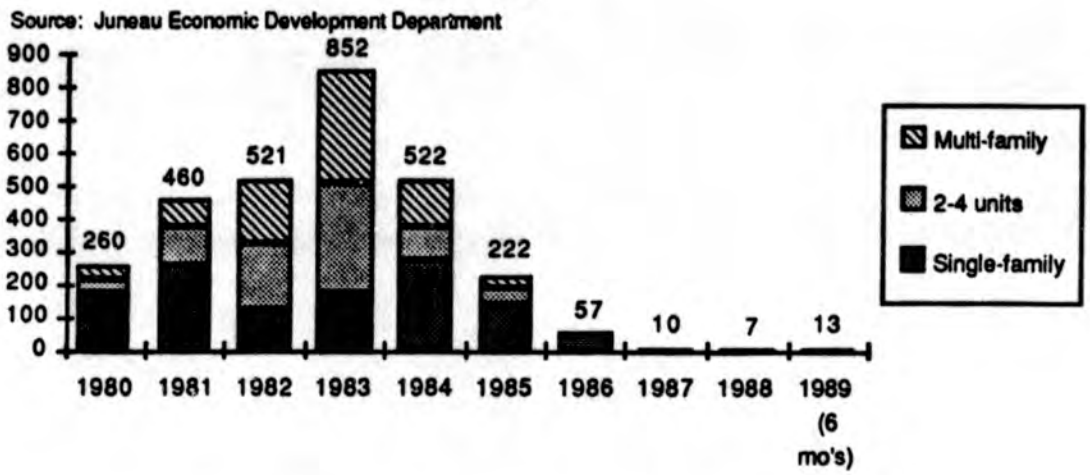
Price Range	Percent of Sales
Under $86,850	89.45%
Under $135,000	97.70%
Over $235,000	0.00%

E. JUNEAU REAL ESTATE MARKET

Juneau represents 7.11 percent of AHFC's portfolio by dollar amount. Its delinquency and foreclosure rates are well below the average for AHFC's portfolio.

To a certain extent, the history of the Juneau housing market parallels the cycle of overbuilding and then oversupply experienced in Anchorage:

Juneau New Housing Units
1980—1989



As in Anchorage, construction peaked in 1983 and has since practically ceased altogether.

But in contrast to the Anchorage, Fairbanks, and Mat-Su Valley markets, Juneau real estate is showing a strong recovery from the downturn. Local industry sources state that prices are up, inventories are tight, and that above-list offers must often be made in order to buy desirable properties. These sources also state that local appraisers are applying inflationary factors to older comparables when valuing properties as shown in **Table 7**, below.

Table 7

Appraisal Escalation Factors in Juneau

Type of Property	Escalation Factor
Single-family	1%/month
Zero lot line	3%/month
In-city condo	1/2%-1%/month

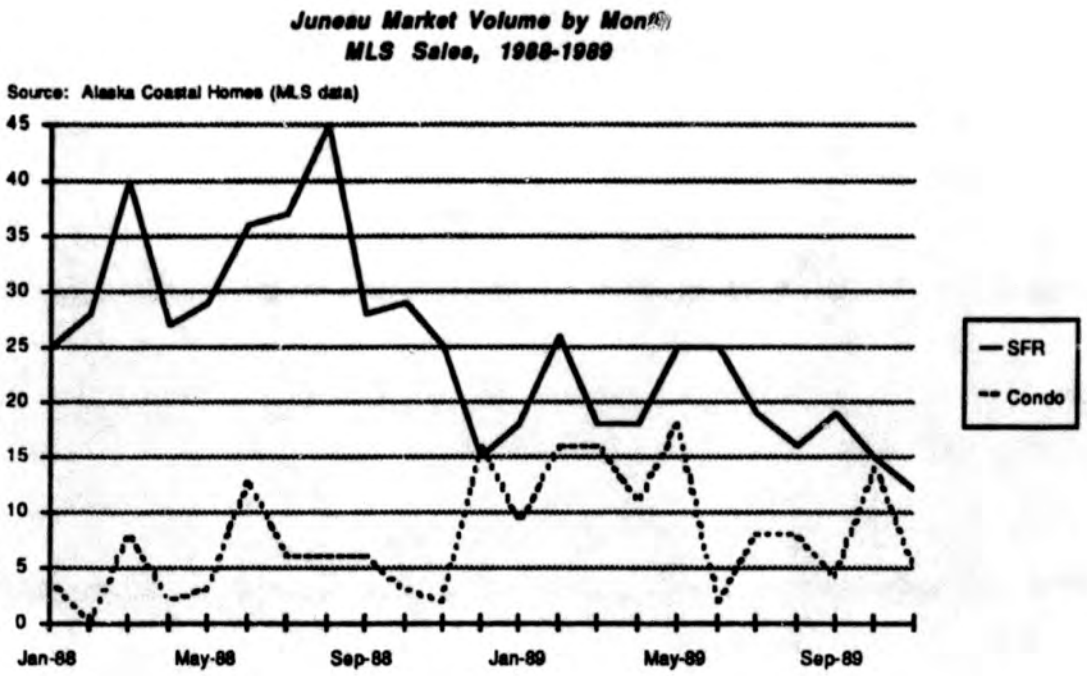
Volumes of sales handled through the Juneau MLS in recent years are summarized in **Table 8**, as follows:

Table 8

Volume of Sales in Juneau

Year	Number of Sales
1986	256
1987	299
1988	459
1989	400

The drop-off in 1989 is not due to a worsening market, but to fewer properties listed and higher prices. The pattern of housing sales over the past two years is shown below:



Dependable price information in Juneau is hard to obtain because of lack of MLS statistical reporting. Industry sources estimate the following trend of prices since 1986 as shown in **Table 9**:

Table 9
Housing Price Movements in Juneau

Type of Home	1986	1987	1988	1989
Single-family detached	$105,000	$78,500	$85,000	$105,000
Zero lot line	$80,000	$59,500	$59,500	$68,000
Condominium	$56,000	$23,000	$28,000	$35,000

The same industry sources estimate price stratification within the Juneau market as presented in **Table 10**, as follows:

Table 10
Price Stratification of Housing Sales in Juneau

Price Range	Percent of Sales
Under $86,850	65-70%
Under $135,000	80%
Over $235,000	1/4%

F. KENAI PENINSULA REAL ESTATE MARKET

The Kenai Peninsula market consists mainly of Kenai, Soldotna, and vicinity areas. This market represents 5.91 percent of AHFC's portfolio by dollar volume. It has experienced below-average delinquency and foreclosure rates.

Activity in this market has shown some improvement, although average time-on-market figures indicate slow sales as noted in **Table 11**:

Table 11
Market History in Kenai Peninsula

Year	Sales per Month	Days on Market
1987	16.25	162
1988	27.33	190
1989 (11 months)	23.45	223

Average sales prices for all classes of homes declined about 12 percent from 1987 to 1988, and an additional 4 percent in 1989, described in **Table 12**, following:

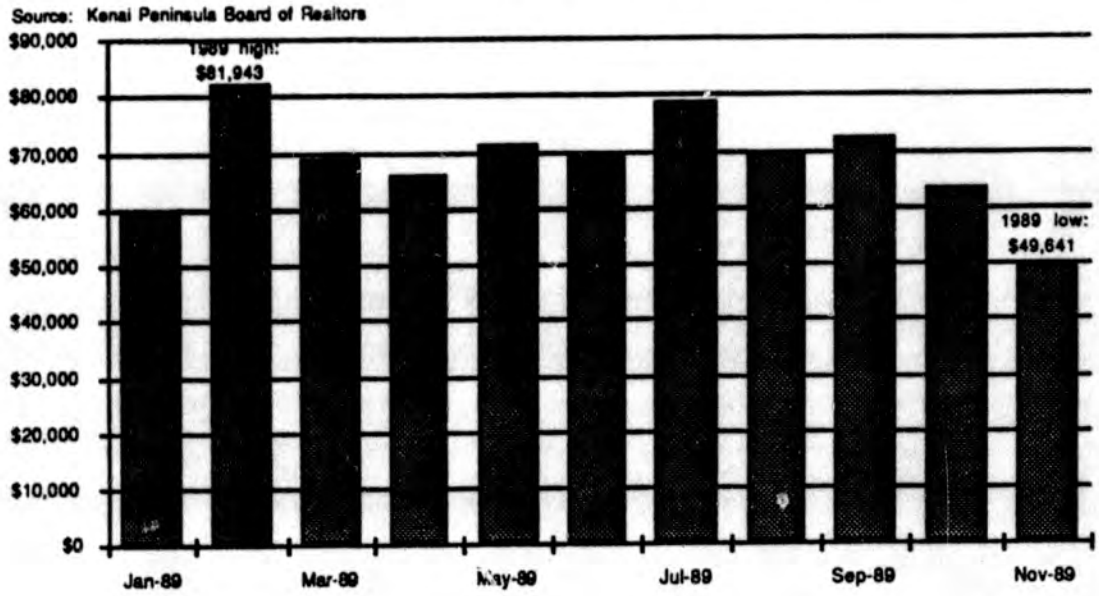
Table 12
Housing Price Movements in Kenai Peninsula

Year	Average Home Price
1985	$105,000 (1)
1986	$105,000 (1)
1987	$80,852 (2)
1988	$70,556 (2)
1989	$67,889 (2)

Notes: (1) Industry estimates. Home prices did not drop generally in 1986, but sales slowed down dramatically.
(2) MLS averages of closings. Drop in 1989 is said to be due to the mix of homes sold, not to generally lower prices.

Movements in home sales prices can be seen in the following chart:

Kenai Peninsula Average Sales Prices
MLS Sales, 1989



An analysis of 258 MLS sales over the first eleven months of 1989 gives the following demand stratification presented in **Table 13**, below:

Table 13
Price Stratification of Housing Sales in Kenai Peninsula

Price Range	Percent of Sales
Under $86,850	78.29%
Under $135,000	96.51%
Over $235,000	0.00%

G. KETCHIKAN REAL ESTATE MARKET

Ketchikan represents 2.36 percent of AHFC's portfolio. It has a below-average delinquency rate and the lowest foreclosure rate of any specific geographic concentration tracked by AHFC.

The Ketchikan real estate market was not hit badly by the economic downturn, at least when compared with Anchorage, Fairbanks, and Juneau. Overbuilding was largely prevented by unavailability of land and difficult terrain, and builders tended to bypass Ketchikan in 1983-4 for the greener pastures of Anchorage and Mat-Su Valley. As a result, the "overhang" of properties when demand slackened was not great. Also, Ketchikan lost only about 1 percent of its population in the downturn (as opposed to about 15 percent in Anchorage), limiting the damage.

It must also be noted that the real estate market in Ketchikan (as in Sitka, which follows) is driven not so much by financing considerations as by relatively small changes in population or jobs. A new enterprise employing twenty people may cause a considerable change in vacancies and prices in these markets, while a similar occurrence in Anchorage would have little or no effect on the market.

While exact numbers are not available, industry sources state that housing prices are already slightly above their peak levels of 1985, and that appreciation of good properties is currently about 1/2 percent per month. Rentals are difficult to obtain. Lot sales, which had been extremely depressed, are now beginning to pick up, and new rental housing is expected to come on the market as a result.

The market is predominantly single family detached housing. Some condominiums exist; perhaps 100 units are "real" condominiums, while there are about 200 additional units converted from apartments which are of lower quality and not generally susceptible to FHA or AHFC financing. Less than 10 percent of property sales are condominiums.

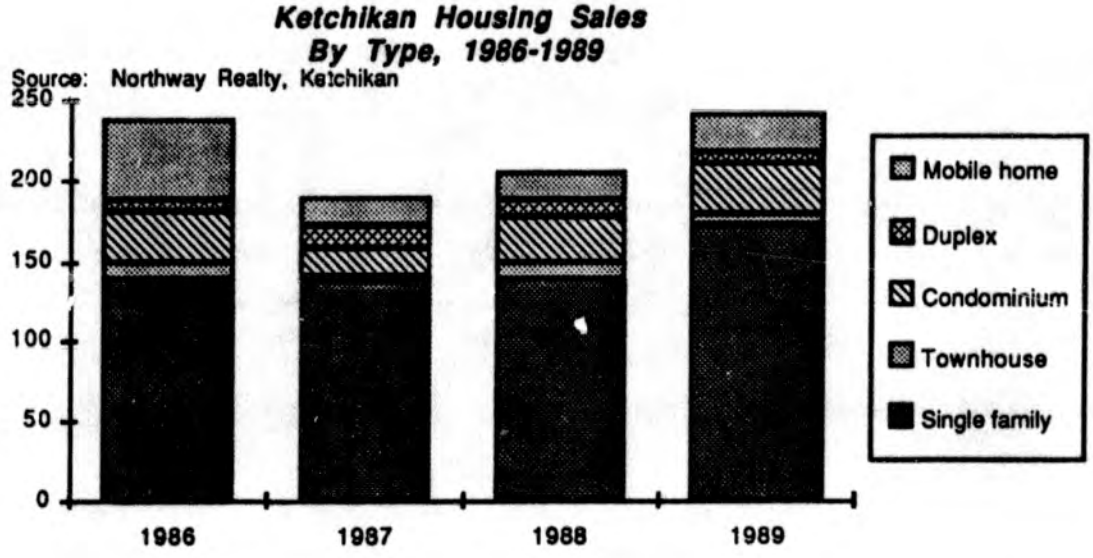
Activity levels in the market have been as shown in **Table 14**:

Table 14
Annual Housing Sales in Ketchikan

Year	Annual Sales
1984	250 (1)
1985	225 (1)
1986	236 (2)
1987	188 (2)
1988	204 (2)
1989	241 (2)

Notes: (1) Industry estimates.
(2) Figures per Northway Realty, Ketchikan.

Distribution of sales by housing type over the past for years is shown in the graph following:



Industry sources estimate that historical movement in prices, based on a hypothetical 3-bedroom house in two neighborhoods, is presented in **Table 15**, as follows:

Table 15
Price Movements in Ketchikan

Year	"Desirable" Area	"Less Desirable" Area
1985	$100,000	$100,000
1986	98,000	90,000
1987	98,000	90,000
1988	100,000	96,000
1989	110,000	105,000

The same sources estimate the stratification of the market as shown in **Table 16**, as follows:

Table 16
Price Stratification of Housing Sales in Ketchikan

Price Range	Percent of Sales
Under $86,850	45%
Under $135,000	90%
Over $235,000	0%

H. SITKA REAL ESTATE MARKET

The Sitka market represents one of the smallest geographic concentrations of AHFC activity, making up 1.57 percent of AHFC's total portfolio. It has the lowest delinquency rate of AHFC concentrations, and the second lowest foreclosure rate.

Unlike many other areas in Alaska, Sitka maintained a stable real estate market through the last half of the 1980's. It had experienced an earlier downturn, however. Industry sources estimate that a home which would have cost $180,000 in 1982 had declined in value to about $150,000 by 1985. Home prices remained stable at 1985 levels through 1988, and have increased in value approximately 6 percent during 1989.

This recent increase in prices is laid to lack of available stock on the market. Of Sitka's approximately 2,000 housing units, 160 were on the market in Spring 1988; by Fall on 1989, only about 60 were available for sale. Current sales rates are estimated at 35-50 properties per year, with little change from 1988.

The lack of available stock is affecting lot sales in anticipation of new construction. Land values have been increasing at 3-4 percent per year for the past three years, and 6-12,000 square foot lots now sell for between $35,000 and $50,000.

One problem with the Sitka market is quality of housing. Many units were built in a haphazard fashion and some are now showing foundation and other defects which preclude them from FHA-insured financing. Since private mortgage insurance is largely unavailable in Sitka (and elsewhere in Alaska), FHA/AHFC financing is the preferred and often the only financing method for buyers unable to make a down payment of at least 20 percent. As a result, these units are difficult to finance, limiting sales.

Industry sources estimate stratification of the housing market as depicted in **Table 17**, as follows:

Table 17

Price Stratification of Housing Sales in Sitka

Price Range	Percent of Sales
Under $86,850	10%
Under $135,000	65%
Over $235,000	1%

The lack of units under the tax-exempt limit is laid to the predominance of detached homes in the area and the scarcity of condominium units. If mobile homes were included in this category, approximately 15 percent of demand would be under the tax-exempt limit.

APPENDIX D

EVALUATION OF HOUSING ASSISTANCE FUND MORTGAGE LOAN PURCHASE BY AHFC

Ernst & Young

APPENDIX D
EVALUATION OF HOUSING ASSISTANCE FUND MORTGAGE LOAN PURCHASE BY AHFC

Legislation was introduced in 1989 (Senate Bill 245) which would require the AHFC to purchase at par value home mortgage loans from the Housing Assistance Division (HAD). These loans are primarily for homes in rural Alaska, and have interest rates which are set by law at one percent less than AHFC rates. The Housing Finance Task Force requested an evaluation of this proposal, including its impact on AHFC loan programs, and whether the purchase should be at par value or market value.

Our analysis and conclusions regarding the SB 245 proposal is presented in the following subsections:

- *Description of HAD Purchase Proposal*
- *Impact on AHFC of Purchasing HAD Loans*
- *Conclusions Concerning Purchase of HAD Loans.*

A. DESCRIPTION OF HAD PURCHASE PROPOSAL

Senate Bill 245 was introduced by the Senate Finance Committee in 1989, and would require the AHFC to purchase at par value (i.e., the outstanding principal balance) at least $80 million of mortgage loans from the Housing Assistance Loan Fund. The bill did not set a ceiling on the dollar amount or number of loans to be purchased.

The loans in question are primarily for homes in rural areas of the State, and were financed by State funds appropriated to the Housing Assistance Division (HAD) of the Department of Community and Regional Affairs (DCRA). None of the loans are insured. The loans were originated by HAD and are serviced by various financial institutions.

There were 1,566 HAD loans as of September 30, 1989, with a principal balance owing of $154.5 million. In fiscal year 1988/89, HAD originated 167 new loans. For the three months ending September 30, 1989, only two new loans were made by HAD.

All loans made by HAD are State funded. Total appropriations by the State for the HAD loan program have been $191.5 million since fiscal year 1980/81, the year HAD was created by the Legislature. Because all the loans are funded by the State it is difficult to determine if the HAD loan program has broke even. The financial statements prepared for the program do not include the opportunity costs, or the imputed interest costs, of the State funds. This is different from AHFC practices which impute a cost of funds for all bond proceeds and State funds used to purchase loans.

B. IMPACT ON AHFC OF PURCHASING HAD LOANS

The proposal is effectively a removal of assets from AHFC because it allows the State to take monies from AHFC. The loans would be transferred from DCRA to AHFC in return for cash (equal to the purchase price) given from AHFC to DCRA. The State could then have the option of appropriating the monies from DCRA.

Such an extraction of Corporation assets could affect AHFC's ability to raise new capital and keep existing loan programs functioning. The AHFC raises capital through "general obligation" bond sales, with the bonds backed by the financial strength of the Corporation. Because of this "general obligation" of AHFC behind each bond, the bonds receive the highest credit rating and a lower interest rate. An extraction of assets such as proposed would damage AHFC's financial health, weaken the security for existing bonds, and raise concerns about the vulnerability of AHFC to future withdrawals. This kind of environment will make investors uneasy and cause concern for the rating agencies, both of which could translate to higher interest costs and difficulty in maintaining existing AHFC loan programs.

The financial impact on AHFC would be greatest if the loans were purchased at the face amount of the outstanding principal owed (par value). The current par value of the loans is estimated by DCRA to be $154 million. The market value of the properties securing many of the loans may be less than the loan balance, according to DCRA, especially in light of recent declines in real estate prices statewide. In its own internal analysis of the potential purchase, AHFC estimated that the HAD portfolio of loans is worth 76 percent of the principal balance of the loans.

Senate Bill 245 does not consider market value, but would require AHFC to purchase at least $80 million in HAD loans, regardless of the actual, or market value of the loans. This would mean an additional premium paid to the State by AHFC. The rural home owners would not receive any financial benefit from the proposed purchase.

These loans are uninsured which means AHFC would be 100 percent at risk for any delinquent payments, interest lost from late payments, and, if the property were foreclosed on, the loss in value of the property. In addition, there would be attorney fees,

taxes, insurance, and other holding costs for any foreclosed property, all of which would have to be paid by AHFC if it owned the loans. This again would only weaken further the current financial position of AHFC and damage its ability to raise additional capital at a reasonable cost.

Earlier, in Section III of this report, we presented estimates of net unrestricted assets of the Corporation. Given that AHFC may only have $10 million of liquid assets which are not restricted by existing bond covenants or short-term borrowing agreements, there are not sufficient funds to purchase the HAD loans, unless AHFC issues new debt.

If the purchase of HAD loans is funded through the sale of bonds by AHFC, the net effect on AHFC assets would be less, although not necessarily zero. Proceeds from a bond sale could be used to purchase the loans, and the loans could be used as collateral for the bonds. This was done in fiscal year 1986/87 when AHFC made a similar purchase, at par value, of $70 million in HAD loans, financing this purchase with the sale of floating and fixed rate bonds.[1] If the cash flow from the loans, net of servicing fees, is sufficient to repay the bonds,[2] then the impact on AHFC assets could be minimal. If delinquencies and foreclosures occured, or if the interest received from the loans was less than the interest costs of the bonds, then any shortfall in funds available for debt service would have to provided by the Corporation.

The financing bond covenants for the first purchase of $70 million in HAD loans required that AHFC replace any delinquent loan used as security for the bonds with a "good" loan from AHFC's own portfolio (i.e., a loan which is not delinquent). Approximately 80 of the original HAD loans have gone into delinquency, and AHFC has had to replace approximately $4 million in delinquent HAD loans with $4 million in non-delinquent AHFC loans.

---

1 All of the HAD loans purchased by AHFC were loans for homes in urban areas, and are still owned and managed by AHFC.

2 The annual cash flow from the loans may or may not exactly match the required annual debt service payments on the bonds issued. However, total loan cash flows, prepayments, and reinvestment income over the life of the loans, when discounted back to today's dollars, could theoretically equal the present value of all payments on the debt issued to purchase the loans.

It is unclear at this time how the cash flow from the HAD loans can be used if purchased by AHFC. In 1988, the Legislature passed, and the Governor signed into law, House Bill 555 which contained the following provision:

> "(10) Purchase loans from the Housing Assistance Loan Fund (AS 44.47.380) if and only if:
>
> (A) the payments of principal and interest on the loans are deposited in a separate fund of the Corporation to be used for the purposes, and subject to the standards and criteria, of AS 44.47.360 -- 44/47.560 as those statutes provided on June 10, 1988; and
>
> (B) the Corporation has established a source of mortgage insurance for new loans subject to the provisions of AS 44.47.360 -- 44.47.560."

It appears that the cash flow from the HAD loans can only be used to make more HAD-type loans. It cannot be used to repay bonds, to collateralize new bonds, to make new AHFC loans, or for any other activities of AHFC. Under our interpretation of HB 555, the cash flow from the HAD loans is restricted to making only loans and the loans made must meet HAD criteria.

A final point should be made regarding servicing the loans. The DCRA is organized to service home buyers in rural Alaska, with satellite offices in seven locations. The DCRA makes money available to home buyers which might not otherwise be able to obtain financing. The DCRA has less stringent requirements for its loans than does AHFC. The DCRA does not require mortgage insurance on loans, nor is approval required by the Department of Environmental Conservation, both of which are required for AHFC loans. Also, the interest rate provided by DCRA is one percent below AHFC interest rates. In order for AHFC to provide the same level of service, significant changes would need to be made to AHFC operations and underwriting criteria, which could impact AHFC high credit rating and ability to raise money to continue its loan programs.

C. CONCLUSIONS CONCERNING PURCHASE OF HAD LOANS

Because of concerns identified previously regarding the potential purchase, we conclude that AHFC should not be required to purchase the HAD loans. Such a transaction could weaken AHFC's ability to continue its loan programs because the direct extraction of assets from the Corporation would make it difficult for AHFC to raise funds for its existing bond-financed programs. In addition, existing State law may limit or prevent the use of the loans for current AHFC activities. Existing law should be clarified and possibly amended if the purchase of HAD loans by AHFC were actually made. Finally, a purchase by AHFC of HAD loans would diminish the attention rural Alaskan homebuyers now receive from the Department of Regional and Community Affairs. Even if AHFC were to purchase only the urban HAD loans (as was done in the first, $70 million purchase two years ago), there may not be enough urban loans in the HAD portfolio to meet the $80 million minimum established by SB 245.

If SB 245 were signed into law, and AHFC were to purchase HAD loans, it would make more sense to purchase all HAD loans, and not try to split the portfolio into HAD administered loans and AHFC administered loans. Splitting the portfolio would weaken the attention rural Alaskans now have, duplicate State services, and create inefficiencies. If the purchase were made, all the loans should be purchased.

If all the loans were purchased, the price paid should be based on the market value of the properties and not the par value (or unpaid principal balance) of the loans. The market value is the only fair price for the loans and should reflect delinquencies, potential foreclosures, and net realizable value from the sale of the property.

Determination of market value can be performed by a number of underwriters, mortgage bankers, or independent consulting firms, some of whom AHFC already uses for structuring bond sales. Generally, these firms require a magnetic tape containing the history, type, and performance of every loan in question. Although the methodologies used by each firm may differ, the actual purchase price can be determined based on factors such as prepayment characteristics, interest rates, loan-to-value ratios, delinquency rates, foreclosures, and net losses on loans which default. These firms also can evaluate the quality of the original loan origination and underwriting, and the ability of the loan

servicers to collect payments and pursue foreclosures. Finally, interest rates at the time of the purchase are considered in establishing an appropriate discount or premium on an individual group (pool) of loans with similar fixed interest rates.

APPENDIX E

LEGAL REVIEW BY DELANEY, WILES, HAYES, REITMAN & BRUBAKER, INC.

Ernst & Young

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JAMES J. DELANEY
EUGENE F. WILES

January 11, 1990

James A. Gibson
Project Director
Ernst & Young

Dear Mr. Gibson:

You have requested our opinion as to certain matters pertaining to your consulting contract with the Alaska Housing Finance Corporation ("AHFC").

In responding to your queries, we have performed extensive legal research including a thorough review of relevant provisions of the United States and Alaska Constitutions, provisions of the Alaska Statutes, together with numerous cases interpreting such constitutions and statutes, other judicial authorities and commentaries. We find that most of the issues raised in your queries have not been ruled upon by either the Alaska Supreme Court or other courts of last resort.

We have endeavored to provide you with our best legal analysis of the issues presented by your queries and with our view of the likely outcome if the issues were presented to the Alaska Supreme Court.

The attached format follows the organization of the queries which you presented.

STATEMENT OF QUERIES PRESENTED

I. GENERAL

1. Define AHFC. Is it unique from other Alaska state agencies (e.g., Alaska Railroad Corporation)? Is AHFC different from a private corporation?

2. Under the existing statutes, does AHFC have the power and authority to issue revenue bonds as to a specifically identified group of mortgages?

3. Are there any legal constraints to establishing a new agency to implement only the original legislative intent programs of AHFC?

4. Can the legislature by appropriate legislative enactment exempt AHFC from the provisions of the Executive Budget Act?

5. (a) Can the legislature by appropriate legislative enactment terminate the AHFC taxable bond program?

   (b) Can the legislature by appropriate legislative enactment terminate the AHFC tax-exempt bond program?

   (c) Can the legislature by appropriate legislative enactment terminate the tax-exempt veterans mortgage bond program?

6. Can specific AHFC programs be removed from AHFC and incorporated into a new entity?

7. What legal constraints are there to modifying the public corporation status of AHFC so that it functions like a private corporation, but still is a state organization?

II. <u>TRANSFER OF ASSETS</u>

1. Can the state legally expropriate funds from AHFC?

2. Does AHFC have any legal responsibility to provide a return on capital to the state?

3. Can the legislature direct AHFC to purchase specific assets?

4. (a) Will an extraction of any, but not substantially all, unrestricted or unpledged assets from AHFC by the state give rise to a valid claim by bondholders against the state?

   (b) Will an extraction of any, but not substantially all, restricted or pledged assets from AHFC by the state give rise to a valid claim by bondholders against the state?

(c) Will an extraction of substantially all the assets from AHFC by the state give rise to a valid claim by bondholders against the state?

5. Are there any legal grounds for AHFC to compel the state to appropriate or transfer funds to AHFC?

6. If AHFC, pursuant to legislative enactment, purchases loans from the HAD program, is the application of payments of principal and interest received on such loans restricted to making future HAD loans?

III. SUBSIDY

1. If the interest reduction subsidy is legislatively eliminated as of June 30, 1990, can the proceeds of bonds sold prior to this date be used to finance loans under the new legislation?

2. Can AHFC change the eligibility requirements for loans made from bond proceeds, if the bonds are already sold?

3. Are there legal constraints to discontinuing or diminishing the interest rate subsidy by appropriate legislative enactment?

4. What legally needs to be done to implement a change in the interest rate subsidy?

5. Is AHFC an unlawful monopoly in restraint of trade because of its market position?

IV. CHANGE OF OWNERSHIP

1. Are there any legal constraints to:

(a) AHFC issuing and selling common stock in AHFC, thereby transferring 100% of ownership and control of AHFC to a private party?

(b) AHFC selling all assets?

(c) AHFC selling its REO disposition operation to a private party?

(d) AHFC selling loans within a bond program, i.e., where loans have been pledged as collateral?

(e) AHFC selling a loan not used as collateral for a specific loan program?

2. Are there legal constraints to AHFC entering into a partnership?

ANALYSIS

I. GENERAL

1. Define AHFC. Is it unique from other Alaska state agencies (e.g., Alaska Railroad Corporation)? Is AHFC different from a private corporation?

AHFC is a public corporation created pursuant to statute as opposed to a private corporation which is created by the issuance of a certificate of incorporation by the State of Alaska upon the filing of articles of incorporation. AHFC has neither articles of incorporation nor a certificate of incorporation.

AHFC is a separate legal entity; however, this separate legal existence serves only to accommodate a centralized business-type of corporate management and the isolation of certain state activities within a functioning unit. The essential test to determine whether an entity such as AHFC is a state agency is the financial nexus between the entity and the State of Alaska and the actual control or lack of control of the entity by the State of Alaska. Various factors are applied in determining the actuality of financial nexus or dependency and control. "An administrative agency may be called a commission, board, authority, bureau, office, officer, administrator, department, corporation, administration, division or agency. Nothing of substance hinges in the choice of name. . . ." Alaska State Housing Authority v. Dixon, 496 P.2d 649, 651 (Alaska 1972) quoting 1 K. Davis, Administrative Law, § 1.01, at 1 (1958) (emphasis added). The Alaska Supreme Court has expressly stated that independent corporate status does not prevent a finding of state agency. Alaska Commercial Fishing & Agriculture Bank v. O/S Alaska Coast, 715 P.2d 707, 711 (Alaska 1986). Rather, the court considers a state agency's separate corporate status as a neutral factor. Id. at 710.

While the Alaska Supreme Court has repeatedly stated that a determination of whether an entity is a state agency depends on the

particular facts and circumstances presented and the purpose of the inquiry, certain factors have been consistently applied by the Alaska Supreme Court in determining status. These factors, referred to as the "DeArmond factors", balance an entity's authority against the state's retained control. The factors considered include: (a) whether the creation and funding of the agency fulfilled a public purpose, (b) whether the statute expressly locates the agency within a department, (c) the submission of annual reports to the state, (d) certified copies of minutes sent to the governor, (e) appointment by the governor of at least some of the board of directors, (f) financial contributions by the legislature to the annual budget, and (g) any additional controls retained by the state. Alaska Commercial Fishing & Agriculture Bank ["CFAB"], supra at 709-712 citing DeArmond v. Alaska State Development Corp., 376 P.2d 717 (Alaska 1962), Walker v. Alaska State Mortgage Ass'n, 416 P.2d 245 (Alaska 1966), Alaska State Housing Authority v. Dixon, supra, Alaska State Operated School System v. Mueller, 536 P.2d 99 (Alaska 1975).

AHFC has characteristics similar to other public corporations which have previously been determined to be "state agencies" in other contexts in the aforementioned cases. See also University of Alaska v. National Aircraft Leasing, Ltd., 536 P.2d 121 (Alaska 1975).

In addition to state controls over AHFC, constitutional concerns also weigh in favor of the status of AHFC as an agency rather than an entity with complete autonomy from the state. The Alaska Constitution requires substantial ties between a public corporation and the executive branch. The Alaska Constitution provides that all executive and administrative functions shall be placed within not more than 20 principal departments and that each department shall be under the supervision of the governor. Alaska Const., article III, sections 22 and 24. If AHFC is regarded as an entity with complete autonomy entirely independent from the State of Alaska, as opposed to an agency, a constitutional challenge would foreseeably be mounted against the statute creating AHFC on the basis that it attempts to create an overly independent agency in violation of article III, sections 22 and 24, of the Alaska Constitution. Article III, section 22 states:

> All executive and administrative offices, departments, and agencies of the state government and their respective functions, powers, and duties shall be allocated by law among and within not more than twenty principal departments, so as to group them as far as practicable according to major purposes. Regulatory, quasi-judicial, and temporary agencies may be established by

law and need not be allocated within a principal department.

Article III, section 24 states:

Each principal department shall be under the supervision of the governor.

Pursuant to statute, AHFC is expressly located within the Department of Revenue. AS 18.56.020. Executive controls over AHFC are present which were also found to exist in the above-referenced cases. The express classification of AHFC within the Department of Revenue weighs in favor of a determination that AHFC is an instrumentality or agency of the state as opposed to being an entity which is "independent" of the state. Further, AHFC does not appear to fall within one of the three exceptions to the constitutional requirement that all agencies of the state be allocated within twenty principal departments. See Walker, supra, at 249, n. 11, wherein the Alaska Supreme Court affirmed the determination that Alaska State Mortgage Association (ASMA) was not an agency independent of the state and that ASMA was not a regulatory, quasi-judicial, or temporary agency of the state within the exceptions provided under article III, section 22 of the Alaska Constitution.

AHFC is unique from other state agencies in the sense that it is performing unique public purposes in the provision of housing to residents of the state through mortgage loan subsidies.

AHFC is significantly different from a private corporation in that:

(a) A private corporation has shareholders, AHFC has no issued or outstanding stock. However, the courts generally state that the "interests" in public corporations are held by the state. The term "interests" being used in place of references to the rights of shareholders.

(b) The board of directors of a private corporation are elected by the shareholders. The board of directors of AHFC consist of five members who all are, in effect, appointed by the governor.

(c) The board of directors of a private corporation generally have a duty to apply the assets and funds of the corporation with a view towards earning a profit and providing a return to the shareholders. The board of

directors of AHFC, on the other hand, has a duty to apply the funds and assets of AHFC in fulfillment of the public purposes for which the entity was created and to specific programs adopted by legislative enactment.

AHFC would seem to be different from the Alaska Railroad. While the Alaska Railroad is also a public corporation, its purpose is generally to provide a reliable, safe and efficient means of transportation throughout the railbelt, and also to be self-sustaining (AS 42.40.100) and presumably generate a profit if possible.

2. Under existing statutes, does AHFC have the power and authority to issue revenue bonds as to a specifically identified group of mortgages?

It would seem that under the presently existing statutes AHFC does have the authority to issue limited purpose obligations in the form of revenue bonds as to a specifically identified group of mortgages.

Alaska Statute 18.56.110(f) provides that AHFC has the power to pledge to any payment or purpose all or any part of its revenues to which its right then exists or may thereafter come into existence. Under such provision AHFC could determine to pledge the revenues from a specifically identified group of mortgages as a source of payment of limited purpose obligations or "revenue bonds".

We have considered AS 18.56.110(b) which provides:

> The principal and interest on these bonds or notes, except state guaranteed bonds, is payable from corporation funds, excluding funds in the housing development fund. (emphasis added);

and AS 18.56.170 which provides:

> Obligations issued under the provisions of this chapter other than state guaranteed obligations do not constitute a debt, liability or obligation of the state or of any political subdivision of the state or a pledge of the faith and credit of the state or of a political subdivision but are payable solely from the revenue or assets of the corporation. (Emphasis added.)

It would seem that the provisions of AS 18.56.170 and 18.56.110(b) are provisions of liability limitation in the sense that they seek to limit the recourse of bondholders to AHFC funds, revenues, or assets as opposed to limiting the power of AHFC to issue limited purpose obligations which appears to be generally granted in the statute.

As a practical matter, we would recommend specific enabling legislation as to limited purpose obligations to remove any doubt as to the authority to issue such bonds and enhance the marketability of such bonds.

It appears that revenue bond funds are not subject to expropriation and are therefore an exception to the constitutional prohibition against dedicated funds.

3. Are there any legal constraints to establishing a new agency to implement only the original legislative intent programs of AHFC?

Focusing only on the transfer of "original legislative intent programs" presently administered by AHFC to a new agency, we find no constitutional impediments under either the United States or the Alaska Constitutions. By appropriate legislative enactment a new state agency could be created and the implementation and administration of the "original legislative intent programs" could be transferred to such agency. AHFC, being a state agency (see discussion under I.1 above), could not itself create such a new state agency and transfer to it the "original legislative intent programs". While a private corporation might create a subsidiary corporation and spin-off a division or branch into such a new corporate entity, such action is not within the power or authority of AHFC because while it is a public corporation it remains a state agency.

It would also seem that the governor would have the power by executive order to create a new state agency to implement the "original legislative intent programs" of AHFC. However, because AHFC was originally charged with the implementation and administration of such programs by legislative enactment, such changes would "require the force of law" and pursuant to article III, section 23, of the Alaska Constitution be subject to legislative approval. The case of Suber v. Alaska State Bond Committee, 414 P.2d 546 (Alaska 1966) would seem to so indicate.

The rights of bondholders must also be considered in regard to such restructuring. While legislative enactment would effect

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such restructuring, the transfer of program and assets from AHFC may be a technical breach of outstanding bond indentures. Consent of bondholders should be sought to avoid the potential of such a challenge and would seem likely obtainable in the context of an economically viable plan of restructuring.

4. Can the legislature by appropriate legislative enactment exempt AHFC from the provisions of the Executive Budget Act?

The legislature by appropriate legislative enactment may exempt AHFC from the provisions of the Executive Budget Act.

Legislative enactment has previously exempted at least one public corporation from the provisions of the Executive Budget Act (AS 37.07.10-37.07.130). The Alaska Railroad Corporation is a public corporation, an instrumentality of the state within the Department of Development. It is stated to have a legal existence independent and separate from the state (AS 42.40.010). In AS 42.40.920 the legislature has specifically exempted the Alaska Railroad Corporation from the provisions of the Executive Budget Act.

The legislature appears to have indicated past legislative intent that it could include or exempt AHFC from the application of the Executive Budget Act. The Executive Budget Act was enacted in 1970 (Ch. 188, § 4, SLA 1970). However, it was not until 1980 that the legislature enacted AS 18.56.089 specifically making the operating budget of AHFC subject to the Executive Budget Act for fiscal years beginning after June 30, 1981 (Ch. 106, § 20, SLA 1980).

5. (a) Can the legislature by appropriate legislative enactment terminate the AHFC taxable bond program?

The legislature may by appropriate legislative enactment terminate the AHFC taxable bond program. This program is generally established under AS 18.56.098(a). While AHFC has the authority to adopt regulations implementing the taxable bond program, it cannot unilaterally terminate the program without appropriate legislative enactment.

5. (b) Can the legislature by appropriate legislative enactment terminate the AHFC tax-exempt bond program?

The legislature may by appropriate legislative enactment terminate the tax-exempt bond program. The AHFC tax-exempt bond program is likewise referenced in AS 18.56.098 and it would likewise seem that AHFC is without the power to unilaterally terminate the program without appropriate legislative enactment.

5. (c) Can the legislature by appropriate legislative enactment terminate the tax-exempt veterans mortgage bond program?

The legislature may by appropriate legislative enactment terminate the tax-exempt veterans mortgage bond program.

We note that in 1982 article IX, section 8, of the Alaska Constitution was amended to permit the issuance of state debt (general obligations) authorized by law for housing loans for veterans. However, state statutes authorize and create the tax-exempt veterans mortgage bonds program (AS 18.56.098(g) and AS 18.56.101). Accordingly, the legislature by appropriate legislative enactment may terminate the tax-exempt veterans mortgage bond program. Since the program is referenced in the state statutes, it would seem AHFC unilaterally is without the power to terminate the program without appropriate legislative enactment.

6. Can specific AHFC programs be removed from AHFC and incorporated into a new entity?

Specific AHFC programs may be removed from AHFC and incorporated into a new entity by appropriate legislative enactment or executive order (see discussion under I.3. above). The governor is without power to transfer programs to a private entity and while the legislature may do so by proper legislative enactment, it must be for a valid public purpose (see discussion under IV. below).

Again, the rights of bondholders must be considered as to any such restructuring. (See discussion under I.3. above.)

It is relevant to note that in 1981 amendments changed CFAB's organic act. Ch. 109, §§ 2 and 3, SLA 1981. The legislature deleted from former AS 44.81.010(a) the language which stated:

The bank is a public corporation and government instrumentality in the Department of Commerce and Economic Development, but also has a legal existence independent of and separate from the state.

Also deleted by the 1981 amendments was the language that the exercise by the bank of its powers is considered "an essential governmental function of the state." The 1981 amendments also stated that CFAB employees were not state employees and that CFAB directors were not to be reimbursed as though they were members of state boards. CFAB is owned by its members. The state owns non-voting stock which CFAB is obligated to repurchase. AS 44.81.010, 44.81.220. Thus, although CFAB was created by the state, it will ultimately be privately owned. However, the exercise by the bank of the powers conferred to it continue to be considered to be for a public purpose.

7. <u>What legal constraints are there to modifying the public corporation status of AHFC so that it functions like a private corporation, but still is a state organization</u>?

Generally, the state may not transfer the assets of AHFC other than for a valid public purpose.

It would seem that, subject to the rights of bondholders (see discussion under I.3. above), by proper legislative enactment a private corporation could be created and all of the stock of the private corporation held by the State of Alaska as the sole shareholder of the corporation. The assets of AHFC could then be transferred to the private corporation. This would seem to be a change in form rather than substance in that the new so-called "private" corporation would, in effect, still be a public corporation and state agency because it would continue to serve a public purpose, the directors of the corporation would continue to be appointed by the State of Alaska, an annual report would be due the State of Alaska as the sole shareholder of the corporation, and substantial assets of the corporation would seem to remain dedicated to the purposes for which AHFC was established and those assets would serve as collateral for outstanding bonds.

Any transfer of outstanding shares to a third party would have to be for a valid public purpose and the modification itself seemingly would have to also be for a valid public purpose. (See discussion under IV.1. below.)

AHFC presently has no responsibility to operate on a self-sustaining basis or to yield a profit. It would appear somewhat

inconsistent with the purposes for which AHFC was organized and with the loan subsidy program. It would seem however, that the legislature could by proper legislative enactment, simply provide for an interest rate subsidy without unjust discrimination and otherwise require that AHFC seek to operate on a self-sustaining and profit-making basis.

II. TRANSFER OF ASSETS

1. Can the state legally expropriate funds from AHFC?

AHFC is a state agency (see discussion under I. 1. above) and is subject to the Executive Budget Act (AS 37.07.010-37.07.130). As such AHFC is subject to expropriation of its funds.

We have considered whether the holdings in DeArmond and Walker, supra, compel a conclusion that the state is without power to expropriate monies from the AHFC revolving loan fund (AS 18.56.82). We conclude that such cases do not so hold. In DeArmond, at 722, the court implicitly held that funds generated from the sale of bonds by the Alaska State Development Corporation (ASDC) were not public funds in the limited context of considering whether the issuance of bonds by ASDC constituted either a transfer of public funds in violation of article IX, section 6, of the Alaska Constitution or the use of public credit for other than a public purpose likewise in violation of such constitutional provision. The court held that the issuance of the bonds did not constitute the transfer of public funds stating that "it is clear enough that its (ASDC's) objective must be accomplished without the use of public funds and state credit." No statement is made by the court as to whether the proceeds of the ASDC bonds were either funds of the State of Alaska or were subject to expropriation. In DeArmond the court did not so state, but apparently was also considering article IX, section 8, of the Alaska Constitution. That is, whether the bonds of ASDC constituted debts of the state within the scope of such provision.

In Walker, the court again considered whether bonds issued by the Alaska State Mortgage Association were debts of the state within the scope of article IX, section 8, of the Alaska Constitution. The Walker court referred to DeArmond as concluding that funds realized through the sale of ASDC bonds did not constitute debts of the state and that the proceeds of the bonds were not public funds. Again, there is no ruling whether the funds were funds of the State of Alaska or whether the funds were subject to appropriation by the State of Alaska.

While the earlier cases of National Bridges v. Alaska Housing Authority, 375 P.2d 696 (Alaska 1962), Aircraft Leasing, Walker,

DeArmond, and Dixon, supra, were arguably not completely definitive as to the status of AHFC as a state agency, (which arguably, but not necessarily might suggest that the funds of AHFC were or were not subject to expropriation), the recent CFAB case when compared to the earlier referenced rulings, seems to clearly indicate AHFC is a state agency. Such status serves to further support the conclusion that the funds of AHFC are subject to expropriation by the State of Alaska.

AHFC has entered into covenants to replace from its general funds any deficiencies in pledged mortgage loan funds, that is to draw from the revolving loan fund to maintain collateral at a given level to secure outstanding bonds. However, such covenants on the part of AHFC cannot impede or frustrate the power of the legislature and governor to appropriate such funds even though the appropriation of such funds may result in a technical violation of the covenants by AHFC if it is not otherwise able to maintain such levels of collateral.

Such conclusion is required by article IX, section 8, of the Alaska Constitution as well as other provisions of the Alaska Constitution.

The power to appropriate is vested in the governor and the legislature under article IX, section 12, of the Alaska Constitution. Section 13 of article IX would be violated if the provisions of AHFC covenants as to the potential use of the revolving loan fund are held to be paramount over the power of the governor and the legislature to appropriate. Section 13 provides that no obligation for the payment of money shall be incurred except as authorized by law.

Article IX, section 7, of the Alaska Constitution should also be considered in determining whether the legislature has the power to expropriate from the AHFC revolving loan fund. To hold that the legislature did not have such power and that the bond covenants of AHFC are paramount would in effect permit AHFC to dedicate funds in violation of such section to at least the extent that the source of the funds could be initially traced to state appropriations.

MK Engineering Co. v. Alaska Power Authority, 662 F.Supp. 303 (D. Alaska 1986), would also suggest the revolving loan fund was subject to expropriation by the state and that a contrary result would violate article IX, section 7, of the Alaska Constitution.

While our view is as set forth above, it is simply our view as legal technicians. We would recommend that appropriate consideration be given to the foreseeable impact or reaction in the

market place to any expropriation of the AHFC funds and that in connection with any such expropriation, consideration also be given to adopting specific enabling legislation which might provide appropriate assurances to bondholders and protect the future marketability of AHFC obligations.

2. Does AHFC have any legal responsibility to provide a return on capital to the state?

AHFC has no legal responsibility to provide a return on capital to the State of Alaska. AHFC is charged with the public purpose of assisting in the provision of housing in certain areas and circumstances and is not required to operate on a self-sustaining basis. AHFC may not waste its assets, but must apply them to the purposes for which it was created.

3. Can the legislature direct AHFC to purchase specific assets?

The legislature may direct AHFC to purchase specific assets so long as there is a valid public purpose served by the purchase of such assets.

4. (a) Will an extraction of any, but not substantially all, unrestricted or unpledged assets from AHFC by the state give rise to a valid claim by bondholders against the state?

Bondholders would not have a valid claim against the state by virtue of an extraction by the state in the exercise of its powers of appropriation of any unrestricted assets from AHFC.

It is our understanding the only state guaranteed bonds which have been issued by AHFC are qualified veterans mortgage bonds which were authorized by constitutional amendment in 1982. With that exception, the bonds issued by AHFC are payable solely from the revenue or assets of AHFC and neither the faith and credit nor the taxing power of the state is pledged to the payment of such bonds (AS 18.56.170).

Some of the indenture covenants and related documents of obligation and security may well require AHFC to maintain given levels of certain unpledged assets. Accordingly, while bondholders may have a valid claim against AHFC due to such extraction, depending upon the specific language of the various trust indenture

covenants, bondholders would not have a claim for such breach of covenant against the state.

4. (b) Will an extraction of any, but not substantially all, restricted or pledged assets from AHFC by the state give rise to a valid claim by bondholders against the state?

Bondholders would not have a valid claim against the State of Alaska by virtue of the extraction of a pledged asset from AHFC by the State of Alaska.

The analysis under II.4.(a) above applies. The state has the power to appropriate the funds and assets of AHFC despite the fact that the assets may have been specifically pledged by AHFC. The extraction of a pledged asset by the state from AHFC would give rise to a valid claim against AHFC by bondholders to whom the asset had been pledged. It would seem, however, that this claim can be satisfied only to the extent of the unrestricted assets of AHFC and does not constitute a valid claim against the state. This is not to suggest that such an extraction would necessarily be a prudent endeavor or without significant negative impact on the future sale of bonds by the state, its political subdivisions or AHFC.

4. (c) Will an extraction of substantially all the assets from AHFC by the state give rise to a valid claim by bondholders against the state?

The extraction of all or substantially all the pledged and unpledged assets of AHFC away from AHFC by the State of Alaska would give rise to substantial claims by bondholders against the State of Alaska which would likely be upheld.

The AHFC bonding statute specifically provides that the credit of the state is not pledged as to AHFC bonds except as to state guaranteed bonds which presently would only include the VA bonds described above (AS 18.56.170). However, the financial statements of AHFC indicate that a substantial portion of its assets have been pledged as collateral for issuance of outstanding bonds. Further, stringent covenants have been undertaken by AHFC as to the maintenance of certain asset levels. It would likely be held that there have been at least implicit, if not express, continuing promises, representations, covenants, contracts, and undertakings by the State of Alaska that the bulk of the assets of AHFC would remain available for recourse by bondholders and that bondholdershave relied on same to their detriment. Thus, in the context of an extraction of all or substantially all of the assets of AHFC by the State of Alaska, it would seem that bondholders

would prevail in their claims against the state at least to the extent of the assets extracted.

5. Are there any legal grounds for AHFC to compel the state to appropriate or transfer funds to AHFC?

There are no legal grounds for AHFC to compel the state to appropriate or transfer funds to AHFC. AHFC is a state agency (see discussion under I.1. above). It is not a branch of government such as the judiciary which might in appropriate circumstances compel the appropriation to it of funds.

6. If AHFC, pursuant to legislative enactment, purchases loans from the HAD program, is the application of payments of principal and interest received on such loans restricted to making future HAD loans?

AHFC could not unilaterally apply payment of principal and interest on Housing Assistance Loan Fund (HAD) loans to other than the purposes set forth in AS 18.56.210(10). Such purposes are to make further HAD loans in accordance with HAD loan criteria as they existed on June 10, 1988.

The legislature and governor could appropriate such payments of principal and income to other purposes. Further legislative enactment could remove the restriction on AHFC to make such applications of payments of principal and interest on HAD loans.

III. SUBSIDY

1. If the interest reduction subsidy is legislatively eliminated as of June 30, 1990, can the proceeds of bonds sold prior to this date be used to finance loans under the new legislation?

The proceeds of bonds issued prior to June 30, 1990 may by appropriate legislative enactment be directed to be applied to finance loans under the new legislation. Such application, however, may be a technical breach of outstanding bond indentures. Consent of bondholders should be sought to avoid such a challenge and would seem likely obtainable as the elimination of the subsidy would appear to further enhance the economic viability of AHFC and the bond programs involved.

2. Can AHFC change the eligibility requirements for loans made from bond proceeds, if the bonds are already sold?

Whether AHFC can subsequently change the eligibility requirements for loans made from bond proceeds would depend on the bond covenants set forth within each particular indenture. Changing an eligibility requirement subsequent to the sale of a particular issue of bonds may be a technical breach of the particular bond indenture. Consent of bondholders should be sought and again would seem likely obtainable if the eligibility requirements were made more financially stringent.

3. Are there legal constraints to discontinuing or diminishing the interest rate subsidy by appropriate legislative enactment?

It is unlikely any successful constitutional challenge could be made to legislation prospectively discontinuing or diminishing the interest rate subsidy on new loans. Such legislation could possibly result in a constitutional challenge being brought on the basis that such legislation violated either the equal protection or due process clauses of the United States and Alaska Constitutions.

Equal Protection.

The guarantee of equality of treatment prohibits legislation which denies to one group of persons the enjoyment of certain rights which are afforded to another group, if when considering the purpose of the legislation, there is no reasonable basis for the disparity. Leege v. Martin, 379 P.2d 447, 452 (Alaska 1963).

It does not appear that changing the interest rate subsidy would result in any classification of persons into separate groups.

Equal protection claims under the Alaska Constitution are measured by a different test than equal protection claims under the United States Constitution. State v. Erickson, 574 P.2d 1 (Alaska 1978). In the course of our research we have examined possible equal protection claims under both the United States and Alaska Constitutions. However, as it is our view that discontinuing or diminishing the interest rate subsidy will not result in a classification of persons, we are not in this opinion providing further analysis of equal protection rulings.

Due Process.

Procedural due process (notice and an opportunity to be heard) may be due to individuals who have loan applications pending with AHFC at the time of the effective date of any legislation discontinuing or diminishing the interest rate subsidy. This issue can be avoided by making the new legislation applicable only to loan applications received after a given date.

Assuming the issue is not avoided, in order for procedural due process protection to apply, there must be state action and the deprivation of an individual interest of sufficient importance to warrant constitutional protection. Nichols v. Eckert, 504 P.2d 1359, 1362 (Alaska 1973). It is highly questionable whether the interest of one who has a loan application pending is sufficient to require procedural due process.

A property interest invokes due process safeguards whereas a "mere expectancy" has been held not entitled to due process protection. Estate of Miner v. Commercial Fisheries Entry Commission, 635 P.2d 827, 829-30 (Alaska 1981).

In Estate of Miner, the Alaska Supreme Court determined the applicant's interest under the scheme of the Limited Entry Act (AS 16.43.010-16.43.990) represented a property interest entitled to due process protection. In so holding the court clearly stated that not every application for a state benefit represents a property interest entitled to due process protection. Id. at 831.

In State, Department of Natural Resources v. Universal Education Society, 583 P.2d 806, 809 (Alaska 1978), the Alaska Supreme Court determined that an application for a mining lease was not a property interest entitled to due process safeguards.

Seemingly, a loan application would be more accurately characterized as a "mere expectancy" as opposed to a vested property right and a loan applicant would not therefore be entitled to due process safeguards with respect to a loan application.

Procedural due process requires notice and an opportunity to be heard. Notice must be reasonably calculated under all circumstances to apprise the individual of the pendency of the deprivation and to afford an opportunity to present objections. Aguchak v. Montgomery Ward Co., 520 P.2d 1352, 1356 (Alaska 1974).

In determining what procedural due process, if any, should be afforded concerning change in the interest rate subsidy, considerations should include legislative notice and hearings as

to the legislation changing the subsidy, whether, and to what extent, AHFC has in the past undertaken to inform the public of the statute and its requirements and past changes in interest rate subsidies.

4. What legally needs to be done to implement a change in the interest rate subsidy?

The interest rate subsidy change would need to be implemented by appropriate enactment by the legislature.

5. Is AHFC an unlawful monopoly in restraint of trade because of its market position?

AHFC is an agency of the State of Alaska. (See discussion under I.1.) Accordingly, its acts and conduct must be viewed as acts of the State of Alaska. The Sherman Antitrust Act was not intended to restrain a state or its officers from activities directed by the state legislature. See Parker v. Brown, 317 U.S. 341, 63 S.Ct. 307, 87 L.Ed 315 (1943). The acts of AHFC in purchasing home mortgages and in assisting in the provision of housing for residents of the State of Alaska is an act of government and accordingly the market position resulting from such acts is not an unlawful monopoly in restraint of trade.

IV. CHANGE OF OWNERSHIP

1. Are there any legal constraints to:

(a) AHFC issuing and selling common stock in AHFC, thereby transferring 100% of ownership and control of AHFC to a private party?

(b) AHFC selling all assets?

(c) AHFC selling its REO disposition operation to a private party?

If there is no valid public purpose served in selling AHFC in its entirety or selling all of the assets of AHFC, then such transfer could be subject to constitutional challenge on the basis that it violates the Alaska constitutional prohibition against transferring public property.

A constitutional challenge might be brought against legislation transferring AHFC to the private sector through either

a direct transfer of assets or through a spinoff of AHFC to a third party as a private corporation. Such action arguably constitutes a transfer of public property in violation of article IX, section 6, of the Alaska Constitution. This provision of the Alaska Constitution prohibits transferring public property except for a public purpose.

The Alaska Supreme Court has stated that the term "public purpose" is a concept which will change as changing conditions create changing public needs. DeArmond v. Alaska State Development Corporation, 376 P.2d 717, 721 (Alaska 1962). Whether a public purpose is being served must be decided in the light of the particular facts and circumstances of each case. Id. Most courts look to the entire factual and governmental context to determine whether a plan of action serves a public purpose. The Alaska Supreme Court generally defers to the legislature's judgment as to what constitutes a public purpose. Comtec, Inc. v. Municipality of Anchorage, 710 P.2d 1004, 1005 (Alaska 1985). The Alaska Supreme Court has stated it is not likely to strike down a plan because it does not serve a public purpose unless the plan is plainly foolhardy, or if it amounted to the pledging of credit or the giving away of assets without any corresponding discernible benefit. Wright v. City of Palmer, 468 P.2d 326, 331 (Alaska 1970). In Lien v. City of Ketchikan, 383 P.2d 721 (Alaska 1963), the Alaska Supreme Court determined that the purpose of a hospital did not become non-public simply because the city leased it to a private organization. The court found that the use of the public hospital would not be changed by the lease and the public purpose would therefore continue to be served.

In the present situation, there is arguably a public purpose served in selling any AHFC assets which are causing either a negative cash flow to AHFC and/or an undue financial burden on AHFC. It would seem a public purpose may be served in selling the REO disposition operation in order to allow AHFC to eliminate the financial burden of holding and maintaining the REOs.

Under outstanding bond indentures the REOs will be found to be collateral for outstanding bonds. Accordingly, consent of bondholders should be sought as to AHFC selling the REO disposition.

A sale of the REO disposition operation might be structured in terms of either substitution of collateral for outstanding bonds or transfer of REOs to a third party for administration and servicing with the collateral rights of the bondholders in the REOs continuing. In either of such forms the transfer may further

enhance the economic viability of AHFC thus suggesting the consent of bondholders may be obtainable.

If, however, a sale of the REO disposition together with a change in the interest subsidy allowed AHFC to operate profitably, then a sale of AHFC to the private sector could be considered to be in violation of article IX, section 6, on the basis that there is no valid public purpose served in selling a profitable public asset.

Affordable housing being available to lower income citizens of the state is a legislative objective of AHFC. There is a question of whether this public purpose of AHFC would continue to be served if AHFC was privately owned. Relief and support of the poor has been recognized as an obligation and a public purpose of the government. Suber, supra, at 552. Seemingly there would be no obligation by a private entity to maintain such a public purpose unless terms and conditions of a transfer were imposed which required the private owner to continue the public purpose objectives of AHFC. Such terms and conditions would seem to significantly impact the value of the assets thus transferred from AHFC.

1. Are there any legal constraints to:

   (d) AHFC selling loans within a bond program, i.e., where loans have been pledged as collateral, or

   (e) AHFC selling a loan not used as collateral for a specific loan program?

A sample review of outstanding bond indentures indicates loans within a bond program have been pledged as collateral for payment of the outstanding bonds. Accordingly, such loans may not be sold without a violation of the indenture covenants. To avoid a breach of the covenants the consent of the bondholders for which the loan is collateral should be obtained.

The state has the power to sell such a loan, subject to constitutional issues as to the public purpose (see discussion under IV.1.(a), (b) and (c) above) but the sale may constitute a breach of the related indenture covenants.

If a loan has not been used as collateral, the legal constraints as to its sale are the issues of the transfer of public property only for a public purpose (see discussion under IV.1.(a), (b) and (c) above) and the possible violation of indenture

STATE OF ALASKA
LEGISLATURE

HOUSING FINANCE
TASK FORCE

Response to Ernst & Young Report:
Evaluation of Policy Options Concerning the Future of the Alaska Housing Finance Corporation

February 1, 1990

ALASKA HOUSING FINANCE CORPORATION

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

February 1, 1990

Representative C. E. Swackhammer
Chair, Housing Finance Task Force
Room 521, Capitol
P.O. Box V
Juneau, Alaska 99811

Dear Representative Swackhammer:

The Alaska Housing Finance Corporation respectfully submits to you our Response to Ernst & Young's Draft Final Report which analyzes AHFC's programs and future role.

Overall, we are impressed with the report. Ernst & Young did an excellent job of distilling historical information regarding AHFC and its programs with current housing economics to come up with credible options for AHFC's future role. The quality of their product is particularly pleasing given their diligent adherence to the original timing schedule.

Of particular appreciation was Ernst & Young's observations that certain operational restrictions imposed on AHFC need to be removed or relaxed if the Corporation's existing resources are to be effectively managed. These limitations were put in place during periods when substantial legislative appropriations and program mandates were bestowed on AHFC. They are now unnecessary and serve to prevent the Corporation from mitigating its losses, implementing programs, and taking advantage of revenue enhancement opportunities.

In the course of our review we noted certain minor inaccuracies which should be corrected in the final report. The most obvious of these concern the recommendations for establishment of investment policies and internal audit functions. These suggestions had appeared in previous operational reviews and were implemented last year.

We look forward to continuing the process of developing a direction for AHFC's future role and are available at your convenience to discuss our accompanying comments.

Sincerely,

Thomas C. Behan
Chief Executive Officer/
Executive Director

cc: Dr. James A. Gibson, Project Director
Ernst & Young
Housing Task Force Members
Legislators
AHFC Board Members

Alaska Housing Finance Corporation

Response to Ernst & Young
Draft Final Report

AHFC's Financial Position and Availability of Funds
Page ES-2 and ES-3

The Report states that "extraction of Corporation assets, in any form, may have a serious impact on Corporate financial health". The Report continues that "if funds were withdrawn, the State could conceivably run the risk of being held responsible for any resultant future losses in the bond programs". Based upon the financial analysis performed by Ernst & Young "after deducting from the $519 million equity balance those assets considered non-liquid, and adjusting for current borrowing arrangements, we estimated AHFC had only $10 million in unrestricted net liquid assets as of June 30, 1989. Virtually all of AHFC's $519 million equity balance is thus restricted".

E&Y further comments that "currently, the Corporation is experiencing liquidity problems as reflected in the most recent year's net loss of income".

The Corporation concurs that its ability to continue to access capital markets for continuation of its various programs could be seriously jeopardized were any of its assets removed. We also believe that insensitivity to the separate legal status of AHFC in the handling of its assets could expose the State to the risk that, in the unlikely event that AHFC were to default on its debt, the State could be held liable for the deficiency.

AHFC financial staff has initiated a detailed analysis of projected activity. This update will assist in determining the reasonableness of the results obtained by Ernst & Young. Initial reviews of the E&Y report raised concerns that the forecasting model developed was too simplistic. Mortgage loan demand, prevailing interest rates as they apply both to the assets of the Corporation and debt that it issues, capital needs for loan subsidization and credit enhancement, and federal laws dealing with the ability to issue tax-exempt debt are difficult to project on their own. An accurate forecasting model, however, must take into consideration the dynamics of each of these major assumptions and the possible effects on the various other components.

The Corporation is <u>not</u> experiencing liquidity problems. The loss posted last year of $124 million was attributable to adjustments to the carrying values of REO's and increases in the reserve for potential loan losses on its existing portfolio of mortgage loans. The report comment is misleading and just not true.

<u>Policy Option to Change AHFC Subsidy</u>
Pages ES-3 through ES-5

The Report comments that the "subsidy program is presently not desirable because it presents a major drain on increasingly scarce AHFC assets and it prevents the re-entry of outside capital into the Alaska market". The report further states that "a unique window of opportunity exists now to eliminate the subsidy because AHFC's cost of funds is generally below the ten percent threshold rates (although

some slight subsidy is in effect for the taxable program), demand for mortgages is low as compared to the last couple of years, the price of housing appears to be at or near the bottom, and market interest rates are expected to remain stable in the short-term." Recognizing that the window may not always be open, E&Y recommends that, as a "backstop", consideration be given to a more gradual reduction in the subsidy.

The Report states that "only in a worst case scenario (interest rates increasing during the transition period) would any negative effects likely occur" to the housing market from adjustments to the subsidized interest rates. The Report warns that with only $10 million in available unrestricted net liquid assets, the Corporation cannot continue its subsidized taxable program without causing a default under financing agreements and jeopardizing AHFC's short-term borrowing arrangements for working capital. Eliminating the subsidy will have a net effect over a five period of from $43 to $91 million, according to the report.

The Corporation agrees that reductions in the amount of borrower assistance provided through subsidized interest rates is necessary to protect AHFC's future viability. We also agree that interest rates and housing values are at levels which minimize the impact of withdrawing subsidy benefits. Several considerations, however, require a cautious approach to changes in this area.

AHFC is the largest holder of institutionally owned residential real estate in Alaska. In Anchorage, the Corporation maintains from one-half to two-thirds of the available inventory of units at any given point in time.

After considering expected sales prices and holding costs for both its existing inventory and anticipated additions, the Corporation posted a loss for its last fiscal year in excess of $124 million. Changes which could affect the marketing periods or ultimate sales prices of these units must be approached with care. Cut-backs in or phase outs of existing AHFC programs can affect market psychology. While a detailed economic review of the proposed changes may indicate that there should not be any effect on the value of the existing housing stock, if the public views the change as introducing a risk in the buying decision which had previously not existed, the result could be fewer buyers.

Additionally, care must be taken for any changes not to be perceived by other secondary mortgage market participants as a response to perceived additional risk in originating new loan product. With private mortgage insurance (PMI) currently being written by only one mortgage insuror, were the wrong signals received, the conventional mortgage market could disappear entirely.

It is difficult from the Report to analyze the projected savings attributable to eliminating the subsidy. Several different numbers appear throughout the report, and sufficient detail is lacking to determine the actual changes which were made to the forecasting model. Rather than verifying the assumptions and calculations intrinsic to the report, as mentioned above, AHFC will be preparing a separate financial analysis detailing expected activity and resultant net liquid asset balances.

Policy Option to Return AHFC to Original Legislative Intent
Pages ES-6 and ES-7

The Report projects an increase in AHFC's net unrestricted assets over the next five years as a result of eliminating the taxable program of $45 million. A phase-out should be done "over an extended period of time". The E&Y Report suggests that a careful phase-out "will avoid market disruption because if any disruption does become evident, mechanisms will then be in place to slow the phase-out and stabilize the situation". The Report recommends the taxable program be eliminated because it "competes directly with private sector sources of financing" and that "in the absence of the subsidy, adds no unique value... over and above the private sector". E&Y does, however, recommend that the program remain intact and "accessible to AHFC, but only on an "as needed" basis".

Removal of the subsidy mechanism from the taxable program will likely result in the elimination of the program. It is difficult for AHFC to compete with other secondary mortgage market sources for quality loans. The national mortgage markets are large with economies of scale such that from an interest rate standpoint, were the subsidy eliminated, AHFC would no longer issue bonds to fund the taxable program.

Policy Option to Change Ownership of AHFC
Page ES-7

The E&Y Report concludes that the sale of AHFC assets to a third party in an effort to "privatize the Corporation" was not feasible. Their stated reasons were that (i) there is little or no interest in the purchase, (ii) the price paid

could be far below the State's investment in AHFC, and (iii) legal problems may exist with respect to the State constitution and various bond covenants. The Report recommends that consideration be given to "contracting out the REO disposition process" as a potential cost-savings option. Flexibility in procurement practices and adjustments to the level of staffing were cited as primary benefits to shifting these responsibilities to a private sector entity.

Currently the foreclosed properties are owned by AHFC. In most cases, the units are still pledged to outstanding bond issues. AHFC attempted to leave the responsibility for protecting these assets with those it had contractual relationships with. Unfortunately, as circumstances changed, most of these private sector institutions ceased providing the level of services necessary to protect the Corporation's properties and rights under various mortgage loan insurance and guaranty agreements. The ultimate responsibility for the care and sale of foreclosed properties lies with AHFC. The responsibility cannot be contracted out.

Under the current procurement and contracting systems, the Corporation incurs substantial risk by moving responsibilities to third parties. The primary reason for this is the lack of direct control which exists when the process does not permit timely corrective action to be taken when circumstances warrant. AHFC's experience with expansion of its property marketing efforts is an excellent example of this. Over two years ago, the need to increase the number of brokers managing and marketing AHFC properties was identified. A determination was made that changes to

existing relationships and additions of new property brokers would need to follow the procedures specified in the procurement code. It is only now that we are finally at the stage of reviewing proposals and making awards in certain areas of the state. With a little luck and a lot of work, we should be able to increase the number of brokers to the levels warranted within the next two months.

While we may be able to be contracted out some of the work, AHFC would still have to monitor the status of the properties and provide guidance to the contractor. As a result, shifting functions to an outside contractor would add another level of bureaucracy into the maze of entities which must review and approve property improvement requests and sales offers. Between AHFC's cost of monitoring and administering the contracts and the profit required by the contractor (absent in AHFC's direct administration) it is unlikely there would be savings potential. It is almost certain, however, to increase the loss exposure of the Corporation, regardless of how carefully the system may be structured.

<u>Conceptualization of an Idealized AHFC</u>
Page ES-8

The E&Y report recommends consideration be given to "a new formal mandate for AHFC in order to redefine its role in the years ahead". This new mandate would focus AHFC on the role of assisting low- and moderate-income borrowers primarily through the use of tax-exempt revenue bonds. Additionally, AHFC would be made more independent to promote efficiency of operations and market responsiveness.

The Corporation believes minimal changes would be necessary to achieve the benefits outlined by E&Y in their discussion of the "Ideal AHFC". As mentioned already, a significant reduction in the amount of subsidy assistance provided will likely remove taxable loans from the menu available to potential borrowers. Modest Statute changes related to the procurement code and Executive Budget Act would enhance AHFC's efforts to once again become profitable. In a profit-making mode, a system of partial dedication of income becomes a real possibility. Expansion of the AHFC Board of Directors to include more private sector participation could enhance oversight which is focused more on revenue enhancement and cost minimization.

The recommendation that the Corporation focus on meeting low-to-moderate income borrower residential needs through the use of tax-exempt mortgage revenue bonds must be considered with the understanding that AHFC's ability to support this type of program is severely limited by federal tax laws. The eligibility criteria for the "First Time Homebuyer" program have, over the last several years, been significantly tightened by Congress. Under current legislation, this program dies entirely on September 30, 1990 unless a further extension is granted. As well, with respect to the tax-exempt financed Veteran's Program, the criteria for eligible veterans results in the available pool of veterans automatically declining each year.

OPERATIONAL CONCERNS

Management and Personnel Recommendations

A.1. Evaluate the Size and Composition of the AHFC Board of Directors. E&Y recommends in the Report that the Board size and composition be reviewed for effectiveness.

The Corporation agrees that consideration should be given to the degree to which the existing Board structure facilitates providing direction and guidance to the AHFC staff. A structure and composition more traditional to a private sector company may be appropriate, with members able to provide more timely consideration of, and become more directly involved in, the strategic planning process and major policy issues affecting the Corporation.

A.2. Conduct a Staffing and Organizational Effectiveness Review. The Report notes that AHFC staff has experienced significant growth in recent years. A study of (1) current and future personnel requirements, (2) salaries as compared to private industry, (3) sufficiency of staffing levels, (4) management structure and (5) effectiveness in fulfilling various components of its legislative mandate is suggested as possibly facilitating orderly development of qualified staff and assisting in evaluating AHFC's performance. Additionally, a program to recruit and retain qualified personnel is suggested for implementation.

The growth in staff and scope of activities undertaken has presented AHFC with many challenges. The need for yet another staffing study is questionable. Rather, more confidence must be given in the AHFC Board and senior

management's abilities to establish goals and monitor performance. The focus should first be on determining the validity of AHFC's mission. This must be embodied in the Corporation's enabling legislation and clearly identifiable. The Corporation itself should then be given the opportunity to pursue the stated mission and provide the reporting mechanisms necessary to evaluate its effectiveness.

A.3. Obtain Authorization and Fill Legal Counsel Position at AHFC. The E&Y Report notes that AHFC's legal affairs are currently handled by the Attorney General's Office. Substantial changes in assigned personnel and significant delays in responses to AHFC requests are cited as indications that the legal needs of AHFC are not being met.

The enhanced control over legal services provided by establishment of a legal counsel position within AHFC would facilitate timely consideration of legal issues. Delays in responses to requests for legal review can result in lost opportunities to reduce costs, implement new programs, or enhance revenues. Statutory changes permitting the Corporation to obtain legal counsel from, and be represented in litigation by, in-house legal staff and/or private sector firms would have a positive affect on the timeliness of legal services.

Changes to the Corporation's enabling legislation removing the AG from designation as AHFC's legal counsel, however, should be made only if adequate budgetary and operational flexibility exists to make staffing adjustments or contract for additional professional services. The AG's office, under the State Procurement Code, maintains substantial discretion

in the procurement of professional services. This same degree of latitude would need to exist within AHFC to assure that adequate resources could be obtained.

A.4. Obtain Authorization to Fill Internal Auditor Position at AHFC. The Corporation hired Pat Salvucci as Internal Auditor on October 30, 1989.

Internal Improvement Recommendations

B.1. Establish a Formal Financial Forecasting System. The Report indicates a need for AHFC to enhance its forecasting techniques to determine working capital and short-term financing needs and to evaluate results of specific loan programs.

The financial management area of AHFC has experienced the same growth phenomenon as other areas of the organization. Existing staff is still operating on many of the "must do" operational activities. Sophisticated, detailed, computerized forecasting systems are in place at AHFC and existing staff has been trained in their use. The detailed review noted in the report is done at least annually for each of the individual bond and loan programs, as generally required under the terms of the related trust indentures.

As well, a comprehensive model for projecting changes to the various working capital and unrestricted asset components over a five year horizon exists and was discussed extensively between staff and members of the E&Y study team. Updating of the forecasting model, however, is currently

sporadic and the existence of additional opportunities in this area is acknowledged.

B.2. Evaluate Adequacy of Existing Management Information System. The E&Y report recommends "a review be conducted of the effectiveness of the existing management information systems and that an upgrading of DP systems and procedures be considered".

The Corporation concurs that its existing information systems should be reviewed. The Corporation is highly dependent upon its electronic information systems. As well, strategic opportunities abound in this area. Previous emphasis has been on keeping systems running. During the period when emphasis of information systems ("IS") departments was shifting to decision support systems, executive support systems, and artificial intelligence, AHFC was trying to accommodate the changes necessary to track REO's and insurance claims.

Recent authorization for staff increases has facilitated an assemblage of talented, competent, IS professionals capable of developing systems to accommodate the needs of management as well as handle the substantial volume of transactions necessary to be processed. Certain enhancements to the management information systems are currently in process.

Recognizing the importance of information systems and related technologies to the Corporation, a program has been initiated to broaden the involvement of both mid- and senior-level management in the process of establishing goals and objectives in this area as well as participating in the establishment of development priorities. This program has

been well received and participants have become more familiar with existing systems and potential for enhancements.

B.3. Improve Cash Management Function. The Report suggests AHFC evaluate the cash management function and implement those changes identified as beneficial.

The cash management function is performed primarily by one individual. The substantial investment activity, and resultant clerical tasks, has resulted in this position becoming mired in transactional paperwork processing. Inadequate time currently exists for this individual to provide active asset management to the degree warranted and desired. An in-house review of available staffing resources to provide administrative relief in this critical area is currently in process.

Opportunities for revenue enhancement in this area exist, have been identified as strategic to the Corporation, and are being pursued by staff. However, due to the magnitude of the dollars involved, an outside review combined with a re-allocation of staff resources may be appropriate.

B.4. Define Formal Investment Criteria. The AHFC Board has adopted formal investment policies, an investment policy committee has been formed, and investment policies put in place. These were accomplished during the 1989 calendar year.

Programmatic Recommendations

C.1. Re-evaluate Loan Loss Reserves and Exposure to Insurance Losses. The Report suggests a review of the Corporation's loan loss reserves would be beneficial.

Each time the Corporation prepares financial statements (currently no less frequently than quarterly) a review of the adequacy of the loan loss reserves and appropriateness of the carrying values in insurance receivables is performed. The statement in the E&Y report that this review is performed only annually is incorrect.

C.2. Review REO Pricing and Disposition Policies. The E&Y report suggests the Corporation review the three components of its REO policies: pricing, marketing and financing.

It is managements intent to review these policies periodically. In fact, a review is currently in process with participation of two of the Corporation's five Board members.

C.3. Evaluate Costs of Maintaining Bond Ratings. The Report recommends the Corporation weigh the costs of achieving excellent credit ratings with the anticipated benefits.

This analysis is performed each time the Corporation issues debt. The review process involves senior financial staff with the assistance of the bond underwriter and the

Corporation's financial advisor. Given the interest expressed, staff can formalize the analysis process.

C.4. Implement a Mortgage Insurance Program. The E&Y Report suggests AHFC evaluate the benefits of a self-insured mortgage program and implement one if deemed appropriate.

The Corporation is extremely concerned about the availability of private mortgage insurance in Alaska. On several occasions, attempts to solicit interest of mortgage insurors in writing policies in the State have been attempted. The discussions have included the possibility of risk sharing, establishing an insurance subsidiary, and even purchasing an existing PMI company.

The Corporation provided its own insurance on the Rental Mortgage Program. An insurance fund was established, policy executed, and system for premium collections created. This type of an arrangement provides some of the benefits of mortgage insurance. For the insurance to be recognized by other secondary mortgage market participants, however, the Corporation would need to establish a full-fledged mortgage subsidiary.

The mortgage subsidiary would need to be approved by FNMA and FHLMC and receive ratings from Moodys Investor Services and Standard & Poors. As well, the subsidiary would need to be established under the provisions of the Alaska insurance laws and would need to demonstrate sufficient independence from the Corporation. The establishment of an insurance subsidiary would, therefore, have significant impact on the Corporation's budget. Operation of an insurance subsidiary

subject to the existing provisions of the Executive Budget Act and procurement code would be imprudent. For the subsidiary to be soundly managed, it must be able to act timely and responsibly to circumstances as they arise.

Legislative Recommendation

D.1. Exempt AHFC from the Executive Budget Act. The Report recommends that the Legislature consider removing AHFC from the requirements of the Executive Budget Act.

Until 1980, the Corporation was not subject to the Executive Budget Act. The Corporation concurs with the Report in its statement that "exemption would allow AHFC to respond more quickly to its staffing needs, and operate more effectively as a result". Inclusion in the Executive Budget Act facilitates a "use it or loose it" , "if you're not sure, ask for it" attitude which is contrary to the direction senior management would like to see AHFC headed. Efforts to return AHFC to a profitable institution will be frustrated by continued subjection to the Executive Budget Act and valuable opportunities will be missed.

In governmental accounting terminology, AHFC is an "enterprise fund" of the State of Alaska. Designation as an enterprise fund is appropriate where the operations of the governmental entity are expected to be supported primarily by those to whom services (mortgage loans) are to be provided. In most cases, it is recognized that an enterprise must adopt a "business budget" approach as opposed to the strict dollar limit caps imposed by legislatively mandated expenditure limitations. The

business budget takes a variety of factors into consideration and is required to be approved by the governmental agency's board or commission.

Other Observations of AHFC Regarding the Report

Incorporated Legal Analysis

The Corporation shares the concerns expressed by Eric Wohlforth of Wohlforth, Argetsinger, Johnson & Brecht, AHFC's bond counsel. In his letter of January 19, 1989 to Representative C. E. Swackhammer, Mr. Wohlforth notes some of the major areas in which the opinions and conclusions reached differ from those under which the Corporation and its substantial financing transactions have been based. We are concerned that certain of the legal analysis performed was not given the analysis and consideration comensurate with the significance of the findings. We feel that, as a consequence of inadequate time for a complete review, certain of the analysis is incomplete and that resultant opinions are quite possibly erroneous.

Many of the questions posed to the firm of Delaney, Wiles, Hayes, Reitman & Brubaker, Inc. were complex financial matters which could have a substantial financial impact on AHFC. We are concerned that due consideration may not have been given to some of these critical questions. We noted, however, that many of the conclusions and opinions of the Delaney firm were ignored in the body of the report. Should Ernst & Young share our concerns regarding the correctness of the results, either the body of the report should include

a form of disclaimer or a more extensive and thorough analysis should be performed. If further analysis is to be done, the efforts should be better coordinated with the Corporation's bond counsel and the Attorney General's office.

SCOMM

60:6

MEMORANDUM

State of Alaska
Office of the Governor
Division of Policy

TO: Tony Smith, Chairman
Board of Directors
Alaska Housing Finance Corporation

DATE: July 12, 1988

FROM: Mary Halloran
Director

PHONE: 465-3568

SUBJECT: AHFC Privatization Study

FILE NO:

At the July 5th meeting regarding privatization of AHFC held by the Governor's working group, it was agreed that my office would prepare an outline of issues and options to be considered in the study of privatization of AHFC. The following outline represents our understanding of the objectives expressed at the July 5th meeting and the goals for the study.

I. Review of policy objectives and public needs which the corporation was established and expanded to meet.

   A. Has AHFC met these objectives and needs?

   B. Is there still a need for State involvement to accomplish these objectives? (See market changes cited in Commissioner Malone's memo of 6/20).

   C. Are there new public needs which require the continued existence of AHFC as either a public or private entity?

   D. What problems have been created or aggravated by AHFC's dominance of the housing market?

   E. What problems have been caused by AHFC's current organizational structure and relationship with the State?

II. Analysis of objectives, potential benefits and potential disadvantages of privatizing or restructuring AHFC.

   A. Greater efficiency of operation.

B. Enhancement of stability in housing markets by reducing uncertainties of State control of assets.

C. More efficient allocation of resources as a result of market-based decisions.

D. Faster actions and reactions to changes in markets.

E. Reduce State debt exposure.

F. Allow State officials to focus their efforts on more essential government functions.

G. Liquidate State equity in the corporations, making funds available for government expenditures and savings.

H. Provide an opportunity to restructure or terminate State housing subsidies.

III. Analysis of options for restructuring AHFC. Assess benefits, problems, feasibility, and return to State of each option.

A. Sell the corporation's assets in whole or in parts to private buyer(s) and repeal the corporation's statutes.

B. Modify the corporation's statutes and charter so that it can function as a non-subsidized private business, but remain in state ownership.

C. Retain some functions of the corporation, i.e., low-income housing programs, and dismantle the remaining functions which can be provided by the private sector.

D. Retain all or most of current functions, but remove ties to State and budget oversight, as is the case with the Alaska Railroad Corporation.

E. Other options?

In order for the results of this study to be useful in preparing possible legislation, the study will need to be completed by early fall.

cc: Garrey Peska, Chief of Staff
Bob Evans, Legislative Liaison
Alison Elgee, Budget Review
Hugh Malone, Commissioner of Revenue
Ron Lehr, Director, AHFC
Burt Wagnon, Director, AIDEA
Rod Swope, Special Assistant
Ron Clarke, Special Assistant

Exhibit A

ALASKA HOUSING FINANCE CORPORATION

Combined Balance Sheets

	March 31 1989 (Unaudited)	June 30 1988	June 30 1987
		(in thousands)	
Assets			
Cash	$ 25,762	5,304	10,056
Investments	1,723,279	1,528,154	1,256,983
Securities purchased from other funds under agreements to resell	-	6,000	-
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	3,401,988	3,671,840	3,958,578
Mobile home loans, net of allowance for loan losses	61,079	73,958	100,819
Accrued interest receivable	58,903	55,308	54,413
Claims receivable	94,872	80,198	28,920
Due from other funds	207,834	158,029	113,122
Real estate owned	243,632	221,327	146,840
Mobile homes owned	4,373	10,500	18,306
Other assets	29,376	29,587	20,732
	$ 5,851,098	5,840,205	5,708,769
Liabilities and Fund Equity			
Liabilities:			
Bonds and notes payable, net of discounts:			
Mortgage bonds and notes	$ 3,753,246	4,009,699	3,991,067
Notes payable to State of Alaska	-	-	10,894
Commercial paper	193,234	69,257	4,973
Securities sold under agreements to repurchase	62,235	-	-
Securities sold to other funds under agreements to repurchase	-	6,000	-
Accrued interest payable	111,673	57,490	51,578
Insurance fund reserve for loan losses	10,472	11,738	5,585
Due to other funds	207,834	158,029	113,122
Accrued expenses and other liabilities	31,394	19,456	10,414
Total liabilities	4,370,088	4,331,669	4,187,633
Fund Equity:			
Contributed capital:			
Security for outstanding obligations	719,298	829,740	728,742
Legislative appropriations not subject to pledge	314,573	204,131	305,129
Total contributed capital	1,033,871	1,033,871	1,033,871
Retained earnings:			
Designated as security for outstanding obligations or other purposes allowed within the respective fund	379,300	407,769	421,125
Undesignated	67,839	66,896	66,140
Total retained earnings	447,139	474,665	487,265
Total fund equity	1,481,010	1,508,536	1,521,136
Commitments			
	$ 5,851,098	5,840,205	5,708,769

See accompanying notes to combined financial statements.

Exhibit B

ALASKA HOUSING FINANCE CORPORATION

Combined Statements of Revenues, Expenses, and Retained Earnings

	Nine Months Ended March 31 1989 (Unaudited)	Year Ended June 30 1988	1987
		(in thousands)	
Revenues:			
Interest income:			
Mortgages and loans	$ 248,036	353,922	397,421
Investments	111,270	117,918	135,925
	359,306	471,840	533,346
Loan fees and other	9,197	25,206	21,179
Total revenues	368,503	497,046	554,525
Expenses:			
Interest	298,024	402,050	460,062
Mortgage service fees	9,755	14,052	14,975
General and administrative	5,939	6,105	3,805
Trustee fees, insurance and financing costs	11,196	13,850	16,053
Mortgage payment assistance subsidies	1,095	2,101	3,234
Provision for loan losses	21,474	36,620	12,528
Insurance fund losses	10,303	9,506	6,272
Write down and net operating expenses associated with real estate and mobile homes owned	33,887	25,362	8,534
Total expenses	391,673	509,646	525,463
Net income (loss) before extraordinary item	(23,170)	(12,600)	29,062
Extraordinary item - net loss on early extinguishment of debt	(4,356)	-	(8,134)
Net income (loss)	(27,526)	(12,600)	20,928
Retained earnings at beginning of year	474,665	487,265	466,337
Retained earnings at end of year	$ 447,139	474,665	487,265

See accompanying notes to combined financial statements.

Budget Request Unit (BRU):	Division:
Alaska Housing Finance Corporation	Alaska Housing Finance Corporation

Name/Position of BRU Manager:	Phone:
Ronald D. Lehr, Executive Director	276-5599
Name/Position of Agency Contact:	Phone:
Judith De Spain, Administrative Officer	276-5599

List Statutory/Regulatory Basis for Service Provided (i.e., Alaska Statute, or Alaska Administrative Code)

Statutory/Regulatory Citation	Component	Statutory/Regulatory Citation	Component
AS 18.56	AK Housing Finance		
15 AAC 118	AK Housing Finance		

Description of the BRU Services and Responsibilities:

Signature of the BRU Manager:	Date:
Ronlehr	September 27, 1988

B1 BRU COVER PAGE

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

PAGE 1 OF 1

REV. DATE

FY - 90

One of the challenges facing the Corporation is to continue to provide low cost mortgage money to Alaskans. In meeting this challenge, the Corporation will:

1. issue bonds meeting specific federal requirements.

2. issue Federal National Mortgage Association mortgage backed securities, Government National Mortgage Association certificates, and Federal Home Loan Mortgage Corporation participation certificates to use as collateral for bond issues. Under these arrangements, the Corporation will generally perform as a master servicer.

3. continue to explore all possible avenues of financing.

Another challenge facing the Corporation is to monitor and service an increasing portfolio of mortgages, loans, and foreclosed properties at the least possible cost. To do this, the Corporation must continually attempt to achieve the optimal mix of servicing costs, risk of servicing and loan loss, and service to the public.

Challenging the Corporation is the capability of making the corporation's loan programs available to the greatest number of Alaskans while maintaining a quality loan portfolio.

Notwithstanding the above, due to the economic downturn of the State, a new challenge faces the Corporation: minimizing the loss associated with property foreclosed upon. While substantial effort is being applied to keeping borrowers in their homes through "workout" programs, a great many pieces of property continue to be returned to the Corporation. These foreclosed properties must be properly maintained and all associated claims for reimbursement of expenses and loan losses be timely filed.

Fees and expenses that are directly related to bonds issued are not part of the operating budget. Loan servicing fees and expenses incurred in connection with managing, holding, improving, maintaining, and marketing properties owned by the corporation including mobile homes are not a part of the operating budget.

GOAL:
To provide adequate, safe, and sanitary housing at the lowest possible cost to the public, protect corporate assets (Real Estate owned), and assist borrowers with hardships

Objective	Service	Performance Measures
To provide financing of residential real estate in FY89 at legislatively mandated rates	Issue mortgage revenue bonds combined with corporation funds to purchase mortgages which bear interest at less than market rates	Number of mortgages purchased Dollar amount of loans purchased Number and dollar amount of loans in portfolio
To provide financing for qualified purchasers of mobile homes	Purchase mortgage loans with interest rates and terms not available elsewhere	Number of loans purchased Dollar amount of loans purchased Number and dollar amount of loans in portfolio
To facilitate home ownership by low-to-moderate income families	Program pays a portion of the family's mortgage payment	Number of families assisted
To provide low interest financing of residential real estate to qualified veterans	Issue tax-exempt mortgage revenue bonds to provide funds for mortgages	Number of qualified veterans receiving mortgages

Objective	Service	Performance Measures
To assist construction activity	Finance new construction	Number of new residences financed
To provide financing for non-conforming housing	Finance residential housing with features which generally preclude the home from traditional financing sources but still permitting the residence to be considered "safe, sanitary, and decent" without significant impairment of marketability	Number of loans purchased Dollar amount of loans purchased
To develop and implement a "workout" program to enable the temporarily financially troubled borrower to stay in their home	Following development of program, provide staff to individually counse' and provide assistance to the bo :ower	Number of borrowers assisted Dollar amount of mortgages
Minimize loss of reimbursements	Receive and process all claims in a timely manner: 1) auditing seller/servicers 2) filing claims 3) monitoring unpaid claims	Number of seller/servicer audits performed Number of claims received per week
	Judicially foreclosing on borrowers with sufficient funds	Number of judicial foreclosures

B3 ADDITIONAL EXPLANATION FORM

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

REV. DATE

FY - 90

OBJECTIVES/PERFORMANCE MEASURE	PRIOR YEAR FY 88		CURRENT YEAR PLAN FY 89	BUDGET YEAR FY 90		
	PLAN	ACTUAL		ADJUSTED BASE	INCREMENT/ DECREMENT	REQUEST
Finance residential real estate						
Number of mortgages purchased	7,300	* 2382	* 9543	3500		
Dollar amount of loans purchased	840,000.0	238,240.0	875,000.0	315000.0		
Number of mortgages in portfolio	53,000	44,813	42,000	40,500		
Dollar amount of mortgages in portfolio	4,420,000.0	3,762,932.0	3,500,000.0	3,361,500.0		
* Loan data excludes Real Estate Owned						
Home Ownership Assistance						
Number of families assisted at June 30, monthly	1,900	1,006	700	500		
Monthly assistance		149	135	125		
$ amount of assistance		72,777.2	50,750.0	35,500.0		
Construction Activity						
New homes	1,200	312	350	500		

BRU PERFORMANCE
B4 PLAN

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

REV. DATE

FY - 90

OBJECTIVES/PERFORMANCE MEASURE	PRIOR YEAR FY 88		CURRENT YEAR PLAN FY 89	BUDGET YEAR FY 90		
	PLAN	ACTUAL		ADJUSTED BASE	INCREMENT/ DECREMENT	REQUEST
Implementation of "stabilization workout" programs						
Home Owners Assistance Program						
Number of borrowers assisted		363	6,137			
Dollar amount of mortgages		36,944.5	613,055.5			
Condo Stabilization Exchange Program:						
Number of borrowers assisted			100	300		
Timely dispose of foreclosed/ repossed properties:						
Property Dispositions. Sold:						
Mobile Home Type II's		563	850	775		
All Others		855	1750	2000		
Disposed other than sale:						
Mobile home Type II's		75	100	100		
All Others		588	650	625		
Timely foreclosure of defaulted loans:						
Mobile Home Type II's		598	420	300		
All Others		3094	3200	2750		

B4 ADDITIONAL EXPLANATION FORM

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

STATE OF ALASKA
OFFICE OF MANAGEMENT & BUDGET
DIVISION OF BUDGET REVIEW

DATE: 12/16/88
TIME: 15:43:07
PROG: FORMC1D

FY '90 BUDGET CYCLE BENCHMARK LEVEL COMPARISONS

AGENCY: DEPARTMENT OF REVENUE
BRU: ALASKA HOUSING FINANCE CORP.
COMPONENT: ALASKA HOUSING FINANCE CORP. (SER #: 110)

ITEM	FY '88 AUTHORIZED	FY '88 FINAL AUTH	FY '88 ACTUAL	FY '89 AUTHORIZED	FY '90 ADJ BASE	FY '90 AGENCY	FY '90 GOVERNOR
* * * COMPONENT TOTAL * * *	3,983.2	5,801.2	5,723.7	5,924.1	6,047.1	6,047.1	6,047.1
EXPENDITURES							
Personal Services	2,494.1	2,883.9	2,807.9	3,654.9	3,777.9	3,777.9	3,777.9
Travel	67.7	82.7	130.4	82.7	82.7	82.7	82.7
Contractual Services	1,353.9	2,111.9	1,837.5	1,985.5	1,985.5	1,985.5	1,985.5
Commodities	67.5	152.5	176.5	201.0	201.0	201.0	201.0
Equipment	0.0	65.1	266.3	0.0	0.0	0.0	0.0
Land/Buildings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants/Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Misc.	0.0	505.1	505.1	0.0	0.0	0.0	0.0
FUNDING							
1022 Corp Rcpts	3,983.2	5,801.2	5,723.7	5,924.1	6,047.1	6,047.1	6,047.1
STAFFING							
Full-time	55.0	80.0	80.0	80.0	80.0	80.0	80.0
Part-time	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Staff-months	666.0	966.0	966.0	966.0	966.0	966.0	966.0

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ALERTS #: 8-04-78-01-00
COMP SER #: 110

STATE OF ALASKA
OFFICE OF MANAGEMENT & BUDGET
DIVISION OF BUDGET REVIEW

DATE: 12/14/88
TIME: 10:33:41
PROG: CDETAILS

FY '90 DRAFT OPERATING BUDGET (DEC. 15, 1988 RELEASE)

AGENCY: DEPARTMENT OF REVENUE
COMPONENT: ALASKA HOUSING FINANCE CORP.

BUDGET REQUEST UNIT: ALASKA HOUSING FINANCE CORP.

***** COMPARISON OF AGENCY SUBMISSION TO GOVERNOR'S PROPOSAL *****

DESCRIPTION	REF NUM	TRANS TYPE	PROPOSED BY	AGENCY SUBMISSION PFT	AGENCY SUBMISSION PPT	AGENCY SUBMISSION TOTAL	AGENCY SUBMISSION GEN FUND	AGENCY SUBMISSION OTH FUNDS	GOVERNOR'S PROPOSAL PFT	GOVERNOR'S PROPOSAL PPT	GOVERNOR'S PROPOSAL TOTAL	GOVERNOR'S PROPOSAL GEN FUND	GOVERNOR'S PROPOSAL OTH FUNDS	
FY '89 LEGISLATIVE CONFERENCE COMMITTEE				80.0	1.0	5,924.1	0.0	5,924.1	80.0	1.0	5,924.1	0.0	5,924.1	
Projected FY '90 Health Benefit Adjustment (S128.1)	2027	MISADJ	OMB	0.0	0.0	123.0	0.0	123.0	0.0	0.0	123.0	0.0	123.0	Y
Staff Months Adjustment	2039	MISADJ	AGENCY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Y
*** COMPONENT TOTALS ***				80.0	1.0	6,047.1	0.0	6,047.1	80.0	1.0	6,047.1	0.0	6,047.1	

***** DERIVATION OF FY '90 PROPOSAL, BY IMPACT AND LINE ITEM *****

DESCRIPTION	REF NUM	PERSONAL SERVICES	TRAVEL	CONTRACTUAL SERVICES	COMMODITIES	EQUIPMENT	LAND/ BUILDINGS	GRANTS/ CLAIMS	MISC.	TOTALS	
FY '88 ACTUAL EXPENDITURES (NON-ADD)		2,807.9	130.4	1,837.5	176.5	266.3	0.0	0.0	505.1	5,723.7	
FY '89 LEGISLATIVE CONFERENCE COMMITTEE		3,654.9	82.7	1,985.5	201.0	0.0	0.0	0.0	0.0	5,924.1	
Projected FY '90 Health Benefit Adjustment (S128.1)	2027	123.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	123.0	Y
Staff Months Adjustment	2039	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Y
*** COMPONENT TOTALS ***		3,777.9	82.7	1,985.5	201.0	0.0	0.0	0.0	0.0	6,047.1	

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ITEM AND EXPLANATION	AMOUNT	FUNDING SOURCE	POSITION	100 PERSONAL SERVICES	200 TRAVEL	300 CONTRACT SERVICES	400 SUPPLIES	500 EQUIP.	OTHER
1. FY 89 Conference Committee Report	5924.1	5924.1 OTH	PFT 80 PPT 1	3654.9	82.7	1985.5	201.0		
2. Fiscal Notes/ Other Appropriations			PFT PPT						
3. Vetoes			PFT PPT						
4. Position Adjustment			PFT PPT						
5. FY 89 Authorized	5924.1	5924.1 OTH	PFT 80 PPT 1	3654.9	82.7	1985.5	201.0		
6. Health Benefit Adjustment	123.0	123.0 OTH	PFT PPT	123.0					
7. One-Time Items			PFT PPT						
8. Other Adjustments			PFT PPT						
9. FY-90 Base	6047.1	6047.1 OTH	PFT 80 PPT 1	3777.9	82.7	1985.5	201.0		
10. Transfers			PFT PPT						
11. FY-90 Adjusted Base	6047.1	6047.1 OTH	PFT 80 PPT 1	3777.9	82.7	1985.5	201.0		

C2 ADJUSTED BASE CALCULATION

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

REV. DATE

FY - 90

DEPARTMENT OF REVENUE SCENARIOS 30 AND 1

BRU: ALASKA HOUSING FINANCE CORP. COMP: ALASKA HOUSING FINANCE CORP

		FY92 ACTUAL	FY93 AUTH	FY94 REQUEST
COSTS				
REG. DUTY COSTS			2827933.00	2870016.00
PREMIUM PAY			17567.44	16956.54
BENEFITS			915219.33	1050316.57
LUMP SUM PREM PAY			0.00	0.00
TOTAL PERSONAL SVCS		2807.9	3760724.82	3937319.11
FUNDING SOURCES				
GENERAL FUND			0.00	0.00
OTHER FUNDING		2807.9	3760724.82	3937319.11
TOTAL FUNDING		2807.9	3760724.82	3937319.11
PFT POSITIONS		80.0	80	80
PPT POSITIONS		1.0	1	1
TEMP POSITIONS			0	0
STAFF MONTHS		966.0	966.00	966.00
VACANCY FACTOR			105520.89 (2.813958)	157412.76 (4.000008)
LINE 100		2807.9	3654399.93	3779906.35

000166

DEPARTMENT OF REVENUE SCENARIO: 1 (FY90 AGENCY SCENARIO 1)

COMPONENT #: 04 7107020505 NAME: ALASKA HOUSING FINANCE CORP. BRU NAME: ALASKA HOUSING FINANCE CORP.

PCN	JOB CLASS TITLE	T S	LOCATION NAME	R C	B U	S	R&S	MOS BUDG	ANNUAL SALARY	PREMIUM PAY	ANNUAL BENEFITS	TOTAL PERS. SVCS	GEN. FUND AMOUNT
001X	EXECUTIVE DIRECTOR	F	ANCHORAGE	A	X	A	28K	12.00	79992	0	20773	100765.19	0.00
002X	PUBLIC INFORMATION OFFICER	F	ANCHORAGE	A	X	A	22C	12.00	55488	0	16970	72458.17	0.00
003X	ADMINISTRATIVE OFFICER	F	ANCHORAGE	A	X	A	00	12.00	55188	0	16923	72111.61	0.00
004X	MORTGAGE OPER. DIRECTOR	F	ANCHORAGE	A	X	A	25J	12.00	71880	0	19514	91394.21	0.00
005X	LOAN OFFICER	F	ANCHORAGE	A	X	A	19E	12.00	45972	0	15423	61395.66	0.00
006X	CLAIMS CLERK	F	ANCHORAGE	A	X	A	07J	12.00	13104	0	8195	21299.99	0.00
007X	SENIOR LOAN OFFICER	F	ANCHORAGE	A	X	A	22C	12.00	55488	0	16970	72458.17	0.00
008X	SVC/BROKER AUDITOR II	F	ANCHORAGE	A	X	A	17J	12.00	41616	0	14465	56081.78	0.00
009X	SPECIAL CREDITS MANAGER	F	ANCHORAGE	A	X	A	19D	12.00	42180	0	14589	56769.81	0.00
010X	SERVICING CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	0	10974	36714.65	0.00
011X	SERVICING TECHNICIAN II	F	ANCHORAGE	A	X	A	14D	12.00	33816	0	12750	46566.56	0.00
012X	MORTAGE LOAN CLERK V	F	ANCHORAGE	A	X	A	11J	12.00	27432	0	11346	38778.72	0.00
013X	CLERK TYPIST III	F	ANCHORAGE	A	X	A	08C	12.00	20292	0	9776	30068.64	0.00
014X	FILE CLERK	F	ANCHORAGE	A	X	A	06D	12.00	16572	0	8958	25530.60	0.00
015X	SECRETARY II	F	ANCHORAGE	A	X	A	11	12.00	25296	0	10877	36173.02	0.00
017X	LOAN OFFICER	F	ANCHORAGE	A	X	A	19	12.00	49476	0	16037	65513.11	0.00
018X	SPECIAL CREDITS TECH I	F	ANCHORAGE	A	X	A	12J	12.00	29340	0	11766	41106.29	0.00
019X	SECRETARY III	F	ANCHORAGE	A	X	A	12J	12.00	25884	1791	11400	39075.71	0.00
020X	LOAN CLERK	F	ANCHORAGE	A	X	A	07D	12.00	21516	0	10045	31561.79	0.00
021X	RECEPTIONIST	F	ANCHORAGE	A	X	A	07D	12.00	21516	0	10045	31561.79	0.00
022X	FINANCE DIRECTOR	F	ANCHORAGE	A	X	A	25K	12.00	77376	0	20367	97743.19	0.00
023X	DATA PROCESSING MGR	F	ANCHORAGE	A	X	A	21	12.00	51348	0	16327	67675.64	0.00
024X	ACCT OPERATIONS MANAGER	F	ANCHORAGE	A	X	A	19J	12.00	47544	0	15737	63281.26	0.00
025X	SERVICING MANAGER	F	ANCHORAGE	A	X	A	19C	12.00	43116	0	14795	57911.63	0.00
026X	ACCOUNTING TECH II	F	ANCHORAGE	A	X	A	14D	12.00	33816	2340	13265	49422.24	0.00
027X	ACCOUNTING TECH III	F	ANCHORAGE	A	X	A	16C	12.00	35136	2431	13575	51142.83	0.00
028X	SPECIAL CREDITS TECH I	F	ANCHORAGE	A	X	A	12C	12.00	25740	1782	11366	38888.52	0.00
029X	CLAIMS CLERK	F	ANCHORAGE	A	X	A	07D	12.00	21516	82	10063	31662.70	0.00
030X	SPECIAL CREDITS CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	594	11105	37439.27	0.00
031X	SERVICING CLERK I	F	ANCHORAGE	A	X	A	08D	12.00	20340	1408	10096	31844.87	0.00
032X	ASSISTANT LOAN OFFICER	F	ANCHORAGE	A	X	A	17J	12.00	38220	0	13719	51939.01	0.00
033X	DATA PROCESSING CLERK	F	ANCHORAGE	A	X	A	10C	12.00	25740	0	10974	36714.65	0.00
034X	CLAIMS CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	574	11100	37415.12	0.00
035X	SPECIAL CREDITS CLERK	F	ANCHORAGE	A	X	A	06C	12.00	18084	0	9291	27375.10	0.00
036X	PURCHASING AGENT	F	ANCHORAGE	A	X	A	11	12.00	25296	0	10877	36173.02	0.00
037X	SECRETARY II	F	ANCHORAGE	A	X	A	11	12.00	25296	0	10877	36173.02	0.00
038X	SECRETARY II	F	ANCHORAGE	A	X	A	11	12.00	25296	0	10877	36173.02	0.00
039X	SPECIAL CREDITS TECH II	F	ANCHORAGE	A	X	A	14D	12.00	33816	0	12750	46566.56	0.00
040X	FINANCIAL ANALYST	F	ANCHORAGE	A	X	A	19E	12.00	47688	0	15759	63447.61	0.00
041X	COMPTROLLER	F	ANCHORAGE	A	X	A	22C	12.00	55488	0	16970	72458.17	0.00
042X	DATA PROCESSING TECH I	F	ANCHORAGE	A	X	A	17F	12.00	41616	0	14465	56081.78	0.00
043X	MORTGAGE LOAN CLERK III	F	ANCHORAGE	A	X	A	09D	12.00	21516	0	10045	31561.79	0.00
044X	ASST LOAN OFFICER	F	ANCHORAGE	A	X	A	17F	12.00	41616	0	14465	56081.78	0.00
045X	SPECIAL CREDITS TECH I	F	ANCHORAGE	A	X	A	12K	12.00	30444	0	12009	42453.06	0.00
046X	SPECIAL CREDITS TECH II	P	ANCHORAGE	A	X	A	14D	6.00	16908	0	5046	21954.66	0.00
047X	REVIEW APPRAISER	F	ANCHORAGE	A	X	A	20J	12.00	52884	0	16566	69450.03	0.00
048X	CASH MANAGEMENT OFFICER	F	ANCHORAGE	A	X	A	19C	12.00	45168	277	15307	60753.91	0.00
049X	SERVICING TECHNICIAN III	F	ANCHORAGE	A	X	A	16C	12.00	35460	599	13244	49303.94	0.00
050X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	16	12.00	38904	0	13869	52773.41	0.00
051X	ACCOUNTING TECH I	F	ANCHORAGE	A	X	A	12C	12.00	26880	124	11252	38256.63	0.00
052X	ACCOUNTING CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	594	11105	37439.27	0.00
053X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	12C	12.00	35244	216	13112	48573.11	0.00
054X	SPECIAL CREDITS CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	594	11105	37439.27	0.00

DEPARTMENT OF REVENUE SCENARIO: 1 (FY90 AGENCY SCENARIO 1)

COMPONENT #: 04 7107020505 NAME: ALASKA HOUSING FINANCE CORP. BRU NAME: ALASKA HOUSING FINANCE CORP.

PCN	JOB CLASS TITLE	T S	LOCATION NAME	R C	B U	S	R&S	MOS BUDG	ANNUAL SALARY	PREMIUM PAY	ANNUAL BENEFITS	TOTAL PERS. SVCS	GEN. FUND AMOUNT
055X	SERVICING CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	594	11105	37439.27	0.00
056X	PROP. DISPOSITION CLERK II	F	ANCHORAGE	A	X	A	10C	12.00	25740	554	11096	37390.96	0.00
057X	PROP. DISPOSITION OFFICER	F	ANCHORAGE	A	X	A	22C	12.00	55488	426	17036	72951.15	0.00
058X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	16B	12.00	34272	0	12850	47122.83	0.00
059X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	16B	12.00	34920	0	12993	47913.34	0.00
060X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	16B	12.00	33900	0	12769	46669.05	0.00
061X	PROPERTY INSPECTOR	F	ANCHORAGE	A	X	A	16B	12.00	33816	0	12750	46566.56	0.00
062X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	16B	12.00	33816	0	12750	46566.56	0.00
063X	PROP. DISPOSITION SPEC.	F	ANCHORAGE	A	X	A	16B	12.00	33900	0	12769	46669.05	0.00
064X	SERVICING OFFICER	F	ANCHORAGE	A	X	A	19B	12.00	50952	0	16266	67218.18	0.00
065X	SERVICER/BROKER AUDITOR II	F	ANCHORAGE	A	X	A	15B	12.00	34920	0	12993	47913.34	0.00
066X	PROP. DISPOSITION MANAGER	F	ANCHORAGE	A	X	A	19B	12.00	41616	0	14465	56081.78	0.00
067X	SPEC. CREDITS TECH II	F	ANCHORAGE	A	X	A	14B	12.00	29340	0	11766	41106.29	0.00
068X	SPEC. CREDITS POOL SPEC.	F	ANCHORAGE	A	X	A	12B	12.00	22836	0	10336	33172.06	0.00
069X	CLOSING REVIEW SPECIALIST	F	ANCHORAGE	A	X	A	14B	12.00	26664	0	11177	37841.84	0.00
070X	PROPERTY CLOSING SPEC.	F	ANCHORAGE	A	X	A	14D	12.00	33816	0	12750	46566.56	0.00
071X	SPEC. CREDITS MAIL CLERK	F	ANCHORAGE	A	X	A	10B	12.00	20508	0	9824	30332.13	0.00
072X	DATA PROCESSOR/PROGRAMMER	F	ANCHORAGE	A	X	A	17B	12.00	36240	0	13283	49523.60	0.00
073X	CLAIMS MANAGER	F	ANCHORAGE	A	X	A	19A	12.00	42168	0	14587	56755.17	0.00
074X	R E ACCTS PAYABLE PROC	F	ANCHORAGE	A	X	A	14A	12.00	29856	0	11879	41735.76	0.00
075X	REO LOAN LOSS ACCOUNTANT	F	ANCHORAGE	A	X	A	16A	12.00	34176	0	12829	47005.73	0.00
076X	ACCOUNTING CLERK II	F	ANCHORAGE	A	X	A	10A	12.00	21588	0	10061	31649.63	0.00
077X	ADMINISTRATIVE ASSISTANT	F	ANCHORAGE	A	X	A	16A	12.00	33996	0	12790	46786.15	0.00
078X	RECORDS RETENTION MANAGER	F	ANCHORAGE	A	X	A	08A	12.00	28380	0	11555	39935.19	0.00
079X	SERVICING OPERATIONS DIR.	F	ANCHORAGE	A	X	A	25A	12.00	62508	0	18059	80567.67	0.00
080X	ACCOUNTING TECH III	F	ANCHORAGE	A	X	A	16A	12.00	33816	0	12750	46566.56	0.00
081X	ACCOUNTING TECH III	F	ANCHORAGE	A	X	A	16A	12.00	33816	0	12750	46566.56	0.00
082X	SPECIAL PROJECTS ASST	F	ANCHORAGE	A	X	A	20A	12.00	42984	0	14766	57750.61	0.00
				COLUMN TOTALS:					2870016	14986	1050316	3935319.12	

DEPARTMENT OF REVENUE SCENARIO: 1 (FY90 AGENCY SCENARIO 1)

COMPONENT #: 04 7107020505 NAME: ALASKA HOUSING FINANCE CORP. BRU NAME: ALASKA HOUSING FINANCE CORP.

PCN	JOB CLASS TITLE	T S	LOCATION NAME	R C	B U	S	R&S	MOS BUDG	ANNUAL SALARY	PREMIUM PAY	ANNUAL BENEFITS	TOTAL PERS. SVCS	GEN. FUND AMOUNT

FULL TIME POSITIONS	80	TOTAL PERSONAL SERVICES			3935319.12
PART TIME/SEASONAL POSITIONS	1	PLUS LUMP SUM PREMIUM PAY			0.00
NON PERMANENT POSITIONS	0	SUB-TOTAL			3935319.12
OTHER.....	0	MINUS 4.00000 % VACANCY ADJUSTMENT			157412.76
	====				==========
NUMBER OF POSITIONS IN COMPONENT 7107020505 =	81	PERSONAL SERVICES, LINE 100			3777906.36
(INCLUDES 0 BUDGETED NEW POSITIONS)					

STAFF MONTHS: 966.00

FUNDING DATA:

1022 (STATE CORP. RECEIPTS)	3935319.12
	==========
TOTAL FUNDING:	3935319.12

CODE	TRAVEL AND MOVING CLASSIFICATION	Prior Year FY 88 Actual	Current Year FY 89 Auth.	Budget Year - FY 90		
				Adj. Base	Inc/ Dec.	Agency Request
72240	Field Travel	124.1	73.0	73.0		73.0
72270	Administrative Travel					
72300	Conventions and Meeting Travel	2.5	4.7	4.7		4.7
72330	Boards, Commissions and Legislators Travel	3.8	5.0	5.0		5.0
72360	Moving or Relocation Expense					
72390	Non-Employee Travel					
72500	Per Diem					
72800	Honorarium/Stipends					
72000	TOTAL TRAVEL AND MOVING	130.4	82.7	82.7		82.7
	INTER-AGENCY TRANSFERS (NON-ADD)					

Code	Explanation		Adj Base	Inc/ Dec.
72240	Staff travel to explain various AHFC programs and to hold public hearings regarding pending regulations; travel to Juneau regarding budget, bonding programs, legislative changes	73.0	73.0	
72300	Attending seminars and meetings as need may arise	4.7	4.7	
72330	Travel and per diem for five member Board of Directors	5.0	5.0	

C200 TRAVEL AND MOVING

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

CODE	CONTRACTUAL SERVICES CLASSIFICATION	Prior Year FY 88 Actual	Current Year FY 89 Auth.	Budget Year - FY 90		
				Adj. Base	Inc/ Dec.	Agency Request
73100	Professional Services	454.4	689.1	689.1		689.1
73253	DP Chargeback (DOA)					
73300	Communication	116.3	124.8	124.8		124.8
73400	Transportation	51.3	39.1	39.1		39.1
73420	Transportation - State Equipment Fleet Fees					
73500	Advertising, Printing and Binding	93.4	80.0	80.0		80.0
73600	Public Utilities Services					
73700	Minor Repair and Maintenance	64.7	85.2	85.2		85.2
73800	Rental for Land, Buildings and Space	295.0	384.0	284.0		284.0
73860	Rental for Machinery and Equipment	25.5	94.2	94.2		94.2
73900	Other Expenditures and Services	736.9	489.1	589.1		589.1
73000	TOTAL CONTRACTUAL	1837.5	1985.5	1985.5		1985.5
	INTER-AGENCY TRANSFERS (NON-ADD)	239.0	243.6	243.6		243.6

Code	Explanation		Adj Base	Inc/ Dec.
73100	Economic services, legal fees, trustee fees, accounging and auditing, hearing officer fees, data processing, and management services	689.1	689.1	
73300	Telephone and postage	124.8	124.8	
73400	Courier services	39.1	39.1	
73500	Printing of brochures and guides, printing of Annual Report, and advertising	80.0	80.0	
73700	Computer repair and maintenance; office equipment maintenance	85.2	85.2	
73800	Office space, off-site storage, and safe deposit fees	284.0	284.0	

C300 CONTRACTUAL SERVICES

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

REV. DATE

FY - 90

Code	Explanation		Adj Base	Inc/ Dec.
73860	Rental costs for office equipment and computer	94.2	94.2	
73900	Alaska Housing Market Council	100.0	100.0	
73900	RSA with Department of Environmental Conservation	243.6	243.6	
73900	Insurance, information services, training and education, microfilming, memberships, and office services	245.5	245.5	

C300 ADDITIONAL EXPLANATION FORM

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

REV. DATE

FY - 90

CODE	SUPPLIES AND MATERIALS CLASSIFICATION	Prior Year FY 88 Actual	Current Year FY 89 Auth.	Budget Year - FY 90		
				Adj. Base	Inc/ Dec.	Agency Request
74220	Office and Library Supplies	145.0	140.0	140.0		140.0
74440	Agricultural Supplies					
74480	Household and Institutional Supplies					
74520	Professional and Scientific Supplies					
74560	Data Processing Supplies	30.0	52.0	52.0		52.0
74600	Other Operating Supplies					
74650	Repair and Maintenance Supplies	1.5	9.0	9.0		9.0
74000	TOTAL SUPPLIES AND MATERIALS	176.5	201.0	201.0		201.0
	INTER-AGENCY TRANSFERS (NON-ADD)					

Code	Explanation		Adj Base	Inc/ Dec.
74220	Office supplies and reference materials	140.0	140.0	
74560	Tapes, ribbons, and paper	52.0	52.0	
74650	Automotive Supplies	9.0	9.0	

C400 SUPPLIES AND MATERIALS

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

PAGE 1 OF 1

REV. DATE

FY - 90

CODE	EQUIPMENT AND MACHINERY CLASSIFICATION	Prior Year FY 88 Actual	Current Year FY 89 Auth.	Budget Year - FY 90		
				Adj. Base	Inc/ Dec.	Agency Request
75750	Vehicles and Transportation Equipment					
75790	Communication Equipment					
75830	Data Processing Equipment					
75870	Laboratory and Scientific Equipment					
75900	Shop, Plant and Industrial Equipment					
75940	Special Equipment					
76050	Furniture and Office Equipment	266.3				
75690	TOTAL EQUIPMENT AND MACHINERY	266.3				
	INTER-AGENCY TRANSFERS (NON-ADD)					

Code	Explanation	Number of Units	Unit Cost	Adjusted Base	Increment Decrement

C500 EQUIPMENT AND MACHINERY

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

PAGE 1 OF 1

REV. DATE

FY - 90

CODE	EXPENDITURE CLASSIFICATION	Prior Year FY 88 Actual	Current Year FY 89 Auth.	Budget Year - FY 90		
				Adj. Base	Inc/ Dec.	Agency Request
75050	Land and Interest in Land					
75300	Buildings					
75500	Improvements Other Than Buildings					
75025	TOTAL LAND, BUILDING, NON-STRUCTURAL IMPROVEMENT					
	INTER-AGENCY TRANSFERS (NON-ADD)					
77100	Local Assistance, State Sources					
77240	Benefits to Individuals					
77350	Grants and Awards to Individuals					
77440	Grants, Other Agencies					
77570	Health Benefits					
77700	General Relief	505.1				
77000	TOTAL ASSISTANCE GRANTS AND BENEFITS	505.1				
	INTER-AGENCY TRANSFERS (NON-ADD)					

Code	Explanation	Adj Base	Inc/ Dec.
77700	Law Suit Settlement		

C700 LAND, GRANTS AND MISCELLANEOUS

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

PAGE 1 OF 1

REV. DATE

FY - 90

CODE	NAME OF EXPENDITURE ACCOUNT	Prior Year FY 88 Actual	Current Year FY 89 Auth.	Budget Year - FY 90		
				Adj. Base	Inc/ Dec.	Agency Request
73900	Other Expenditures and Services	239.0	243.6	243.6		243.6
	TOTAL INTER-AGENCY TRANSFERS	239.0	243.6	243.6		243.6

Code	Explanation		Adj Base	Inc/ Dec.
73900	RSA with Department of Environmental Conservation	243.6	243.6	

C22 INTER AGENCY TRANSFERS

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

000176

TYPE OF REVENUE	PRIOR YEAR FY 88 ACTUAL	CURRENT YEAR FY 89 AUTHORIZED	CURRENT YEAR FY 89 CASH ESTIMATE	FY 90 BUDGET YEAR			FY 91 ESTIMATE
				ADJUSTED BASE	INCREMENT/ DECREMENT	AGENCY REQUEST	
RESTRICTED - FEDERAL RECEIPTS							
RESTRICTED - INTER-AGENCY RECEIPTS							
RESTRICTED - CIP RECEIPTS							
RESTRICTED - PROGRAM RECEIPTS							
RESTRICTED - OTHER	5723.7	5924.1	5924.1	6047.1		6047.1	
RESTRICTED - RECEIPTS TOTAL	5723.7	5924.1	5924.1	6047.1		6047.1	
UNRESTRICTED - RECEIPTS							
TOTAL RECEIPTS	5723.7	5924.1	5924.1	6047.1		6047.1	

C20 REVENUE SUMMARY

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

REV. DATE

FY - 90

TYPE OF REVENUE: RESTRICTED - OTHER				NAME AND TELEPHONE NUMBER OF AGENCY CONTACT:						
FUNDING SOURCE	FUND	REVENUE ACCOUNT	COLLOCATION CODE	PRIOR YEAR FY 88 ACTUAL	CURRENT YEAR FY 89 AUTHORIZED	CURRENT YEAR FY 89 CASH ESTIMATE	FY 90 BUDGET YEAR			FY 91 ESTIMATE
							ADJUSTED BASE	INCREMENT/ DECREMENT	AGENCY REQUEST	
01022				5723.7	5924.1	5924.1	6047.1		6047.1	
			TOTAL	5723.7	5924.1	5924.1	6047.1		6047.1	

EXPLANATION (SEE INSTRUCTIONS):

C21B RESTRICTED REVENUE DETAL

AGENCY Department of Revenue

BRU Alaska Housing Finance Corporation

COMPONENT Alaska Housing Finance Corporation

000178

Save for AHFC budget presentation

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

TO: Board of Directors **Date:** January 6, 1989

FROM: Mark K. Cameron
Finance Director

SUBJECT: Five-Year Liquidity Projection

Attached are several selected schedules providing overview information regarding the five-year liquidity projection for the Corporation. The projection is for discussion purposes only at this time.

You will note that the liquid assets of the Corporation decreases by $61,257,000 from $186,540,000 as of September 30, 1988 to $125,283,000 as of June 30, 1993. The decrease is mainly due to subsidy for bond issuance.

It is important to note that the projections involve estimates of substantial sums the actual amounts of which are beyond the control of the Corporation. Specifically, the mortgage loan purchase estimates are totally dependent upon the delivery schedules of our Seller/ Servicers and the reissuance of Euro commercial paper assumes the dealers will be able to sell new paper providing funds the same day the existing commercial paper matures.

EC:nrs
CHA008

Attachments

ALASKA HOUSING FINANCE CORPORATION
FIVE-YEAR LIQUIDITY PROJECTION
FY 89 through FY 93

06-Jan-89

Summary

The aggregated liquid assets as of September 30, 1988 are $186,540,000 and as of June 30, 1993, the projected aggregated amount is $125,283,000. The total net decrease is $61,257,000 The major components of the net change are summaried as follows:

	Inc(decr)
Subsidy for bond issuance	(443,530)
Collateral released from debt retirement	288,723
Long term investment matured	53,000
Interest earnings on loans & Investment	144,550
Interest on short-term borrowing	(67,500)
General & Administrative	(36,500)
Net Decrese	(61,257)

The Corporation has forecasted debt retirement through FY 1993, Any release of collateral is assumed to be used as subsidy for bond issuance.

ALASKA HOUSING FINANCE CORPORATION
FIVE-YEAR LIQUIDITY PROJECTION 06-Jan-89
FY 89 through FY 93

ASSUMPTIONS

1) Mortgage loan demand is based on the housing market trend and experience by program.

2) Federal tax exempt bond authorization unchanged from existing law. Assumes AHFC always can issue tax-exempt bonds.

3) Net annual investment earnings of approximately 8%.

4) Mortgage loan prepayments of 6% (Housing & Insured Mortg. Bonds)

5) The regular principal pay-down for housing mortgage bonds is 24% of the P & I payment which is approximately $8.5 million per year, while the Insured Mortgage Bonds is 15% of approximately $80 million a year.

6) Subsidy and sale costs are calculated as follows:

	Subsidy	Fees
HOAP	-- 10% if cash 20% if loans	1%
Tax-exempt	-10% if cash	1%
Taxable	--22% incl cost	1%
Veterans	--15%	1.75%

7) Forecast of Debt Retirement
SAM A, F and FNMA note #2 were paid off in Dec 1988. $180,723,000 of investment, loans and FNMA pools were released back to the Corp.

FNMA note # 1 will be paid off in February, 1989. $10 million of pools will be released.

FNMA note # 5 will be paid off in FY 1990 . $10 million of pools will be released

SAM D, H, M will be paid off in FY 1991. $35 million of investment will be released back to the Corporation from SAM D, and $15 million of good loans will be released from SAM D, H & M.

FNMA note # 3 will be paid off in FY 1991. $10 million of pools will be released

SAM I, J, L, N and FNMA note # 4 will be paid off in FY 1992. $15 million of good loans and $10 million of pools will be released.

SAM K will be paid off in FY 1993. $3 million of good loans will be released.

8) The P & I payments for the Revolving Fund is based on last 12 months per financial statement.

9) The Wells Fargo CD in the amount of $53 million will mature on 11/29/91. The CD was a piece of the collateral for SAM B.

ALASKA HOUSING FINANCE CORPORATION
FIVE-YEAR LIQUIDITY PROJECTION 06-Jan-89
FY 89 through FY 93

Definitions

a) Investment funds: Short-term investments which do not include some long-term securities in the amount of $42 million.

b) MBS pools: Mortgage-Backed Securities including FNMA, GNMA and FHLMC mortgage pools.

c) Loans eligible to be pooled: Loans eligible for conversion to a FNMA, GNMA or FHLMC pool.

d) Loans not required to be pooled: Generally HOAP loans, either subject to MGIC pool insurance or with AHFC at risk beyond PMI coverage.

e) Claims Receivable: Receivable from FNMA, MGIC, VA, PMI etc. for expenses or advances related to REO properties.

f) ECP: AHFC Euro commercial paper program which was increased from $150 million to $200 million in December, 1988. The interest rate generally is LIBOR + 2 basis points.

g) Reverse repurchase agreement--Rev. Repo-Uses of AHFC's GNMA/ FNMA/FHLMC pools as collateral to borrow on a short term basis.

h) Other Liabilities: Includes accounts payable, accrued interest and other expenses payable from the Corporation's general account.

Source of Funds:

i) Projected loans to be pooled: Represents qualified loans anticipate to be converted to FNMA/GNMA/FHLMC pools.

j) Investment earnings: Interest earned and received during the month. Recently, investments generally mature within one month.

k) FNMA conveyance: Assumes reimbursment for FNMA foreclosed loan removals within 30 days.

l) Subsidy released from bond issue: Investment, cash, mortgage loans, etc., released back to the Corporation when a FNMA note or an entire bond issue is paid off.

m) Series loan funding: Represents the sale of mortgage loans and/or MBS pools from the Corporation to a bond series.

ALASKA HOUSING FINANCE CORPORATION
FIVE-YEAR LIQUIDITY PROJECTION 06-Jan-89
FY 89 through FY 93

Use of Funds:

n) Loan purchased: Assumes 1/3 of HOAP loans purchased elligible to be pooled into FNMA MBSs and 2/3 not required to be pooled.

o) FNMA foreclosed loans removal: Represents funds advanced to remove loans from FNMA pools due to foreclosure, which is done before the end of the month. The advance is recorded as a Claims Receivable and usually will be reimbursed within 30 to 60 days.

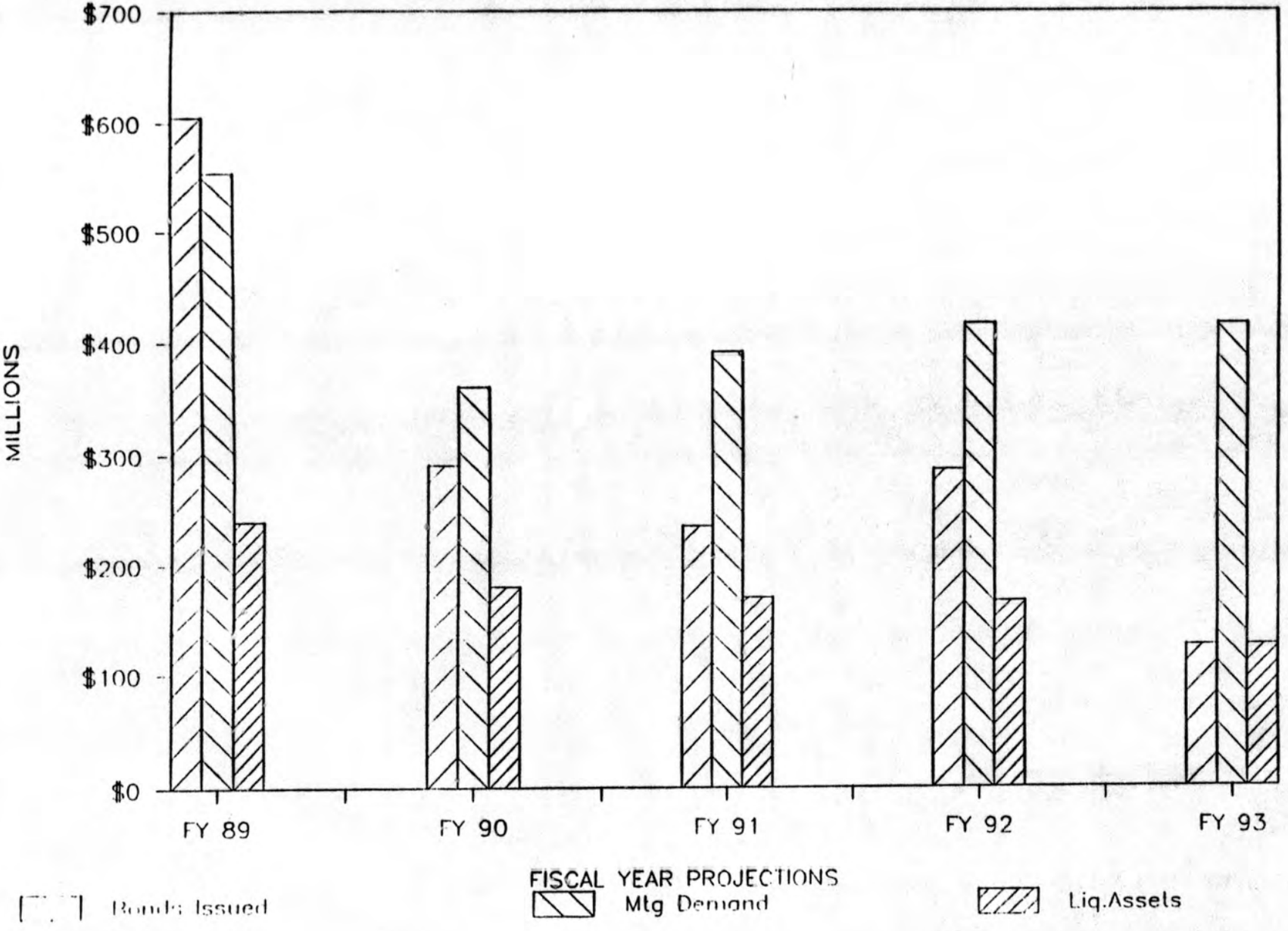
p) Subsidy transfer for bonds issued: The transfer of securities, cash or loans from the Corporation to a new bond issue on closing for underwriting costs, bond assurance premium, debt service reserve and over-collateralization, etc..

ALASKA HOUSING FINANCE CORPORATION
SUMMARY OF RESIDENTIAL FINANCING RELATED ACTIVITY
($ in millions)

FY	Bonds Issued	Estimated Mortgage Demand-all Programs	Related Subsidy Transfer	Revolving Fund Liquid Assets End of FY
FY 89	605.00	553.75	143.73	240.08
FY 90	290.00	360.00	78.93	179.65
FY 91	235.00	390.00	78.59	169.56
FY 92	285.00	415.00	90.09	165.97
FY 93	125.00	414.00	52.19	125.28
	1,540.00	2,132.75	443.51	N/A

ALASKA HOUSING FINANCE CORPORATION

FINANCING ACTIVITIES AND LIQUID ASSETS



ALASKA HOUSING FINANCE CORPORATION
LIQUID ASSET PROJECTION
($ in thousands)

NINE MONTHS ENDING
JUNE 30, 1989

06-Jan-89	Investment Funds	MBS Pools	Loans eligible to be pooled	Loans not required to be pooled	Claims Receivable	ECP	Reverse Repurchase Agreement	Other Liabilities	Total
BEG. BALANCE	(a) 38,149	62,151	(b) 83,921	(b) 104,318	25,560	(88,000)	(26,592)	(12,967)	(a) 186,540
SOURCE OF FUNDS									
Projected loans to be pooled		160,000	(160,000)						0
Short term debt issuance:									
Addl Reverse Repos issued	55,000						(55,000)		0
Addl ECP borrowing	65,000					(65,000)			0
Reissuance of maturing ECP	249,000					(249,000)		(13,500)	(13,500)
Loan revenue:									
Principal	32,100	(8,025)		(24,075)					0
Interest	23,200								23,200
Investment earnings	1,350								1,350
FNMA conveyances	45,000				(45,000)				0
REO expense reimbursement	31,500				(31,500)				0
Subsidy released from bond issues	16,052	20,000		154,671					190,723
Series loan funding									0
HOAP	233,853	(29,232)		(204,621)					0
Tax exempt	51,829	(51,829)							0
Taxable	115,225	(115,225)							0
Veterans-VMP	30,000	(30,000)							0
Recycling under Ins. Mortg Bonds	60,000			(60,000)					0
	1,009,109	(54,311)	(160,000)	(134,025)	(76,500)	(314,000)	(55,000)	(13,500)	201,773
USE OF FUNDS									
Loan purchased:									
HOAP I purchases	(49,700)		16,567	33,133					0
Bi-monthly purchases (incl HOAP II)	(469,050)		156,350	312,700					0
Others			0	0					0
Note purchased	(2,700)			2,700					0
FNMA foreclosed loan removal	(45,000)				45,000				0
Subsidy transfer for bonds issued	(76,730)			(67,000)					(143,730)
Interfund transfers									0
Retirement of short term debt									
Repayment of ECP	(249,000)					249,000			0
Repayment of Rev. Repos	(81,592)						81,592		0
REO expenses	(36,000)				36,000				0
G & A expenses	(4,500)								(4,500)
Interest expense	(10,000)							10,000	0
	(1,024,272)	0	172,917	281,533	81,000	249,000	81,592	10,000	(148,230)
Net increase (decrease) of funds	(15,163)	(54,311)	12,917	147,508	4,500	(65,000)	26,592	(3,500)	53,543
ENDING BALANCE	22,986	7,840	96,838	251,826	30,060	(153,000)	0	(16,467)	240,083

Note (a): This amount does not include $42.1 million long-term investment
Note (b): These amount do not include loans which are ineligible for pledge to outstanding bond issues.

ALASKA HOUSING FINANCE CORPORATION
LIQUID ASSET PROJECTION
($ in thousands)

06-Jan-89	Investment Funds	MBS Pools	Loans eligible to be pooled	Loans not required to be pooled	Claims Receivable	ECP	Reverse Repurchase Agreement	Other Liabilities	Total
	FY ENDING JUNE 30, 1990								
BEG. BALANCE	(a) 22,986	7,840	(b) 96,838	(b) 251,826	30,060	(153,000)	0	(16,467)	(a) 240,083
SOURCE OF FUNDS									
Projected loans to be pooled		220,000	(220,000)						0
Short term debt issuance:									
Addl Reverse Repos issued	50,000						(50,000)		0
Addl ECP borrowing									0
Reissuance of maturing ECP	350,000					(350,000)		(13,500)	(13,500)
Loan revenue:									
Principal	30,000	(7,500)		(22,500)					0
Interest	28,800								28,800
Investment earnings	1,200								1,200
FNMA conveyances	60,000				(60,000)				0
REO expense reimbursement	48,000				(48,000)				0
Subsidy released from bond issues		10,000							10,000
Series loan funding									0
HOAP	310,000	(77,500)		(232,500)					0
Tax exempt	60,000	(60,000)							0
Taxable	50,000	(50,000)							0
Veterans-VMP	30,000	(30,000)							0
Recycling under Ins. Mortg Bonds	0								0
	1,018,000	5,000	(220,000)	(255,000)	(108,000)	(350,000)	(50,000)	(13,500)	26,500
USE OF FUNDS									
Loan purchased:									
HOAP I purchases	0		0	0					0
Bi-monthly purchases									0
(incl HOAP II)	(35,000)			35,000					0
Others	(325,000)		325,000						0
Note purchased	(4,200)			4,200					0
FNMA foreclosed loan removal	(60,000)				60,000				0
Subsidy transfer for bonds issued	(78,930)								(78,930)
Interfund transfers	0								0
Retirement of short term debt									0
Repayment of ECP	(400,000)					400,000			0
Repayment of Rev. Repos	(50,000)						50,000		0
REO expenses	(48,000)				48,000				0
G & A expenses	(8,000)								(8,000)
Interest expense	(10,000)							10,000	0
	(1,019,130)	0	325,000	39,200	108,000	400,000	50,000	10,000	(86,930)
Net increase (decrease) of funds	(1,130)	5,000	105,000	(215,800)	0	50,000	0	(3,500)	(60,430)
ENDING BALANCE	21,856	12,840	201,838	36,026	30,060	(103,000)	0	(19,967)	179,653

Note (a): This amount does not include $42.1 million long-term investment
Note (b): These amount do not include loans which are ineligible for pledge to outstanding bond issues.

ALASKA HOUSING FINANCE CORPORATION
LIQUID ASSET PROJECTION
($ in thousands)

06-Jan-89	Investment Funds	MBS Pools	Loans eligible to be pooled	Loans not required to be pooled	Claims Receivable	ECP	Reverse Repurchase Agreement	Other Liabilities	Total
	FY ENDING JUNE 30, 1991								
BEG. BALANCE	(a) 21,856	12,840	(b) 201,838	(b) 36,026	30,060	(103,000)	0	(19,967)	(a) 179,653
SOURCE OF FUNDS									
Projected loans to be pooled		360,000	(360,000)						0
Short term debt issuance:									
Addl Reverse Repos issued	20,000						(20,000)		0
Addl ECP borrowing	20,000					(20,000)			0
Reissuance of maturing ECP	250,000					(250,000)		(13,500)	(13,500)
Loan revenue:									
Principal	30,000	(7,500)		(22,500)					0
Interest	28,800								28,800
Investment earnings	1,200								1,200
FNMA conveyances	60,000				(60,000)				0
REO expense reimbursement	48,000				(48,000)				0
Subsidy released from bond issues	35,000	10,000		15,000					60,000
Series loan funding									
HOAP	0			0					0
Tax exempt	65,000	(65,000)							0
Taxable	250,000	(250,000)							0
Veterans-VMP	30,000	(30,000)							0
Recycling under Ins. Mortg Bonds	0			0					0
	838,000	17,500	(360,000)	(7,500)	(108,000)	(270,000)	(20,000)	(13,500)	76,500
USE OF FUNDS									
Loan purchased:									
HOAP I purchases	0		0	0					0
Bi-monthly purchases									0
(incl HOAP II)	0		0	0					0
Others	(390,000)		390,000						0
Note purchased	(4,200)			4,200					0
FNMA foreclosed loan removal	(60,000)				60,000				0
Subsidy transfer for bonds issued	(78,590)								(78,590)
Interfund transfers									0
Retirement of short term debt									
Repayment of ECP	(250,000)					250,000			0
Repayment of Rev. Repos									0
REO expenses	(48,000)				48,000				0
G & A expenses	(8,000)								(8,000)
Interest expense	(10,000)							10,000	0
	(848,790)	0	390,000	4,200	108,000	250,000	0	10,000	(86,590)
Net increase (decrease) of funds	(10,790)	17,500	30,000	(3,300)	0	(20,000)	(20,000)	(3,500)	(10,090)
ENDING BALANCE	11,066	30,340	231,838	32,726	30,060	(123,000)	(20,000)	(23,467)	169,563

↑ 20

Note (a): This amount does not include $42.1 million long-term investment

Note (b): These amount do not include loans which are ineligible for pledge to outstanding bond issues.

ALASKA HOUSING FINANCE CORPORATION
LIQUID ASSET PROJECTION
($ in thousands)

FY ENDING JUNE 30, 1992

06-Jan-89	Investment Funds	MBS Pools	Loans eligible to be pooled	Loans not required to be pooled	Claims Receivable	ECP	Reverse Repurchase Agreement	Other Liabilities	Total
BEG. BALANCE	11,066	30,340	231,838 (a)	32,726 (a)	30,060	(123,000)	(20,000)	(23,467)	169,563 (a)
SOURCE OF FUNDS									
Projected loans to be pooled		400,000	(400,000)						0
Short term debt issuance:									
Addl Reverse Repos issued	45,000						(45,000)		0
Addl ECP borrowing	40,000					(40,000)			0
Reissuance of maturing ECP	250,000					(250,000)		(13,500)	(13,500)
Loan revenue:									
Principal	30,000	(22,500)		(7,500)					0
Interest	28,800								28,800
Investment earnings	1,200								1,200
FNMA conveyances	60,000				(60,000)				0
REO expense reimbursement	48,000				(48,000)				0
Subsidy released from bond issues		10,000		15,000					25,000
Long-term investment maturing	53,000								53,000
Series loan funding				0					0
Tax exempt	50,000	(50,000)							0
Taxable	300,000	(300,000)							0
Veterans-VMP	30,000	(30,000)							0
Recycling under Ins. Mortg Bonds				0					0
	936,000	7,500	(400,000)	7,500	(108,000)	(290,000)	(45,000)	(13,500)	94,500
USE OF FUNDS									
Loan purchased:									
HOAP I purchases									0
Bi-monthly purchases (incl HOAP II)									0
Others	(415,000)		415,000						0
Note purchased	(4,200)			4,200					0
FNMA foreclosed loan removal	(60,000)				60,000				0
Subsidy transfer for bonds issued	(90,090)								(90,090)
Interfund transfers									0
Retirement of short term debt									
Repayment of ECP	(250,000)					250,000			0
Repayment of Rev. Repos	(50,000)						50,000		0
REO expenses	(48,000)				48,000				0
G & A expenses	(8,000)								(8,000)
Interest expense	(10,000)							10,000	0
	(935,290)	0	415,000	4,200	108,000	250,000	50,000	10,000	(98,090)
Net increase (decrease) of funds	710	7,500	15,000	11,700	0	(40,000)	5,000	(3,500)	(3,590)
ENDING BALANCE	11,776	37,840	246,838	44,426	30,060	(163,000)	(15,000)	(26,967)	165,973

Note (a): These amounts do not include loans which are ineligible for pledge to outstanding bond issues.

ECP ↑ 10

ALASKA HOUSING FINANCE CORPORATION
LIQUID ASSET PROJECTION
($ in thousands)

FY ENDING JUNE 30, 1993

06-Jan-89	Investment Funds	MBS Pools	Loans eligible to be pooled	Loans not required to be pooled	Claims Receivable	ECP	Reverse Repurchase Agreement	Other Liabilities	Total
BEG. BALANCE	11,776	37,840	246,838 (a)	44,426 (a)	30,060	(163,000)	(15,000)	(26,967)	165,973 (a)
SOURCE OF FUNDS									
Projected loans to be pooled		420,000	(420,000)						0
Short term debt issuance:									
Addl Reverse Repos issued	65,000						(65,000)		0
Addl ECP borrowing	35,000					(35,000)			0
Reissuance of maturing ECP	260,000					(260,000)		(13,500)	(13,500)
Loan revenue:									
Principal	30,000	(22,500)		(7,500)					0
Interest	28,800								28,800
Investment earnings	1,200								1,200
FNMA conveyances	60,000				(60,000)				0
REO expense reimbursement	48,000				(48,000)				0
Subsidy released from bond issues				3,000					3,000
Long-term investment maturing									0
Series loan funding				0					0
Tax exempt	50,000	(50,000)							0
Taxable	300,000	(300,000)							0
Veterans-VMP	30,000	(30,000)							0
Recycling under Ins. Mortg Bonds				0					0
	908,000	17,500	(420,000)	(4,500)	(108,000)	(295,000)	(65,000)	(13,500)	19,500
USE OF FUNDS									
Loan purchased:									
HOAP I purchases									0
Bi-monthly purchases (incl HOAP II)									0
Others	(414,000)		414,000						0
Note purchased	(4,200)			4,200					0
FNMA foreclosed loan removal	(60,000)				60,000				0
Subsidy transfer for bonds issued	(52,190)								(52,190)
Interfund transfers									0
Retirement of short term debt									0
Repayment of ECP	(260,000)					260,000			0
Repayment of Rev. Repos	(50,000)						50,000		0
REO expenses	(48,000)				48,000				0
G & A expenses	(8,000)								(8,000)
Interest expense	(10,000)							10,000	0
	(906,390)	0	414,000	4,200	108,000	260,000	50,000	10,000	(60,190)
Net increase (decrease) of funds	1,610	17,500	(6,000)	(300)	0	(35,000)	(15,000)	(3,500)	(40,690)
ENDING BALANCE	13,386	55,340	240,838	44,126	30,060	(198,000)	(30,000)	(30,467)	125,283

Note (a): These amount do not include loans which are ineligible for pledge to outstanding bond issues.

Exh 35

ALASKA HOUSING FINANCE CORPORATION
Schedule of Prepayment
$ in million

	Beg. Loan Balance	Prepayt 6%	Regular Pay Down	Ending Loan Balance	Mortg & Investmt Funds	Investmt Yield	Earnings
1989 (9/30/88)							
Housing Mortgage Bonds	78.50	3.53	1.53	73.44	115.40	8.00%	6.92
Insured Mortgage Bonds	652.75	29.37	9.00	614.38	888.81	8.00%	53.33
	731.25	32.91	10.53	687.82	1,004.21		60.25
1990							
Housing Mortgage Bonds	73.44	4.41	2.04	66.99	110.34	8.00%	8.83
Insured Mortgage Bonds	614.38	36.86	12.00	565.52	850.43	8.00%	68.03
	687.82	41.27	14.04	632.51	960.77		76.86
1991							
Housing Mortgage Bonds	66.99	4.02	2.04	60.93	103.89	8.00%	8.31
Insured Mortgage Bonds	565.52	33.93	12.00	519.59	801.57	8.00%	64.13
	632.51	37.95	14.04	580.52	905.46		72.44
1992							
Housing Mortgage Bonds	60.93	3.66	2.04	55.23	97.83	8.00%	7.83
Insured Mortgage Bonds	519.59	31.18	12.00	476.41	755.64	8.00%	60.45
	580.52	34.83	14.04	531.65	853.47		68.28
1993							
Housing Mortgage Bonds	55.23	3.31	2.04	49.88	92.13	8.00%	7.37
Insured Mortgage Bonds	476.41	28.58	12.00	435.83	712.46	8.00%	57.00
	531.65	31.90	14.04	485.71	804.60		64.37

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage demand and Proposed Bond Financing

Nine months ending June 30, 1989
(in millions)

	Mortgage Loan Funds Available 9/30/88	Program Repayments and Earnings	Bond Proceeds	Overcollaterization Transfer: Sales Cost	Overcollaterization Transfer: Reserve Account	Overcollaterization Transfer: MLF	Subsidy Allocation	Estimated Mtg. Demand Nine months Ending 6/30/89	Mortgage Loan Funds Available 06/30/89
Bonded Programs									
HOAP	0.00		250.00	2.50	10.00	50.00 (loans)		307.50	0.00
Tax-exempt-MB	35.25		85.00 11/88 110.00 06/89						
	35.25		195.00	1.95		19.50		56.25	191.55
Taxable	50.80	103.69	100.00	1.00	5.00	17.00 (loans)	6.63	112.50	169.61
Veterans-VMP	36.30		50.00	0.88		7.50	(6.63)	22.50	63.80
Condo Stablization	50.00							20.00	30.00
Recycling Programs(IMBs)									
LIFE			10.00	0.20		3.20		10.00	3.00
Non-conforming						5.00		5.00	0.00
Direct Funded Programs									
Mobile						5.00		5.00	0.00
Second						2.00		2.00	0.00
Other Uses of Funds									
Exchange Program Expenses						3.00		3.00	0.00
Condo Stablization Expenses						10.00		10.00	0.00
Operating Budget increase **									
	172.35	103.69	605.00	6.53	15.00	122.20	0.00	553.75	457.96

** Absorded by non-trusted accounts

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage demand and Proposed Bond Financing

Fiscal year ending June 30, 1990
(in millions)

	Mortgage Loan Funds Available	Program Repayments and Earnings	Bond Proceeds	Overcollaterization Transfer				Estimated Mtg. Demand 12 months Ending 06/30/90	Mortgage Loan Funds Available 06/30/90
				Sales Cost	Reserve Account	MLF	Subsidy Allocation		
Bonded Programs									
HOAP	0.00								0.00
Tax-exempt-HMB	191.55		100.00 12/1	1.00		10.00		75.00	225.55
Taxable	169.61	132.17	150.00	1.50	7.50	25.50	3.98	200.00	287.26
Veterans-VMP	63.80		30.00	0.53		4.50	(3.98)	30.00	63.80
Condo Stablization	30.00							20.00	10.00
Recycling Programs(IMBs)									
LIFE	3.00		10.00	0.20		3.20		10.00	6.00
Non-conforming						5.00		5.00	0.00
Direct Funded Programs									
Mobile						5.00		5.00	0.00
Second						2.00		2.00	0.00
Other Uses of Funds									
Exchange Program Expenses						3.00		3.00	0.00
Condo Stablization Expenses						10.00		10.00	0.00
Operating Budget increase									
	457.96	132.17	290.00	3.23	7.50	68.20	0.00	360.00	592.61

** Absorded by non-trusted accounts

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage demand and Proposed Bond Financing

Fiscal year ending June 30, 1991
(in millions)

	Mortgage Loan Funds Available	Program Repayments and Earnings	Bond Proceeds	Overcollaterization Transfer				Estimated Mtg. Demand 12 months Ending 6/30/91	Mortgage Loan Funds Available 06/30/91
				Sales Cost	Reserve Account	MLF	Subsidy Allocation		
Bonded Programs									
HOAP	0.00								0.00
Tax-exempt-HMB	225.55							65.00	160.55
Taxable	287.26	124.43	200.00	2.00	10.00	34.00	3.31	250.00	407.00
Veterans-VMP	63.80		25.00	0.44		3.75	(3.31)	30.00	58.80
Condo Stablization	10.00							10.00	0.00
Recycling Programs(IMBs)									
LIFE	6.00		10.00	0.20		3.20		10.00	9.00
Non-conforming						5.00		5.00	0.00
Direct Funded Programs									
Mobile						5.00		5.00	0.00
Second						2.00		2.00	0.00
Other Uses of Funds									
Exchange Program Expenses						3.00		3.00	0.00
Condo Stablization Expenses						10.00		10.00	0.00
Operating Budget increase									
	592.61	124.43	235.00	2.64	10.00	65.95	0.00	390.00	635.35

** Absorded by non-trusted accounts

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1607 SCOMM 60 HOUSING FINANCE TASK FORCE, 1989

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage demand and Proposed Bond Financing

Fiscal year ending June 30, 1992
(in millions)

	Mortgage Loan Funds Available	Program Repayments and Earnings	Bond Proceeds	Overcollaterization Transfer				Estimated Mtg. Demand 12 months Ending 06/30/92	Mortgage Loan Funds Available 06/30/92
				Sales Cost	Reserve Account	MLF	Subsidy Allocation		
Bonded Programs									
HOAP									0.00
Tax-exempt-HMB	160.55							50.00	110.55
Taxable	407.00	117.15	250.00	2.50	12.50	42.50	3.31	300.00	529.96
Veterans-VMP	58.80		25.00	0.44		3.75	(3.31)	30.00	53.80
Condo Stablization	0.00								0.00
Recycling Programs(IMBs)									
LIF Non-conforming	9.00		10.00	0.20		3.20 5.00		10.00 5.00	12.00 0.00
Direct Funded Programs									
Mobile Second						5.00 2.00		5.00 2.00	0.00 0.00
Other Uses of Funds									
Exchange Program Expenses Condo Stablization Expenses Operating Budget increase						3.00 10.00		3.00 10.00	0.00 0.00
	635.35	117.15	285.00	3.14	12.50	74.45	0.00	415.00	706.31

** Absorded by non-trusted accounts

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage demand and Proposed Bond Financing

Fiscal year ending June 30, 1993
(in millions)

	Mortgage Loan Funds Available	Program Repayments and Earnings	Bond Proceeds	Overcollaterization Transfer				Estimated Mtg. Demand 12 months Ending 06/30/93	Mortgage Loan Fun Availabl 06/30/93
				Sales Cost	Reserve Account	MLF	Subsidy Allocation		
Bonded Programs									
HOAP									0.00
Tax-exempt-HMB	110.55							50.00	60.55
Taxable	529.96	110.31	100.00	1.00	5.00	17.00	0.00	300.00	461.27
Veterans-VMP	53.80		25.00	0.44		3.75		30.00	52.11
Condo Stablization	0.00								0.00
Recycling Programs(IMBs)									
LIFE	12.00							9.00	3.00
Non-conforming						5.00		5.00	0.00
Direct Funded Programs									
Mobile						5.00		5.00	0.00
Second						2.00		2.00	0.00
Other Uses of Funds									
Exchange Program Expenses						3.00		3.00	0.00
Condo Stablization Expenses						10.00		10.00	0.00
Operating Budget increase									
	706.31	110.31	125.00	1.44	5.00	45.75	0.00	414.00	576.93

** Absorded by non-trusted accounts

ALASKA HOUSING FINANCE CORPORATION
NOTICE OF PUBLIC HEARING

BULK SALES

NOTICE IS HEREBY GIVEN that the Alaska Housing Finance Corporation will hold public hearings to accept comments on emergency regulations with respect to bulk sales of the Corporation's real estate-owned properties. The hearing is scheduled to be held at the following:

September 6, 1989
6:00 - 7:00 p.m.
Alaska Housing Finance Corporation
520 East 34th Street
1st Floor Conference Room
Anchorage, Alaska 99503

The public is invited to attend and present oral and/or written statements or arguments relevant to the regulations. Copies of the proposed changes may be obtained by contacting the Alaska Housing Finance Corporation at 520 East 34th Street, Anchorage, Alaska 99503, (907)561-1900, ext. 326.

The Board of Directors of the Alaska Housing Finance Corporation will consider all relevant information presented at the hearings before it takes final action on the proposed changes. The Corporation may continue or postpone the hearing set forth above to times and places which it determines. Any amendment to the proposed changes which are adopted after the hearings may vary in content from the summaries presented in the notice if subject matter of the amendment remains the same.

DATED: Anchorage, AK August 11, 1989

BY ORDER OF THE BOARD OF DIRECTORS
/s/ Robert Mintz, Chairman

NOTICE OF ADOPTION OF
EMERGENCY REGULATIONS
OF THE ALASKA HOUSING FINANCE CORPORATION
IN CONNECTION WITH
BULK SALES

Pursuant to AS 18.56.088, the Board of Directors of the Alaska Housing Finance Corporation makes the following findings:

The immediate adoption of Regulations with respect to Bulk Sales submitted to and made part of the records of this meeting is necessary for the immediate preservation of the orderly disposal of the Corporation's foreclosed properties. The emergency that gives rise to the necessity for these Regulations is as follows:

a. Several pending bulk sale offers; and

b. to stop asset wasting associated wtih empty units.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Alaska Housing Finance Corporation that the Emergency Regulations with respect to the Bulk Sales submitted to and made part of the records of this meeting are hereby approved as Emergency Regulations of the Corporation.

This Resolution shall take effect immediately.

DATED this 28th day of July, 1989.

Alaska Housing Finance Corporation
/s/Robert Mintz
Chairman

Copies of the Regulations may be obtained at AHFC, 520 East 34th Avenue, 3rd Floor, Anchorage, Alaska.

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

NEWS RELEASE

For Immediate Release
January 12, 1990

For More Information Contact:
Margaret Nelson
564-9321

AHFC ANNOUNCES PROFIT FOR FIRST QUARTER FISCAL YEAR 1990

The Alaska Housing Finance Corporation posted a $4.9 million profit for First Quarter of Fiscal Year 1990 which ended September 30, 1989. The profit represents a sharp turn around from the posting of a $124 million loss for the last fiscal year which ended June 30, 1989.

"The profit is the result of a focused effort last year to identify the Corporation's loss exposure and set up sufficient fund reserves to cover them," said AHFC Chief Executive Officer Thomas Behan in announcing the profit today. These loss reserves totalled $139 million at the beginning of the quarter. After adjustments to reflect potential additional losses, realized losses on units sold, and property holding costs the reserves amounted to $143 million at September 30, 1989.

While cautious about using first quarter results to project where the Corporation will end this fiscal year, Behan is optimistic this year will be profitable.

Behan states that a revamping of the property marketing system resulting in the Alaskan Home Properties division and a solid team of dedicated staff as factors contributing to AHFC's first quarter profit and future profit potential.

"Earlier this week we saw evidence of a strengthening economy with the lower incidences of mortgage loan delinquencies and foreclosures and stabilizing values in the housing market," Behan said. "Combined with the direction we've set with home sales we hope to end this year in the black."

-30-

Alaska Housing
FINANCE CORPORATION

DEC 21 1989

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

MONTHLY BRIEFING*
(Compiled 12/12/89)

	October 1989	September 1989	October 1988
Delinquency - All loans less mobile homes	10.53%	11.94%**	14.75%
Delinquency - Mobile homes	17.67%	19.18%	22.46%
Foreclosed Inventory			
Single Family and Duplex	1,984	2,026	1,971
Condo	1,560	1,727	1,787
Multi-plex	38	39	28
TOTAL	3,592	3,802	3,794
Mobile Homes	586	609	775
Total Active Loans	42,740	42,777	42,753
Number of foreclosures for month	195	180	307
Number of sales for month	333	250	161

*All numbers reflect statewide loans and inventory.

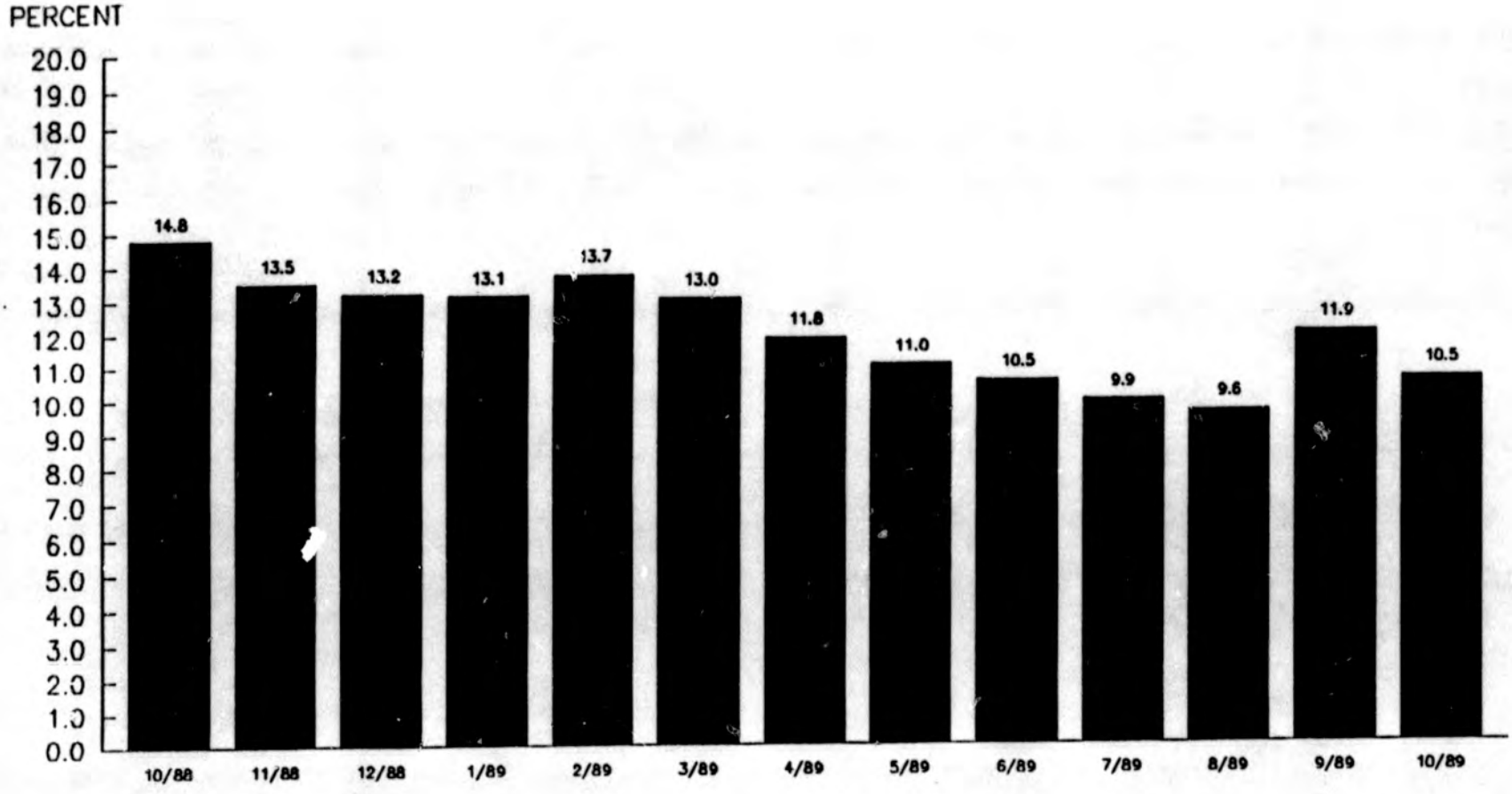
**This number is inflated approximately 2% due to a lender servicing problem which has been recognized.

For more information contact: Margaret Nelson at 561-1900

ALASKA HOUSING FINANCE CORPORATION

TOTAL DELINQUENCIES

TABLE I



ALLDELNS

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P O. Box 101020
Anchorage, AK 99510



VISITORS & COURIERS : OUR NEW LOBBY AND MAILROOM IS LOCATED ON THE FIRST FLOOR. PLEASE CHECK IN.

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

FOR IMMEDIATE RELEASE
February 1, 1990

For More Information Contact:
Margaret Nelson 564-9321

**ALASKA HOUSING FINANCE CORPORATION OPE
OFFICE OF CONSUMER RELATIONS**

The Alaska Housing Finance Corporation has opened an Office of Consumer Relations to answer mortgage questions and assist mortgagors and home buyers in working with the Corporation or its sales division, Alaskan Home Properties, Thomas Behan, AHFC's Chief Executive Officer/Executive Director announced today.

Heading the office is Wayne Mundy, Consumer Relations Officer.

Last fall the AHFC Board of Directors and management felt the need to have a consumer advocate available at AHFC.

The purpose of the office is to facilitate better communications between the public and the various departments at the Corporation, Mundy said. Often, this can be accomplished by simply referring the public to AHFC personnel who can best answer the questions.

"It is our intent to provide the important link from the inquiring public to staff responding to the public's needs," Mundy said. "The Consumer Relations Office also may be able to address mortgage problems not related to AHFC.

"If we do not have the answers we will research the issues and inform the caller on how to proceed," Mundy said.

Mundy has considerable experience in the real estate industry. He served as the Review Appraiser for AHFC for the past five years and has extensive experience in the real estate industry having previously held positions at the Department of Community & Regional Affairs as loan manager, Department of Natural Resources as natural resource manager, Division of Lands as staff appraiser and various positions at local banks and title companies.

Also serving in AHFC's Consumer Relations Office is Brenda Glaze. Glaze previously worked at the Alaska Housing Market Council as hotline coordinator for two years and has held positions in the internal audit department at Alaska USA Federal Credit Union and the mortgage loan production department at National Bank of Alaska.

"We're pleased to offer this service to Alaskans," Behan said. "All mortgagors should feel free to call with their questions or concerns."

The Office of Consumer Relations is located at 520 East 34th Street, Suite 300, in Anchorage. The phone numbers are 564-9317 if calling from Anchorage, or toll free from outside Anchorage, 800-478-AHFC.

-END-

Note: Wayne Mundy is available for interviews or comments. Please call 564-9316.

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

NEWS RELEASE

For Immediate Release
January 10, 1990

For More Information Contact:
Margaret Nelson
564-9321

LEADING HOUSING INDICATORS FAVORABLE

Home sales are up, foreclosures and delinquencies are down and foreclosed inventory is decreasing for the Alaska Housing Finance Corporation, signaling positive trends for the real estate industry as a whole.

"We're excited about the positive statistics," AHFC's Chief Executive Officer Tom Behan said today in announcing the figures. "1989 was truly a turn-around year for the housing industry and the state of Alaska as a whole. There is evidence in the marketplace that the recession Alaska has been experiencing is coming to an end."

Specifically:

- The delinquency rate, or rate of past due loans, reached a low of 8.54 percent in November of 1989. It has not been that low since January of 1986 and is down from a high of 17 percent in July of 1987. (December figures will not be available until after the first of February.)

- AHFC, through it's Alaskan Home Properties division, sold 2,667 properties in calendar year 1989, some 600 units more than in 1988. The increase is primarily attributed to increased sales in the condominium market.

- Foreclosed inventory is continuing a slow, steady decline. As of November 30, 1989, it totalled 4,082 including 591 mobile homes. That's down approximately 500 properties from a year ago.

- The rate of foreclosure also continues to slow. AHFC foreclosed on 3,019 properties in 1989 as opposed to 3,836 properties in 1988.

-more-

"We're very pleased about these housing indicators," Behan said. "And we're happy to see that they are moving in the right direction."

For the future, Behan hopes to see AHFC delinquencies and foreclosures continue in their downward trends.

Sales have continually increased in 1989 and are primarily due to increasing sales of AHFC's foreclosed condominiums. Condo sales increased from 344 in 1988 to 1,071 in 1989, more than a 200 percent increase.

Homeowners and investors have begun purchasing condos because of the excellent prices and the opportunities to realize a meaningful return on investments, Behan said.

-30-

Attachments: Monthly Briefing (1/8/90)
Total Delinquencies (1/9/90)
Year End Comparison

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

MONTHLY BRIEFING*
(Compiled 01/08/90)

	November 1989	October 1989	November 1988
Delinquency - All loans less mobile homes	8.54%	10.53%**	13.50%
Delinquency - Mobile homes	16.98%	17.67%	21.22%
Foreclosed Inventory			
Single Family and Duplex	2,019	1,984	1,977
Condo	1,423	1,560	1,802
Multi-plex	39	38	29
Other	10	10	8
TOTAL	3,491	3,592	3,816
Mobile Homes	591	586	751
Total Active Loans	42,636	42,740	42,273
Number of foreclosures for month	215	195	321
Number of sales for month	230	333	196
Number of loans purchased for month	247	Not Available	Not Available

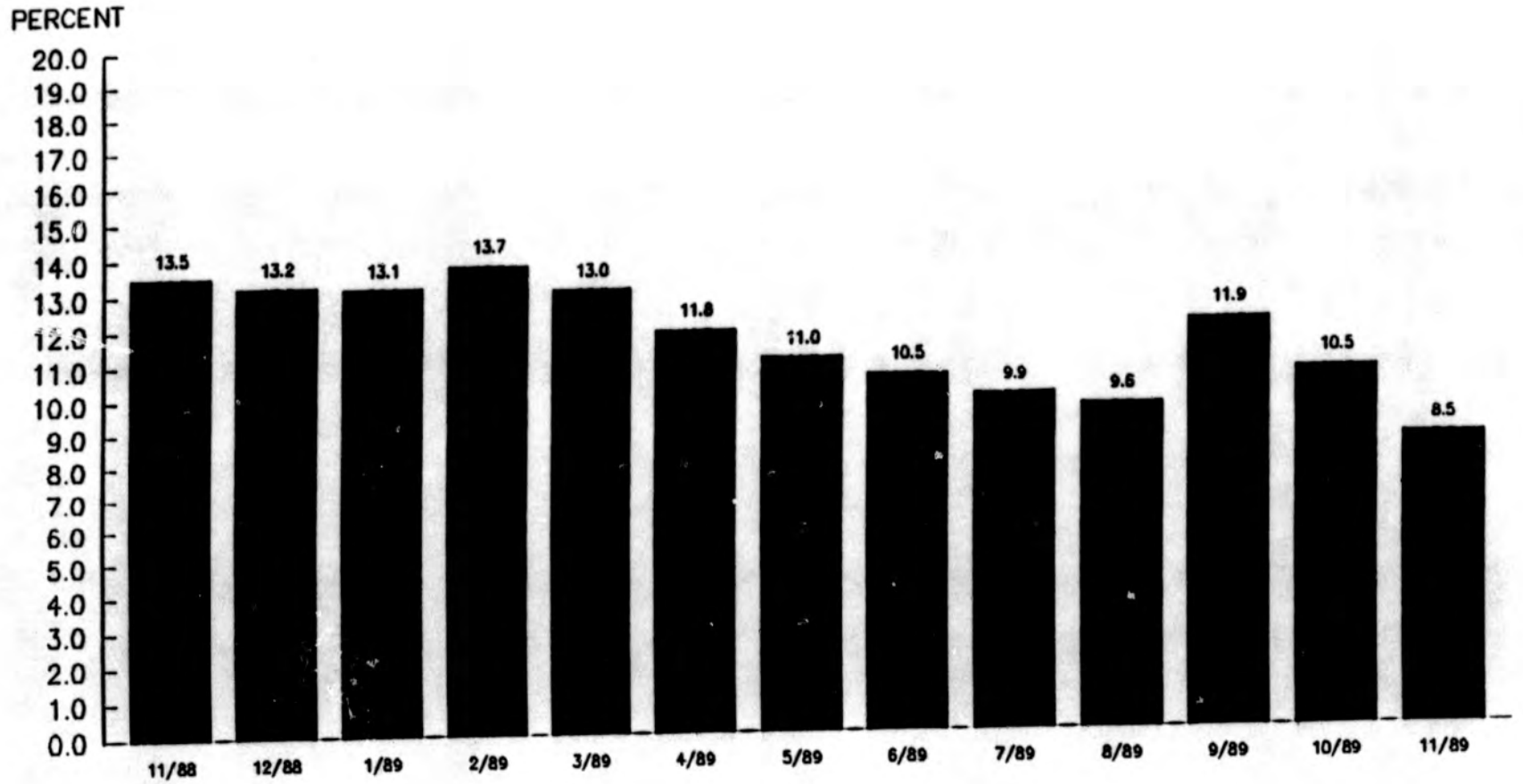
All numbers reflect statewide loans and inventory.

**This number is inflated approximately 2% due to a lender servicing problem which has been recognized.

For more information contact: Margaret Nelson at 561-1900

ALASKA HOUSING FINANCE CORPORATION

TOTAL DELINQUENCIES



ALLDELNS

1/9/90

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

Year End Comparison
(as of 12/31 each year unless otherwise noted)

	1989	1988
Sales		
Condo	1071	344
Duplex	39	47
Mobile Home	537	875
Single Family	1177	939
3-4 plex	11	4
Total	2,855*	2,209
Foreclosures		
Total	3,019	3,836
Inventory (as of November 30 each year)		
Total	4,082	4,567
Delinquency (as of November 30 each year)		
	8.54%	13.50%
Active Loans (as of November 30 of year)		
	42,636	42,273

* Due to closings late in December this number will increase based upon receipt of settlement proceeds.

lmn038

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

NOTICE OF MEETING
ALASKA HOUSING FINANCE CORPORATION
REGULAR MEETING

NOTICE IS HEREBY GIVEN that the Alaska Housing Finance Corporation will hold a Regular Meeting of the Board of Directors:

January 16, 1990
10:00 a.m.
Alaska Housing Finance Corporation
520 E. 34th Avenue, Suite #104
Anchorage, AK 99503

for the purposes of: A) Consumer Relations Officer's Report; B) Public Dissemination of New Listings C) By-Laws; D) Amendment to Personnel Rules; E) Geographic Inventory Report; F) HOAP III Update; G) Update on New Broker/Contractor System; H) Update on Fairbank's Office Activity; I) PMI Update; J) MGIC Update; and K) Any other matters to properly come before the Board.

The meeting will be conducted by electronic media pursuant to AS 18.56.040(b), and it is anticipated that one or more members of the Board will participate in the meeting by utilizing telephonic communications (conference telephone) at the following locations:

Treasury Conference Room
Department of Revenue
11th Floor, State Office Building
Juneau, AK 99811

Legislative Information Office
119 N. Cushman Street, Suite 101
Fairbanks, AK 99701

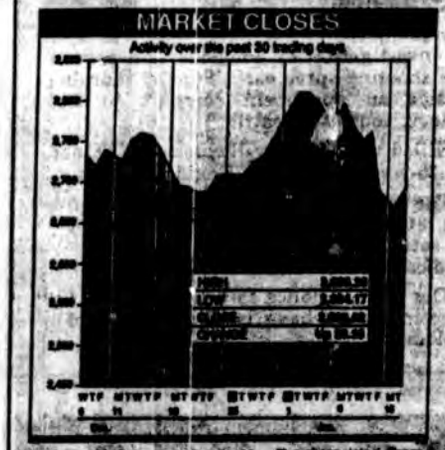
THE PUBLIC is invited to attend the meeting. Pertinent reference materials, if used, will be made available to those members of the public who wish to participate in the meeting.

DATED: January 8, 1990 **Anchorage, Alaska**

BY ORDER OF THE BOARD OF DIRECTORS
/s/ Robert Mintz, Chairman

BUSINESS

THE MARKETPLACE



The Associated Press

Stock market rebounds

NEW YORK — The stock market pulled out of its recent slide Tuesday with an afternoon rally spearheaded by blue-chip issues. The Dow Jones average of 30 industrials, down 91.30 points in the two previous sessions, rebounded 23.26 to 2,692.62. Bond prices fell, pushing interest rates higher. The Treasury's closely watched 30-year bond tumbled about ⅛ point, or $5 for every $1,000 in face value. The bond's yield, which rises when its price declines, jumped to 8.24 percent from 8.17 percent late Friday.

MARKET IN BRIEF

NYSE issues consolidated trading January 16, 1990	
Volume in shares	217,797,910
Issues traded	1958
Up	811
Unchanged	484
Down	723
NYSE Index	Up 1.08
S&P Composite	Up 3.75
Dow Jones industrials	Up 23.26

The Associated Press

Inventories, sales up

WASHINGTON — Business sales and inventories both rose in November, the government said Tuesday, but economists noted that

Report urges AHFC changes

Discarding state subsidy will improve agency, firm says

By GEORGE FROST
Daily News reporter

The Alaska Housing Finance Corp. should eliminate subsidized interest rates for homebuyers, and gradually restrict its mortgage-loan programs to low- and moderate-income Alaskans, according to an accounting firm's draft report prepared for a legislative task force.

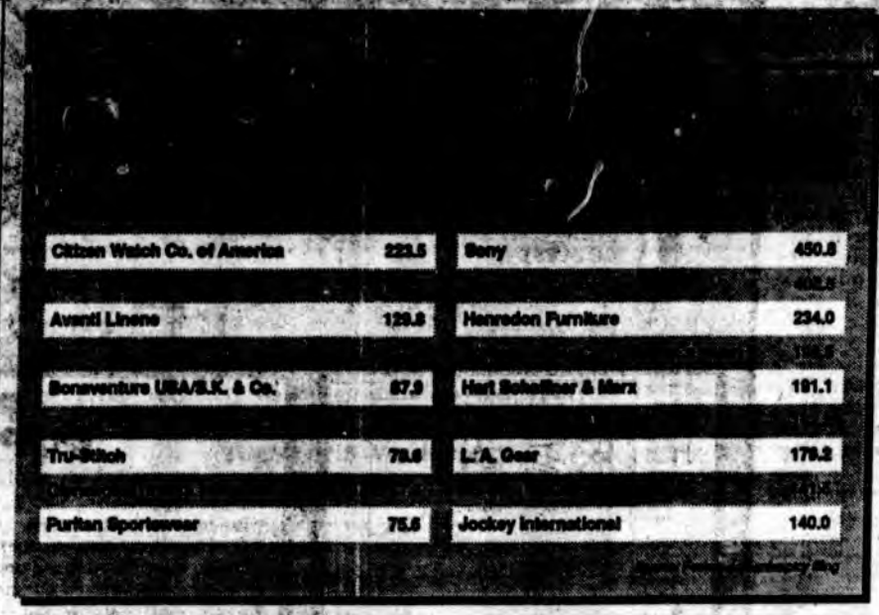
More than 46,000 homebuyers have obtained low-cost mortgage loans since 1980, when lawmakers decided that AHFC loans should be cheaper than market rates.

An Alaska Housing loan delivers a subsidy worth an average of $100 every month when a homeowner sits down to write a check for the mortgage payment. The state subsidy, in effect, boosts a homebuyer's purchasing power by about $11,000 for an average home financed by the corporation.

But that popular program is too expensive to continue, said the accounting firm of Ernst and Young in a report released Tuesday to the Alaska Housing Finance Task Force, a legislative group studying how to put the troubled state-owned corporation on a firmer foundation.

Elimination of mortgage subsidies was a major recommenda-

Please see Page C-7, AHFC





Bankruptcy effects reach nationwide

The Associated Press

NEW YORK — Campeau Corp. is keeping its coast-to-coast department store empire running, but the bankruptcy reorganization of its shattered finances could have far-reaching consequences beyond its stores.

Experts say the financial imbroglio eventually could endanger jobs of some of the 100,000 employees at Campeau's 258 stores around the country, lessen the immediate trend toward price-cutting competition among department stores, and prompt investors to be more critical of proposed retailer buyouts.

"This is a once in a lifetime kind of thing for all of us in this business," said one 30-year veteran of the retail trade, who asked not to be named. "The ramifications are so widespread. The domino effects are remarkable and difficult to conceive."

By seeking bankruptcy court shelter from creditors on Monday, Campeau's Federated Department Stores Inc. and Allied Stores Corp. can continue operating, covering payrolls and meeting suppliers' bills while restructuring their debts.

The fate of the store chains depends on



Johnson

with First National Bank of Anchorage. He will be responsible for overall administration of the branch, including staffing, lending, operations and new business. He began his career with the bank in 1988 as a management trainee in the Kodiak branch.

☐ **Terry Irwin**, senior land surveyor with **Peratrovich, Nottingham & Drage Inc.**, has obtained his professional land surveyors license from the state of Washington. With more than 10 years experience in the field in Alaska, Montana, Colorado, Wyoming and North Dakota, Irwin's experience also includes project management, construction inspection and engineering design.

BUSINESS NOTEBOOK

ACIB sets 2 events

The Alaska Center for International Business will conduct two seminars, "Doing Business in Vladivostok" and "Doing Business In Japan," this week in Anchorage. Both classes are scheduled for today and cost $25 each. The first will be held from 1 to 3:30 p.m., and the second is set for 6:30 to 9:30 p.m. Call 561-2322.

Science foundation director to speak

John Sibert, executive director of the Alaska Science & Technology Foundation, will speak to the Resource Development Council Thursday. He will discuss the foundation in an address titled "A Look Ahead." The breakfast meeting starts at 7 a.m. in the Northern Lights Inn. Call 276-0700.

Oil/gas lease program is subject

Bill Van Dyke and Richard Kornbrath, both with the Alaska Division of Oil and Gas, will discuss "The Agenda for Reinstituting the State's Oil and Gas Leasing Program" at a meeting of the Alaska State Chamber of Commerce Friday. The chamber meets for lunch at noon in National Bank of Alaska's C Street and Northern Lights Branch. Call 278-2722.

...The appeals court relied, for example, on a statement by Peterson, who said she uses land in the South Pass-Green Mountain area of Wyoming.

The Bush administration said the appeals court permitted a wholesale challenge

...ministration position are the Mountain States Legal Foundation, the American Farm Bureau Federation, the National Cattlemen's Association and the American Mining Congress.

The case is Lujan vs. National Wildlife Federation, 89-640.

fishing on Monday.

In 1989, Kodiak fishermen caught 6.5 million pounds of bairdi. ADF&G biologists predicted a harvest of 4.4 million. Bering Sea vessels took 17 million pounds of bairdi crab, outpacing the state's projection of 13.5 million. They harvested about eight times as much opilio crab.

...cents per pound and the lower quality a dime less, said Ken Griffin, a state shellfish biologist in Dutch Harbor. He said said 114 vessels were registered for the tanner crab fishery in the Bering Sea and six for the Aleutian Islands fishery. Many are ships that both catch and process crab.

AHFC: Accounting firm rejects idea of selling agency

Continued from Page C-6

tion of the firm, which was paid $214,000 to plot the financial effects of various policy options ranging from reducing AHFC programs to selling the corporation to a private mortgage company.

Ernst and Young rejected the idea of selling AHFC. They said the state could not get enough for AHFC to recover its $1 billion investment, and a sale may be unconstitutional. But the accountants did suggest AHFC consider subcontracting its sales of thousands of foreclosed homes to a private company.

The accountants also suggested that AHFC:

- Expand its board of directors and include representatives from private real estate and banking companies.
- Be freed from budget oversight by the state.
- Pay dividends to the state when its finances are good, but not now.

Tom Behan, AHFC's chief executive, would not comment in detail about the report. The ideas are worth studying, he said. But he unreservedly endorsed the proposals for greater AHFC autonomy and private-sector membership on the board.

Some legislators for years have tried to figure some way to extract the state's investment out of AHFC.

The state has given AHFC about $800 million to back up its sale of bonds on Wall Street, where it gets cash to make loans at interest rates below the market rate.

By eliminating the subsidy on future loans, AHFC would save $43 million to $91 million over five years — money the state could get back as dividends, the consultants said. Another $45 million could be saved by restricting mortgage lending to low-income buyers, who can be loaned money from lower-cost, tax-exempt bond sales. The state should not compete with private mortgage bankers to lend money on expensive homes, they said.

According to Ernst and Young, AHFC needs almost every penny of the $819 million in reserves and investment to preserve its credit rating and make a profit. So the legislature should keep its hands off.

AHFC's generous mortgage deals are a real estate equivalent of the Alaska Permanent Fund dividends — designed to spread some of the state's oil wealth through the economy.

But critics say the subsidies pumped in too much money, prompting a housing binge that destabilized the market and led to its collapse in the late 1980s. As a result of that crash AHFC was stuck with thousands of foreclosed homes, and last year it lost a record $124 million of public funds. Legislators have been arguing about the program almost since its inception.

The Ernst and Young report was supposed to lay the groundwork for a major legislative overhaul of AHFC, but instead it kicked off familiar disagreements among members of the task force.

Sen. Rick Halford, R-Chugiak, said the study should give impetuous to a bill he introduced last year to rachet down the subsidy from a maximum of three percentage points to one point. Halford has backed similar legislation for years. He agreed with the consultants that now is the best time to cut the subsidy because market rates are close to the 10 percent level, above which the subsidy kicks in. So doing away with the subsidy now won't have a big impact on home sales, and gradually will encourage private companies to take over more of the mortgage business.

Sens. Pat Rodey and Mike Szymanski, both Anchorage Democrats, said they want to proceed a lot more cautiously. Rodey said he's concerned about Wall Street's reaction to abrupt changes, but he agreed the subsidy should gradually be eliminated for upper-income home buyers.

Szymanski said he wants to use AHFC bonding power to help provide housing for senior citizens, and he thinks the subsidy will be needed for lower-income homebuyers. Both Democrats said they are opposed to putting private industry representatives on AHFC's board because of potential conflicts of interest.

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Vic Fischer

Director of Soviet Relations
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"The Soviet Union and Eastern Europe – Quo Vadis?"



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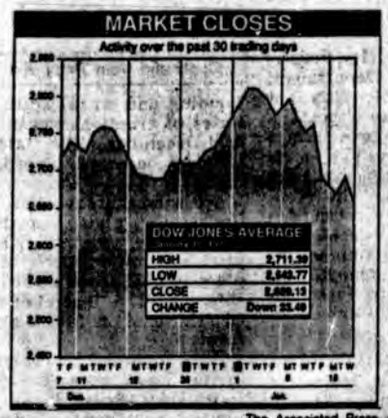
BUSINESS

THE MARKETPLACE



The Associated Press

Dow average tumbles

NEW YORK — Stock prices fell to an eight-week low Wednesday under a barrage of late selling attributed to disappointing economic and earnings news. The Dow Jones average of 30 industrials dropped 33.49 to 2,659.13, its lowest close since it stood at 2,656.78 on Nov. 22. Bond prices finished mixed following Tuesday's sharp selloff. Prices of shorter-term issues rose slightly while longer-term bonds slipped. The Treasury's closely watched 30-year bond declined 1/8 point, or $1.25 for every $1,000 in face value.

MARKET IN BRIEF

NYSE issues consolidated trading January 17, 1990

Volume in shares 202,032,740

Issues traded 1978

Up 649
Unchanged 462
Down 867

NYSE Index 196.86 Down 1.81

S&P Composite 337.40 Down 3.35

Dow Jones Industrials 2,659.13 Down 33.49

The Associated Press

First National profits up

First National Bank of Anchorage posted profits of $17 million last year, up 4.6 percent from a year earlier, said D.H. Cuddy, bank

AHFC subsidy faces extinction

By LARRY PERSILY
The Associated Press

JUNEAU — Lawmakers appear ready to accept a legislative task force recommendation that the Alaska Housing Finance Corp. eliminate its subsidized loan rates. The question is how and when.

The subsidy threatens the state home-loan agency's financial future and stifles competition in the Alaska mortgage-loan market, the task force said in a draft report this week.

Legislation to reduce the potential subsidy from a maximum of 3 percent down to 1 percent has been sitting in a Senate committee since March, but that will change this session, Senate President Tim Kelly said Wednesday.

"I think the Senate will take a position that it's time to gradually do away with the AHFC subsidy," said Kelly, R-Anchorage.

Rep. C.E. Swackhammer, D-Soldotna and chairman of the Housing Finance Task Force, said he favors elimination of the subsidy, but hasn't decided if it should be all at once or gradually.

Despite the popularity of the program, the public may be ready to accept that AHFC cannot afford to continue sharing the cost of home loans, Swackhammer said.

"The public is telling us that we can't expect the state to be everything to everyone," he said.

With declining state oil revenues, it would be irresponsible to continue the subsidies much longer, said Rep. Ron Larson, D-Palmer and co-chairman of

Please see Page E-5, AHFC

Oil output falls in state; imports rise

The Associated Press

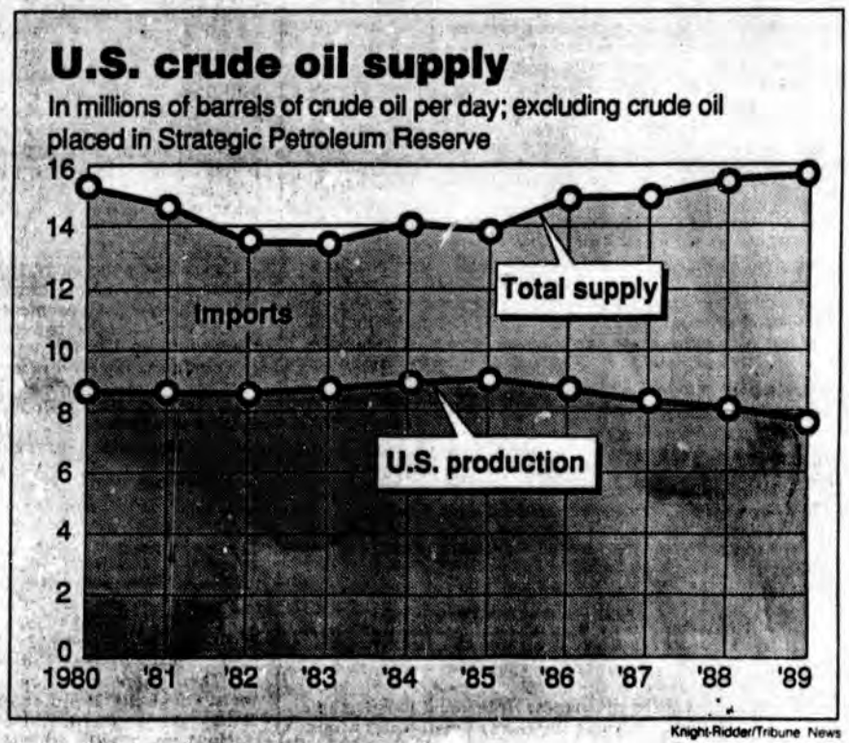
WASHINGTON — Alaska oil production dipped in 1989 and domestic oil production took the steepest yearly fall in history, while petroleum imports rose to a 10-year high, the industry said Wednesday.

The American Petroleum Institute, the trade association of the major oil companies, said Alaska oil production, which had increased almost every year since the start of production from the huge Prudhoe Bay field in 1977, fell by 140,000 barrels per day in 1989.

The report said the Alaska decline was exaggerated by maintenance work and traffic restrictions following the Exxon Valdez oil tanker spill last March, and that the "underlying decline trend" in Alaska was about 100,000 barrels per day.

In its year-end report, the petroleum institute said U.S. crude oil production averaged 7.6 million barrels a day in 1989. That was the lowest in 26 years and a decline of 553,000 barrels per day, or 6.8 percent, from the 1988 total.

The figures confirm a continued decline of the domestic oil industry and are expected to add heat to a debate in Congress this year over whether exploration and production companies should get new tax breaks to



Knight-Ridder/Tribune News

That was the second-highest level on record.

Oil imports rose to 7.9 million barrels a day last year, up 8.2 percent from 1988 and nearly 60 percent above the 1985 level, when

grow to 21 percent of the total.

Total imports accounted for 46 percent of oil consumed in the United States last year. That was the second-highest ever, after the

in, allowing better water circulation. Oil companies have complained that will cost tens of millions of dollars.

Last month, BP asked the corps to modify an existing permit governing use of West Dock to allow the company to drill two new wells that would help outline the Point McIntyre field. Federa decision on if and how to mitigate adverse impacts of the causeway.

"Only you can decide if the existing uncertainties warrant the expenditures that you are contemplating," Kakel said on a letter.

Kakel said he would give BP 30 days to accept the permit conditions.

Endicott moves into 6th place

The Endicott oil field in the Beaufort Sea has surpassed production from a Texas field to become the nation's sixth largest field, said BP Exploration (Alaska) Inc.

BP, which operates the field, said Endicott averaged 97,933 barrels of crude oil last year, surpassing the East Texas field, which produced 96,594. The oil company attributed the numbers to the Oil & Gas Journal and Texas Mid-Continental Oil & Gas Association.

AHFC: Lawmakers ready to eliminate loan subsidy

Continued from Page E-4

the House Finance Committee.

Interest rates and housing prices are much lower now than during the boom years of the early 1980s, and it would be a good time to drop state subsidies without hurting the market, Larson said.

The task force report said the combination of low interest rates and low housing prices offers "a unique window of opportunity" to eliminate the subsidy without disrupting the market.

State law requires AHFC to subsidize its loans up to 3 [illegible] below its cost of borrowing money, but no subsidy is offered [illegible] the agency's cost of money is at or below 10 percent.

Although low interest rates have allowed AHFC to avoid subsidies on most new loans for about a year, existing loans cost the agency about $90 a month for each one-point subsidy on a $90,000 mortgage, said Margaret Nelson, AHFC spokeswoman.

> *"I think the choice is that we eliminate the subsidy or the subsidy eliminates AHFC."*
>
> **— Sen. Rick Halford**

The report said subsidies on thousands of loans eventually will drain AHFC's reserves.

Gov. Steve Cowper's legislative [illegible] a four-year phase out of the subsidy program, but the governor has yet to introduce legislation to make the change.

"I think the choice is that we eliminate the subsidy or the subsidy eliminates AHFC," said Sen. Rick Halford. The Chugiak Republican is sponsor of year-old Senate Bill 200, which would reduce the subsidy.

A House bill to deal with the issue will be introduced by Jan. 31, Swackhammer said.

Halford five years ago introduced legislation to phase out AHFC's subsidized loan program gradually, along with all other state loan subsidies. The bill died in committee.

Lawmakers last session set up the Housing Finance Task Force to review and recommend changes in AHFC. [illegible] almost [illegible] tial mortgages totaling $3.5 billion, Nelson said. The corporation holds about two-thirds of the home loans in Alaska.

Since the Legislature started the subsidized-loan program in 1980, lawmakers have poured more than $800 million of state money into AHFC's bank account to help cover for the subsidies.

Although AHFC has not needed any extra state money since 1984, the task force said continuation of subsidies for new loans would seriously weaken the agency and would require more state cash to keep it afloat.

"The subsidy should be either reduced or totally eliminated over time," said Tom Behan, AHFC executive director.

Elimination of loan subsidies possibly would allow AHFC to start repaying the state treasury some of the [illegible] advanced a [illegible] gram, the report said.

Although lawmakers may agree with the recommendation to start recovering money from AHFC, there will be no attempt to raid the home-loan agency to cover the operating costs of state government, Kelly said.



Helmel

reporter/ years of broadcast many reg journalis

☐ **Jeff Pe** and **Robert Jett** were ap **Petro Products Inc.**, a lo delivers gasoline, diesel Petrovich was named ge is office manager, and J account representative.



Showaker

☐ **Dianna** the positi represent **Co., Insur** has held the insur rater to p and depa national i vice presi Associati



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Department of International & Pacific Studies and Simon Bolivar Professor of Latin American Studies at the University of California, San Diego



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NEXT WEEK JANUARY 26: THE MILITARY IN ALASKA IN THE WANING COLD WAR YEARS, William M. Arkin, Director, Information Unit, Greenpeace, Washington, D.C.

LATEST

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PRESS RELEASE

For Immediate Release: 3/1/90

Anchorage, Alaska -- The State of Alaska and the Alaska Housing Finance Corporation (AHFC) today filed suit for more than $25 million in damages, plus additional punitive damages in an unspecified amount, from a group of insurance companies accused of refusing -- "systematically and without justification" -- to pay valid claims arising out of the collapse of the residential real estate market in Alaska in recent years. The suit also alleges that the insurance companies' improper insurance handling practices will cost Alaska tax payers over $25 million more unless restrained by a court. The defendants include the Mortgage Guaranty Insurance Corporation (MGIC) and a group of Swiss, Swedish, West German and other companies headed by the European General Reinsurance Company of Zurich.

According to Thomas Behan, the Executive Director of AHFC, the agency has been trying unsuccessfully for some time to convince the insurers to pay the claims in full. "We finally concluded that filing this action was the only way to protect the rights of the people of Alaska," Behan said.

The suit filed today arises out of "mortgage insurance" that AHFC purchased from the insurance companies during the 1980's. Under these policies, the insurers agreed to pay certain losses

that AHFC might suffer if the homeowners defaulted on their obligations to pay interest and principal. Beginning about 1985, the decline in the world price of oil and other factors pushed the Alaska economy into a severe recession, resulting in a dramatic rise in the number of defaults on residential loans insured under AHFC policies.

According to the complaint, the insurance companies adopted "an array of improper practices" as a pretext for their refusal to pay AHFC's valid claims in over 1,500 instances to date. Among more than a dozen claims practices attacked as illegal are the imposition of arbitrary deadlines contrary to the terms of the policies; the attempt to establish arbitrary notice requirements not provided for in the policies; and the refusal to reimburse AHFC for amounts advanced to improve or restore properties, even though these expenditures reduced the level of losses. As the severity of the economic downturn increased, and with it the volume and amount of claims, the insurance companies responded by increasing both the percentage and the average dollar amount of their claim denials. In addition to monetary relief the suit seeks to enjoin the insurance companies from continuing the improper claims denial practices.

The 63 page complaint alleges that five years ago the insurance companies assumed the obligations of mortgage insurance policies written by AHFC's previous insurer, now known as

Wisconsin Mortgage Assurance Corporation (WMAC) and are responsible for the improper claims denial practices that have been occurring. According to the complaint, the assumption of liability occurred as the result of a Wisconsin court proceeding on February 28, 1985, initiated by the Wisconsin Insurance Commissioner which placed WMAC in liquidation in order to extract nearly three quarters of a billion dollars of WMAC's contingency reserves to benefit stockholders and creditors of WMAC's bankrupt parent, Baldwin United Corporation. The interlocking agreements that transferred assets and liabilities among WMAC and the defendants have unlawfully jeopardized unsuspecting policyholders like AHFC unless the insurance companies are required to stand behind WMAC's mortgage insurance policies, the complaint says.

AHFC provides subsidies that permit private lenders to make mortgage loans to Alaska citizens at below-market interest rates. Since its inception, the agency has issued over $7 billion in bonds to support these programs, and had directly or indirectly financed almost 74,000 homes for the residents of Alaska.

The complaint was filed in the Superior Court for the State of Alaska, Third Judicial District, by co-counsel for the State and AHFC, Alaska Attorney General Douglas B. Baily, Michael W.

Price of the Anchorage firm of Groh, Eggers & Price, and Stephen H. Sachs, of the Washington, D.C. law firm of Wilmer, Cutler & Pickering.

For further information contact:
Thomas Behan, Executive Director of AHFC, (907) 561-1900
Michael W. Price, Groh, Eggers & Price, (907) 272-6474
Stephen H. Sachs, Wilmer, Cutler & Pickering, (202) 663-6049

Press Briefing 5pm AHFC Offices
March 1

n: AHFC4.rmd

AHFC Proposed Recommendations

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. In a five year liquidity projection liquid assets are reduced 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 allowing for a more diverse supply of capital from the private sector to service the mortgage demand.

House Finance Subcommittee on State Loan Programs
Notes 3/29/89: AHFC

AHFC

Objectives:

- obtain return on capital invested in AHFC
- reduce state real estate subsidy
- allow for more diversified sources of mortgage funding

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 that $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's 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.

House Finance Subcommittee on State Loan Programs
Notes 3/29/89: AHFC

Implications:

AHFC, the state, and the Alaska real estate market will be affected by each of the options outlined above. 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 and/or financial advisor
     - other experienced consultants
   - engage consultant to perform market review
     - up to $50,000 for report on options
     - market only, not specific to AHFC
     - analysis of comparable transactions
2. AHFC Valuation
   - engage investment banking or securities firm
   - estimated cost $500,000 to $2.5 million
   - estimated timeframe 18 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/certain assets
     - sale of entire entity
     - merger (FannieMae etc.)
     - other
   - full time staff support required to manage contract and facilitate interested parties involvement

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.

AHFC OVERVIEW AND RECOMMENDATIONS

INTERIM BUDGET

June 1989 through December 1989 (7 months)

Personal services:	
Staff 2 positions @ $10,000 per month	$70,000
Contractual:	
Expert assistance in mortgage banking, investment banking and federal mortgage programs	150,000
Communications:	
Telephone and fax @ $250 per month	1,750
Travel:	
7 Trips @ $500 avg. per trip	3500
Supplies:	
Office supplies, postage, etc.	1050
Other:	
Contingency @ 1% of total non-contractual	700
Total	$227,000

STAFFING ANALYSIS
OF
ALASKA HOUSING FINANCE CORPORATION

Report No. 04-19

November, 1988
Division of Audit and Management Services

OMB

STAFF PAPERS AND REPORTS

STATE OF ALASKA

OFFICE OF MANAGEMENT AND BUDGET

STATE OF ALASKA

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET
DIVISION OF AUDIT & MANAGEMENT SERVICES

STEVE COWPER, GOVERNOR

P.O. BOX AM
JUNEAU, ALASKA 99811-0199
PHONE: (907) 465-3568

November 14, 1988

The Honorable Steve Cowper
Governor
P.O. Box A
Juneau, Alaska 99811

Dear Governor Cowper:

This report reviews the staffing level needed by Alaska Housing Finance Corporation (AHFC), in order to manage the continuing effects of the recession on Alaska's housing market and the corporation.

It recommends that AHFC add 67 positions, to handle its foreclosed properties and to implemement new work out programs for Alaskan borrowers.

The Audit Committee has reviewed and approved this report.

Sincerely,

John L. Lucas
Director

Enclosure

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EXECUTIVE SUMMARY

The following report summarizes our review of Alaska Housing Finance Corporation's (AHFC) staffing needs, completed at the request of AHFC's Board of Directors. We found two primary staffing problems.

Inadequate Staffing Levels

The first problem is that the permanent staffing level in several divisions is inadequate. This is most true for the Property Disposition and Insurance Claims divisions, which directly handle the rapidly growing inventory of Real Estate Owned (REO) properties.

However, it is also true for other divisions, including the Office of the Executive Director, where greater depth and breadth in management is needed.

Why Spend More Money on Staffing?

AHFC has lost an estimated $9 million in reimbursable REO expenses because of inadequate insurance claims monitoring systems. This includes an estimated $8.6 million in reimbursable expenses because staff was not in place to monitor systems for filing timely Notices of Delinquency to the pool insurance company. It also includes an estimated $45,000 in interest claims each month which AHFC's largest pool insurance company denies because the foreclosed properties are not put on the market quickly enough.

It does not include primary mortgage insurance payment reductions on foreclosures which are not accomplished in a timely manner. It also does not include disputed insurance claims which AHFC could partially recover. AHFC submits approximately $875,000 each month in pool insurance claims for REO repair expenses. These claims are usually reduced by an estimated 24 percent, for various reasons. AHFC is usually unable to dispute the changes with the insurance companies, since staff cannot effectively monitor repair and maintenance work.

The average current work load for property disposition specialists is two to three times industry standards.

Prudent management requires that adequate resources are used to manage assets, both human and financial. AHFC's loan portfolios total more than $4 billion, and the State is obligated to provide adequate resources to protect those assets.

AHFC's budget is funded by the proceeds of its operations; therefore no General Fund monies would be needed for this expansion. Further, we believe the savings achieved by adding the proposed staff will more than compensate for the cost.

AHFC's programs and policies effect the lives of virtually every Alaskan resident, renter and home owner alike. To date AHFC has relied on its contractors to work directly with borrowers and implement the state's lending programs. During this difficult economic period the state must be aware of the effect of its programs on Alaskans. Unless AHFC can interact with borrowers in trouble, the state cannot know the true effect of its policies on people's lives.

Need for Greater Public Administration Perspective

The second problem is that the management team lacks adequate public administration representation. Senior management is comprised mostly of technical experts recruited for a financing institution. As long as AHFC remains a public corporation under the umbrella of state government, it will have its dual mission of fiscal responsibility and public policy administration. AHFC's management team now needs more balance.

Conclusions

AHFC manages billions of dollars of state assets and debt, through programs which affect all Alaskans. During the past two years it has changed from a financing institution only, to both a financing institution and an institutional seller. Management should employ adequate numbers of qualified staff to effectively manage all of its portfolios and programs in the public interest. We recognize that changes in Alaska's economic conditions will affect AHFC's staffing needs, and management should be prepared to respond to those changes appropriately.

AHFC can add the needed public perspective partly by filling the recommended additional senior level positions with individuals having public administration experience. This should complement, not compromise, the strong financing experience in AHFC's management.

Recommendations

To address the concerns, we recommend that management immediately revise its staffing plan to convert 21 of 25 existing temporary positions to permanent positions, and immediately add another 46 positions, for a total of 67 new permanent positions. This brings AHFC's authorized staffing level to 147, although we expect this number to continue changing as AHFC responds to need. Our recommendation is based on projections of current trends, and does not predict economic changes.

Recommended New Permanent Positions

EXECUTIVE OFFICE	
Deputy Director	1
Ombudsman	1
Internal Auditor	1
SERVICING OPERATIONS	
Property Disposition	26
Foreclosure	3
FINANCE	
Special Assistant/Management Information Project	1
Property Insurance Claims	17
Accounting Operations	2
Data Processing	5
ADMINISTRATION	
Personnel	1
Support	7
MORTGAGE OPERATIONS	
Special Projects	2
	67 Positions

Most of the positions are created because of AHFC's new role as an institutional seller. A total of 69 positions would work directly with REO disposition tasks.

The Deputy Director and Ombudsman positions are intended to address the public administration concerns and must have adequate authority. In addition, the position of Deputy Director will provide needed depth in management, and be responsible for day-to-day operations. This includes coordination of program implementation, ensuring adequate communication and cooperation between departments. This will free up the Executive Director for program development and negotiations with other institutions.

Our report includes a sample organizational structure (Attachment 1) which we think will work; it is meant to illustrate our projection of required numbers and distribution. Clearly each division knows its detailed work requirements which dictate refinements.

Other Staffing Issues

We developed this plan after interviewing AHFC staff and personnel from other interested organizations. During our review we encountered several related issues, including training needs, the need for current, written program and procedure manuals, and the question of an AHFC physical presence in the Matanuska Valley, Southeast Alaska, and Fairbanks. Our comments on these issues are included on page 20 of this report.

Agency Position

In its FY 89 budget revision request and its FY 90 budget, which were prepared during the same time period as this review, AHFC requests a staffing increase of 74 positions, compared to our recommendation for 67 positions.

AHFC's request includes certain positions which we did not identify. For example, it adds two positions for self insurance risk management tasks which we did not include; four new positions in the underwriting division, as opposed to our two; seven in data processing compared to our five; and four for management information services compared to our one.

These examples are somewhat offset by some areas where we recommended more positions for a specific task than AHFC requested in its RP.

There are also minor differences in our proposed structures. We recommend that the three audit positions be grouped together to provide maximum benefit, while AHFC separates the Internal Auditor from the Seller/Servicer-Broker auditors. We think this separation can lead to rigid perceptions of duties and responsibilities by the auditors. The same rationale applies to our recommendation that the Property Disposition property inspectors work with the Mortgage Operation's Appraiser. We also recommend that AHFC move its loan purchasing and shipping functions from Servicing to Mortgage Operations, in order to group like functions together, making the purpose of each department more clear. AHFC's request did not suggest these changes.

However, we consider these differences to be relatively minor, which should be addressed by management. One of the first duties of the new deputy director should be to review the corporation's organizational structure in light of the recommendations, to ensure that the corporation's structure most efficiently accomplishes its mission.

The most important message of this report is that AHFC should increase its staff to a level adequate to manage the workload and provide service to the public. We support the authorization of positions to accomplish that. Because AHFC is judged annually on its financial performance in the same way a private corporation is judged, AHFC management will reduce staffing as soon as workloads decrease and positions become unnecessary.

PURPOSE AND SCOPE

The purpose of this review was to assess the staffing needs of the Alaska Housing Finance Corporation (AHFC).

The scope was limited to assessing staffing level changes needed to respond to the growing number of foreclosures and Real Estate Owned (REO) units from October 1988 to December 1989.

Our review did not include an evaluation of existing individual staff performance or qualifications.

For projection purposes, this report assumes that foreclosures continue at current rates during 1989. The report does not include temporary staffing needs for special one-time projects. The staffing estimates are in terms of numbers of positions only. Except for senior management positions we did not identify the specific responsibilities for each position.

INTRODUCTION

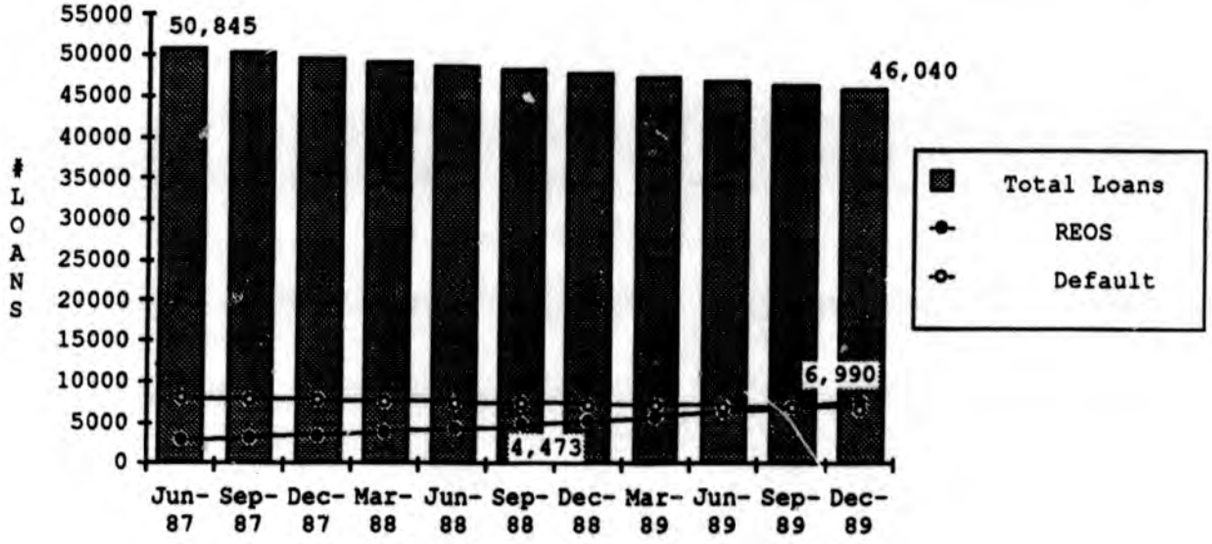
The legislature created Alaska Housing Finance Corporation in 1971 to provide affordable financing for low to moderate income Alaskan home buyers. Today it is the largest housing finance institution in Alaska as well as the largest institutional seller. AHFC seeks to retain its ability to obtain financing for Alaskan housing needs, by preserving its financial position.

AHFC is a public corporation and government instrumentality within the Department of Revenue. It is governed by a Board of Directors comprised of the Commissioner of Revenue, the Commissioner of Commerce and Economic Development, and three other members who are appointed by the Governor. One of these three must be the head of another department within the Executive Branch of state government, and the other two are public members.

At the end of fiscal year 1988, AHFC had over $3.7 billion in loan balances outstanding, with 45,000 borrowers. The outstanding balances on its 4,473 REOs totalled another $254 million.

Although AHFC's default rate is decreasing slightly, the REO rate is increasing. This means an increasing number of loans in default go into foreclosure and become REO. As the following graph illustrates, if defaults and foreclosures continue at the current rate, AHFC's REO inventory will be almost 7,000 just one year from now.

AHFC Active Loans, REOS and Defaults
Projected Through 12/89 from Actual Rate to 9/30/88



AHFC can help to change these trends with work-out programs to reduce the number delinquencies and the percentage of loans in default which go into foreclosure; and to dispose of its REOs more quickly. It can also minimize its losses by efficient application of its multi-layered insurance coverage.

To accomplish this AHFC requires adequate staff. The staffing structure proposed in this report is based primarily on the projected REO inventory of 6,990 on September 30, 1989. If the corporation begins immediately, it can hire and train its new staff over a period of several months.

FINDINGS AND RECOMMENDATIONS

RECOMMENDATION:

AHFC should immediately revise its staffing plan to convert 21 temporary positions to permanent positions and add 46 additional positions to its five departments, as shown below. Management should analyze its staffing needs quarterly in relation to REO inventory growth or decrease, and adjust accordingly.

RECOMMENDED STAFFING CHANGES *

DEPARTMENT	CURRENT PERMANENT	ADD	TRANSFER	RECOMMENDED PERMANENT
Executive Director	3	3	+ 3	9
Administration	10	8	0	18
Mortgage Operations	11	2	+ 7	14
Servicing/REO Mgmt	34	29	- 10	59
Finance	22	25	0	47
TOTAL	80	67		147

* (See Attachment 2 for Detail)

AHFC is unable to meet the demands placed on it by the real estate market because it is understaffed.

Currently AHFC has 80 full time authorized positions, three of which are vacant. It is supplementing its staff with 25 temporary employees, to bring its payroll list to 102.

In 1985 AHFC hired one person to start a special credits division to handle tasks resulting from delinquencies and foreclosures. AHFC's records showed approximately 500 Real Estate Owned properties in 1985. By the end of fiscal year 1986 that number was over 1680, increasing to 4,475 by September 30, 1988.

Permanent AHFC staff positions assigned to manage its REO management functions has increased from 12 in 1986 to 21 today. AHFC has been supplementing this by temporary accounting, data processing, and clerical positions.

Staffing Level Criteria

For the purpose of this analysis, we accepted AHFC's basic staffing levels for non-REO functions. Further, although one might expect underwriting functions to decrease during the housing recession, we expect additional activity produced by workout programs and special projects.

Also, even though defaults are decreasing slightly, we are recommending the addition of two staff to the foreclosure division. This division was not staffed at a level commensurate with current needs. Therefore no reductions in any departments are recommended at this time. Management will adjust to respond to market needs in the future.

Other specific additions, such as the Ombudsman's position, respond directly to unmet needs, and not necessarily to work loads.

We based our REO management staffing level on 300 properties per property disposition specialist and two support and supervisory personnel per specialist.

This three person "team" is consistent with property management standards of two support staff per manager position. Most companies do not also handle foreclosures, so industry standards are not completely comparable to AHFC. For that reason we did not count the foreclosure technicians and senior management positions in the REO staffing levels.

Three hundred properties per specialist is the high end of the industry workload standards, which range from 125 to 300 properties for each property disposition specialist. We chose the high range because AHFC staff neither broker the properties nor perform a complete property management function, as some of the comparison groups do. Further, by using the high range we compensated for specialists who will manage larger numbers of condominiums and mobile homes. We classed the Property Disposition Specialists closer to Asset Managers in the real estate industry than to Property Managers.

The property disposition "teams" of three include the following employees:

NUMBER EMPLOYEES		DIVISION
Current	Proposed	
13	38	Property Disposition
0	1	Administration
2	0	Servicing
0	1	Mortgage Operations
6	30	Finance
21*	69	Company-wide

* currently supplemented by 15 temporary positions.

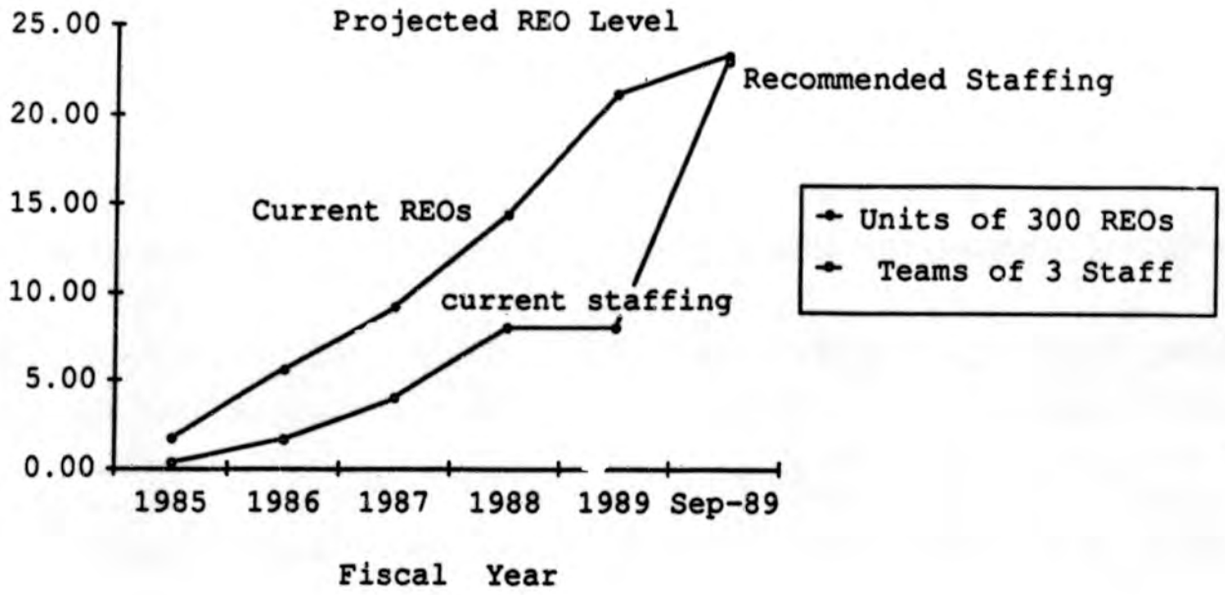
REO Inventory Projections

The staffing needs for REO acquisition and disposition functions are based on 6,990 REO units by September, 1989 (see growth curve graph, page 5). This number is a projection of fiscal year 1988 growth rates of REO inventory (see below) and does not consider unexpected changes in the economy and the housing market. A regression analysis was used to determine the growth curve.

ACTUAL		PROJECTED	
Quarter End	# REOs	Quarter End	# REOs
June 1987	2,777	Dec. 1988	5,225
Sep. 1987	3,216	Mar 1989	5,758
Dec. 1987	3,687	June 1989	6,344
Mar. 1988	4,170	Sep. 1989	6,990
June 1988	4,324	Dec. 1989	7,702
Sep. 1988	4,473		

Management must analyze the REO inventory growth rate quarterly to respond immediately to growth or decreases in REOs. Otherwise the corporation will continually be behind the growth curve. The graph on the following page illustrates staffing needs.

AHFC REO/STAFF RATIOS
1987-1989 (Projected)



Why Is AHFC Understaffed Now?

AHFC's role has changed. It was established to provide affordable home financing to Alaskan borrowers. It did not plan to own a significant number of properties. Like other financing institutions in Alaska, AHFC could not predict the extent of the housing recession. AHFC therefore did not restructure its organization to meet anticipated market changes. Instead, it has used a "band-aid" method of management, adding temporary personnel as needed and borrowing between departments, sometimes to the detriment of other department(s).

What Happens When Staff Is Not Added?

Without immediate staffing, AHFC will continue to lose insurance reimbursements because of inadequate monitoring of contractors and billings. The corporation will continue to be slow to respond in most property management and sales processes, resulting in lost sales and longer holding time of REOs. Information needed by management will not be available.

For example, the corporation has lost an estimated $8.6 million in reimbursable expenses because staff was not in place to monitor systems for filing timely Notices of Delinquency. AHFC's largest pool insurance company rejects an estimated $45,000 in interest claims each month because the foreclosed properties haven't been put on the market quickly enough. Primary mortgage insurance payments are reduced when foreclosures are not accomplished in a timely manner.

AHFC submits an estimated $875,000 each month in pool insurance claims for REO repair expenses. The insurance companies reduce these claims by an estimated 24 percent, for various reasons. AHFC is usually unable to dispute the changes, since staff cannot effectively monitor repair and maintenance work.

When staff is behind the productivity curve it is unable to creatively manage and seek cost effective, workable solutions.

If positions are not added, AHFC will have to continue with temporary employees and contracting. Temporary employees tend to move on to permanent positions, either within the corporation or elsewhere. Loyalty and job proficiency are not necessarily developed, which is important because these temporary positions are responsible for paying out literally millions of dollars each month.

Contracting services over which the corporation does not first have control increases the potential loss.

Conclusions

The State of Alaska must ensure that AHFC has adequate resources available to manage the corporation's $4 billion portfolios. Without enough trained personnel to do its job, AHFC may contribute to the frustrations of Alaska citizens already devastated by the market, and increase its loan and operating losses.

The State of Alaska should not be reluctant to add AHFC staff just because economic improvements might decrease its staffing needs. When that happens the economy should be able to absorb the staff members AHFC will lay off. AHFC has the luxury of hiring during depressed times and cutting back during good times. This helps ensure that AHFC will recruit exceptionally qualified personnel for these positions.

Management should of course watch closely for changes in the growth of delinquencies and foreclosures and begin as early as possible to respond to changes.

STAFFING PLAN

The following describes staffing recommendations by department, as illustrated on the proposed organizational chart (Attachment 1). It is intended as a guideline; the Deputy Director (new position) will review operations closely and make adjustments to the structure as necessary.

The plan is predicated on the assumptions that AHFC wants to provide good service to its borrowers, implement state housing policy, and preserve its financial strength.

OFFICE OF THE EXECUTIVE DIRECTOR

The Office of the Executive Director is now staffed by the Executive Director and two special assistants. The corporation needs three new executive department positions: a Deputy Director to ensure depth in management, and to oversee the day-to-day operations; an Ombudsman to handle borrower relations; and an Internal Auditor to ensure adequate corporate controls.

AHFC has two missions. It must prudently manage the finances of the corporation as well as implement the state's housing policies through its programs. Although these two missions are sometimes in conflict, the dynamic tension created by this conflict should result in a balance.

During the housing recession, the corporation has operated primarily from the perspective of a private financing institution in order to minimize its losses and preserve its ability to raise funds for Alaska's markets.

Receiving little praise for its financial performance, AHFC instead is criticized for "having no heart". Further, the aftermath of the market problems will pose additional problems AHFC is not yet prepared to address. Senior management should now include a greater public administration perspective.

Deputy Director

A Deputy Director is needed to ensure consistent, stable day-to-day operations, as well as depth in management. This is especially important during turbulent times when the Executive Director must concentrate on contact with insurance companies, other financial institutions, the AHFC board of directors, the legislature, and the public at large. A deputy can oversee operations, coordinate management reporting functions, and facilitate smooth implementation of new workout and financing programs developed to address the many needs created by recent market behavior.

The Executive Director's two staff assistants have no line authority. The Executive Director works with and is advised by the management team to develop programs responsive to the current economic climate. Actual program implementation needs hands on coordination between departments, which requires more time than the Executive Director can afford.

There is frustration on the board and department manager levels about access to useful information and management reports. The deputy director position can free up other senior management personnel to work on the management information system, and coordinate interdepartmental efforts.

The Deputy Director should report directly to the Executive Director, have public administration experience, and be given full authority for day-to day operations.

Special Assistants

This report recommends no changes to the two existing Special Assistant positions. These people work directly with the Executive Director in special research, project development, and public information capacities. Management should assess the need for these positions frequently.

Ombudsman

AHFC should immediately hire an Ombudsman, or troubleshooter, to work directly with borrowers who are unable to reach acceptable agreements through their banks and AHFC's normal procedures. The Ombudsman should report directly to the Executive Director to ensure that adequate authority, both in-house and in the eyes of the public, is attached to the position.

At present, one clerical position within Special Credits works directly with borrowers. Borrowers are frequently frustrated because the only person they can contact at AHFC has no authority. This position should move to the Ombudsman's office as assistant.

Audit

AHFC should hire an Internal Auditor, fill its vacant Auditor position, retrieve its current Auditor from the Mortgage department and move the new three person Audit Division to the Office of the Executive Director.

New programs and unmonitored systems warrant the addition of an Internal Audit function within AHFC. This suggestion was supported by the corporation's financial auditors and mentioned

by several staff members. In order for the Internal Audit to function properly, it should report directly to the Executive Director.

Although AHFC's current structure includes two approved audit positions, one is vacant and the person filling the other position is working on a special project in the Underwriting Division. The staffing plan proposed last year called for three audit positions, and our review indicates that AHFC needs the three positions to perform internal audit functions and Seller/Servicer and Broker audits. To date five of the 39 Seller/Servicers have been audited, and no Broker audits have been started.

AHFC's performance criteria stipulated 24 audits would be completed during 1989. To accomplish this the division must be staffed.

ADMINISTRATION

The Administrative division is staffed by ten permanent employees and three temporary positions. We are recommending converting two temporary positions and adding six new positions for a total of 18 support positions. AHFC should consider making this a Department, especially in light of additional future contracting assignments. Our recommendation includes the following changes:

Personnel Officer

AHFC's present structure places personnel administration with the Administrative Officer. Adding positions will result in a staff of 147. A Personnel Officer, positioned at a level equivalent to a Personnel Assistant position in the state's classified service, should be added within the Department of Administration to assist managers in recruiting, hiring, training, and personnel administrative matters.

The Personnel office should work with the Administrative Officer to update the personnel rules and salary schedules, including position classifications for management positions as well as new positions.

Secretarial Pool

Three new positions should be created in the secretarial pool. One would be shared by the Deputy Director, Ombudsman, and Personnel Officer. The second would be assigned to Servicing/Operations because of its increasing staff. The third position is created by converting the current temporary receptionist position to permanent status.

Purchasing

This plan supports converting the temporary purchasing assistant to permanent. However, the Administrative Officer should review the job descriptions and classifications of these positions to ensure they will adequately meet AHFC's purchasing needs as it expands.

Records Retention

AHFC should fill the vacant records retention clerk position and hire an additional three clerks for this unit. Currently a file conversion project is underway which will greatly improve AHFC's filing system. However, it is a difficult and cumbersome task and requires additional manpower to accomplish within a reasonable length of time. Also, if adequately staffed, the records retention division will reduce the file clerk requirements of other departments. Our plan reflects that efficiency.

MORTGAGE OPERATIONS

The Mortgage department is currently staffed by 11 permanent positions and five temporary employees who are processing the HOAP applications. This is the underwriting department of AHFC, which reviews and approves loan applications. The proposed plan would add two positions and transfer seven from the Servicing Department for a total of 20 positions in Mortgage Operations.

Current permanent staffing is adequate for steady, relatively low levels of application processing. Because the underwriting division should be working with the Property Disposition and Special Credits divisions to develop financing alternatives to address today's problems, we recommend two additional professional positions be added to this division. These positions should deal with special projects and new programs.

We also recommend transferring the Loan Purchasing/Shipping Division of six personnel from Servicing to Mortgage Operations. Among other tasks, this division performs the data entry functions to enter the loan into the system, ships loans, and assists in loan reports. By moving these positions to the Mortgage Operations Department, AHFC can better monitor the data input and reporting on mortgages.

We also recommend that the Property Inspector, from the Property Disposition division, report instead to the Appraiser. This would not change the duties of the position. However, the Appraiser often assists Property Disposition, and by grouping the two similar functions together, AHFC should be able to increase their effectiveness.

We do not recommend converting the five temporary HOAP positions to permanent status. However, this department must add staff from time to time as new programs are developed. It is important to plan staffing for special projects to avoid disruption of other AHFC functions.

REO-SPECIFIC DIVISIONS

The remaining positions are in the Finance and Servicing Operations Departments, which provide the most hands-on REO management.

Sixty-nine of the total proposed 147 staff are needed to directly manage the 6,990 properties we project AHFC will own by September 30, 1989. (See Staffing Table, Attachment 2, for detail).

At the rate of one specialist per 300 REO units, AHFC should have 23 property disposition specialists by September 30, 1989. This level should enable the staff to adequately monitor the marketing and management of its REO inventory. It will also allow the corporation to be more flexible in defining the scope of its REO management duties and the duties of listing brokers and seller/servicers.

At the rate of two support staff for each specialist, this staffing level requires 46 support positions. The Department of Finance provides 29 of those positions, Mortgage Operations one, and Administration one. Four are allocated to Property Disposition management positions, and the remaining eleven are allocated to its Assistant and clerical functions.

SERVICING OPERATIONS (Foreclosure/REO Management)

This is a relatively new department, which was formerly part of the Division of Finance. It has 34 permanent positions, which we recommend be increased to 54. This would be accomplished by adding 34 new positions and transferring ten to other departments.

Currently this department's responsibilities include foreclosure functions, borrower counseling, loan shipping, mortgage file data entry, Seller/Servicer audits, and REO management.

Property Disposition (REO Management)

This division oversees the marketing and sales of AHFC's REO inventory. Currently AHFC is using designated real estate brokers to list the properties for sale, and its staff to oversee the brokers. Today each property disposition specialist handles an average of 700 properties.

We recommend that the Property Disposition Division add 26 positions, for a total of 38 employees. This would include the managing officer, three property disposition managers, and 23 Property Disposition Specialists. Our plan provides five Property Disposition Assistants, three file clerks, two closing specialists, and one clerk II. Our primary concern in this division is numbers of specialists; the division will want to configure its support staff accordingly.

We recommend that the specialists be assigned by types of properties; for instance, all mobile homes would be assigned to designated specialists who would be grouped together in one unit. We did not assign exact numbers of positions to categories of properties, since that will change as the REO inventory changes, and division management should make staffing adjustments as needed.

Property Inspector

To achieve leveraged effects resulting from positions performing similar functions working together, we recommend that the Property Inspector position report to the Appraiser's office in the Mortgage Department.

This can also be one way to link the two departments, which will be increasingly important as AHFC develops creative programs for REO financing.

Servicing

Loan Purchasing/Shipping

This division ensures that new mortgages are entered into the system, ships loans, and assists in monthly loan reports. We recommend that this division of six personnel move to Mortgage Operations. This will enable the Special Credits division to concentrate on its foreclosure tasks and Seller/Servicer relationships.

Special Credits/Foreclosure

This division works with the Seller/Servicers, focusing primarily on foreclosures. Although it has added several new positions in recent months, we recommend that three permanent positions are added now for a total of 13 positions. The new staff is needed to improve AHFC's Seller/Servicer monitoring functions, improve its Notice of Delinquency and foreclosure processing times, and develop written guidelines for foreclosure processes.

These improvements should reduce the amount of AHFC insurance claims denied because foreclosure functions are not accomplished in a timely manner, and improve service to the public. Two positions are Special Credits technician positions, and the third converts the temporary FNMA file clerk to a permanent position.

Special Credits Clerk II - Borrower Counselor

The Borrower Counselor in the Special Credits division should move to the Ombudsman office in the Executive division. This will provide authority needed for the function to effectively assist borrowers. Currently the Special Credits division views itself as a collections department and a Seller/Servicer liaison. There is no inclination to work directly with borrowers, and the counselor position does not receive necessary support to assist borrowers.

Audit

We recommend that the two positions in this division move to the Office of the Executive Director, as discussed above.

DEPARTMENT OF FINANCE

The Department of Finance currently has 22 positions, including the Director, two assistants, and the nine person staff in Accounting Operations. We recommend adding an additional special assistant to the Finance Director to provide resources for improving the management information system.

Our plan also adds 25 accounting positions. Two of these are in Accounting Operations, and are needed to accommodate the corporation's growth. The remaining positions are needed for REO management, as described below.

Property Insurance Claims Processing

We recommend adding 17 permanent positions to this division, which is currently staffed by five permanent employees and 13 temporary positions. This division pays all REO insurance reimbursable expenses, including bills from contractors for repair work, reimbursements to brokers for property management and utility costs, and reimbursements to Seller/Servicers for foreclosure and maintenance costs.

The division has been operating with temporary employees who are not fully trained, making decisions about what bills to pay and what bills not to pay. These small bills add up to over a million dollars a month, and deserve adequate attention.

The division does not have a computerized claims filing and monitoring system and cannot quantify the amount of insurance claims denied for specific reasons. This is an example of essential management information not available because of staffing shortfalls.

The division previously committed to implementing a system for direct payment of REO utility bills which was to be in place one year ago. This system would greatly reduce the number of claims transactions processed, reduce the management costs for contractors, and reduce the potential for error. Four of our recommended positions are to implement this project. We recommend that the division make this a priority and set a March 1, 1989 target implementation date.

Data Processing

AHFC currently has three temporary programmers in addition to its four person Data Processing staff. Both the hardware and the staff are overloaded, and we recommend five additional positions.

Board and management are frustrated over delays in developing needed management reports. Information is not always useful because of gaps in the data, and decisions are being made with incomplete information. This can be expensive.

As the corporation changes and expands, managers need different information. A systems analyst should be hired to work with managers in designing reports responsive to their needs.

Currently the user tends to work directly with the programmer, resulting in duplicate reports and information not useful for management.

The proposed five staff positions for Data Processing include the current three temporary programmer positions, a systems analyst, and an additional programmer. It is intended that the additional staff will enable Property Disposition management reports to be updated and revised.

OTHER STAFF-RELATED ISSUES

During our review a few additional issues were raised repeatedly, which we will mention here.

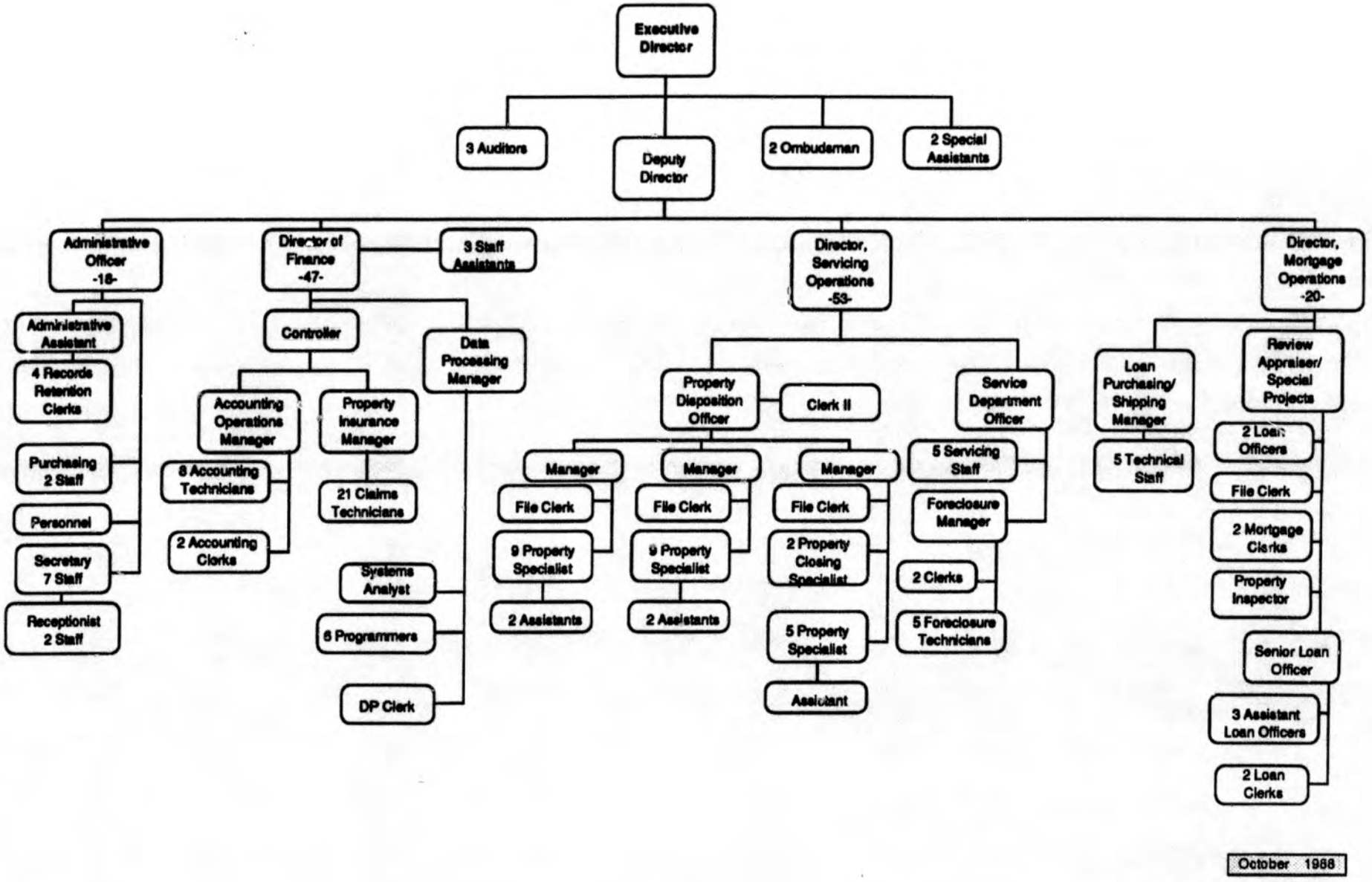
The board and staff is greatly concerned that adequate training be provided for all levels of employees, both new and continuing. It should be noted that the AHFC staff currently has a large number of new employees, which, together with the recommended additions, will create a large training need. AHFC should budget and plan to meet this need.

Written manuals and procedures for all divisions need to be updated.

Although the numbers of AHFC properties in Fairbanks, Southeast Alaska and the Matanuska Valley do not warrant the expense of opening offices there, AHFC should budget adequate travel funds to ensure its presence in those communities. AHFC staff should be familiar with the properties, and be accessible to local brokers.

Alaska Housing Finance Corporation
Proposed Organizational Chart

-147- Positions



October 1988

ATTACHMENT 1

	CURRENT(1) TOTAL	EXISTING(2) PERMANENT	ADDED(3) NEW	TRANSFERS	PROPOSED TOTAL	Direct REO & Foreclosure
EXECUTIVE DIRECTOR	3	3	3	3	9	
Executive Director	1	1	0	0	1	
Special Assis.	2	2	0	0	2	
Deputy Director	0	0	1	0	1	
Ombudsman	0	0	1	1 (4)	2	
Audit	0	0	1	2 (5)	3	
ADMINISTRATION	13	10	8	0	18	1
Admin Officer	1	1	0	0	1	
Admin Assistant	2	1	0	0	1	
Records Reten. Clerks	1	1	3	0	4	
Secretary Pool	7	6	3	0	9	1
Purchasing	2	1	1	0	2	
Personnel	0	0	1	0	1	
MORTGAGE OPERATIONS	16	11	2	7	20	1
Director	1	1	0		1	
Purchasing/Shipping	1	0	0	6 (6)	6	
Review Appraiser/Proj.	1	1	0	0	1	
Loan Off/Projects	1	1	1	0	2	
Mortgage Clerk	2	2	0	0	2	
File Clerk	1	1	0	0	1	
Property Inspector	0	0	0	1 (7)	1	1
Sr. Loan Off. Underwriting/Purch	1	1	0	0	1	
Assis. Loan Officers	3	3	0	0	3	
Loan Clerk	6	1	1	0	2	
SERVICING OPERATIONS	35	34	29	-10	53	52
Director	1	1	0	0	1	1
REO Disposition	13	13	26	-1	38	38
Officer	1	1	0	0	1	1
Managers	1	1	2	0	3	3
Specialists	7	7	16	0	23	23
Assistants	0	0	5	0	5	5
Prop. Closing Spec.	2	2	0	0	2	2
Clerk II	1	1	0	0	1	1
File Clerks	0	0	3	0	3	3
Property Inspector	1	1	0	-1 (7)	0	0
Servicing Department	21	20	3	-9	14	13
Servicing Officer	1	1	0	0	1	1
Purchasing/Shipping	6	6	0	-6	0	0
Manager	1	1	0	-1 (6)	0	
Technical Staff	5	5	0	-5	0	
Special Credits/Foreclosures	12	11	3	-1	13	12
Manager	1	1	0	0	1	12
Technicians	6	6	2	0	8	
Clerk II	1	1	1	0	2	
File Clerk	3	2	0	0	2	
Borrower Counselor	1	1	0	-1 (4)	0	
Auditor	2	2	0	-2 (5)	0	0
FINANCE	38	22	25	0	47	29
Director	1	1	0	0	1	
Staff Assistants	2	2	1	0	3	
Data Processing	7	4	5	0	9	3
Manager	1	1	0	0	1	
Programmers	5	2	4	0	6	1
Systems Analyst	0	0	1	0	1	1
DP Clerk	1	1	0	0	1	1
Accounting	28	15	19	0	34	24
Controller	1	1	0	0	1	0
Accounting Operations	9	9	2	0	11	2
Manager	1	1	0	0	1	
Accounting Technicians	6	6	2	0	8	2
Accounting Clerks	2	2	0	0	2	
Property Insurance	18	5	17	0	22	22
Manager	1	1	0	0	1	1
Claims Processors and File Clerks	17	4	17	0	21	21
TOTALS	105	80	67		147	83 (8)

(1) Includes permanent authorized positions (80) and temporary positions (25).
(2) Permanent authorized positions only.
(3) Includes both new positions and temporary positions converted to permanent status.
(4) The Borrower Counselor position from Servicing moves to the Ombudsman's Office as Assistant.
(5) Audit Division moves from Servicing to the Executive department.
(6) Loan Purchasing/Shipping Division moves to Mortgage Operations.
(7) Property Inspector moves from Property Disposition to Appraiser's office.
(8) Includes 69 REO management positions and 16 foreclosure positions.

HOME OWNERSHIP ASSISTANCE PROGRAM

Alaska Housing Finance Corporation (AHFC)

AHFC is both an independent public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

This program is to provide mortgage subsidies to people of low and moderate income.

Method

Borrowers apply to private financial institutions, which examine their ability to pay debt service at a reduced rate of interest. AHFC pays the difference between the interest rate that borrowers would normally pay to AHFC under the Special Mortgage Loan Purchase Program or the Mobile Home Loan Purchase Program and the lower rate to which this program qualifies them.

Eligibility

- The borrower must meet the general eligibility requirements of the AHFC Special Mortgage Loan Purchase Program or Mobile Home Loan Purchase Program.
- The borrower must have a gross income of less than $25,650 if single; the ceiling goes up by $1,000 for each additional family member, up to a total of seven.
- The borrower may own assets totaling no more than 2 times his or her income limit under the program; this limit is raised for those over 65 years of age to 3 times the income limit.
- The mortgage must be a conventional one; in other words, FHA-insured and VA guarantee loans are not permitted.

Terms

Maximum Amount:	$76,000, for $80,000 maximum purchase price
Payments:	25% of monthly income, or payments computed at a 6% interest rate, whichever is more
Down Payment:	5%

Maximum Term: 16 years for loans made through Special Mortgage Loan Purchase Program; 20 years or the remaining economic life of the property, whichever is less, for mobile home loans

Interest Rate: 6.0% minimum; calculated according to income

Funding, FY 81-83

	FY 81	FY 82	FY 83
General Fund	$2,500,000	$43,000,000	$45,000,000
Mortgages	$50,000,000	$0	$0
Interest on Mortgages	2,317,000*	4,282,000	
Interest on Investments	737,000*	5,565,000	
TOTAL	$55,554,000	$52,847,000	

*These figures are for the last seven months of FY 81, not for the entire fiscal year.

Lending Activity, FY 81-82

Fiscal Year	# of Loans Approved	$ Amount of Loans Approved
FY 81	262	$16,301,250
FY 82	888	$55,015,100

NOTE: Loans subsidized through the Home Ownership Assistance program are made by the Special Mortgage Loan Purchase Program and the Mobile Home Loan Purchase Program, and are counted with the activity under those programs as well.

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another department head from the executive branch.

Franklin Roppel, Chair

Lance Parrish, Vice Chair

Richard Lyon
Commissioner, Department of Commerce and Economic Development

Robert Heath
Commissioner, Department of Revenue

(one vacancy)

Administrative Staff

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MOBILE HOME LOAN PURCHASE PROGRAM

Alaska Housing Finance Corporation (AHFC)

AHFC is an independent public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

This program is to provide low-cost financing for mobile homes in Alaska.

Method

Borrowers apply to private lending institutions, which sell their mortgages to AHFC.

Eligibility

- Eligible mobile homes must contain at least 600 square feet of living area.
- No refinancing is permitted.
- The mortgaged mobile home must be occupied by its owner.

Terms

Maximum Amount:	$72,500
Down Payment:	5%
Maximum Term:	20 years, or the remaining economic life of the mobile home, whichever is less
Interest Rate:	Variable*
Fees:	Commitment fee (refundable): .75% Servicing fee (paid by AHFC): 1%

*In 1981, the legislature changed the interest rate from the fixed 10.0% (9.0% for veterans) to one that is tied to the cost of funds. When interest rates go up sharply, the "Rogers' ratchet" formula keeps the mortgage rate no more than seven percentage points below the cost of funds. Once the cost begins to go down, the mortgage rate falls when the spread narrows to three percentage points. At this writing, the interest rate on the first $90,000 is 10.125%.

Funding, FY 81-83

	FY 81	FY 82	FY 83
General Fund	$12,500,000	$18,000,000*	$45,000,000*

*The legislature appropriated $18 million and $45 million in FY 81 and FY 82 to the Home Ownership Assistance program to fund mobile home loans; the interest from these loans was used to subsidize mortgages in the Home Ownership Assistance program.

Lending Activity, FY 81-82

Fiscal Year	# of Loans Approved	$ Amount of Loans Approved
FY 81	198	$4,651,050
FY 82	1,556	$42,852,100

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another principal department head.

Franklin Roppel, Chair

Lance Parrish, Vice Chair

Richard Lyon
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Robert Heath
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MORTGAGE BOND SUBSIDY TAX ACT LOAN PROGRAM

Alaska Housing Finance Corporation

AHFC is a public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

This program is a response to the federal Mortgage Bond Subsidy Tax Act of 1980 which substantially restricts the use of tax-exempt bonds for financing single-family and duplex housing. The Act allows AHFC to issue tax-exempt bonds totaling up to $200 million each year, and specifies eligibility requirements, as outlined below.

Method

As in other AHFC programs, borrowers apply to private lending institutions, which sell the mortgages to AHFC. AHFC sells tax-exempt bonds to finance the program.

Eligibility

- The borrower must have not owned a home for three years prior to application.
- The purchase price may not exceed 90% of the average purchase price in the area. [According to AHFC's figures (August 1982), the average purchase prices in Alaska are $82,474 for an existing single-family residence, $101,370 for new construction, and $96,646 for existing duplexes.]
- Except when the borrower has constructed or rehabilitated the dwelling himself or herself, or the dwelling is in an area with few licensed contractors, the work must be done by a contractor who is licensed by the State.
- The housing unit must be occupied by the borrower.
- Assumption is allowed only when the buyer meets the above eligibility requirements.

Types of Loans

- Single-family unit
- Duplex

Terms

Maximum Amount: Variable: less than 90% of the average area purchase price
Down Payment: 5.0%
Maximum Term: 30 years
Interest Rate: 10.0% on first $90,000; cost of funds for amount in excess of $90,000
9.0% for eligible veterans on first $90,000

Funding, FY 82-83

This program is funded solely through the sale of tax-exempt bonds which are not legal obligations of the State.

Lending Activity, FY 81-82

All loans made under this program would be counted under the applicable program of AHFC, e.g., Special Mortgage Loan Purchase Program.

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another department head from the executive branch.

Frank Roppel, Chair

Lance Parrish, Vice Chair

Richard Lyon
Commissioner, Department of Commerce and Economic Development

Robert Heath
Commissioner, Department of Revenue

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SECONDS MORTGAGE LOAN PROGRAM

Alaska Housing Finance Corporation (AHFC)

AHFC is a public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

This program is to provide low-interest loans for home improvement or rehabilitation in order to make dwellings more habitable, and to finance second mortgages to allow home purchases.

Method

Borrowers apply to private financial institutions, which sell the second mortgages to AHFC. AHFC issues bonds to pay for the mortgages; some of the bonds sold for home improvement loans are tax-exempt, while the remaining second mortgage bonds are all taxable.

Eligibility

- The mortgaged housing must be occupied by its owner.
- Single-family dwellings and duplexes are eligible for home improvement and rehabilitation loans.
- Allowed expenditures of the home improvement funds are alterations, repairs and improvements which protect, enhance or improve the basic habitability or energy efficiency of the property. For tax-exempt proceeds, recreational improvements are not eligible.
- Except in areas of the state where licensed contractors are scarce, or when the borrower has done her or his own work, all home improvements and new construction must be done by a contractor who is licensed by the State.
- Home improvements must be completed before AHFC will provide financing. AHFC requires appraisals before and after the work.

Terms

Home Improvement and Home Purchase Seconds (Taxable)

Maximum Amount:	Outstanding first mortgage balance plus second mortgage may not exceed $160,500 ($205,200 for a duplex)
Maximum Term:	$ 0 - $ 6,499 — 5 years 6,500 - 12,499 — 10 years 12,500 - — 15 years
Down Payment:	10.0% for home purchase seconds
Interest Rate:	Amount of second mortgage which is under $90,000, when combined with balance of first mortgage, is at the rate used for the Special Mortgage Loan Purchase Program; amount over $90,000 is at AHFC's cost of funds

Home Improvement Loans (Tax-Exempt)

Maximum Amount:	$15,000; or less, if the combined first and second mortgages will total more than $160,500 ($205,200 for a duplex)
Maximum Term:	$ 0 - $ 6,499 — 5 years 6,500 - 12,499 — 10 years 12,500 - — 15 years
Down Payment:	10.0%
Interest Rate:	Variable; lower than the cost of tax-exempt funds

Funding, FY 82

	FY 82
Interest on Mortgages	$ 6,000
Interest on Investments	1,286,000
TOTAL	$1,292,000

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another department head from the executive branch.

Frank Roppel, Chair

Lance Parrish, Vice Chair

Richard Lyon
Commissioner, Department of Commerce and Economic Development

Robert Heath
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SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Alaska Housing Finance Corporation (AHFC)

AHFC is an independent public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

The Special Mortgage Loan Purchase Program is intended to assist in the acquisition and development of land and in the construction, rehabilitation, and refinancing of housing for people of lower income, as well as for all Alaskans. The Special Mortgage Loan Purchase Program is AHFC's principal financing program, accounting for approximately 90 percent of the agency's lending activities.

Method

Borrowers apply to participating primary lending institutions, which sell the mortgages to AHFC, retaining a servicing and origination fee. AHFC sells secured, mostly taxable bonds on the national market and uses the proceeds to buy the home mortgages. The electorate in 1982 voted to allow AHFC to sell tax-exempt bonds to buy veterans' mortgages.

Eligibility

- The mortgaged dwelling, or one unit of a duplex, must be occupied by the borrower.

- There is no limit on the income of the borrower.

Types of Loans

- Single-family dwelling (conventional, FHA, and VA)
- Owner-occupied duplex (conventional, FHA, and VA)

Terms

Single-family dwelling - conventional

Maximum Amount: $160,500
Down Payment: 5.0%

Maximum Term:	16 years
Interest Rate:	Variable*
Fee:	.5%

Single-family dwelling - FHA-insured

Maximum Amount:	$101,250
Down Payment:	5.0%
Maximum Term:	16 years
Interest Rate:	Variable*
Fee:	.5%

Single-family dwelling - VA guaranty

Maximum Amount:	$110,000
Down Payment:	VA guaranty plus down payment must equal 25.0% of the value
Maximum Term:	16 years
Interest Rate:	Variable*
Fee:	.5%

Duplex - conventional

Maximum Amount:	$205,200
Down Payment:	5%
Maximum Term:	16 years
Interest Rate:	Variable*
Fee:	.5%

Duplex - FHA-insured

Maximum Amount:	$114,000
Down Payment:	FHA requirement
Maximum Term:	16 years
Interest Rate:	Variable*
Fee:	.5%

*In 1981, the legislature changed the interest rate for this program from the fixed 10.0% (9.0% for veterans) to one that is tied to the cost of funds. When interest rates go up sharply, the "Rogers' ratchet" formula keeps the mortgage rate no more than seven percentage points below the cost of funds. Once the cost begins to go down, the mortgage rate falls when the spread narrows to three percentage points. At this writing, the interest rate on the first $90,000 is 10.125%.

Duplex - VA guaranty

Maximum Amount: $110,000
Down Payment: VA guaranty plus down payment must equal 25.0% of the value
Maximum Term: 16 years
Interest Rate: Variable*
Fee: .5%

Funding, FY 81-83

	FY 81	FY 82	FY 83
General Fund	$238,000,000	$222,000,000	$105,000,000
Mortgages	236,000,000	0	0
TOTAL	$574,000,000	$222,000,000	$105,000,000

Lending Activity, FY 81-82

Fiscal Year	# of Loans Approved	$ Amount of Loans Approved
FY 81	2,403	$227,412,950
FY 82	8,210	$753,215,400

*In 1981, the legislature changed the interest rate for this program from the fixed 10.0% (9.0% for veterans) to one that is tied to the cost of funds. When interest rates go up sharply, the "Rogers' ratchet" formula keeps the mortgage rate no more than seven percentage points below the cost of funds. Once the cost begins to go down, the mortgage rate falls when the spread narrows to three percentage points. At this writing, the interest rate on the first $90,000 is 10.125%.

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another department head from the executive branch.

Frank Koppel, Chair

Lance Parrish, Vice Chair

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TRI-PLEX AND FOUR-PLEX MORTGAGE LOAN PROGRAM

Alaska Housing Finance Corporation (AHFC)

AHFC is an independent public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

The program is to allow the purchase of owner-occupied tri-plex and four-plex residences.

Method

Borrowers apply to private lending institutions, which sell the mortgages to AHFC. AHFC uses the funds derived from the prepayment of housing loans to finance the tri-plexes and four-plexes.

Eligibility

- Tri-plexes and four-plexes must be occupied by their owners.

Terms

Maximum Amount:	$247,650 for a tri-plex $307,950 for a four-plex
Maximum Term:	16 years
Interest Rate:	Variable; equal to the rate used for the Special Mortgage Loan Purchase Program

Funding, FY 83

This program will be funded from the interest on mortgage prepayments.

Lending Activity

This program has been inactive to date.

Board of Directors

AHFC is governed by a five-member board of directors including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another principal department head.

Frank Roppel, Chair

Lance Parrish, Vice Chair

Richard Lyon
Commissioner, Department of Commerce and Economic Development

Robert Heath
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HOUSING ASSISTANCE LOAN FUND

Department of Community and Regional Affairs, Division of Housing Assistance

AS 44.47.380 - 44.47.560: enacted in 1980; amended in 1981 and 1982

Purpose

This fund was created to provide funding for mortgages, building materials, renovations and improvements for nonconforming and rural housing.

Method

Borrowers apply to regional offices of the Department of Community and Regional Affairs, Division of Housing Assistance, to private lending institutions, or to regional housing authorities; regional authorities sell the mortgages to the Division. Eighty percent of the funds for nonconforming housing are loaned in rural areas. Of the funds used for rural housing, aside from nonconforming housing funds, no more than twenty percent may be used for housing that is not owner-occupied.

Eligibility

- A loan for nonconforming housing must be for housing which is devoid of any health or safety hazards to the occupants.

- The borrower may be required to purchase fire insurance for nonconforming housing before the Department will agree to buy the loan.

- A nonconforming housing loan or a rural owner-occupied housing loan may be only for a single-family dwelling or a duplex.

- A loan for rural non-owner-occupied housing may be for a single-family residence or a multi-family residence with up to eight living units; it may finance new purchase, new construction or substantial rehabilitation.

- A borrower holding another subsidized State housing loan may borrow only for repairs, improvements or expansion, not to purchase or construct housing.

- Loans for rural housing must be for houses in cities or service areas of fewer than 4,500 population, and, if in the second, third, or fourth judicial district, without access by road or rail to Anchorage or Fairbanks.

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

02-576(2/77)

HOUSING ASSISTANCE LOAN FUND

Department of Community and Regional Affairs, Division of Housing Assistance

AS 44.47.380 - 44.47.560: enacted in 1980; amended in 1981 and 1982

Purpose

This fund was created to provide funding for mortgages, building materials, renovations and improvements for nonconforming and rural housing.

Method

Borrowers apply to regional offices of the Department of Community and Regional Affairs, Division of Housing Assistance, to private lending institutions, or to regional housing authorities; regional authorities sell the mortgages to the Division. Eighty percent of the funds for nonconforming housing are loaned in rural areas. Of the funds used for rural housing, aside from nonconforming housing funds, no more than twenty percent may be used for housing that is not owner-occupied.

Eligibility

- A loan for nonconforming housing must be for housing which is devoid of any health or safety hazards to the occupants.
- The borrower may be required to purchase fire insurance for nonconforming housing before the Department will agree to buy the loan.
- A nonconforming housing loan or a rural owner-occupied housing loan may be only for a single-family dwelling or a duplex.
- A loan for rural non-owner-occupied housing may be for a single-family residence or a multi-family residence with up to eight living units; it may finance new purchase, new construction or substantial rehabilitation.
- A borrower holding another subsidized State housing loan may borrow only for repairs, improvements or expansion, not to purchase or construct housing.
- Loans for rural housing must be for houses in cities or service areas of fewer than 4,500 population, and, if in the second, third, or fourth judicial district, without access by road or rail to Anchorage or Fairbanks.

HOUSING

Types of Loans

- Nonconforming housing
- Rural owner-occupied housing
- Rural non-owner-occupied housing
- Building Materials (nonconforming or rural)

Terms

Nonconforming housing

Maximum Amount:	$162,450 ($207,750 for duplex) with a 95% loan-to-value ratio on a purchase and an 85% LTV for an owner-builder's new construction
Collateral:	Deed of trust and evidence of conveyance
Maximum Term:	30 years, or 80% of the remaining physical life of the property
Interest Rate:	Variable; same as prevailing rate for AHFC's Special Mortgage Loan Purchase Program Veterans: 100 base points lower than prevailing AHFC rate
Fees:	Variable; negotiated between DC&RA and private lender; may be higher for rural loans

Rural owner-occupied housing

Maximum Amount:	$162,400 ($207,750 for a duplex) with a 95% loan-to-value ratio for a purchase and an 85% LTV for an owner-builder's new construction
Collateral:	Deed of trust and evidence of conveyance
Down Payment:	5%
Maximum Term:	30 years, or 80% of the remaining physical life of the property
Interest Rate:	10.5% after January 1, 1983
Fees:	Variable; negotiated between DC&RA and private lender

Rural non-owner-occupied housing

Maximum Amount:	None set until new regulations are completed and in effect
Down Payment:	20%
Maximum Term:	30 years
Interest Rate:	10.5% after January 1, 1983
Fees:	Variable; negotiated between DC&RA and private lender

Building Materials - nonconforming or rural housing

Maximum Amount: $45,000; or 100% of the cost of the materials, whichever is less, not to exceed 80% of the value of the collateral
Maximum Term: 15 years
Interest Rate: Rural housing: 10.5%
Nonconforming housing: same as rate for AHFC's Special Mortgage Loan Purchase Program

Funding, FY 81-83

	FY 81	FY 82	FY 83
General Fund	$21,455,000	$40,000,000	$45,000,000
Interest on Mortgages and Investments*	683,000	1,024,000	
TOTAL	$22,138,000	$41,024,000	

*These amounts are only for the two strictly rural programs, while they were part of AHFC. The FY 81 figures are only for the last seven months of the fiscal year, not for the entire year.

Lending Activity, FY 81-82

Fiscal Year	Nonconforming Housing		Rural Owner-Occupied		R. Non-Owner-Occupied	
	#	$	#	$	#	$
FY 81	99	$6,265,300	45	$3,562,650	0	$0
FY 82	338	20,942,225	238	$21,267,300	26	$4,146,750

Administrative Staff

Barbara Morse-Quinn, Director
Division of Housing Assistance
272-4585

Office: 2600 Denali Street, Suite 400
Anchorage

Mailing
Address: 2600 Denali Street, Suite 400
Anchorage, Alaska 99503

RELOCATION LOAN FUND

All State agencies

AS 34.60.135; enacted in 1971

Purpose

This program allows State agencies to make loans for the costs of planning and obtaining financing for the rehabilitation or construction of housing for displaced persons.

Method

Public bodies representing displaced people apply to the State agency involved in the administration of the federally assisted program that has caused the displacement. The agencies may make these loans directly.

Eligibility

- Borrowers must be nonprofit, limited dividend, or cooperative organizations, or public bodies.
- Loans must benefit people who have been displaced as the result of an activity undertaken by the State.

Terms

Maximum Amount:	80% of the reasonable costs
Maximum Term:	Repayment must be upon completion of the housing project or sooner
Interest Rate:	0.0% for non-profit organizations Variable for profit-making organizations

Funding

Loan funds would come out of agencies' budgets.

Lending Activity

This program has been inactive.

Management Review of Alaska Housing Finance Corporation's Designated Broker Program

Report No. 04 - 20

January 1989
Division of Audit and Management Services

OMB

STAFF PAPERS AND REPORTS

STATE OF ALASKA

OFFICE OF MANAGEMENT AND BUDGET

STATE OF ALASKA

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET
DIVISION OF AUDIT & MANAGEMENT SERVICES

STEVE COWPER, GOVERNOR

P.O. BOX AM
JUNEAU, ALASKA 99811-0199
PHONE: (907) 465-3568

January 5, 1989

The Honorable Steve Cowper
Governor
Pouch A
Juneau, Alaska 99811

Dear Governor Cowper:

I am pleased to transmit this report on our Management Review of Alaska Housing Finance Corporation's (AHFC) Designated Broker Program, through which AHFC has marketed its Real Estate Owned (REO) properties. The report:

- recommends that the AHFC Board of Directors review the corporation's policies for marketing its REOs and provide clear direction to the staff;
- recommends that AHFC rebid its Designated Broker Program and notes several areas which should be addressed in the new program;
- expresses our concern over inadequate controls for AHFC's property disposition activities and recommends staffing and accounting system changes;
- recommends that AHFC obtain condominium management services through a separate solicitation process.

The report also provides aggregate information on AHFC's property disposition activities and designated brokers' performance through September 1988, and discusses certain market trends.

AHFC agrees with our recommendations, as indicated in their response which is included in the report. This report has been reviewed and approved by the Governor's Audit Committee.

Sincerely,

John L. Lucas

John L. Lucas, Director

01-A32LH

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ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1608 SCOMM 60: HOUSING FINANCE TASK FORCE, 1989

EXECUTIVE SUMMARY

The following report summarizes our review of Alaska Housing Finance Corporation's (AHFC) Designated Broker Program. It provides background and statistical information about AHFC's property disposition activities, and makes recommendations for revision and improvement.

AHFC began the Designated Broker program in late 1986, to manage and market its growing inventory of foreclosed, or REOs (Real Estate Owned), properties. At the time of this report AHFC had 19 designated brokers managing 3720 of its approximately 4500 properties listed for sale. These brokers had additionally listed 1167 AHFC properties which have sold since the program began.

Recommendations

This report recommends that the AHFC board review its property disposition policies in light of its experiences to date and revise its system to respond to needs and changes in the market.

If its revised system includes a Designated Broker program, we recommend that AHFC rebid all broker contracts in accordance with the state's Procurement Code, and that the new program include a broker evaluation component.

The report makes several other recommendations for improving AHFC's information gathering, management, reporting, accounting, and monitoring systems for property disposition activities, which should be reflected in a new system.

The report also recommends that AHFC solicit bids for property management of condominium projects which are off the market for long periods of time.

Program Performance

AHFC's property disposition program is significant to Alaska's economy, both in dollar amounts and in the extent to which it effects the lives of Alaskan residents. Through September 25, 1988, AHFC had paid out over $44.7 million for expenses on approximately 9000 foreclosed properties. Over $97 million in interest due on the foreclosed mortgages had accrued.

The sale of 2385 of these REOs had generated $130 million on mortgages of $185 million, resulting in a sales loss of $55 million, on which AHFC also paid selling costs of $14.6 million. These costs, together with $19.2 million in expenses and $29.5 million in accrued interest, resulted in a total gross loss of $118.4 million on REO sales before insurance reimbursements.

PURPOSE AND SCOPE

The purpose of this review was to provide information on the performance of the Designated Broker system of property disposition to the Office of the Governor and Alaska Housing Finance Corporation's board of directors.

The scope of the project included foreclosed properties which were Real Estate Owned (REO) by AHFC between January 1, 1987 and September 25, 1988, and which were assigned to a designated broker. It also included sales of REO properties which predated the Designated Broker system, from the first quarter of 1985 through September 25, 1988.

Because of a pending Legislative Budget and Audit report on mobile homes, and because they are not usually assigned to designated brokers, we generally excluded mobile homes.

To complete the report, we reviewed related legislation and statutes, AHFC annual reports and other publications, analyzed AHFC's foreclosure data base, interviewed AHFC staff, reviewed correspondence received by the Governor's office regarding AHFC during 1987 and 1988, attended AHFC board of directors meetings and interviewed staff of other organizations.

The project did not include reviews of designated brokers' offices or internal controls and operations.

Although the purpose of the report was not to analyze the condition of the housing market in Alaska, we do present certain data extracted from AHFC's computer files for the information of the reader.

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

02-576(2/77)

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Most of these costs should be reimbursed by AHFC's insurance coverage, although the corporation recorded substantial loan losses and REO write down expenses during fiscal year 1988. This reflects the economic conditions in Alaska as well inadequate property disposition monitoring and management systems.

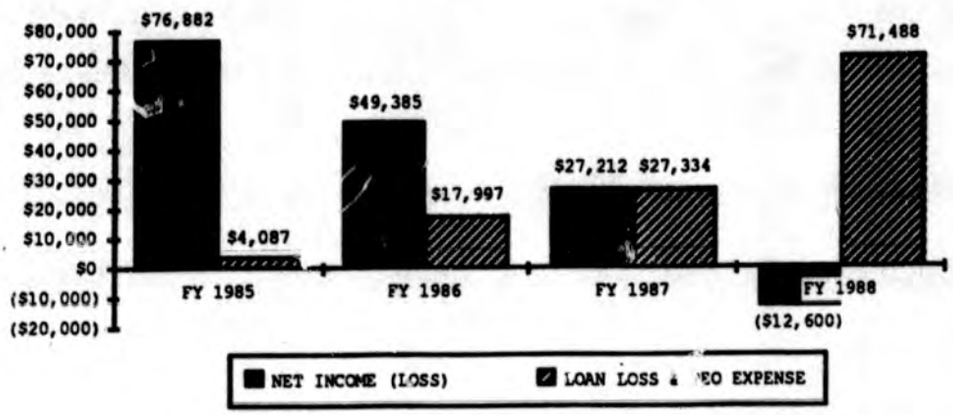
Conclusions

AHFC's property disposition activities have reflected the condition of the housing market, and have grown rapidly during the past two years without the benefit of strategic planning or adequate resources. AHFC did not strictly follow the state's procurement requirements when establishing and revising the Designated Broker program.

We believe AHFC has tried to be fair in developing and administering its Designated Broker system, although perceptions of unfairness exist within the real estate community. This perception, together with the need for changes to improve the program and bring it into line with procurement regulations, lead us to believe AHFC should start over with this program.

The corporation's potential loss from REO activities is significant and growing, requiring immediate attention. Substantial losses occurred in fiscal year 1988 in spite of a multi-layered insurance strategy, indicating that AHFC needs more controls in the administration of its property disposition activities.

GRAPH 1
RELATIONSHIP BETWEEN
AHFC LOAN LOSS & REO EXPENSE
AND NET INCOME (LOSS)



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BACKGROUND INFORMATION

OVERVIEW

Alaska Housing Finance Corporation

The legislature created Alaska Housing Finance Corporation (AHFC) in 1971 to provide affordable financing for low to moderate income Alaskan home buyers. Today it is the largest housing finance institution in Alaska as well as the largest institutional seller.

AHFC is a public corporation and government instrumentality within the Department of Revenue. It is governed by a Board of Directors comprised of the the Commissioner of Revenue, the Commissioner of Commerce and Economic Development, and three other members who are appointed by the Governor, one of whom must be the Commissioner of another department within the executive branch of state government.

AHFC manages over $4 billion in resources and debt. At the end of fiscal year 1988, AHFC had over $3.7 billion in loan balances outstanding, with 45,000 borrowers. The outstanding balances on its REOs then totalled another $254 million.

AHFC is a secondary purchaser of mortgages made by private financial institutions or mortgage companies operating in Alaska. It does not loan money directly to borrowers. Most of the funds used to buy the mortgages are generated through the issuance of taxable and tax-exempt bonds.

AHFC has a staff of 80 permanent employees. Eight of these are property disposition specialists assigned the oversight of the Designated Broker program and AHFC's REOs. A previous report by this office recommends that AHFC increase its staff by 67 positions, which includes 26 additional positions in the property disposition division. ("Staffing Analysis of Alaska Housing Finance Corporation", Juneau, November 1988).

Growth of AHFC REO Program

In 1983 AHFC was receiving one REO per month. When AHFC issued its first Request for Proposals (RFP) for designated brokers two and a half years ago, its total REO inventory was about 350. By the end of September 1988, it owned some 4500 REOs; at the current rate of increase, it will own 7000 REOs by the end of September 1989. (See discussion in our previous related Staffing report, cited above.)

Designated Brokers System

In 1986, AHFC decided to use a Designated Broker system to manage and market its foreclosed properties. At that time the corporation's REO inventory was rapidly increasing, and it was becoming too cumbersome to deal directly with individual real estate agents.

AHFC selected the Designated Broker system over a property manager system because it believed it would be cheaper. Under its system, AHFC did not plan to pay a property management fee. The brokers would manage the properties as a cost of doing business in exchange for receiving the listing, and the eventual three percent listing commission paid when the property sells.

To implement its Designated Broker system, AHFC determined the number of real estate brokers needed in each geographic region to market its REOs and solicited proposals of interest from local brokers through Requests for Proposals (RFPs).

Eventually the following 20 brokers were selected as AHFC's designated brokers during 1987 and 1988 (see Designated Broker Chronology, Appendix A). They are listed below in the order used for all data in this report. The order is of no significance, except that brokers from the same geographic area are grouped together, as noted.

1.	Commonwealth Marston Real Estate	Anchorage
2.	Re/Max Realty, Inc.	Anchorage
3.	Vista Real Estate, Inc.	Anchorage
4.	Heritage Homes & Investments	Anchorage
5.	2001 Realty	Anchorage
6.	Fortune Properties, Inc.	Anchorage
7.	Realty Center, Inc.	Anchorage
8.	Re/Max of Eagle River, Inc.	Eagle River
9.	Jack White Company Real Estate	Eagle River
10.	Heritage Real Estate	Wasilla
11.	Marston Wasilla	Wasilla
12.	Aurora Properties	Wasilla
13.	Coldwell Banker Greatland Realty	Fairbanks
14.	Re/Max of Fairbanks, Inc.	Fairbanks
15.	Dick Mueller Realty	Kenai
16.	Homer Real Estate Associates	Homer
17.	Anderes Realty	Sitka
18.	Northway Realty	Ketchikan
19.	The Home Team Realtors	Juneau
20.	Alaska Coastal Homes	Juneau

At the outset of the program, AHFC planned to use the listing agreements for each property as individual contracts. Management didn't expect any other contracts for services to be executed. The REO manager, however, signed

contracts with three firms: Alaska Coastal Homes (Juneau), The Home Team (Juneau), and Re/Max of Fairbanks. AHFC has cancelled its contract with Re/Max of Fairbanks because of a legal dispute, leaving the program with 19 brokers.

Broker Assignment Process

The following summarizes the steps AHFC's Designated Broker system uses for property management and marketing.

Fifteen days before a property becomes REO, AHFC assigns it to a designated broker, on a rotation basis. There are three exceptions to this assignment method, relating to "remote" properties, condominiums, and mobile homes.

First, if a property becomes REO and it is not located in a geographical area for which AHFC has a designated broker, then AHFC assigns it to a local non-designated broker.

At the end of September 1988, AHFC had 3622 properties listed with 19 designated brokers, 394 listed with non-designated brokers (which included 789 mobile homes assigned to mobile home contract sales firms), 478 properties owned by other institutions, and 46 properties with no listing broker code assigned. The number of properties per designated broker ranged from a high of 408 with an Anchorage broker to ten with the broker in Sitka. The highest number of non-mobile home properties listed with non-designated broker was 15 (see below). Mobile homes (the third exception discussed below) were assigned to contractors selected through a separate RFP process.

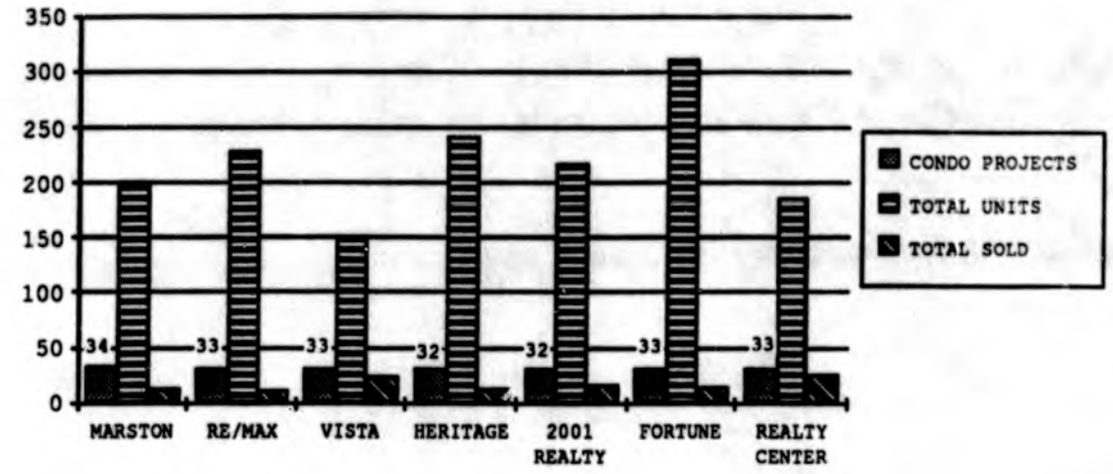
Non-designated brokers being used in September 1988 were:

Broker	Community	No. Current Listings
Leitch & Assoc.	Valdez	12
Associated, Inc.	Kodiak	12
Island Realty	Kodiak	3
Heritage Real Estate	Soldotna	14
Beluga Realty	Kenai	15
Freedom Realty	Soldotna	8
Heritage Homes & Inv.	Kenai	4
Mt. Hayes,Inc	Delta Junction	15
Seller/Servicers		[illegible]
		88

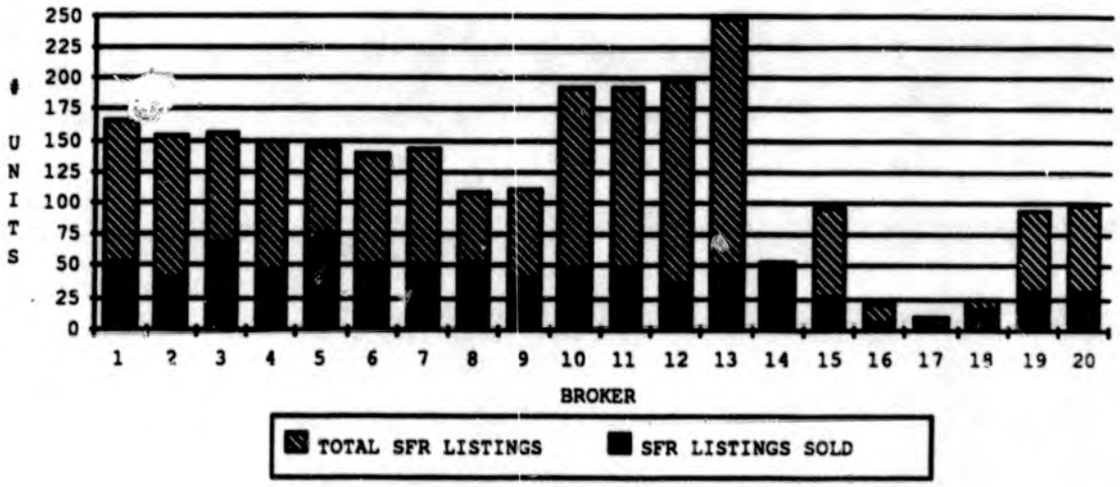
The second exception to the rotation assignment system is that all condominiums in one development are assigned to the same broker. The developments are assigned on a rotation basis within geographic boundaries. At the end of the review period, 1548 condominiums were listed with designated

brokers. Most of the REO condominiums are in Anchorage. Although the number of condominiums assigned to each Anchorage broker ranged from 125 to 295, the number of condominium projects assigned to each broker was between 32 and 34 projects. The following graphs illustrate condominium, single family residences (SFR), and total assignments.

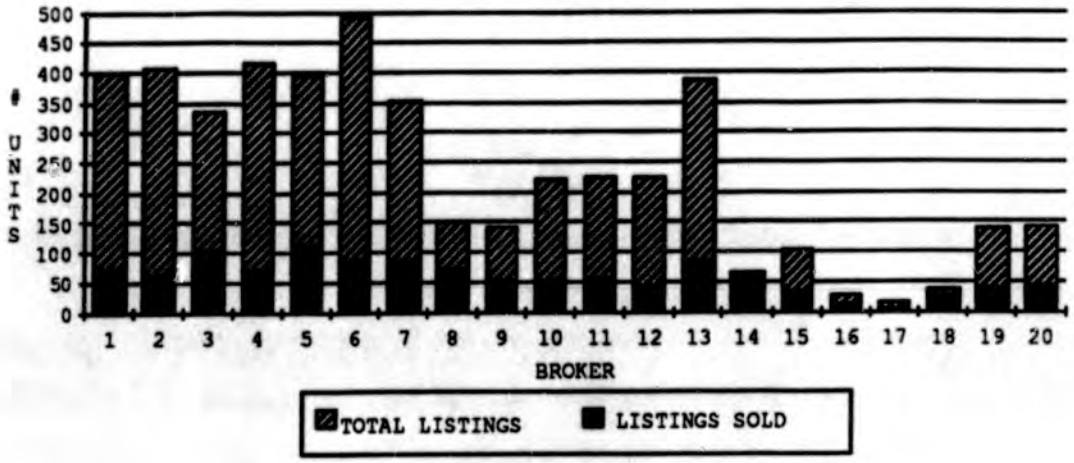
GRAPH 2
ANCHORAGE DESIGNATED BROKER LISTINGS
CONDOMINIUMS - THROUGH 9/25/88



GRAPH 3
STATEWIDE DESIGNATED BROKER LISTINGS
SFRS - THROUGH 9/25/88



GRAPH 4
STATEWIDE DESIGNATED BROKER LISTINGS
ALL PROPERTY TYPES - THROUGH 9/25/88



The properties are simultaneously assigned to the AHFC property disposition specialist monitoring the designated broker receiving the listing. Currently AHFC has seven specialists, two of whom are assigned to mobile homes. The other REOs are distributed among the remaining five specialists, who are responsible for between 500 and 800 REOs each.

Brokers' Responsibilities

As described in detail in AHFC's Property Management and Marketing Guide, designated brokers' responsibilities are numerous. They begin with meeting the bank's representatives at the REO site to inspect the property and formally accept the property for marketing. At that meeting the bank (or seller/servicer) agrees to accomplish certain standard tasks such as winterization and rekeying prior to turning the property over to the broker.

The broker plans needed repairs, and estimates the market value of the property. After obtaining necessary approvals from AHFC and the insurance company for all work, the brokers handle the subcontractors' bidding process.

The broker is charged with listing the property for sale as soon as possible, managing all advertising for the marketing of the property, maintaining the property in marketable condition, paying utility bills, inspecting the unit periodically, and receiving offers to purchase.

AHFC Responsibilities

AHFC is the owner/seller, and its property disposition specialists act for the corporation in this capacity. AHFC must ensure that all parties incurring expenses in preparing and marketing the REOs are paid. This begins with reimbursing the seller/servicers (see definitions, Appendix B) for foreclosure costs, includes paying for repairs and maintenance, and ends with authorizing the payment of selling costs when the REO is sold.

A property disposition specialist should meet with the seller/servicer and broker at the site for the property inspection just after its becoming REO. The specialist should then approve the plan for repairing the property developed by the broker.

AHFC is to approve all repairs over $500, select the contractor to do the work from the bids gathered by the broker, and pay the contractor upon completion of the work. This should involve site visits to the REO to ensure that the work is needed and completed satisfactorily.

AHFC's Finance Department's Insurance Claims Division audits invoices and reimburses brokers for out-of-pocket expenses for REO maintenance and marketing. It prepares all bills for each REO for reimbursement to the pool insurance company. AHFC processes all offers to purchase presented by the designated brokers. Its policy is to pay a straight six percent commission, split equally between the listing and selling brokers.

INSURANCE

AHFC's mortgages are insured by combinations of primary mortgage insurance, private credit insurance, AHFC self insurance, and pool insurance. Theoretically, if all procedures are correctly followed, AHFC should not lose money on foreclosed properties, because insurance coverage would reimburse the corporation for losses.

The most widely known insurance carrier is the Mortgage Guaranty Insurance Corporation (MGIC), which provides pool insurance coverage for a majority of AHFC properties. MGIC sometimes deals directly with real estate brokers, and there are different perceptions about the relationship between MGIC and AHFC. Therefore a brief explanation is provided.

Mortgage Guaranty Insurance Corporation (MGIC)

Of AHFC's 4500-unit REO inventory at the end of September, some 2700 units were insured by MGIC pool insurance. For these properties, MGIC should pay all expenses incurred in REO maintenance during the period of time it is an REO. This includes lost mortgage interest, direct expenses such as utility costs, and the difference between the mortgage balance and the sales price, less any primary mortgage insurance reimbursements.

AHFC pays all REO expenses until a property is sold, although on occasion MGIC makes advance payments on interest. Within 60 days after the sale, AHFC must submit its claim package to MGIC for reimbursement. MGIC can refuse ineligible costs included in that package, and charges for tardiness in certain tasks. MGIC must also preapprove the sales price.

Because of its considerable exposure in Alaska, MGIC chooses to exercise relatively close control of its expenditures for AHFC's REOs. Therefore to try to avoid disputes over the final claims, expenses for repairs require MGIC approval before AHFC reimburses brokers or contractors. Small routine costs are billed without that prior approval.

Sparklizing

MGIC's operating policy includes "sparklizing" a property immediately for resale, on the assumption that it is cheaper to fix it up and sell it quickly than to pay the carrying costs for longer periods of time. This can sometimes create costs which might otherwise not be incurred. For instance, carpet is almost automatically replaced, painting is done, and other improvements made.

AHFC's MGIC insurance policies require that except for normal wear and tear, the property must be in the same condition it was in when the mortgage was issued. That means AHFC must pay for renovation and restoration costs. Conflict between MGIC and AHFC sometimes arises over classifying expenses and determining what is normal wear and tear and what is other kinds of damage. MGIC sometimes deals directly with brokers as well as through AHFC, which sometimes results in conflicting directives to brokers.

Office

In response to the market, MGIC has staffed its Anchorage office with one property specialist for every 150 to 200 properties and recently opened an office in the Matanuska Valley.

OTHER INSTITUTIONAL SELLER PROPERTY DISPOSITION SYSTEMS

MGIC

In addition to its involvement with AHFC REOs, MGIC has its own REOs. It uses brokers for those properties, although it does not have "designated" brokers. MGIC sometimes pays selling bonuses. MGIC has 22 property specialist positions in Alaska to manage its properties and coordinate with AHFC and the brokers. Local staff is supported by headquarter staff in Milwaukee, Wisconsin.

FNMA

The Federal National Mortgage Association (FNMA) is a federally-chartered publicly-traded private corporation. It now owns 400 REOs in Alaska; last year it sold 900. FNMA oversees its own renovation and restoration, and turns market-ready properties over to non-designated listing brokers which it selects based on reputation and performance.

FNMA's Anchorage office has seven professional property managers and sales representatives to manage its 400 properties. Local staff is supported by FNMA's headquarter staff.

FNMA has experimented with paying bonuses to selling brokers as an incentive for quick sales, but traditionally pays a six percent commission split between the selling and listing agents. Currently it also pays a 3 percent selling bonus if the sale closes within 45 days of accepting the purchase offer.

FNMA has determined that foreclosures are very expensive to the corporation, and is therefore concentrating on executing loan modifications to assist borrowers keep their homes. FNMA's policy is to maintain control of all transactions, beginning with offering their own in-house financing directly to borrowers, and carrying through to direct contacts with lenders, real estate agents, title company employees.

FNMA recently announced that it is shortening to one year, the length of time it will deny financing to individuals who filed bankruptcy or who experienced a foreclosure, provided that the actions occurred because of circumstances beyond their control. For instance if they lost their jobs because of the economic crisis or suffered from debilitating illness which led to foreclosure or bankruptcy, borrowers could be eligible for financing one year later if their employment or financial situation warranted.

HUD

The United States Department of Housing and Urban Development (HUD) sold over 900 properties in Alaska during the past federal fiscal year, and on November 1, 1988 owned approximately 1300 REOs. Insured by the Federal Housing Agency (FHA) HUD's mandate is to sell its foreclosed properties for the highest net dollar proceeds possible.

HUD reputedly does the least repair and restoration to its properties of all the institutional sellers, although it does spend what it deems necessary for the sale of the property. The repairs are coordinated by the seven Realty Specialists in HUD's Alaska property disposition office. HUD property disposition staff is supported by HUD regional staff in Anchorage.

It strives to keep expenditures under $10,000 per unit. It also seeks a 91% net return from sales: it pays 6% sales commission and 3% closing costs.

HUD does not use a designated broker system, but contracts for property management services, bid on a price-per-unit basis. Using an open listing strategy, HUD pays a commission to the selling agent only. An open listing means the property cannot be listed with MLS. HUD therefore markets its own properties through special publications and newspaper inserts. It also processes all offers to purchase.

When properties first come on the market, HUD accepts full asking price bids for a brief period of time. It opens the bids simultaneously, and the highest bid wins, provided it is an acceptable offer. If no full asking price or better bids are received, HUD opens another bid period for the property. At the end of the period HUD selects the best bid or begins its process over.

Since a large portion of its REOs are multi-family units, HUD is targeting investors as buyers, offering three percent down payment terms to investors. It is also continuing its $100 down program for single family residences.

HUD is sometimes criticized about its low down payment policies, because the less it costs to get into a mortgage, the higher the potential for making loans that will eventually default. However, HUD's current philosophy for Alaska is that even if the loans do eventually go bad, HUD will have had the income stream from the mortgage for the duration of the loan, rather than paying holding costs on a multitude of non-producing properties.

PROPERTY DISPOSITION ACTIVITY SUMMARY

The following summarizes AFHC's property disposition activity from inception through September 25, 1988, reflecting 5016 REOs in inventory, 4538 of which are AHFC's. The remaining 478 are being conveyed to FNMA or another institution. The summary shows 4018 properties which had been sold or conveyed. Of these, 845 were sold during 1987, and 1377 were sold during the first three quarters of 1988. Although mobile homes showed the largest increase in the number of sales, jumping from 256 in 1987 to 604 for three quarters of 1988, condominium, single family, Planned Unit Development (PUD) and multi-family sales all increased in 1988.

The summary includes AHFC outlays for REO management and property disposition by designated brokers for properties sold and unsold. They do not include AHFC operating and staff costs. They do include the cost of foreclosure and repossession, which is incurred by the seller/servicer before the property is turned over to the broker for marketing.

For the analyses in this report, we used AHFC's foreclosure file, downloaded to disk on September 25, 1988. The file showed 9034 records of foreclosed properties, dating back to 1985. (See Appendix B for definition of terms).

PROPERTY DISPOSITION COST SUMMARY AS OF 9/25/88

		SOLD	UNSOLD	
No. Properties		4,018	5,016	
Foreclosure Balances		$185,083,140	$381,108,900	
Sales Price		129,958,065		
Sales Loss	1/	55,125,075	N/A	5/
Expenditures	2/	19,192,180	25,528,790	
Selling Costs	3/	14,595,770	N/A	5/
Interest	4/	29,488,250	67,905,870	
TOTAL LOSS		$118,401,275	N/A	5/

1/ Foreclosure Balance minus the Sales Price
2/ Includes foreclosure costs incurred by seller/servicer
3/ Includes commissions and closing costs
4/ Accrued interest is computed to date of sale or 9/30/88 (See definitions, Appendix B)
5/ To be determined upon sale of the property.

Although the breakdown varied slightly depending on how we queried the database, we classified the records as follows:

UNSOLD REOS IN INVENTORY: 5016 6/

Non-mobile REOs listed with designated brokers	3545	
Mobiles homes listed with designated brokers	77	
Non-mobile REOs listed with non-designated brokers	79	
Mobile homes listed with non-designated brokers	4	
Mobile homes listed with contractors	306	
Mobile homes with no listing contractor or broker code assigned	476	
Properties listed with Seller/Servicers	5	
Not listed with a broker, not sold and not shown as removed from pool for other conveyance	46	
Removed from pool pending other conveyance	478	6/
TOTAL Foreclosed Properties in Inventory	5016	

REOS CONVEYED: 4018 6/

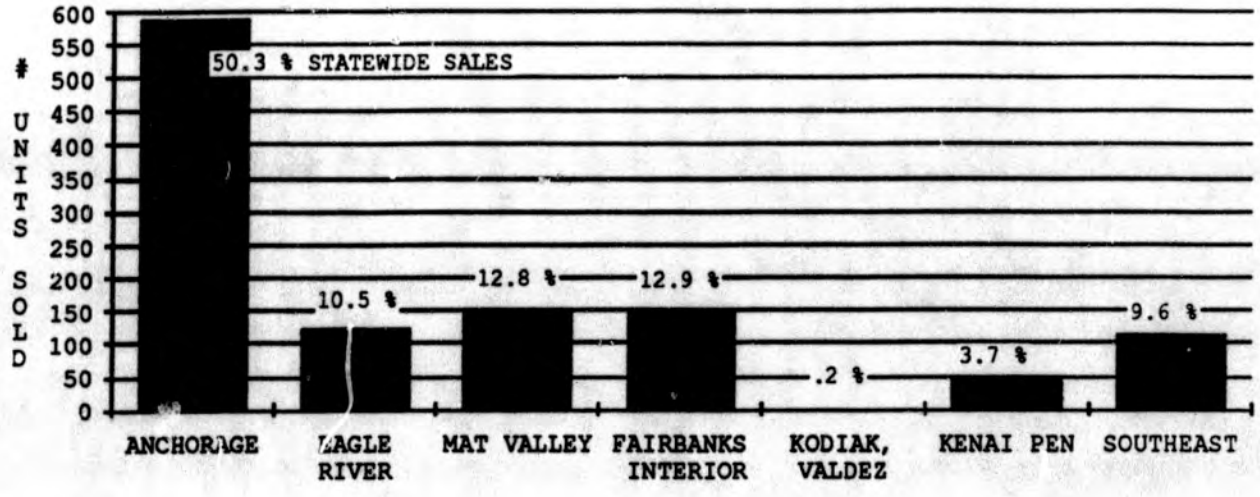
Sold by designated brokers	1043	
Sold but show net proceeds of zero	124	
Sold with no listing broker	985	7/
Sold with non-designated listing brokers	233	
Destroyed by AHFC	57	
Conveyed to other institutions	1576	
TOTAL Sold or Otherwise Conveyed	4018	

6/ When queried differently, the database shows 4181 properties with conveyance codes. These codes should be entered when the ownership of an REO is transferred from AHFC to another entity. This should therefore indicate that the number of Unsold REOs might really be 4853, provided the conveyance codes were correctly entered. However, because no disposal dates or sales prices were entered, we assumed that the 163 properties in question are included in the 478 REOs which have been removed from the pool of marketed properties because they are being transferred to other institutions. Therefore this difference does not affect our analysis of properties managed by designated brokers. (See related comments in other sections regarding improvements to the REO database)

7/ Of the 985 properties sold without a designated listing broker, 621 were mobile homes, which are generally excluded from the Designated Broker system. Of the remaining 324 sales, 235 occurred during 1985, 1986, and the first quarter of 1987, indicating they were covered by listing agreements signed before the Designated Broker system began. The remaining 129 were sold since April 1987, 23 of which were condos, 97 SFRs and 9 were PUDs. None of these 129 became REO after 1986, when the system began, except those located outside of geographic areas covered by designated brokers.

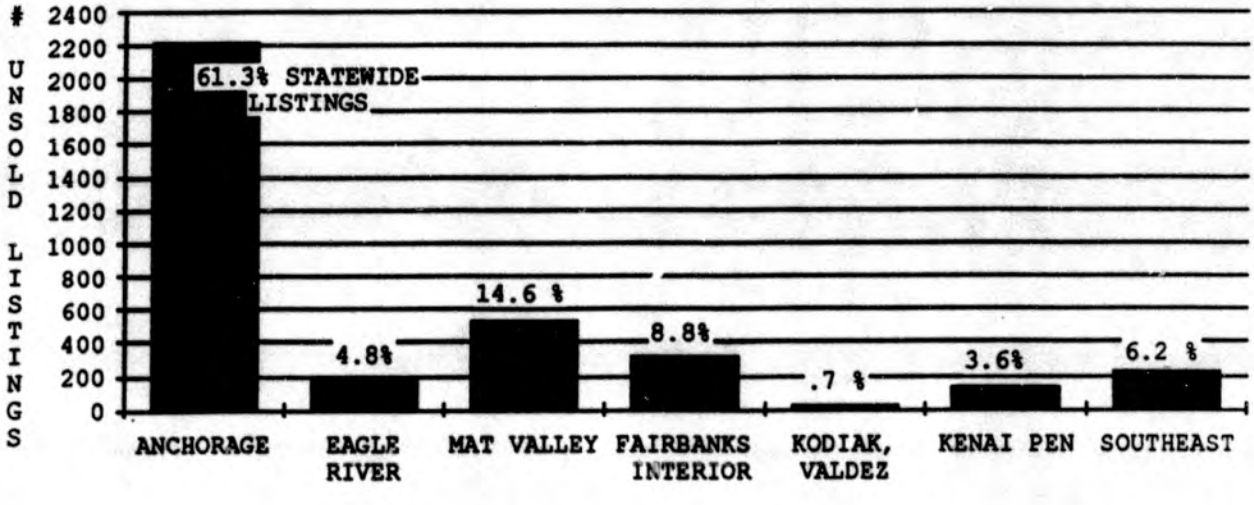
The following graphs illustrate AHFC's overall Property Disposition Activity to date.

GRAPH 5
TOTAL AHFC LISTINGS SOLD
BY BROKERS THROUGH 9/25/88*



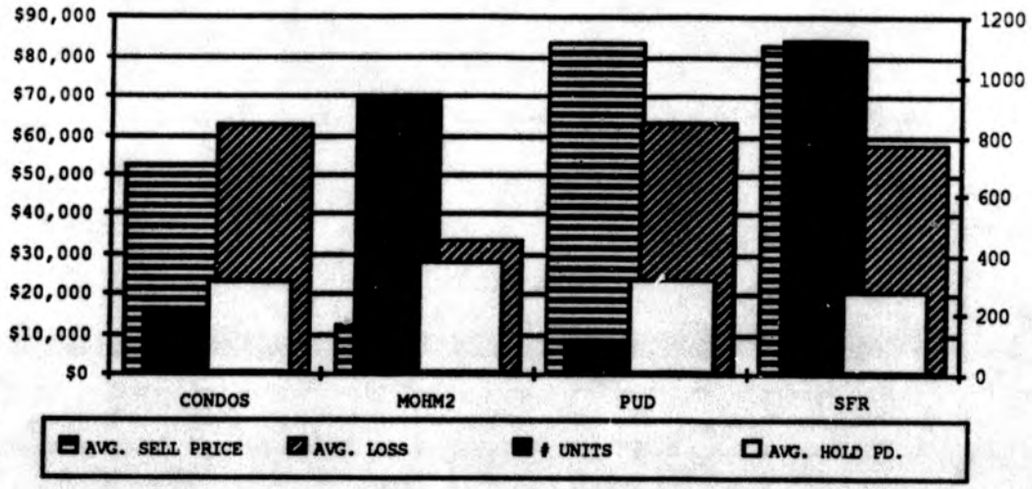
* excludes mobile homes on rented land

GRAPH 6
TOTAL UNSOLD AHFC PROPERTIES
LISTED WITH BROKERS ON 9/25/88 *

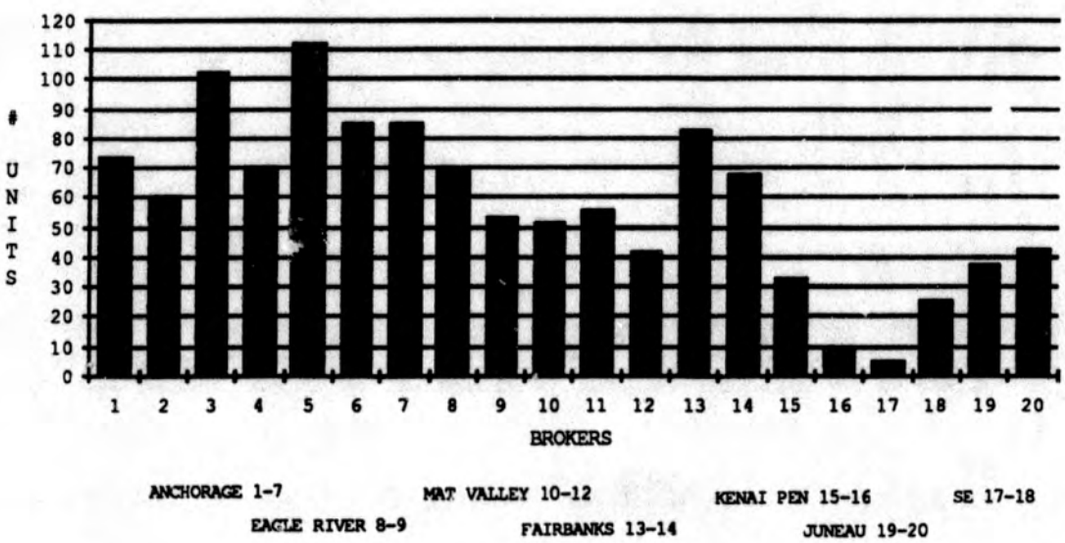


* excludes mobile homes on rented land

GRAPH 7
OVERALL AHFC REO SALES THROUGH 9/25/88



GRAPH 8
TOTAL NUMBER ALL DESIGNATED BROKERS' LISTINGS
SALES THROUGH 9/25/88



RECOMMENDATION NO: 1

The AHFC Board of Directors should give clear direction to AHFC property disposition staff and the public regarding the corporation's priorities for REO disposition.

Currently AHFC property disposition staff believes that AHFC's policies are to sell safe, clean housing, to try to keep property values up, and not to pay property management fees. These policies drive the procedures for REO disposition, especially in the Designated Broker program. It is not clear that these policies reflect the current positions of the Board of Directors. The activities of this program result in significant expenditures by AHFC, and they should accurately reflect the policies of the corporation.

These questions often arise because of the dual mission of the corporation, which is driven both to operate profitably and to be the state's vehicle for implementing its housing programs. For example, the board should answer such questions as:

Is it AHFC's policy to sell only "clean, safe" housing?

Currently there is disagreement within the industry over the extent of repairs necessary to sell a property. Individual real estate agents differ, and institutional sellers differ.

The policy to sell only clean safe housing prevents AHFC from selling some "fixer-uppers" and might result in expensive repairs. A clear policy will guide staff and brokers in deciding what repairs and improvements to make.

Is it more important to AHFC to keep property values up than to sell its REOs as quickly as possible?

Should these policies be different for AHFC's at risk REOs than for those with pool insurance?

During the past two years AHFC has operated on the theory that its responsibility to the general population of Alaska requires it to do everything in its power to keep property values up. Therefore it tries to keep listing prices up and as a result, tends to hold properties longer than other sellers.

This can work, assuming that all accrued interest, sales losses, and expenses are recovered by insurance. Given the potential of depleting pool policies, together with MGIC tightening its controls on AHFC claims, this assumption may be faulty.

In addition, the data in this report shows that holding periods are increasing, sales prices are decreasing, and the foreclosure balances of properties selling are decreasing. This may indicate that the higher end of the market sold first, and that AHFC's inventory includes many difficult-to-market properties.

The corporation should review the effects of that policy and either confirm or revise it as necessary.

Is it the corporation's policy not to pay property management fees?

It is not clear that AHFC's policy of listing all properties with brokers for property management is the most cost effective marketing method, especially regarding condominiums. Certainly there is disagreement within the industry regarding both the quality and cost of property management achieved through this method. AHFC is currently violating its own policy of not paying management fees for listed property (See Recommendation No. 7). A change in this policy might result in dramatic changes in the scope of its property disposition program.

Should the corporation develop special financing or incentive programs for its REOs?

HUD and FNMA have provided special financing incentives for selling their own properties. AHFC has not treated its REOs as a special category of properties, and therefore existing underwriting guidelines apply to its REOs as well. Our review of AHFC REO sales under the Designated Broker system shows some trends which might indicate that special financing or incentives are needed.

Condominium Trends

Currently AHFC is developing plans for special condominium programs. This is considered essential, because AHFC has over 1700 condos in inventory, having sold only 226 through September 1988. We reviewed 192 of these sales, which occurred during a seven quarter period starting in 1st Qtr 1987 and ending with 3rd Qtr 1989, summarized on the following page:

No. Condo Sales Reviewed		192
Foreclosure Balances		$16,659,400
Sales Price Total		9,405,100
Sales loss		7,254,300
Accrued interest		2,956,055
Expenses	1,535,715	
Selling Costs	1,183,425	2,719,140
TOTAL LOSS		$12,929,495

The $2.7 million in expenses was directly paid into the Alaskan market place for marketing, management, and repairs to the units. The total gross loss on these condominium sales is before adjustments for insurance reimbursements.

We note the following trends in condominium sales which warrant special attention to unsold condominiums:

1. The number of sales per quarter increased steadily from eight in 1st Qtr 1987 to 54 in 3rd Qtr 1988 for a total of 96 during the period.

2. The average holding period increased from 288 days to 420 days.

3. Average expenditures per unit increased from $3,815 to $9,465. They increased consistently from 1st Qtr 1987 through 2nd Qtr 1988, when expenditure amounts began decreasing. Part of this might be because our downloaded file did not include all September 1988 expenses. It may also reflect tighter monitoring by AHFC after staff was increased slightly.

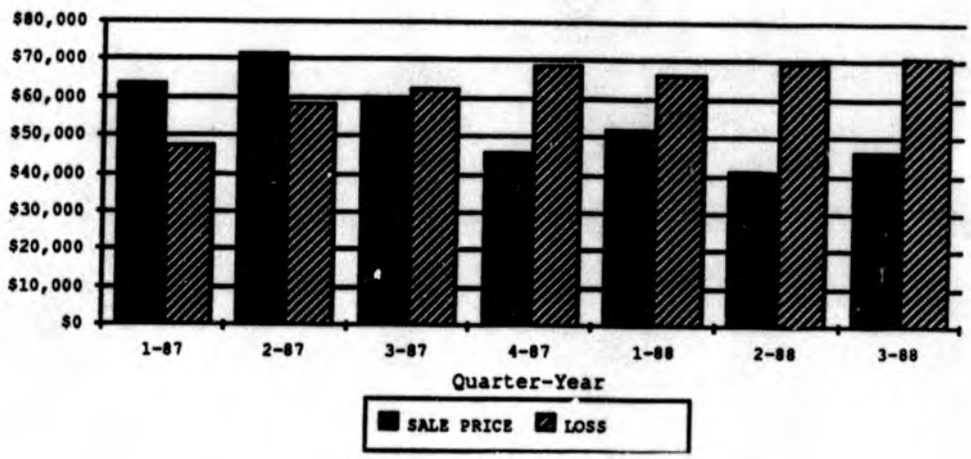
4. Selling costs remained stable, averaging between $5,560 and $7,125, but increased in relation to the actual selling prices, from 8.8 percent of sales price in 1987 to 13.8 percent in 3rd Qtr 1988.

5. Accrued interest increased from $14,135 per unit to $16,700, reflecting the longer holding periods. This is somewhat offset by a slight decrease in the average mortgage balance at foreclosure, indicating that the properties at the high end of the inventory sold first.

6. The average selling price decreased from a high of $71,700 in 2nd Qtr 1987 to $46,165 in 3rd Qtr 1988. This appears to be primarily because of the weakening condominium market, since the average mortgage balance at foreclosure for properties sold has remained relatively stable. The sales price as a percentage of the property's foreclosure balance decreased from 72.7% in 1st Qtr 1987 to 53.1% in 3rd Qtr 1988.

7. The result of these trends is that the average total loss per condominium sold had increased from $47,300 in 1st Qtr 1987, to over $71,000 in 3rd Qtr 1988. (Loss here is the sum of the sales loss, accrued interest, expenditures, and selling costs, before insurance recoveries.) See following graph.

GRAPH 9
AHFC REO CONDO SALES THROUGH 9/25/88



For the 1675 unsold condominiums with loan balances totalling $151 million, AHFC had incurred $7 million in expenses and $22.4 million in accrued interest through September 1988. The average listing time of the unsold REO condos listed with designated brokers was 403 days; 940 were more than 300 days old and 546 of those had been REO for over 500 days.

Single Family Residence Trends

We also reviewed 1014 single family residence sales occuring during the same seven quarter period ending with 3rd Qtr 1988, summarized as follows:

No. SFR Sales Reviewed		1,014
Foreclosure Balances		$106,078,360
Sales Price Total		82,291,035
Sales Loss		23,787,325
Accrued interest		17,430,535
Expenses	10,311,920	
Selling Costs	9,454,940	19,766,860
TOTAL LOSS		$ 60,984,720

While this review confirmed that the SFR market seems to be strengthening in some respects, certain conditions bear watching, to avoid a repeat of the condominium situation. Of special note is the decrease in the number of sales, an increase in holding time and number of SFRs that have been REO more than 300 days, and a sudden drop in the average mortgage balance at foreclosure. These indicate that the most marketable inventory sold first.

Our review showed the following trends in SFR sales during the seven quarter period ending 3rd Qtr 1988: (See tables, Appendix C).

1. The average holding period increased from 235 days to 341 days.

2. The number of sales per quarter increased from 68 in 1st Qtr 1987 to 203 in 3rd Qtr 1988. However sales decreased in 3rd Qtr 1988, down from 233 in the 2nd quarter. Because SFR sales also decreased during 1st Qtr 1988 and then increased dramatically in the 2nd quarter, it is too early to determine whether this recent decrease is part of a trend which will continue.

3. Average expenditures increased steadily from $7,312 in 1st Qtr 1987 to $11,948 in 1st Qtr 1988, after which they began decreasing, to $11,120 at the end of the 3rd quarter. This may be partly because our downloaded files did not include all September 1988 expenses. It may also reflect a small AHFC staff increase, which would improve monitoring.

4. Average selling costs as a percentage of sales prices remained stable. Although they appear to have decreased significantly from $12,500 to $8,328, this reflects a decrease in selling price. As a percentage of sales price, selling costs decreased less than half of one percent during the period.

5. Accrued interest also remained almost constant, increasing from $17,016 in 1st Qtr 1987 to $17,739 in 3rd Qtr 1988. However, this was up from $15,438 in 3rd Qtr 1987, when the holding period was at its lowest, at 224 days. The fact that average accrued interest did not increase dramatically with an average holding period of 341 days in 3rd Qtr 1988 reflects the decrease in the average balance at foreclosure.

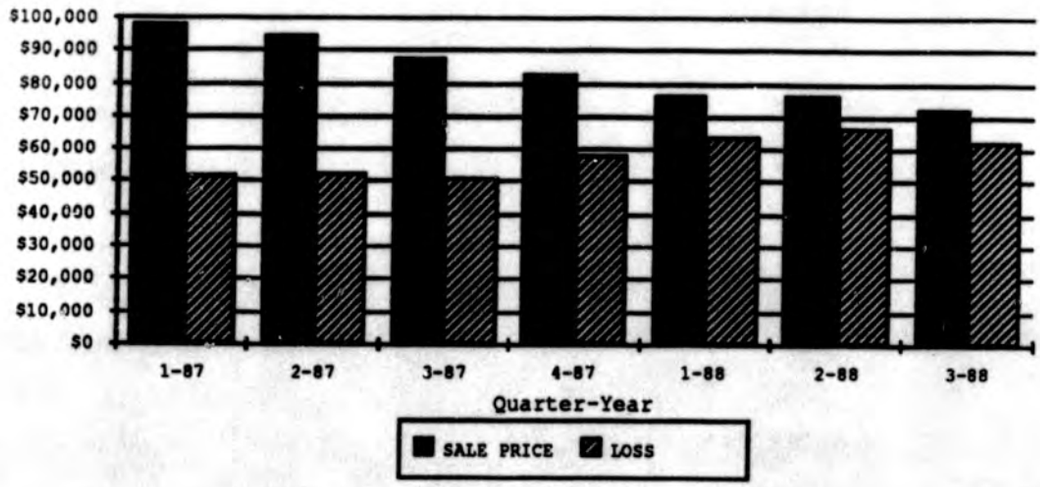
6. The average sales price decreased by 25%, from $98,156 in 3rd Qtr 1987 to $72,372 in 3rd Qtr 1988. This reflects the weakening market as well as the fact that the high end of the inventory sold first.

   This decrease in sales price exceeds the drop in the average mortgage balance at foreclosure of sold SFRs, which decreased by 13% since 1st Qtr 1987. Thus average sales price as a percent of foreclosure balance decreased from 86.7% in 1st Qtr 1987 to 73.7% in 3rd Qtr 1988, slight improvement over 2nd Qtr 1988's 72.9%.

7. As noted above, the average foreclosure balance of SFRs sold decreased, from $113,210 in 1st Qtr 1987 to $98,120 in 3rd Qtr 1988. However, $6,800 of this $15,100 drop, or 45 % occurred during 3rd Qtr 1988. This affirms the trend discussed in (6) above.

8. A result of these trends is that the average loss per SFR sold increased from $51,880 to a high of $66,670 in 2nd Qtr 1988. Although it appeared to decrease to $62,930 during 3rd Qtr 1988 (see comment on expenses, #3 above), it is too soon to determine whether this decrease will continue (Loss here is the sum of the sales loss, accrued interest, expenditures, and selling costs, before insurance recoveries.) See following graph.

GRAPH 10
AHFC REO SFR SALES THROUGH 9/25/88



At the end of September 1988, AHFC had 2036 single family homes in inventory, representing mortgage balances of $185 million on which $11 million in expenses had been paid and $32 million in unpaid interest had accrued. Of unsold REOs, 743 SFRs had been REO for more than 300 days and 381 for more than 500 days.

Mobile Home Trends

AHFC's mobile home sales are not generally managed by designated brokers. For comparison purposes, we looked at their overall data, summarized as follows:

No. Mobile Homes Sales Reviewed		860
Foreclosure Balances		$ 28,861,860
Sales Price Total		9,982,900
Sales Loss		$ 18,878,960
Accrued Interest		4,748,220
Expenses	4,857,740	
Selling Costs	1,308,620	6,166,360
TOTAL LOSS		$ 29,793,540

As shown on the tables in Appendix C, mobile home gross losses also increased steadily during the time period. This is primarily because the average selling price dropped by more than 50%. AHFC has implemented special marketing programs for mobile homes, including bulk sale programs.

The following trends for mobile home sales during seven quarters ending September 1988, support the need for special attention to mobile home marketing:

1. The average holding period of units sold increased steadily from a low of 242 in 2nd Qtr 1987 to 443 in 3rd Qtr 1988, despite bulk sale activity during 1988.

2. The number of sales per quarter increased overall from a low of 13 in 1st Qtr 1987 to 210 during 3rd Qtr 1988. However, the 2nd Qtr 1988 saw the most sales, at 287. It is too early to determine whether the 3rd quarter decrease is part of a trend which will continue.

3. Average expenditures increased from $3,940 per unit in 1st Qtr 1987 to $5,742 in 3rd Qtr 1988. The all time high was $6,500 in 1st Qtr 1988, after which expenditures began decreasing.

4. Selling costs as a percent of sales price almost doubled, increasing from 10.6% to 19.3%. This reflects the decrease in sales price, because AHFC pays a flat sales fee for mobile homes.

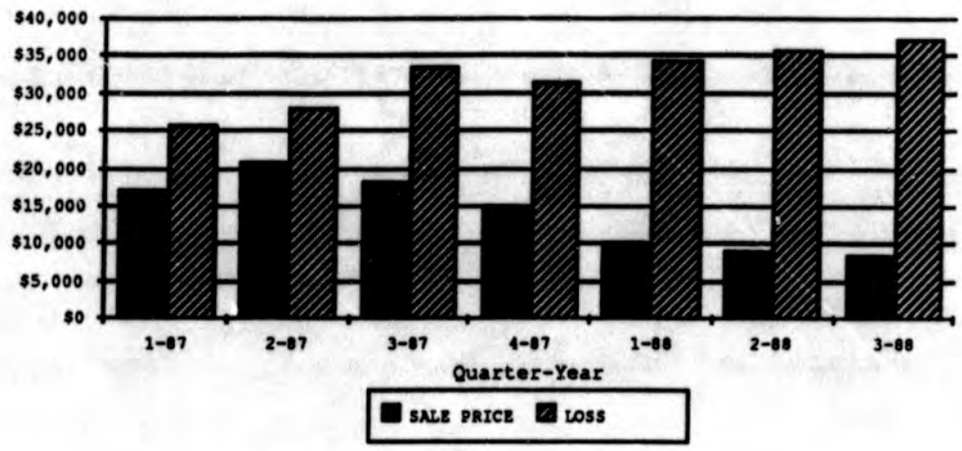
5. Average interest accrued increased steadily, from from $4,050 to $6,150, consistent with the growing holding period.

6. The average sales price decreased steadily from 2nd Qtr 1987 high of $20,844 to $8,525 at the end of 3rd Qtr 1988. This reflects the weakening market, as it does not appear to be related to the average mortgage balance at repossession.

7. The average mortgage balance at repossession decreased only slightly from $33,337 to $32,213. Thus, given the drop in sales prices, the selling price as a percentage of the balance at repossession decreased from 51.6 % to 26.5 % in 3rd Qtr 1988.

8. A result of these trends is that the average total loss per mobile home sold increased from $25,890 to $37,230 (Loss here is the sum of the sales loss, accrued interest, expenditures, and selling costs, before insurance recoveries.) See following graph.

GRAPH 11
AHFC REO MOBILE SALES THROUGH 9/25/88



At the end of September 1988 AHFC had 860 mobile homes in inventory, representing loan balances of $27.8 million, on which AHFC had paid $4.5 million in expenses and on which $5.8 million in interest had accrued. Of unsold inventory, 502 mobile homes had been REO for over 300 days, 409 of which were over 500 days old.

RECOMMENDATION NO. 2

AHFC should issue a new Request for Proposals for all needed brokers in its Designated Broker Program. It should develop the RFP to reflect policies and priorities defined by the board (see Recommendation No. 1) and sign standard contracts for services with the brokers selected.

Summary

The corporation currently has written agreements with only two of its 19 designated brokers. This is because it did not treat the designated broker agreements as "professional service contracts" when it began the program. It chose to call it "contractual service" and used the individual property listing agreements as its written contracts. Without standard comprehensive agreements, AHFC cannot enforce performance requirements. In order to standardize and formalize the relationship between AHFC and designated brokers, AHFC should issue a new RFP for all broker slots and sign professional service contracts with the selected brokers.

Current Situation

AHFC does not have written agreements with each of its designated brokers which describe the duties and responsibilities of each party. Currently one broker has a written "Marketing Agreement" and one has a written "Addendum to Listing Contracts" with AHFC. AHFC has no written contract with the remaining 17 brokers other than the individual listing agreements executed for each property. The two written agreements are not identical, and do not include a termination or renewal date for the agreement.

Now AHFC wants to formalize its agreements with all the designated brokers with written contracts which are standard for all brokers and include definite time frames for contract performance.

Why Aren't There Standard Written Contracts?

AHFC did not follow state procedures described in Alaska Statutes Title 37 Chapter 98, for obtaining professional service contracts. When AHFC began its Designated Broker Program it chose to treat the solicitation process to recruit brokers as a "competitive bid" process for contractual services rather than as a solicitation for professional services.

AHFC selected the participating brokers from their responses to a Request for Proposals (see Appendix A for Designated Broker Chronology.) It planned to use the individual listing agreements for each property as the only written contracts.

However, three brokers wanted comprehensive agreements, so they drew up their own documents which AHFC's property disposition staff signed. The three contracts (or "marketing agreement" and "Addendums") were not consistent with each other about such items as travel expenses, advancing funds, duration of listings, subcontracting policies, and reimbursable expenses.

A dispute between AHFC and one of these three brokers over a provision in the contract led AHFC to drop the broker from its Designated Broker Program and cancel the contract. AHFC and the broker have not yet settled the resulting law suit.

Designated Brokers Provide Professional Services

The state's Administrative Manual, Section 8104, revised May 1983, was in effect when the Designated Broker Program began. Its definition of professional services states that:

> ...Professional services are any professional, technical, or consultant services predominantly intellectual in character. They include analysis, evaluation, predicting, planning, or recommendation and result in the production of a report or the completion of a task. A professional services contract, therefore, requires specialized knowledge and training or in-depth experience in a particular field or discipline..
>
> ...Carpenters can perform a professional service, but only if their expertise is used in a consultant mode. For example, they can review a construction or remodelling project or specification to verify the feasibility or quality of the project; however, they cannot actually perform any manual carpentry work under a professional services contract...

AHFC requires that its designated brokers be licensed professionals, and that they provide a number of consultant and technical services. For instance, the brokers inspect each unit and recommend repairs which should be done to market the property.

Among other duties, they develop a Broker's Opinion of Value for each unit, which recommends the price at which the property should be advertised for sale. They oversee the

bidding process for obtaining contract services to complete repairs. They oversee the paperwork involved in processing offers to purchase.

What if There Are No Contracts?

Without written agreements, duties, responsibilities, obligations, and liabilities are unclear. Performance requirements cannot be enforced. AHFC can decide to change designated brokers, or change reimbursement policies. Brokers could decide to change operating procedures, or ignore AHFC marketing guidelines. Neither side has recourse.

But Why Start Over?

One suggestion was to have each current designated broker sign a standard contract which reflects and formalizes the informal agreement currently in existence. However, Designated Broker contracts must comply either with the law in effect in 1986 or with the new Procurement Code in effect today. Without a new RFP the contracts will not comply with either.

Also, the Designated Broker Program has changed significantly since AHFC issued its first RFP for brokers in 1986. These changes have caused unrest among some of the "non-designated" brokers in the state, who say that they didn't respond to the original RFP because of conditions which have now changed. Their position is that if they had known the conditions would change, they would have submitted proposals.

For example, the original RFP said that only 90 day listings would be signed; most listing agreements are now signed for six months. One of the two existing contracts stipulates that all listings will be for one year.

The RFP said that AHFC would only advance funds to the broker on repair items of $5,000 or more, with reimbursements every three weeks. This became prohibitively expensive for the brokers (one Anchorage broker had up to $350,000 of its own funds extended at a given time). AHFC changed the program to pay subcontractors directly for repairs and eliminate the need for brokers to front the repair money.

Some brokers could not afford to advance the amount of money they thought would be required to operate on a reimbursement basis for repairs of less than $5,000, and therefore didn't bid for a broker slot. They would have submitted a proposal had they known that AHFC would change the program.

Conclusions

AHFC should have written contracts with its designated brokers, to enhance performance, define expectations and liabilities, and permit evaluation.

AHFC has tried to use a fair process in selecting its designated brokers by using a Request for Proposal method. However, the process did not fully comply with the state's procurement requirements, especially because AHFC did not follow through by executing standard written contracts with the brokers.

Further, the Designated Broker Program grew at a rate unanticipated by AHFC. This required signficant changes in the system which, although perhaps necessary, have created the perception of unfairness by AHFC within the real estate community.

Therefore to achieve written contracts and avoid any appearance of impropriety, AHFC should issue a new RFP for all needed designated brokers. To ensure standardization, the RFP should even include the seven broker contracts solicited in September 1988. (AHFC has received the responses to this RFP, but not yet awarded any contracts).

A new RFP and subsequent contracts must follow the new Procurement Code, which requires that contractors identify their subcontractors before the final contract award is made. This should alleviate current dissatisfaction about how designated brokers choose their subcontractors.

The new RFP should reflect board policies regarding property disposition. It should also reflect changes suggested by AHFC's experience over the past two years. (Subsequent recommendations in this report address items which should be included in the RFP).

The resulting contract should clearly define the time period for the contract performance, and describe responsibilties and liability of both parties.

To establish the new program, existing listings with current designated brokers should be allowed to run out. New listings should be for 90 days only, to facilitate faster transfer to another broker if required.

Although processing a new RFP is an administrative burden for AHFC and brokers who wish to submit proposals, this is also an opportunity to establish a program which incorporates needed changes.

RECOMMENDATION NO. 3

AHFC should develop specific performance criteria from which to evaluate the performance of designated brokers on a regular basis. This criteria should be included in Request for Proposals soliciting interest from brokers, and incorporated into ensuing contracts. At a minimum, the criteria should reflect regional differences, and address:

- o maximum time from assignment to listing with MLS;
- o maximum repair and maintenance expenses per unit;
- o pricing methodology;
- o percentage of own listings sold by broker;
- o percentage of all AHFC listings sold by broker;
- o sales price as a percent of foreclosure balance and appraisal;
- o average market time;
- o average overall gross loss per unit;
- o percentage of gross loss recovered by insurance (when the property is covered by pool insurance); and
- o a review of the marketing strategy on all properties that are REO for 300 days or more.

AHFC should adjust its information gathering and management system to ensure needed data is consistently available for use in evaluations.

Summary

AHFC does not have a method for evaluating the performance of its brokers. This is partly because its information gathering system was not designed for a property disposition division and certain information needed for evaluation is not collected. It is also because there are no definite standards against which the brokers' performance can be measured. Without defined performance measures and a system to track them, AHFC will have difficulty justifying corrective action or terminating agreements with non-performing brokers. AHFC can use its experience to date to develop performance and evaluation criteria.

Current Situation

One of the problems AHFC has in evaluating brokers' performance is that its system does not easily manage the information needed. For example, it does not:

- o record the date a property is listed with MLS, to determine how long it takes a broker to list the property and how long it is on the market;

- o break out expenses by category, such as repairs, maintenance, snow removal, carpeting, cleaning, etc., to isolate expenses and permit cost analysis;

- o record the amount of insurance claim filed to compare against insurance received, to determine whether brokers' expenditures are within the bounds of insurance policies;

- o maintain a record of the original listing price or appraised value, to determine performance relative to sales prices.

The existing system also has data gaps because of the unplanned development of the property disposition system, turnover of temporary accounting personnel entering data, and shortage of data processing and property disposition personnel.

Another problem is that there are few "standards" against which to measure the brokers. How high a price is a reasonable sales price given the market? How much should be spent on repairs and maintenance? How long should it take to get the property "market ready" and listed with MLS? How long should it be listed with one broker before it is reassigned?

In exploring this problem of standards, we compared the performance of current designated brokers with each other, to try to determine which factors contributed most to total costs, and to try to define boundaries of acceptable performance.

Performance Comparison

We looked for performance criteria which were measurable given available data, and which reflected AHFC existing policies and priorities. We recorded, by property type by broker:

- o total number of sales;
- o percent of own AHFC listings sold;
- o total dollar volume of sales;
- o percent of AHFC sales;
- o average sales price per unit;
- o average sales price as a percentage of foreclosure balance;
- o average expenses per unit (computed from the last date to which interest payments had been applied;
- o average holding time (number of days between foreclosure and sale); and
- o total average loss per unit (expenses + interest + sales loss before insurance reimbursement).

First we compared the performance of designated brokers with each other in each category based on AHFC's data as of September 25, 1988. Then to get an idea of how the various criteria worked together, we assigned points to arrive at an overall ranking (see following tables). For these comparisons we chose single family residences, which had the highest number of sales to date and therefore gave us the most data.

However, these results and the distribution of REOs between geographic regions indicated that we should compare performance among brokers from the same region, because prevailing economic and market conditions differ.

Therefore for illustration purposes, and to eliminate differences caused by geography, we then ranked the Anchorage brokers according to their performance in these areas, based on the same data. The following tables and graph show the results. It is important to note that these results are not weighted to reflect AHFC priorities. However, when we weighted the points to give extra credit for condominium activity, the ranking changed slightly and the gaps between brokers narrowed considerably. The same occurred when we weighted the points for sales price as a percent of foreclosure balance.

There were complaints by some brokers that designated brokers were privately marketing properties before they were listed with MLS, therefore reducing the market time and exposure. This could result in lower prices, if the broker knew there would be no competition for the sale. Because AHFC did not record the dates properties were listed with MLS in its database, we checked the holding periods (length of time from foreclosure to sale) for those properties which sold in 100 days or less.

Of 1167 sales by designated brokers, 91 had holding periods of less than 100 days. Of these, 39 were sold by the listing broker and 52 were sold through other brokers. We also checked eight properties reported to us by a non-designated broker which had sold with less than 100 days on the market. Five of these had become REO less than 30 days prior to listing with MLS and three were listed in less than 60 days. These numbers did not indicate a widespread practice which would reduce market exposure.

Overall, listing brokers sold less than 50 percent of their own listings which sold, and 75 percent of the total sales of designated brokers' listings.

ALL BROKERS SFR SALES COMPARISON

Broker No. (Not rank)	# Own List Sold	# List Unsold	% Own List Sold	Percent All Sales	Total $ Vol	Price % Fore	Sales Price	Hold Time	Avg Expense	Avg Loss
1 Marston	53	114	31.74%	6.3%	4,956,240	82	93,514	287	10,511	59,331
2 Re/Max Anch	41	113	26.62%	4.9%	3,616,241	76	88,201	264	9,285	65,386
3 Vista	68	89	43.31%	8.1%	5,913,212	78	86,959	221	13,073	63,021
4 Heritage Anch	47	103	31.33%	5.6%	4,290,442	82	91,286	299	9,420	58,042
5 2001 Rlty	77	69	52.74%	9.1%	6,431,810	76	83,530	210	7,783	59,377
6 Fortune	53	88	37.59%	6.3%	4,333,598	75	81,766	230	10,342	63,587
7 Realty	51	93	35.42%	6.0%	4,307,154	77	84,454	243	10,210	61,803
8 Re/Max ER	53	57	48.18%	6.3%	4,551,004	78	85,868	303	10,342	63,683
9 Jack White ER	42	70	37.50%	5.0%	3,923,766	83	93,423	249	11,808	61,404
10 Heritage Wasilla	49	145	25.26%	5.8%	3,013,500	67	61,500	302	9,974	64,299
11 Marston Wasilla	49	145	25.26%	5.8%	3,082,982	68	62,918	320	10,272	63,335
12 Aurora	37	162	18.59%	4.4%	2,558,069	72	69,137	326	9,873	62,628
13 Coldwll/Grtld **	51	198	20.48%	6.0%	3,890,127	78	76,277	262	15,505	63,874 **
14 Re/Max Fbx **	53	1	98.15%	6.3%	3,822,466	80	72,122	284	11,945	52,145
15 Dick Mueller	28	68	29.17%	3.3%	2,042,908	84	72,961	298	9,641	47,206
16 Homer Realty	7	15	31.82%	.8%	555,100	87	79,300	201	7,968	42,903
17 Anderes	4	7	36.36%	.5%	266,000	81	71,500	406	6,499	45,934
18 Northway	17	8	68.00%	2.0%	1,034,858	72	60,874	317	6,524	51,293
19 Home Team	31	63	32.98%	3.7%	2,245,547	69	72,437	292	7,805	66,092
20 Alaska Coastal	32	67	32.32%	3.8%	2,237,152	72	69,911	301	9,416	61,056
	843	1,675	33.48%	100.0%	$67,072,176		$79,564	267	$10,020	$60,537

** Fairbanks data is skewed because Re/Max listings were transferred to Coldwell/Banker

20 points awarded for each 1st place
19 points for each 2nd, etc.
In ties, high points awarded each

ALL BROKERS RANKED - SFR SALES

Broker No. (Not rank)	% Own SFR List Sold	% All SFR Sale	Total $ Vol	Price as % Forec	Sales Price	Hold Time	Avg Expense	Avg Loss	TOTAL POINTS	OVERALL RANK
1 Marston	8	18	18	17	20	11	5	14	91	4
2 Re/Max	5	8	10	9	17	13	15	2	62	14
3 Vista	16	19	19	13	16	18	2	8	95	2
4 Heritage	7	10	14	17	18	8	13	15	84	8
5 2001 Rlty	18	20	20	9	13	19	18	13	117	1
6 Fortune	14	18	16	7	12	17	6	6	84	9
7 Realty	12	1[illegible]	15	10	14	16	9	10	86	6
8 Re/Max ER	17	1[illegible]	17	13	15	5	6	5	81	10
9 Jack White ER	15	9	13	18	19	15	4	11	85	7
10 Heritage Was	4	12	8	1	2	5	10	3	43	19
11 Marston Wasilla	4	12	9	2	3	3	8	7	45	18
12 Aurora	1	7	7	6	4	2	11	9	43	20
13 Coldwll/Grtlnd**	2	14	12	13	10	14	1	4	60	16
14 Re/Max Fbx **	20	18	11	14	7	12	3	16	94	3
15 Dick Mueller	6	4	4	19	9	9	12	18	72	11
16 Homer Realty	9	2	2	20	11	20	16	20	89	5
17 Anderes	13	1	1	15	6	1	20	19	70	13
18 Northway	19	3	3	6	1	4	19	17	71	12
19 Home Team	11	5	6	3	8	10	17	1	53	17
20 Alaska Coastal	10	6	5	6	5	7	14	12	60	15

** Fairbanks data is skewed because Re/Max listings were transferred to Coldwell/Banker

ANCHORAGE DESIGNATED BROKER COMPARISON

SCORING: 7 Points awarded for each 1st place
6 Points for each 2nd, etc.
In ties, equal high points given both
Not weighted for AHFC priorities

ANCHORAGE SFR SALES

	Total # Sold	Total $ Vol	Avg Price as % Forec	Avg Sales Price	Avg Hold Time	Avg Expense per SFR	Avg Loss per SFR	TOTAL POINTS
Marston	5	5	7	7	2	2	6	34
Re/Max	1	1	3	5	3	6	1	20
Vista	6	6	5	4	6	1	3	31
Heritage	2	2	7	6	1	5	7	30
2001 Rlty	7	7	3	2	7	7	5	38
Fortune	5	4	1	1	5	3	2	21
Realty Cntr	3	3	4	3	4	4	4	25

ANCHORAGE CONDOMINIUM SALES

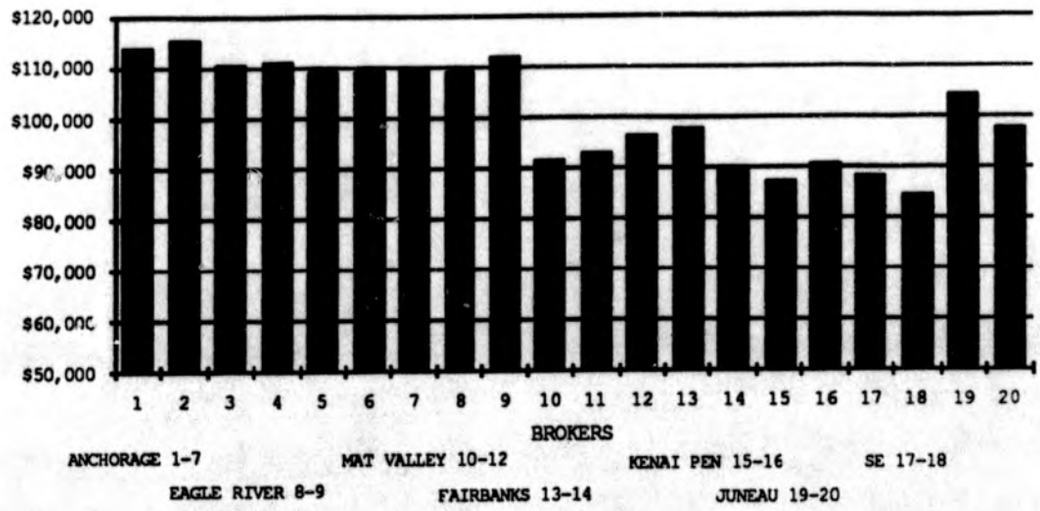
	Total # Sold	Total $ Vol	Avg Price as % Forec	Avg Sales Price	Avg Hold Time	Avg Expense per Unit	Avg Loss per Unit	TOTAL POINTS
Marston	2	2	6	7	4	5	5	31
Re/Max	1	1	1	2	1	3	2	11
Vista	6	6	4	3	5	1	4	29
Heritage	3	3	7	5	3	7	6	34
2001 Rlty	4	4	5	6	6	2	3	30
Fortune	5	5	4	1	7	4	7	33
Realty Cntr	7	7	2	4	2	6	1	29

ANCHORAGE OVERALL SALES

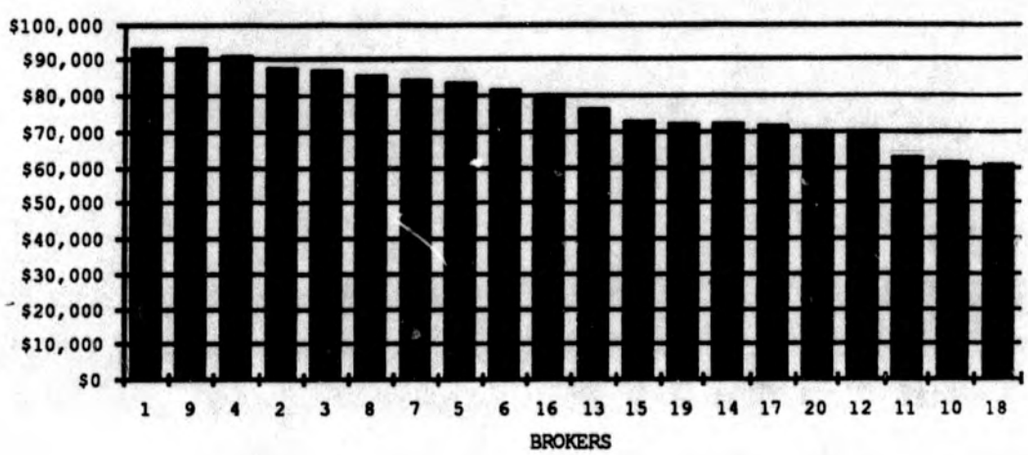
	Total # Sold	Total $ Vol	Avg Price as % Forec	Avg Sales Price	Avg Hold Time	Avg Expense	Avg Loss	TOTAL POINTS
Marston	3	4	6	7	3	2	5	30
Re/Max	1	1	5	5	2	4	2	20
Vista	6	6	4	2	5	1	4	28
Heritage	2	2	7	6	1	5	1	24
2001 Rlty	7	7	3	4	7	7	7	42
Fortune	5	3	2	1	6	3	3	23
Realty Cent	5	5	1	3	4	6	6	30

	TOTAL POINTS	RANK	TOTAL POINTS Weighted for Condos	WEIGHTED RANK
Marston	95	2	126	2
Re/Max	51	7	62	7
Vista	88	3	117	4
Heritage	88	3	122	3
2001 Rlty	110	1	140	1
Fortune	77	6	110	6
Realty Cntr	84	5	113	5

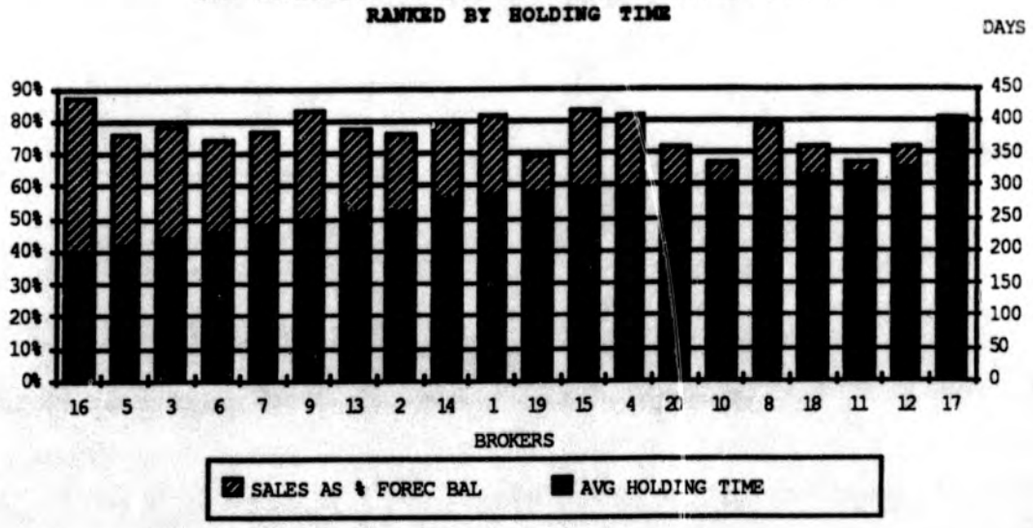
GRAPH 12
AVG BALANCE AT FORECLOSURE
AHFC SFRs SOLD THROUGH 9/25/88



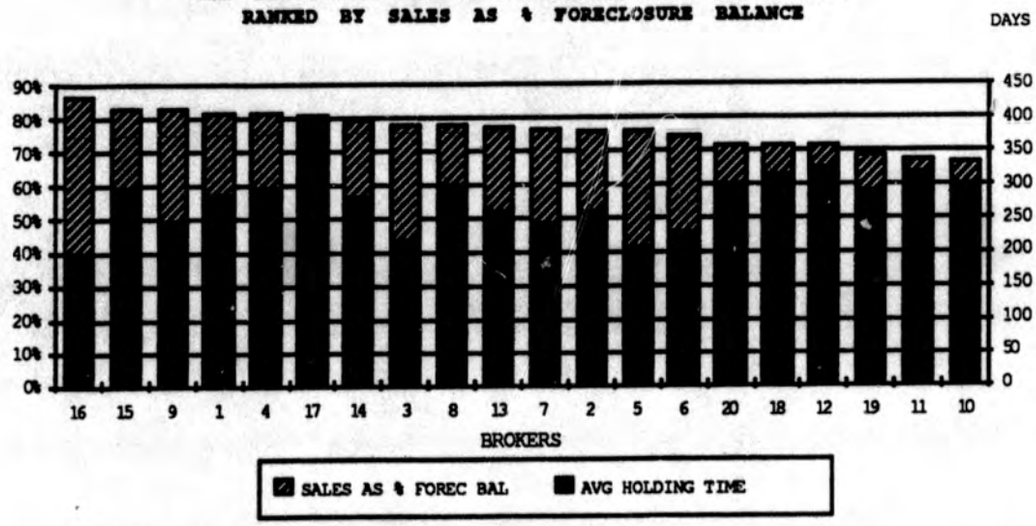
GRAPH 13
ALL DESIGNATED BROKERS' SFR SALES THROUGH 9/25/88
RANKED BY AVG SFR SALES PRICE



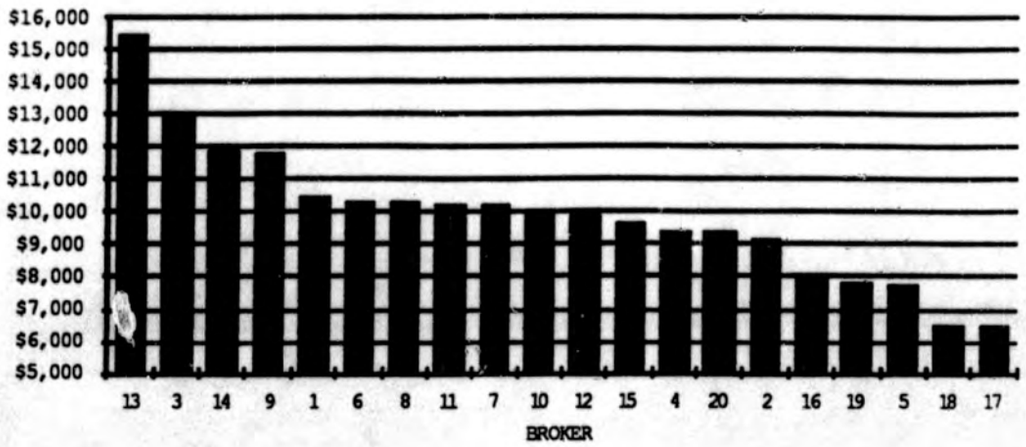
GRAPH 14
ALL DESIGNATED BROKER SFR SALES THROUGH 9/25/88
RANKED BY HOLDING TIME



GRAPH 15
ALL DESIGNATED BROKER SFR SALES THROUGH 9/25/88
RANKED BY SALES AS % FORECLOSURE BALANCE

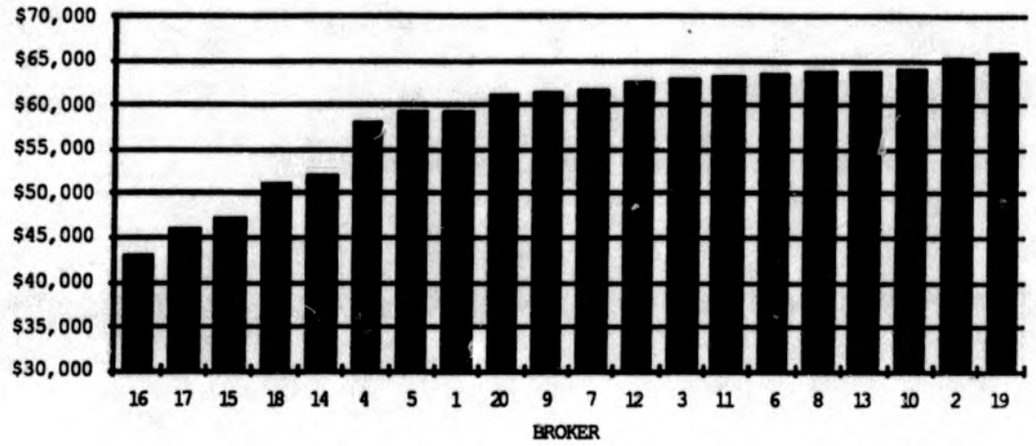


GRAPH 16
ALL DESIGNATED BROKER SFR SALES THROUGH 9/25/8
RANKED BY AVG EXPENSES PER SFR



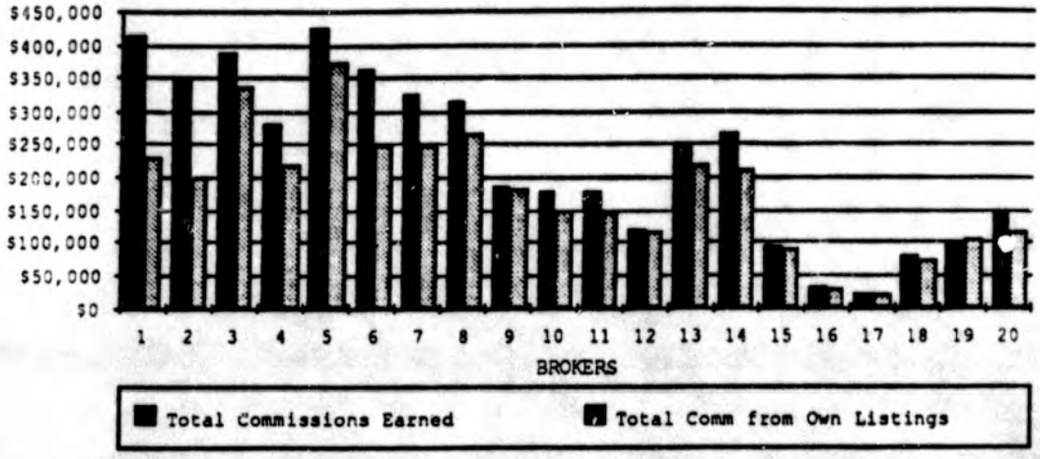
GRAPH 17
ALL DESIGNATED BROKER SFR SALES THROUGH 9/25/8
RANKED BY AVG TOTAL LOSS PER SFR

AVG LOSS

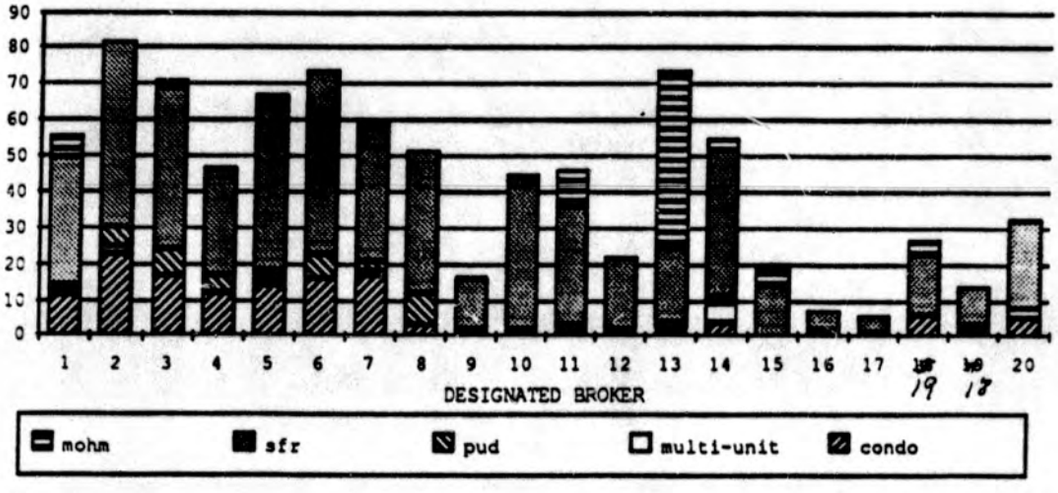


ANCHORAGE 1-7 MAT VALLEY 10-12 KENAI PEN 15-16 SE 17-18
EAGLE RIVER 8-9 FAIRBANKS 13-14 JUNEAU 19-20

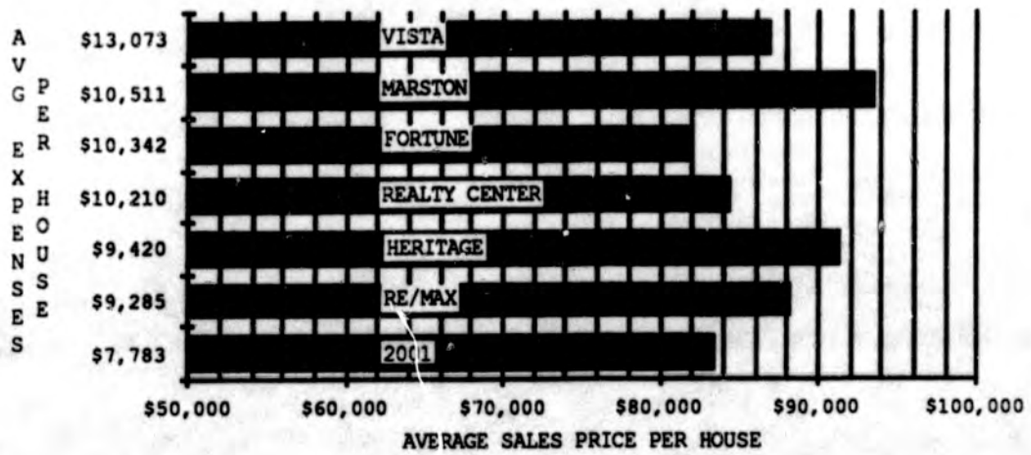
GRAPH 18
COMMISSIONS EARNED FROM AHFC LISTINGS SALES THROUGH 9/25/88



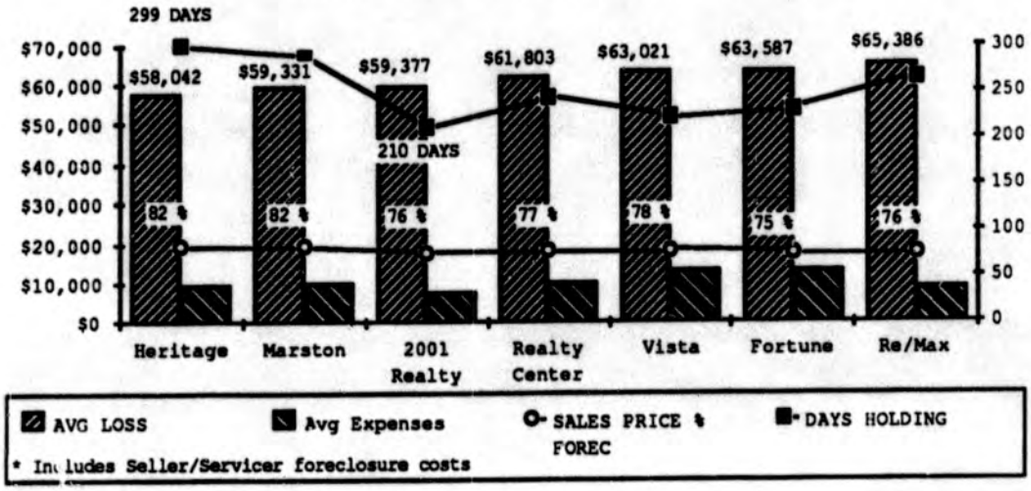
GRAPH 19
AHFC REO SALES BY SELLING BROKER THROUGH 9/25/88



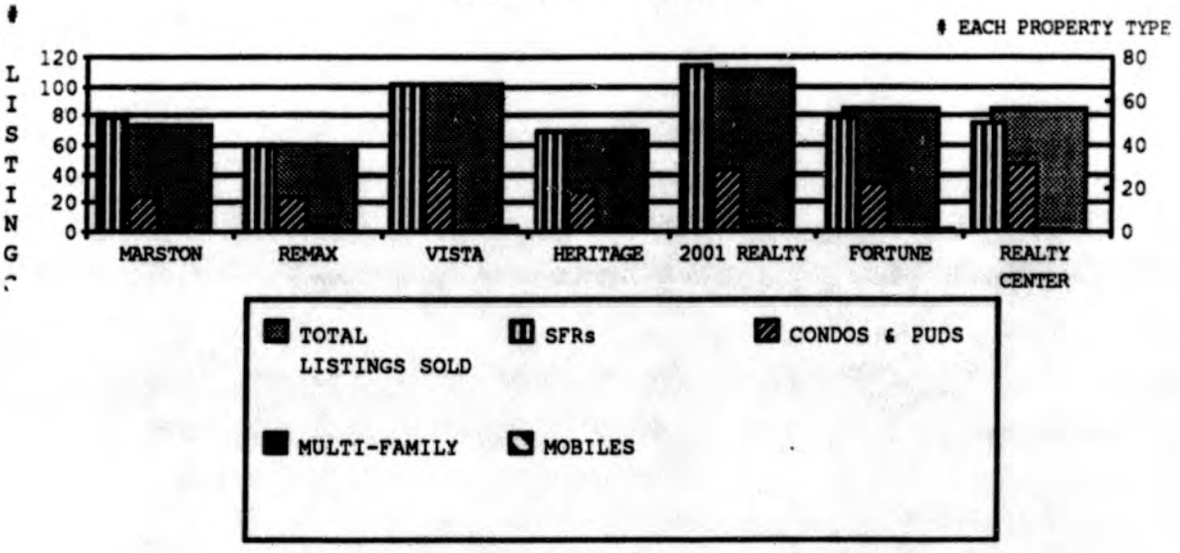
GRAPH 20
ANCHORAGE SFR SALES THROUGH 9/25/88
AVERAGE SALES PRICE AND EXPENDITURES



GRAPH 21
ANCHORAGE DESIGNATED BROKERS' SFR LISTINGS SOLD
LOSSES*, EXPENSES*, PRICES, HOLDING TIME



GRAPH 22
ANCHORAGE DESIGNATED BROKERS' LISTINGS
SOLD THROUGH 9/25/88



Evaluation Criteria

These exercises are interesting, but they don't tell us what level of performance is acceptable. However, based on the experience to date, it seems that (see Graph 20) expenditures over $10,000 per unit for SFRs don't generally increase the sales price (these include an average $3,000 foreclosure costs reimbursed to the seller/servicer); average holding times over 300 days don't increase sales price. Sales prices under 75 percent of foreclosure balance in Anchorage, and 70 percent statewide, seem out the bounds of normal performance (see Graph 21).

Conclusions

It is important that properties receive the best market exposure possible to ensure highest prices, and that repair and marketing activities be monitored to ensure strict compliance with AHFC and insurance requirements.

The sales price does not increase as the holding period increases, usually indicating that the property is not the most desirable. This indicates a need to develop clear policies on marketing strategies for "older" REOs.

AHFC can expect brokers to try to perform most of the marketing requirements in a timely manner because they enhance the sale of the property. However, certain items, such a timely listing of the property with the Multiple Listing Service (MLS), careful control of expenditures, fast closing times, and realistic property pricing, should be monitored by AHFC as the seller.

This indicates that AHFC should place heavy emphasis on the listing management ability of brokers competing for designated broker contracts. Because all selling agents can sell AHFC REOs, the number of sales agents in an agency should not have as much bearing on the overall performance for AHFC as the number of agents assigned to manage the REOs.

To accomplish any evaluation, the necessary information must be available. AHFC has information on individual properties, but cannot evaluate a broker's overall performance or compare brokers. It cannot verify which agencies are performing better or worse than others, or if the brokers are performing better in the overall marketplace than they are for AHFC. AHFC should make necessary adjustments to its information-gathering system and database to ensure the following information, in addition to data currently collected, is recorded and easily retrievable:

- name and date current broker assigned;
- the date a property is listed with MLS;
- the original appraisal/listing price and current listing price;
- amount spent on each property by category by date;
- net loss after insurance receipts and reason for insurance claims denials or reductions.

This will require closer attention to accurate data input.

AHFC should evaluate each broker periodically on the criteria in place. It should also develop an aging report for the brokers' inventories, evaluating all properties for reassignment or other marketing strategy when they have been REO for 300 days.

RECOMMENDATION NO. 4

A revised property disposition system should ensure the broadest marketing effort possible.

Summary

Complaints and knowledge resulting from its two-year-old Designated Broker program indicate that AHFC's property disposition division's financial performance will improve with changes in certain REO marketing practices. Other changes might also be warranted to improve public perception of the program.

Current Situations

AHFC relies on the cooperation of the real estate industry to effectively market its REOs. Its Designated Broker program has generated many complaints, both from its participating designated brokers and from "non-designated" brokers which may affect program performance.

Designated Brokers' Complaints

Designated brokers have complained that the tasks which AHFC brokers must accomplish are greater than those normally performed for sellers. For example, designated brokers are required to pay all utility bills on REO properties, and submit invoices to AHFC for reimbursement. Brokers must solicit competitive bids for all repair and renovation work, and obtain AHFC and MGIC approval of the best bid. This is a time consuming process. Brokers pay for routine maintenance work and are reimbursed by AHFC, which creates more paperwork and recordkeeping. The result of these conditions, they believe, is that they spend less time selling the properties than they do managing them.

As we noted in Recommendation No. 3 regarding broker performance, of 1170 sales through designated brokers' listings, the designated brokers themselves sold 874, or 75 percent. However, only one Anchorage broker sold more than 50 percent of its own listings. This may indicate that while the designated brokers seem to be more "in the loop" for AHFC REO sales, they may sell fewer of their own listings because of administrative requirements.

"Non-Designated Brokers'" Complaints

Non-designated brokers complain that designated brokers have an unfair advantage in the marketplace. This is primarily because designated brokers place "for sale" signs on their REO listings with give their company's name and telephone number. Because of the large number of AHFC REOs,

this gives greater exposure to designated brokers and increases the traffic through their offices for all types of buyers.

Another complaint is that designated brokers have an unfair advantage because they have "pocket listings" which means they market properties before they are available to other selling agents. This perception exists because AHFC assigns its REOs to brokers two weeks prior to the foreclosure sale, so that the broker can be preparing its improvement and marketing strategy for the property. The broker cannot list it with MLS until the foreclosure sale is accomplished and AHFC is the official owner.

Some non-designated brokers believe that designated brokers sometimes extend the time it should take to accomplish repairs to make the property "market-ready" and therefore increase this "pocket-listing" time. The theory is that the brokers use this front end time to line up sellers, so that when good properties are listed with MLS they are quickly followed by offers to purchase. As discussed in Recommendation No. 3, our research did not indicate that this is a wide spread practice, although AHFC should include MLS listing dates in its database to monitor this.

The non-designated brokers say that the effect of these problems is two-fold: AHFC is not always getting the best prices possible for their properties; and because of volume, non-designated brokers' selling agents are leaving to join Designated Brokers' firms, which could eventually eliminate the small brokerages.

Brokers also complain that designated brokers cause unnecessary repairs to be accomplished. This is more of an overall perception rather than a condition supported by concrete examples. It is also an allegation difficult to prove or disprove from paperwork after the fact. Who can tell, after the work is done, the property sold, and a new family moved in, whether the carpet really needed to be replaced and the walls repaired? Rather, it requires close monitoring by AHFC property disposition staff at the time the work is being authorized and completed.

Another complaint is that designated brokers have so many listings that they are unable to respond in a timely manner to inquiries and offers from other agents.

Some brokers believe designated brokers are removing valuable fixtures and personal property from REOs, and thereby unfairly benefiting on a personal basis. AHFC's marketing guide says that the seller/servicers are responsible for disposing of personal property. Again, this is something more effectively monitored during the marketing process than after-the fact.

MGIC Complaints

MGIC's primary concern is that designated brokers are too busy to adequately market the REOs. Its concern is that the properties bring the best price possible, which requires healthy competition within the real estate community. MGIC believes that non-designated brokers are not actively trying to sell AHFC REOs because of difficulty in working in the system, and bad feelings about the program.

Conclusions

Many of the complaints about the program are the results of an inherent contradiction in AHFC's role as a government entity and player in the real estate market. It is perceived that because it is a government entity, AHFC should operate differently than private sellers when marketing its REOs. On the other hand, AHFC is judged largely on its financial performance, and must make decisions regarding property disposition which are sound business decisions. As AHFC revises its property disposition program (see Recommendation Nos. 2 and 3) it should consider the complaints, weighing its two roles and the financial impact of its decisions.

The following are examples of issues it can address as it makes changes.

Since real estate brokers are primarily specialists in selling, AHFC should revise its system to eliminate some of the designated brokers' paperwork. For example, it should expedite the installation of an automated system for paying REO utility bills, to eliminate one designated broker task.

It should follow the State of Alaska's Procurement Code requirements that contractors name subcontractors they will use, thereby reducing time in justifying use of specific contractors and eliminating procurement problems.

It should establish a maximum length of time between REO assignment and listing with MLS, to ensure adequate market exposure. When this time period is exceeded AHFC should review the property to determine whether extraordinary repairs were required causing delays, or whether the property should be reassigned.

It should develop a system in which representatives of MGIC, the seller/servicer, AHFC, and the broker meet together to inspect the property and agree to a work plan. If all parties sign off on tasks, responsibilities, and anticipated costs, at the outset, the marketing process will be streamlined.

It should meet with all interested brokers to determine whether the real estate industry will cooperate in a system which includes a "bid receipt" period. During this time, for example 10 days after first listing a property with MLS, AHFC would accept offers to purchase. It would open them simultaneously at the end of the time period, and accept the best offer, or accept none, if none were considered reasonable. Although this suggestion would eliminate the charges of "pocket listing" advantage, it is a departure from standard real estate practices and would require agreement by real estate professionals.

Although AHFC is striving to reduce the administrative tasks of designated brokers, it nonetheless relies on them for paperwork processing. Therefore it should evaluate proposals from brokers largely on the management capacity of its agency and the number of personnel assigned to manage AHFC listings, rather than the number of selling agents. This should alleviate the concerns of the smaller agencies that only the large agencies can sell AHFC properties, because theoretically, if a property is well-managed and marketed, any agent can sell it.

The discussion on broker performance in Recommendation No. 3 indicates that those Anchorage brokers who performed the "best" overall, sold the fewest condominiums. Those who sold the most condominiums ranked the lowest overall. Because condominiums are a serious problem for AHFC, it should include separate criteria for condominium brokers in its new program, selecting those with records of successfully marketing condominiums.

RECOMMENDATION NO. 5

AHFC should ensure that its property disposition, insurance claims, and data processing divisions are staffed with adequate professional personnel to manage the REO activities.

The property disposition and insurance claims processing divisions, which administer the Designated Broker program, are seriously understaffed. Personnel are managing caseloads of up to seven times industry standards, and authorizing over $1 million in REO expense payments each week. The result is expensive, both to AHFC and to Alaskans who need AHFC's prompt and thorough service. Resources should immediately be approved to staff the program at a level commensurate with its value and importance to the state.

Through September 1988, AHFC's property disposition staff and accounting had administered $45 million in AHFC out-of pocket expenses for REO repairs, maintenance, and marketing for properties whose mortgage values at foreclosure totalled over $566 million. Sales prices on the REOs continued a downward trend, increasing the loss on sales to an aggregate of more than $55 million. The properties had accrued $97.4 million in unpaid interest since going into default. For its "at-risk" properties, AHFC pays these expenses, and for those covered by insurance, AHFC is reimbursed only for appropriate expenses incurred in a timely manner.

Although we cannot accurately predict what amount of these costs will be recovered, at June 30, 1988, AHFC had $17 million in REO loan receivables. They had reserved $6.7 million, or almost 40 percent of that as unlikely to be collected.

AHFC's loan losses and REO expenses increased from $27 million at the end of FY 1987 to more than $71 million at the end of FY 1988, resulting in a net loss of $12.6 million to the corporation (see Graph 1).

AHFC's current system lacks adequate controls to prevent AHFC from paying for unnecessary work, for inflated bills, and for erroneously billed items. The staffing level does not permit adequate site visits for inspection of repairs and maintenance. It does not provide a means to confirm the broker's opinion of value for pricing the property. It does not allow thorough review and follow through when insurance claims are reduced by insurance companies. It does not permit timely response to offers to purchase properties.

Staffing has a direct correlation to REO expenses. For FY 1989, AHFC received permission to add 19 positions, at least 10 of which were directly associated with property

disposition tasks. In the third quarter of 1988 average expenses for REO units began decreasing. Staffing is also related to REO. Buyers get frustrated if offers to purchase are not processed quickly, and select other properties or decide not to purchase. Brokers and selling agents get frustrated and sell non-AHFC properties instead.

Conclusion

Given the rates of sale and numbers of REOs, AHFC should not expect property disposition activities to decrease during the next two years. Its exposure increases as pool insurance policies come close to being exhausted and insurance companies go bankrupt. Until its REO inventory is considerable reduced, AHFC should direct adequate staff and resources to their management. Some of this staff must be directed to updating and improving the database and computer system (see Recommendation No. 6). AHFC will not save money by inadequately staffing for property disposition tasks.

RECOMMENDATION NO. 6

AHFC should code its REO expenses and receipts by category and consistently enter other necessary REO-related data.

Summary

In its computerized database, AHFC currently records most REO-related expenses with the same code, uses a "miscellaneous" code for many types of REO receipts, and inconsistently enters information for other data fields. This means it is impossible to isolate costs for any specific types of income and expense, making evaluation and informed management decisions difficult. Given the impact of the REO disposition function's performance on the overall financial performance of the corporation, AHFC must be able to evaluate its components.

Current Situation

AHFC's foreclosed properties database file showed $44.7 million in expenditures as of September 25, 1988. With a few inconsistently-applied exceptions, all expenses in this file had the same code. For example, reimbursements to banks for attorney fees for foreclosure activities, reimbursements to brokers for maintenance and utility costs, and payments to contractors for repairs and restoration all had the same expense code. Some property management fees were coded separately, but others were recorded in the primary expense code. While some costs can be isolated by grouping payments to vendors, this is a cumbersome method of analysis, and still does not provide cost breakdown by activity.

Also, certain receipts needed for analyzing the overall property disposition function performance, such as amounts collected from banks for insurance deductions, are coded as miscellaneous income and cannot be separately identified.

We also found that other data which is essential for program evaluation, such as dates and amounts of pool insurance claims filed, listing and selling brokers' codes, net proceeds from sales, and dates for broker assignments was not consistently and/or accurately entered.

Why Is The Database Incomplete?

AHFC's organization and computer system was originally designed to support financing activities, not property management and disposition activities. It has tried to add information as experience indicates the need. However, its data processing staff does not have positions available

to develop new systems, and data entry personnel are often temporary employees, who leave the positions before they are completely trained in the jobs.

Why Is It Important To Improve The Database?

AHFC daily makes decisions regarding financing and marketing strategies that rely on accurate information. A small example might be carpeting. AHFC replaces the carpeting in many of its REOs, and the competitive bid process for this task is handled by the listing broker. Perhaps AHFC could save money by selecting carpet vendors based on per yard prices, who would work with all brokers. Performing a cost analysis is difficult. Currently we can't call up carpet expenses per unit, except by vendor. That method would work only if all carpet costs were paid directly to carpet vendors, who were easily identified as carpet vendors in the database, and if data processing personnel were always available to run special programs to answer such queries. That was not the case.

Other examples can be seen in attempts to evaluate brokers and seller/servicers. We wanted to know which brokers were spending more on expenses per unit and whether or not increased expenses increased the sales prices. However, we could only separate costs for REOs by vendors, which helps if vendors are clearly identified as to function. They are not. Therefore in this report, expenses per REO include banks' costs and brokers' costs. Further, in the banks' costs we can't separate attorney costs for foreclosures from winterization costs; for brokers' expenses we can't tell how much is the payment of utility bills and how much is for cleaning and maintenance.

AHFC has lost millions of dollars in reductions of insurance claims, when insurance companies decide that certain parts of the claim are ineligible for reimbursement. While AHFC has come to realize this is an expensive problem, its database does not quantify the difference between the claims submitted and the reimbursements received.

Other data gaps, such as missing dates for insurance and property disposition tasks, and inconsistently-entered data make overall program evaluation difficult.

Conclusions

AHFC's property disposition functions have a significant impact, not only on the corporation's overall performance, but on many sectors of Alaska's economy. Real estate professionals, individual home owners, financing institutions, institutional sellers, carpenters, painters, maintenance companies, carpet layers, electricians, and plumbers are all affected by AHFC's marketing decisions.

AHFC needs to improve its database for REO properties to facilitate informed decisions and accurate information. This will require a commitment of resources to data processing for property disposition and insurance claims functions.

RECOMMENDATION NO. 7

AHFC should develop a Request for Proposals to solicit contractors for property management functions.

Summary

During the past year AHFC has paid per unit property management fees to designated brokers for maintenance of certain condominiums which are either "unmarketable" or whose marketability is in dispute with MGIC. This conflicts with AHFC's policy not to pay flat rate management fees for its REOs. Although these fees were initially paid because MGIC pre-approved them at the brokers' request, MGIC has since denied all claims on the condominium developments in question. AHFC will dispute the decision; it is not clear whether AHFC or MGIC will ultimately be responsible for the fees. Other brokers who are listing condominiums which are not selling feel this is unfair because they are not allowed to charge flat rate fees.

Situation

Currently AHFC is paying monthly $30 per unit management fees to Fortune Properties, Inc. for 68 units in the Village I & II condominium projects, and to Heritage Homes for 33 units in Northwest Village condominiums.

In April and May of 1987, the brokers negotiated the management fee with MGIC, arguing that because certain improvements had not been made, the units were unmarketable. The completion of improvements was pending agreement between MGIC and AHFC on necessary repairs and financial responsibility.

AHFC management told the brokers it would not approve the fees because it was against AHFC policy. MGIC informed AHFC that it had approved these fees. The brokers then began billing AHFC for the fees and AHFC paid them, planning to recover the costs from MGIC.

Since then, MGIC began denying all claims on those properties because of the unresolved disputes over needed repairs and restoration. AHFC has continued to pay bills on the properties, anticipating that MGIC will approve a portion when agreement is reached on restorations.

AHFC assigns all the units in one condominium development project to the same broker. The projects in question had been assigned to the brokers before the controversy began.

The Need for a Contract

At the end of September 1988 AHFC had sold a total of 225 condominiums, after holding periods (the length of time in AHFC ownership, from foreclosure to sale) averaging 316 days. However, the average holding period for unsold condos listed with designated brokers on September 25, 1988 was 324 days. Of its 1700-unit unsold condominium inventory, 940 had been REO longer than 300 days and 546 were over 500 days old.

AHFC is developing special programs directed at stabilizing the condominium market. These will require that some developments be treated differently than others, and some will be removed from the market.

Property management is a contractual service which is covered by the state's Procurement Code.

Conclusions

The age of AHFC's condominium inventory indicates that most of the condominium projects are probably not being actively marketed by brokers because of slow sales. However, because AHFC expects the brokers to inspect each REO weekly, this really becomes a property management service and not a marketing service for those developments with little sales potential.

AHFC should contract for property management services for REOs not actively marketed. Upon evaluation of its portfolio, this might result in AHFC removing all condominiums from the Designated Broker program and placing them in a property management program.

Because AHFC did not use the state's procurement process when assigning condominium development projects currently requiring property management services to brokers, AHFC should solicit competitive bids for this service pursuant to the state's Procurement Code.

APPENDICES

AHFC BROKER CONTRACT CHRONOLOGY

March 31, 1986	First RFP issued. Not treated as Professional Services Contract under Code, so no Authority to Negotiate (ATN). Didn't specify number of brokers to be selected, but said it expected: 3 in Anchorage 2 in Mat-Su 1 Eagle River 1 Fairbanks North Star Borough 1 Juneau 1 Kenai/Soldotna 1 Ketchikan 1 Kodiak
April 30, 1986	RFP responses due. 35 reponses received; In house committee evaluated. Eventually 19 brokers were named as designated brokers.
September 19, 1986	Letter of award. Included AHFC performance expectations. Not clear when each broker was named. Each had submitted a proposal, and they were to perform according to the RFP requirements and basic guidelines provided by AHFC. 90-day Listing agreements were to be contracts.
October 16 & 24 1986	AHFC signed agreements with 2 brokers, The Home Team and ReMAx of Fairbanks. Each had submitted an Addendum to Listing Agreements which AHFC's special credits manager signed.
Approximately November 1, 1986	Seems to be when Designated Broker program really began.
January 10, 1987	AHFC signed a similar contract called a Marketing Agreement with Designated Broker, Alaska Coastal Homes.

January 14, 1987	Letter to all Designated Brokers regarding problems to date.
March 15, 1987	RFP to add a broker in Fairbanks issued.
April 30, 1987	Responses Due. Records indicate five responses received. Realty Co. of Ak (Coldwell Banker/Greatland) ranked highest.
November, 1987	Change in program - now AHFC pays contractors directly. Prior, brokers had paid contractors up to $5,000 and been reimbursed. Over $5,000 advance was possible. Change implemented to reduce cash required by brokers, and reduce time to payment for contractors.
Summer, 1988	Change in program - now brokers are asked not to use firms with owners with whom they have a business or family relationship for routine maintenance.
August 31, 1988	A third RFP for up to 7 more brokers issued for the following areas:

Kenai/Soldotna	1
Kodiak	1
Fairbanks (up to)	2*
Anchorage (up to)	2*
Wasilla (up to)	1*
Maximum to Select	7

* Actual number to be determined by inventory at time of proposal review

(There are now 19 Designated Brokers. There were 20, but Re/Max of Fairbanks was cancelled and is now in a lawsuit with AHFC. The new brokers would make it 26.)

August, 1988	ReMax of Fairbanks agreement cancelled and all listings reassigned due to lawsuit stemming from conflict between listing addendum and program policy.
August 31, 1988	30 day cancellation notice sent to all Designated Brokers, together with new standard contract.
September 30, 1988	28 RFP Responses Received by AHFC.
	Signed contracts from Designated Brokers due to AHFC.
December 6, 1988	No award of contracts on the last RFP announced, pending audit.
	Eight signed contracts received; none executed pending audit.
	No listings cancelled pending action.

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PROPERTY DISPOSITION DATA THROUGH 9/25/88

EXPLANATION OF DATA

The data in this report was extracted from AHFC's computerized foreclosure data base. It covers REO activities through September 25, 1988.

Because of inconsistent data entry, we got slightly different numbers when we extracted information according to broker and according to property type over time, in order to classify REO properties as "Sold" and "Unsold". However, we do not believe that these differences skew the overall picture provided by the data.

Therefore, although there are some gaps, we feel there is sufficient data to present the following overview information. We also suggest additions and changes to the database in other sections of this report.

Definition of Terms

Accrued Interest: A calculation of interest accruing on the loan balance at foreclosure, computed from the interest paid-to date, and the date of sale, at the interest rate for each mortgage. Where mortgage insurance proceeds are received prior to the date of sale, accrued interest is reduced by the calculation of interest on the mortgage insurance proceeds between the date of their receipt and the date of sale at the interest rate for the mortgage.

Disposal Date (or Date of Sale): The date REO is sold or ownership is otherwise conveyed from AHFC to new owner.

Designated Brokers: Real Estate brokers selected by AHFC to list its REOs for sale.

Expenditures: The sum of all out-of-pocket expenses AHFC paid for repairs, maintenance, and foreclosure for the unit.

In the twenty months between January 1987 and October 1988, AHFC paid out $44.7 million to brokers, seller/servicers, and vendors for property maintenance, utilities, advertising, repairs, renovations, cleaning, snow removal, lawn care, legal fees, property owners fees, taxes, and other costs.

These are amounts generated by AHFC properties, but are not, for the most part, costs to the state. AHFC is reimbursed for most of its out-of-pocket expenses on properties through PMI insurance and pool insurance providers such as Mortgage Guaranty Insurance Corporation (MGIC).

However, if AHFC wrongly pays costs, they are not reimbursed.

Because of the way AHFC coded expenses, we could not separate the expenses associated with the foreclosure process conducted by the seller/servicers, and those associated with the marketing process conducted by the brokers. However, since this condition was true for all properties in the data, we used the expenditure total to compare brokers with each other. MGIC uses $3,000 as average seller/servicer costs for foreclosure, taxes, rekeying, and maintenance.

Holding Period: The number of days between the date of foreclosure and the date of sale, used to gauge market time.

AHFC has not kept a record in the database of the date the property is listed with the Multiple Listing Service. Therefore we could not calculate the time between foreclosure and listing on the market.

The holding period, then, does not truly reflect the time a property is "on the market", because it includes the time when the property was being made market ready. Because this condition was true for all properties in the data, we use the holding period to compare sales time. We understand that each broker has some properties which required extensive repairs or were held longer for other reasons.

MGIC: Mortgage Guaranty Insurance Company, AHFC's largest pool insurance provider.

Pool Insurance: Insurance policies which cover pools of mortgages in particular bond funds rather than covering individual properties. Coverage is used on a "first come first serve basis".

REO: Real Estate Owned - properties to which AHFC holds title, usually acquired through foreclosure or bankruptcy proceedings.

Sales Loss: The difference between the balance at foreclosure and the sales price.

Sales Price: The price paid by the purchaser to buy an REO from AHFC.

Selling Costs: Sales price minus the net proceeds to AHFC. this includes selling and listing commissions.

Seller/Servicers: Financial institutions that originated AHFC-backed mortgages, or purchased such loans from originating institutions, and now service the loans.

Sold Properties: Records with a date of sale and a sales price.

Total Costs: The sum of accrued interest, expenditures, mortgage balance at foreclosure, and selling costs.

Total Gain or Loss: Sales price minus the total costs incurred for a property from the time it becomes delinquent to the date of sale.

Unsold: REO properties with no sales price and no disposal or sales date.

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ALASKA HOUSING FINANCE CORPORATION
SCHEDULE OF LOSS ON FORECLOSURE SALES
SINGLE FAMILY RESIDENCES
January 1, 1987 through September 30, 1988

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	68	235	$ 7,698,101	$ 497,186	$ 850,049	$ 1,157,061	$ 10,202,397	$ 6,674,600	$ (3,527,797)
4/87-6/87	101	231	11,216,919	834,655	1,151,401	1,668,963	14,871,937	9,575,030	(5,296,907)
7/87-9/87	113	224	12,060,195	892,031	1,050,046	1,744,516	15,746,787	9,924,851	(5,821,936)
10/87-12/87	155	257	16,255,107	1,474,574	1,402,803	2,671,896	21,804,380	12,803,535	(9,000,845)
1/88-3/88	141	284	14,484,885	1,684,611	1,190,140	2,450,593	19,810,229	10,782,865	(9,027,364)
4/88-6/88	233	295	24,445,495	2,671,447	2,120,000	4,136,451	33,373,393	17,838,727	(15,534,666)
7/88-9/88	203	341	19,917,657	2,257,416	1,690,499	3,601,056	27,466,629	14,691,426	(12,775,203)
TOTALS	1014		$ 106,078,359	$ 10,311,920	$ 9,454,938	$ 17,430,536	$ 143,275,752	$ 82,291,034	$ (60,984,718)

QUARTERLY AVERAGES:

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	68	235	$ 113,207	$ 7,312	$ 12,501	$ 17,016	$ 150,035	$ 98,156	$ (51,879)
4/87-6/87	101	231	111,059	8,264	11,400	16,524	147,247	94,802	(52,445)
7/87-9/87	113	224	106,727	7,894	9,292	15,438	139,352	87,831	(51,522)
10/87-12/87	155	257	104,872	9,513	9,050	17,238	140,673	82,603	(58,070)
1/88-3/88	141	284	102,730	11,948	8,441	17,380	140,498	76,474	(64,024)
4/88-6/88	233	295	104,916	11,465	9,099	17,753	143,233	76,561	(66,672)
7/88-9/88	203	341	98,117	11,120	8,328	17,739	135,304	72,372	(62,932)

* Not adjusted for insurance reimbursement

ALASKA HOUSING FINANCE CORPORATION
SCHEDULE OF LOSS ON FORECLOSURE SALES
MOBILE HOMES
January 1, 1987 through September 30, 1988

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	13	251	$ 433,380	$ 51,223	$ 22,826	$ 52,610	$ 560,038	$ 223,500	$ (336,538)
4/87-6/87	44	242	1,689,444	169,834	97,022	199,095	2,155,395	917,139	(1,238,256)
7/87-9/87	110	330	4,303,253	592,851	189,458	624,245	5,709,807	2,019,250	(3,690,557)
10/87-12/87	89	288	3,098,196	449,553	140,705	427,198	4,115,652	1,303,225	(2,812,427)
1/88-3/88	107	379	3,373,376	695,385	118,603	554,482	4,741,846	1,071,730	(3,670,116)
4/88-6/88	287	409	9,199,500	1,693,115	394,173	1,598,784	12,885,571	2,657,816	(10,227,755)
7/88-9/88	210	443	6,764,711	1,205,781	345,830	1,291,804	9,608,126	1,790,238	(7,817,888)
TOTALS	860		$ 28,861,860	$ 4,857,742	$ 1,308,617	$ 4,748,218	$ 39,776,435	$ 9,982,898	$ (29,793,537)

QUARTERLY AVERAGES:

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	13	251	$ 33,337	$ 3,940	$ 1,756	$ 4,047	$ 43,080	$ 17,192	$ (25,888)
4/87-6/87	44	242	38,396	3,860	2,205	4,525	48,986	20,844	(28,142)
7/87-9/87	110	330	39,120	5,390	1,722	5,675	51,907	18,357	(33,551)
10/87-12/87	89	288	34,811	5,051	1,581	4,800	46,243	14,643	(31,600)
1/88-3/88	107	379	31,527	6,499	1,108	5,182	44,316	10,016	(34,300)
4/88-6/88	287	409	32,054	5,899	1,373	5,571	44,897	9,261	(35,637)
7/88-9/88	210	443	32,213	5,742	1,647	6,151	45,753	8,525	(37,228)

* Not adjusted for insurance reimbursement

APPENDIX C

ALASKA HOUSING FINANCE CORPORATION
SCHEDULE OF LOSS ON FORECLOSURE SALES
CONDOMINIUM UNITS
January 1, 1987 through September 30, 1988

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	8	342	$ 698,270	$ 30,516	$ 44,494	$ 113,091	$ 886,370	$ 508,000	$ (378,370)
4/87-6/87	5	288	507,136	32,946	35,613	75,244	650,940	358,500	(292,440)
7/87-9/87	24	292	2,257,924	166,881	153,156	358,176	2,936,135	1,441,200	(1,494,936)
10/87-12/87	23	313	1,969,422	187,331	128,423	345,177	2,630,353	1,048,050	(1,582,303)
1/88-3/88	31	335	2,717,900	280,741	212,510	453,294	3,664,445	1,612,320	(2,052,125)
4/88-6/88	47	417	3,816,204	444,858	265,081	709,101	5,235,243	1,944,131	(3,291,112)
7/88-9/88	54	420	4,692,547	392,442	344,147	901,970	6,331,106	2,492,900	(3,838,206)
TOTALS	192		$ 16,659,403	$ 1,535,715	$ 1,183,424	$ 2,956,053	$ 22,334,592	$ 9,405,101	$ (12,929,492)

QUARTERLY AVERAGES:

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	8	342	$ 87,284	$ 3,815	$ 5,562	$ 14,136	$ 110,796	$ 63,500	$ (47,296)
4/87-6/87	5	288	101,427	6,589	7,123	15,049	130,188	71,700	(58,488)
7/87-9/87	24	292	94,080	6,953	6,382	14,924	122,339	60,050	(62,289)
10/87-12/87	23	313	85,627	8,145	5,584	15,008	114,363	45,567	(68,796)
1/88-3/88	31	335	87,674	9,056	6,855	14,622	118,208	52,010	(66,198)
4/88-6/88	47	417	81,196	9,465	5,640	15,087	111,388	41,364	(70,024)
7/88-9/88	54	420	86,899	7,267	6,373	16,703	117,243	46,165	(71,078)

* Not adjusted for insurance reimbursement

ALASKA HOUSING FINANCE CORPORATION
SCHEDULE OF LOSS ON FORECLOSURE SALES
PLANNED UNIT DEVELOPMENTS
January 1, 1987 through September 30, 1988

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	2	458	$ 253,950	$ 13,748	$ 18,732	$ 40,616	$ 327,046	$ 208,900	$ (118,146)
4/87-6/87	11	161	1,265,763	77,818	178,729	160,494	1,682,804	1,066,111	(616,693)
7/87-9/87	10	239	1,088,410	96,470	93,605	151,004	1,429,490	903,000	(526,490)
10/87-12/87	9	278	977,028	72,725	76,632	159,656	1,286,040	766,900	(519,140)
1/88-3/88	20	366	2,148,290	231,892	250,965	410,762	3,041,909	1,539,200	(1,502,709)
4/88-6/88	17	290	1,906,050	209,632	158,634	299,957	2,574,273	1,476,300	(1,097,973)
7/88-9/88	27	335	2,770,899	336,910	206,466	498,577	3,812,852	1,946,901	(1,865,951)
TOTALS	96		$ 10,410,390	$ 1,039,195	$ 983,763	$ 1,721,066	$ 14,154,414	$ 7,907,312	$ (6,247,102)

QUARTERLY AVERAGES:

DATE	UNIT COUNT	AVERAGE HOLDING PERIOD	FORECLOSURE BALANCE	EXPENDITURES	SELLING COSTS	ACCRUED INTEREST	TOTAL	SELLING PRICE	*GAIN OR (LOSS)
1/87-3/87	2	458	$ 126,975	$ 6,874	$ 9,366	$ 20,308	$ 163,523	$ 104,450	$ (59,073)
4/87-6/87	11	161	115,069	7,074	16,248	14,590	152,982	96,919	(56,063)
7/87-9/87	10	239	108,841	9,647	9,361	15,100	142,949	90,300	(52,649)
10/87-12/87	9	278	108,559	8,081	8,515	17,740	142,893	85,211	(57,682)
1/88-3/88	20	366	107,415	11,595	12,548	20,538	152,095	76,960	(75,135)
4/88-6/88	17	290	112,121	12,331	9,331	17,645	151,428	86,841	(64,587)
7/88-9/88	27	335	102,626	12,478	7,647	18,466	141,217	72,107	(69,109)

* Not adjusted for insurance reimbursement

APPENDIX C

UNSOLD SFRS LISTED WITH DESIGNATED BROKERS ON 9/25/88

Broker No. (Not rank)	No. Units	Total Forec Bal	Avg Fore Bal	Total Expend	Avg Expend	Total Interest*	Avg Interest	Total Costs	Avg Costs	Total Exposure	Avg Expos	Avg Hold
1 Marston	114	10,964,054	96,176	677,427	5,942	1,947,717	17,085	2,625,144	23,028	13,589,198	119,203	322
2 Re/Max	113	10,824,884	95,795	511,463	4,526	1,707,925	15,114	2,219,388	19,641	13,044,272	115,436	250
3 Vista	89	8,540,922	95,965	407,529	4,579	1,326,203	14,901	1,733,732	19,480	10,274,654	115,446	244
4 Heritage Anch	103	9,688,252	94,061	429,849	4,173	1,663,166	16,147	2,093,015	20,321	11,781,267	114,381	253
5 2001 Realty	69	6,329,677	91,734	269,912	3,912	960,464	13,920	1,230,376	17,832	7,560,053	109,566	231
6 Fortune	88	8,101,959	92,068	396,740	4,508	1,287,260	14,628	1,684,000	19,136	9,785,959	111,204	226
7 Realty	93	8,542,284	91,853	427,830	4,600	1,375,403	14,789	1,803,233	19,390	10,345,516	111,242	248
8 Re/Max ER	57	5,933,187	104,091	377,136	6,616	1,025,293	17,988	1,402,429	24,604	7,335,616	128,695	300
9 Jack White ER	70	7,423,046	106,044	491,656	7,024	1,365,366	19,505	1,857,022	26,529	9,280,068	132,572	291
10 Heritage Was	145	12,091,828	83,392	796,087	5,490	2,113,222	14,574	2,909,309	20,064	15,001,136	103,456	325
11 Marston Wasilla	145	11,969,301	82,547	997,189	6,877	2,199,585	15,170	3,196,773	22,047	15,166,074	104,594	349
12 Aurora	162	13,201,657	81,492	1,025,183	6,328	2,540,055	15,679	3,565,238	22,008	16,766,895	103,499	417
13 Coldwll/Grtlnd	198	17,314,536	87,447	1,323,423	6,684	3,978,837	20,095	5,302,260	26,779	22,616,796	114,226	253
14 Re/Max Fbx **	1	77,973	77,973	29,523	29,523	18,201	18,201	47,724	47,724	125,696	125,696	515
15 Dick Mueller	68	5,733,025	84,309	633,753	9,320	1,069,388	15,726	1,703,141	25,046	7,436,166	109,355	377
16 Homer Realty	15	1,462,278	97,485	62,027	4,135	269,777	17,985	331,804	22,120	1,794,082	119,605	254
17 Anderes	7	661,748	94,535	33,766	4,824	108,867	15,552	142,633	20,376	804,381	114,912	329
18 Northway	8	665,687	83,211	27,015	3,377	90,820	11,352	117,835	14,729	783,522	97,940	253
19 Home Team	63	5,822,851	92,426	319,652	5,074	969,383	15,387	1,289,035	20,461	7,111,886	112,887	292
20 Alaska Coastal	67	5,897,017	88,015	358,345	5,348	1,037,870	15,491	$1,396,215	$20,839	7,293,232	$108,854	274
All DB Listed SFRs	1675	$151,246,164	$90,296	$9,595,503	$5,729	$27,054,799	$16,152	$36,650,302	$21,881	$187,896,466	$112,177	296

UNSOLD SFRS NOT LISTED OR LISTED WITH NON-DESIGNATED BROKERS ON 9/25/38

Broker	No. Units	Total Forec Bal	Avg Fore Bal	Avg Expend	Total Expend	Avg Interest*	Total Interest	Avg Costs	Total Costs	Avg Exposure	Total Expos	Avg Hold
None Named	289	27,962,089	96,755	1,334,839	4,619	4,431,761	15,335	5,766,600	19,954	33,728,686	116,708	273
Leitch & Assoc.	9	889,960	98,884	60,876	6,764	152,734	16,970	213,610	23,734	1,103,570	122,619	254
Associated, Inc	9	737,511	81,946	50,259	5,584	115,567	12,841	165,826	18,425	903,336	100,371	269
Island Realty	2	152,687	76,343	0	0	15,752	7,876	15,752	7,876	168,439	84,219	52
Heritage Soldot	12	1,022,216	85,185	19,549	1,629	129,744	10,812	149,293	12,441	1,171,509	97,626	124
Beluga Realty	13	981,741	75,519	24,608	1,893	133,846	10,296	158,454	12,189	1,140,195	87,707	132
Freedom Realty	8	731,580	91,447	47,147	5,893	104,557	13,070	151,704	18,963	883,283	110,410	160
Heritage Kenai	4	285,297	71,324	23,005	5,751	41,426	10,356	64,431	16,108	349,728	87,432	207
Mt. Hayes	15	1,135,694	75,713	61,978	4,132	230,740	15,383	292,717	19,514	1,428,411	95,227	369
All Non-Designated	361	33,898,772	$93,902	1,622,259	$4,494	5,356,126	$14,837	$6,978,385	$19,331	$40,877,158	$113,233	262
TOTAL UNSOLD SFRs	2036	$185,144,936	$90,936	$11,217,762	$5,510	$32,410,925	$30,989	$43,628,687	$21,429	$228,773,623	$112,364	290

* Computed through 9/30/88

AHFC UNSOLD CONDOS BY LISTING BROKER ON 9/25/88

Broker	No. Units	Total Forec Bal	Avg Fore Bal	Total Expend	Avg Expend	Total Interest*	Avg Interest*	Total Costs	Avg Costs	Total Exposure	Avg Expos	Avg Hold
1 Marston Anch	186	13,079,970	70,322	953,891	5,128	2,582,755	13,886	3,536,646	19,014	16,616,616	89,337	463
2 Re/Max Anch	217	16,384,382	75,504	948,724	4,372	2,972,541	13,698	3,921,264	18,070	20,305,646	93,574	396
3 Vista	125	9,487,181	75,897	539,252	4,314	1,671,413	13,371	2,210,665	17,685	11,697,845	93,583	369
4 Heritage Anch	227	16,099,240	70,922	991,440	4,368	3,170,220	13,966	4,161,660	18,333	20,260,900	89,255	440
5 2001 Rlty	199	14,301,748	71,868	806,061	4,051	2,474,220	12,433	3,280,281	16,484	17,582,028	88,352	364
6 Fortune	295	20,091,117	68,105	1,001,547	3,395	3,675,714	12,460	4,677,261	15,855	24,768,377	83,961	396
7 Realty Cntr	159	12,121,883	76,238	661,268	4,159	2,262,307	14,228	2,923,575	18,387	15,045,458	94,626	391
8 Re/Max ER	9	692,503	76,945	34,336	3,815	156,450	17,383	190,786	21,198	883,289	98,143	517
9 Jack White ER	4	300,019	75,005	9,130	2,282	40,070	10,017	49,199	12,300	349,218	87,304	262
10 Heritage Was	0											
11 Marston Wasilla	0											
12 Aurora	1	79,604	79,604	6,150	6,150	27,872	27,872	34,022	34,022	113,626	113,626	1052
13 Coldwll/Grtlnd**	57	3,967,246	69,601	207,916	3,648	705,910	12,384	913,826	16,032	4,881,072	85,633	313
14 Re/Max Fbx **	0											
15 Dick Mueller	0											
16 Homer Realty	0											
17 Anderes	2	149,139	74,570	9,646	4,823	38,624	19,312	48,270	24,135	197,409	98,705	794
18 Northway	3	221,716	73,905	12,692	4,231	36,303	12,101	48,995	16,332	270,711	90,237	358
19 Home Team	38	2,638,094	69,424	154,491	4,066	519,673	13,676	674,164	17,741	3,312,258	87,165	439
20 Alaska Coastal	26	1,727,770	66,453	104,524	4,020	317,471	12,210	421,995	16,231	12,236	471	394
TOTAL LISTED W/DB	1548	$111,341,608	$1,094,363	$6,441,066	$62,821	$20,651,541	$218,999	$27,092,608	$281,820	$136,296,688	$1,293,970	403
0 No List Broker	168	12,374,055	73,655	686,434	4,086	1,771,615	10,545	2,458,049	14,631	14,832,104	88,286	216
TOTAL CONDOS	1716	$123,715,663	$1,168,018	$7,127,500	$66,907	$22,423,156	$229,544	$29,550,657	$296,451	$151,128,792	$1,382,256	363

* Computed through 9/30/88

UNSOLD MOBILES LISTED WITH DESIGNATED BROKERS ON 9/25/88

Broker	No. Units	Total Forec Bal	Avg Forec Bal	Total Expend	Avg Expend	Total Interest*	Avg Interest*	Total Costs	Avg Costs	Total Exposure	Avg Expos	Avg Hold
1 Marston Anch	3	162,285	54,095	4,696	1,565	27,152	9,051	31,848	10,616	194,132	64,711	193
2 Re/Max Anch	2	146,612	73,306	10,149	5,074	28,263	14,132	38,412	19,206	185,024	92,512	357
3 Vista	1	71,885	71,885	3,403	3,403	9,124	9,124	12,527	12,527	84,412	84,412	134
4 Heritage Anch	2	101,629	50,814	7,460	3,730	27,614	13,807	35,074	17,537	136,703	68,351	429
5 2001 Rlty	3	176,224	58,741	9,585	3,195	51,253	17,084	60,838	20,279	237,062	79,021	542
6 Fortune	0											
7 Realty Cntr	3	184,883	61,628	12,693	4,231	3,910	1,303	16,603	5,534	201,485	$67,162	320
8 Re/Max ER	3	163,817	54,606	18,558	6,186	53,417	17,806	71,975	23,992	235,792	$78,597	555
9 Jack White ER	5	349,623	69,925	46,622	9,324	91,006	18,201	137,628	27,526	487,251	$97,450	544
10 Heritage Was	11	557,483	50,680	38,916	3,538	136,864	12,442	175,780	15,980	733,263	$66,660	395
11 Marston Wasilla	12	750,631	62,553	51,632	4,303	205,972	17,164	257,604	21,467	1,008,234	$84,020	506
12 Aurora	11	552,695	50,245	34,933	3,176	136,041	12,367	170,974	15,543	723,669	$65,788	471
13 Coldwll/Grtlnd**	11	466,588	42,417	35,304	3,209	100,334	9,121	135,638	12,331	602,226	$54,748	342
14 Re/Max Fbx **	0											
15 Dick Mueller	6	264,660	44,110	23,892	3,982	44,962	7,494	68,854	11,476	333,514	$55,586	256
16 Homer Realty	1	27,385	27,385	0	0	3,436	3,436	3,436	3,436	30,821	$30,821	311
17 Anderes	0											
18 Northway	2	88,257	44,128	860	430	16,831	8,415	17,690	8,845	105,947	$52,974	151
19 Home Team	0											
20 Alaska Coastal	1	61,715	61,715	1,246	1,246	11,312	11,312	$12,557	$12,557	74,272	$74,272	266
TOTAL DB MOBILES	77	$4,126,369	$53,589	$299,946	$3,895	$947,489	$12,305	$1,247,435	$16,200	$5,373,804	$69,790	403

UNSOLD MOBILES NOT LISTED OR LISTED WITH NON-DESIGNATED BROKERS ON 9/25/88

Broker	No. Units	Total Forec Bal	Avg Forec Bal	Total Expend	Avg Expend	Total Interest*	Avg Interest*	Total Costs	Avg Costs	Total Exposure	Avg Expos	Avg Hold
None Named	476	14,755,562	30,999	3,469,252	7,288	3,656,836	7,682	7,126,088	14,971	21,881,650	45,970	674
Leitch & Assoc.	3	84,150	28,050	5,215	1,738	9,502	3,167	14,717	4,906	98,867	32,956	169
Heritage Re	1	37,024	37,024	2,244	2,244	5,559	5,559	7,802	7,802	44,826	44,826	182
Nat. Bank of Ak.	3	62,819	20,940	1,460	487	7,906	2,635	9,366	3,122	72,185	24,062	145
Western Enter.	279	8 240,519	29,536	713,261	2,556	1,092,763	3,917	1,806,024	6,473	10,046,542	36,009	226
Summit Logistics	21	438,413	23,258	44,639	2,126	54,080	2,575	98,719	4,701	587,132	27,959	163
Cldwll/Joe Shaw	6	197,812	32,969	5,555	926	20,713	3,452	26,267	4,378	224,079	37,347	127
TOTAL NON-DB MOBILES	783	$23,668,486	$30,228	$4,236,070	$5,410	$4,826,645	$6,164	$9,062,715	$11,574	$32,731,202	$41,802	496
TOTAL MOBILES	860	$27,794,855	$32,320	$4,536,016	$5,274	$5,774,134	$6,714	$10,310,150	$11,989	$38,105,006	$44,308	488

* Computed through 9/30/88

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Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

January 5, 1989

John Lucas
Office of the Governor
Office of Management and Budget
Division of Audit and Management Services
P. O. Box AM
Juneau, AK 99811-0199

Dear John:

The purpose of this letter is to respond to your division's draft audit entitled a "Management Review of Alaska Housing Finance Corporation's Designated Broker Program". In our response, we first provide an overview of the actions the Corporation is currently undertaking to evaluate our property disposal system. Given that context, we then provide responses to your recommendations.

I should note that from an overall perspective, we in general concur with both the analysis and the recommendations in your report. We believe the report fairly and accurately describes the situation, and is useful for shedding some light on this occasionally controversial topic.

At its December 9, 1988 meeting, the Board considered the status of the current designated broker contracts; and property disposition in general. With the recommendation of staff, the Board decided to review and reconsider the entire property disposition system. That is, rather than simply considering modifications to the present designated broker system, the Board concluded that it would be best to design a property disposition system that is the most appropriate for the current and expected future situations. No prejudgments were made with respect to using designated brokers, or a "HUD" system, or any particular method. Rather, the decision was made to adopt a very open process to design a new system, which may, of course, contain elements of the current system.

The process that is being utilized to design this new disposition system starts with a series of basic principles. Although we have not yet developed all of the principles that we expect to use, our initial thoughts are provided below.

RL34

1. The property marketing and property management functions should be segregated. The functions of marketing and management apparently do not mix. Excessive time is spent managing the property which takes away from effectively marketing it. A broker may not have the expertise in both areas. If a management fee was paid there may not be the incentive to market.

2. The selling representative should not have an inordinate amount of influence on the listing price. Their motivation is to sell properties. The Corporation's goal is to maximize property values. These may be cross-purposes.

3. The system should incorporate checks and balances. For example, the bidding process should be an arms length transaction and procedures should be established to assure this.

4. The system should be as equitable as practical. Services, where appropriate, should be compensated for. Listings and bid access should be broadly based.

5. Explicit and implicit incentives should be a part of the system as a means of furthering the goals of property disposition, i.e. a property manager may be paid a fee at the time a property is sold, therefore, they also have an incentive to see that the property is sold.

6. Performance criteria should be an aspect of the system. For a program to function effectively, measures of performance should be analyzed and corrective action taken or performance awarded accordingly.

7. The Corporation should have control and influence over the marketing function. For example, AHFC should be more visible and take a more active role in establishing listing values and negotiating sales.

8. All of the aforementioned 7 "shoulds" have to be integrated into a system with consideration being given as to their influence on the cost of the system. In otherwords, for the benefit received the costs must be appropriate.

The second step is to develop specific options that need to be considered, e.g., a designated broker-based system, open listings, and so forth. Third, extensive public hearings will be held to solicit input on these options, and obtain other suggestions that may be provided. Finally, the information so obtained will be used to present a series of options to the Board for their consideration and decision. The target date to present this information to the Board is March 1.

It appears that the process that has been adopted, along with the principles driving this process, is essentially what you have recommended in your report. This convergence of opinion regarding what needs to be done is reflected in our responses to your specific recommendations.

Recommendation No. 1

The AHFC Board of Directors should give clear direction to AHFC property disposition staff and the public regarding the Corporation's priorities for REO disposition.

We concur with this recommendation. The specific policies adopted by the Board in this regard will shape the property disposition system, as well as influencing the execution of the system. We expect that the Board will consider these questions and other related ones as part of its deliberations on the new property disposition system.

Recommendation No. 2

AHFC should issue a new Request for Proposals for all needed brokers in its Designated Broker Program. It should develop the RFP to reflect policies and priorities defined by the Board (see Recommendation No. 1) and sign standard contracts for services with the selected brokers.

We concur with this recommendation, as explained above. That is, any new property disposal system will have standard contractual relations with all participants.

Recommendation No. 3

AHFC should develop specific performance criteria from which to evaluate the performance of designated brokers on a regular basis. This criteria should be included in Request for Proposals soliciting interest from brokers, and incorporated into ensuing contracts. At a minimum, the criteria should reflect regional differences, and address:

- maximum time from assignment to listing with MLS;
- maximum repair and maintenance expenses per unit;
- pricing methodology;
- percentage of own listings sold by broker;
- percentage of all AHFC listings sold by broker;
- sales price as a percent of foreclosure balance and appraisal;
- average market time;
- average overall gross loss per unit;
- percentage of gross loss recovered by insurance (when the property is covered by pool insurance); and
- a review of the marketing strategy on all properties that are REO for 300 days or more.

AHFC should adjust its information gathering and management system to ensure needed data is consistently available for use in evaluations.

We concur with this recommendation, in that any disposal system should have performance criteria as an integral element. Furthermore, continuation of a contract should be based upon these criteria.

Recommendation No. 4

A revised property disposition system should ensure the broadest marketing effort possible.

We concur with this recommendation.

Recommendation No. 5

AHFC should ensure that its property disposition insurance claims, and data processing divisions are staffed with adequate professional personnel to manage the REO activities

We concur with this recommendation, and obviously have been doing our best to achieve this result.

Recommendation No. 6

AHFC should code its REO expenses and receipts by category and consistently enter other necessary REO-related data.

We concur with this recommendation. The REO database system for Claims Administration has been emerging based upon the needs and human resources allocated to manage the growing problem of foreclosed properties. AHFC has changed its recording method on REO properties and expenses effective January 11, 1989. From this date forward, expenses will be classified and recorded by type when they occur. This will enable the Corporation to extract, isolate and analyze expenses by category for further review.

Recommendation No. 7

AHFC should develop a Request for Proposals to solicit contractors for property management functions.

We concur with this recommendation, as detailed above. Actually, we are optimistic that our Condominium Stabilization Program will be successful in strengthening the market for condos and significantly increasing sales. Hence, condos should be able to be actively marketed, rather than warehoused.

As noted at the outset, our overall agreement with the report is reflected in our agreement with specific recommendations. We believe the report will be useful to us, and others. Finally, it must be mentioned that the report was done in the professional manner that we have come to expect from your division.

Sincerely,

Ron Lehr

Dr. Ronald D. Lehr
Executive Director

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

April 14, 1989

Members of the Legislative Budget
and Audit Committee:

In accordance with a Legislative Budget and Audit Committee special request and the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

A SPECIAL REPORT ON THE
DEPARTMENT OF REVENUE
ALASKA HOUSING FINANCE CORPORATION

April 14, 1989

Audit Control Number

04-4331-89-S

The objectives of this audit were to examine specific activities of the Alaska Housing Finance Corporation including the availability of unrestricted assets; relationships with seller/services; their designated broker activities; mortgage insurance collections; legal support; staff turnover; and loan declination policies and procedures.

The audit was conducted in accordance with generally accepted governmental performance auditing standards. Audit scope and methodology are discussed in the Objectives, Scope, and Methodology section of this report. Audit results may be found in the Report Conclusions and the Findings and Recommendations sections of this report.

Randy S. Welker

Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, we have examined specific activities of the Alaska Housing Finance Corporation (Corporation or AHFC).

Objectives

The following are the areas of concern addressed by the special audit request:

1. The amount of unrestricted assets and their availability for appropriation to the State's General Fund.
2. Seller/Servicer agreements with AHFC including related amendments, disputes, and settlements.
3. Designated broker program including restoration costs on the properties managed under the program.
4. Mortgage insurance collections.
5. Legal support.
6. Staff tur over.
7. Loan declination policies and procedures.

Scope and Methodology

Policies and procedures were reviewed which included: pertinent sections of Alaska Statute 18.56; regulations; minutes and recordings of public hearings, meetings, and executive sessions of the board; the Seller/Servicer Guide; memorandums to seller/servicers; draft of the Real Estate Owned Payables Manual; draft of the Property Marketing and Management Guide; and various outside and interoffice correspondence.

Audit tests were performed on a judgmentally selected sample of real estate owned files, excluding mobile homes, where the foreclosed properties had been sold between July 14, 1987 and September 30, 1988. The selection was made in this manner to provide a sample of files for which the loan had completed the entire process: loan delinquency to foreclosure of the property and then the subsequent property sale. In addition, audit tests were performed on statistically selected samples of declinations for loans under AHFC's regular programs during the period April 1988 through October 1988 and declinations for applications under the Home Owners' Assistance Programs between April 1988 and September 1988.

Reports from the Division of Audit and Management Services under the Office of Management and Budget in the Office of the Governor, and the Institute of Social and Economic Research, University of Alaska, Anchorage were also reviewed.

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ORGANIZATION AND FUNCTION

The Alaska Housing Finance Corporation was created in 1971 by an act (AS 18.56) of the Alaska State Legislature. The Corporation was established to assist in the financing, development, and sale of dwelling units within Alaska. Generally, AHFC accomplishes its objectives by functioning as a secondary market for qualified real estate and mobile home loans originated by financial institutions. In addition, the Corporation has special programs which are specifically designed to meet the housing needs of low and moderate income borrowers.

Due to the slowdown in the Alaskan economy since 1986 and the related decline in the housing market, AHFC has experienced high delinquency rates and foreclosures. In the past twelve-month period ending March 31, 1989, AHFC has foreclosed on 3,573 loans or $321,829,574, excluding mobile home loans. As of March 31, 1989, AHFC had an inventory of 3,957 real estate owned properties with the exclusion of mobile home type II properties, which compares to 3,751 properties as of September 1988.

AHFC had a net loss of $12,600,000 for FY 88. According to a report by AHFC, the net loss for FY 89 through February totalled $7,485,000.

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ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1609 SCOMM 60 HOUSING FINANCE TASK FORCE, 1989

REPORT CONCLUSIONS

The results of our examination of the specific areas of concern addressed by the special audit request are as follows:

Unrestricted Assets and Their Availability for Appropriation to the General Fund

As of December 31, 1988, AHFC had approximately $600 million in unrestricted assets of which about $350 million is needed for loan purchases under its mortgage programs with the remaining amount committed to non-bondable mortgages and working capital based upon current operating practices and future bond sale assumptions. Since the level of projected loan purchases along with the required level of bonding and subsidies determines the amount of unrestricted assets necessary for operations, the need and extent of the mortgage programs must first be determined before monies can be reappropriated back to the State's General Fund. Also, the questions as to the legality of the legislature appropriating monies from AHFC, along with concerns relating to effects of such action on the Corporation's bonding, must be addressed before monies are reappropriated. See our Recommendation No. 1 regarding this matter.

In addition, AHFC should perform a reconciliation of amounts requested and received from legislative appropriations to the State Mortgage Insurance Fund to determine the disposition of $9,835,000 in appropriations. Also, the legality should be determined for: the 1985 transfer by AHFC of approximately $10.4 million in legislative appropriations from the State Mortgage Insurance Fund to its Revolving Fund for other corporate purposes; and a potential reappropriation to the General Fund of $2.7 million which was originally appropriated for insurance on loans purchased under the Insured Rural Mortgage Program for which the need for such insurance may no longer exist. Refer to Recommendation No. 2 for further discussion of these issues.

Seller/servicer Agreements

The seller/servicer agreement documents have not been amended since about 1983. However, the duties and responsibilities of the seller/servicers have been clarified and modified through the issuance of memorandums and changes to the Servicer Guide. The most significant of these changes was the transferring of property management responsibilities to the designated brokers for real estate owned (REO) properties, except mobile homes, effective October 20, 1986 and to management contractors for the mobile home REO's effective September 1987. The seller/servicers continue to service the current loans,

perform collection efforts on delinquencies, and process foreclosures. See Recommendation No. 3 which discusses deficiencies in the seller/servicers' performance and the related financial effects on AHFC.

Designated Broker Program

In January 1989, the Office of Management and Budget, Division of Audit and Management (OMB) released a report on the designated broker program. Recommendations made in the report included: establishment of property disposition priorities and policies by the board; issuance of a new Request for Proposals (RFP) for designated brokers; development of performance criteria to evaluate the designated brokers; revision of the program to provide the broadest marketing of properties; improvement in the computer data for REOs and related transactions; and adequate staffing of the property disposition, insurance claims, and data processing divisions.

AHFC held public hearings in April on proposed changes to the designated broker program. Management is currently preparing an RFP along with written selection criteria and performance criteria. The revised designated program and the RFP is to be presented to the board members for approval in May 1989.*

During our audit, we reviewed a judgmentally selected sample of 30 REO files as previously described. A summary of the sample by property type with related total expenditures, sales proceeds and insurance receipts, along with the calculated gain or loss on the sale of the REO property after insurance reimbursements, is presented in Appendix A of this report. As shown in the summary schedule, much of the loss on the sale of the property is recovered through the receipt of insurance proceeds.

Public concerns have been expressed concerning what appears to be excessive repairs and restoration of certain properties owned by AHFC. Properties for which major repairs and restoration are completed generally have pool insurance coverage. As of March 31, 1989, approximately 65 percent of AHFC's real estate owned properties had pool insurance coverage.

In Appendix B a financial analysis is presented on two REO properties which had considerable restoration and repairs done to the houses prior to placing the properties on the market. Both properties had pool insurance coverage. As illustrated by the analysis, the decision by the AHFC staff to approve the repairs and restoration of the properties was

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* Subsequent to our audit, the board adopted at its May 23, 1989 meeting a revised concept for the designated broker program and approved the issuance of an RFP.

reasonable, even though $10,283 of restoration expenses in the one case and $43,245 in the other would not be reimbursed by the pool insurer. However, we do recommend that AHFC staff perform an on-site inspection of properties in need of repairs and/or restoration and prepare written financial analyses of the options to the Corporation prior to approval of such repairs. See Recommendation No. 4 for discussion of this and other recommended improvements in the controls over REO expenditures. Also, Recommendation No. 5 discusses improvements needed in the accounting for REOs.

In addition, we noted during our audit of the REO files that the controls over direct loans issued to facilitate the sale of REO properties should be improved (see Recommendation No. 5).

Mortgage Insurance Collections

Primary mortgage insurance claims are to be filed by the seller/servicer on behalf of AHFC. The servicing agreements with the seller/servicers stipulate they will indemnify and hold AHFC harmless against any and all losses, forfeitures, and any other costs, fees, and expenses that AHFC may incur as a result of the seller/servicers' failure to perform in accordance with the agreement or Servicer Guide. However, AHFC has not adequately monitored the performance of the seller/servicers to prevent reductions in primary or pool insurance claims nor have they consistently sought reimbursement from the seller/servicers for such reductions.

The reductions in pool insurance claims for untimely performance of foreclosures, along with other reductions based on a more restrictive interpretation of the pool policies by the pool insurer, are currently being contested by AHFC. For further discussion of this and the above-mentioned concerns relating to the seller/servicers see Recommendation No. 3. Also, see Recommendation No. 6 regarding the establishment of an accounts receivable system to properly account for amounts due from seller/servicers, insurance claims and other miscellaneous receivables.

Legal Support

Prior to FY 89, the Reimbursable Services Agreement (RSA) between AHFC and the Department of Law (DOL) only provided for part-time legal assistance. According to DOL management, due to budget cuts over the past several years DOL has experienced a staff shortage. Therefore, unless an agency provides for a full-time attorney position through an RSA, DOL's services are limited to its available manpower.

In July 1988, AHFC signed an RSA with DOL for a full-time assistant attorney general which allowed DOL to add a position to its staff to provide the legal services.

However, the position was not filled until January 10, 1989. The person hired for the position did not actually start providing legal services to AHFC until March 1989 due to the lack of a replacement to take her caseload with another state agency.

In summary, AHFC has not received sufficient legal services from DOL due to AHFC not contracting for a full-time position prior to FY 89 and then the lengthy hiring process of DOL for the position provided through the FY 89 RSA.

Staff Turnover

Based on an analysis of employee terminations for the eighteen-month period from July 1, 1987 through December 31, 1988, we determined AHFC had the following employee turnover rates:

Permanent positions	21.9%
Temporary positions	175.0%

In January 1989, the legislature approved a Revised Program to add 74 permanent positions to its staff. As of the end of our audit, AHFC had filled 23 of those positions. The additional permanent positions should provide AHFC with more continuity in its staffing.

AHFC's administrative budget with the additional staffing is now over $10 million. See Recommendation No. 6 which discusses the need for improved budgetary controls and more timely financial reporting.

Loan Declinations

Audit tests were performed on statistical samples of declinations for loans under AHFC's regular mortgage programs during the period April 1988 through October 1988 and declinations for applications under the Home Owners' Assistance programs between April 1988 and September 1988. We noted no material exceptions in our review.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The legislature should analyze the present need and structure of the State's residential financing programs and evaluate the potential legal and economic affects of any changes to such programs.

Finding there existed within the State a serious shortage of decent, safe, and sanitary residential/rental housing available at low or moderate prices, the legislature created AHFC in 1971. The act stressed the lack of federal, state, and private financing programs available to persons of lower or moderate incomes.

During its early years of operations, AHFC purchased only federally insured mortgage loans for low to moderate income borrowers. With the advent of economic prosperity in the State, the legislature removed income limitations of borrowers and increased loan amount limits in addition to expanding the mortgage programs to include mobile homes and rural homes. They appropriated over $1 billion to AHFC throughout the years for various subsidy programs and allowed the annual earnings of the Corporation to be recycled back into its operations. Presently, AHFC offers eleven mortgage programs, many of which subsidize the borrower, regardless of income.

As a result, AHFC has evolved into a major secondary mortgage investor which, during the period 1980 through 1984, purchased about 90 percent of all qualified real estate and mobile home loans originated by financial institutions. In 1986, with the decline in the housing market and the diminishing difference between AHFC's interest rates and those of the other lenders, the market share of the Corporation decreased to approximately 50 percent. As of December 31, 1988, the Corporation owned approximately 45,000 loans, had assets of approximately $5.8 million, and had bonds and notes outstanding of $3.8 billion. Though it currently is experiencing high delinquency rates and is facing an unstable housing market, AHFC's financial stability remains unshaken because of their conservative practices of overcollateralizing bonds outstanding and the multiple layers of mortgage insurance and guarantees backing mortgages owned.

With oil revenues significantly reduced in recent years and the stark reality on the horizon that Alaska's major revenue source will begin to decline, coupled with the public's general perception that government is too large and expensive, the legislature continues to be confronted with

the task of reducing the state's budget or finding new revenue sources. In 1986, the legislature approved a sale of $70 million of Department of Community and Regional Affairs, Housing Assistance Division (DCRA-HAD) loans to AHFC of which the proceeds from the sale were deposited in the State's General Fund. A subsequent year attempt was made to sell more DCRA-HAD loans to AHFC, but the governor vetoed the authorizing legislation. The legislature continues to eye the strong balance sheet of AHFC, which presently enjoys a $1.5 billion fund equity of which approximately $600 million is not pledged to outstanding bonds but is committed to non-bondable mortgages, loans in the process of being funded by a bond issue, or for working capital based upon current operating practices and future bond sale assumptions.

Alaska presently has an abundance of housing in many parts of the State which has resulted in a reduction of housing prices unlike the shortages and escalation of prices experienced during the economic expansion period. In addition, there are indications the mortgage program activities have peaked and are receding. With this in mind, we believe now is the time for the legislature to reconsider residential financing policies. There is evidence some legislators are already considering this by the introduction of Senate Bill 200, which essentially reduces the subsidy on some mortgage programs of AHFC.

However, due to the dynamic role AHFC plays in secondary mortgage financing in Alaska and the sensitivity of the bond market, it is recommended that a comprehensive review be made of all residential financing programs jointly, such as is proposed through introduction of Senate Concurrent Resolution No. 28, rather than using a piece-meal approach.* Not only should the mortgage programs of AHFC be scrutinized but all other state-sanctioned residential financing programs should be reviewed for continued need and duplicity. The Institute of Social and Economic Research, University of Alaska, Anchorage, which already has done extensive studies on housing and the related financing, could be called upon to perform such a study.

In addition, the legality of reappropriating funds from AHFC should be considered. The legislature obtained a memorandum in April 1985 from the attorney general's office which stated a direct appropriation from AHFC was legally defensible but that a statutory language change was advisable. At the same time, AHFC received an opinion from its bond counsel which questions the legality of the

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* Senate Concurrent Resolution No. 28 passed the legislature in May 1989.

legislature's ability to appropriate from AHFC. Also, the opinion raises questions as to the effect of such appropriations on the Corporation's bonds which are typically issued as general obligation bonds, meaning all the Corporation's assets are available to satisfy the bondholders, if necessary.

Once state residential financing policies are revised, a study could then be performed to determine the extent of capitalization and reorganization necessary to administer the reestablished programs. This study should include having a financial expert review AHFC's methods of debt management, such as the practice of overcollateralization of bond issues and the use of bond fund monies or collateral in excess of debt service needs where options under the bond covenants exist.

Potential results of the study, subject to the disposition of the above mentioned legal issues, could include the merging of DCRA-HAD programs into AHFC and eliminating related administrative costs, redirecting all or portions of the net income flow from AHFC to the State's General Fund, and/or reduction of the working capital needed by AHFC (which presently approximates $350 million) to operate its mortgage programs of which said reduction could be appropriated back to the State's General Fund.

Recommendation No. 2

The administration of the insurance funds should be legally clarified and performed in accordance with the statutes.

In 1975 the legislature created a special fund of the State to be known as the "State Mortgage Insurance Fund" which was established to provide insurance against losses suffered by AHFC on loans acquired under the Insured Mortgage Bond Program. In 1980 an additional account was added under the State Mortgage Insurance Fund (hereinafter referred to as the Insurance Fund) to provide insurance on loans acquired under the Insured Rural Mortgage Bond Program.

The Alaska Statute 18.56.095 states: "The Insurance Fund shall be held by the commissioner of revenue, subject to the power of the commissioner of commerce and economic development to enter into and perform agreements with respect to the use of money in the Insurance Fund." It further states: "The commissioner of commerce and economic development may enter into agreements with AHFC with respect to the exercise of any power or approval relating to the Insurance Fund under the statute." Based on that authority, the commissioner of the Department of Commerce and Economic Development entered into an agreement with AHFC on December 6, 1975, concerning the administration of the

Insurance Fund. The monies of the Insurance Fund are held in trust by a commercial lending institution pursuant to a custody agreement entered into by the State and administered by AHFC.

The legislature made the following appropriations to the Insurance Fund:

Insured Mortgage Insurance Account	
Chapter 211, SLA 1976	$ 500,000
Chapter 14, SLA 1977	2,000,000
Chapter 43, SLA 1978	1,720,000
Chapter 67, SLA 1978	2,880,000
Chapter 80, SLA 1979	6,000,000
Chapter 120, SLA 1980	12,500,000
	25,600,000
Insured Rural Mortgage Insurance Account	
Chapter 67, SLA 1978	1,000,000
Chapter 80, SLA 1979	825,000
	1,825,000
Total legislative appropriations	$27,425,000

According to the audited financial statements for the year ending June 30, 1984, the contributed capital in the Insurance Fund totalled $19,190,000, of which $17,590,000 was designated as contributions from the State and $1,600,000 as contributions from AHFC. Therefore, it appears $9,835,000 of the above-mentioned appropriations ($8,835,000 for the insured mortgage insurance account and $1,000,000 for the insured rural mortgage insurance account) were not deposited into the Insurance Fund. AHFC should perform a reconciliation of the amounts requested and received of the appropriations to determine the disposition of the $9,835,000 difference.

In addition in September 1984, based on an analysis of the fund requirement which indicated an excess of funds in the insured mortgage insurance account at that time, AHFC transferred approximately $12 million from the Insurance Fund to the general account of its Revolving Fund for other uses by the Corporation. The funds transferred consisted of $1.6 million of capital contributed by AHFC and $10.4 million of legislative appropriations.

The legality of the above was questioned by the deputy commissioner of the Department of Revenue who sent a memorandum dated January 2, 1985, to the attorney general requesting an opinion regarding these matters. To date a response has not been received from the Attorney General's Office. The request was assigned to an assistant attorney general on January 8, 1985. However, the file was closed on December 15, 1986 when he terminated his employment. Then

on September 24, 1987, the file was reopened and reassigned to another assistant attorney general. It currently has an assigned case number and is on the open case listing. The commissioner of the Department of Revenue should press for a response to the January 2, 1985 request for an opinion and the matter discussed below.

An additional legal issue should be clarified which relates to the disposition of appropriated capital contributions to the Insurance Fund when the bonds relating to the insured mortgages are redeemed and the loans are sold to other bond funds within AHFC's accounts. In 1988 the Insured Rural Mortgage Bonds were redeemed, the loans released were sold to other bond funds and are no longer designated by AHFC as loans insured by the Insurance Fund. The question arises then as to the disposition of the $825,000 deposited to the insured rural mortgage insurance account for the Insured Rural Mortgage Bond Program. Also, the legislature appropriated $630,000 to the Rural Housing Hazard Insurance Fund and the Rural Housing Title Insurance Fund which now may not be needed. The insured rural mortgage insurance account and the other two funds had fund equities as of December 31, 1988 totalling approximately $2,700,000 which were held in investments. There were no liabilities outstanding nor were there any loan loss reserves against the account or funds. Subject to the outcome of the legal opinion, these monies could be reappropriated back to the General Fund.

Another issue noted during the audit concerning the Insurance Fund is the December 31, 1988, financial statements of AHFC indicate a shortage may exist in the insured mortgage insurance account to cover potential loan losses. AS 18.56.095(e)(1) states the fund requirement is calculated as two percent of the unpaid principal amount of purchased loans or a percentage the Corporation and the commissioner of the Department of Commerce and Economic Development determines is actuarially sound for the operation of the Insurance Fund. As of December 31, 1988, two percent of the unpaid principal balances of the Insured Mortgage Bond Fund totalled $13 million while the insured mortgage insurance account equity only totalled $8.1 million, indicating a shortage of approximately $4.9 million.

In addition, the shortage may be increased through AHFC filing claims for losses against the insured mortgage insurance account. To date the losses recorded against the account have been based on estimates and AHFC has not filed any of the actual claims outstanding to determine the accuracy of those estimates. Also, AHFC is planning to purchase loans under the condominium stabilization program and sell those loans to the Insured Mortgage Bond Fund. These loans are to be insured by the insured mortgage insurance account which will increase the Insurance Fund requirement by approximately $1 million.

The commissioner of the Department of Commerce and Economic Development is required under AS 18.56.095(f) to determine the amount on deposit in the Insurance Fund on December 1 of each year and compare that amount to the fund requirement to determine if there is a shortage in the Insurance Fund. If a shortage exists, the commissioner is to request AHFC to transfer from any available funds the amount necessary to restore the Insurance Fund to the fund requirement. If sufficient funds are not provided by AHFC, the commissioner shall, no later than January 2, certify to both the governor and the legislature the amount required to restore the Insurance Fund. The amount necessary may be appropriated and paid to the Insurance Fund. Under section 205(c) of the mortgage insurance agreement with AHFC, it states: "Both the commissioner of commerce and economic development and AHFC are to determine the fund requirement." In addition, section (203) of the agreement states. "At any time the capital of the account has been equal to or in excess of the fund requirement for the preceding two years, the Corporation may withdraw from the Insurance Fund the amount in excess of the fund requirement, only to the extent that such withdrawals represent reimbursement to the Corporation for contributions to the capital of the Insurance Fund."

The last determination of the fund requirement was dated August 31, 1984, which showed the insured mortgage insurance account had an excess of approximately $12.7 million. It was after this analysis that AHFC, based on the criteria in section (203) as stated above, made the transfer of the $12 million to its Revolving Fund as previously mentioned. It should be noted the state accountant has included the Insurance Fund in the State's annual financial report as a trust fund of the State and shows a receivable due from AHFC for the $12 million. We believe it will be necessary for AHFC to transfer back to the insured mortgage insurance account all or a portion of those funds.

We also recommend AHFC file claims against the Rental Program Insurance Fund and prepare an analysis of the fund requirement in accordance with AS 18.56.093(f). The fund equity as of December 31, 1988 totalled a negative $4.3 million. In accordance with the statute, AHFC is to determine the fund requirement as a percentage of the loans purchased under the Residential Mortgage Bond Fund which is actuarially sound for the operation of the Rental Program Insurance Fund. On December 1 each year the Corporation is to determine the amount on deposit and compare it to the established fund requirement. If a shortage exits, the Corporation must certify in writing, by January 2 of the following year, to the governor and the legislature the amount, if any, required to restore the Rental Program Insurance Fund to the fund requirement.

Recommendation No. 3

AHFC should monitor the performance of its financial institutions and mortgage companies (hereinafter seller/servicers) and enforce the provisions of the related servicing agreements.

AHFC does not have adequate procedures in place to monitor the seller/servicers' performance relating to delinquencies and foreclosures. This is evidenced both by an analysis of AHFC's computer loan database performed by the Office of Management and Budget, Division of Audit and Management Services (OMB) and the results of a review of real estate owned (REO) files performed by us.

The sample of REO files selected for review consisted of the following:

No. of Seller/Servicers Represented in Sample	No. of Loans	Total Foreclosed Loan Balances
10	30	$3,037,263

Audit procedures included analysis of the timeliness of the tasks performed by the seller/servicers. In addition, the related primary mortgage insurance and pool insurance claims were reviewed for reductions designated by the insurer as being a result of inadequate performance by the seller/servicers. It should be noted, some of the audit procedures were not applicable to all the REO files. Also, in some instances, the procedure could not be performed due to insufficient documentation in the file. The results of our review of the REO files and OMB's analysis are discussed below.

Seller/Servicers' Responsibilities

AHFC contracts with seller/servicers to provide loan management services for the loans purchased by the Corporation. The contracts, referred to as servicing agreements, provide for a fee to the seller/servicers for their services which include: administering the collection and accounting of all loan payments and delinquencies; processing loan foreclosures; and filing primary mortgage insurance claims on behalf of AHFC for losses incurred due to foreclosures.

In connection with delinquencies and foreclosures, there are procedures which must be performed by the seller/servicers within specified time frames. These time frames are established by the AHFC Servicer Guide and the primary mortgage insurance policy, if the loan is insured. The timing requirements of the major procedures reviewed in our audit are as follows:

No later than the 95th day of delinquency, the seller/servicer is to submit form #SER-71 to AHFC requesting permission to accept a forbearance agreement, a liquidation plan, a deed-in-lieu, or to foreclose. (Servicer Guide, section 9002.03 (C))

Prior to April 1, 1988, AHFC was to respond to the #SER-71 request, within 5 business days of the receipt of the completed form. (Servicer Guide, section 9002.04) Effective on that same date, AHFC extended their response time to 15 days. (Seller/servicer memorandum #88-7)

A Notice of Default is to be filed with the district recording office by the seller/servicer within 120 days of delinquency, according to the Servicer Guide, section 9002.03(B). The time requirement of the primary mortgage insurance policies varies with each insurer but generally ranges from 90 to 180 days of delinquency.

Foreclosure sale of the property generally occurs 100 days after the filing of the Notice of Default. (AS 34.20.070)

The seller/servicer must file a primary mortgage insurance (PMI) claim on behalf of AHFC, which is usually required to be filed under the policies within 60 days of the date of the foreclosure sale.

Payment on the PMI claim should be received within 60 days of the filing of such claim. (Servicer Guide, section 9004.02 (D))

Seller/Servicer's Performance

Permission Requested and Given for Foreclosure:

OMB only analyzed the date AHFC gave permission to foreclose as, until recently, the receipt date of the form #SER-71 was not recorded in the loan database by AHFC. Their analysis of the time elapsed between the loan delinquency and the date AHFC gave permission to foreclose resulted in the following:

Period	No. of Loans Analyzed	Average Number of Days from Loan Delinquency to Date Permission Given
FY 1986	971	150
FY 1987	2,419	155
FY 1988	2,648	170
FY 1989	13	273
Total Loans	6,051	Average 161 Days

The average of 161 days compares to the 102-day time frame (95 days plus a maximum of 7 actual days to respond) prior to April 1, 1988 and the 110-day timeframe (95 days plus 15 days to respond) effective on that same date as previously stated. This comparison indicates a delay in receiving permission to foreclose on an average of between 51 and 59 days.

Legislative Audit was able to determine the time elapsed between the loan delinquency and the date of the receipt of the #SER-71 request form and, then, the time elapsed before AHFC responded to the request. The results of our review of the REO files are as follow:

No. of Loans	Average Number of Days from Loan Delinquency to Date Permission Requested/between Request & Given Dates
28	164 / 13

Based on the results of the review of the files, the seller/servicers on average were 69 days delinquent in submitting the form #SER-71 to AHFC. All the request forms within the sample were received prior to April 1, 1988. Therefore, AHFC was not meeting the 5 business day guideline, but it appears they should be able to stay within the revised 15-day guideline.

Filing Notice of Default:

AHFC does not record in its loan database the date the seller/servicer files the Notice of Default. Therefore, OMB did not analyze the performance of this individual procedure, but rather determined the average time elapsed from the loan delinquency to the date of the foreclosure sale. The results were as follows:

Period	No. of Loans Analyzed	Average Number of Days from Loan Delinquency to Foreclosure Sale Date
FY 1986	554	283
FY 1987	1,817	312
FY 1988	2,813	348
FY 1989	1,167	377
Total Loans	6,351	Average 337 Days

The average compares to the 190 to 280-day time frame (the 90 to 180 days required by the PMI policies for the filing of the Notice of Default, plus the 100 days after the filing to the foreclosure sale) which indicates seller/servicers have been on an average of 57 to 147 days in excess of the time frame. The results of our review of the 30 REO files were very similar as the average time elapsed from the loan delinquency to the foreclosure sale was 342 days.

Filing of the primary mortgage insurance claim:

As stated previously, the seller/servicer is required by the PMI policies to file a claim within 60 days after the date of the foreclosure sale. The insurer is to remit payment on the claim within 60 days of its filing. OMB determined the average time elapsed from the foreclosure date to the filing of the PMI claim was 36 days and the average time elapsed to the payment receipt date was 78 days. They did express some concern with a few of the seller/servicers' individual averages which exceeded the 78-day average. One possible explanation could be those seller/servicers had a disproportionate share of loans in foreclosure which were insured through a Veterans Administration (VA) guaranty, rather than a private mortgage insurance policy. The VA is not timely in paying claims, which is evidenced with our analysis of the REO files below:

PMI Insurer	No. of Loans	Average Number of Days from Foreclosure Sale to Date of Filing/Payment	
VA	8	33	210
other	16	27	77
Total Loans	24		

Effects of Seller/Servicers' Performance

The servicing agreements stipulate the seller/servicers will indemnify and hold AHFC harmless against any and all losses, forfeitures, and any other costs, fees, and expenses that AHFC may sustain as a result of any failure on the part of the seller/servicer to perform its services and duties as stated in the agreement or Servicer Guide. The Servicer Guide at section 9004.02 states it is expected the seller/servicer will reimburse AHFC if the primary mortgage insurer will not allow certain costs in the claim or if they cut off the amount of interest they will pay solely because the seller/servicer did not follow the required procedures.

According to AHFC management, it is policy to bill the seller/servicer for any reductions in either the primary mortgage insurance or pool insurance claims which are due to the seller/servicers' noncompliance with the PMI insurance policy requirements. A review of the claim documentation indicated the PMI insurers made the following reductions in insurance claims due to noncompliance with the policy requirements. The amount AHFC billed the seller/servicer for reimbursement is also noted.

No. of Loans	Amount of Reductions	Amount Billed to Seller/servicer by AHFC
18	$53,796	$4,778

In addition, the related pool insurance claims were reduced for the payment of interest and expenses related to the delays under the PMI policy requirements. Those reductions were as follows:

No. of Loans	Amount of Reductions	Amount billed to Seller/servicer by AHFC
11	$27,212	$5,036

A listing of amounts due from the seller/servicers dated January 17, 1989 totalled $1,271,639. However, based on the above differences in the amount of reductions identified by the insurers as being due to seller/servicers' untimely performance and the amount billed, the listing does not appear to be accurate. In part, this understatement of amounts due from the seller/servicers may be due to:

AHFC not having a system to properly track the billing and receipt of receivables other than loans (see Recommendation No. 6);

inconsistent policies among management staff relating to whether the seller/servicer should be billed for the pool insurance reductions which are being contested by AHFC, in view of the possible recovery of those funds from the pool insurer;

procedures for review of PMI and pool claims relating to reductions in determining the amount due from seller/servicers are not in writing to provide for consistency; and

the laxity of collections efforts which AHFC management attributes to a shortage in personnel.

As stated above AHFC is contesting the reductions on the pool insurance claims. A conflict exists between AHFC and the pool insurer as to whether the pool policy provides the insurer the ability to make reductions in claims for untimely foreclosures under the PMI policy requirements or their interpretation of the pool policy requirements. In addition, other claim reductions, such as property restoration costs, based on the pool insurer's interpretation of the policy are also being contested.

AHFC has sought legal advice and is presently negotiating with the pool insurer to recover all or a portion of the

reductions attributed to untimely foreclosures and other disputed interpretations of the pool policies. The pool insurer has generally applied more restrictive time requirements for initiating foreclosure proceedings than the PMI policies by requiring that proceedings be started by the 90th day of delinquency. The total contested reductions as of April 24, 1989 was $8,782,208. However, according to AHFC management the collection of these monies from the pool insurer has been impeded by the cashing of the claim proceeds checks which had a restrictive endorsement stating acceptance of the proceeds was settlement in full for the claim.

Recommended Improvements in Monitoring Seller/Servicers

A recommendation was made in the October 12, 1988 audit report on the mobile home loan program to improve the monitoring of seller/servicers by providing management reports of AHFC loan data to allow staff to review seller/servicers timeliness in performing critical tasks relating to foreclosure and to perform on-site audits of the seller/servicers who are in noncompliance with the time guidelines. In addition, OMB in a draft management letter dated February 28, 1989, also recommended use of automated reports to monitor the seller/servicers.

AHFC has recently developed a management report which will track loans beginning with the request for permission to foreclose through the date the PMI claim proceeds are received. The two seller/servicer auditor positions have been recently filled. On-site audits coupled with the regular review of the above-mentioned management reports should assist AHFC in reducing its losses in insurance proceeds due to seller/servicer performance.

In addition, we recommend AHFC management implement procedures to ensure the following:

- The date the seller/servicer files the Notice of Default should be added to AHFC's loan database since this is the critical date under the insurance policies for documenting timely initiation of foreclosure proceedings;

- A master set of PMI policies should be available for use by the AHFC loan servicing staff to determine the various policy requirements for comparison with the seller/servicers' performance.

- Written policies and procedures should be established relating to the insurance claim reductions to be reimbursed by seller/servicers, to provide for consistency.

- Collection efforts by AHFC staff for amounts due from seller/servicers should be enhanced and consistently applied.

- AHFC management should consider requiring the seller/servicer to meet the pool insurer's time frame for initiation of foreclosure when it is apparent the borrower is not able or is unwilling to comply with a forbearance agreement or liquidation plan to prevent foreclosure.

- AHFC should continue to pursue all legal rights to pool insurance proceeds under the policies.

In summary, AHFC's acceptance of responsibility to provide more effective monitoring of the seller/servicers' performance under the servicing agreements would help diminish the losses incurred by the Corporation.

Recommendation No. 4

AHFC should improve its controls over REO expenditures.

Additional audit procedures were performed on the 30 REO files selected for review to determine the adequacy of controls over the expenditures relating to the REO properties. The following exceptions were noted. Albeit somewhat individually immaterial as to dollar significance, but when considered in conjunction with discussions with staff and management, they indicate improvement is needed in the controls relating to the approval and processing of REO expenditures.

- Thirteen transactions totalling $29,129 in ten of the REO files required a total of thirty-two bids, but only ten bids had been documented in the files.

- Eighteen Maintenance and Repair Work Authorizations (WAs), which are used by the designated brokers to submit expenses for approval and payment, did not have the required written approval of the pool insurer. The expenses, which were paid between January and June 1988, totalled $16,769.

- Five WA's dated between February and June 1988 did not have written approval by the AHFC property disposition staff.

- Seven expenditure transactions recorded in the accounting system between December 1987 and November 1988, which totalled $2,278, did not have supporting documentation in the REO files.

- Three Claims for Reimbursement forms dated between March and June 1988 included expenses for property repairs. The inclusion of repair expenses on these forms rather than a WA does not allow for a review and approval by the property disposition staff who are familiar with the REO property, nor does it provide for approval by the pool insurer, if required.

- Two duplicate payments were noted totalling $1,223.

- The eight REO properties, which had restoration expenses totalling $14,690 that the pool insurer required AHFC to pay, had not been inspected by the AHFC property disposition staff.

- AHFC does not prepare a financial analysis of the options available where the pool insurer is requiring the Corporation to pay the restoration expenses on a REO property.

- Two of thirty-seven REO files requested for review could not be located. In addition, one file reviewed was a duplicated file as the original file had been lost.

The related policies and procedures to the above instances and our recommendations are discussed below.

In accordance with AHFC policy, a designated broker is to solicit from potential subcontractors: two bid proposals if the repairs are $500 but less than $2500 and three bids if the repairs total $2500 or more. Once the bids are obtained they are submitted to AHFC or the pool insurer for approval of the best bid (usually the lowest). However, as indicated above, the proper number of bids are not being evidenced in the file. Two possible explanations for this are: (1) the property disposition specialist for either AHFC or the pool insurer or both are approving repairs to be completed without the proper number of bids being obtained; or (2) the bids are not being properly filed or have been misplaced.

We recommend the copy of the WA submitted for payment after repairs are completed not only have the original invoice attached but also all bid proposals. This will serve a dual purpose by providing for a second verification for the proper number of bids and for a comparison of the invoice from the selected subcontractor to the bid amount prior to payment.

In January 1989, the REO payables staff developed written procedures for the processing of REO expenditures which require the written approval of an AHFC property disposition specialist and the pool insurer, if applicable, prior to

issuance of payment. Any invoice not properly approved is to be returned to the property disposition staff for review, and no payment is to be issued. In addition on February 9, 1989, a memorandum was sent to the designated brokers informing them all repair and maintenance expenses must be reported on a WA. A WA form is also being developed for use by the seller/servicers. Exclusive use of the WA forms for repair and maintenance expenses will ensure review and approval of these expenses prior to payment. The pool insurer has denied expenses on the insurance claims for not obtaining proper approval.

Of the $8,782,208 in insurance claim reductions being contested by AHFC as previously discussed, $972,071 were reductions due to the expense not being approved by the pool insurer. Adherence to the above-mentioned revised review and approval procedures should assist in preventing these type of claim reductions.

A computerized edit report was developed in November 1988 which compares specific criteria to assist in identifying duplicate payments. In addition, the Claim for Reimbursement form utilized by the seller/servicers and designated brokers for foreclosure and routine expenses, such as utilities and snow removal has been redesigned to allow for the input of individual expenses versus the entering of the total expenses on each form. Both of these changes should provide greater assurance that duplicate payments are not made for REO expenses.

A records retention system was established by AHFC in early 1989. Prior to this any staff member could pull files. An out card system was to be utilized but the cards were not always completed, leaving no record as to the location of the file. AHFC has performed file inventories and established controls over the access of the files which should diminish the loss of documents and/or files. An additional control over documents could be provided by establishing routine random file audits to ensure documents are being obtained and properly filed. Without supporting documents, AHFC is unable to submit expenses to its PMI and pool insurers for reimbursement.

We recommend AHFC property disposition specialists perform an on-site inspection of REO properties, especially those properties where the Corporation will incur the expense of repairs or restoration to the property. In addition, a financial analysis of the options, such as completing and paying for restoration costs versus loss of the pool insurance due to refusal by AHFC to pay such costs, should be performed and documented prior to a decision being made relating to major repairs of a property. AHFC property disposition management is in agreement and is presently developing an inspection form and financial analysis worksheet to be utilized by its staff.

The approval and processing of REO expenditures has been inconsistent due to unwritten agreements with the pool insurer and unwritten internal policies and procedures for AHFC. Steps have been taken by current AHFC management to correct this problem. In November 1987, AHFC began requiring the pool insurer's written approval for expenses relating to pool insured properties and a list of routine expenses was agreed upon in writing which would not require such approval. A Property Marketing and Management Guide was drafted by the property disposition staff in June 1988. However, it was not fully utilized due to the problems related to revision of the designated broker program. In addition, in January 1989 a REO Disbursement Procedures Manual was drafted to provide consistency in processing REO expenses.

AHFC should continue to develop written policies and procedures relating to REO expenditures and make necessary revisions in a timely manner. Accountability by the pool insurer, seller/servicers, designated brokers and AHFC will be improved through this process.

Recommendation No. 5

AHFC should improve its controls over direct loans.

During 1986 and 1987, the AHFC staff approved and issued approximately $4 million in direct loans to facilitate the sale of single-family and multi-family residences in AHFC's real estate owned inventory. The board nor the executive management of AHFC had approved such a direct lending program. The only approved direct lending program is for the sale of repossessed mobile homes. In April 1987, the board approved the program and written program criteria and procedures were established, which included a review process of the buyer/borrower's loan application by AHFC's underwriting staff.

The unauthorized loans were approved and the closing documents were signed by the previous property disposition manager. According to staff, some loans were also approved and signed by a prior controller. The practice of issuing these direct loans for sale of REO properties, other than for repossessed mobile homes, was stopped once the executive management of AHFC became aware of the problem.

The staff and management are currently issuing only direct loans to facilitate the sales of repossessed mobile homes in accordance with the established policies and procedures. However, as an additional control, we recommend the loan closing documents be signed by a member of the executive management, such as the Servicing Operations Director or Chief Operations Officer. This will provide a review by a management person who is not also directly involved with the approval of the sale of the REO property.

In addition to the above, we noted financial disclosures were not being provided to the borrowers who are obtaining a direct loan to facilitate the sale of REO property as required by the federal truth-in-lending regulation.

In general, the federal regulation applies to each individual or business that offers or extends credit when four conditions are met: (1) the credit is offered or extended to consumers; (2) the offering or extension of credit is done regularly; (3) the credit is subject to a finance charge or is payable by a written agreement in more than four installments; and (4) the credit is primarily for personal, family, or household purposes.

The direct loans are closed by various title companies and payments by the borrowers are made to an escrow department of a local commercial financial institution. Neither of which are acting in the capacity of a lender and, therefore, do not prepare the necessary financial disclosures. The AHFC loan closers should prepare and provide to the borrowers the financial disclosures as required by the federal regulation.

Legislative Audit in an audit report dated October 12, 1988 on the mobile home loan program recommended AHFC expedite the contracting with a single servicing agent to service loans made to facilitate the sale of repossessed mobile homes. Depending on the scope of services and responsibilities provided under the contract, the servicer may provide the financial disclosures. However, an RFP has not yet been issued to solicit bids for the servicing of these loans. According to management, they have not had the time to complete the project.

Recommendation No. 6

AHFC should implement necessary changes to its accounting and loan data systems to allow for proper accountability.

During the course of our audit, we noted several areas in which AHFC's accounting and loan data systems could be improved. The areas in need of improvement are discussed below along with our recommendations as well as recommendations from other auditors.

Accounting for REOs

The following problem areas relating to the accounting for REOs have been noted by us and other auditors:

- REO expenses, gains, and losses on sales of REOs, loan loss provision expenses, and loan/REO write-offs and write-downs have been commingled into a single general ledger account.

- REO loss write-downs have not been specifically identified with the individual REOs.

- Insurance proceeds are first applied to the REO balance, then to the related accrued interest receivable, and finally to the gain or loss on sale of the REO property. However, the accrued interest amount the accounting staff has been satisfying with the insurance proceeds is not the amount actually being accrued into income by the computer system. The data field which the accounting staff was utilizing was created to only provide management information and does not provide accurate totals of the accrued interest receivable on the REO.

- Currently, AHFC accrues interest on 75 percent of the loan/REO balance from the date interest was paid to the sale date of the foreclosed property to a third party, if the loan has pool insurance. If the loan does not have pool insurance, interest accrual is based on 100 percent of the loan/REO balance and ceases after 60 days from the paid-to interest date of the loan. The method of accrual should more closely reflect the interest income expected to be collected.

In the independent auditor's management letters for fiscal years 1987 and 1988, it was recommended AHFC establish separate general ledger accounts for each category of REO transactions, such as REO repairs and maintenance expenses, gains and losses on property disposals, REO write-offs/downs, and insurance reimbursements for expenses. Legislative Audit also recommended this in its audit report dated October 12, 1988 concerning the mobile home loan program. OMB further recommended, in its report on the designated broker program dated January 1989, AHFC utilize separate transaction codes for the various types of REO receipts and expenses, i.e., receipts from seller/servicers for reimbursement of insurance proceed reductions, legal expenses, maintenance and utility expenses, repair expenses, etc.

Since January 1989, AHFC has been properly tracking the REO write-downs with the specific REO and those write-downs have been recorded in a separate general ledger account. In addition, individual transaction codes have been assigned to the various types of REO expenses. These changes, in part, will improve the accountability of REO transactions. However, we recommend AHFC further segregate the categories of REO transactions as recommended by its independent auditors and review and revise its interest accrual on loans/REO's.

Accounts Receivable System

The independent auditors of AHFC, in their management letters for fiscal years 1987 and 1988, recommended the Corporation develop an accounts receivable system for reimbursable expenses under the insurance policies and for amounts due from the seller/servicers.

AHFC has developed a schedule of receivables due from the seller/servicers on its micro-computer. However, as stated in Recommendation No. 3, the listing is not accurate and a system is needed to properly track the receivables. Insurance receivables are still estimated based on REO expense transaction activity, which does not provide for identification of the amount of non-reimbursable expenses nor the difference between the amount of the insurance claim and the amount received.

AHFC should develop an accounts receivable system as has been previously recommended.

Controls Over Computer Data

OMB noted in its report on the designated broker program that data essential for program evaluation, such as dates and amounts of pool insurance claims filed, listing and selling brokers' codes, net proceeds from sales, and dates for broker assignments, was not consistently and/or accurately entered into the computer system.

We noted in our review of the 30 REO files that 25 files had an incorrect date entered for permission to foreclose from AHFC. This problem, in part, may have been resolved with the addition of a field to provide the date permission to foreclose was requested by the seller/servicer.

AHFC should provide for proper controls over data entered into its computer system. These controls could include batch controls and/or additional output/edit reports provided to the originator of the information. In addition, written computer user manuals with descriptions of data fields would help provide consistency as to the information entered into each data field.

Budgeted Expenditures

AHFC is required by AS 37.07 to submit a budget for its administrative operating expenditures. The legislature appropriates the funds to be expended for such expenses from AHFC's unrestricted receipts. Expenditures or obligations may not exceed the amount appropriated.

In order to ensure expenditures do not exceed the budgeted/appropriated amounts, it is necessary to compare the amount actually expended to the budgeted amounts. This not only is prudent in view of the legislative requirements but is necessary for proper management of any business operation. However, we noted the actual expenditures were not compared to the budgeted amounts for FY 89 until January 1989, almost halfway into the fiscal year. This was due to miscommunications between the accounting staff and the person responsible for the budget.

In addition, the accounting system and method for preparation of the budget does not provide for accountability by the departmental management. The budgeted categories are not broken down to the department level but rather only reflects the amount to be expended in total by the Corporation.

We recommend AHFC implement a budgeting system that provides for departmental accountability of administrative operating expenditures, the monitoring and preparation of the budget be transferred back to the controller, departmental management be included in the budget preparation process, and monthly budgeted versus actual expense reports be provided for review.

Financial Reporting

Currently, monthly financial reports/statements are not completed until six weeks or more after the month end. This is largely due to the delay in obtaining financial activity relating to the various bond funds from the trustees.

However, the Finance Director stated it is possible to receive this financial activity through a down loading process of accounting information from the trustees. We recommend AHFC pursue the possibility of this method of obtaining the necessary monthly financial accounting activity to provide the management and the board more timely financial information.

APPENDIXES

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APPENDIX A

DEPARTMENT OF REVENUE
ALASKA HOUSING FINANCE CORPORATION
SUMMARY OF REO FILE SAMPLE

	Single-Family Residence	Planned Unit Development	Condominium	Duplex	Four-plex	Totals
No. of Units	20	4	4	1	1	30
Loan Balance @ Foreclosure	$1,997,515	$397,474	$321,037	$65,097	$252,931	$3,034,054
Foreclosure Costs	66,174	13,734	8,857	4,745	7,175	100,485
Holding Expenses	101,413	27,164	21,559	3,859	2,757	156,752
Restoration Costs	11,789	1,241	-0-	1,660	-0-	$14,690
Accrued Interest	217,056	60,330	35,239	8,631	4,374	325,630
Total Balance	$2,393,947	$499,943	$386,692	$83,792	$267,237	$3,631,611
Sales Price	$1,366,000	$314,000	$164,500	$40,000	$129,000	$2,013,500
Selling Costs	157,555	45,922	23,743	5,837	8,519	$241,576
Net Sales Proceeds	1,208,445	268,078	140,757	34,163	120,481	1,771,924
PMI Claim Receipts	489,125	104,315	90,472	-0-	57,439	741,351
Pool Ins. Claim Receipts	421,097	119,676	106,403	50,712	-0-	697,888
Total Receipts	$2,118,667	$492,069	$337,632	$84,875	$177,920	$3,211,163
Net (Gain) or Loss	$275,280	$7,874	$49,060	($1,082)	$89,317	$420,448

APPENDIX B

DEPARTMENT OF REVENUE
ALASKA HOUSING FINANCE CORPORATION
FINANCIAL ANALYSIS FOR RESTORATION COSTS

	Case # 1		Case # 2	
	Assumption # 1	Assumption # 2	Assumption #	Assumption # 2
Paid-to-Interest Date	January 1, 1987	January 1, 1987	May 5, 1986	May 5, 1986
Loan Balance @ Foreclosure	$161,637	$161,637	$101,827	$101,827
Foreclosure Costs	5,118	5,118	-0-	-0-
Holding Expenses	13,065	2,640	14,109	12,039
Restoration Costs	10,283	-0-	43,245	-0-
Accrued Interest	29,554	3,031	22,450	1,761
Total Balance	$219,657	$172,426	$181,631	$115,627
Potential Net Sale Proceeds	$125,474	$115,700	$ 78,177	$33,600
Est. PMI Receivable	-0-	-0-	28,082	-0-
Est. Pool Ins. Receivable	72,483	-0-	26,434	13,000
Total Est. Receipts	$197,957	$115,700	$132,693	$46,600
Estimated Loss	$21,701	$56,726	$48,938	$69,027

Explanation of Assumptions

Case # 1 - Assumption # 1 shows the estimated loss if AHFC approves and pays the restoration costs. This loan does not have primary insurance coverage as the loan-to-value ratio was 80% at the loan origination.

Assumption # 2 shows the estimated loss if AHFC refuses to approve and pay for restoration costs and the pool insurer denies the entire pool insurance claim due to AHFC's refusal to restore the property.

Case # 2 - Assumption # 1 shows the estimated loss if AHFC approves and pays for restoration costs.

Assumption # 2 shows the estimated loss if AHFC refuses to approve and pay for the restoration costs, the house is razed, the property lot is sold, and AHFC accepts a negotiated settlement from the pool insurer.

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

RECEIVED
AUG 3 0 1989
LEGISLATIVE AUDIT

August 21, 1989

MEMORANDUM

TO: Mr. Robert Mintz
Chairman, AHFC

FROM: Larry Pedersen
Chief Operating Officer

RE: Response to Legislative Budget and Audit
August 1, 1989 Special Report

Attached is our response to the individual recommendations in the above-mentioned audit. If you have any questions regarding these reponses please do not hesitate to let me know and I will try to assist you in whatever way I can. Thank you.

cc: Tom Behan

Alaska Housing
FINANCE CORPORATION

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Anchorage, AK 99503
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P.O. Box 101020
Anchorage, AK 99510

RECOMMENDATION NO. 1

Recommendation No. 1 states that the Legislature should analyze the present need and structure of the State's residential financing programs and evaluate the potential legal and economic effects of any changes to such programs.

Basically we agree with the need to analyze and study the structure of the State's residential financing programs and the potential legal and economic effects of any changes to such programs. We feel the auditor's comments is a good attempt at understanding the many complexities that affect the Corporation. We would take exception to comments like "reducing working capital" and "reappropriating funds" back to the State's general fund until all legal and operational issues had been thoroughly analyzed and thought through. The mere statement of reducing working capital is easy enough to verbalize, but monumental to accomplish in a responsible fashion. To reduce working capital at AHFC is to no longer operate at the same level of operations as is being done at present. The Legislative Task Force, SCR28 has as its charge the responsibility to review and recommend changes to publicly-assisted residential finance programs. We feel this is the first step acting in a prudent fashion in any effort to redirect AHFC's funds and/or activities. The Legislative Task Force has been given a timeframe to be complete by the first legislative session. We expect that their efforts can be accomplished in that time period and we look forward to the results of their analysis.

RECOMMENDATION NO. 2

Recommendation No. 2 states that the administration of the insurance funds should be legally clarified and performed in accordance with the Statutes. Deficiencies in the required reporting and analysis of certain insurance funds outlined in the report are valid criticisms. The Corporation is is concurrence that additional attention needs to be given to this important area, particularly with respect to analyzing the exposure of the state mortgage insurance and rental program insurance funds and the filing of loan loss claims against those funds.

The auditor in charge, in her report of examination, states that AHFC indicated a shortage may exist in the insured mortgage insurance account to cover potential loan losses. She cited that Alaska Statute 18.56.095 (e)(1) states that the fund requirement is calculated as 2% of the unpaid principal amount of purchased loans or a percentage the Corporation and the Commissioner of the Department of Commerce and Economic Development determines is actuarially sound for the operation

of the insurance fund. She also states that as of December 31st, 2% of the unpaid principal balance of the insured mortgage bond fund totalled $13 million. The auditor also states that the insured mortgage insurance account equity only totalled $8.1 million, indicating a shortage of approximately $4.9 million. We take exception to the auditor's interpretation of the amount needed, or whether or not any amount is needed. Or whether or not a shortage, in fact, does exist.

Through December 31st, 1988, the Corporation had satisfactorily maintained the fund as required. The 2% requirement cited by Alaska Statutes 18.56.095 is 2% of the unpaid principal amount of those mortgage loans pledged to the insurance mortgage program bonds. The requirement, therefore, is as the auditor has stated, $13 million. Although the phrase "the amount in the mortgage insurance fund" may be subject to interpretation. Staff believes that the requirement is met by the amount in the mortgage insurance fund which is detailed on Schedule 2 of the Corporation's December 31, 1988 combining Balance Sheet. The Schedule 2 indicates that total fund equity equals $8.959 million and the insurance fund reserve for loan losses equals $6.043 million. The sums of which exceed the required $13 million. In addition to these amounts in the fund, the fund also holds $14.1 million due to other funds. Disbursement from the fund for amounts due to other funds have been held pending staff review of the disbursements and the need for compliance to fund requirements subsequent to any disbursements. Prior to any future disbursements, the Corporation will review such potential disbursements with Commissioner of Commerce and Economic Development.

Two position were created in the new organizational structure to accommodate the increased burden of administering the Corporation's self-insurance funds. These positions have not been filled, pending a departmental review by the claims administration officer. These positions would be assigned responsibility for monitoring and analyzing the various self-insurance funds, as well as filing related reports. They would also file claims with the insurance funds and deal with the Corporation's servicers and designated brokers in much the same manner that other third party loan insurer's currently do. The Corporation will perform a reconciliation on amounts appropriated for the State to various insurance funds and accounts. The results of the review are expected to indicate that less than the full amounts of the appropriations have been requested to be disbursed. In connection with this reconciliation the payment status of the appropriations will be verified.

Regarding the withdrawal of the $12 million from State mortgage insurance funds it remains the Corporation's position that retention of these funds by AHFC is appropriate. The amounts received from the State were appropriated to the Alaska Housing Finance Corporation with the designation that they be used for contributions to the insurance fund. This is no different from the language which accompanied other

amounts appropriated to the Corporation from the State. There would appear to be little to differentiate the appropriations to the Corporation for use in capitalizing an insurance fund from other other substantial amounts received from the State. Additionally, if the funds withdrawn were not treated as having originally been contributed by the Corporation we would not have been permitted, under the terms of the insurance agreement, to withdraw them from the fund. Other legal questions raised in the report regarding capitalization of insurance funds involves those funds established for the rural loan programs. The legal issue is virtually identical to that involving the State mortgage insurance fund and basically gets down to the question of whether the appropriations lapse when the original purpose for which they were made has been fulfilled. . The question also ties into matters discussed in Recommendation No. 1, involving the legality of reappropriation and the real ownership of assets which the Corporation is currently calling its own.

RECOMMENDATION NO. 3

Recommendation No. 3 states that AHFC should monitor the performance of its financial institutions and mortgage companies, i.e. seller services, and force the provisions of the related servicing agreements.

Alaska Housing Finance Corporation understands the importance of monitoring the performance of its seller services and, as pointed out in the audit, has developed management reports for tracking the timeliness of foreclosures. Additionally, monitoring procedures have also been incorporated into the revised Servicing Guide. The monitoring process has been further expanded to include adding the date the seller servicer files the notice of default to AHFC's loan database. This in turn will allow AHFC to monitor the timeliness of the initiation of foreclosure in accordance with the requirements of the insurance policy. The process has been further developed to assure that the initiation of foreclosure is within the shortest timeframe possible, if it is apparent that the borrower is not able, or is unwilling to, comply with programs to prevent foreclosure.

On-site visits, although previously delayed due to other priorities, i.e. the transfer of servicing of Alliance Bank and Alaska State Bank portfolios, have commenced. Home Savings Bank and First Federal Bank were audited in August.

Regarding insurance claim reductions, policies and procedures have been established relating to the reductions which are to be reimbursed by the seller servicers. Collection efforts by AHFC staff for amounts due from seller servicers will be enhanced and consistently applied as the accounts receivable system is developed and utilized as a tracking vehicle. I would recommend that you look at Recommendation No. 6.

AHFC is continuing to pursue all legal rights to pool insurance proceeds under its policies. The Board of Directors at their July 28, 1989 meeting authorized the filing of a law suit if negotiations were not making satisfactory progress by September 1st.

RECOMMENDATION NO. 4

Significant changes have recently been implemented in this area as noted in the comment. Additional changes are in process and will be incorporated as system changes can be developed. The report details a number of suggestions, many of which have been incorporated in the draft of a new Property Marketing and Management Guide. The report urges the Corporation to implement the suggested revisions in a timely manner as accountability by the pool insurer, seller servicer, designated broker, and AHFC will improve. We wholeheartedly concur. However, we have been advised that changes requested are significant enough to warrant their implementation in connection with executing new agreements with the designated brokers. We have been further advised that the new agreements with applicable guides, should be imposed in connection with the addition of new designated brokers and only after going through a formal solicitation process in compliance with the State Procurement Code. We have been working with the Attorney General's office for several months on legal issues related to the solicitation process and resultant contract terms, with many related and significant issues yet to be resolved.

The changes incorporated in the new agreement include requiring that a copy of the work authorization submitted for payment, after repairs are completed, have the original invoice and all bid proposals attached. Formalization of policies and procedures applicable to the repair, maintenance and disposition of foreclosed properties through the creation of guides, which will be incorporated in any agreement, with designated brokers or repair/maintenance contractors. The agreements will permit revisions to the guides as needed, and appropriate, so that they may be kept up-to-date for changing circumstances.

With the majority of new personnel additions behind us, and as existing staff completes their training, the approval and processing of REO expenses should become more consistent. Also, part of the efforts in the dealings with MGIC, as mortgage pool insurer, involve agreement as to policy provisions so that claims can be filed on a basis agreeable to both parties, thereby reducing the confusion over the claimable items.

Inspection of REO properties is expected to increase with the addition of new staff and their relocation to new quarters. The inspections will concentrate on those properties where AHFC has increased financial exposure; either through lack of pool insurance, or repair items contended to be of a restoration nature.

The file retention system has been improved substantially over the last year. Included in the plan for this area is a periodic file audit performed in a manner suggested in the report.

RECOMMENDATION NO. 5.

The audit correctly noted that in 1986 and 1987 AHFC staff had approved and issued approximately $4 million is direct loans to facilitate the sale of single- and multi-family residences of AHFC's real estate owned inventory. Neither the Board or executive management had approved such action. When it came to their attention it was stopped. AHFC is currently issuing direct loans for the sale of repossessed mobile homes under an approved direct lending program. It is anticipated that this program will continue. In conjunction, it should be noted that AHFC is exploring the need for the direct financing of some of its properties when no other financing is available. AHFC will seek Board approval of any such program prior to its implementation. The recommendation also addresses the fact that many of the direct loans were closed without the truth in lending disclosure statement. Where appropriate, the necessary policy and procedures will be implemented to assure that the proper financial disclosure required by Federal regulation is complied with.

RECOMMENDATION NO. 6

Enhanced recording procedures have been implemented to the accounting for REO expenses. Additional changes, consistent with the recommendations included in this report and others from independent auditors and the Office of Management and Budget are to be incorporated in conjunction with changes being implemented in the accounting for claims receivable. These changes will include the further segregation of REO expenses. The treatment of accrued interest and insurance claim accretion on mortgage loans and REO's is being reviewed in connection with the preparation of the Corporation's year-end financial statements.

With respect to the Accounts Receivable portion of Recommendation No. 6, the development of a comprehensive system for accounting for the various receivables generated in connection with loan foreclosures and property dispositions has had numerous starts. Due to the complexity of its structure, the need to tie the system into a variety of other departments affected, staff turnover, staff reallocation to special projects, the development of the claims receivable system has not been completed.

Recognizing the critical need for the Receivable system a renewed effort has been initiated. The Claims Receivable functions have been transferred to the Accounting Department, which will also be responsible for developing, implementing, and maintaining the Receivable system. The Controllers position has recently been filled with the development of a Receivable system for a timely

implementation and a high priority. Peat Marwick Main has been retained to assist in the design, documentation, and development of the system. The basic information needed for management and accounting purposes will be captured, initially, with enhancements to the system added as time permits.

With respect to controls over computer data, AHFC concurs with LB & A's recommendations or observations, regarding the need for increased controls over data input in the computer. As the Corporation has grown, it has been increasingly difficult to maintain the integrity of the data bases. The current distributed data entry functions may need to be restructured. A centralized data input department may be appropriate, with information provided for other areas in the organization in detail paper form, or by batched electronic means.

Alternatively, a detailed and formalized exception reporting system building on current procedures for edits of changes made to live files, may be necessary. A manual documenting file, specifications and screen input has been evolved. A position was recently created to work primarily on developing documentation for the Corporation's data processing functions. This position has been filled and written user manuals will be developed beginning with the most critical areas.

With respect to budget expenditures, as the Corporation has expanded, it has become more difficult for management to become comfortable with with level of expenditures as compared to the amount budgeted. A persistent lag in authorized budgetary level compared to the needs of the Corporation has brought more attention to this area. AHFC concurs that the development of more timely budgetary information prepared on a departmental level, will facilitate maximum utilization of resources and enhance accountability for expenditures. The Controller has become more involved in the budgetary process and a system detailing authorized amounts and expenditures, by department, is well under way. With respect to financial reporting efforts to enhance the timeliness of financial reporting, and increase the frequency with which such reports are provided have been initiated. As indicated in the report, the transmission of detailed account activity by the Corporation's three bond trustees via electronic media, is a prerequisite for this improved reporting. Systems changes are expected to be necessary in order to prevent or minimize the need for additional accounting staff.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF REVENUE

TREASURY DIVISION

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August 14, 1989

RECEIVED
AUG 18 1989
LEGISLATIVE AUDIT

Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit
P. O. Box W
Juneau, Alaska 99811-3300

Dear Mr. Welker:

I have reviewed the Division of Legislative Audit's preliminary report, "A Special Report on the Department of Revenue Alaska Housing Finance Corporation".

I offer the following comments in response to portions of the report relating directly to the Department of Revenue. Alaska Housing Finance Corporation will respond directly in regard to portions of the report that concern them.

I concur with Recommendation No. 2. The Department recently reiterated its request in a memorandum of July 19, 1989 to the Attorney General for a response to the January 2, 1985 opinion request. Upon approval of the final version of this report, the Department will again request a response to the 1985 memo, if necessary, as well as the Attorney General's opinion regarding disposition of amounts in certain accounts in the State Mortgage Insurance Fund which no longer have any loans insured under the accounts.

Sincerely,

Hugh Malone
Commissioner

HM/MBB/ph

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

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August 23, 1989

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AUG 24 1989
LEGISLATIVE AUDIT

Mr. Randy Welker, Legislative Auditor
Division of Legislative Audit
P.O. Box W
Juneau, AK 99811

Dear Mr. Welker:

Re: A Special Report on the Department of Revenue
Alaska Housing Finance Corporation - April 14, 1989

Thank you for the opportunity to review and comment on the preliminary audit report on the Alaska Housing Finance Corporation (AHFC). The department will limit its comments to Recommendation No. 2 regarding the Mortgage Insurance Fund.

Recommendation No. 2

The administration of the insurance funds should be legally clarified and performed in accordance with statutes.

We agree that a legal clarification of AHFC's mortgage insurance funds is necessary. In addition, with respect to the Mortgage Insurance Fund established under AS 18.56.095, the department has been working with AHFC to determine if the fund requirement had been met as of December 31, 1988. Based on an analysis recently completed by AHFC staff, it appears that the fund requirement of $13 million was met on December 31, 1988, through the combination of the reserve for loan losses of $6.043 million and the fund equity of $8.959 million.

It is the intention of the department to be more diligent in complying with AS 18.56.095 in the future, and to address the fund requirement again this December.

Sincerely,

Larry Merculieff
Commissioner

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Analysis Of
Alaska Housing Finance Corporation's
Loan Servicer Timeliness

Letter No. 04-21

May, 1989
Division of Audit and Management Services

OMB

STAFF PAPERS AND REPORTS

STATE OF ALASKA

OFFICE OF MANAGEMENT AND BUDGET

STATE OF ALASKA

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET
DIVISION OF AUDIT & MANAGEMENT SERVICES

STEVE COWPER, GOVERNOR

P.O. BOX AM
JUNEAU, ALASKA 99811-0199
PHONE: (907) 465-3568

May 5, 1989

The Honorable Steve Cowper
Governor
Pouch A
Juneau, Alaska 99811

Dear Governor Cowper:

This report summarizes our analysis of loan servicers doing business with the Alaska Housing Finance Corporation (AHFC) and their performance in meeting AHFC's timing criteria for key actions they must accomplish during the loan foreclosure process.

The report recommends the AHFC should review its time guidelines and adjust accordingly, monitor servicers for compliance, and develop additional aging reports for monitoring delinquent loans.

AHFC agrees with our recommendations, as indicated in their response which is included in the report. This report has been reviewed and approved by the Governor's Audit Committee.

Sincerely,

John L. Lucas

John L. Lucas, Director

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AGENCY RESPONSE 19

EXECUTIVE SUMMARY

The purpose of the review was to determine if loan servicers were meeting AHFC's timing criteria for key actions they must accomplish during the loan foreclosure process. Servicers need to take timely actions because delay can increase AHFC's foreclosure costs.

There is substantial variation among loan servicers in the amount of time taken to accomplish tasks associated with loan foreclosure. Servicers often do not meet AHFC's timeliness criteria. AHFC needs to review its time guidelines and adjust accordingly, monitor servicers for compliance, and develop additional aging reports for monitoring delinquent loans. Aging reports designed specifically to monitor loans after permission to foreclose is given will help AHFC by highlighting cases where foreclosure time appears unreasonably long. This information will also facilitate timely follow-up by staff and provide overview information for management.

Response from management indicating their agreement with our conclusions and outlining current actions being taken is provided at the end of this report.

MEMORANDUM State of Alaska

Division of Audit and Management Services
465-3568

February 24, 1989

TO: Robert Mintz, Chairman
Board of Directors
Alaska Housing Finance Corporation

FROM: John Lucas, Director

SUBJECT: Seller/Servicer Timeliness

SUMMARY

Our analysis of AHFC's foreclosed loans data shows there was great variation among servicers in the amount of time taken to accomplish tasks associated with loan foreclosure. Servicers often did not meet AHFC's timeliness criteria. This variation is an indication that AHFC should review its time guidelines and adjust accordingly, monitor servicers for compliance, and develop additional aging reports for monitoring delinquent loans.

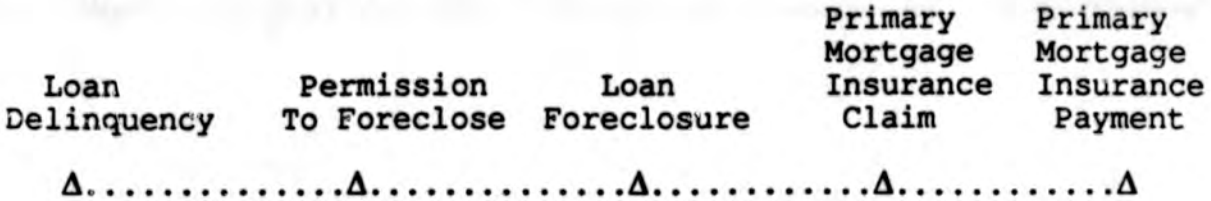
PURPOSE AND SCOPE

The purpose of our review was to determine if loan servicers were meeting AHFC's timing criteria for key actions they must accomplish during the loan foreclosure process. Servicers need to take timely actions because delay can increase AHFC's foreclosure costs.

In summary, our analysis included:

- interviews with AHFC staff;
- review of AHFC's current and proposed foreclosure processing policies and procedures; and
- analysis of date information in AHFC's computerized mortgage information system (MIS) database of foreclosed property as of November 9, 1989.

We analyzed the length of time between certain key events that occur in foreclosures. These events are illustrated on the following timeline:



We found that processing time could not be determined from the mortgage loan system data for each loan for each segment of the timeline. This was because valid dates did not always exist in the database for each point, or the dates were not usable.

Examples of instances where data did not exist or was not usable are:

- AHFC added certain date fields to master files at various times but did not require these new elements to be updated for all old loans;
- computerized edit checks of dates were implemented at some time, but erroneous dates previously entered were never corrected;
- aging could not always be computed because some dates were not in logical sequence; and
- sometimes aging could not be calculated because both dates needed for aging analysis were not recorded.

Because of the conditions noted above, we computed processing times for individual timeframes as well as for combined timeframes for actions required from delinquency to foreclosure. This allowed us to analyze timeliness for the maximum number of loans. As an example, if a usable foreclosure permission date did not exist for a loan, we computed timeliness for that loan based on the period between loan delinquency and loan foreclosure.

Although the data conditions described above prevented timeliness calculations for all loans for each segment of the process, sufficient usable data was available for analysis. Tables presented in the Appendix to this report show the number of loans considered for each servicer. Since all loans are not included in each table, the reader is cautioned that each table stands alone and servicer data cannot be added from one table to another.

We analyzed processing timeliness for individual timespans between:

- dates of loan delinquency and foreclosure permission dates;

- dates AHFC gave permission to foreclose loans and loan foreclosures dates;

- dates of loan foreclosures and the dates servicers filed primary mortgage insurance claims; and

- dates of primary mortgage insurance filings and receipt dates for primary mortgage insurance payments.

We also measured processing timeliness in combined timespans between:

- dates of loan delinquency and the dates loan foreclosures occurred;

- dates of loan foreclosures and dates primary mortgage insurance payments were received; and

- dates of loan delinquency and dates primary mortgage insurance payments were received.

Non-mobile home loans comprise the great majority of AHFC loans. We therefore performed an aging analysis of non-mobile home loans which had usable dates in AHFC's MIS data files.

Servicers with less than 25 loans were excluded from the analysis since their inclusion would have had an immaterial influence on the results.

Our analysis did not include actions associated with pool insurance.

BACKGROUND

AHFC's role is primarily to facilitate housing development by providing funds to purchase home loans originated by private lending institutions. Rather than servicing the loans it purchases, AHFC enters into fee-for-service contracts with these institutions to provide loan management services. Institutions providing those services are referred to as "seller/servicers' or "servicers." Servicers perform such standard loan management activities as loan collection, accounting, and reporting to AHFC.

If loans become delinquent, servicers have additional responsibilities that must be completed within prescribed timeframes. For example, servicers are expected to make timely efforts to encourage borrowers to bring their loan payments current. When loans are judged uncollectible, servicers must take timely action to foreclose loans and perform other foreclosure-related activities in a timely manner. These actions include such things as sending late notices, attempts to contact borrowers by phone, personal interviews, property inspections, demand letters, and issuing notices of default.

In cases where servicers are unable to bring loans current within a prescribed period, they must provide AHFC with information about the delinquent loans and recommend a course of action. The recommendation is presented in a standard AHFC form (#SER-71). Recommended actions may be development of a liquidation plan, granting temporary payment forbearance, acquisition of a deed-in-lieu of foreclosure, or foreclosure.

When AHFC concludes that foreclosure is necessary, it authorizes servicers to initiate foreclosure proceedings and servicers start the necessary legal actions. When foreclosure has been accomplished, servicers file insurance claims for primary mortgage insurance. When the insurance payments are received, the servicers transmit them to AHFC.

AHFC servicer requirements are contained in a document titled "AHFC Servicer Guide." The guide specifies AHFC's expectations for the timing of some major servicer actions related to foreclosure. For example, servicers must:

- identify delinquent loans within 16 days of delinquency;
- issue late notices within two days of delinquency identification;
- attempt to contact borrowers within five days of the late notice;
- conduct a face-to-face interview before the loan is 45 days delinquent;
- issue a demand letter before the loan is 50 days delinquent;
- conduct a property inspection before the loan is 60 days delinquent;
- issue a notice of default within 20 days of the demand letter expiration;
- request authorization from AHFC to foreclose or modify the loan within 95 days of delinquency (AHFC is considering reducing this to 75 days); and
- file primary mortgage insurance claims within 60 days of foreclosure.

AHFC does not monitor all of these performance requirements in a structured manner. Although it would not be cost effective to monitor every requirement, the ability to monitor selected activities is important because it can ultimately reduce AHFC's costs.

TIMING ANALYSIS

The amount of time it takes servicers to complete the various phases of loan foreclosure will not be identical for every loan. Factors that can affect foreclosure processing are numerous. They include such things as whether servicers adequately staff their loan collection functions, the complexity of issues related to particular foreclosures, and the time attorneys take to complete their work.

AHFC's own timing requirements for servicers are the basis of the servicer performance analysis that follows. Our approach was to measure elapsed times between events and compare the results to AHFC's published requirements. When published requirements did not exist, we projected a timeframe based on AHFC internal criteria.

The following analysis first shows performance in individual segments of the foreclosure process and then shows performance for combined segments.

In summary, we found that the average foreclosed loan never met AHFC's timing criteria, and that the average time from delinquency to foreclosure is steadily increasing.

INDIVIDUAL TIMESPAN: *LOAN DELINQUENCY UNTIL PERMISSION TO FORECLOSE*

According to "AHFC Servicer Guide", the maximum allowable time between loan deliquency and foreclosure permission is 110 days. This includes 95 days for the servicer to request permission to foreclose, and 15 days for AHFC to process the request.

AHFC's Servicer Guide states, "if on day 95 of the delinquency an AHFC Form #SER-71 has not previously been submitted to AHFC, then the form must be submitted immediately." Form #SER-71 is titled "Recommendation of Foreclosure, Request for Deed-in-Lieu, Forbearance, or a Liquidating Plan." This is the document that contains the servicer's recommendation on the disposition of a delinquent loan and may also contain a request for permission to foreclose.

AHFC's policy is that it will respond to these requests within 15 business days of their receipt. A recent internal AHFC report on processing time for #SER-71 forms showed that, on average, AHFC meets its own 15-day requirement.

TABLE 1

SUMMARY OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY AND PERMISSION TO FORECLOSE

Period	# Loans Analyzed	Average Number of Days Before Permission Given
FY 1986	971	150
FY 1987	2,419	155
FY 1988	2,648	170
FY 1989	13	273
TOTAL LOANS	6,051	AVERAGE 161 DAYS

Loan counts for FY 1989 include only those loans for which both dates were available, and for which the foreclosure process was complete, and for which permission to foreclose was given in FY 1989. Therefore we analyzed only those loans for which foreclosure had been completed by November 9, 1989. Because it is taking an average of 178 days to foreclose after permission is given (see Table 2) the number of loans in this category for FY 1989 is low.

Since these 13 loans reflect only a small percentage of all loans for which permission to foreclose was given in 1989, their average number of 273 days for this timespan is probably not representative.

Table 1 summarizes the data in Appendix A, which shows average processing times ranging from 122 days to 247 days. Since the average time AHFC takes to grant permission to foreclose is relatively brief and consistent, we conclude that the variance from AHFC's 110 day guideline is primarily attributable to servicers.

INDIVIDUAL TIMESPAN:
PERMISSION TO FORECLOSE UNTIL
LOAN FORECLOSURE

AHFC does not have a written policy specifying the maximum time allowed to complete foreclosure after foreclosure permission. AHFC staff said, however, that this period can reasonably range between 40 and 150 days.

As shown in Appendix B, processing time to foreclose loans after AHFC gives its permission has been increasing steadily for some servicers. This is reflected in the Table 2, below, which shows average elapsed days for this portion of the foreclosure process. The table shows that average processing time has continued to increase and substantially exceeds 150 days.

INDIVIDUAL TIMESPAN:
PRIMARY MORTGAGE INSURANCE CLAIM FILING
UNTIL PRIMARY MORTGAGE INSURANCE PAYMENT

AHFC requires primary mortgage insurers to pay claims within 60 days after claims are received. Table 4 shows the average elapsed time from the primary mortgage insurance claim filing date until the date the claim was paid. As shown, the average insurance claim was not paid within the 60 day timeframe.

Timeliness for this portion of the foreclosure process is mainly the responsibility of the primary mortgage insurer. It is included in our analysis because the servicer can influence payment timeliness by preparing adequately documented claims and following up in cases where payment is not timely.

TABLE 4

SUMMARY OF AVERAGE TIMESPANS
BETWEEN PRIMARY INSURANCE CLAIM
AND RECEIPT OF INSURANCE PAYMENT

Period	# Loans Analyzed	Average Number of Days Before Insurance Claim Payment
FY 1986	3	81
FY 1987	17	115
FY 1988	995	80
FY 1989	627	72
TOTAL LOANS	1,642	AVERAGE 78 DAYS

There are few loans in this timespan for 1986 and 1987 because the mortgage insurance filing date is a relatively new date field in the mortgage loan system.

FY 1989 loans include those for which both dates were available and for which the insurance claim was paid in FY 1989 by November 9, 1988. The foreclosure process may have begun in prior years.

Table 4 summarizes the data in Appendix D, which shows average timespans ranging from 48 days to 609 days, and noncompliance for most loans.

COMBINED TIMESPANS:
LOAN DELINQUENCY
UNTIL LOAN FORECLOSURE

AHFC has not defined a maximum standard timeframe from loan delinquency until loan foreclosure in written policy. Allowable maximum time can be inferred to be approximately 260 days. This consists of 110 days between the delinquency date and the date AHFC gives permission to foreclose, and 150 days between the permission to foreclose date and foreclosure.

Table 5 shows that the period to foreclose loans has increased steadily between FY 1986 and FY 1989. The FY 1989 foreclosed loan took more than 100 days longer than the inferred 260 maximum. Although there is no absolute standard for evaluating servicer timeliness between delinquency and foreclosure, the derived 260 benchmark is useful for comparative purposes.

TABLE 5

SUMMARY OF AVERAGE TIMESPANS
BETWEEN LOAN DELINQUENCY AND LOAN FORECLOSURE

Period	# Loans Analyzed	Average Number of Days Before Foreclosure
FY 1986	554	283
FY 1987	1,817	312
FY 1988	2,813	348
FY 1989	1,167	377
TOTAL LOANS	6,351	AVERAGE 337 DAYS

For this timespan, 1989 loans include those for which both dates were available and for which foreclosure was completed in FY 1989 by November 9, 1988.

Average processing time from loan delinquency until loan foreclosure for FY 1986-1989 is shown by servicer in Appendix E. This table, as have others, shows that average processing time has increased steadily for some servicers and that most servicers did not complete their foreclosures within 260 days of delinquency.

COMBINED TIMESPANS:
LOAN FORECLOSURE
UNTIL PRIMARY INSURANCE PAYMENT

Combined timespans that cover servicer responsibility to file primary mortgage insurance claims (60 days) and the insurer's responsibility to pay claims (60 days) are shown in Appendix F, and summarized in Table 6, below. This shows improvement in

FY 1989, and overall performance that has not deviated significantly from AHFC's 120 standard for this timespan.

TABLE 6

SUMMARY OF AVERAGE TIMESPANS
BETWEEN LOAN FORECLOSURE AND PRIMARY INSURANCE PAYMENT

Period	# Loans Analyzed	Average Number of Days Before Payment Receipt
FY 1986	249	142
FY 1987	1,103	148
FY 1988	2,828	162
FY 1989	789	125
TOTAL LOANS	4,969	AVERAGE 152 DAYS

This includes foreclosed loans for which both dates were available and for which primary mortgage insurance payment was received in FY 1989 by November 9, 1988.

COMBINED TIMESPANS:
LOAN DELINQUENCY
UNTIL PRIMARY INSURANCE PAYMENT

Finally we present a view of the entire period from loan delinquency to primary mortgage insurance claim recovery.

Table 7 shows a steady and substantial increase in the length of time it takes to move an uncollectible loan through the foreclosure process and ultimately to collect primary mortgage insurance payments.

TABLE 7

SUMMARY OF AVERAGE TIMESPANS
BETWEEN LOAN DELINQUENCY AND PRIMARY INSURANCE PAYMENT

Period	# Loans Analyzed	Average Number of Days Before Payment Receipt
FY 1986	225	333
FY 1987	1,061	385
FY 1988	2,837	460
FY 1989	789	482
TOTAL LOANS	4,912	AVERAGE 441 DAYS

FY 1989 loans include foreclosed loans for which both dates were available and for which primary mortgage insurance payment was received in FY 1989 by November 9, 1988.

AHFC has not formally defined its maximum requirements for this overall timeframe. Allowable maximum time can be inferred as 380 days (approximately 13 months). This consists of 110 days between delinquency and permission to foreclose, 150 days between the permission date and foreclosure, and 120 days from foreclosure to receipt of primary mortgage insurance claim payment.

Appendix G illustrates the average processing time for this combined timespan by servicer. This table shows that processing time increased steadily for some servicers more than others.

CONCLUSIONS AND RECOMMENDATIONS

The downturn of Alaska's economy and subsequent increase in foreclosures played a major role in increasing servicer processing times for foreclosures. Regardless of the causes, AHFC must increase its own efficiencies and servicer monitoring efforts to help offset the effect of external events.

Considering the large number of loans in its portfolio, AHFC needs the efficiency of additional automated reports that bring attention to loans which are delinquent or remain in key phases of foreclosure for lengthy periods. For example, aging reports are needed to disclose elapsed days for:

- loans more than 95 days delinquent (or 75 days if time requirements change) for which no form #SER-71 has been received; and

- loans where more than 150 days have passed since AHFC gave permission to foreclose but foreclosure has not yet occurred.

Automated date arithmetic performed on each loan can highlight loans most needing AHFC and servicer attention. Aging reports should go beyond simply categorizing loans in the usual ranges of delinquency (30, 60, 90, and more than 120 days). Actual time lags should be computed and displayed.

AHFC already captures data on magnetic media which can be used to produce monthly aging reports with summary and detail information.

Our analysis shows that some loans are not foreclosed for a long time after permission is given to foreclose. Quick foreclosures are not always the best course of action, however. An aging report designed specifically to monitor loans after permission to foreclose is given will help AHFC by highlighting cases where foreclosure time appears unreasonably long. This information will facilitate timely follow-up by AHFC staff and also provide overview information for management.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY
AND PERMISSION TO FORECLOSE

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
ALASKA FEDERAL SAVINGS AND LOAN	148	7	108	22	127	26			122	55
FIRST NATIONAL BANK OF ANCHORAGE	126	125	134	376	137	341	216	2	134	844
FRONTIER ALASKA STATE CREDIT UNION	105	5	128	14	160	10			135	29
SPOKANE MORTGAGE COMPANY	128	14	169	3					135	17
MT. MCKINLEY MUTUAL SAVINGS			128	8	141	17	188	1	139	26
WESTERN MORTGAGE LOAN CORPORATION	138	2	172	19	119	24			142	45
ALASKA USA FEDERAL CREDIT UNION	201	20	130	71	141	112	72	1	143	204
G.M.A.C. MORTGAGE CORPORATION	120	21	112	26	188	33			145	80
NATIONAL BANK OF ALASKA	142	85	146	293	148	362	13	1	146	741
DENALI FEDERAL CREDIT UNION	128	6	115	15	203	11			148	32
ALLIANCE BANK	125	277	135	611	168	670	618	1	148	1559
COMMONWEALTH WESTERN MORTGATE CORPORATION	134	19	141	40	177	38			154	97
GOLDOME REALTY CREDIT CORPORATION	195	63	179	64	142	208			159	335
SEAFIRST MORTGAGE COMPANY	143	12	173	32	169	30			167	74
B.M. BEHRENDS BANK	205	2	199	31	122	24			167	57
RAINIER BANK ALASKA	167	83	175	219	162	67	305	3	172	372
FIREMAN'S FUND MORTGAGE COMPANY	165	64	177	321	197	346	247	1	186	732
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	176	41	158	26	262	19	249	1	190	87
HOME SAVINGS & LOAN	164	37	190	56	199	117			190	210
FIRST FEDERAL BANK OF ALASKA	193	7	154	6	202	19			191	32
ALASKA STATEBANK	143	30	211	24	274	17			197	71
FIRST NATIONAL BANK OF FAIRBANKS	240	33	233	84	259	87	540	1	247	205
KEY PACIFIC MORTGAGE COMPANY	202	18	221	58	279	70	280	1	247	147
TOTAL LOANS		971		2,419		2,648		13		6,051
AVERAGE DAYS - ALL SERVICERS	150		155		170		273		161	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN PERMISSION TO FORECLOSE
AND LOAN FORECLOSURE

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
SPOKANE MORTGAGE COMPANY	106	13	142	10					122	23
MT. MCKINLEY MUTUAL SAVINGS	114	1	109	10	150	17	146	4	136	32
ALASKA FEDERAL SAVINGS AND LOAN	163	7	140	20	130	33	170	6	140	66
FIRST NATIONAL BANK OF ANCHORAGE	119	103	135	345	154	381	171	138	146	967
RAINIER BANK ALASKA	124	45	170	193	138	158	163	26	153	422
ALASKA STATEBANK	127	58	156	27	218	30	138	5	157	120
NATIONAL BANK OF ALASKA	127	70	144	245	161	373	185	158	158	846
FIRST FEDERAL BANK OF ALASKA	153	10	141	12	164	15	198	9	162	46
HOME SAVINGS & LOAN	115	29	173	67	176	94	170	53	167	243
GOLDOME REALTY CREDIT CORPORATION	104	37	174	80	165	157	208	90	171	364
ALLIANCE BANK	129	197	162	540	193	833	226	244	181	1814
WESTERN MORTGAGE LOAN CORPORATION			183	11	209	32	171	16	194	59
ALASKA USA FEDERAL CREDIT UNION	98	10	179	47	199	92	214	68	195	217
FIRST NATIONAL BANK OF FAIRBANKS	146	25	167	56	212	97	242	53	201	231
SEAFIRST MORTGAGE COMPANY	204	7	259	27	176	44	150	8	202	86
KEY PACIFIC MORTGAGE COMPANY	137	5	189	39	199	73	230	44	203	161
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	182	16	207	53	201	29	249	13	207	111
DENALI FEDERAL CREDIT UNION	131	4	178	8	235	14	230	7	208	33
G.M.A.C. MORTGAGE CORPORATION	168	12	219	26	228	33	188	23	208	94
B.M. BEHRENDS BANK	164	3	174	9	218	50	337	5	219	67
FREMANS FUND MORTGAGE COMPANY	191	25	200	187	229	401	229	169	221	782
FRONTIER ALASKA STATE CREDIT UNION	188	3	176	10	234	17	347	3	223	33
COMMONWEALTH WESTERN MORTGATE CORPORATION	235	19	231	30	244	46	226	24	236	119
TOTAL LOANS		699		2052		3019		1166		6,936
AVERAGE DAYS - ALL SERVICERS	134		165		186		207		178	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN LOAN FORECLOSURE AND
PRIMARY MORTGAGE INSURANCE CLAIM FILING

SERVICER *	FY 86		FY 87		FY 88		FY 89		SUMMARY	
	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS
FRONTIER ALASKA STATE CREDIT UNION					9	5	9	1	9	6
GOLDOME REALTY CREDIT CORPORATION			15	6	8	96	14	64	11	166
MT. MCKINLEY MUTUAL SAVINGS					12	7			12	7
ALASKA USA FEDERAL CREDIT UNION					12	50	16	37	14	87
SPOKANE MORTGAGE COMPANY			16	1					16	1
DENALI FEDERAL CREDIT UNION					14	7	18	8	16	15
RAINIER BANK ALASKA	19	1	11	11	21	70	21	12	20	94
ALASKA STATEBANK					20	11			20	11
FIRST NATIONAL BANK OF ANCHORAGE			18	8	21	199	20	93	21	300
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA			64	1	26	11	16	3	27	15
G.M.A.C. MORTGAGE CORPORATION					25	14	44	4	29	18
HOME SAVINGS & LOAN			27	3	31	32	22	3	30	38
FIRST FEDERAL BANK OF ALASKA					24	4	40	3	31	7
ALASKA FEDERAL SAVINGS AND LOAN					35	21	6	3	31	24
WESTERN MORTGAGE LOAN CORPORATION			14	2	8	10	100	4	32	16
FIREMAN'S FUND MORTGAGE COMPANY	42	1	74	14	34	232	25	42	35	289
NATIONAL BANK OF ALASKA			29	4	33	147	52	98	40	249
B.M. BEHRENDS BANK					39	19	54	9	44	28
ALLIANCE BANK	8	1	42	15	47	451	37	174	44	641
FIRST NATIONAL BANK OF FAIRBANKS	50	3	62	7	55	39	56	47	56	96
KEY PACIFIC MORTGAGE COMPANY			89	3	84	43	61	19	78	65
SEAFIRST MORTGAGE COMPANY	28	1	153	1	89	13	54	6	79	21
COMMONWEALTH WESTERN MORTGATE CORPORATION			16	1	99	25	39	9	81	35
TOTAL LOANS		7		77		1506		639		2,229
AVERAGE DAYS - ALL SERVICERS	35		42		36		35		36	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN PRIMARY MORTGAGE INSURANCE CLAIM
AND RECEIPT OF INSURANCE PAYMENT

SERVICER *	FY 86		FY 87		FY 88		FY 89		SUMMARY	
	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS	AVERAGE DAYS	# OF LOANS
B.M. BEHRENDS BANK					52	16	39	8	48	24
FIRST FEDERAL BANK OF ALASKA					46	3	59	2	51	5
DENALI FEDERAL CREDIT UNION					44	6	64	4	52	10
MT. MCKINLEY MUTUAL SAVINGS					66	5	42	1	62	6
NATIONAL BANK OF ALASKA			94	1	71	89	66	60	69	150
ALLIANCE BANK			126	3	70	252	69	215	70	470
FIRST NATIONAL BANK OF ANCHORAGE			60	1	73	136	67	94	71	231
ALASKA USA FEDERAL CREDIT UNION					71	35	74	34	72	69
FRONTIER ALASKA STATE CREDIT UNION					74	3	70	1	73	4
GOLDOME REALTY CREDIT CORPORATION					90	66	62	56	77	122
FIREMAN'S FUND MORTGAGE COMPANY	126	1	101	2	84	162	88	74	88	239
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA					91	9	72	3	86	12
HOME SAVINGS & LOAN			35	1	89	28	106	4	89	33
ALASKA FEDERAL SAVINGS AND LOAN					72	11	110	10	90	21
RAINIER BANK ALASKA	56	1	127	3	93	71	62	10	90	85
COMMONWEALTH WESTERN MORTGATE CORPORATION					87	15	116	4	93	19
ALASKA STATEBANK					109	6	62	2	97	8
WESTERN MORTGAGE LOAN CORPORATION					110	4	79	2	100	6
FIRST NATIONAL BANK OF FAIRBANKS	62	1	154	5	113	32	69	20	100	58
SEAFIRST MORTGAGE COMPANY					162	7	50	8	102	15
KEY PACIFIC MORTGAGE COMPANY			29	1	114	34	76	11	103	46
G.M.A.C. MORTGAGE CORPORATION					127	5	91	3	114	8
SPOKANE MORTGAGE COMPANY							609	1	609	1
TOTAL LOANS		3		17		995		627		1,642
AVERAGE DAYS - ALL SERVICERS	81		115		80		72		78	

* Servicers are listed in ascending order based on the overall average number of days.

APPENDIX D

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY
AND LOAN FORECLOSURE

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
ALASKA FEDERAL SAVINGS AND LOAN	327	6	239	17	250	32	286	6	258	61
SPOKANE MORTGAGE COMPANY	257	10	261	7					259	17
MT. MCKINLEY MUTUAL SAVINGS			216	8	291	15	294	4	269	27
FIRST NATIONAL BANK OF ANCHORAGE	223	67	264	304	288	360	316	138	279	869
NATIONAL BANK OF ALASKA	252	49	281	210	312	347	330	158	303	764
RAINIER BANK ALASKA	294	39	335	173	312	144	327	26	322	382
ALLIANCE BANK	264	165	289	467	348	772	375	244	327	1648
GOLDOME REALTY CREDIT CORPORATION	321	30	355	75	308	146	351	90	331	341
WESTERN MORTGAGE LOAN CORPORATION			328	6	372	24	283	16	335	46
ALASKA USA FEDERAL CREDIT UNION	300	10	336	39	327	90	352	68	336	207
ALASKA STATEBANK	268	41	311	22	452	26	447	5	338	94
SEAFIRST MORTGAGE COMPANY	361	7	369	27	348	37	299	8	351	79
G.M.A.C. MORTGAGE CORPORATION	272	9	337	19	375	32	371	23	354	83
HOME SAVINGS & LOAN	284	22	348	58	375	89	359	53	355	222
DENALI FEDERAL CREDIT UNION	241	4	294	7	371	14	451	7	355	32
FRONTIER ALASKA STATE CREDIT UNION	288	2	276	9	403	15	485	3	364	29
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	367	16	353	50	367	22	457	13	372	101
FIRST FEDERAL BANK OF ALASKA	358	8	404	3	364	14	397	9	375	34
B.M. BEHRENDS BANK	282	3	363	6	377	49	434	5	376	63
COMMONWEALTH WESTERN MORTGATE CORPORATION	368	16	351	28	375	45	409	24	383	113
FIREMANS FUND MORTGAGE COMPANY	356	24	375	193	406	387	425	170	401	774
FIRST NATIONAL BANK OF FAIRBANKS	379	22	381	50	460	88	509	53	445	213
KEY PACIFIC MORTGAGE COMPANY	314	4	378	39	435	65	540	44	448	152
TOTAL LOANS		554		1817		2813		1167		6,351
AVERAGE DAYS - ALL SERVICERS	283		312		348		377		337	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN LOAN FORECLOSURE
AND PRIMARY MORTGAGE INSURANCE PAYMENT

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
DENALI FEDERAL CREDIT UNION	65	2	58	7	80	11	80	4	72	24
MT. MCKINLEY MUTUAL SAVINGS			79	7	83	11	65	2	80	20
B.M. BEHRENDS BANK	228	1	127	7	105	30	154	10	121	48
FRONTIER ALASKA STATE CREDIT UNION	106	1	152	4	127	8	82	2	126	15
RAINIER BANK ALASKA	103	14	111	102	143	234	128	18	132	368
ALASKA FEDERAL SAVINGS AND LOAN	185	2	173	16	98	26	147	11	133	55
FIRST NATIONAL BANK OF ANCHORAGE	146	39	144	193	142	415	110	104	138	751
ALASKA USA FEDERAL CREDIT UNION	117	6	135	17	163	88	91	41	139	152
NATIONAL BANK OF ALASKA	154	25	135	146	145	319	127	74	140	564
WESTERN MORTGAGE LOAN CORPORATION			173	1	162	20	98	6	148	27
ALLIANCE BANK	124	72	140	313	162	736	131	231	150	1352
GOLDOME REALTY CREDIT CORPORATION	160	15	165	40	166	149	98	62	150	266
FIREMAN'S FUND MORTGAGE COMPANY	227	5	144	62	166	349	128	120	156	536
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	178	7	150	37	164	44	86	4	156	92
SEAFIRST MORTGAGE COMPANY			184	14	187	43	117	17	170	74
HOME SAVINGS & LOAN	126	8	204	26	186	75	124	24	175	133
FIRST FEDERAL BANK OF ALASKA	170	5	204	7	177	11	107	2	178	25
KEY PACIFIC MORTGAGE COMPANY	131	3	135	8	213	71	190	18	200	100
ALASKA STATEBANK	147	25	219	26	237	32	148	3	202	86
COMMONWEALTH WESTERN MORTGATE CORPORATION	155	8	218	19	224	42	162	6	210	75
FIRST NATIONAL BANK OF FAIRBANKS	193	5	217	26	233	83	166	25	217	139
G.M.A.C. MORTGAGE CORPORATION	266	2	233	11	232	28	163	4	228	45
SPOKANE MORTGAGE COMPANY	114	4	212	14	375	3	625	1	235	22
TOTAL LOANS		249		1103		2828		789		4,969
AVERAGE DAYS - ALL SERVICERS	142		148		162		125		152	

* Servicers are listed in ascending order based on the overall average number of days.

ALASKA HOUSING FINANCE CORPORATION
ANALYSIS OF AVERAGE TIMESPANS
BETWEEN DATE OF DELINQUENCY
AND PRIMARY MORTGAGE INSURANCE PAYMENT

SERVICER *	FY 86 AVERAGE DAYS	FY 86 # OF LOANS	FY 87 AVERAGE DAYS	FY 87 # OF LOANS	FY 88 AVERAGE DAYS	FY 88 # OF LOANS	FY 89 AVERAGE DAYS	FY 89 # OF LOANS	SUMMARY AVERAGE DAYS	SUMMARY # OF LOANS
MT. MCKINLEY MUTUAL SAVINGS			215	6	300	11	332	2	277	19
ALASKA FEDERAL SAVINGS AND LOAN	455	2	430	15	308	26	309	11	366	54
FIRST NATIONAL BANK OF ANCHORAGE	259	33	353	185	392	417	429	104	382	739
DENALI FEDERAL CREDIT UNION	264	2	309	7	397	11	555	4	387	24
NATIONAL BANK OF ALASKA	246	23	356	143	407	319	447	74	393	559
RAINIER BANK ALASKA	371	14	362	100	446	235	456	18	421	367
ALLIANCE BANK	333	67	348	299	447	743	486	231	426	1340
FIRST FEDERAL BANK OF ALASKA	500	5	349	6	446	11	486	2	436	24
FRONTIER ALASKA STATE CREDIT UNION	324	1	442	4	462	9	400	2	441	16
ALASKA USA FEDERAL CREDIT UNION	406	6	381	17	463	88	432	41	443	152
GOLDOME REALTY CREDIT CORPORATION	257	13	493	36	465	150	405	62	444	261
WESTERN MORTGAGE LOAN CORPORATION			516	1	437	19	489	6	452	26
SPOKANE MORTGAGE COMPANY	247	2	433	13	626	3	588	1	452	19
B.M. BEHRENDS BANK	570	1	291	7	488	30	475	10	458	48
FIRST GUARANTY MORTGAGE COMPANY OF ALASKA	346	7	501	37	448	43	553	4	466	91
ALASKA STATEBANK	341	19	417	25	560	32	756	3	470	79
SEAFIRST MORTGAGE COMPANY			486	14	502	42	451	17	487	73
HOME SAVINGS & LOAN	405	8	412	23	528	75	477	24	490	130
G.M.A.C. MORTGAGE CORPORATION	690	2	402	8	540	28	552	4	522	42
FIREMAN'S FUND MORTGAGE COMPANY	468	5	491	62	536	350	547	120	533	537
COMMONWEALTH WESTERN MORTGATE CORPORATION	465	7	524	19	549	42	605	6	539	74
FIRST NATIONAL BANK OF FAIRBANKS	468	5	509	26	591	82	625	25	577	138
KEY PACIFIC MORTGAGE COMPANY	238	3	479	8	589	71	644	18	580	100
TOTAL LOANS		225		1061		2837		789		4,912
AVERAGE DAYS - ALL SERVICERS	333		385		460		482		441	

* Servicers are listed in ascending order based on the overall average number of days.

Alaska Housing
FINANCE CORPORATION

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

OFFICE OF
MANAGEMENT & BUDGET

MAY 3 1989

AUDIT AND MANAGEMENT
SERVICES

April 28, 1989

Mr. John Lucas
State of Alaska
Office of the Governor
Office of Management & Budget
Division of Audit & Management Services
P. O. Box AM
Juneau, AK 99811

Dear Mr. Lucas:

First let me apologize on behalf of the Corporation for not responding earlier with respect to the audit in question outlined in your April 26, 1989 letter. Somewhere in the process of the management change of our Corporation, the responsibility for responding to the above mentioned audit was overlooked. Both Tom And myself, as well as pertinent staff members, have found the contents to be extremely accurate as well as extremely helpful. Currently we are in the middle of negotiations with one of our pool insurers that addresses the very issues brought out in the audit of February, 1989.

It is my understanding that in the past AHFC had recognized the need to monitor seller/servicers. In late 1987, as part of a continuing monitoring effort, an audit department was established. It was established to coordinate and direct the seller/servicer monitoring function. At the beginning it was intended to staff the department with two auditors. Their primary function was to plan, execute and follow-up on off-site audits. Evaluations of the seller/servicers' performance would result from audit findings as well as management reports. One position was filled and the department began to function as planned. Several audits were performed and management reports were developed.

The audit and monitoring functions began to deteriorate as other organizational priorities arose and decisions had to be made concerning the deployment of limited personnel resources. The department also spent considerable time auditing seller/servicers concerning whether they had primary mortgage insurance in force on all required loans. The nature of this was critical to the Corporation, in that, if primary was lost AHFC may have significant loss exposure in the event the servicer did not have the ability or desire to repurchase the loan.



1998 Annual Report

The Corporation

The Alaska Housing Finance Corporation (AHFC) was created in 1971 by the State of Alaska to provide Alaskans with affordable mortgage financing.

AHFC, a self-supporting public corporation and government instrumentality, is a secondary purchaser of mortgages. AHFC purchases mortgage loans from private financial insitutions operating in Alaska. The Corporation's activities currently constitute a major portion of the Alaskan residential housing market.

The majority of funds used to purchase mortgage loans are generated through the issuance of taxable and tax-exempt bonds and notes. By developing innovative financing structures, which are at the forefront of those utilized in capital markets, AHFC has been able to offer eligible Alaskans interest rates that are among the lowest in the country.

Since making its first loan in 1972, AHFC has stimulated the investment of more than $6.9 billion in housing in communities across Alaska.

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1 Corporation Profile
2 Letter to the Governor
3 Board of Directors
4 Alaska's Economy and the Housing Market in FY 1988
5 Mortgage Loan Portfolio by Geographic Area
6 Fiscal Year 1988 Activities
8 Fiscal Year 1988 Financing Activities
13 Programs
15 Fiscal Year 1988 Property Sales

Letter to the Governor

Dear Governor Cowper,

Fiscal Year 1988 was a year of transition for the Alaska Housing Finance Corporation and many AHFC borrowers.

AHFC continued to provide low-cost mortgage financing to Alaskans in FY 1988. During the year AHFC purchased 2,382 loans totaling $238.2 million. On June 30, 1988, the Corporation's portfolio contained 44,813 loans totaling $3.76 billion. In the last 16 years, AHFC has issued approximately $6.64 billion in taxable and tax-exempt bonds and notes to assist Alaskans in purchasing homes.

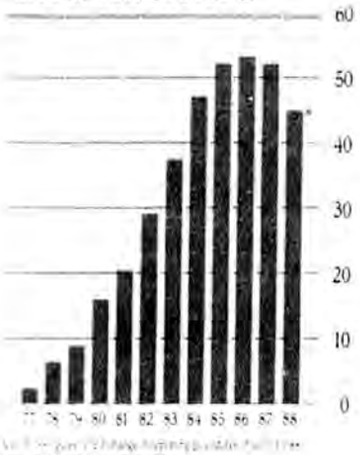
Fiscal Year 1988 proved to be another difficult year for the Alaskan housing market. Delinquencies remained in double digits and foreclosures continued at record rates. At the end of FY 1988, AHFC owned over 4,000 properties. In managing these properties, AHFC developed an extensive marketing plan and continued its efforts to mitigate losses associated with holding these properties.

In response to the troubled economy, AHFC continued its diligent efforts in developing forbearance and workout plans. These programs were implemented on an individual basis and more significantly on a general basis through the Home Owners' Assistance Program, or HOAP (pronounced hope).

In late December 1987, AHFC, with the unprecedented cooperation of many mortgage insurers and servicers, instituted an expansive mortgage refinance and assistance program. The HOAP made mortgages more affordable, thus saving the loss of homes by many Alaskans.

Through its various programs and its resources, the Corporation in FY 1988 worked towards minimizing the effects of the current economic slowdown both on the Corporation and homeowners. The AHFC Board of Directors and staff pledges to continue working with the Governor and legislature to help homeowners and potential homebuyers in meeting their housing needs.

Number of Mortgage Loans Held
number of loans held in thousands



Sincerely,

J. Anthony Smith
Chairman of the Board

Dr. Ronald D. Lehr
Executive Director

Board of Directors

A five-member Board of Directors governs the Alaska Housing Finance Corporation. The Board of Directors consists of: the Commissioners of the State Departments of Revenue and Commerce & Economic Development; another member who is head of a principal department of the executive branch of State Government appointed by the Governor; and two public members also appointed by the Governor. The Board elects a chairman annually.



J. Anthony Smith
Chairman
Commissioner of Commerce
and Economic Development
State of Alaska, Juneau

Lance W. Anderson
Vice President, Finance
Cook Inlet Region, Inc.
Anchorage



Gordon J. Severson
First Vice-Chairman
Retired Right of Way
Negotiations Supervisor
Department of Transportation
and Public Facilities
State of Alaska, Anchorage



Hugh Malone
Commissioner of Revenue
State of Alaska, Anchorage



Jim Sampson
Commissioner of Labor
State of Alaska, Juneau

Staff

AHFC has 80 permanent employees. The principal officers are:

Executive Director
Dr. Ronald D. Lehr

Finance Director
Mark Cameron

Mortgage Operations Director
Betty M. Cook

Servicing Operations Director
Paul Kapansky

Administrative Officer
Judith DeSpain

Controller
C.J. McCarty

Special Assistant, Public Information Officer
Margaret Nelson

Alaska's Economy and the Housing Market in FY 1988

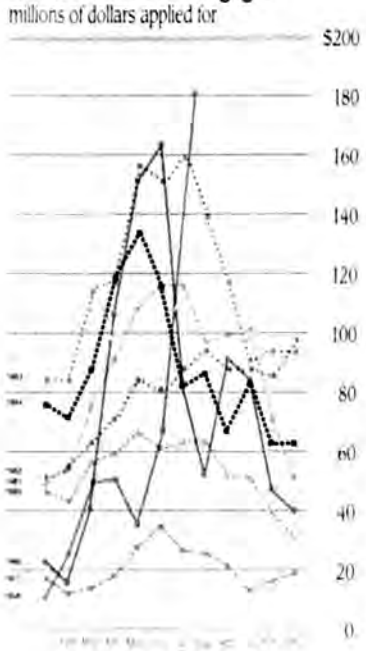
Fiscal Year 1988 was another difficult year for the Alaska economy and the Alaska housing market. Both population and employment continued to decline. On a statewide basis, population and employment dropped by an estimated 2-3% during FY 1988. In Anchorage, the decline was more pronounced, with decreases in the 4-5% range. In terms of absolute numbers, these represented population losses of about 10,000 people, and employment losses of approximately 5,000 jobs.

The housing market was a reflection of the economy. Delinquencies continued to be in double-digit levels, and foreclosures were at disturbingly high rates. By the end of the fiscal year, delinquencies exceeded 15%, foreclosures for the year exceeded 6% of AHFC's portfolio and housing values continued to decrease.

The cumulative effect of all of these factors caused the Corporation to have a net loss for the first time in its history. This net loss was not an operating loss, but rather resulted from a substantial increase in the Loan Loss Reserve, a decrease in the value of Real Estate Owned (REO) and a decrease in the estimated collectible value of receivables involving REOs and insurance claims for REOs. The total change of all of the REO-related values from FY 1987 to FY 1988 resulted in a charge against net income of $71.5 million, so that the final value for net income was a net loss of $12.6 million.

Monthly Applications – Amount Received All First Mortgages

millions of dollars applied for



Despite all of the above, FY 1988 had many positive trends. First, although population and employment did drop during FY 1988, the decrease was only half as much as during FY 1987. Furthermore, monthly employment figures indicate that the rate of decrease has declined to the extent that the economy appears to have "bottomed out" during the summer of 1988. This trend is in accordance with the prediction of economic analysts at the University of Alaska during the previous year. Their projections for the near future are for a slow growth trend of both population and employment in the neighborhood of 1-2% per year into the early 1990s. Other economic trends also show some improvement; unemployment rate has dropped by more than 1%; personal income has increased during the year; and the Consumer Price Index has shown no change.

Also, positive movements affected the housing front. Although delinquencies remained high, they did not significantly worsen during the year. Prices for certain types of housing stabilized. Selected portions of the state exhibited definite signs of recovery; institutionally owned housing inventories dramatically decreased; and market values started to show slight increases.

The major positive news for the Alaska housing market was the implementation of the Home Owners' Assistance Program or HOAP (pronounced hope). HOAP was designed to make mortgage payments more affordable for AHFC borrowers. HOAP is a refinance/modification program that can lower mortgage payments for many borrowers, and can provide additional assistance for borrowers experiencing an involuntary economic hardship. For this latter group of borrowers, HOAP can bring a loan current, if it is delinquent, and help keep the loan current by supplementing mortgage payments for a short time. All assistance provided to borrowers must be repaid over the remaining life of the loan.

HOAP has proved to be an extremely popular program, and it is estimated that about 7,500 AHFC borrowers will eventually use the program. The program was initiated mid-way through FY 1988, hence by the end of the fiscal year only a small portion of all expected loans had actually gone through the necessary steps and been closed. It is expected that the main benefits of HOAP will be reflected in FY 1989 figures.

Another significant positive development occurred when the Corporation signed a $200 million Master Commitment Contract with the Federal Home Loan Mortgage Corporation (Freddie Mac). This contract allows AHFC to convert its conventional loans to Freddie Mac securities (Participation Certificates) prior to using these securities as collateral for bond issues. Prior to these agreements, all securitization of conventional loans had been done with the Federal National Mortgage Association (Fannie Mae).

The Corporation is continuing the development of a number of programs designed to mitigate the effects of the current economic situation. It is expected that a major market stabilization effort, particularly with respect to condominiums, will be launched during FY 1989.

The Corporation has gone through a major expansion in personnel, which necessitated a move to a new location. In the past two years, the Corporation has more than doubled in size and further expansions are contemplated. The intent of these expansions is to allow the Corporation to deal with the additional responsibilities associated with significant numbers of foreclosures and REOs.

Although the past few years have been troublesome ones for Alaska and AHFC, there are reasons for some positive views of the future. As noted, the economy seems to have bottomed out, as predicted. AHFC has initiated programs, and is working on others, that are expected to have significant positive effects on the market. And finally, a policy decision was made to be quite conservative on estimating the various components of loan losses (REO recoverable values). Management expects that FY 1989 will show a return to positive net incomes. Despite the difficult times aforementioned, the Corporation believes that a statement from the FY 1986 (and FY 1987) annual report still applies; that is, because of the extensive resources of the Corporation and the various levels of insurance on loans, AHFC is confident that it can handle any problems which occur during this slow economic period.

Mortgage Loan Portfolio by Geographic Area



	# of Loans	% of Portfolio
Anchorage	24,759	55.2
Mat-Su	3,743	8.4
Kenai Peninsula	2,869	6.4
Other South Central	1,539	3.4
Total South Central	32,910	73.4
Fairbanks	6,299	14.1
Other North	422	.9
Total North	6,721	15.0
Juneau	3,098	6.9
Sitka	685	1.5
Ketchikan	336	.7
Other Southeast	1,064	2.4
Total Southeast	5,183	11.6
Other	1	0
Total Other	1	.0
GRAND TOTAL	44,815	100.0

Fiscal Year 1988 Activities

Fiscal Year 1988 provided many diverse challenges to the Corporation as Alaska's economy continued to be in recession. The most significant activities centered on making mortgage payments more affordable and, in as many instances as possible, helping homeowners experiencing financial difficulties to keep their homes.

The Corporation's History

Alaska Housing Finance Corporation is charged with providing mortgage financing at the lowest rates possible to Alaskan citizens, while increasing the number of decent, safe and sanitary homes in the state. By adopting loan programs that are unique among state housing agencies and developing financing structures that have been in the forefront of those utilized in the capital markets, AHFC has been able to meet the diverse needs of Alaskan homebuyers.

AHFC has been in operation for more than 17 years. From 1971 to 1975, AHFC purchased only federally insured mortgage loans for low- to moderate-income borrowers. Then state legislation passed in 1975 established a State Mortgage Insurance Fund which allowed the Corporation to purchase loans not federally insured; and while income limits and maximum loan amounts remained in effect, the number of eligible borrowers increased. As as result, AHFC grew to be about 25% of the statewide market.

In 1980, both federal and state legislation significantly changed AHFC's programs. With state legislative action income limits on AHFC programs were removed, loan limits were increased, mobile home and rural loan programs were established and the Home Ownership Assistance Program (HOF) was started.

Also, subsidized interest rates were established at 10% on the first $90,000 of a loan (9% for veterans). The legislature appropriated more than $500 million to the Corporation to assist in implementing these changes. In the same year, Congress restricted the use of tax-exempt funds to first-time homebuyers and limited the amount of tax-exempt mortgage revenue bonds which could be sold to $200 million a year.

The net effect was that AHFC's volume surged. By 1981, when all the changes had been implemented, AHFC was purchasing 85% of all mortgage loans made in the state.

Further changes occurred in 1983 when the Alaskan voters adopted the Veterans Mortgage Program. This program allows AHFC to fund loans made to qualifying veterans with tax-exempt bonds.

AHFC has often been on the cutting edge of new financing techniques. In 1981, AHFC was the first public agency to sell taxable bonds. In 1983 AHFC became the third largest issuer of taxable bonds in the U.S. corporate market.

In FY 1983, AHFC adopted the Alaska Building Equity Mortgage (ABE), to take advantage of shorter term, lower interest taxable bonds. An ABE mortgage has a fixed interest rate, but the monthly payment increases by 5% in years four through nine. The increased portion of the monthly payment is applied directly to the outstanding principal balance and the loan is paid off in 16 to 18 years.

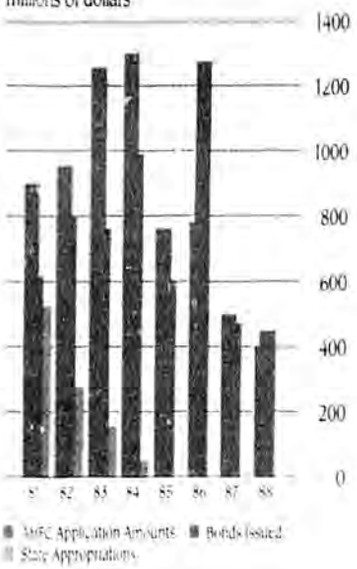
In FY 1984, an agreement was signed with the Federal National Mortgage Association (Fannie Mae) to swap Alaskan mortgages for Mortgage Backed Securities which raised the Corporation's bond rating to AAA on taxable issues. The agreement also eliminated the need for mortgage pool and special hazard insurance. Also, State Guaranteed Veterans Mortgage Bonds were restructured to extend the bond maturity to 30 or 35 years allowing AHFC to take advantage of prepayments by recycling them to make new loans.

During FY 1985 the Corporation became an issuer of Government National Mortgage Association (GNMA) mortgage certificates as a means of securitizing Veterans Administration guaranteed loans.

Due to the overall slowing in the state economy, FY 1986 offered new and different challenges to the Corporation. The price of oil started a dramatic decline in December, 1985, slowing economic activity, and national tax reform dramatically changed the way mortgages could be financed. AHFC responded to these changes by making loans assumable, establishing two refinancing programs and providing lower interest rates.

Also in FY 1986, AHFC loans were approved by the Federal Housing Administration, qualifying AHFC loans for FHA insurances. This program allowed moderate income borrowers who do not have the ability to make large down payments the option of choosing FHA-insured loans when conventional loans do not meet their needs.

State Appropriation, Bonding and Mortgage Levels
millions of dollars



Many of FY 1987 activities centered on responding to Alaska's slowing economy and changing borrower needs.

Internally, AHFC's Special Credits Department expanded as foreclosures and delinquencies increased. Also, AHFC instituted a real estate owned broker program, employing private real estate firms across Alaska to market AHFC foreclosed properties.

Fiscal Year 1988

Much of the FY 1987 activities which were due to the downturn in the state's economy continued in FY 1988.

Home Owners' Assistance Program

The most significant activity in FY 1988 was the implementation of the Home Owners' Assistance Program known as HOAP (pronounced hope). Under this unique and unprecedented program thousands of Alaskan homeowners have the opportunity to make their house payments more affordable and in some instances avoid foreclosure.

By the end of FY 1988, AHFC had purchased 363 HOAP loans and several hundred applications had been approved. It is expected that by the time the program is complete, sometime in FY 1989, some 7,500 borrowers will have taken advantage of the program.

HOAP began as a more formalized workout or forbearance program and grew into the more sophisticated simplified refinance and assistance program. The program was developed in conjunction with companies that have either insured or secured a majority of the 45,000 loans AHFC owns. The Mortgage Guaranty Insurance Corporation (MGIC), the Federal National Mortgage Association (Fannie Mae) and several private mortgage insurance companies embraced HOAP in an effort to make mortgages more affordable and help those Alaskans experiencing temporary financial difficulties. Nowhere else in the nation have so many housing industry companies provided so much cooperation in helping people stay in their homes and in loss mitigation.

Under HOAP, all AHFC borrowers can refinance their loans even if no hardship exists and the property is no longer owner/occupied. Depending on the original loan type and interest rate, the new HOAP loan can eliminate scheduled increases in principal and interest (the Alaska Building Equity feature) and the interest rate may be lower resulting in lower monthly payments.

For AHFC homeowners experiencing a hardship, HOAP could (again depending on the original loan) eliminate the scheduled principal and interest increases, lower the interest rate; provide funds to bring the loan current, if delinquent; and help with monthly payments. Funds used to assist borrowers are limited and must be repaid after two years.

Other Activities

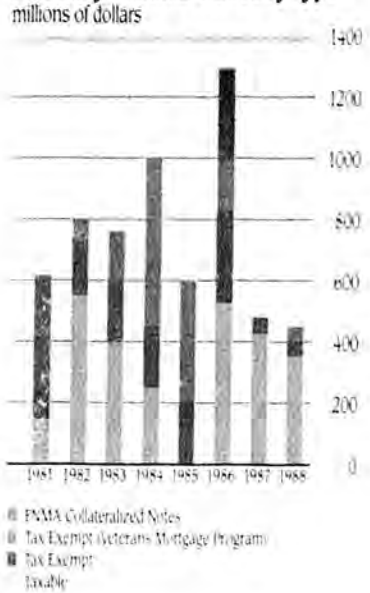
In an effort to continue financing new mortgages in FY 1988, AHFC signed a new contract with the Federal Home Loan Mortgage Corporation (Freddie Mac) for $200 million. This contract helps to continue the availability of new financing for low-cost mortgages for Alaskans. In conjunction with this change, the Corporation has now switched to a 30-year, level payment mortgage, dropping the Alaska Building Equity graduated payment structure. Due to the increasing workload from high delinquencies and foreclosures, AHFC staff expanded in FY 1988. With staff doubling in size AHFC moved its headquarters to a larger office space.

AHFC also focused its efforts on establishing marketing programs for repossessed mobile homes and foreclosed properties. By year's end, many new regulations and management guidelines were in place allowing for bulk sales of mobile homes and more efficient handling of foreclosed properties.

In an effort to help non-AHFC borrowers, the Corporation in FY 1988 expanded its Refinance Program to include refinance of non-AHFC loans. These loans, however, are not subsidized. The interest rate charged to the borrower will be at the Corporation's cost of funds.

Finally, in FY 1988 AHFC began many discussions with other mortgage market participants on efforts to help stabilize the Alaskan housing market. Those discussions are continuing and it is expected those concepts will be turned into programs in FY 1989.

Summary of Bonds Issued by Type
millions of dollars



Fiscal Year 1988 Financing Activities

Continuation of a slow economy and increasing interest rates resulted in a lower level of debt financings in FY 1987 than the Corporation has experienced since its lending programs were expanded in 1980. While financing activity was relatively low for the year, that which did occur was diverse. In addition to each of the basic three first mortgage financing programs (Taxable, Tax-Exempt and Veterans), the Corporation increased the activity in its taxable Euro-Commercial Paper Program financed the purchase of certain loans originated by the State under an urban non-conforming loan program and sold two issues to provide funding for its newly created Home Owners' Assistance Program, or HOAP (pronounced hope).

The Corporation's loan swap programs continued throughout the year with loans acquired from participating originating institutions combined into loan pools. The loan pools are then exchanged for Federal National Mortgage Association Mortgage Backed Securities (Fannie Mae MBSs) or Federal Home Loan Mortgage Corporation Participation Certificates (Freddie Mac PCs) in the case of conventional mortgage loans or used to create certificates insured by the Government National Mortgage Association (GNMA Certificates) for those loans which are insured by the Federal Housing Administration or guaranteed by the Veterans Administration. By using this mortgage loan swap process, the Corporation is able to attain the highest possible ratings on the debt it issues resulting in an overall reduction in its financing costs.

Consistent with global financing trends for U.S. dollar denominated securities, the Corporation issued most of its debt during FY 1988 in the domestic market.

Taxable Mortgage Program Financing

The Corporation sold its single issue for its Taxable Mortgage Program in October, 1987. This transaction combined the issuance of $72,500,000 medium-term notes with maturities of 2 to 9 years, $8,000,000 floating rate notes maturing in 10 years, and $19,500,000 Z-Bonds which resemble a zero coupon security but convert to current interest payments when all of the floating rate notes and medium term notes have been paid off or effectively decreased. Anticipation of mortgage loan prepayments also assisted in scheduling more of the debt into the shorter-term medium-term notes.

The Z-Bonds have the advantages of enhanced call flexibility and deferred debt service, the latter of which increases the principal amounts which can be scheduled into the lower-coupon medium-term notes. The floating rate notes have liberal call terms providing a cushion against the negative effects of excessive mortgage loan prepayments.

A letter of credit in the amount of $20 million was provided by Swiss Bank Corporation which is rated AAA by Standard & Poors and Aaa by Moody's Investor Services. The letter of credit assures bondholders that sufficient funds will be available to meet debt service payments if certain factors, primarily reduced levels of mortgage loan prepayments, cause a temporary inadequacy of cash flow.

While the transaction permits the funding of Fannie Mae MBSs, conventional mortgage loans are expected to be converted to Freddie Mac PCs pursuant to the terms of the Corporation's new agreement with Freddie Mac.

Tax Exempt Mortgage Program Financing

The Corporation sold its Collateralized Home Mortgage Bonds, 1987 Series B in November, 1988 in the amount of $50 million. Proceeds from this series of Bonds will be used to continue funding for the Corporation's Tax Exempt Program for first-time homebuyers. This issue represented a refunding of Collateralized Home Mortgage Bonds, 1986 Series B which was sold in an initial floating rate mode expected to be converted to long-term status when the demand under the program necessitated availability of the funds. Unfortunately, the 1986 issue did not have the necessary flexibility to accommodate 30 year loans converted to Freddie Mac PCs. The refunding mechanism utilized preserved the pre-1986 federal mortgage loan eligibility requirements while allowing the restructuring of the debt.

Borrower and Program Comparison for Fiscal Year 1988

Averages	Taxable Program[2]	HOF Program	Mobile Home Program	Veterans Program	Tax Exempt
Sales Price	126,448	78,582	45,850	115,936	83,863
Loan Amount	112,797	78,990	49,189	108,738	82,622
Ratio–					
Loan to Sales Price	88.28%	98.08%	88.78%	94.42%	96.21%
Interest Rate	9.21%	8.94%	8.61%	8.73%	8.88%
Principal & Interest Payment	926	632	475	855	657
Monthly Income	5,321	2,197	4,090	4,724	2,572
Age-Borrower	39.3	29.4	34.1	39.1	32.0

Program Profile for Fiscal Year 1988

Breakdown by Programs of 2,382 Loans Purchased in FY 1988

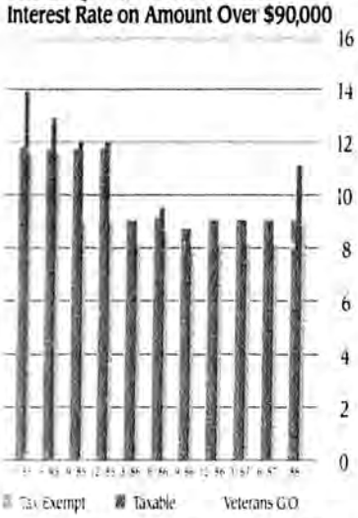
Program	Number of Loans	Percent Total	Dollar Amount (Millions)	Percent Total Dollars
Taxable[2]	1,018	42.7%	110.2	46.2%
Veterans	340	14.3%	37.0	15.5%
Tax-Exempt	645	27.1%	53.3	22.4%
Mobile Home	9	.4%	.4	.2%
Second	7	.3%	.4	.2%
HOAP	363	15.2%	36.9	15.5%
TOTAL	2,382	100.0%	238.2	100.0%

Note: 109 of the loans are Refinanced Loans. 4 of the loans are Pledged Account Mortgages. 48 of the loans are Home Owner's Assistance Program Loans.

[1] Including MGIC Special Financing of 58, $2.7 million and Non-conforming, 13, $.7 million.

[2] Exclusive of MGIC Special Financing and Non-conforming Program.

Interest Rate Trend –
End of Quarter Cost of Funds
Interest Rate on Amount Over $90,000



Interest Rate Comparison – Compares the cost of funds at the end of each quarter for three types of bonds AHFC issued in FY 84, FY 85 and FY 86.

The schedule of serial bonds for the 1987 Series B issue anticipated the receipt of mortgage loan prepayments at an annual level roughly equal to 6% of the portfolio. The anticipation of prepayments enabled more of the principal amount of the issue to be scheduled into the shorter term serial bonds with interest rates substantially below those applicable to the term bonds with longer maturities. To cover the risk to the bondholders that prepayments did not materialize at levels adequate to meet the required debt service, a $10 million letter of credit was obtained from Swiss Bank Corporation. Mortgage loans originated under the program will be converted to Freddie Mac PCs or GNMA Certificates prior to their funding from bond proceeds. This loan swap procedure combined with the letter of credit from Swiss Bank Corporation and other financing criteria resulted in the Bonds achieving ratings of AAA from Standard & Poors and Aaa from Moody's Investor Services.

Veterans Mortgage Program Financing

The sole financing for the Veterans Mortgage Program occurred in March 1988, through a competitive bid process with Dean Witter the successful bidder. The Veterans Mortgage Program is funded through the issuance of tax-exempt bonds, the proceeds of which are restricted to the purchase of mortgage loans made to individuals meeting the federal definition of veteran. Veteran borrowers generally receive a 1% decrease in the interest rate on the first $90,000 of their mortgage loan.

The issuance of Collateralized Bonds 1988 First Series (Veterans Mortgage Program) was in the amount of $50 million. Using "current refunding" rules under the Internal Revenue Code the bonds were not subject to the Alternative Minimum Tax, resulting in a reduced yield. A lack of available authorization under the Corporation's Fannie Mae Pool Purchase Contract which accommodated Alaska Building Equity (ABE) mortgages resulted in the need to call from unused proceeds in excess of $50 million of the Corporation's Collateralized Bonds 1983 First Series. The redemption of the 1985 bonds permitted the "current refunding" status.

The conventional loans originated under the program are expected to be converted to Freddie Mac PCs while VA guaranteed and FHA insured loans will be used to secure GNMA certificates. As a result of the loan swap arrangements and other financing criteria the bonds were rated AAA by Standard & Poors and Aaa by Moodys.

Home Owners' Assistance Program Financings

The Corporation inaugurated its Home Owners' Assistance Program (HOAP) in December, 1987, with the issuance of a $110 million multiple series transaction. The structure combined $43 million of medium-term notes maturing in years 2 through 9, $12 million of floating rate notes, a 15 year term bond with 5 years of call protection, a 30 year term bond callable after 7 years and a $10 million Z-bond which does not pay interest until the rest of the bonds are paid off and which was initially purchased by the Corporation.

Loans supporting this first HOAP financing will have been substantially restructured as to interest rate, maturity, and payments and will generally be subject to mortgage pool insurance policies or a Fannie Mae Pool Purchase Contract.

The issue was insured by Financial Securities Assurance which resulted in the achievement of the highest possible ratings from Standard & Poors Corporation and Moodys Investor Services. The issue permitted the inclusion of loans under the HOAP Part I as well as those refinanced pursuant to the requirements of HOAP Part II.

The second financing for HOAP was sold in April 1988. This issue in the amount of $75 million represented the first transaction of the Corporation structured as a true collateralized mortgage obligation (CMO). CMOs are multi-class pay-through bonds with cash flows generated from a common pledged pool of mortgages linked to the cash flows on the various classes of bonds. With a CMO, revenues beyond that necessary to pay current interest on the bonds are used to retire bonds generally on a sequential basis. The issuer of a CMO usually does not protect the bondholders from excess revenue calls, rather the investor concerned with receiving their principal back too early will buy one of the later classes.

Mortgage Investment, State Appropriation and Financing Levels – All Programs

Year Ending June 30, 1989

	(In Millions)
Loan Commitments – Proposed	$ 890.00
Loan Purchases – Proposed	875.00
State Appropriations	-0-
Bonds – Authorized	1,500.00
– Issued (Estimated)	650.00

Year Ending June 30, 1988	(In Millions)
Loan Commitments – Actual	$ 254.26
Loan Purchases – Actual (Excluding accrued interest)*	238.24
– Estimated previous year	565.00
State Appropriations	-0-
Net transfers representing loan subsidies and/or debt collateralization	101.00
Bonds – Authorized	1,500.00
– Issued	447.00
– Estimated previous year	675.00

*Includes loans modified pursuant to the Home Owners' Assistance Program

The Corporation's CMO issue was unique to the market in that it represented the first such transaction where the issuer did not have the underlying mortgage collateral immediately available. It was also somewhat unusual in that the collateral was to consist of part whole loans and part Fannie Mae MBSs.

As with the first HOAP issue the CMO was insured by Financial Securities Assurance and achieved the highest possible ratings from both Standard & Poors and Moodys Investor Services.

Mortgage Backed Bonds

In September 1987, the Corporation sold $62 million of Mortgage-Backed Bonds. This financing consisted of $22 million of floating rate bonds and $40 million fixed rate securities. The Mortgage-Backed Bond issue was unique to the Corporation in that it represented the first transaction where the mortgage loans to be pledged as security for the bonds were already held in portfolio. The majority of the mortgage collateral consisted of loans purchased from the State of Alaska in 1986. These loans were originated under programs administered by the Housing Assistance Division of Community and Regional Affairs, principally their Urban Non-Conforming Program. In addition to these loans, the Corporation pledged certain mortgage loans originated under its Rural and Rural Non-Owner Occupied Programs.

The Mortgage-Backed Bonds, interest on which is subject to federal income tax, were sold as a private placement through Salomon Brothers Inc to predominantly institutional investors. The bonds were subject to a letter of credit provided by Mitsui Bank, Limited. Ratings were not requested on the Bonds.

Short-Term Financing Facilities

Reverse Repurchase Agreements

The Corporation continued its practice of managing its liquidity position through the sale of a portion of its portfolio of Fannie Mae MBSs and GNMA Certificates under agreements to repurchase the securities on a specific date. This type of financing activity is referred to as a Reverse Repurchase Agreement and is the flip side to a Repurchase Agreement (REPO) investment. Since the Corporation has effectively collateralized its obligation to make payment to the investor with securities of AAA quality, Reverse Repurchase Agreements are among the lowest cost source of short-term funds available.

Since it is generally preferable to fund mortgage securities into the appropriate bond issue as infrequently as possible, the Reverse Repurchase Agreements are a convenient, low-cost method of warehousing the mortgage loans acquired by the Corporation which have been converted to a mortgage-backed security or certificate.

Euro Commercial Paper Program

To supplement its Reverse Repurchase Agreement and short-term financing activities, the Corporation implemented in April 1987, a Euro Commercial Paper (ECP) Program. This Program is used interchangeably with Reverse REPOs and assists in assuring available liquidity for mortgage loan purchases pending their delivery under the appropriate bond issue. Merrill Lynch International & Co. and Swiss Bank Corporation International Ltd. are dealers in the Program which is administered out of their London offices. During FY 1988 the Corporation issued an aggregate of $284 million of Euro Commercial Paper with an average maturity of 3 months and interest rate of 7.40%. Borrowings under the ECP Program represent a general obligation of the Corporation, backed by its full faith and credit. In connection with this Program, certain representations were made concerning the amount of unrestricted assets which the Corporation must maintain.

Euro Revolving Facility Agreement

Simultaneous with the implementation of the ECP Program, the Corporation entered into a Euro Revolving Facility Agreement (the Revolving Facility) with a number of international banking institutions. The Revolving Facility, initially in the amount of $150 million with provisions which permit an increase to $200 million, provides the Corporation with the certainty of access to short-term financing were the ECP Program or access to the Reverse REPO markets to prove unavailable or undesirable. While acting somewhat as a "backstop" facility, it provides for a variety of funding methods which may at times prove attractive to the Corporation. The lead bank in the Revolving Facility is Swiss Bank Corporation, other participating banks are from Japan, France, Italy and England.

Programs

The Alaska Housing Finance Corporation offered thirteen mortgage programs in Fiscal Year 1988 to meet the financing and refinancing needs of Alaskan homebuyers.

AHFC purchased 2,382 loans made in FY 1988 totaling $238.2 million.

Home Owners' Assistance Program

In FY 1988 AHFC implemented the Home Owners' Assistance Program, known as HOAP (pronounced hope). HOAP was designed to make mortgage payments more affordable for AHFC borrowers, as well as offer assistance to eligible homeowners who were experiencing serious, but temporary, financial difficulties.

This program helped borrowers who were either current or late in making their mortgage payments. Specifically, HOAP eliminated the scheduled increases in monthly principal and interest payments resulting in a 30-year mortgage and lowered the interest rate, if possible, resulting in a lower mortgage payment. If a borrower was experiencing a hardship HOAP may have provided advances to bring the loan current and perhaps provided assistance with the monthly mortgage payment for up to two years. Any assistance provided must be repaid by the borrower.

In FY 1988, AHFC purchased 363 HOAP loans.

Taxable Mortgage Program

This program is used by the largest number of Alaskan borrowers. 1,018 in FY 1988 representing 42.7% total loans purchased.

The program is available to all borrowers who cannot qualify for tax-exempt funds which are restricted for use to first-time homebuyers or veterans. Up to $199,850 may be borrowed for a single-family residence or $255,650 for a duplex. If AHFC's interest rate is above 10%, the first $90,000 of the loan is financed at the subsidized rate. The interest rate on any additional loan amount above $90,000 is set at the Corporation's cost of funds.

Tax-Exempt Mortgage Program

In the Mortgage Subsidy Bond Tax Act of 1980, Congress established a program under which individual states could issue tax-exempt bonds and use the proceeds to make loans to first-time homebuyers. Under this program, borrowers must meet criteria established by the federal government to be eligible for the funds, including average area purchase price limits for the residence and not having an ownership interest in a principal residence in the last three years. The limits for FY 1988 were $102,740 for an existing single-family residence and $115,685 for a duplex.

This program was used by 645 homeowners in FY 1988.

Home Ownership Assistance Program

By providing an additional subsidy, the Home Ownership Assistance Program (HOF) reduces the monthly mortgage payment that borrowers pay. Although the mortgage loan is written at the current interest rate, borrowers receive a subsidy. The subsidy is based on their income in an amount that would reduce the monthly payment to 28% of their income or a 6% interest rate loan, whichever is greater. Since an additional subsidy is provided, there are criteria for the program including the amount of total assets based on family size and sales price limits. The limits insure use of the funds by families who could not afford to purchase a home without this assistance.

The HOF Program was used by 48 homeowners in FY 1988.

Federal Housing Administration

Mortgage loans are available with Federal Housing Administration insurance under FHA's 203b, 203b2 and 234c programs.

Down payments and qualifying guidelines are more lenient under this program.

In FY 1988, AHFC purchased 861 loans under this program.

Mobile Home Loan Program

AHFC offers one of the most liberal Mobile Home Loan Programs in the United States with a choice of a 10% down payment with a 20-year loan term or a 5% down payment with a 10-year loan term. The maximum loan amount is $75,000.

Nine borrowers used this the program during FY 1988.

Triplex/Four-Plex Program

A total of 6 Alaskans took advantage of this program during the FY 1988 where an owner-occupant can borrow up to $308,900 for a triplex or up to $384,000 for a four-plex. There is a minimum of 15% down payment. For the Taxable Mortgage Program, the Corporation offers a subsidized interest rate on the first $90,000 of the loan if AHFC's interest rate is above 10%. The interest rate on amounts over $90,000 are at the Corporation's cost of funds.

Pledged Account Mortgage Program

A graduated payment mortgage is available through the Corporation's Pledged Account Mortgage Program (PAM). With a PAM mortgage, the borrower places a portion of the down payment in an interest-bearing savings account which is pledged as additional security.

Money is drawn out of the account each month to pay a portion of the borrower's monthly mortgage payment. Since the borrower is qualifying on a lower first year payment, borrowers can purchase a larger home in anticipation of their income increasing.

A total of 4 families took advantage of the PAM program in FY 1988.

Second Mortgage Program

The Second Mortgage Program is divided into two categories: the Second for Purchase Program and the Second for Home Improvement Program. The Second for Purchase Program was developed to provide a vehicle for borrowers to assume an older first mortgage where allowed, in order to maintain a lower average interest rate. The Second for Home Improvement Program was designed to aid borrowers who wanted to retain their present lower interest rate first mortgage but needed financing to make improvements that would suit their current housing needs.

For the Second Mortgage Program, the total-financing-to-value ratio may not exceed 80%. The Corporation's loan maximums are $99,900 for single-family residences and $127,800 for duplexes.

A total of 7 borrowers used this program in FY 1988.

Veterans Mortgage Program/State Veterans Interest Rate Preference and Federal Veterans Administration Loans

The Veterans Mortgage Program allows AHFC to fund the mortgage loans made to qualifying veterans with tax-exempt bonds.

The savings from the use of tax-exempt funds directly reduces the subsidy costs of operating this below-market mortgage program.

A total of 349 veterans utilized the tax-exempt funds during FY 1988 for mortgage loans. Loans under the program may be for single-family through four-plex residences, with loan limits and down payment requirements the same as under the Taxable Mortgage Program and the Triplex/Four-plex Mortgage program.

The State of Alaska has offered lower interest rate home loan programs for veterans since before statehood and currently offers a one percent lower interest rate on the first $90,000 of a loan.

As a result of new federal restrictions on the Veterans Mortgage Program, many veterans who entered service after January 1, 1977, and who have been out of service for more than 30 years, will find this state program an option in the future. The lower interest rate may be applied to any of the programs of the Corporation except the Veterans Mortgage Program.

Also available to veterans is a loan guarantee by the Federal Veterans Administration which allows for a lower down payment when purchasing a home. This federal loan guarantee program was utilized by 340 veterans during FY 1988. The guarantee may be applied to all of the Corporation's loan programs, except the PAM.

Refinance Program

The Refinance Program allows mortgagors the opportunity to reduce their monthly mortgage payments and make their loans assumable.

There were 109 borrowers who took advantage of the program in FY 1988.

Rental Program

The Rental Loan Program was limited to the refinance of loans already owned by the Corporation that required continued owner/occupancy. The new loan allowed the borrower to rent the property on a long-term basis. The interest rate on the new loan is not subsidized by the state and adjusts every five years to the Corporation's cost of funds.

The Corporation has refinanced 137 loans under this program in FY 1988.

This program was discontinued towards the end of FY 1988.

Non-Conforming Property Program

The Corporation also purchases loans secured by properties for which typical financing cannot be obtained through other private, state, or federal lending programs. Although these properties are structurally sound and marketable, they have non-conforming features such as low ceilings or lack of conventional utilities. Single-family homes, duplexes, and mobile homes on lots are eligible for this program.

During FY 1988 the Corporation purchased 13 loans on non-conforming properties.

Condominium Projects

Prior to purchase of loans secured by units within a condominium or PUD project, AHFC reviews all aspects of a project including the marketability of the units, the amenities offered in the project, and adequacy of the association's budget, among others.

The Corporation maintains an approved list of condo and PUD projects. Each project must submit annually a report, including information on reserve accounts, newly elected officers, and information on owner-occupancy in order to maintain the project's approval.

Mobile Home Parks

AHFC will purchase mobile home loans in mobile home parks that have been approved by the Corporation. The approval process includes inspections, as well as receipt of copies of appropriate health approvals, municipal permits, copies of park rules, and rental agreements. More than 136 parks have been approved and must recertify annually to maintain park approval.

Providing the lowest financing available to Alaskan homebuyers continues to be a major priority for AHFC.

Fiscal Year 1988 Property Sales

Without exception in Fiscal Year 1988 sales of all property types increased. The marketplace in certain segments became increasingly competitive with sales directly related to property condition.

AHFC's policy of selling homes in a market ready condition contributed to increased sales. Time and effort were spent on repairs and renovations to properties which resulted in the sale of a better product, at a higher value and in a shorter period of time. The policy assisted brokers in marketing properties and ultimately resulted in a high level of satisfied purchasers. A very important side effect of this policy was that the repair and renovation process diversely injected substantial funds into the Alaskan economy. These funds paid for wages, materials and services, thus adding positive stimulus to an ailing economy.

Although sales generally increased over 1987 levels, real estate owned inventory continued to significantly increase as foreclosures continued to exceed sales.

REO Inventory by Property Type

At June 30, 1988

	Anchorage Eagle River	Fbx	Mat Su	Kenai	Southeast	Total
SFR	462	433	175	108	56	1,234
Condo	1,302	2	59	0	60	1,423
PUD	100	58	14	1	0	173
Multi-Family	67	9	36	6	7	125
Mobile Home w/ Lot	2	2	5	1	0	10
O-Lot	309	0	6	1	73	389
TOTAL	2,242	504	295	117	196	3,354

SRF: single family residence
PUB: planned unit development

Sales by Property Type for FY 1988

	Anchorage Eagle River	Fbx	Mat Su	Kenai	Southeast	Total
SFR	272	55	101	25	30	483
Condo	101	5	0	1	8	115
PUD	42	3	8	1	0	54
Multi Family	11	4	1	1	5	22
O-Lot	76	3	0	0	22	101
TOTAL	502	70	110	28	65	775

Condominiums

In general, the condominium market continued to experience great difficulty. Sales increased 300% over 1987, but on a relative basis this had little significance or impact. Major efforts were undertaken to develop an overall stabilization program with the intent to reduce inventory, strengthen homeowners associations and improve overall housing quality. The effect of these efforts, if implemented, should be seen in FY 1989.

Mobile Homes

In 1988 mobile home sales significantly increased. Beginning in March 1988, monthly sales began to exceed incoming repossessions. Signs of stabilization appeared in the mobile home market. Values, although continuing to decline, declined at a significantly lesser rate than in 1987.

The increased sales were due in part to AHFC concentrating its efforts on a marketing plan. The units were centrally managed, and aggressively marketed with over 60 AHFC-approved agents selling the inventory.

AHFC also targeted a previously untapped area of using the units for recreational purposes. A model was set up in a highly visible and convenient area in Anchorage for the summer to show prospective recreational users what a little imagination could accomplish with a mobile home. The unit was staffed daily by AHFC-approved mobile home agents.

A sales/storage lot was also opened and resulted in additional sales as well as reducing AHFC's space rent holding costs.

While individual unit sales made up a majority of the sales, bulk sales also contributed to the overall reduction of inventory. Bulk sales were made to mobile home park owners, individuals and mining camps. Many units stayed in the Anchorage area whereas some were moved from the area, which contributed towards stabilizing the market.

In another area, major progress was made on a program to reduce the carrying costs of mobile homes. In addition to reducing its inventory, a storage lot was established and strategies were established for negotiating reduced space rents.

Statewide Inventory of AHFC Owned Mobile Homes for FY 1988

Beginning Inventory	957
Repossessions	646
*Closed Sales	588
Units Destroyed	45
TOTAL	970

*Bulk sales = 20 units

Summary

The growing real estate owned problem will continue into FY 1989. In addition to its repair and restoration policy and aggressive marketing strategies, AHFC will continue to explore opportunities to stabilize property values and reduce foreclosures.

Approved AHFC Seller/Servicers

Alaska Continental Bank
Alaska Federal Savings & Loan
Alaska Statebank
Alaska USA Federal Credit Union
Alliance Bank
AVCP Housing Authority
B. M. Behrends Bank
Centrust Mortgage Corporation
City Mortgage Corporation
Columbia Mortgage Corporation
Commonwealth Western Mortgage Corporation
Denali Federal Credit Union
Denali State Bank
FedAlaska Federal Credit Union
Fireman's Fund Mortgage Corporation
First Bank
First Federal Bank-City
First Federal Bank of Alaska
First Federal DVA Only
First Guaranty Mortgage Company of Alaska
First National Bank of Anchorage
First National Bank of Fairbanks
Frontier Alaska State Credit Union
G.M.A.C. Mortgage Corporation of PA
Goldome Realty Credit Corporation
Home Savings & Loan
Intercontinental Mortgage Corporation
Interior Regional Housing Authority
Key Pacific Mortgage Corporation
Kodiak Island Housing Authority
Mortgage Company of Alaska
Mount McKinley Mutual Savings
NANA Regional Housing Authority
National Bank of Alaska
Rainier Bank Alaska, N.A.
Seafirst Mortgage Corporation
Tlingit-Haida Regional Housing Authority
Washington Mortgage Company, Inc.
Western Mortgage Loan Corporation

Independent Auditors' Report

The Board of Directors
Alaska Housing Finance Corporation:

We have audited the combined balance sheets of Alaska Housing Finance Corporation as of June 30, 1988 and 1987, and the related combined statements of revenues, expenses, retained earnings, and combined changes in financial position for the years then ended. These combined financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Alaska Housing Finance Corporation at June 30, 1988 and 1987, and the results of its operations and its changes in financial position for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information (Schedules 1 through 27) are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operation, and changes in the financial position of the individual Funds. The combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the combined financial statements taken as a whole.

October 11, 1988

Peat Marwick Main & Co.

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ALASKA HOUSING FINANCE CORPORATION

Exhibit A

Combined Balance Sheets

	June 30	
	1988	1987
	(in thousands)	
Assets		
Cash	$ 5,304	10,056
Investments	1,528,154	1,256,983
Securities purchased from other funds under agreements to resell	6,000	-
Mortgage loans and mortgage backed securities, net of discounts and allowances for loan losses	3,671,840	3,958,578
Mobile home loans, net of allowance for loan losses	73,958	100,819
Accrued interest receivable	55,308	54,413
Claims receivable	80,198	28,920
Due from other funds	158,029	113,122
Real estate owned	221,327	146,840
Mobile homes owned	10,500	18,306
Other assets	29,587	20,732
	$ 5,840,205	5,708,769
Liabilities and Fund Equity		
Liabilities:		
Bonds and notes payable, net of discounts:		
Mortgage bonds and notes	$ 4,009,699	3,991,067
Notes payable to State of Alaska	-	10,894
Commercial paper	69,257	4,973
Securities sold to other funds under agreements to repurchase	6,000	-
Accrued interest payable	57,490	51,578
Insurance fund reserve for loan losses	11,738	5,585
Due to other funds	158,029	113,122
Accrued expenses and other liabilities	19,456	10,414
Total liabilities	4,331,669	4,187,633
Fund Equity:		
Contributed capital:		
Security for outstanding obligations	829,740	728,742
Legislative appropriations not subject to pledge	204,131	305,129
Total contributed capital	1,033,871	1,033,871
Retained earnings:		
Designated as security for outstanding obligations or other purposes allowed within the respective fund	407,769	421,125
Undesignated	66,896	66,140
Total retained earnings	474,665	487,265
Total fund equity	1,508,536	1,521,136
Commitments		
	$ 5,840,205	5,708,769

See accompanying notes to combined financial statements.

Combined Statements of Revenues, Expenses, and Retained Earnings

	Year Ended June 30	
	1988	1987
	(in thousands)	
Revenues:		
Interest income:		
Mortgages and loans	$353,922	397,421
Investments	117,918	135,925
	471,840	533,346
Loan fees and other	25,206	21,179
Total revenues	497,046	554,525
Expenses:		
Interest	402,050	460,062
Mortgage service fees	14,052	14,975
General and administrative	6,105	3,805
Trustee fees, insurance and financing costs	13,850	16,053
Mortgage payment assistance subsidies	2,101	3,234
Provision for loan losses	36,620	12,528
Insurance fund losses	9,506	6,272
Write-down and net operating expenses associated with real estate and mobile homes owned	25,362	8,534
Total expenses	509,646	525,463
Net income (loss) before extraordinary item	(12,600)	29,062
Extraordinary item – loss on early extinguishment of debt	–	(8,134)
Net income (loss)	(12,600)	20,928
Retained earnings at beginning of year	487,265	466,337
Retained earnings at end of year	$474,665	487,265

See accompanying notes to combined financial statements.

ALASKA HOUSING FINANCE CORPORATION

Exhibit C

Combined Statements of Changes in Financial Position

	Year Ended June 30	
	1988	1987
	(in thousands)	
Sources of financial resources:		
Operations:		
Net income (loss) before extraordinary item	$ (12,600)	29,062
Extraordinary item – loss on early extinguishment of debt	–	(8,134)
Net income (loss)	(12,600)	20,928
Items which do not use (provide) cash:		
Net amortization of discounts, premiums and bond issuance costs	16,795	21,043
Depreciation	80	80
Increase in accrued interest receivable	(895)	(1,174)
Increase in claims receivable	(51,278)	(28,920)
Increase in accrued interest payable	5,912	6,028
Net increase in accrued expenses and other assets	(6,408)	(2,299)
Net increase for allowance for loan losses and write-down of real estate and mobile homes owned	54,691	18,213
Financial resources provided by operations	6,297	33,899
Loan principal repayments	448,448	809,817
Increase (decrease) in commercial paper and securities sold to other funds under agreements to repurchase	70,284	(202,573)
Net proceeds from sale of mortgage bonds	435,468	480,118
Decrease in cash	4,752	–
Total sources of financial resources	$965,249	1,121,261
Uses of financial resources:		
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	277,171	(774,424)
Acquisition of loans	249,890	733,004
Payment of mortgage bonds and notes	427,117	1,149,338
Purchase of office equipment and improvements	177	131
Payment of State of Alaska notes	10,894	12,141
Increase in cash	–	1,071
Total uses of financial resources	$965,249	1,121,261

See accompanying notes to combined financial statements.

Notes to Combined Financial Statements
June 30, 1988 and 1987

1. Authorizing Legislation and Funds

The Alaska Housing Finance Corporation (Corporation) was created in 1971 by an act of the State of Alaska Legislature (Legislature). The Corporation was established to assist in the financing, development and sale of dwelling units within Alaska. Generally, the Corporation accomplishes its objectives by functioning as a secondary market for qualified real estate and mobile home loans originated by financial institutions. In addition, the Corporation has special programs which are specifically designed to meet the housing needs of low and moderate income borrowers.

The Corporation is authorized, as approved by the Legislature, to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. Certain bonds issued to finance residences for qualified veterans are guaranteed by the full faith and credit of the State of Alaska. All other obligations so issued shall not be deemed to constitute a debt of the State.

2. Summary of Significant Accounting Policies

Fund Accounting

The financial activities of the Corporation, which are restricted by the Corporation's Bond Resolutions and requirements from the Legislature, are recorded in various specific purpose funds and accounts as specified in such instruments or necessitated by appropriation requirements. Financial activities and resulting account balances which are not so restricted are recorded in the Corporation's Operating Fund. The Corporation's funds are considered to be enterprise funds for financial reporting purposes with revenues recognized when earned and expenses when incurred.

Investments

Investments purchased for long-term purposes and investments of a short-term nature are stated at cost, as adjusted for amortization of premium and accretion of discount. Gains or losses from the sale of investments are recognized upon realization. All investments are generally expected to be held to maturity and, therefore, fully realized.

Loans

Loans are carried at their unpaid principal balances, less net unamortized discount. Mortgage loans and mortgage backed securities (MBS) include Federal National Mortgage Association and Government National Mortgage Association and Federal Home Loan Mortgage Corporation mortgage backed securities of $1,353,732,000 and $1,328,011,000 at June 30, 1988 and 1987, respectively. The Corporation had agreements to repurchase individual mortgages if they become 90 days past due which secure approximately $539,000,000 of the MBSs at June 30, 1988 and $367,000,000 at June 30, 1987.

Real Estate Owned

Real estate and mobile homes owned consist principally of properties acquired through foreclosure and are carried at the lower of cost or estimated net realizable value. At the time the property is acquired, if the estimated net realizable value is less than the amounts outstanding on the loan, any difference is charged against the allowance for loan losses. Subsequent declines, if any, in estimated net realizable value are charged to expense. Upon final disposition of the property, resulting gains or losses are charged to operations in the current period. In determining the net realizable value of the property, the Corporation considers coverages available under mortgage and credit insurance and loan guarantees.

Allowance for Loan Losses

The Corporation maintains an allowance for potential loan losses. The level of this allowance is periodically reviewed by management, based upon an evaluation of the loan portfolio. The allowance is increased, as necessary, by a provision for loan losses and charged to expenses in the period that the loss exposure becomes known. Management believes that no significant losses in addition to those provided in the allowance for loan losses will occur due to the coverage provided by private mortgage or credit insurance, the Corporation's insurance funds, or various loan guarantee programs.

Reserve for Loan Losses

The Corporation maintains a reserve for loan losses in the insurance funds. The level of this reserve is periodically reviewed by management based upon an evaluation of the loan portfolio in the insured funds. The reserve is increased, as necessary, by a charge to expenses in the period the loss exposure becomes known.

Amortization and Depreciation

Mortgage discounts are amortized over the lives of the related mortgages on a method which approximates yield. The net unamortized discount on mortgages outstanding at June 30, 1988 and 1987 was approximately $374,000, and $373,000, respectively.

Discount and issuance expenses on debt are deferred and amortized on a method which approximates yield over the terms of the related issue.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives are 5 to 20 years. Accumulated depreciation at June 30, 1988 and 1987 was approximately $414,000 and $423,000, respectively.

Notes to Combined Financial Statements

Accrued Interest Receivable on Loans and Properties
Interest is accrued based upon the principal amount outstanding. Accrual of interest income is discontinued on loans when, in the opinion of management, collection of such interest income becomes doubtful. When payment of interest is provided for pursuant to the terms of mortgage and loan insurance or guarantees, accrual of interest on delinquent loans and real estate owned is continued.

Commitment Fees
Loan commitment fees are recognized as revenue upon issuance of each specific mortgage commitment contract.

Pension Plan
Substantially all full-time employees of the Corporation participate in the State of Alaska Public Employees' Retirement System. The State's policy is to fund pension costs accrued.

Legislative Appropriations Not Subject to Pledge
Legislative appropriations consist of that portion of capital contributions from the State of Alaska which is not pledged as security for outstanding obligations and are composed of the following (in thousands of dollars):

	June 30	
	1988	1987
General Account of Revolving Fund	**$ 88,992**	$189,990
Home Ownership Fund	**103,381**	103,381
Combined Insurance Fund	**11,758**	11,758
	$204,131	$305,129

3. Investments

A summary of investments at June 30, 1988 and 1987 follows (in thousands of dollars):

	June 30	
	1988	1987
U.S. Treasury securities	**$ 129,382**	$ 143,161
Securities of U.S. Government agencies and corporations	**166,975**	100,230
Mortgage backed securities (purchased on open market)	**179,252**	199,570
Certificates of deposit	**460,159**	241,430
Investment agreements	**223,744**	384,495
Commercial paper	**265,267**	17,287
Repurchase agreements	**84,092**	84,450
Money market funds	**19,283**	86,360
	$1,528,154	$1,256,983

At June 30, 1988, the Corporation held investments with maturities in excess of one year with a book value of $296,658,000 and a market value of approximately $310,766,000. These investments consisted of direct obligations of the United States, direct obligations of federal agencies, and bank investment securities.

Included in the General Account of the Revolving Fund is an investment in the net amount of $7,000,000 in debt securities of the Corporation which may not be pledged, sold, assigned, or otherwise transferred without the written consent of a stock insurance company unless provided otherwise in the indenture.

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Notes to Combined Financial Statements

4. Allowance for Loan Losses and Insurance Fund Reserve for Loan Losses

A summary of the combined activity in the allowance for loan losses and the Insurance Fund reserve for loan losses follows (in thousands of dollars):

	Allowance for Loan Losses	Insurance Funds Reserve for Loan Losses	Combined
Balance July 1, 1986	$18,450	-	18,450
Provision	12,528	6,272	18,800
Net Loans Charged Off	13,453	687	14,140
Balance June 30, 1987	$17,525	5,585	23,110
Provision	36,620	9,506	46,126
Net Loans Charged Off	12,942	3,353	16,295
Balance June 30, 1988	$41,203	11,738	52,941

Management believes that the allowance is currently adequate to absorb known and inherent risks in the loan portfolio after consideration of the various insurance and guarantee programs in effect.

In connection with the establishment of various lending programs, the State Mortgage Insurance Fund, Rural Housing Hazard Insurance Fund, Rural Housing Title Insurance Funds and Rental Account of the Housing Mortgage Insurance Fund were created for the exclusive purpose of insuring the acquired mortgages and the Corporation's interest in the related property. The activity in the Reserve for Loan Losses for these Funds is reflected above.

5. Mortgage Bonds and Notes Payable

With the exception of the State Guaranteed Bonds, the Corporation's obligations are not a debt of the State and the State is not directly liable thereon. The State Guaranteed Bonds are backed by the full faith and credit of the State. Bonds outstanding at June 30, 1988 and 1987 are as follows (in thousands of dollars):

	Original Amount	June 30 1988	1987
Housing Mortgage Bonds:			
1972 Series A, 5.4% to 5.8%, due 1988-2002	$ 13,500	**9,510**	9,905
1973 Series A, 5.5% to 5.75%, due 1988-2002	13,000	**9,205**	9,590
1973 Series B, 5.8% to 7%, due 1988-2003	36,000	**26,845**	27,820
1975 Series A, 7% to 8.75%, due 1988-2005	35,000	**28,370**	29,175
1975 Series B, 7.3% to 7.75%, due 1988-2005	12,000	**9,730**	10,000
Total Housing Mortgage Bonds at par	109,500	**83,660**	86,490
Unamortized discount		**(156)**	(172)
Net Housing Mortgage Bonds		**83,504**	86,318

Notes to Combined Financial Statements

	Original Amount	June 30 1988	1987
Insured Mortgage Bonds:			
1975 First Series, 7.9% to 9%, due 1988-2005	5,000	**4,280**	4,375
1976 First Series, 7% to 7.5%, due 1988-2006	20,000	**17,250**	17,630
1976 Second Series, 6.8% to 7.125%, due 1988-2006	25,000	**21,725**	22,155
1977 First Series, 5.8% to 6.625% due 1988-2007	35,000	**29,025**	29,740
1977 Second Series, 5.6% to 6.5%, due 1988-2007	48,000	**40,030**	41,050
1977 Third Series, 5.3% to 6.125% due 1988-2007	40,000	**32,825**	33,775
1978 First Series, 5.5% to 6.375%, due 1988-2007	47,225	**40,750**	41,650
1978 Second Series, 6.3% to 7.5%, due 1988-2007	55,000	**47,850**	48,815
1978 Third Series, 6.1% to 7.125% due 1988-2008	44,000	**38,700**	39,490
1979 First Series, 6.25% to 7.3%, due 1988-2008	60,000	**53,750**	54,750
1979 Second Series, 6.05% to 7.125%, due 1988-20[illegible]	105,000	**93,000**	94,800
1980 First Series, 7.45% to 8.75%, due 1988-2009	39,400	**36,545**	37,055
1980 Second Series, 7% to 9.2%, due 1988-2010	230,000	**213,030**	215,910
1980 Third Series, 9% to 11%, due 1988-2009	230,000	**146,950**	175,675
Total Insured Mortgage Bonds at par	983,625	**815,710**	856,870
Unamortized discount		**(12,743)**	(14,343)
Net Insured Mortgage Bonds		**802,967**	842,527
Insured Rural Mortgage Bonds:			
1979 First Series, 7.5% , issued without discount to the State	5,600	-	2,592
1980 First Series, 7.5%, issued without discount to the State	4,400	-	2,643
Total Insured Rural Mortgage Bonds	10,000	-	5,235
State Assisted Mortgage Bond:			
Series A, 16.25%, due 1993-1999	150,000	**60,000**	60,000
Series D, 17.75%, and Series E, 18.375%, due 1988-1991	150,000	**30,837**	41,114
Series F, 15.25%, due 1992	225,000	**3,080**	22,402
Series H, 11.75%, due 1992	50,000	**16,903**	20,657
Series I, 11.5%, due 1991-1993	50,000	**24,719**	28,486
Series J, 11.375%, due 1991-1993	50,000	**24,255**	28,383
Series K, 10.75%, due 1988-1993	75,000	**39,984**	45,168
Series L, 11.5%, due 1988-1993	75,000	**31,842**	37,744
Series M, 12.875%, due 1988-1993	75,000	**23,326**	28,285
Series N, 12.3%, due 1988-1993	75,000	**29,907**	34,798
Series O, 12.3%, due 1989-1997	50,000	**50,000**	50,000
Series P, 10%, due 1989-1998	50,000	**50,000**	50,000
Series Q, 8.25%, due 1989-1998	50,000	**47,000**	50,000
Total State Assisted Mortgage Bonds at par	1,125,000	**431,853**	497,037
Unamortized discount		**(4,393)**	(5,569)
Net State Assisted Mortgage Bonds		**427,460**	491,468

Notes to Combined Financial Statements

	Original Amount	June 30 1988	1987
Home Mortgage Bonds:			
1981 First Series, 11.2% to 12.75%, due 1988-2001	100,000	**43,845**	51,930
1981 Second Series, 11.5% to 13.375%, due 1988-2012	100,000	**61,835**	69,720
1982 First Series, 9.5% to 11.865%, due 1988-2001	85,000	**49,095**	53,606
1982 Second Series, 8.75% to 10.848%, due 1988-2000	100,000	**66,551**	71,054
1983 First Series, 7.75% to 10.5%, due 1988-2001	75,000	**54,075**	57,060
1983 Second Series, 7.5% to 10.63%, due 1988-2010	125,000	**96,094**	104,684
Collateralized 1984 Series A, 10.5% to 10.625%, due 2003-2019	75,000	**57,105**	65,865
Collateralized 1985 Series B, 8.875%, due 2004-2021	102,445	**68,475**	75,515
Collateralized 1986 Series A, 8.375%, due 2000-2016	50,000	**50,000**	50,000
Collateralized 1986 Series B, Floating Rate, due 2000-2016	50,000	**-**	50,000
Collateralized 1987 Series A, Floating Rate, due 1997-2003	67,000	**67,000**	67,000
Collateralized 1987 Series B, 6.25% to 8.75%, due 2016	50,000	**50,000**	-
Total Home Mortgage Bonds at par	979,445	**664,075**	716,434
Unamortized premium		**8,333**	2,844
Net Home Mortgage Bonds		**672,408**	719,278
State Guaranteed Bonds:			
1983 First Series, 6.50% to 9%, due 1988-2002	50,000	**35,200**	37,900
1983 Second Series, 6.7% to 8.25%, due 1988-2001	125,000	**88,815**	97,395
1983 Third Series, 7.25% to 9.25%, due 1988-2001	75,000	**54,780**	60,320
1983 Fourth Series, 7.75% to 10%, due 1988-2001	100,000	**59,315**	66,305
1983 Fifth Series, 7.4% to 9.75%, due 1988-2001	50,000	**33,615**	36,595
1983 Sixth Series, 7.8% to 10%, due 1988-2001	75,000	**51,225**	56,180
1984 First Series, 7.25% to 9.88%, due 1988-2014	130,000	**95,415**	105,470
1984 Second Series, 8.5% to 11.88%, due 1988-2014	100,000	**49,220**	56,505
Collateralized 1984 First Series, 9.50% to 10.25%, due 1996-2015	100,000	**68,865**	81,340
Collateralized 1984 Second Series, 10% to 10.125%, due 2003-2019	302,500	**71,675**	79,490
Collateralized 1985 First Series, 8.5% to 9.875%, due 2004-2020	150,000	**100,000**	150,000
Collateralized Bonds 1988 First Series, 5.5% to 8.10%, due 1991-2020	50,000	**50,000**	-
Total State Guaranteed Bonds at par	1,307,500	**758,125**	827,500
Unamortized discount		**(13,772)**	(15,203)
Net State Guaranteed Bonds		**744,353**	812,297

Notes to Combined Financial Statements

	Original Amount	June 30 1988	1987
Medium Term Notes and Secured Bonds:			
Secured Bonds, 1986 Series A, 8.25%, due 1989-2001	100,000	**100,000**	100,000
Medium Term Notes, Series 1986-1, 7.70% to 9.25%, due 1988-1996 and Secured Bonds, 1986 Series B, 9.30%, due 1996-2001	125,000	**117,786**	125,000
Medium Term Notes, Series 1986-2, 7.95% to 9.20%, due 1988-1996 and Secured Bonds, 1986 Series C, 9.25%, due 1996-2001	125,000	**116,800**	125,000
Medium Term Notes, Series 1986-3, 6.40% to 7.918%, due 1988-1996 and Secured Bonds, 1986 Series D, 8.625%, due 1996-2001	125,000	**125,000**	125,000
Medium Term Notes, Series 1986-4, 6.50% to 8.35%, due 1988-1996 and Secured Bonds, 1986 Series E, 8.75%, due 1996-2001	125,000	**125,000**	125,000
Total Medium Term Notes and Secured Bonds	600,000	**584,586**	600,000
Unamortized discount		**(2,090)**	(3,625)
Net Medium Term Notes and Secured Bonds		**582,496**	596,375
Floating Rate Notes:			
Variable interest rates (8.795% at June 30, 1988) due 1988-2001	125,000	**119,000**	125,000
Unamortized discount		**(39)**	(46)
Net Floating Rate Notes		**118,961**	124,954
Mortgage-Backed Bonds:			
Series 1987-1, 9.7%, due 1994; Floating Rate Mortgage-Backed Bonds, Series 1987-1, due 1992, 8.3% at June 30, 1988	62,000	**62,000**	-
Medium Term Notes, Series 1987-1, 8.5% to 9.8%, due 1989-1996; Z Bonds, Series 1987-1, 9% due 1989-1996; Floating Rate Notes, Series 1987-1, due 1989-1996, 7.8625% at June 30, 1988	100,000	**100,000**	-
Unamortized discount		**(2,833)**	-
		97,167	-
Residential Mortgage Bonds:			
Series A, 8.73%, due 1988-1991	25,000	**20,000**	25,000
Series B, 8.60%, due 1988-1991	25,000	**25,000**	25,000
Series C, 7.88%, due 1989-1992	15,000	**15,000**	15,000
Total Residential Mortgage Bonds	65,000	**60,000**	65,000

Notes to Combined Financial Statements

	Original Amount	June 30 1988	1987
Fairbanks North Star Borough Residential Mortgage Bonds:			
Series 1982, 10.75% to 12.75%, due 1988-2002	35,000	**15,685**	19,305
Unamortized discount		**(89)**	(167)
Net Fairbanks North Star Borough Residential Mortgage Bonds		**15,596**	19,138
Alaska Housing Finance Corporation Overseas Finance N.V. Guaranteed Bonds:			
Series E-1, 11.75%, due 1988-1994	100,000	**61,395**	77,073
Unamortized discount		**(834)**	(1,202)
Net Alaska Housing Finance Corporation Overseas Finance N.V. Guaranteed Bonds		**60,561**	75,871
Home Owners Assistance Program (HOAP):			
Medium Term Notes, Series 1988-1, 8.55% to 9.80%, due 1990-1997; Secured Bonds, Series F, 10.30%, due 2003; Secured Bonds, Series G, 10.55%, due 2018; Z Bonds, Series 1988-1, 9.00%, due 2018; and Floating Rate Notes, Series 1988-1, due 2018, 7.875% at June 30 1988	110,000	**110,000**	-
Collateralized Mortgage Obligations, Series 1988-1, 8.5% to 9.00%, due 2000-2006	75,000	**75,000**	-
Total Home Owners Assistance Program	185,000	**185,000**	-
Unamortized discount		**(6,096)**	-
Net Home Owners Assistance Program		**178,904**	-
Federal National Mortgage Association (FNMA) Notes:			
Collateral Note, 1985 First Series, 13.61%, due 1988-2000	50,000	**13,922**	21,406
Collateral Note, 1985 Second Series, 13.94%, due 1988-2000	50,000	**8,041**	16,971
Collateral Note, 1985 Third Series, 13.54%, due 1988-2000	75,000	**28,862**	42,432
Collateral Note, 1985 Fourth Series, 12.79%, due 1988-2000	75,000	**34,651**	47,945
Collateral Note, 1985 Fifth Series, 11.93%, due 1988-2000	50,000	**23,386**	29,567
Total Collateral Notes at par	300,000	**108,862**	158,321
Unamortized discount		**(5,540)**	(5,715)
Net Collateral Notes		**103,322**	152,606
	$6,087,070	**4,009,699**	3,991,067

Notes to Combined Financial Statements

The bonds and notes are secured, as described in the applicable agreements, by the revenues, moneys, investments, mortgage loans and other assets in the funds and accounts established by the respective security agreements. A substantial portion of the assets of the Corporation are pledged to the outstanding obligations of the Corporation. Additionally, a Special Pledged Fund (approximately $8,633,000 at June 30, 1988, and $9,166,000 at June 30, 1987) consisting of permitted investments and cash held by the State Commissioner of Revenue is available and pledged to the Housing Mortgage Program Bonds in addition to the assets held in the Housing Mortgage Bond Fund. This Special Pledged Fund is not reflected in the accompanying combined financial statements.

The bonds are generally subject to certain early redemption provisions, both mandatory and at the option of the Corporation.

The minimum principal payments, including sinking fund principal payments related to all bond and note indebtedness in the immediately preceding schedule (except FNMA Notes), for the five years subsequent to June 30, 1988 and thereafter, are as follows (in thousands of dollars):

Year Ending June 30	Amount
1989	$ 123,572
1990	153,424
1991	188,570
1992	197,598
1993	318,329
Thereafter	2,959,596
	$3,941,089

FNMA Notes are held by FNMA and are secured by FNMA Mortgage Backed Securities (MBSs). The related security agreement was modified May 19, 1988, requiring computation of the Required Collateral Amount, as defined in the amendment to the agreement on a semi-annual basis beginning June 1, 1988. The effect of the amendment is to prevent the release of collateral unless the Required Collateral Amount would remain available. The Amendment effectively terminates on May 18, 1995. Principal reductions are required monthly on these notes in an amount approximately equal to the revenues related to the mortgages underlying the MBSs, less interest on the FNMA notes.

For certain bond issues, the Corporation has entered into credit arrangements with various financial institutions to provide funds necessary in connection with amounts required for debt service or unpaid bond principal. Varying commitment fees are required, generally ¼ to ½ of 1% per annum of the aggregate liability or commitment amount.

The $35,000,000 Fairbanks North Star Borough Residential Mortgage Bond Program is administered by the Corporation, and the bonds are secured in substantially the same manner as bonds issued by the Corporation except that they are not secured by the faith and credit of the Corporation; they are a special obligation of the Fairbanks North Star Borough. Upon retirement of these bonds, all assets remaining in the program revert to the Corporation.

In connection with the issuance of the $125,000,000 Floating Rate Notes (Notes) the Corporation entered into certain interest rate swap agreements. The terms of the agreements provide that other parties will pay to the Corporation an amount equal to the interest due on the Notes based upon their floating rate. In return, the Corporation will pay to those parties an amount equal to 8.795% of the outstanding principal balance of the Notes.

Financial covenants of the Home Owners Assistance Program (HOAP) bonds include maintaining a minimum fund equity, as defined in the agreement, of the greater of $150,000,000 or 4% of total debt outstanding of the Corporation. At June 30, 1988 the greater figure amounted to $163,000,000 and fund equity, as defined in the agreement, amounted to $460,000,000.

In addition, a Liquid Fund Equity amount, as defined in the agreement, of at least 2%, ($82,000,000 at June 30, 1988) of the total debt outstanding of the Corporation, must be maintained. The Liquid Fund Equity amount amounted to $133,400,000 at June 30, 1988.

6. Notes Payable to State of Alaska

Notes payable to the State of Alaska at June 30, 1987 consisted of a $10,894,000 notes payable, which originally required principal installments equal to 10% of the principal reduction on certain bonds, and interest equal to the interest received on the security; secured by investments held in the Special Capital Reserve Fund and relating to certain Insured Mortgage Bonds. The notes plus accrued interest were paid in full on November 3, 1987.

Notes to Combined Financial Statements

7. Insurance Agreements

The Corporation has obtained private mortgage, credit insurance or guarantees on certain mortgages and loans which protect the Corporation to varying degrees against losses arising from the disposition of the related collateral obtained through foreclosure and the costs of obtaining title to, maintenance and liquidation of the collateral. The Corporation is contingently liable in the event the insurance companies or the guarantors are unable to meet their obligations under these agreements.

8. Commitments

At June 30, 1988 the Corporation had outstanding commitments to purchase first mortgage loans of approximately $65,471,000. First mortgage loan purchases totaled $200,737,000 and $664,536,000 for the years ended June 30, 1988 and 1987, respectively.

9. Unused Letters of Credit and Other Credit Arrangements

The Corporation had unused letters of credit and similar credit enhancement agreements in the total amount of $551,806,000 at June 30, 1988 in connection with amounts required for debt service or unpaid bond principal for certain bond issues.

In addition, the Corporation has entered into a revolving facility agreement with certain international banking institutions to make available funds in the maximum amount of $150,000,000. At June 30, 1988, the facility was unused.

Certain debt obligations of the Home Owners Assistance Program (HOAP) are secured by a surety bond. This agreement unconditionally and irrevocably guarantees scheduled payments of principal and interest on the notes and bonds, any required payment by the Corporation of additional amounts on the floating rate notes, and payment of principal of the floating rate notes pursuant to the redemption at the option of the holder.

Certain letter of credit agreements contain covenants restricting amendment of terms; redemption of bonds or notes, except as defined under the agreements; setting the minimum combined fund equity of the Corporation, as defined in the agreement; and minimum Debt Service Reserve Fund balances.

Under the terms of the revolving facility agreement, the Corporation must maintain fund equity, as defined in the agreement, at a minimum of $150,000,000. At June 30, 1988 and 1987, such fund equity, as defined in the agreement, amounted to $460,000,000 and $541,000,000, respectively.

10. Loss on Early Extinguishment of Debt

During the year ended June 30, 1988 the Corporation redeemed at par from amounts originally intended for the acquisition of mortgage securities $50,000,000 Collateralized Bonds, 1985 First Series, and $50,000,000 Collateralized Home Mortgage Bonds, 1986 Series B.

During the year ended June 30, 1987 the Corporation redeemed from amounts originally intended for the acquisition of mortgage securities $218,280,000 Collateralized State Guaranteed Bonds, 1984 Second Series, and $26,930,000 Collateralized Home Mortgage Bonds, 1985 Series B. These redemptions resulted in an extraordinary loss of $8,134,000 representing an adjustment to the related unamortized bond discount and cost of issuance. This adjustment has been reflected in income for the year ended June 30, 1987.

The Corporation has also redeemed during the years ended June 30, 1988 and 1987 $197,022,000 and $687,020,000, respectively, of debt pursuant to provisions of the related agreements which permit surplus revenues, which result primarily from mortgage loan prepayments, to be used to retire the obligations at par. The accelerated amortization of related discounts and costs of issuance resulting from the surplus revenue redemptions are included in expense.

11. Legislation

Legislation authorizing the Corporation's further involvement in efforts to stabilize the housing market through programs to acquire and remove substandard public housing and to participate in a housing stabilization program was enacted at the 1988 legislative session. The legislation expressly authorizes the Corporation to (i) arrange for conveyances by borrowers of residential housing securing a mortgage loan financed by the Corporation for other residential housing owned by the Corporation, (ii) arrange for exchanges of ownership interests in condominium units ineligible for financing by the Corporation to units owned by the Corporation, (iii) demolish certain substandard residential housing owned by the Corporation, (iv) convert residential housing owned by the Corporation to other beneficial uses and (v) provide financing to promote the sale of residential housing owned by the Corporation so long as such financing does not confer a hardship on competing sellers of residential housing. The legislation also established a Stabilization Fund to permit grants by the Corporation to fund the cost of demolishing residential housing and stated a legislative intent that the Corporation transfer $2.7 million from its unrestricted fund to that Stabilization Fund for the purpose of funding a grant to a State agency to cover costs of demolishing State owned residential housing.

ALASKA HOUSING FINANCE CORPORATION

Schedule 1

Combining Balance Sheet – All Funds

June 30, 1988 (In Thousands)

	Corporation Operating	Revolving Fund: General Account	Revolving Fund: Home Ownership Fund	Revolving Fund: Combined Insurance Fund
Assets				
Cash	$ 678	390	135	-
Investments	14,270	88,295	19,429	33,536
Securities purchased from other funds under agreements to resell	-	6,000	-	-
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	4,539	266,211	197	-
Mobile home loans, net of allowance for loan loss	3,121	23,613	47,224	-
Accrued interest receivable	74	3,268	566	143
Claims receivable	22,224	499	-	-
Due from other funds	59,469	78,748	5,014	-
Real estate owned	113	8,222	172	-
Mobile homes owned	676	2,158	7,666	-
Other assets	3,435	3,984	-	-
	$ 108,599	481,388	80,403	33,679
Liabilities and Fund Equity				
Liabilities:				
Bonds and notes payable, net of discounts:				
Mortgage bonds and notes	$ -	-	-	-
Commercial paper	-	69,257	-	-
Securities sold to other funds under agreements to repurchase	-	-	-	-
Accrued interest payable	-	-	-	-
Insurance fund reserve for loan losses	-	-	-	11,738
Due to other funds	41,703	14,352	5,796	7,825
Accrued expenses and other liabilities	-	4,911	795	-
Total liabilities	41,703	88,520	6,591	19,563
Fund equity:				
Contributed capital:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	-	189,990	103,381	11,758
Interfund transfers representing loan subsidies and debt collateralization	-	(100,998)	-	-
Total contributed capital	-	88,992	103,381	11,758
Retained earnings:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	-	303,876	(29,569)	2,358
Undesignated	66,896	-	-	-
Total fund equity	66,896	392,868	73,812	14,116
Commitments				
	$ 108,599	481,388	80,403	33,679

Combined Home Mortgage Bond	Combined State Guaranteed Bond	Combined Medium Term Note and Secured Bond	Combined State Assisted Mortgage Bond	Combined Residential Mortgage Bond	Combined Homeowners Assistance Programs (HOAP)	Combined Other Bonds and Notes	Combined
197	173	2,368	231	107	724	301	5,304
185,160	129,877	214,481	157,761	5,739	221,023	458,383	1,528,154
-	-	-	-	-	-	-	6,000
516,355	646,468	449,201	552,476	64,067	-	1,172,326	3,671,840
-	-	-	-	-	-	-	73,958
7,413	9,487	5,320	8,998	552	2,784	16,703	55,308
22,534	12,701	5	15,375	-	-	6,860	80,198
1	139	371	753	41	-	13,493	158,029
81,727	49,754	526	53,961	2,160	-	24,692	221,327
-	-	-	-	-	-	-	10,500
3,253	4,184	1,630	1,411	220	3,541	7,929	29,587
816,640	852,783	673,902	790,966	72,886	228,072	1,700,887	5,840,205
672,408	744,353	582,496	427,460	60,000	178,904	1,344,078	4,009,699
-	-	-	-	-	-	-	69,257
-	-	-	-	-	-	6,000	6,000
6,450	6,480	7,726	5,833	2,051	5,248	23,702	57,490
-	-	-	-	-	-	-	11,738
23,127	13,012	5,513	20,900	3,835	2,168	19,798	158,029
2,023	1,863	1,504	3,389	119	25	4,827	19,456
704,008	765,708	597,239	457,582	66,005	186,345	1,398,405	4,331,669
124,032	105,725	72,684	338,716	5,275	-	82,310	1,033,871
1,101	99	4,558	3	2,762	42,468	50,007	-
125,133	105,824	77,242	338,719	8,037	42,468	132,317	1,033,871
(12,501)	(18,749)	(579)	(5,335)	(1,156)	(741)	170,165	407,769
-	-	-	-	-	-	-	66,896
112,632	87,075	76,663	333,384	6,881	41,727	302,482	1,508,536
816,640	852,783	673,902	790,966	72,886	228,072	1,700,887	5,840,205

ALASKA HOUSING FINANCE CORPORATION

Schedule 2

Combining Balance Sheet — Insurance Funds

June 30, 1988 (In Thousands)

	State Mortgage Insurance	Rural Housing Hazard Insurance	Rural Housing Title Insurance	Rental Program Insurance Fund	Combined
Assets					
Investments	$27,910	451	691	4,484	33,536
Accrued interest receivable	115	2	2	24	143
	$28,025	453	693	4,508	33,679
Liabilities and Fund Equity					
Liabilities:					
Insurance fund reserved for loan losses	$ 3,947	-	-	7,791	11,738
Due to other funds	7,785	-	-	40	7,825
Total liabilities	11,732	-	-	7,831	19,563
Fund equity:					
Contributed capital:					
Designated as security for outstanding obligations or other purposes allowed within the respective fund	7,228	250	380	3,900	11,758
Total contributed capital	7,228	250	380	3,900	11,758
Retained earnings:					
Designated as security for outstanding obligations or other purposes allowed within the respective fund	9,065	203	313	(7,223)	2,358
Total fund equity	16,293	453	693	(3,323)	14,116
Commitments					
	$28,025	453	693	4,508	33,679

ALASKA HOUSING FINANCE CORPORATION

Schedule 3

Combining Balance Sheet – Home Mortgage Bonds

June 30, 1988 (In Thousands)

	1981		1982	
	First Series	Second Series	First Series	Second Series
Assets				
Cash	$ 16	16	19	24
Investments	6,996	11,149	5,206	6,212
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	52,657	54,113	48,039	60,781
Accrued interest receivable	539	629	541	694
Claims receivable	2,963	2,485	3,803	4,639
Due from other funds	–	–	–	1
Real estate owned	10,566	9,695	12,619	16,076
Other assets	92	490	30	140
	$ 73,829	78,577	70,257	88,567
Liabilities and Fund Equity				
Liabilities:				
Bonds and notes payable, net of discounts:				
Mortgage bonds and notes	$ 43,732	60,396	53,609	71,101
Accrued interest payable	440	598	494	603
Due to other funds	795	1,994	4,998	5,280
Accrued expenses and other liabilities	195	223	229	256
Total liabilities	45,162	63,211	59,330	77,240
Fund equity:				
Contributed capital:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	24,942	19,000	13,643	14,436
Interfund transfers representing loan subsidies and debt collateralization	–	–	–	–
Total contributed capital	24,942	19,000	13,643	14,436
Retained earnings:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	3,725	(3,634)	(2,716)	(3,109)
Total fund equity	28,667	15,366	10,927	11,327
Commitments				
	$ 73,829	78,577	70,257	88,567

1983				Collateralized				
				1986		1987		
First Series	Second Series	1984 Series A	1985 Series B	Series A	Series B	Series A	Series B	Combined
25	35	14	13	9	-	-	26	197
4,491	8,542	4,385	7,178	3,207	-	71,530	56,264	185,160
47,535	75,913	60,688	65,113	51,516	-	-	-	516,355
514	916	956	1,047	445	-	446	686	7,413
2,707	5,517	16	404	-	-	-	-	22,534
-	-	-	-	-	-	-	-	1
9,942	20,612	164	1,995	58	-	-	-	81,727
78	298	308	133	162	-	534	988	3,253
65,292	111,833	66,531	75,883	55,397	-	72,510	57,964	816,640
53,852	103,025	55,456	65,512	48,822	-	67,000	49,903	672,408
451	830	505	1,519	349	-	324	337	6,450
3,247	1,734	1,557	2,221	441	-	594	266	23,127
260	376	186	166	119	-	-	13	2,023
57,810	105,965	57,704	69,418	49,731	-	67,918	50,519	704,008
8,818	9,955	10,025	7,871	6,934	5,058	3,350	-	124,032
-	-	-	67	(1,338)	(5,058)	-	7,430	1,101
8,818	9,955	10,025	7,938	5,596	-	3,350	7,430	125,133
(1,336)	(4,087)	(1,198)	(1,473)	70	-	1,242	15	(12,501)
7,482	5,868	8,827	6,465	5,666	-	4,592	7,445	112,632
65,292	111,833	66,531	75,883	55,397	-	72,510	57,964	816,640

ALASKA HOUSING FINANCE CORPORATION

Schedule 4

Combining Balance Sheet – State Guaranteed Bonds

June 30, 1988 (In Thousands)

	1983			
	First Series	Second Series	Third Series	Fourth Series
Assets				
Cash	$ 8	32	11	17
Investments	2,123	7,233	4,031	4,886
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	31,630	75,065	49,609	56,034
Accrued interest receivable	390	809	611	808
Claims receivable	645	1,920	871	1,078
Due from other funds	52	58	–	–
Real estate owned	2,400	7,403	4,309	5,062
Other assets	31	208	248	251
	$ 37,279	92,728	59,690	68,136
Liabilities and Fund Equity				
Liabilities:				
Bonds and notes payable, net of discounts:				
Mortgage bonds and notes	$ 35,094	88,164	54,197	58,887
Accrued interest payable	247	587	403	474
Due to other funds	378	1,113	1,005	1,180
Accrued expenses and other liabilities	111	370	118	172
Total liabilities	35,830	90,234	55,723	60,713
Fund equity:				
Contributed capital:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	2,031	2,492	5,034	8,171
Interfund transfers representing loan subsidies and debt collateralization	–	–	–	–
Total contributed capital	2,031	2,492	5,034	8,171
Retained earnings:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	(582)	2	(1,067)	(748)
Total fund equity	1,449	2,494	3,967	7,423
Commitments				
	$ 37,279	92,728	59,690	68,136

				Collateralized				
1983		1984		1984		1985	1988	
Fifth Series	Sixth Series	First Series	Second Series	First Series	Second Series	First Series	First Series	Combined
22	22	32	16	-	3	-	10	17
3,731	4,765	7,302	4,573	1,517	2,261	32,953	54,502	129,877
29,262	46,628	84,677	45,049	72,126	78,228	78,160	-	646,468
363	735	1,009	698	1,302	1,017	910	835	9,487
921	1,133	2,702	2,164	941	315	11	-	12,701
-	-	-	-	-	29	-	-	139
3,005	5,157	8,979	7,016	4,571	1,811	41	-	49,754
142	234	491	359	1,180	128	550	362	4,184
37,446	58,674	105,192	59,875	81,637	83,792	112,625	55,709	852,783
33,039	50,492	94,439	47,978	67,834	68,524	96,235	49,470	744,353
251	404	756	459	583	601	788	927	6,480
746	734	1,687	3,020	2,054	640	175	280	13,012
221	224	360	174	20	69	24	-	1,863
34,257	51,854	97,242	51,631	70,491	69,834	97,222	50,677	765,708
3,049	7,775	8,722	10,585	11,985	24,661	21,220	-	105,725
-	-	-	-	(109)	-	(4,964)	5,172	99
3,049	7,775	8,722	10,585	11,876	24,661	16,256	5,172	105,824
140	(955)	(772)	(2,341)	(730)	(10,703)	(853)	(140)	(18,749)
3,189	6,820	7,950	8,244	11,146	13,958	15,403	5,032	87,075
37,446	58,674	105,192	59,875	81,637	83,792	112,625	55,709	852,783

Combining Balance Sheet – Medium Term Notes and Secured Bonds

June 30, 1988 (In Thousands)

	Secured Bonds 1986-A	Medium Term Notes 1986-1 and Secured Bonds 1986-B	Medium Term Notes 1986-2 and Secured Bonds 1986-C	Medium Term Notes 1986-3 and Secured Bonds 1986-D	Medium Term Notes 1986-4 and Secured Bonds 1986-E	Combined
Assets						
Cash	$ 2,318	10	14	8	18	2,368
Investments	17,558	55,142	47,059	49,498	45,224	214,481
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	96,502	74,706	84,637	97,103	96,253	449,201
Accrued interest receivable	912	1,082	1,081	1,166	1,079	5,320
Claims receivable	-	-	-	5	-	5
Due from other funds	-	43	-	82	246	371
Real estate owned	-	82	273	171	-	526
Other assets	306	232	570	359	163	1,630
	$117,596	131,297	133,634	148,392	142,983	673,902
Liabilities and Fund Equity						
Liabilities:						
Bonds and notes payable, net of discounts:						
Mortgage bonds and notes	$ 98,700	117,729	116,566	124,780	124,721	582,496
Accrued interest payable	1,031	878	874	2,859	2,084	7,726
Due to other funds	1,168	817	1,048	1,027	1,453	5,513
Accrued expenses and other liabilities	350	408	286	365	95	1,504
Total liabilities	101,249	119,832	118,774	129,031	128,353	597,239
Fund equity:						
Contributed capital:						
Designated as security for outstanding obligations or other purposes allowed within the respective fund	14,124	12,488	15,884	19,536	10,652	72,684
Interfund transfers representing loan subsidies and debt collateralization	-	-	-	-	4,558	4,558
Total contributed capital	14,124	12,488	15,884	19,536	15,210	77,242
Retained earnings:						
Designated as security for outstanding obligations or other purposes allowed within the respective fund	2,223	(1,023)	(1,024)	(175)	(580)	(579)
Total fund equity	16,347	11,465	14,860	19,361	14,630	76,663
Commitments						
	$117,596	131,297	133,634	148,392	142,983	673,902

Combining Balance Sheet – State Assisted Mortgage Program

June 30, 1988 (In Thousands)

	Series A	Series D&E	Series F	Series H	Series I
Assets					
Cash	$ 29	15	41	8	13
Investments	49,300	41,234	6,921	1,714	2,086
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	96,311	29,237	63,203	25,049	27,603
Accrued interest receivable	1,471	849	1,040	357	459
Claims receivable	1,344	986	4,183	1,007	1,440
Due from other funds	45	–	–	–	–
Real estate owned	4,810	4,507	13,684	3,430	4,782
Other assets	154	73	22	127	113
	$153,464	76,901	89,094	31,692	36,496
Liabilities and Fund Equity					
Liabilities:					
Bonds and notes payable, net of discounts:					
Mortgage bonds and notes	$ 59,117	30,380	3,052	16,659	24,561
Accrued interest payable	813	456	39	166	237
Due to other funds	631	528	5,260	1,540	1,888
Accrued expenses and other liabilities	394	179	563	90	178
Total liabilities	60,955	31,543	8,914	18,455	26,864
Fund equity:					
Contributed capital:					
Designated as security for outstanding obligations or other purposes allowed within the respective fund	86,592	55,166	77,653	13,403	10,842
Interfund transfers representing loan subsidies and debt collateralization	–	–	–	–	–
Total contributed capital	86,592	55,166	77,653	13,403	10,842
Retained earnings:					
Designated as security for outstanding obligations or other purposes allowed within the respective fund	5,917	(9,808)	2,527	(166)	(1,210)
Total fund equity	92,509	45,358	80,180	13,237	9,632
Commitments					
	$153,464	76,901	89,094	31,692	36,496

State Assisted Mortgage Bonds								
Series J	Series K	Series L	Series M	Series N	Series O	Series P	Series Q	Combined
13	21	19	14	28	-	15	15	231
2,171	3,422	3,235	3,030	4,457	19,675	14,895	5,621	157,761
27,174	45,462	42,928	31,073	37,733	33,627	43,901	49,175	552,476
359	657	606	623	592	722	700	563	8,998
1,167	1,378	1,101	1,531	1,229	-	-	9	15,375
-	-	-	-	-	708	-	-	753
3,835	4,917	4,340	5,126	4,421	-	-	109	53,961
116	130	177	115	46	247	83	8	1,411
34,835	55,987	52,406	41,512	48,506	54,979	59,594	55,500	790,966
24,135	39,582	31,584	23,115	29,740	49,691	49,312	46,532	427,460
230	358	305	250	307	453	1,250	969	5,833
1,705	2,367	1,582	1,824	2,549	480	319	227	20,900
183	269	212	163	310	8	420	420	3,389
26,253	42,576	33,683	25,352	32,906	50,632	51,301	48,148	457,582
9,646	14,051	17,826	17,664	16,310	5,663	7,967	5,933	338,716
-	-	-	-	-	-	-	3	3
9,646	14,051	17,826	17,664	16,310	5,663	7,967	5,936	338,719
(1,064)	(640)	897	(1,504)	(710)	(1,316)	326	1,416	(5,335)
8,582	13,411	18,723	16,160	15,600	4,347	8,293	7,352	333,384
34,835	55,987	52,406	41,512	48,506	54,979	59,594	55,500	790,966

Combining Balance Sheet — Residential Mortgage Bonds

June 30, 1988 (In Thousands)

	Series A	Series B	Series C	Combined
Assets				
Cash	$ 43	30	34	107
Investments	1,515	3,406	818	5,739
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	22,369	25,605	16,093	64,067
Accrued interest receivable	193	232	127	552
Due from other funds	41	–	–	41
Real estate owned	928	1,176	56	2,160
Other assets	111	57	52	220
	$25,200	30,506	17,180	72,886
Liabilities and Fund Equity				
Liabilities:				
Bonds and notes payable, net of discounts:				
Mortgage bonds and notes	$20,000	25,000	15,000	60,000
Accrued interest payable	582	1,075	394	2,051
Due to other funds	1,377	1,234	1,224	3,835
Accrued expenses and other liabilities	43	42	34	119
Total liabilities	22,002	27,351	16,652	66,005
Fund equity:				
Contributed capital:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	2,687	2,588	–	5,275
Interfund transfers representing loan subsidies and debt collateralization	1,116	1,081	565	2,762
Total contributed capital	3,803	3,669	565	8,037
Retained earnings:				
Designated as security for outstanding obligations or other purposes allowed within the respective fund	(605)	(514)	(37)	(1,156)
Total fund equity	3,198	3,155	528	6,881
Commitments				
	$25,200	30,506	17,180	72,886

Combining Balance Sheet – Home Owners' Assistance Program (HOAP)

June 30, 1988 (In Thousands)

	Medium Term Notes, Floating Rate Notes, Z Bonds, Series 1988-1: Secured Bonds, Series F&G	Collateralized Mortgage Obligations Series 1988-1	Combined
Assets			
Cash	$ –	724	724
Investments	131,089	89,934	221,023
Accrued interest receivable	2,105	679	2,784
Other assets	2,455	1,086	3,541
	$135,649	92,423	228,072
Liabilities and Fund Equity			
Liabilities:			
Bonds and notes payable, net of discounts:			
Mortgage bonds and notes	$107,354	71,550	178,904
Accrued interest payable	4,160	1,088	5,248
Due to other funds	1,904	264	2,168
Accrued expenses and other liabilities	25	–	25
Total liabilities	113,443	72,902	186,345
Fund equity:			
Contributed capital:			
Interfund transfers representing loan subsidies and debt collateralization	22,935	19,533	42,468
Total contributed capital	22,935	19,533	42,468
Retained earnings:			
Designated as security for outstanding obligations or other purposes allowed within the respective fund	(729)	(12)	(741)
Total fund equity	22,206	19,521	41,727
Commitments			
	$135,649	92,423	228,072

ALASKA HOUSING FINANCE CORPORATION

Schedule 9

Combining Balance Sheet – Other Bonds and Notes

June 30, 1988 (In Thousands)

	Housing Mortgage Bond	Insured Mortgage Bond	Insured Rural Mortgage Bond
Assets			
Cash	$ 15	146	-
Investments	32,885	195,578	-
Mortgage loans and mortgage backed securities, net of discounts and allowance for loan losses	81,021	681,081	-
Accrued interest receivable	714	6,639	-
Claims receivable	-	-	-
Due from other funds	-	8,862	-
Real estate owned	2,273	19,705	-
Other assets	156	823	-
	$117,064	912,834	-
Liabilities and Fund Equity			
Liabilities:			
Bonds and notes payable, net of discounts:			
Mortgage bonds and notes	$ 83,504	802,967	-
Securities sold to other funds under agreements to repurchase	-	-	-
Accrued interest payable	465	5,570	-
Due to other funds	374	4,923	-
Accrued expenses and other liabilities	182	1,825	-
Total liabilities	84,525	815,285	-
Fund equity:			
Contributed capital:			
Designated as security for outstanding obligations or other purposes allowed within the respective fund	(2)	(41,417)	-
Interfund transfers representing loan subsidies and debt collateralization	-	11,870	-
Total contributed capital	(2)	(29,547)	-
Retained earnings:			
Designated as security for outstanding obligations or other purposes allowed within the respective fund	32,541	127,096	-
Total fund equity	32,539	97,549	-
Commitments			
	$117,064	912,834	-

Fairbanks North Star Borough Residential Mortgage Bond	Overseas Finance Series E-1	FNMA Notes	Floating Rate Notes 1986-A	Mortgage Backed Bonds Series 1987-1	Medium Term Notes Floating Rate Notes Z Bonds Series 1987-1	Combined
4	44	41	10	30	11	301
2,491	33,303	3,528	57,293	8,858	124,647	458,583
20,070	66,355	160,822	87,715	75,262	-	1,172,326
266	2,051	3,695	1,408	667	1,263	16,703
298	1,293	5,261	8	-	-	6,860
-	4,631	-	-	-	-	13,493
865	313	1,126	410	-	-	24,692
18	2,553	891	1,874	727	887	7,929
24,012	110,543	175,364	148,718	85,544	126,808	1,700,887
15,596	60,561	103,322	118,961	62,000	97,167	1,344,078
-	-	-	6,000	-	-	6,000
154	2,705	1,179	10,536	1,494	1,599	23,702
247	2,208	7,116	2,273	1,018	1,639	19,798
68	1,755	522	221	230	24	4,827
16,065	67,229	112,139	137,991	64,742	100,429	1,398,405
7,382	41,644	61,634	13,069	-	-	82,310
-	(7,422)	-	-	18,826	26,733	50,007
7,382	34,222	61,634	13,069	18,826	26,733	132,317
565	9,092	1,591	(2,342)	1,976	(354)	170,165
7,947	43,314	63,225	10,727	20,802	26,379	302,482
24,012	110,543	175,364	148,718	85,544	126,808	1,700,887

Combining Statement of Revenues, Expenses, Transfers, and Retained Earnings – All Funds

Year Ended June 30, 1988 (In Thousands)

		Revolving Fund		
	Corporation Operating	General Account	Home Ownership Fund	Combined Insurance Fund
Revenues:				
Interest income:				
Mortgages and loans	$ 911	24,170	6,719	-
Investments	495	10,595	890	2,019
	1,406	34,765	7,609	2,019
Loan fees and other	1,496	469	33	200
Total revenues	2,902	35,234	7,642	2,219
Expenses:				
Interest	-	5,016	-	-
Mortgage service fees	105	1,075	726	-
General and administrative	5,537	238	-	-
Trustee fees, insurance and financing costs	349	792	13	29
Mortgage payment assistance subsidies	-	-	2,101	-
Provision for loan losses	982	7,085	11,982	-
Insurance fund losses	-	-	-	9,506
Write-down and net operating expenses associated with real estate and mobile homes owned	691	5,467	11,001	2,587
Interfund operating charge (credit)	(5,518)	-	142	-
Total expenses	2,146	19,673	25,965	12,122
Net income (loss)	756	15,561	(18,323)	(9,903)
Retained earnings (deficit) at July 1, 1987	66,140	284,987	(11,246)	12,261
Transfers from (to) other funds	-	3,328	-	-
Retained earnings (deficit) at June 30, 1988	$ 66,896	303,876	(29,569)	2,358

Combined Home Mortgage Bond	Combined State Guaranteed Bond	Combined Medium Term Note and Secured Bond	Combined State Assisted Mortgage Bond	Combined Residential Mortgage Bond	Combined Homeowners Assistance Programs (HOAP)	Combined Other Bonds and Notes	Combined
47,371	56,612	38,108	57,486	5,370	-	117,175	353,922
16,436	16,716	22,263	11,560	716	5,094	31,134	117,918
63,807	73,328	60,371	69,046	6,086	5,094	148,309	471,840
9,784	5,693	11	6,751	-	-	769	25,206
73,591	79,021	60,382	75,797	6,086	5,094	149,078	497,046
70,196	78,394	52,000	59,176	5,491	5,543	126,234	402,050
1,796	2,178	1,566	2,033	212	-	4,361	14,052
-	-	-	-	-	-	330	6,105
2,542	2,527	2,198	2,368	106	292	2,634	13,850
-	-	-	-	-	-	-	2,101
4,521	2,927	495	6,301	691	-	1,636	36,620
-	-	-	-	-	-	-	9,506
2,082	1,715	106	1,054	197	-	462	25,362
933	1,085	696	948	103	-	1,611	-
82,070	88,826	57,061	71,880	6,800	5,835	137,268	509,646
(8,479)	(9,805)	3,321	3,917	(714)	(741)	11,810	(12,600)
(2,234)	(8,944)	(3,900)	(9,252)	(442)	-	159,895	487,265
(1,788)	-	-	-	-	-	(1,540)	-
(12,501)	(18,749)	(579)	(5,335)	(1,156)	(741)	170,165	474,665

ALASKA HOUSING FINANCE CORPORATION

Schedule 11

Combining Statement of Revenues, Expenses, and Retained Earnings – Insurance Funds

Year Ended June 30, 1988 (In Thousands)

	State Mortgage Insurance	Rural Housing Hazard Insurance	Rural Housing Title Insurance	Rental Program Insurance Fund	Combined
Revenues:					
Interest income:					
Investments	$ 1,684	27	44	264	2,019
Loan fees and other	-	-	-	200	200
Total revenues	1,684	27	44	464	2,219
Expenses:					
Trustee fees, insurance and financing costs	23	1	2	3	29
Insurance fund losses	5,902	-	-	3,604	9,506
Write-down and net operating expenses associated with real estate and mobile homes owned	2,587	-	-	-	2,587
Total expenses	8,512	1	2	3,607	12,122
Net income (loss)	(6,828)	26	42	(3,143)	(9,903)
Retained earnings (deficit) at July 1, 1987	15,893	177	271	(4,080)	12,261
Retained earnings (deficit) at June 30, 1988	$ 9,065	203	313	(7,223)	2,358

Combining Statement of Revenues, Expenses, Transfers, and Retained Earnings – Home Mortgage Bonds

Year Ended June 30, 1988 (In Thousands)

	1981		1982	
	First Series	Second Series	First Series	Second Series
Revenues:				
Interest income:				
Mortgages and loans	$ 4,914	4,844	4,195	5,270
Investment	542	1,349	351	391
	5,456	6,193	4,546	5,661
Loan fees and other	1,097	1,081	1,516	1,947
Total revenues	6,553	7,274	6,062	7,608
Expenses:				
Interest	5,868	7,683	6,357	7,688
Mortgage service fees	190	192	167	215
Trustee fees, insurance and financing costs	259	695	143	188
Provision for loan losses	83	128	102	1,888
Write-down and net operating expenses associated with real estate and mobile homes owned	101	73	96	156
Interfund operating charge (credit)	98	99	94	122
Total expenses	6,599	8,870	6,959	10,257
Net income (loss)	(46)	(1,596)	(897)	(2,649)
Retained earnings (deficit) at July 1, 1987	3,771	(2,038)	(1,819)	(460)
Transfers from (to) other funds	–	–	–	–
Retained earnings (deficit) at June 30, 1988	$ 3,725	(3,634)	(2,716)	(3,109)

1983				Collateralized				
				1986		1987		
First Series	Second Series	1984 Series A	1985 Series B	Series A	Series B	Series A	Series B	Combined
4,269	6,709	6,999	7,833	3,338	-	-	-	47,371
285	557	451	381	1,894	2,660	5,119	2,456	16,436
4,554	7,266	7,450	8,214	5,232	2,660	5,119	2,456	63,807
1,252	2,499	3	389	-	-	-	-	9,784
5,806	9,765	7,453	8,603	5,232	2,660	5,119	2,456	73,591
5,747	10,620	7,044	8,703	4,223	1,981	3,931	2,351	70,196
171	266	221	239	135	-	-	-	1,796
249	397	184	141	109	28	59	90	2,542
126	1,352	1	677	164	-	-	-	4,521
78	222	868	480	8	-	-	-	2,082
89	152	94	105	80	-	-	-	933
6,460	13,009	8,412	10,345	4,719	2,009	3,990	2,441	82,070
(654	(3,244)	(959)	(742)	513	651	1,129	15	(8,479)
(682	(843)	(239)	(731)	(443)	1,137	113	-	(2,234)
-	-	-	-	-	(1,788)	-	-	(1,788)
(1,336	(4,087)	(1,198)	(1,473)	70	-	1,242	15	(12,501)

ALASKA HOUSING FINANCE CORPORATION

Schedule 13

Combining Statement of Revenues, Expenses,and Retained Earnings – State Guaranteed Bonds

Year Ended June 30, 1988 (In Thousands)

	1983			
	First Series	Second Series	Third Series	Fourth Series
Revenues:				
Interest income:				
Mortgages and loans	$ 2,669	6,518	4,378	5,520
Investments	190	511	344	413
	2,859	7,029	4,722	5,933
Loan fees and other	287	787	549	443
Total revenues	3,146	7,816	5,271	6,376
Expenses:				
Interest	3,201	7,718	5,344	6,286
Mortgage service fees	112	277	180	203
Trustee fees, insurance and financing costs	101	367	248	256
Provision for loan losses	62	74	101	45
Write-down and net operating expenses associated with real estate and mobile homes owned	23	140	29	124
Interfund operating charge (credit)	53	128	84	95
Total expenses	3,552	8,704	5,986	7,009
Net income (loss)	(406)	(888)	(715)	(633)
Retained earnings (deficit) at July 1, 1987	(176)	890	(352)	(115)
Retained earnings (deficit) at June 30, 1988	$ (582)	2	(1,067)	(748)

				Lateralized				
1983		1984		1984		1985	1988	
Fifth Series	Sixth Series	First Series	Second Series	First Series	Second Series	First Series	First Series	Combined
2,736	4,300	7,693	4,756	7,536	7,760	2,746	-	56,612
200	332	599	420	601	451	11,746	909	16,716
2,936	4,632	8,292	5,176	8,137	8,211	14,492	909	73,328
351	515	1,010	704	792	244	11	-	5,693
3,287	5,147	9,302	5,880	8,929	8,455	14,503	909	79,021
3,301	5,329	9,797	6,164	8,067	8,125	14,124	938	78,394
109	162	304	161	262	293	115	-	2,178
155	247	411	254	155	142	80	111	2,527
12	61	72	100	1,473	533	394	-	2,927
17	88	94	60	736	368	36	-	1,715
50	80	145	81	122	125	122	-	1,085
3,644	5,967	10,823	6,820	10,815	9,586	14,871	1,049	88,826
(357)	(820)	(1,521)	(940)	(1,886)	(1,131)	(368)	(140)	(9,805)
497	(135)	749	(1,401)	1,156	(9,572)	(485)	-	(8,944)
140	(955)	(772)	(2,341)	(730)	(10,703)	(853)	(140)	(18,749)

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Combining Statement of Revenues, Expenses, and Retained Earnings – Medium Term Notes and Secured Bonds

Year Ended June 30, 1988 (In Thousands)

	Secured Bonds 1986-A	Medium Term Notes 1986-1 and Secured Bonds 1986-B	Medium Term Notes 1986-2 and Secured Bonds 1986-C	Medium Term Notes 1986-3 and Secured Bonds 1986-D	Medium Term Notes 1986-4 and Secured Bonds 1986-E	Combined
Revenues:						
Interest income:						
Mortgages and loans	$ 9,231	7,311	8,436	8,590	4,540	38,108
Investments	1,373	5,305	4,676	3,686	7,223	22,263
	10,604	12,616	13,112	12,276	11,763	60,371
Loan fees and other	-	-	-	11	-	11
Total revenues	10,604	12,616	13,112	12,287	11,763	60,382
Expenses						
Interest	8,471	11,405	11,410	10,268	10,446	52,000
Mortgage service fees	371	286	327	372	210	1,566
Trustee fees, insurance and financing costs	614	448	464	395	277	2,198
Provision for loan losses	9	31	95	248	112	495
Write-down and net operating expenses associated with real estate and mobile homes owned	21	18	22	45	-	106
Interfund operating charge (credit)	149	116	131	151	149	696
Total expenses	9,635	12,304	12,449	11,479	11,194	57,061
Net income (loss)	969	312	663	808	569	3,321
Retained earnings (deficit) at July 1, 1987	1,254	(1,335)	(1,687)	(983)	(1,149)	(3,900)
Retained earnings (deficit) at June 30, 1988	$ 2,223	(1,023)	(1,024)	(175)	(580)	(579)

Combining Statement of Revenues, Expenses,and Retained Earnings – State Assisted Mortgage Program

Year Ended June 30, 1988 (In Thousands)

	Series A	Series D&E	Series F	Series H	Series I
Revenues:					
Interest income:					
Mortgages and loans	$ 10,094	3,564	6,755	2,402	2,541
Investments	3,289	2,990	649	185	223
	13,383	6,554	7,404	2,587	2,764
Loan fees and other	418	607	1,904	453	618
Total revenues	13,801	7,161	9,308	3,040	3,382
Expenses:					
Interest	9,793	6,946	2,575	2,374	3,175
Mortgage service fees	362	103	237	88	96
Trustee fees, insurance and financing costs	60	102	252	125	178
Provision for loan losses	2,657	31	2,904	40	180
Write-down and net operating expenses associated with real estate and mobile homes owned	65	10	91	19	49
Interfund operating charge (credit)	161	52	124	44	51
Total expenses	13,098	7,244	6,185	2,690	3,729
Net income (loss)	703	(83)	3,125	350	(347)
Retained earnings (deficit) at July 1, 1987	5,214	(9,725)	(598)	(516)	(863)
Retained earnings (deficit) at June 30, 1988	$ 5,917	(9,808)	2,527	(166)	(1,210)

State Assisted Mortgage Bonds								
Series J	Series K	Series L	Series M	Series N	Series O	Series P	Series Q	Combined
2,682	4,503	4,322	3,221	3,999	3,899	4,809	4,695	57,486
212	316	308	281	294	1,423	782	608	11,560
2,894	4,819	4,630	3,502	4,293	5,322	5,591	5,303	69,046
415	547	603	626	539	1	-	20	6,751
3,309	5,366	5,233	4,128	4,832	5,323	5,591	5,323	75,797
3,112	4,806	4,180	3,499	4,082	5,484	5,060	4,090	59,176
101	164	156	110	137	125	169	185	2,033
209	321	255	166	214	134	167	185	2,368
125	106	100	91	52	1	1	13	6,301
56	133	27	47	34	319	116	88	1,054
48	78	73	56	65	52	68	76	948
3,651	5,608	4,791	3,969	4,584	6,115	5,581	4,637	71,880
(342)	(242)	442	159	248	(792)	10	686	3,917
(722)	(398)	455	(1,663)	(958)	(524)	316	730	(9,252)
(1,064)	(640)	897	(1,504)	(710)	(1,316)	326	1,416	(5,335)

Combining Statement of Revenues, Expenses, and Retained Earnings – Residential Mortgage Bonds

Year Ended June 30, 1988 (In Thousands)

	Series A	Series B	Series C	Combined
Revenues:				
Interest income:				
Mortgages and loans	$2,053	2,280	1,037	5,370
Investments	240	180	296	716
Total revenues	2,293	2,460	1,333	6,086
Expenses:				
Interest	2,109	2,180	1,202	5,491
Mortgage service fees	81	90	41	212
Trustee fees, insurance and financing costs	56	25	25	106
Provision for loan losses	178	489	24	691
Write-down and net operating expenses associated with real estate and mobile homes owned	126	71	–	197
Interfund operating charge (credit)	36	42	25	103
Total expenses	2,586	2,897	1,317	6,800
Net income (loss)	(293)	(437)	16	(714)
Retained earnings (deficit) at July 1, 1987	(312)	(77)	(53)	(442)
Retained earnings (deficit) at June 30, 1988	$ (605)	(514)	(37)	(1,156)

Combining Statement of Revenues, Expenses, and Retained Earnings – Home Owners' Assistance Program (HOAP)

Year Ended June 30, 1988 (In Thousands)

	Medium Term Notes, Floating Rate Notes, Z Bonds, Series 1988-1: Secured Bonds, Series F&G	Collateralized Mortgage Obligations Series 1988-1	Combined
Revenues:			
Interest income:			
Investments	$4,280	814	5,094
Total revenues	4,280	814	5,094
Expenses:			
Interest	4,759	784	5,543
Trustee fees, insurance and financing costs	250	42	292
Total expenses	5,009	826	5,835
Net income (loss)	(729)	(12)	(741)
Retained earnings (deficit) at July 1, 1987	-	-	-
Retained earnings (deficit) at June 30, 1988	$ (729)	(12)	(741)

Combining Statement of Revenues, Expenses, Transfers, and Retained Earnings – Other Bonds and Notes

Year Ended June 30, 1988 (In Thousands)

	Housing Mortgage Bond	Insured Mortgage Bond	Insured Rural Mortgage Bond
Revenues:			
Interest income:			
Mortgages and loans	$ 7,099	64,248	33
Investments	1,936	16,199	8
	9,035	80,447	41
Loan fees and other	150	456	-
Total revenues	9,185	80,903	41
Expenses:			
Interest	5,684	71,278	65
Mortgage service fees	296	2,507	4
General and administrative	-	-	-
Trustee fees, insurance and financing costs	38	419	5
Provision for loan losses	787	-	-
Write-down and net operating expenses associated with real estate and mobile homes owned	327	-	-
Interfund operating charge (credit)	131	1,091	-
Total expenses	7,263	75,295	74
Net income (loss)	1,922	5,608	(33)
Retained earnings (deficit) at July 1, 1987	30,619	121,488	1,573
Transfers from (to) other funds	-	-	(1,540)
Retained earnings (deficit) at June 30, 1988	$ 32,541	127,096	-

Fairbanks North Star Borough Residential Mortgage Bond	Overseas Finance Series E-1	FNMA Notes	Floating Rate Notes 1986-A	Mortgage Backed Bonds Series 1987-1	Medium Term Notes Floating Rate Notes Z Bonds Series 1987-1	Combined
2,014	7,725	21,133	8,104	6,819	-	117,175
212	2,603	439	3,939	266	5,532	31,134
2,226	10,328	21,572	12,043	7,085	5,532	148,309
118	11	10	24	-	-	769
2,344	10,339	21,582	12,067	7,085	5,532	149,078
2,102	8,733	17,767	11,060	3,830	5,715	126,234
74	237	578	337	328	-	4,361
-	330	-	-	-	-	330
90	622	444	606	239	171	2,634
4	-	-	[illegible]	595	-	1,636
7	-	112	16	-	-	462
32	103	-	137	117	-	1,611
2,309	10,025	18,901	12,406	5,109	5,886	137,268
35	314	2,681	(339)	1,976	(354)	11,810
530	8,778	(1,090)	(2,003)	-	-	159,895
-	-	-	-	-	-	(1,540)
565	9,092	1,591	(2,342)	1,976	(354)	170,165

ALASKA HOUSING FINANCE CORPORATION

Schedule 19

Combining Statement of Changes in Financial Position – All Funds

Year Ended June 30, 1988 (In Thousands)

	Corporation Operating	Revolving Fund: General Account	Revolving Fund: Home Ownership Fund	Revolving Fund: Combined Insurance Fund
Sources of financial resources:				
Operations:				
Net income (loss)	$ 756	15,561	(18,323)	(9,903)
Items which do not use (provide) cash:				
Net amortization of discounts, premiums and bond issuance costs	–	399	–	–
Depreciation	80	–	–	–
Decrease (increase) in accrued interest receivable	60	(291)	115	57
Increase in claims receivable	(16,975)	(29)	–	–
Increase (decrease) in accrued interest payable	–	–	–	–
Net increase (decrease) in accrued expenses and other receivable	15,134	(14,962)	(1,567)	5,940
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	917	9,123	13,422	6,153
Financial resources provided (used) by operations	(28)	9,801	(6,353)	2,247
Transfer of subsidy from (to) other funds and debt collateralization	–	(97,671)	–	–
Mortgages sold to (purchased from) other funds	3,420	259,743	4,633	–
Mortgage and loan principal repayments	1,677	26,651	14,571	–
Increase in commercial paper and securities sold under agreements to repurchase	–	64,284	–	–
Net proceeds from sale of mortgage bonds	–	–	–	–
Decrease (increase) in cash	803	36	(76)	–
Total sources of financial resources	$ 5,872	262,844	12,775	2,247
Uses of financial resources:				
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ 5,695	30,933	12,775	2,247
Acquisition of loans	–	231,911	–	–
Payment of mortgage bonds and notes	–	–	–	–
Equipment purchases	177	–	–	–
Payment of State of Alaska notes	–	–	–	–
Total uses of financial resources	$ 5,872	262,844	12,775	2,247

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Fairbanks North Star Borough Residential Mortgage Bond	Overseas Finance Series E-1	FNMA Notes	Floating Rate Notes 1986-A	Mortgage Backed Bonds Series 1987-1	Medium Term Notes Floating Rate Notes Z Bonds Series 1987-1	Combined
35	314	2,681	(339)	1,976	(354)	11,810
95	481	178	207	28	1,651	4,377
58	35	64	(192)	(667)	(1,263)	(1,236)
(167)	(684)	(3,173)	(8)	–	–	(4,032)
(35)	(691)	84	–	1,494	1,599	1,726
(1)	2,467	2,602	1,078	496	725	1,704
3	–	–	249	593	–	6,069
(12)	1,922	2,436	995	3,920	2,358	20,418
–	(7,422)	–	–	18,826	26,733	48,467
–	–	189	2,319	(78,819)	–	(73,779)
2,517	14,173	44,034	2,879	2,961	–	131,076
–	–	–	6,000	–	–	6,000
–	–	–	–	62,000	95,567	157,567
(2)	588	4	5	(30)	(11)	511
2,503	9,261	46,663	12,198	8,858	124,647	290,260
(1,039)	(6,049)	(2,619)	6,198	8,858	124,647	153,766
–	–	–	–	–	–	3,855
3,542	15,310	49,282	6,000	–	–	121,745
–	–	–	–	–	–	10,894
2,503	9,261	46,663	12,198	8,858	124,647	290,260

Combining Statement of Changes in Financial Position – Other Bonds and Notes

Year Ended June 30, 1988 (In Thousands)

	Housing Mortgage Bond	Insured Mortgage Bond	Insured Rural Mortgage Bond
Sources of financial resources:			
Operations:			
Net income (loss)	$ 1,922	5,608	(33)
Items which do not use (provide) cash:			
Net amortization of discounts, premiums and bond issuance costs	2	1,730	5
Decrease (increase) in accrued interest receivable	11	668	50
Increase in claims receivable	–	–	–
Increase (decrease) in accrued interest payable	6	(698)	(33)
Net increase (decrease) in accrued expenses and other receivables	140	(5,780)	(23)
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	899	4,325	–
Financial resources provided (used) by operations	2,980	5,853	(34)
Transfer of subsidy from (to) other funds and debt collateralization	–	11,870	(1,540)
Mortgages sold to (purchased from) other funds	–	(1,871)	4,403
Mortgage and loan principal repayments	6,937	57,494	81
Increase in commercial paper and securities sold under agreements to repurchase	–	–	–
Net proceeds from sale of mortgage bonds	–	–	–
Decrease (increase) in cash	(4)	(40)	1
Total sources of financial resources	$ 9,913	73,306	2,911
Uses of financial resources:			
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ 7,098	18,996	(2,724)
Acquisition of loans	–	3,855	–
Payment of mortgage bonds and notes	2,815	39,561	5,235
Payment of State of Alaska notes	–	10,894	–
Total uses of financial resources	$ 9,913	73,306	2,911

Combining Statement of Changes in Financial Position
Home Owners' Assistance Program (HOAP)

Year Ended June 30, 1988 (In Thousands)

	Medium Term Notes, Floating Rate Notes, Z Bonds, Series 1988-1: Secured Bonds, Series F&G	Collateralized Mortgage Obligations Series 1988-1	Combined
Sources of financial resources:			
Operations:			
Net loss	$ (729)	(12)	(741)
Items which do not use (provide) cash:			
Net amortization of discounts, premiums and bond issuance costs	407	29	436
Increase in accrued interest receivable	(2,105)	(679)	(2,784)
Increase in accrued interest payable	4,160	1,088	5,248
Net decrease in accrued expenses and other receivables	(579)	(832)	(1,411)
Financial resources provided (used) by operations	1,154	(406)	748
Transfer of subsidy from other funds and debt collateralization	22,935	19,533	42,468
Net proceeds from sale of mortgage bonds	107,000	71,531	178,531
Increase in cash	–	(724)	(724)
Total sources of financial resources	$131,089	89,934	221,023
Uses of financial resources:			
Increase in investments and securities purchased from other funds under agreements to resell	$131,089	89,934	221,023
Total uses of financial resources	$131,089	89,934	221,023

ALASKA HOUSING FINANCE CORPORATION

Schedule 25

Combining Statement of Changes in Financial Position — Residential Mortgage Bonds

Year Ended June 30, 1988 (In Thousands)

	Series A	Series B	Series C	Combined
Sources of financial resources:				
Operations:				
Net income (loss)	$ (293)	(437)	16	(714)
Items which do not use (provide) cash:				
Net amortization of discounts, premiums and bond issuance costs	42	24	18	84
Decrease (increase) in accrued interest receivable	3	(20)	(83)	(100)
Increase (decrease) in accrued interest payable	(110)	–	49	(61)
Net increase in accrued expenses and other receivables	1,242	102	1,138	2,482
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	309	484	63	856
Financial resources provided by operations	1,193	153	1,201	2,547
Transfer of subsidy from other funds and debt collateralization	1,116	1,081	565	2,762
Mortgage and loan principal repayments	1,247	509	494	2,250
Increase in cash	(41)	(27)	(34)	(102)
Total sources of financial resources	$ 3,515	1,716	2,226	7,457
Uses of financial resources:				
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ (1,485)	1,716	(11,898)	(11,667)
Acquisition of loans	–	–	14,124	14,124
Payment of mortgage bonds	5,000	–	–	5,000
Total uses of financial resources	$ 3,515	1,716	2,226	7,457

State Assisted Mortgage Bonds								
Series J	Series K	Series L	Series M	Series N	Series O	Series P	Series Q	Combined
(342)	(242)	442	159	248	(792)	10	686	3,917
70	162	119	94	67	41	37	80	1,494
150	68	115	166	105	(94)	(119)	(86)	1,081
(604)	(846)	(742)	(1,022)	(678)	70	12	20	(8,790)
(39)	(49)	(54)	(53)	(50)	–	–	(62)	(777)
(1,162)	(1,417)	(1,[illegible]	(1,407)	(1,491)	272	508	197	(10,356)
197	364	154	197	131	1	–	12	7,326
(1,730)	(1,960)	(1,627)	(1,866)	(1,668)	(502)	448	847	(6,105)
–	–	–	–	–	–	–	3	3
–	–	–	–	–	–	233	343	576
5,769	7,788	7,1[illegible]4	6,660	7,250	5,235	6,153	2,956	93,551
(5)	(11)	(13)	(6)	(19)	949	689	390	1,921
4,034	5,817	5,544	4,788	5,563	5,682	7,523	4,539	89,946
(94)	333	(58)	(171)	672	5,682	7,523	1,539	24,762
4,128	5,484	5,602	4,959	4,891	–	–	3,000	65,184
4,034	5,817	5,544	4,788	5,563	5,682	7,523	4,539	89,946

Combining Statement of Changes in Financial Position – State Assisted Mortgage Program

Year Ended June 30, 1988 (In Thousands)

	Series A	Series D&E	Series F	Series H	Series I
Sources of financial resources:					
Operations:					
Net income (loss)	$ 703	(83)	3,125	350	(347)
Items which do not use (provide) cash:					
Net amortization of discounts, premiums and bond issuance costs	48	294	264	133	85
Decrease (increase) in accrued interest receivable	(151)	119	591	73	144
Decrease (increase) in claims receivable	(562)	(536)	(2,309)	(601)	(992)
Decrease in accrued interest payable	–	(152)	(246)	(36)	(36)
Net increase (decrease) in accrued expenses and other receivables	368	172	(3,588)	(607)	(540)
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	2,747	30	3,143	48	302
Financial resources provided (used) by operations	3,153	(156)	980	(640)	(1,384)
Transfer of subsidy from other funds and debt collateralization	–	–	–	–	–
Mortgages sold to other funds	–	–	–	–	–
Mortgage and loan principal repayments	9,493	6,884	18,171	4,687	5,321
Decrease (increase) in cash	(14)	(7)	(20)	(5)	(7)
Total sources of financial resources	$ 12,632	6,721	19,131	4,042	3,930
Uses of financial resources:					
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ 12,632	(3,556)	(191)	288	163
Payment of mortgage bonds	–	10,277	19,322	3,754	3,767
Total uses of financial resources	$ 12,632	6,721	19,131	4,042	3,930

Combining Statement of Changes in Financial Position — Medium Term Notes and Secured Bonds

Year Ended June 30, 1988 (In Thousands)

	Secured Bonds 1986-A	Medium Term Notes 1986-1 and Secured Bonds 1986-B	Medium Term Notes 1986-2 and Secured Bonds 1986-C	Medium Term Notes 1986-3 and Secured Bonds 1986-D	Medium Term Notes 1986-4 and Secured Bonds 1986-E	Combined
Sources of financial resources:						
Operations:						
Net income	$ 969	312	663	808	569	3,321
Items which do not use (provide) cash:						
Net amortization of discounts, premiums and bond issuance costs	180	431	380	582	490	2,063
Increase in accrued interest receivable	(96)	(15)	(10)	(110)	(630)	(861)
Increase in claims receivable	-	-	-	(5)	-	(5)
Decrease in accrued interest payable	-	(46)	(55)	-	-	(101)
Net increase (decrease) in accrued expenses and other receivables	393	92	(193)	(86)	61	267
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	9	31	72	349	112	573
Financial resources provided by operations	1,455	805	857	1,538	602	5,257
Transfer of subsidy from other funds and debt collateralization	-	-	-	-	4,558	4,558
Mortgages sold to (purchased from) other funds	966	1,659	1,571	2,480	(97,998)	(91,322)
Mortgage and loan principal repayments	5,326	4,368	3,950	2,152	1,632	17,428
Decrease (increase) in cash	(764)	(2)	15	155	(18)	(614)
Total sources of financial resources	$ 6,983	6,830	6,393	6,325	(91,224)	(64,693)
Uses of financial resources:						
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ 6,983	(384)	(1,807)	6,325	(91,224)	(80,107)
Payment of mortgage bonds	-	7,214	8,200	-	-	15,414
Total uses of financial resources	$ 6,983	6,830	6,393	6,325	(91,224)	(64,693)

1983		1984		Collateralized				
				1984		1985	1988	
Fifth Series	Sixth Series	First Series	Second Series	First Series	Second Series	First Series	First Series	Combined
(357)	(820)	(1,521)	(940)	(1,886)	(1,131)	(368)	(140)	(9,805)
145	211	158	171	169	350	119	14	2,218
112	31	352	167	36	(124)	270	(835)	486
(511)	(663)	(1,690)	(1,066)	(404)	(165)	(11)	-	(7,164)
(22)	(39)	(79)	(70)	(106)	(66)	(412)	927	(32)
336	245	559	(2,315)	116	(122)	(349)	(96)	(945)
13	144	274	207	1,838	578	409	-	4,119
(284)	(891)	(1,947)	(3,846)	(237)	(680)	(342)	(130)	(11,123)
-	-	-	-	(109)	-	(4,964)	5,172	99
-	-	-	345	14	97	(79,467)	-	(79,011)
5,065	7,275	13,635	11,695	10,796	7,326	857	-	87,177
-	-	-	-	-	-	-	49,470	49,470
(17)	(14)	(16)	(6)	855	847	-	(10)	1,609
4,764	6,370	11,672	8,188	11,319	7,590	(83,916)	54,502	48,221
1,910	1,593	1,749	1,051	(1,010)	116	(133,803)	54,502	(69,194)
2,854	4,777	9,923	7,137	12,329	7,474	49,887	-	117,415
4,764	6,370	11,672	8,188	11,319	7,590	(83,916)	54,502	48,221

Combining Statement of Changes in Financial Position — State Guaranteed Bonds

Year Ended June 30, 1988 (In Thousands)

	1983			
	First Series	Second Series	Third Series	Fourth Series
Sources of financial resources:				
Operations:				
Net loss	$ (406)	(888)	(715)	(633)
Items which do not use (provide) cash:				
Net amortization of discounts, premiums and bond issuance costs	132	290	235	224
Decrease (increase) in accrued interest receivable	35	277	105	60
Increase in claims receivable	(396)	(1,321)	(424)	(513)
Increase (decrease) in accrued interest payable	(18)	(54)	(39)	(54)
Net increase (decrease) in accrued expenses and other receivables	108	431	(31)	173
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	114	241	141	160
Financial resources used by operations	(431)	(1,024)	(728)	(583)
Transfer of subsidy from (to) other funds and debt collateralization	–	–	–	–
Mortgages sold to (purchased from) other funds	–	–	–	–
Mortgage and loan principal repayments	3,614	11,704	7,233	7,977
Net proceeds from the sale of mortgage bonds	–	–	–	–
Decrease (increase) in cash	(5)	(19)	–	(6)
Total sources of financial resources	$ 3,178	10,661	6,505	7,388
Uses of financial resources:				
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ 588	2,340	1,173	597
Payment of mortgage bonds	2,590	8,321	5,332	6,791
Total uses of financial resources	$ 3,178	10,661	6,505	7,388

1983		Collateralized						
				1986		1987		
First Series	Second Series	1984 Series A	1985 Series B	Series A	Series B	Series A	Series B	Combined
(654)	(3,244)	(959)	(742)	513	651	1,129	15	(8,479)
246	2,165	280	339	28	-	-	25	5,724
352	618	57	(117)	(167)	1,273	(333)	(686)	2,578
(1,787)	(3,893)	394	(260)	-	-	-	-	(14,283)
(23)	(58)	(78)	(156)	-	(216)	324	337	(91)
(1,453)	874	556	472	110	488	60	(731)	(2,694)
232	1,806	1	810	163	-	-	-	6,133
(3,087)	(1,732)	251	346	647	2,196	1,180	(1,040)	(11,112)
-	-	-	67	(1,337)	(6,846)	-	7,430	(686)
-	-	96	630	(24,986)	-	-	-	(24,260)
7,875	13,813	10,502	7,291	742	-	-	-	74,067
-	-	-	-	-	-	-	49,900	49,900
(18)	(24)	1,052	391	50	-	-	(26)	1,388
4,770	12,057	11,901	8,725	(24,884)	(4,650)	1,180	56,264	89,297
1,785	3,467	3,141	1,685	(24,884)	(54,650)	1,180	56,264	(13,062)
2,985	8,590	8,760	7,040	-	50,000	-	-	102,359
4,770	12,057	11,901	8,725	(24,884)	(4,650)	1,180	56,264	89,297

Combining Statement of Changes in Financial Position — Home Mortgage Bonds

Year Ended June 30, 1988 (In Thousands)

	1981		1982	
	First Series	Second Series	First Series	Second Series
Sources of financial resources:				
Operations:				
Net income (loss)	$ (46)	(1,596)	(897)	(2,649)
Items which do not use (provide) cash:				
Net amortization of discounts, premiums and bond issuance costs	232	161	1,007	1,241
Decrease (increase) in accrued interest receivable	338	331	379	533
Decrease (increase) in claims receivable	(1,831)	(1,541)	(2,304)	(3,061)
Increase (decrease) in accrued interest payable	(76)	(77)	(36)	(32)
Net increase (decrease) in accrued expenses and other receivables	267	809	(2,409)	(1,737)
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	306	249	285	2,281
Financial resources provided (used) by operations	(810)	(1,664)	(3,975)	(3,424)
Transfer of subsidy from (to) other funds and debt collateralization	–	–	–	–
Mortgages sold to (purchased from) other funds	–	–	–	–
Mortgage and loan principal repayments	7,071	6,536	9,784	10,453
Net proceeds from sale of mortgage bonds	–	–	–	–
Decrease (increase) in cash	(7)	(6)	(9)	(15)
Total sources of financial resources	$ 6,254	4,866	5,800	7,014
Uses of financial resources:				
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	$ (1,831)	(3,019)	1,289	2,511
Payment of mortgage bonds	8,085	7,885	4,511	4,503
Total uses of financial resources	$ 6,254	4,866	5,800	7,014

Combining Statement of Changes in Financial Position – Insurance Funds

Year Ended June 30, 1988 (In Thousands)

	State Mortgage Insurance	Rural Housing Hazard Insurance	Rural Housing Title Insurance	Rental Program Insurance Fund	Combined
Sources of financial resources:					
Operations:					
Net income (loss)	$(6,828)	26	42	(3,143)	(9,903)
Items which do not use (provide) cash:					
Decrease (increase) in accrued interest receivable	76	2	3	(24)	57
Net increase in accrued expenses and other receivable	5,940	-	-	-	5,940
Net increase in allowance for loan losses and write-down of real estate and mobile homes owned	2,549	-	-	3,604	6,153
Financial resources provided by operations	1,737	28	45	437	2,247
Total sources of financial resources	$ 1,737	28	45	437	2,247
Uses of financial resources:					
Increase in investments and securities purchased from other funds under agreements to resell	$ 1,737	28	45	437	2,247
Total uses of financial resources	$ 1,737	28	45	437	2,247

Combined Home Mortgage Bond	Combined State Guaranteed Bond	Combined Medium Term Note and Secured Bond	Combined State Assisted Mortgage Bond	Combined Residential Mortgage Bond	Combined Homeowners Assistance Programs (HOAP)	Combined Other Bonds and Notes	Combined
(8,479)	(9,805)	3,321	3,917	(714)	(741)	11,810	(12,600)
5,724	2,218	2,063	1,494	84	436	4,377	16,795
–	–	–	–	–	–	–	80
2,578	486	(861)	1,081	(100)	(2,784)	(1,236)	(895)
(14,283)	(7,164)	(5)	(8,790)	–	–	(4,032)	(51,278)
(91)	(32)	(101)	(777)	(61)	5,248	1,726	5,912
(2,694)	(945)	267	(10,356)	2,482	(1,411)	1,704	(6,408)
6,133	4,119	573	7,326	856	–	6,069	54,691
6,297	(11,112)	(11,123)	5,257	(6,105)	2,547	748	20,418
(686)	99	4,558	3	2,762	42,468	48,467	–
(24,260)	(79,011)	(91,322)	576	–	–	(73,779)	–
74,067	87,177	17,428	93,551	2,250	–	131,076	448,448
–	–	–	–	–	–	6,000	70,284
49,900	49,470	–	–	–	178,531	157,567	435,468
1,388	1,609	(614)	1,921	(102)	(724)	511	4,752
89,297	48,221	(64,693)	89,946	7,457	221,023	290,260	965,249
(13,062)	(69,194)	(80,107)	24,762	(11,667)	221,023	153,766	277,171
–	–	–	–	14,124	–	3,855	249,890
102,359	117,415	15,414	65,184	5,000	–	121,745	427,117
–	–	–	–	–	–	–	177
–	–	–	–	–	–	10,894	10,894
89,297	48,221	(64,693)	89,946	7,457	221,023	290,260	965,249

SCOMM

60:7

ALASKA HOUSING MARKET COUNCIL
Housing Policy Development Committee

Rural and Urban Housing Market Subcommittee

MINUTES

February 24-25, 1989
Spenard Recreation Center
Anchorage, Alaska

FRIDAY, FEBRUARY 24, 1989

Members Present:

Bill Swain	-	Jack White Co.
Sam Helms	-	AHMC Board Member
Deborah Ingman	-	Appraisal Associates of Juneau
Mike Harper	-	DCRA
Kay Murphy	-	Alliance Bank

Public Present:

Don Sherwood	-	Mat Valley Federal Credit Union
Hank Hodge	-	DCRA - Housing Assistance

AHMC Staff:

Glenda Straube
Heather Arnett

Call to Order

Mr. Swain called the meeting to order at 10:05 a.m. He welcomed everyone to the meeting and announced that Sterling Gallagher, former Commissioner of Revenue, would be giving a presentation on the history of the Alaska Housing Finance Corporation.

Sterling Gallagher's Presentation
(The following is a synopsis of Mr. Gallagher's presentation):

Mr. Gallagher began his presentation by saying that Alaska can be characterized as "young and rural." Young people have very little savings and bank most of their funds in demand deposits. He also pointed out that Alaska is counter-cyclical; whatever the national institutions are doing -- Alaska is doing the opposite. The wealth of the state is in the government's hands. The State of Alaska's credit rating is AA. The only companies in the state with higher credit ratings are Exxon with a AAA rating and

possibly, BP Alaska with an AA or AAA. Mr. Gallagher pointed out that the State of Alaska, because of its credit rating, is the only institution in the state big enough and strong enough to have major financial clout.

The Alaska Housing Finance Corporation was created in 1971 as an adjunct to the Alaska State Housing Authority. For almost six years, the two had the same board of directors. But, in 1976, the board split. AHFC did its first bond issues and put together its first housing packages in the years 1971 - 1974. AHFC decided to put together their own bond issues because they felt captive of federal policies. Those first housing packages included a FHA and VA subdivision in Thunderbird Terrace in Anchorage.

Because AHFC and ASHA shared a board, AHFC was multi-family oriented in the early days. But, that changed in 1972-1973. In 1974, then-Governor Hammond won a pledge from AHFC to begin to provide a more conventional housing program. At the time, AHFC was reaching only a small portion of the state.

Private Mortgage Insurance was just beginning to be recognized and utilized in the country. Alaska was the second state, after Connecticut, to sell a bond issue backed by PMI insurance. In this issue, the state funded 10% of the reserve with the top 80% of the loans being covered by PMI insurance. The whole national insurance industry followed the example of Alaska and Connecticut.

In 1975, with the beginning of pipeline construction, the State accounted for about 35% of savings deposits in the state's banking system. The whole savings and loan industry had only $100 million on deposit. The State used State pension funds to augment the market.

State government began to push housing in the state, opening up the State VA program. From 1974 - 1979, $700 million in veterans loans were given out. (The State later used the assets from that program to expand the AHFC in 1981). The PMI program was very successful; with the program's backing, almost "1/2 of Anchorage was built during pipeline construction."

In 1981, the legislature wanted to expand the loan program to provide loans on homes of a higher value - the ceiling went from $90,000 to $160,000.

The State fashioned a security, which was 110 basis points over the government rate, with a 10-year call. The State of Alaska began doing graduated mortgages.

That year, the State sold $1.2 billion in securities -- making it the 3rd largest borrower in the free world. The State was going

to the market with too many types of bond issues in those days. Each bond issue was a different type of security which caused a lot of market confusion.

The AHFC Balance Sheet Today

$3.9 billion bonds outstanding
$1.6 billion cash

AHFC is losing money on about 1/3 of its indentures. The corporation could make $80 million a year if the economy was healthy.

With no subsidies from state government and with the right bond structure, AHFC can beat 'Ginnie Mae' securities by 15 - 20 basis points.

Mr. Gallagher commented that certain legislation has been "jammed down AHFC's throat" -- for instance, the mobile home program which has created a loss of some $50 million for AHFC.

Mr. Hodge asked Mr. Gallagher if AHFC could become a revolving loan fund and get out of the bond market.

Mr. Gallagher responded that he would have to look at AHFC's cash flow to make that determination, but that he doubted it was possible. He said that there is no one to fill the role of AHFC in a recovering market.

He recommended that if the State is not already doing it, it should jettison all its foreclosed properties (REOs) in Juneau and all other REOS other than those in the Mat-Su Valley, Anchorage and 1/2 of the loans in Fairbanks.

He said that Juneau is a hot market right now and there is nothing wrong with the markets in Ketchikan, Southeast and Kodiak.

Mr. Gallagher said that Alaska will never have a large percentage of savings in the private sector. $24 billion of assets in the state are from State and local governments. $5 billion of assets are from the state's banking system.

He said that's why AHFC exists -- because there is no big private savings here.

Mr. Hodge asked in which area should AHFC key in on? He said that DCRA underwrote $70 million in loans that AHFC wouldn't underwrite. Those were Anchorage and Fairbanks loans.

Mr. Harper commented that the Housing Policy Development Committee was formed to talk about housing; to question the role

of the AHFC and what it should do.

Mr. Gallagher said that the AHFC should serve the low to moderate income market. If it begins to run out of money, it should cut back on the high end.

Ms. Murphy asked if the State should revert back to being a lender for low and moderate-income homes.

Mr. Gallagher responded, "Should AHFC have loans identical to Fannie Mae and Freddie Mac? -- I think it is a matter of price and reserves. With $300-400 million a year in loans they should tailor their program to financing needs."

Ms. Murphy said that the State can probably save 15 - 22 basis points over Fannie Mae. Ms. Murphy said that she would not like to see AHFC go back to only low and moderate-income loans -- that AHFC's interest rates are considerably less than other lenders.

Mr. Gallagher said AHFC's cash flow could roll at least $200 million in loans and never sell a bond.

Mr. Swain asked if Mr. Gallagher was saying that even with a REO problem, AHFC was viable?

Mr. Gallagher responded that AHFC was upgraded last year to AA from AA-. He said that $20 million was made last year.

Ms. Straube commented that the Permanent Fund Account keeps the State's bond rating up. Mr. Gallagher agreed that, regardless of the state's opinion that AHFC's bonds are not backed by the Permanent Fund and the State of Alaska, the bond market views the situation differently. He said that although the AHFC AA bond rating does stand on its own, the market understands that the $10 million permanent fund is lurking in the background.

Mr. Helms said that Fairbanks is not doing as well as one might think. He said that 450 new units are needed in Fairbanks by this time next year, 150 of those to be multi-family. He commented that hundreds of GI's are presently renting. Mr. Helms asked Mr. Gallagher what he would do to clean up the AHFC?

Mr. Gallagher said he would get them out of certain markets and get their cash flow going. He questioned whether AHFC needed to be involved with federal programs since those programs are so restrictive. What AHFC cannot afford to do is lose PMI insurers.

Mr. Hodge commented that he understood that the further one gets from Anchorage, the less likely it is that PMI will want to insure a loan.

Mr. Gallagher responded that the State can "jawbone" PMI to go

out a little further and insure some rural areas. A lot of rural Alaskan towns are fairly stable, he said, and AHFC could expand their insurance program to include rural areas. He added that the market would buy it.

Ms. Murphy asked if AHFC could set aside 5% of bond issues for non-conforming loans? Mr. Gallagher commented that the bond market would certainly buy that but, AHFC must tell how the loans are non-conforming.

Mr. Hodge said that he wants DCRA's rural loans to be completely separate from AHFC. He remarked that there is currently legislation pending that would allow AHFC to take over DCRA's portfolio and that AHFC has made it clear that if this occurs DCRA loans would be in the "back 40."

Ms. Ingman said that she sees this as a real problem -- that if non-conforming loans are made through AHFC loans, then they wouldn't get underwritten.

Mr. Swain asked Mr. Hodge if the point was that DCRA doesn't have enough money for rural loans?

Mr. Hodge responded that it wasn't true at this point, but if they had any big push, they would be short of funds.

Mr. Swain asked Mr. Gallagher if he was saying that AHFC has enough financial muscle to serve DCRA's needs?

Mr. Gallagher responded that the issue is one of using more reserves.

Ms. Straube commented that we're concerned about policies and what's good for the state. She said that there have been many excuses made for not taking certain actions because of possible harm to the state's bond rating and that the State of Alaska needs to make decisions based on the real facts of our relationship with the bond market.

Ms. Murphy remarked that AHFC says that a lot of what it can and can't do is in the covenants of the existing bond issues.

Mr. Gallagher said that is valid of some bond issues. He said that the original, state guaranteed bonds do not have such covenants. He reiterated that it's a matter of price and that what we're talking about is using more reserves. The bond market will go along with more lenient or non-conforming programs if we are willing to pay the price - which would mean increasing the funds we keep for loss reserves.

Ms. Murphy said that she was told that the original bond issues went with Freddie Mac and Fannie Mae and that the State could

have gotten better rates for borrowers.

Mr. Gallagher responded that the State had a capacity problem then and that it no longer does.

Public Comment

Subcommittee Chair Bill Swain said that there would be a revision in the agenda and that Don Sherwood, from the Mat Valley Federal Credit Union, would give testimony at this time.

Mr. Sherwood said that the State of Alaska should have a group of corporate-minded officials. He pointed out that some projects are being done in Japan, that a Canadian corporation is mining in Juneau and that in Ketchikan there is a foreign-owned molybdenum mine. He added that the Point McKenzie port development is being done by a foreign corporation. The State of Alaska should look at ways of keeping people here.

Mr. Swain recessed the meeting of the subcommittee until 1:30 p.m.

Mr. Swain reconvened the meeting at 1:30 p.m.

Ms. Straube brought up whether the March meetings of the Housing Policy Development Committee should be in Juneau or Anchorage and if the meeting should be held on the 17th and 18th as scheduled or should be moved to March 30 and 31.

It was determined that AHMC staff would poll all members of the Housing Policy Development Committee to determine which March meeting dates were more convenient.

Since there were only five subcommittee members present, the subcommittee decided to cancel their Saturday, February 25 meeting.

Mr. Swain and Ms. Straube decided to write a memorandum to all Urban/Rural Subcommittee members to determine which members were able to make a commitment to attend the majority of subcommittee meetings.

It was brought to the attention of the Chair that John Guinn and Mike Shuler were attending critical meetings in Juneau and that Rick Barrier had informed us at the last meeting that he would be out of town for today's meeting.

Mr. Swain adjourned the meeting of the Urban/Rural Subcommittee at 2:15 p.m.

ALASKA HOUSING MARKET COUNCIL
Housing Policy Development Committee

Affordable, Low Income and Senior Housing Issues

AVAILABILITY:

1. "Affordable" housing is not just a low income issue; it should include renters.

2. How to increase participation of non-profit organizations and public-private partnerships in housing (i.e. housing cooperatives).

3. How can the existing stock of surplus housing be used to meet current housing needs. Need to identify housing that can be quickly converted to senior housing.

4. Identify groups whose needs can not be met by the existing stock of surplus housing.

5. Need for non-medical and assisted housing for seniors. Recognition of the various levels of housing needed.

6. Should the state encourage independent living for seniors where desired and practical.

QUALITY HOUSING:

1. Insure that housing designs maximize energy conservation and the use of local fuel resources. Energy importation and poor energy efficiency can increase housing costs.

2. Current building codes and standards may unnecessarily increase costs.

3. Should there be peer review of housing programs and their delivery system.

REGULATIONS:

1. Can existing loan programs be modified to encourage "affordable" housing.

2. What changes in state regulations, regarding AHFC and AIDEA financing guidelines, may be appropriate for low income and affordable housing. Federal and local guidelines also need to be addressed.

3. Should there be a state housing commission to oversee compliance of housing programs.

4. Regulations should be modified to allow boarding homes and residential level II housing to provide assistance to the "aged" without having to provide the full medical facilities required under law.

5. The state should adopt a case management system to allow agencies, serving the same people, to compete with each other and take advantage of funding available from the federal government for medicare/medicaid patients.

ACCESSIBILITY:

1. Agencies must educate the private sector and the public to improve access to current and future housing resources.

2. Full utilization of existing senior centers is needed.

MORTGAGE LOAN AVAILABILITY:

1. How to increase participation by local financial institutions.

Type of Structure

One to Four Unit Complexes (Single level preferred) Split or Multi-level	Majority of occupants will be in various stages of slow mobility. Little or no climbing will be necessary. Can be utilized in cases where occupants are spry and very ambulatory, also occupants who may have occasional visitors (children, etc.)
Entries Close to Ground -	Stairs are most dangerous of all features to older people. Also ramps are easier to build and will have less run distance. Will creat less problems with snow and ice.
Attached Garage (preferred) -	Ability to start cars in winter. Weather protection all year and additional storage room.
Well insulated -	Comfort is of primarty importance to older citizens. Uniform room temperatures especially at floor level are very important. Also cost savings are necessary.
Low window level -	One or more windows should have low sill heights, preferably living room windows. This premits easy viewing from si ting positions.
Emergency Access -	Ease of removal of patients in case of medical emergencies, i.e. ability to remove incapacitated patient from bathroom, etc.
Storage -	Ability to construct additional storage to provide for more than normal. Older people sometimes have a life time of possesions to store.

Exterior & Neighborhood

Lot Size and topography-	Prefer normal to small lot for ease of maintance. Lot should be high enough to promote good drainage to streets or other drainage receptors.
Make-up of Neighborhood Residents -	Neighborhood should have average to lower quanities of children. Some children are necessary. Area should be clean with no junk yards or other run down features- preferred make up is with maturiing families, modest density i prefferred.
Other Features -	Streets should be well maintained. Street lighting is a must. City water and sewer is prefered.
Concrete Foundations -	No maintenance work for life of house - very stable
Code Electrical System -	Lessens danger of fire- special circuts for medical equipment can be easily added.
Mechanical System -	Must be in good condition and operating properly. Sanitation is of primary concern. In addition it is important that the system can be expanded to accomidate special fixtures for handicapped or medical purposes. Heating ststem should be mulitizone and of baseboard hot water.

Well lighted areas	-	Lighting is important to helf prevent accidents and to assist in reading and other activities.
Kitchen Designs	-	Appliances in good condition with easy to reach controls Standard cabinets and lower upper cabinets to lessen step stool requirements. Near access to dining room.
Laundry Facilities	-	Laundry facilities including washer and dryer preferably within main house envelope.
Adaptability	-	Ease of conversion of bath and electrical to accomidate handicapped or medical requirements.

for review

The following cost estimate is based on a 1,000 square foot residence conversion under uses of the following catagories:

I - No handicapped or medical assistance required
II - Some handicapped or medical adaption needed
III - Intensive handicapped and medical requirements including wheel chair, oxygen etc.

	I	II	III
Exterior Lot, Roof, siding painting, grounds	$500 to 1,500.	500 to 1,500	500 to 1,500
Interior or Finish			
floors	300 to 2,000	300 to 2,500	300 to 2,500
walls	500 to 1,000	700 to 1,200	700 to 1,200
ceilings	300 to 700	300 to 700	300 to 700
doors	200 to 800	1,200 to 2,000	1,500 to 3,000
windows	0 to 1,500	0 to 1,500	0 to 1,500
Handicap & Medical Access	-0-	500 to 1,000	700 to 1,500
Handicap & Medical Bathroom	-0-	700 to 3,500	1,200 to 5,000
Handicap & Medical Kitchen	-0-	1,000 to 3,500	1,500 to 4,500
Bath & Kitchen Fixtures & Cabinets	300 to 3,000	(These costs included in bathroom and kitchen categories under scenario II & III)	
Mechanical Systems			
Boiler & heating water supply & drainage pipe	150 to 500	150 to 500	150 to 500
(fixtures included above)	0 to 300	0 to 300	0 to 300
Electrical			
upgrade lighting	300 to 600	300 to 800	300 to 1,000
clean & repair	100 to 300	100 to 300	100 to 300
special circuts	-0-	500 to 1,500	1,000 to 2,500
Emergency Access	-0-	500 to 1,500	800 to 2,500
Emergency & Special Systems	-0-	150 to 600	150 to 600
Add Launtry & Storage	800 to 1,500	800 to 1,500	800 to 1,500
Totals	3,500 to 13,700	7,700 to 24,400	10,000 to 30,600.

NEIL GOLDSCHMIDT
GOVERNOR

State Housing Council

110 LABOR & INDUSTRIES BUILDING, SALEM, OREGON 97310-0161 PHONE (503) 378-4343

TO: Debbie Wood
Housing Policy Analyst

DATE: April 4, 1988

FROM: Krista Tyler
Student Intern

SUBJECT: OTHER STATES' HOUSING PROGRAMS

I have compiled a brief list of programs being carried on in other states, which may be of some interest to the Housing Council. I found lists of such programs in the handbooks published by the Council of State Community Affairs (COSCAA) and the Council of State Housing Agencies (CSHA). I then wrote to the director of each program requesting a program description and the enabling legislation. Upon receipt of this information, I summarized the features of these programs in outline form. On the following pages are condensed versions of these outlines. They have been divided into categories for easier reference. Following these brief descriptions are page-long outlines giving more detailed descriptions on these programs for future reference.

I. HOMEOWNERSHIP

1. Pilot Single-Family Construction Program (Connecticut)

   A. Loans to private developers to build low-cost housing

   B. Experimental program - operated only in 1986

2. Rural Homesteading Program (Virginia)

   A. VHDA purchases foreclosed properties, sells them for $1.00 to eligible applicants

   B. Owners required to rehabilitate residences, live there five years

   C. Focus on state's rural areas

II. RENTAL

1. Rental Housing Production Program (Maryland)

   A. Funds may be used for nearly all aspects of construction

B. Work must be in eligible area:

1. blighted, deteriorating or slum
2. areas in danger of becoming so
3. areas which might so affect surrounding neighborhoods

C. Buildings must be vacant or under-utilized (less than 60 percent occupancy)

4. CORE Focus Program (Massachusetts)

A. Local governments may receive up to $10,000 per unit matching funds for rehabilitation

B. Projects must be in downtown or key commercial areas

C. Emphasis on mixed-use, housing/commercial purposes

5. Urban Renewal Program (Massachusetts)

A. Money to communities, nonprofits for rehabilitation of blighted, sub-standard or decadent area

B. Used in tandem with funding from HUD, Land Bank, MIFA, urban renewal and state funds

V. FARMWORKER/RURAL

1. Farmworker Housing Assistance Trust Fund (Florida)

A. Loans with 3% interest and grants to:

1. nonprofit organizations
2. local governments or housing authorities
3. federally recognized Indian tribes

B. Money to be used for construction or purchase of housing for farmworkers or low-income rural residents

C. Applications reviewed on a point scale

2. Farmworker Housing Grant Program (California)

A. Matching funds for construction or rehabilitation of housing for farmworkers and low-income rural residents

B. Rents may not exceed 25 percent of tenants' income

3. Rural Housing Program (Maine)

A. In cooperation with FmHA for rehabilitation of low-income housing in rural areas of state

4. Community Contribution Tax Incentive Program (Florida)

   A. To encourage private contribution to construction and rehabilitation of target areas

   B. Private corporations donate to eligible sponsors

   C. Corporation receives 50 percent tax credit, up to $200,000

   D. Financed through state tax credits

* NOTE: Financing is from state general funds, unless otherwise noted.

KT:swd
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MARYLAND

Rental Housing Production Program

I. Purpose

This program is designed to increase the supply of rental housing for low-income families.

II. Funding

For fiscal year 1987, $9 million was appropriated from the state general fund.

III. Description

Funds from this program can be used for capital assistance, mortgage payment assistance, and advance of funds. Developments must include five or more units of rental housing and must be designated for residents earning less than 60 percent of the area median, with a goal of 50 percent of the households served earning 30 percent or less of the area median income. Any rent increases must be approved by the Agency.

IV. Target Group

Both nonprofit and for-profit corporations are eligible for assistance, provided the development serves residents in the low- and very-low-income range.

V. Contact Person

Nancy S. Rase, Director
Rental Housing Programs
45 Calvert Street
Annapolis MD 21401-1907
(301) 974-2122

MASSACHUSETTS

CORE Focus Program

I. Purpose

This program is to provide incentives to communities to create and retain affordable housing units for their citizens.

II. Funding

CORE receives $1 million per year from Small Cities Program and rental assistance subsidies from state housing program.

III. Description

Units of local governments may receive matching funds to rehabilitate downtown or key commercial center buildings for mixed-use, housing/commercial purposes. Up to $10,000 per unit may be received.

IV. Target Group

Communities wishing to rehabilitate downtown facilities.

V. Contact Person

Thomas R. Gleason, Director
Massachusetts Small Cities Program
Executive Office of Communities and Development
100 Cambridge Street
Boston MA 02202

WEST VIRGINIA

New Small Development Program

I. Purpose

This program is designed to assist private developers in the construction and rehabilitation of residential and commercial properties, especially in the downtown area. A goal of 50 percent level was established for low-income person occupancy.

II. Funding

Approximately $5 million from the West Virginia State Board of Investments.

III. Description

This program is restricted to the development of multifamily rental housing and of commercial space. The major emphasis of the program is towards downtown revitalization by financing "Main Street" conversions of commercial properties to the above. Development proposals are evaluated as to ability to meet the 50 percent low-income residential goal.

IV. Target Group

Any nonprofit or for-profit individual or company is an eligible sponsor.

V. Contact Person

Norma L. Pritt, Information Officer
W. Virginia Housing Development Fund
814 Virginia Street East
Charleston WV 25301
(304) 345-6475

COLORADO

Construction Loan Fund

I. Purpose

This program is designed to provide funds to assist in the construction, acquisition or rehabilitation of housing for low- to moderate-income families.

II. Funding

The financing is made available through State general funds.

III. Description

The loan may be for an amount to cover 90 percent of construction/rehabilitation costs, for a period of not more than two years. Nonprofit or government agency sponsors may apply for these funds to build housing facilities of five units or less.

IV. Target Group

Nonprofit or government agencies build properties for low- and moderate-income families.

V. Contact Person

Judy B. Schneider
Assistant Program Development Officer
Colorado Housing Finance Authority
777 Pearl Street
Denver CO 80203-3716
(303) 861-8962

MARYLAND

Nonprofit Rehabilitation Program

I. Purpose

To provide for the rehabilitation of residential properties.

II. Funding

This program is funded through Maryland general funds.

III. Description

Many different properties including rentals, group homes, temporary shelters, single-family owner-occupied homes and mobile homes are eligible for assistance. Funds may be used to bring the properties to code compliance and make the building suitable for its proposed use. Projects must serve individuals or households with limited income.

IV. Target Group

Nonprofit organizations and local governments are eligible for these loans.

V. Contact Person

Nancy S. Rase, Director
Rental Housing Programs
45 Calvert Street
Annapolis MD 21401-1907
(301) 974-2122

FLORIDA

Farmworker Housing Assistance Trust Fund

I. Purpose

To aid in the site acquisition and in the construction, rehabilitation, maintenance or support of farmworker or low-income rural housing.

II. Funding

State general funds.

III. Description

This program provides loans and grants to groups for the construction and/or purchase of housing to be offered to the state's farmworkers and low-income rural residents. Available funds are allocated 40 percent for farmworker housing and 60 percent to low-income rural housing. Loans of up to $400,000 carry an interest rate of three percent for three years, and grants for specific purposes are available to approved applicants, based on a point system.

IV. Target Group

A loan or grant may be awarded to:

a. nonprofit organizations
b. local public bodies (housing authority or local government)
c. federally-recognized Indian tribes

V. Contact Person

Frances L. Kling
Planning Manager
Department of Community Affairs
2571 Executive Circle East
Tallahasse FL 32399
(904) 488-1536

M A I N E

Rural Housing Program

I. Purpose

To provide for rehabilitation and repair for low-income homes in the rural parts of the state.

II. Funding

Housing Opportunities for Maine (HOME) Trust Fund.

III. Description

This program is in cooperations with the Farmers Home Administration and is divided into two sections. The first, the Housing Preservation Grant Program, provides at least matching funds to the FmHA for repair of residences in rural areas. The second, the Multi-Family Rental Assistance Payments Program, supplements the FmHA waiting list for rent subsidies to low-income tenants in approved developments.

IV. Target Group

Only low- and very-low-income rural families are eligible for assistance, and these must meet FmHA requirements.

V. Contact Person

Robert O. Lenna
Deputy Director
Maine State Housing Authority
PO Box 2669
Augusta ME 04330
(207) 623-2981

MASSACHUSETTS

Support Services Program

I. Purpose

This program is designed to increase the economic self-sufficiency of public housing tenants through the provision of education, skills training, employment and support services.

II. Funding

A line item in the state budget appropriates approximately $5.3 million.

III. Description

With a central theme of employability enhancement, the Executive Office of Communities and Development (EOCD) provides matching funds or an outright grant for support services for tenants of public housing. These services include job training, career sounseling, remedial education, vocational and on-the-job training, youth services, and other such support as child care and transportation.

IV. Target Group

This program is targeted at persons who are already residents of the state projects.

V. Contact Person

Paul Kerrigan, Director
Bureau of Supportive Services
Executive Office of Communities and Development
100 Cambridge Street
Boston MA 02202

F L O R I D A

Community Contribution Tax Incentive Program

I. Purpose

This program is designed to encourage private businesses to contribute to rehabilitation of housing units in the state.

II. Funding

Private businesses receive state income tax credits, up to $200,000 per business, up to $3 million for the state.

III. Description

Corporations must donate to an eligible sponsor, which include nonprofit organizations and state or local government. These sponsors must be conducting a project to construct or rehabilitate housing, commercial, industrial or public facilities or to promote entrepreneurial or job development opportunities. The corporation then receives a 50 percent tax credit for the contribution.

IV. Target Group

Private corporations willing to invest in construction and rehabilitation of distressed area.

V. Contact Person

Priscilla Howard
Florida Department of Community Affairs
Bureau of Community Assistance
2740 Centerview Drive, Rhyne Building
Tallahasse FL 32399
(904) 488-3581

MARYLAND

Group Home Acquisition Program

I. Purpose

To provide and modify group homes for such special need groups as the elderly, the handicapped, income-eligible people, and others.

II. Funding

This program is funded by state general funds.

III. Description

Low interest loans are available to non-profit organizations to acquire and modify homes to serve these special-needs groups. Only those organizations who are unable to secure private financing are eligible. Interest rates are based on a sliding scale between zero and 7.5 percent depending on the incomes of the residents and the organization's repayment ability. The rate may be adjusted during the term if either of these change.

IV. Target Group

Eligible applicants are those non-profit groups which propose to serve the "special needs" of the group home residents.

V. Contact Person

Nancy S. Rase, Director
Rental Housing Programs
45 Calvert Street
Annapolis, MD 21401-1907
(301) 974-2122

Alaska Housing Market Council

October 3, 1989

Dear Housing Policy Development Committee Member:

Enclosed find your agenda and packet for the HPDC meeting, October 13, in Anchorage. If you are coming to the meeting from another community, please make your own travel arrangements, and, as before, you will be reimbursed for plane fare and for the day spent in Anchorage (at the state per diem rate).

The meeting will be held at the Anchorage Legislative Information Office, 3111 'C' Street, in the main floor conference room, from 9:00 a.m. to 5:00 p.m. The meeting will also be teleconferenced statewide to all Legislative Information Offices, which are open during the legislative interim. **If you are unable to travel to Anchorage for the meeting, please attend by teleconference.**

At the meeting, we will hear presentations on current and proposed loan programs at AHFC and DCRA. Also, we'll hear about proposed programs at ASHA.

The committee will then review and finalize the mission statement, the policy statements and their action recommendations. **Lunch will be catered.**

Please take a minute to review the subcommittee input which hasn't been resolved by the full committee. These will be the issues the committee will discuss when finalizing recommendations.

Another Note: The 2nd Annual Rural Energy Conference will be held in Anchorage on October 12 and 13 at the Egan Convention Center. This conference, titled "Energy Costs and the Rural Economic Crisis," is sponsored by DCRA, Rural CAP, the Alaska Energy Authority and The Alaska Rural Electric Cooperative Association. A conference agenda is enclosed.

As before, please contact me as soon as possible if you are unable to attend the HPDC meeting.

See you on the 13th!

Sincerely,

Heather

Heather Arnett, HPDC Aide

624 W. INTERNATIONAL AIRPORT ROAD, SUITE E • ANCHORAGE, ALASKA 99518 • P.O. BOX 240048 • ANCHORAGE, ALASKA 99524-0048 • (907) 563-3325

ALASKA HOUSING MARKET COUNCIL
Housing Policy Development Committee

Meeting of the Full Committee

AGENDA
October 13, 1989
9:00 a.m. to 5:00 p.m.
Anchorage Legislative Information Office
3111 'C' Street, Main Floor Conference Room
Anchorage, Alaska
And all other State Legislative Information Offices
(Open during Legislative Interim)

I. Call to Order - Roll Call

II. Approval of Agenda

III. Approval of Minutes
a. Full Committee Minutes - 9/8/89 - 9/9/89
b. Subcommittee Minutes - 9/8/89 - 9/9/89

IV. Presentations on AHFC, DCRA, and ASHA housing programs

V. Finalize Mission Statement, Policy Statements #2 - 13 and action plans

VI. 12:00 p.m. Lunch

VII. 1:30 p.m. Public Testimony

VIII. Finalize Policy Statement #1 and action plans

IX. Adjournment

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ALASKA HOUSING MARKET COUNCIL
HOUSING POLICY DEVELOPMENT COMMITTEE

Full Committee
Minutes

September 8, 1989
Sheraton Anchorage Hotel
Anchorage, Alaska

CALL TO ORDER

The meeting was called to order at 9:15 a.m. by Chair Cynthia Parker.

The following members were present:

Fred Aii, Covenant House
Sharon Araji, University of Alaska, Anchorage
Representative Kay Brown
Jeri Swensen, Division of Mental Health & Developmental Disabilities
Stan Hoofard, Housing Services, Municipality of Anchorage
Barbara Chmiel, Housing Services, Municipality of Anchorage
Nancy Adams, Juneau Alliance for the Mentally Ill
Senator Pat Pourchot
Rick Barrier, Malaspina Properties, Anchorage
Mike Harper, DCRA, Anchorage
Sam Helms, Public Member, Fairbanks
Caren Mathis, Dept. of Commerce, Anchorage
Representative Steve Rieger
Bill Swain, Jack White Co., Anchorage
Bob Arwezon, Real Estate Broker, Anchorage
Paul Carr, Carr-Gottstein Properties, Anchorage
Kelly Gunnels, Denali State Bank, Fairbanks
Leo Kaye, Wasilla Senior Citizens Advisory Board
Cynthia Parker, Anchorage Neighborhood Housing Services
Jesse Bartlett, ASHA, Anchorage

Staff Present:

Glenda Straube
Heather Arnett
Mark Romick
Brenda Glaze

Public Present:

Amos E. Heacock, Anchorage
Nancy Isabell Thompson Heacock, Anchorage
Don Foss, Baranof Island Housing Authority, Sitka
H. Prent Gazaway, Anchorage
Jean Smith, Realtor, Anchorage
Jacquelyn Canoose, Cook Inlet Tribal Council, Anchorage
John McCool, ICBO Code Committee, Anchorage
Charles E. Logsdon, Palmer Senior Citizens Advisory Committee
Bryon D. Coney, Panoramic View Apartments, Anchorage

APPROVAL OF AGENDA

The agenda was unanimously approved.

APPROVAL OF MINUTES

The minutes from the July 28, 1989 full committee meeting in Homer and the August 25, 1989 chair meeting in Bethel were both unanimously approved.

DRAFT POLICY RECOMMENDATIONS

The committee discussed the 13 draft policy recommendations. Rep. Rieger stated that he had a few language change suggestions for the recommendations, but otherwise approved of the statements.

The full committee approved all 13 statements.

POLICY STATEMENT #1
DISCUSSION OF PROPOSED HOUSING COMMISSION

Rep. Brown distributed a suggested structure for the proposed Housing Commission.

She was concerned that by establishing a Housing Commission, a new layer of bureaucracy would be created. This would be viewed unfavorably by the Legislature. A Commision that "streamlines" the way state housing programs are structured and delivered would be preferable.

Under Rep. Brown's proposed structure of a Commission, the boards of AHFC and ASHA would be eliminated and the Commission would become the board to administer and oversee all state agencies with housing responsibilities and all state housing programs.

Rural housing service delivery would still occur through DCRA.

She envisions a 10-member board with the executive directors of the various agencies serving at the pleasure of the board.

Mr. Kaye asked what type of legislative action would have to occur to create a Commission.

Rep. Brown responded that creation of a Commission would require modification of state statutes.

Mr. Barrier suggested that perhaps AHFC's board would handle day-to-day decisions and an Executive Board/Commission would decide policy issues.

Rep. Rieger stated that he is not opposed to the idea of a Commission, but remarked that we should explore improving the current situation first, i.e. how housing in the state is handled by the Governor's office.

Mr. Carr stated that he would feel more comfortable if there was one board that set policy, but did not have the responsibility of administering all housing programs.

Rep. Brown said that it's important that a Commission has the power to enforce policies.

Mr. Ali added that he doesn't think the state can afford a Commission without teeth - at this point.

Mr. Harper stated that, in concept, he agrees with the idea of a Commission, but he doesn't think it should run the day-to-day operations of the various agencies.

10:00 a.m. PUBLIC TESTIMONY

Amos E. Heacock, North American Brotherhood Foundation, Anchorage

Mr. Heacock stated that his organization has been approved by the IRS as a non-profit corporation. They use their expertise to reduce the cost of community economic development and housing. They have the ability to implement housing in "distressed areas."

They can possibly guarantee a 20% lower cost for lower-income persons. Development has to be from the "bottom-up." The Foundation would represent the buyers of condominiums and other housing.

(Mr. Heacock added in a later note that the primary problem in the state is filling housing with jobholders. With no provision in Alaska for accepting co-operative mortgages, he stated that it is premature for the Foundation to establish a definitive program).

Nancy Isabell Thompson Heacock, Anchorage

Ms. Heacock emphasized the importance of low-income persons becoming homeowners. She added that it is very important for a person's self-esteem to feel pride of ownership in their home.

H. Prent Gazaway, Anchorage

Mr. Gazaway commented that some of the policy statements seem a bit wordy. He recommended that in Policy Statement #2, the word regionalized be changed to localized. He disagreed with Policy Statement #4, which focuses on low-income housing. He felt that the statement should address improving the availability, accessibility, and affordability of housing for all Alaskans, with an emphasis on housing for persons with limited or low-incomes.

Jean Smith, Realtor, Anchorage

Ms. Smith represents Safe Haven Cooperative in Anchorage. She stated that there is no financing available in the state for co-operatives. She has approached every agency about this. She does think that AHFC has the authority, under statute, to finance co-operatives, but the agency does not issue such loans.

She urged the committee to "keep thinking co-operatives."

Jacquelyn Canoose, Cook Inlet Tribal Council, Anchorage

Ms. Canoose stated that the CITC is expecting a large influx of people into the Anchorage area this fall and winter. She said that there is an urgent need for low-income housing. There needs to be good coordination between ASHA and rental assistance programs and more education for the public. She added that there needs to be a better check on tenants when their income increases.

Mr. Hoofard asked if Ms. Canoose was aware of the HUD program which allows non-profits to lease HUD properties for $1 a year.

Ms. Adams added that the non-profits cannot charge rent, however.

Ms. Straube stated that the non-profits have to pay insurance costs and other operating expenses.

John McCool, Architect, Anchorage

Mr. McCool has been a practicing architect in the state for over 20 years. He has been a member of the International Conference of Building Officials Code Committee in the state along with representatives from the Architects Institute of America, the

Department of Labor, the Municipality of Anchorage, the Department of Transportation and building contractors.

He said that the Federal Trade Commission has stated that 31 states have statewide codes. In this state, no private or public buildings have any seismic codes. Nine different state agencies regulate housing and are often at odds with each other. Some of these codes must be adopted and changed by statute, which is a very difficult process.

In 1987, the Code Committee's draft bill made it to the Senate Labor and Commerce Committee, but died because of disagreement as to which agency should do code enforcement.

Mr. McCool added that national codes are updated every three years. Federal accessibility standards are updated less frequently, but are still good building standards.

If a statewide building code (based on national codes) is adopted, public hearings could be held when code updates are issued and regional amendments could be instituted.

Also, a code appeals process should be implemented.

Mr. Helms stated that a Uniform Building Code is needed in the state, but such a code would not work well in rural areas.

Mr. Rieger asked if there should be a grandfather clause relating to buildings already constructed, if a statewide code is adopted.

Mr. McCool responded yes, that the Fire Code has that provision.

Mr. Hoofard stated that codes are a big issue, for instance, how would code inspectors get to Bethel or other rural parts of the state?

Mr. McCool said these issues would be addressed in phases; the first priority is to get a statewide code adopted.

<u>Byron Coney, Panoramic View Apartments, Anchorage</u>

Mr. Coney is the trustee for the Claire Reischling Testamentary Trust. He is presently in charge of the Panoramic View Apartments on Government Hill. They were built in 1949. There are 268 units in 14 buildings with basically sound construction. They have potential as low-income housing; but the project is struggling to survive.

Mr. Coney concluded that the logical solution was to transfer the project to a non-profit corporation.

By the end of September, 1989, the Anchorage Housing Trust will

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
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be established. This corporation will have 501c3 tax-exempt status. The Trust will assume management and control of the Panoramic View Apartments. The Trust is a non-profit corporation and Mr. Coney will receive no benefit.

The managers of the property have received a rental rehabilitation loan from the Municipality of Anchorage to renovate some of the apartments. They are also participating in the Municipality's weatherization project. Some apartments will be available for Section 8 tenants.
They have received Community Development Block Grant funds to create a rent subsidy program for low-income tenants.

They have also applied to ASHA for the federal Low Income Tax Credit.

The land under the project is owned by the Alaska Railroad. Mr. Coney stated that the Railroad has been unsympathetic to the attempts of management to pay a more reasonable rental rate on the land.

Management has discussed with the Railroad the possibility of trading the property with Municipal or Native Corporation land. The Municipality has not shown interest in pursuing this issue.

Ms. Parker stated that she believes this deal should be completed. There has already been, approximately, a $1 million subsidy into the project. The adjacent municipal land (under the Hollywood Vista Apartments) should be traded to the Railroad.

Mr. Arwezon suggested that perhaps the Committee should draft a resolution to send to the Council and legislators, supporting such a trade.

STAFF PRESENTATIONS

Ms. Straube gave a presentation on the Housing Finance Task Force. She said the task force has commissioned a report on housing finance in the state. The report won't be completed until the legislative session in 1990. She added that the consultant could possibly examine the social implications of various financing programs, in addition to the financial aspects. She will keep the Committee informed of the progress of the task force.

Ms. Straube and Ms. Arnett discussed the subcommittee's drafting of action recommendations. They stated that they must meet the "SPAMO" test, meaning they should be: specific, pertinent, attainable, measurable and observable.

The subcommittees then met for a few moments and adjourned for lunch at 12:00 noon.

ALASKA HOUSING MARKET COUNCIL
HOUSING POLICY DEVELOPMENT COMMITTEE

Low Income, Affordable, Senior Housing Subcommittee Minutes

September 8 - 9, 1989
Sheraton Anchorage Hotel
Anchorage, Alaska

CALL TO ORDER

The meeting was called to order at 1:45 P.M. (Sept. 8) by Chair Paul Carr.

The following members were present:

Paul Carr, Carr-Gottstein Properties, Anchorage
Bob Arwezon, Real Estate Broker, Anchorage
Barbara Chmiel, Housing Services, Municipality of Anchorage
Kelly Gunnels, Denali State Bank, Fairbanks
Cynthia Parker, Anchorage Neighborhood Housing Services
Jesse Bartlett, ASHA, Anchorage
Leo Kaye, Wasilla Senior Citizens Advisory Board

Staff Present:

Mark Romick

APPROVAL OF MINUTES

The minutes for the July 14, 1989 subcommittee meeting were approved without objections. Mr. Carr made the motion which was seconded by Ms. Parker.

The focus of this meeting was to review and revise the action plans of the full HPDC. The changes suggested by this committee are summarized below.

POLICY STATEMENT #1

There were no changes suggested by the committee.

POLICY STATEMENT #2

Action Plan #1:

The committee suggested that the task force that was created in action plan #1., also be asked to address bldg. codes.

add "housing & construction" after "Department of Environmental Conservation's"

POLICY STATEMENT #3

Action Plan #3:

The committee voted to remove this action plan because it felt that most governments already have this ability under current municipal ordinances. It may be possible to include this in the policy statement.

POLICY STATEMENT #4

Action Plan #3:

Add an action plan:

"An educational program should be developed through state agencies and the secondary market to encourage funding of applications for qualified low income/affordable housing projects."

Action Plan #4:

Take out "directly" and add "through normal seller/servicer arrangements" at the end of the sentence.

POLICY STATEMENT #5

Action Plan #2:

Take out "also if needed". Move second sentence to policy statement #12, because it should apply to all HUD programs not just transitional housing.

Action Plan #3:

Remove

Action Plan #5:

Remove

Action Plan #7:

Not specific - not SPAMO.

Action Plans 8 - 18:

Make one action plan (#8) identifying the groups in 8, 10 - 17 has letters. For example, 8a, 8b, 8c, - 8j.

Action Plan #20:

Remove

Action Plan #21:

Remove

POLICY STATEMENT #6

Action Plan #1:

Make this a finding of the report, not an action plan.

Action Plan #2:

Make this #1, and add the word "annually" after "should identify".

POLICY STATEMENT #7

Action Plan #1:

Not specific enough. Change "should approve...." to "should develop/adopt accepted industry lending standards".

Action Plan #2:

Not specific enough.

Action Plan #4:

Discuss with full committee, #2 and #4 are in conflict.

Action Plan #5:

Ms. Gunnels suggested that this action plan should include some statement about the borrowers ability to refinance their loans, under state loan programs, with a servicer in Alaska.

POLICY STATEMENT #9

Action Plan #1:

Remove and add to AP #2.

Action Plan #2:

Make Action plan #1 and add "and secondary market mortgage investors" after "in Alaska,".

Action Plan #3:

Make action plan #2 and substitute "direct economic assistance" for "subsidize interest rates".

The committee adjourned at 5:25 p.m.

The committee reconvened at 10:00 a.m. on Saturday, September 9, 1989.

The following members were present:

Cynthia Parker, Anchorage Neighborhood Housing Services
Howard Bess, Alaska Housing Ministries, Anchorage
Bob Arwezon, Real Estate Broker, Anchorage
Jesse Bartlett, Alaska State Housing Authority, Anchorage

Staff Present:

Mark Romick

POLICY STATEMENT #10

Action Plan #1:

Add a sentence to include ASHA in the provision of affordable rental housing.

POLICY STATEMENT #11

Action Plan #3:

The committee felt that "guarantee loans" was not appropriate. The state should not "guarantee loans", but facilitate the financing.

POLICY STATEMENT #12

Add "and capital" after "sources of revenue" in the policy statement.

Action Plan #3:

Remove

Action Plan #4:

Remove

Action Plan #8:

Add "and non-profit" after "regional housing authorities".

Substitute "Resolution Trust Program" for "new national FSLIC program".

POLICY STATEMENT #13

Action Plan #1:

Add "and an appeals process" after "amendments".

Action Plan #2:

Add "and bonding" after "contractor licensing".

Action Plan #3:

Remove

Action Plan #4:

Add reference to state programs like the Alaska Craftsman Home Program.

Action Plan #5:

Reword so sentence is positive. However, it should retain the concept that the state will not finance new housing that does not meet current building and construction codes or regulations.

ALASKA HOUSING MARKET COUNCIL
Housing Policy Development Committee

Transitional and Long Term Housing for Special Needs Subcommittee

September 8, 1989

MEETING MINUTES
Suite 303, Anchorage Sheraton Hotel
Anchorage

CALL TO ORDER

The meeting was called to order by acting Chair Fred Ali at 1:30 p.m.

The following members were present:

Fred Ali, Covenant House
Stan Hoofard, Municipality of Anchorage
Sharon Araji, University of Alaska, Anchorage
Jeri Swenson, Division of Mental Health
Nancy Adams, Juneau Alliance for the Mentally Ill
Kay Brown, State Representative

Staff Present:

Brenda Glaze

APPROVAL OF AGENDA

Without objection, the agenda was unanimously approved.

APPROVAL OF MINUTES

The minutes from the June 24, 1989 subcommittee meeting were unanimously approved.

Acting Chair Fred Ali gave a short presentation to the subcommittee, explaining that they needed to review the "Draft Action Plans" and make changes as needed at this meeting.

REVIEW OF DRAFT ACTION PLANS

Policy Statement #1

The subcommittee adopted the Housing Commission structure recommended by Kay Brown. This Housing Commission would administer all agencies and programs.

The subcommittee added under "Action Plan #1": The board of ASHA

and AHFC would be eliminated and the executive directors of those agencies would serve as advisors and at the pleasure of the Housing Commission. The Commission would consist of 10 members. One commissioner from DCRA and the Dept. of Revenue, and 8 public members.

The subcommittee inserted a new #3 under "Action Plan #2": Staffing for the commission shall come from existing state agencies and funding from existing agencies' resources.

The subcommittee reworded "Action Plan #4": The Commission shall be the designated state agency to review housing needs and request funds for housing and designate recipients throughout the state.

The subcommittee reworded "Action Plan #5": The Commission shall be charged with state agency housing program review, coordination and oversight. All new or amended housing or mortgage loan regulations must be approved by the Commission to ensure that they conform to the intent of the state housing policy. The Commission shall direct the activities of the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the housing programs within the Department of Community and Regional Affairs.

The subcommittee reworded "Action Plan #6": The Commission shall be charged with writing a long term housing plan for the state and updating the plan periodically. State agencies, including the Alaska Housing Finance Corporation, the Alaska State Housing Authority, the Department of Community and Regional Affairs, the Division of Mental Health & Developmental Disabilities, the Division of Alcoholism and Drug Abuse, and the Council on Domestic Violence & Sexual Assault, shall advise the Housing Commission of housing needs within their area of responsibility.

The subcommittee reworded "Action Plan #8": The Commission shall review housing regulations of the agencies under its jurisdiction, and advise where appropriate to eliminate conflict and duplication.

The subcommittee reworded "Action Plan #9": The Commission shall review the use of and disposition of state agency-owned foreclosed properties and shall provide information to interested parties regarding available properties. The Commission may direct AHFC and encourage banks and secondary institutions to donate foreclosed properties for use as transitional and long term special needs facilities and senior housing where appropriate.

<u>Policy Statement #2</u>

The subcommittee did not understand Action Plan #1 and #2. They

decided to discuss these items with the full committee at the next meeting.

Policy Statement #3

The subcommittee reworded Policy Statement #3: It is the policy of the State of Alaska to encourage communities to take an active role in housing issues, recognizing that local control is preferable to central control, because local governments can best balance the needs of the public with the private determination of supply and demand.

The subcommittee reworded "Action Plan #1,2, and 3": Thru DCRA local government shall be encouraged to do the following.

- include a housing plan as part of their comprehensive planning process.
- revise zoning laws to be consistent with anti-discriminatory statutes (including the amendments to the Fair Housing Act), and integration of transitional housing residents into communities.
- review and revise zoning requirements to facilitate establishment of transitional group housing.

Policy Statement #4

The subcommittee's only comment was it wanted non-profits to be able to participate in any type of subsidy program.

Policy Statement #5

The subcommittee agreed to delete "Action Plans" # 3, 20 and 21.

The subcommittee reworded "Action Plan #4": State programs that provide temporary housing and services to Rural Alaskans who must come to regional centers for medical or other treatment should be adequately funded.

The subcommittee agreed to group together "Action Plans" # 1, 2, 5, 18 and 19. The Housing Commission should be given the responsibility to prioritize, review and seek funding for the above listed "Action Plans".

Policy Statement #11

The subcommittee reworded the policy statement: It is the policy of the State of Alaska to recognize that Senior Alaskans should have access to affordable housing.

Policy Statement #12

The subcommittee reworded "Action Plan #3": State regulations should be changed so that grant monies can be used to pay non-profits for mortgage loans.
The subcommittee reworded "Action Plan #4": State resources should be available to meet essential housing services, i.e. permanent fund, income tax, state sales tax.

Policy Statement #13

The subcommittee decided to delete "Action Plan #3".

The acting Chair adjourned the meeting at 4:30 p.m.

ALASKA HOUSING MARKET COUNCIL
Housing Policy Development Committee

Urban and Rural Housing Markets Subcommittee

September 8, 1989

MEETING MINUTES
Sheraton Anchorage Hotel, Room 301

CALL TO ORDER

The meeting was called to order at 1:00 p.m. by Chair Bill Swain.

The following members were present:

Bill Swain, Jack White Co.
Rick Barrier, Malaspina Properties
Mike Harper, DCRA
Sam Helms, Public Member
Rep. Steve Rieger, State Representative

Staff Present:

Heather Arnett

REVIEW OF DRAFT ACTION PLANS

Mr. Swain reviewed with subcommittee members what they needed to accomplish. He stated that they needed to make recommendations on new action plans and propose changes to existing plans.

The subcommittee reviewed the Mission Statement, Policy Statements, and Action Plans and proposed the following changes:

Amend Mission Statement to read:

SAFE, SANITARY, AND ENERGY EFFICIENT LIVING CONDITIONS SHOULD BE AVAILABLE TO ALL CITIZENS OF THE STATE.

(The subcommittee concluded that the issue of energy efficient housing was extremely important, particularly in Rural Alaska).

Policy Statement #2:

Change to Action Plan #1:

State agencies with regulations pertaining to housing standards should be analyzed by a task force of industry and government for regional flexibility and an appeals process should be implemented.

Policy Statement #7:

Action Plan #4:

Subcommittee does not support the state implementing a downpayment and closing cost program.

Action Plan #5:

Subcommittee was confused as to what this recommendation means (deals with AHFC pooling VA and FHA loans).

New Action Plan to read:

There should be greater disclosure to borrowers that mortgage loan servicing can be sold to another institution, unless specified otherwise in the loan servicing agreement.

Greater penalties and clearer recourse shall occur in the case of faulty loan servicing (application of mortgage proceeds, payment of taxes or insurance).

Policy Statement #9

Change to read:

It is the policy of the State of Alaska to minimize direct involvement of state government in the secondary mortgage market, with the primary exception of accessing capital markets in order to finance the state's housing needs, which include, but aren't limited to, low to moderate-income housing, rural housing, and transitional housing.

New action plan to read:

Where state agencies can access materially lower cost capital from secondary market mortgage lenders, than funds available in the private sector, this may be done and the lower interest rates should be passed through to the public.

Policy Statement #12

Change to read:

It is the policy of the State of Alaska to develop and maintain stable sources of capital to support housing needs in the state.

Change to action plan #1 to read:

The state should participate in the issuance of tax-exempt bonds, as well as taxable forms of financing, to provide the best market rate to finance the state's housing needs, which include, but aren't limited to, low to moderate-income housing, rural housing and transitional housing.

Policy Statement #13

Change to action plan #1 to read:

The state shall adopt the entire Uniform Building Code, and allow for regional differences and amendments. Codes should include energy standards, which allow for regional differences. Strong protection should be afforded to owners of existing structures against arbitrary enforcement, when construction occurred before standards were implemented.

Action plan #3 was struck as the subcommittee determined this energy analysis had already been done.

Rep. Rieger had to leave the meeting early and stated that he was in disagreement with the following action plans:

Policy Statement #4, Action Plan #4:

Doesn't like the idea of AHFC lending directly to non-profit developers.

Policy Statement #11, Action Plan #3:

Doesn't like state guaranteeing loans for housing development. (Rep. Rieger disagrees with using state's "full faith and credit" to guarantee loans).

Policy Statement #12, Action Plan #3:

Doesn't like idea of non-profits "mortgaging the state."

Policy Statement #12, Action Plan #4:

Doesn't like idea of "slicing up the Permanent Fund earnings."

Mr. Barrier stated that he had no definite recommendation on the state's involvement with mobile homes, but he wanted mobile homes to be recognized as a type of housing in the final HPDC report.

The subcommittee adjourned at 3:15 p.m.

ALASKA HOUSING MARKET COUNCIL
HOUSING POLICY DEVELOPMENT COMMITTEE

Full Committee
Minutes

September 9, 1989
Sheraton Anchorage Hotel, Yukon Room
Anchorage, Alaska

CALL TO ORDER

The meeting was called to order at 11:15 a.m. by Chair Cynthia Parker.

The following members were present:

Sharon Araji, University of Alaska, Anchorage
Representative Kay Brown, State Representative
Stan Hoofard, Housing Services, Municipality of Anchorage
Nancy Adams, Juneau Alliance for the Mentally Ill
Rick Barrier, Malaspina Properties
Sam Helms, Public Member, Fairbanks
Bill Swain, Jack White Company
Bob Arwezon, Real Estate Broker
Howard Bess, Alaska Housing Ministries
Cynthia Parker, Anchorage Neighborhood Housing Services
Jesse Bartlett, Alaska State Housing Authority

Staff Present:

Glenda Straube
Heather Arnett
Mark Romick
Brenda Glaze

Public Present:

H.P. "Prent" Gazaway, Anchorage
Lorena Showers, Anchorage

APPROVAL OF AGENDA

The agenda was unanimously approved by the full committee.

SUBCOMMITTEE PRESENTATIONS

A representative from each subcommittee presented each group's suggested changes to the mission statement, policy statements and action plans. (SEE SUBCOMMITTEE MINUTES FOR EXACT CHANGES).

THE FULL COMMITTEE AGREED ON OMITTING THE FOLLOWING SECTIONS OF THE POLICY STATEMENTS AND ACTION PLANS

Policy Statement #5

Action Plans #3, 5, 20 and 21

Action Plans #5, 20 and 20 were dropped from the policy statement related to transitional housing, because they focused on transportation and not clear housing issues. Action Plan #3 was dropped because service providers are restricted in their ability to institute "culturally appropriate activities."

Policy Statement #11

Action Plan #3

This statement, relating to the state guaranteeing loans for senior housing development was dropped, but it was decided to give clear direction to a Housing Commission to encourage and assist this type of development.

Policy Statement #13

Action Plan #3

This statement, referring to a task force developing energy policy, was dropped. It was determined that this project had already been completed.

THE FULL COMMITTEE AGREED ON CHANGING THE FOLLOWING SECTIONS OF THE POLICY STATEMENTS AND ACTION PLANS

Policy Statement #4

Action Plan #4

This statement was changed to read:

State law should be modified so that Alaska Housing Finance Corporation can lend to non-profit housing developers through normal seller-servicer arrangements.

(The words "directly" and "interest rate subsidy program" were removed).

Policy Statement #9

Action Plan #3

This statement was changed to read:

A report by the State Housing Finance Task Force, which examines the state's interest rate subsidies for mortgage loans, will be issued in February. This issue needs to be thoroughly examined, but at a minimum, the state should continue to direct economic assistance for rural housing and low to moderate-income housing programs.

Policy Statement #9

New Action Plan

Where state agencies can access materially lower cost capital from secondary market lenders, than funds available in the private sector, this may be done and the lower interest rates should be passed through to the public.

New Action Plan

If the Alaska Housing Finance Corporation does achieve lower interest rates and offers the loans to the public; the first priority should be to meet the housing needs of rural and low-income residents.

Policy Statement #12

This statement was amended to read:

It is the policy of the State of Alaska to develop and maintain stable sources of capital and revenue to support housing needs in the state.

Action Plan #4

This statement was amended to read:

Other sources of funding should be considered to meet essential housing services, including the possibility of instituting a state sales tax.

Discussion on certain policy statements and action plans

Policy Statement #3

This policy statement, relating to land use, was discussed at length by the committee. Rep. Brown pointed out that the

statement refers to local government's involvement in land use issues. She stated that many parts of the state are not organized into local governments, i.e., the unorganized borough.

This statement was referred back to the Urban/Rural Subcommittee for more work.

Policy Statement #7

Action Plan #4

The issue of the state providing a downpayment and closing cost program was discussed at length. The Urban and Rural Housing Markets Subcommittee was opposed to such a program.

Mr. Hoofard suggested that, possibly, homeowners could be given a break with the downpayment to purchase a home, but they wouldn't receive a state subsidy after that point.

It was determined that staff would bring information on other state's downpayment programs to the next HPDC meeting.

Policy Statement #9

This statement refers to the State minimizing direct involvement in the secondary mortgage market. Rep. Brown asked why involvement should be minimized?

Ms. Parker answered that AHFC has taken a very large share of the secondary mortgage market.

The full committee debated the Urban/Rural Subcommittee's recommendation to amend Policy Statement #9 and Policy Statement #12, Action Plan #1 to read:

.....to provide the best market rate to finance the state's housing needs, which include, but aren't limited to low to moderate-income housing, rural housing, and transitional housing.

Mr. Swain stated that the subcommittee did not want to limit who the state money is available to.

No decision was made on this issue.

Policy Statement #11

The Transitional and Long Term Housing for Special Needs Subcommittee felt that this statement, referring to housing for the state's seniors, should be shortened and clarified.

The subcommittee suggested the statement read:

It is the policy of the State of Alaska to recognize that Senior Alaskans should have access to affordable housing.

Rep. Brown said that Action Plan #1, dealing with changing state regulations for senior housing, is unclear. She asked if senior housing in the state must be constructed a certain way in order to receive state and federal funding.

The committee believes the regulations pertain to state funding. Staff will check into this issue.

Policy Statement #12

Action Plan #3

This statement, relating to the possibility of state grant funds being used for mortgage loans, was referred to staff for further research. The State Attorney General's office is currently examining this issue.

2:00 P.M. PUBLIC TESTIMONY

Lorena Showers, Middle-Income Seniors Group, Anchorage

Ms. Showers is a 50-year resident of downtown Anchorage. She stated that middle-income seniors are not eligible for many of the low-income developments in the state. She added that Alaska has no facilities for mid-income seniors.

A group, in Anchorage, has been holding monthly meetings on this issue. They aren't asking for a subsidy, but would like to see a positive incentive go to developers, so that construction could occur at a lower interest rate.

She doesn't think that condominiums can be properly converted to senior housing developments.

Hyatt Hotels are now building housing for seniors across the country.

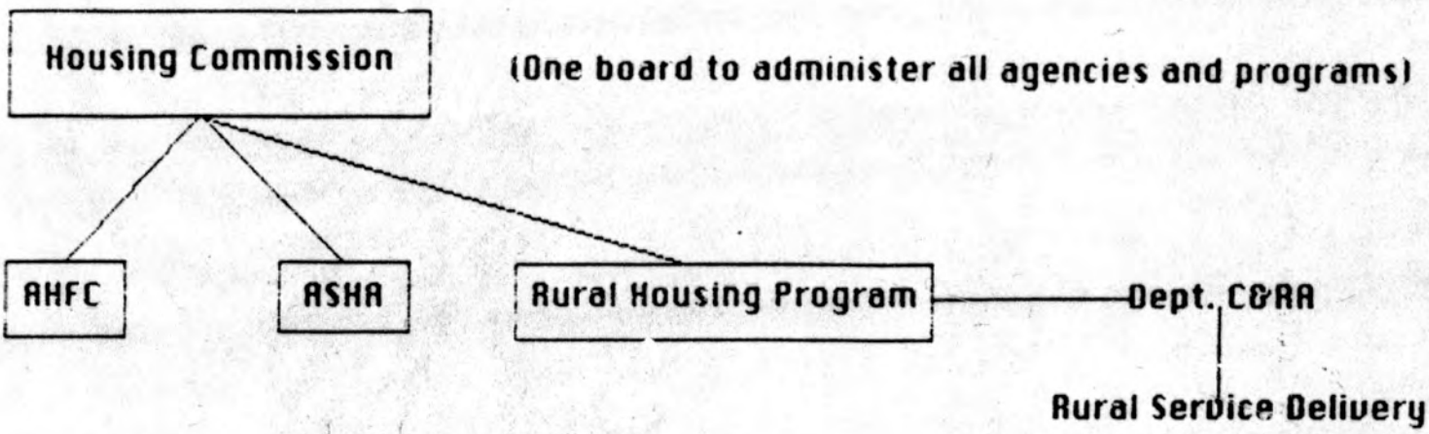
Mr. Swain stated that he's interested in why the private sector hasn't responded to this issue. It might be a perfect arrangement for profit/non-profit groups.

Mr. Hoofard said that, in Spokane, this type of development occurred with federal Section 312 funding. That source of funding is available in Anchorage, but is slated for housing rehabilitation. $33,500 is available per unit.

UPCOMING MEETINGS

The committee decided that the last few HPDC meetings should be held for one day only. The schedule was amended and the last three meetings were scheduled for: October 6, November 3 and December 1. (**Note: The October 6 meeting was later changed to October 13**).

The full committee meeting was adjourned by Chair Cynthia Parker at 2:30 p.m.



PROPOSAL BY REP. KAY BROWN
SEPTEMBER 8, 1989
HOUSING POLICY DEVELOPMENT COMMITTEE
ALASKA HOUSING MARKET COUNCIL

Holy Cross, Alaska 99602
Phone (907) 476-7136, 476-7137, 476-71

To: Board Members
Date: June 22,1989
From: Marie Katcheak, F.S.S.

Re : Housing in Rural Alaska
****

Good morning. I am very interested in the progress you have accomplished within the field of rural housing.

Being a resident of a rural community of Holy Cross, Alaska my comments will be toward options of rural Alaska.

There have been two housing projects ASHA 1971 and HUD 1984-85 which has reported the housing situation here at Holy Cross.

The first housing project which was considered a pilot project did require less maintenance and the price range was economical for the needs of rural Alaska 20 years ago. Improvements have come along way with the price range of the 1984-85 HUD project. The walls were of dark walnut, which require Having the lights on more during the day. We do have very short summer months and long cold winters.

I understand the need for plumbing in villages with running water. Where water tables are non-existing this presents a problem when shower fixtures, bath tubs, and plumbing are offered only as a package deal and will never be used, along with the hidden costs in these packages:

1. plumbing wages
2. additional cost of shipping unused materials
3. additional air openings which cause draft
4. additional wages for package handling

Also with the economy never having any changes other than the pipeline boom of the 1970's, employment remains unseen for the future to boast the village economy. I'm not implying in any way needed housing for rural Alaska should be sub standard. I am implying more affordable homes and a choice should be offered to rural residence. Although less expensive homes which are affordable for rural Alaska should consider the price of financing these homes are a far cry within the economy range of $20,000 to $25,000. The present homes are in the price range of $85,000 to $105,000 with a 30 year payment plan.

Box ~~BOX~~ 190
Holy Cross, Alaska 99602
Phone (907) ~~XXX-XXXX~~ 476-7136, 476-7137, 476-7138

Any home buyer should be able to make a wise choice either by being offered a full complete home built by the contractors needs which is in the economical guide lines of the income according to the individual. There are different housing packages offered by United Limber Independent, and Spenard Builders who have packages which are affordable. For example and review let's look at the package from Spenard Builders Supply which has 9 departments throughout the State.

3 bedroom shell:	$16,995
shipping by barge:	$1,500
	$18,495

3 bedroom:	$16,995
with all(tub,plumbing):	$8,000
freight and complete package:	$24,995

Changes can be made by person building these homes to make the home more suitable to their living conditions in rural areas.

The amount spent on financing can be reduced and more homes can be built with money available. A policy can be enacted to insure the building inspectors and codes can be implimented.

Looking at the past and planning for the future with local residence input always makes sense to me. Thank you.

Sincerely,

Marie Katcheak

Marie Katcheak
P.O. Box 74
Holy Cross, Alaska 99602

cc. Board members

Faxed 6/23/89

PACKAGED HOMES

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Specializing In Packaged Homes



DOUBLE CAR GARAGE

20'x24' **480 SQ. FT.**

This roomy model is large enough to house two cars plus a workbench. Open the single garage door and there's no support post to maneuver around . . . which makes it an ideal design for the storage of large vehicles. This design also features a metal insulated door for added convenience.

SBS also offers a single car garage 12'x24' $2,995

$3995

Foundation not included



CABIN

16'x24' **420 SQ. FT.**

Our recreational cabin design gives you efficient use of living space. The main level includes a bedroom, bath, living and kitchen area. The upstairs 12x16 loft offers additional room for sleeping or storage. This is the perfect cabin design for your favorite fishing and hunting site.

$7,995*



SUSITNA

20'x30' **600 SQ. F**

The Susitna features a large open living, dining and kitchen area with new hardwood. Immediate ease of access makes this design easy to build and easy to heat. If yo plans call for a starter home or recreational cabin, the Susitna is what you're looking for.

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You can build at your own pace...purchase the shell now and complete the inside later, or you can purchase any number of interior options at the same time of the exterior shipment.

EXPERIENCE

SBS has been helping Alaskans build their homes for over 30 years. Our qualified sales staff can give you the right answers.

QUALITY

These homes were designed for Alaskans with special consideration given to weather conditions. Quality and durability have been included in each design.

OPTIONS

Interior completion of your packaged home is easy with help from SBS. We offer a number of additional options from cabinets t plumbing...just ask!

SERVICE

We'll work with you every step o the way...from freight schedule t the last coat of paint. Our goal is to make building in Alaska as easy as possible.

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DESIGNED TO PROVIDE EFFICIENT HOUSING AT AFFORDABLE PRICES



WRANGELL

24'x36' **864 SQ. FT.**

Especially designed with extra storage in mind the Wrangell features rear entry cold storage and utility room. Growing families will appreciate the spacious room, arctic entry, time-saving kitchen and 3 bedrooms. All the living space in a simple to shop package...one of our best values.

$14,995*



FORAKER

24'x40' **960 SQ. FT.**

The Foraker was designed with the needs of a growing family in mind. You will certainly utilize three bedrooms with full closets, a well-planned kitchen, versatile utility room and a spacious living area. Ready for Alaskan lifestyles, the Foraker also features an arctic entry and an attached cold storage area which accesses from the utility room.

$16,995*



DENALI

24'x50' **1200 SQ. FT.**

The Denali is the ideal home investment, there's plenty of room for every member of your family. Four bedrooms, lots of closet and storage space, including a utility room and attached cold storage area. The spacious kitchen, dining and living area is open, maximizing heating efficiency.

$19,995*

SPENARD BUILDERS SUPPLY HOMES

Every SBS packaged home shell price* includes: a post and pad foundation, interior and exterior wall framing, T1-11 plywood siding, engineered floor and roof systems, mineral surfaced roofing, fiberglass insulation, wood casement windows, insulated metal exterior doors plus much more! All package homes include a complete set of architectural plans and materials check-off list.

CLIP & SEND

Yes I would like more information on your packaged homes program.

NAME_____

ADDRESS_____

CITY_____

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RURAL DEVELOPMENT DIVISION

August 3, 1989

Ms. Cynthia Parker, Chair
Anchorage Neighborhood
Housing Service
3700 Woodland Park Drive
Anchorage, Alaska 99517

Dear Ms. Parker:

Attached are some comments provided by my Energy Conservation staff regarding the draft housing policy statements which accompained Ms. Arnett's July 21, 1989 letter.

Hopefully, these comments can still be included in your final policy paper. I reget the delay in responding earlier.

Please let me know if you have any questions on our requested inclusions of building energy efficiency concerns. We feel strongly that any Alaskan housing policy must address techniques which will decrease the extreme cost of energy, particularly in rural areas.

Sincerely,

Michael C. Harper
Director

Attachment:

cc: Ms. Glenda Straube

JSB:ctf:1317P

REQUESTED LANGUAGE ADDITIONS

Housing Policy Development Committee Draft Policy Statements:

2) Action Plan Section. Add underlined language:

"Communities will be encouraged to take an active role in land use issues, energy conservation building standards,..."

3) Add: "...sanitary and energy efficient living conditions..."

4) Add Action Plan Section to include: "Addressing retrofit of existing housing to make it more comfortable, particularly in extreme climate and affordable to low to median income families by decreasing energy costs. Additionally, new housing should be built to address appropriate Alaskan climatic conditions for the area."

5) Add under Action Plan: "The state shall encourage building and purchase of energy efficient housing through special financing incentives."

7) Add under Action Plan: "...markets and providing information including how to decrease energy costs through educational programs."

Low Income, Affordable and Senior Housing Subcommittee Policy Statements:

2) Add: "...senior housing, affordable and energy efficient housing."

5) Add: "...foster and develop affordable, energy efficient, low-income and senior housing in the state."

Urban and Rural Housing Markets Subcommittee Policy Statements

3) Add: "...in housing needs, building and energy efficiency standards, and requirements, throughout the state."

5) Add: "...safe, sanitary, energy efficient living conditions are available to all citizens of the state."

Transitional and Long Term Housing for Special Needs Subcommittee Policy Statements

2) Add: "... It is the policy of the State of Alaska to improve the quality, availability, accessibility, affordability and energy efficiency of ...

Fairbanks North Star Borough

25th Silver Anniversary

September 1, 1989

Housing Policy Development Committee
Alaska Housing Market Council
624 W. International Airport Road, Suite E
P.O. Box 240048
Anchorage, Alaska 99524-0048

Dear Members of the Housing Policy Development Committee,

Notice of you meetings scheduled for September 8 and 9 was received at the Community Research Center on August 31. It was noted that the meetings will not be teleconferenced. Therefore, I am writing, requesting that this letter is made a part of the record.

I am deeply concerned by the sweeping powers that are potentially instituted by the policy recommendations which have been drafted. The policies themselves are such that they may be a palatable as apple pie, but I am concerned with how they will be implemented.

Specifically, with state revenues projected to decline sharply over the next decade, I am concerned with the costs associated with improving "the availability and affordability of transitional and long term housing for those with special needs," the State of Alaska promoting "the availability of quality, affordable rental housing," and a policy which states that "Senior Alaskans, of all income levels, should have access to affordable housing." What is meant by a policy "to develop and maintain stable sources of revenue to support housing needs in the state"?

The bottom line is that there must be some checks and balance written into these policies so that they are implemented within the constraints of what the financial conditions of the state can bear.

The establishment of clearly stated housing policies is to be applauded, but I urge you to use prudence and wisdom in what they promise, for our state's ability to meet the costs of the policy implementation will be severely reduced in the coming years.

Sincerely,

Leslye A. Korvola

Leslye A. Korvola
Manager, Community Research Center

809 Pioneer Road · P.O. Box 1267 · Fairbanks, Alaska 99707 · 907/452-4761

BRYAN F. BORJESSON, P.E.
Consulting Civil Engineer
514 Steel Creek Road
Fairbanks, Alaska 99701
(907) 457-4482

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WORK DESCRIPTION _____
_____
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To: Heather Arnett

enclosed are my comments on draft statement. Overall the whole it looks very good. My only overall concern is how the commission would be made up. I believe this should be clarified. Some but not all members

- Engineering & technical
- Banking
- AHFC or other Housing Reps
- Congressional Representative
- DOT
- [redacted]
- insurance
- Medical
- Legal
- Law enforcement etc

P.S. The committee has done a great job and the staff is its mainstay

Thanks for the opportunity to comment - Sorry I can't be there but give everyone my regards

Bryan Borjesson

BRYAN F. BORJESSON, P.E.
Consulting Civil Engineer
514 Steel Creek Road
Fairbanks, Alaska 99712
(907) 457-4482

JOB
WORK DESCRIPTION
CALCULATED BY DATE
CHECKED BY DATE 9/8/09
SCALE SHEET OF

Comments on ~~Laws~~ Draft Action Plans

P7 Action plans 2) the scientific community, specifically Architects, Engineers etc should also be represented

3) State agency info services should be named — see 5)

4) Add statement at end of sentance "based on these recommendations"

P2 9) Add statement in last sentance "or make available at Reduced Costs"

P5 8) Add "or other contagious diseases"

13) 14) 15) 16) 17) these items could be combined into single statement

P9 8 policy statement #10 1) include private Developers in last sentance

P9 10 policy statement #13 3) DEC Commissioner not qualified

September 4, 1989

Alaska Housing Marketing Council
624 W. Int'l Airport Rd. Suite E
Anchorage, AK 99518

Dear Council Members:

I have reviewed your Draft Policy Recommendations with Amos J. (Joe) Alter, and we feel you have covered the many concerns we expressed regarding senior housing when we testified to your committee earlier this year.

We would like to offer the following commehts about the individual recommendations:

1. Establishing an Alaska Housing Commission should help continue the work of your committee and also provide the necessary coordination between all segments of state government, which is currently lacking.

6. Who will determine, and how, the "most urgent housing needs"?

11. Good statement.

13. ..... standards ---- add "appropriate to that community".

We would like to be advised if there will be public hearings held on these policies, and also would appreciate receiving a copy of your final report and action plan.

Sincerely,

Marie Darlin

Marie Darlin, Chair
Juneau Commission on Aging
Box 2-1283
Juneau, AK 99802
586-3637

DRAFT

ALASKA HOUSING MARKET COUNCIL
10/3/89
REVISED:
MISSION STATEMENT:

SAFE AND SANITARY LIVING CONDITIONS SHOULD BE AVAILABLE TO ALL CITIZENS OF THE STATE.

FULL HOUSING POLICY DEVELOPMENT COMMITTEE

DRAFT ACTION PLANS

Policy Statement #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.

Action Plan:

1. **The Alaska Housing Commission shall report directly to the Governor.**

2. **The Commission's composition shall reflect regional representation and shall include public members and representatives from the following: the housing and real estate industry; special needs groups; and rural areas. Represenatatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity only.**

3. **The Commission shall provide information on housing opportunities to the public and shall oversee state agency information services.**

4. **The Commission shall be the designated agency to review and distribute federal funds for housing and shall designate recipients throughout the state.**

5. **The Commission shall be charged with state agency housing program review, coordination and oversight. All new or amended housing or mortgage loan regulations must be approved by the Commission to ensure that they conform to the intent of the state housing policy. The Commission shall clarify the roles of the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the Department of Community and Regional Affairs in the housing market.**

6. **The Commission shall be charged with writing a long term housing plan for the state and updating the plan periodicaly. State agencies, including the Alaska Housing**

Finance Corporation, the Alaska State Housing Authority, the Department of Community and Regional Affairs, the Division of Mental Health & Developmental Disabilities, the Division of Alcoholism and Drug Abuse, and the Council on Domestic Violence & Sexual Assault, shall develop statewide service plans in conjunction with each other and the state housing plan to insure coordination and efficiency of service delivery. The Alaska Housing Finance Corporation and the Department of Community and Regional Affairs shall develop short and long-term business and regional strategic plans.

7. The Commission shall conduct periodic statewide housing needs assessments on housing and financing availability.

8. The Commission shall direct state agencies to review housing regulations under their jurisdiction, comparing them to other agency regulations, and revising where appropriate to eliminate conflict and duplication.

9. The Commission shall be charged with reviewing the use of and disposition of state agency-owned foreclosed properties and shall provide information to interested parties regarding available properties. The Commission shall encourage AHFC, banks and secondary institutions to donate foreclosed properties for use as transitional and long term special needs facilities and senior housing where appropriate.

10. The Commission shall actively facilitate the creation of housing partnerships and provide advice and technical assistance on the development of those partnerships.

Policy Statement #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.

Action Plan:

1. The Department of Community and Regional Affairs' and the Department of Environmental Conservation's regulations should be analyzed by a task force of industry and government for regional flexibility and an appeals process should be implemented.

2. The Alaska Housing Finance Corporation and the Department of Community and Regional Affairs should adjust their loan programs to be appropriate to market conditions in different regions of the state.

3. The Division of Family and Youth Services should revise foster care regulations to be realistic for bush areas, i.e., housing space requirements should realistically recognize the smaller homes available in the bush.

Policy Statement #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, because local governments can best balance the needs of the public with the private determination of supply and demand.

Action Plan:

1. Local governments should include a housing plan, listing how housing needs can be met, as part of their comprehensive planning process.

2. Zoning laws which prohibit group homes should be revised to be consistent with anti-discriminatory statutes (including the amendments to the Fair Housing Act), and integration of transitional housing residents into communities should be encouraged.

3. Municipal governments should be encouraged to review and revise zoning requirements to facilitate establishment of transitional group housing.

Policy Statement #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.

Action Plan:

1. The State of Alaska should become actively involved in assisting private developers and non-profits in obtaining financing for development of units which are affordable to low-income Alaskans. The State should also make funding and/or financing available to developers and non-profits for planning and pre-development costs on qualified projects.

2. Existing state agency-owned foreclosed properties should be considered for conversion to low income housing units, if economically and structurally feasible.

3. Local financial institutions and the secondary market should be encouraged to participate in providing funding for non-profit, qualified low-income and affordable housing.

4. State law should be modified so that Alaska Housing Finance Corporation can lend to non-profit housing developers through normal seller-servicer arrangements.

Policy Statement #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.

Action Plan:

1. The role of the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs should be expanded to allow mortgage loans to non-profits for transitional and long term housing for those with special needs. This should be a cooperative effort with rural housing authorities.

2. The U.S. Department of Housing and Urban Development should be encouraged to change regulations so that transitional housing tenants can be charged a small amount to support operating expenses. Also, if needed, Alaska's congressional delegation should be contacted about the differences among HUD program requirements, which makes it difficult for housing providers to utilize HUD programs.

3. State programs that provide temporary housing and services to Rural Alaskans who must come to regional centers for medical or other treatment should be adequately funded. In particular, more low-cost transitional family units should be offered, on a sliding fee scale, for Rural Alaskans who move to regional centers for services.

4. Division of Family and Youth Services regulations should be changed so that housing services for non-State custodial teens can be funded or some form of financial assistance can be provided for programs assisting these teens.

5. State legislation that funds independent living programs for youth should be supported.

6. Facilities for persons with AIDS, which offer continuing care, must be identified and funded. Also, a centralized agency must be identified to focus on the housing needs of AIDS patients.

The following transitional and long term housing for special needs areas have also been identified as needing funding:

7. Need for additional emergency shelter space for families with children, to include those with medical need.

8. Need for transitional housing for families leaving women's shelters.

9. Need for 150 additional beds, in halfway house settings, for substance abusers.

10. Need for housing and support services for pre-maternal teens and teens with infants. More child care programs that allow teens with children to attend school should be funded.

11. Need for structured housing environments for ex-offenders.

12. Need for group facilities for persons with handicap(s).

13. Need more programs for the neurologically impaired.

14. Long term (semi-independent) housing for the mentally disabled.

15. Short and long term facilities for those with head injuries and brain trauma.

16. The Capital Projects Land Fund in the Mental Health Lands Trust Account should be used to fund projects such as those listed below.

    a. Transitional halfway houses for mentally ill after leaving Alaska Psychiatric Institute.

    b. Long term "sleep off" centers for inebriates with problems so ingrained that treatment won't help.

    c. Structured housing environment for mentally ill with criminal records.

    d. Long term care facility for chronically mentally ill who refuse psychiatric treament.

17. Buildings for people with special needs should be renovated or built in accordance with the "Uniform Federal Accessibility Standards," produced by the Department of Transportation.

Policy Statement #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.

Action Plan:

1. Currently, the most urgent housing needs in the state are for rural and low income residents. Those needs should be given funding priority.

2. A function of an Alaska Housing Commission should be to maintain comprehensive information on housing needs statewide and keep track of the most urgent housing needs in the state. When state funds are designated to meet housing needs, the commission should identify which areas of the state and which target populations are most in need of housing resources.

Policy Statement #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.

Action Plan:

1. State agencies with mortgage lending programs should approve and follow prudent lending standards.

2. When state funds are at risk, realistic downpayments should be required.

3. The state shall execute and participate in a homeowner counseling and education program. This will work in partnership with new federal housing mandates, which direct states involved in low-income homeownership programs to offer homeowner counseling services.

4. The state should implement a downpayment and closing cost homeowner assistance program, executed through Alaska Housing Finance Corporation or another entity.
(Review by Full Committee)
Note: Often young families and single parents can afford a mortgage payment, but cannot afford the downpayment and closing costs, which can range from $4,000 to over $8,000.

5. AHFC should pool FHA and Federal VA loans under a little-used loan program called the "Conventional Refinance Program." This non-subsidized program would reduce or eliminate Alaskan loans being sold to outside investors and

would create a more stable environment for future mortgage financing.
(Review by Full Committee)
Note: Local lenders have, over the past three years, had difficulty placing FHA and Federal VA loans in the secondary marketplace due to the state's real estate conditions. At times, private investors have priced Alaskan loans at 3% higher than other areas of the nation. Often the loans are not accepted in the secondary marketplace.

Policy Statement #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.

Action Plan:

1. Benevolent loan funds, consisting of private donations, private and public financing, should be encouraged.

Policy Statement #9

It is the policy of the State of Alaska to minimize direct involvement of state government in the secondary mortgage market, with the primary exception of accessing capital markets in order to provide low to moderate-income housing and rural housing.

Action Plan:

1. The state should encourage other secondary mortgage companies to do business in the state in conjunction with AHFC.

2. In an effort to help solve the hesistance of private mortgage insurers to underwrite mortgage loans in Alaska, the state should develop a plan for encouraging participation in the state by private insurers.

3. A report by the State Housing Finance Task Force, which examines the state's interest rate subsidies for mortgage loans, will be issued in February. This issue needs to be thoroughly examined but, at a minimum, the state should continue to direct economic assistance for rural housing and low to moderate-income housing programs.

4. Where state agencies can access materially lower cost capital from secondary market lenders, than funds available in the private sector, this may be done and the lower interest rates should be passed through to the public.

5. If the Alaska Housing Finance Corporation does achieve lower interest rates and offers the loans to the public; the first priority should be to meet the housing needs of rural and lower-income residents.

Policy Statement #10

It is the policy of the State of Alaska to promote the availability of quality, affordable rental housing.

Action Plan:

1. By encouraging the development of housing partnerships in the state and providing pre-development financing for certain projects, the state can assist in meeting the need for good quality, affordable rental housing. Also, the feasibility of converting appropriate foreclosed housing to rental units should be examined. AHFC & DCRA lending practices should be expanded to allow mortgage loans for non-profits so that those developers would have the means to create affordable rental housing.

Policy Statement #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.

Action Plan:

1. Current regulations in the state can make it difficult to cost-effectively construct senior housing. "Medical model" construction regulations require builders developing senior housing to construct them so that medical facilities can be installed. These requirements greatly increase the cost of construction. Because of restrictive regulations, the construction and/or operation of smaller group homes, congregate homes and adult foster homes can also be cost prohibitive. Present regulations must be reviewed and made more flexible where appropriate. State housing regulations should be changed so that two categories of housing are created; medical and non-medical models.

   a. Medical models - requiring specialized medical assistance.
      i. Intermediate care.
      ii. Long term care.

b. Non-medical/Supportive models - requiring assistance with daily living.
   i. Nutrition needs.
   ii. Housekeeping.
   iii. Personal care.
   iv. Transportation
   v. Other non-medical needs unique to the individual.

2. The state should implement a "continuum of care" housing program for seniors and should adequately fund necessary supportive services, which allow seniors to remain independent for as long as possible.

   a. A case management system, which matches seniors with appropriate services, should be implemented by the state.

   b. State funded supportive services, such as homemaker assistance, should be expanded to 7 days a week.

   c. Financial assistance and training for home repair and maintenance should be increased.

Policy Statement #12

It is the policy of the State of Alaska to develop and maintain stable sources of capital and revenue to support housing needs in the state.

Action Plan:

1. The state should participate in the issuance of tax-exempt bonds, as well as taxable forms of financing, to provide the best market rate for the creation of low to moderate-income housing.

2. The state should also encourage the usage of 501c3 bonds by non-profit corporations as a means to create affordable and special needs housing.

3. State regulations should be changed so that grant monies can be used to pay for mortgage loans.

4. Other sources of funding should be considered to meet essential housing services, including the possibility of instituting a state sales tax.

5. The state should encourage the development of Neighborhood Housing Services in communities across the state.

6. The state should consider the creation of a "Housing Trust

DRAFT

Fund" as a source of housing revenue.

7. The state should support the creation of a new "HOME" Corporation within the federal government, which will provide housing funds to states and local communities.

8. The state should review the new national FSLIC program for use as an additional source of housing funds. If a state does not have savings and loans institutions that qualify for the bond program, regional housing authorities can qualify for the bonds.

Policy Statement #13

It is the policy of the State of Alaska that housing in the state should meet specific quality standards.

Action Plan:

1. The state shall adopt the entire Uniform Building Code, and allow for regional differences and amendments.

2. The state shall adopt more stringent contractor licensing requirements.

3. The state should actively lobby for and support the financing of home improvements in rural areas under the federal Mutual Help program and Housing Improvement Program.

4. State agencies should not fund the financing of new construction of substandard housing, nor should they finance existing homes which meet the definition of substandard, with the exception of regional differences.

9/19/89

SUBCOMMITTEE INPUT ON HPDC RECOMMENDATIONS UNRESOLVED BY FULL COMMITTEE

MISSION STATEMENT

Amend to read:
Safe, sanitary, and energy efficient living conditions should be available to all citizens of the state. (Urban/Rural)

POLICY STATEMENT #1

The Housing Commission structure (proposed by Rep. Kay Brown) was adopted. (Transitional)

Action Plan #1

Add: the Boards of ASHA and AHFC would be eliminated and the executive directors of those agencies would serve as advisors and at the pleasure of the Housing Commission. The Commission would consist of 10 members: one commissioner from DCRA and the Department of Revenue, and eight public members. (Transitional)

Action Plan #2

Add: Staffing for the commission shall come from existing state agencies and funding from existing agencies' resources. (Transitional)

Action Plan #4

Reword: The Commission shall be the designated state agency to review housing needs and request funds for housing and designate recipients throughout the state. (Transitional)

Action Plan #5

Reword: The Commission shall be charged with state agency housing program review, coordination and oversight. All new or amended housing or mortgage loan regulations must be approved by the Commission to ensure that they conform to the intent of the state housing policy. The Commission shall direct the activities of the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the housing programs within the Department of Community and

Regional Affairs. (Transitional)

Action Plan #6

Reword: The Commission shall be charged with writing a long term housing plan for the state and updating the plan periodically. State agencies, including the Alaska Housing Finance Corporation, the Alaska State Housing Authority, the Department of Community and Regional Affairs, the Division of Mental Health & Developmental Disabilities, the Division of Alcoholism and Drug Abuse, and the Council on Domestic Violence & Sexual Assault, shall advise the Housing Commission of housing needs within their area of responsibility. (Transitional)

Action Plan #8

Reword: The Commission shall review housing regulations of the agencies under its jurisdiction, and advise where appropriate to eliminate conflict and duplication. (Transitional)

Action Plan #9

Reword: The Commission shall review the use of and disposition of state agency-owned foreclosed properties and shall provide information to interested parties regarding available properties. The Commission may direct AHFC and encourage banks and secondary institutions to donate foreclosed properties for use as transitional and long term special needs facilities and senior housing, where appropriate. (Transitional)

POLICY STATEMENT #2

Action Plan #1

Subcommittee did not understand this action plan. Request clarification from full committee. (Transitional)

Reword: State agencies with regulations pertaining to housing standards should be analyzed by a task force of industry and government for regional flexibility and an appeals process should be implemented. (Urban/Rural)

Subcommittee recommends that task force created also address building codes. Add: "housing and construction" after "Department of Environmental Conservation's." (Low-Income/ Affordable)

Action Plan #2

Subcommittee requests clarification on this action plan from full committee. (Transitional)

POLICY STATEMENT #3

Reword: It is the policy of the State of Alaska to encourage communities to take an active role in housing issues, recognizing that local control is preferable to central control, because local governments can best balance the needs of the public with the private determination of supply and demand. (Transitional)

Action Plans 1, 2, & 3

Reword: Through DCRA, local government shall be encouraged to do the following:

1) Include a housing plan as part of their comprehensive planning process.

2) Revise zoning laws to be consistent with anti-discriminatory statutes (including the amendments to the Fair Housing Act), and integration of transitional housing residents into communities.

3) Review and revise zoning requirements to facilitate establishment of transitional group housing. (Transitional)

Action Plan #3

The subcommittee voted to remove this action plan, because it felt that most governments already have this ability under current municipal ordinances. It may be possible to include this in the policy statement. (Low-Income/Affordable)

POLICY STATEMENT #4

Subcommittee wants non-profits to be able to participate in any type of subsidy program. (Transitional)

Action Plan #3

Add: An educational program should be developed through state agencies and the secondary market to encourage funding of applications for qualified low income/affordable housing projects. (Low Income/Affordable)

POLICY STATEMENT #5

Action Plans #1, 2, 5, 18, 19

Combine: The Housing Commission should be given the responsibility to prioritize, review and seek funding for the listed action plans. (Transitional)

Action Plan #2

Remove: "also if needed." Move second sentence to policy statement #12, because it should apply to all HUD programs, not just transitional housing. (Low Income/Affordable)

Action Plan #4

Reword: State programs that provide temporary housing and services to Rural Alaskans who must come to regional centers for medical or other treatment should be adequately funded. (Transitional)

Action Plan #5

Remove. (Low Income/Affordable)

Action Plan #7

Not specific - doesn't meet SPAMO. (Low Income/Affordable)

Action Plans #8 - 18

Combine: Into one action plans, for example, 8a, 8b, 8c, etc. (Low Income/Affordable)

POLICY STATEMENT #6

Action Plan #1

Make this a finding of the report, not an action plan. (Low Income/Affordable)

Action Plan #2

Make this #1, and add the word "annually" after "should identify." (Low Income/Affordable)

POLICY STATEMENT #7

Action Plan #1

Not specific enough. Change "should approve...." to "should develop/adopt accepted industry lending standards." (Low

Income/Affordable)

Action Plan #2

Not specific enough. (Low-Income/Affordable)

Action Plan #4

Discuss with full committee, #2 and #4 are in conflict. (Low Income/Affordable)

Subcommittee did not support the state implementing a downpayment and closing cost program. (Urban/Rural)

Action Plan #5

Subcommittee was confused as to what this recommendation means. (Urban/Rural)

Ms. Gunnels suggested that this action plan should include some statement about the borrower's ability to refinance their loans, under state programs, with a servicer in Alaska. (Low Income/Affordable)

New Action Plan

There should be greater disclosure to borrowers that mortgage loan servicing can be sold to another institution, unless specified otherwise in the loan servicing agreement.

Greater penalties and clearer recourse shall occur in the case of faulty loan servicing (application or mortgage proceeds, payment of taxes or insurance). (Urban/Rural)

POLICY STATEMENT #9

Amend to read:

It is the policy of the State of Alaska to minimize direct involvement of state government in the secondary mortgage market, with the primary exception of accessing capital markets in order to finance the state's housing needs, which include, but aren't limited to, low to moderate-income housing, rural housing and transitional housing. (Urban/Rural)

Action Plan #1

Remove: and add to action plan #2. (Low Income/Affordable)

Action Plan #2

Add: "and secondary market mortgage investors" after "in Alaska,." (Low Income/Affordable)

POLICY STATEMENT #10

Action Plan #1

Add: A sentence to include ASHA in the provision of affordable rental housing. (Low Income/Affordable)

POLICY STATEMENT #11

Reword: It is the policy of the State of Alaska to recognize that Senior Alaskans should have access to affordable housing. (Transitional)

POLICY STATEMENT #12

Action Plan #1

Reword: The State should participate in the issuance of tax-exempt bonds, as well as taxable forms of financing, to provide the best market rate to finance the state's housing needs, which include, but aren't limited to, low to moderate-income housing, rural housing and transitional housing. (Urban/Rural)

Action Plan #3

Reword: State regulations should be changed so that grant monies can be used to pay non-profits for mortgage loans. (Transitional)

Remove: (Low Income/Affordable)

Subcommittee member didn't like idea of non-profits "mortgaging the state." (Urban/Rural)

Action Plan #8

Add: "and non-profit" after "regional housing authorities." (Low Income/Affordable)

Substitute: "Resolution Trust Program" for "new national FSLIC Program." (Low Income/Affordable)

POLICY STATEMENT #13

Action Plan #1

Add: "and an appeals process" after "amendments". (Low Income/Affordable)

Amend: The State shall adopt the entire Uniform Building Code, and allow for regional differences and amendments. Codes should include energy standards, which allow for regional differences. Strong protection should be afforded to owners of existing structures against arbitrary enforcement, when construction occureed before standards were implemented. (Urban/Rural)

Action Plan #2

Add: "and bonding" after contractor licensing. (Low Income/Affordable)

Action Plan #3

Add: Reference to state programs like the Alaska Craftsman Home Program. (Low Income/Affordable)

Action Plan #4

Reword: So sentence is positive. However, it should retain the concept that the state will not finance new housing that does not meet current building and construction codes or regulations. (Low Income/Affordable)

SECOND ANNUAL RURAL ENERGY CONFERENCE

DRAFT AGENDA

THURSDAY, OCTOBER 12

8:00 - 8:30AM Check-in and Registration. Continental Breakfast will be served.

8:30 - 8:45AM Welcome & Conference Preview

8:45 - 9:45AM Panel Discussion on the Energy Situation in Rural Alaska
Moderator: Henry Springer, Director, Weatherization Program, R-CAP
1. Mike Harper, Director, Rural Development Division, DCRA
2. John Lyons, Operations & Maintenance Manager, AVEC

9:45 - 10:15AM
KEYNOTE ADDRESS: "ENERGY COSTS AND THE RURAL ECONOMIC CRISIS"
George Irvin, Assistant Director, Alaska Federation of Natives

10:15 - 10:30AM Break

10:30 - NOON Panel Discussion of Efficiency Issues:
Moderator: Alan Mitchell, Analysis North
1. Saving Energy Equals Saving Dollars, Conrad Zipperian, Rural CAP
2. Rural Utility Efficiency Issues - Robert Martin, Chairman, Board of Directors, AEA
3. Housing Standards in Rural Alaska - Steve Baden, Director, Energy Programs, DCRA

NOON - 1PM Lunch - on your own.

1:00 - 1:45PM Concurrent Workshops
1. Insurance For Utilities and Villages - Nancy Keller, Coroon & Black
2. Lighting Efficiency - Phil Kaluza & Alan Mitchell
3. Battery Based Hybrid Systems - Gary Smith, Project Manager /Rural Construction, AEA

1:45 - 2:00PM Break

2:00 - 3:30PM Concurrent Sessions
1. Energy Efficient Home Construction & HUD/Golovin Project - Harvey Bowers, ACHP & Tony Azumbrado, HUD
2. Preventive Maintenance for Rural Utilities - Jerry Larson, Manager of Rural Projects, AEA
3. Saving Money by Using "Waste" Heat - Peter Hanson, Rural Systems Engineer, AEA

3:30 - 3:45PM Break

3:45 - 4:45PM Concurrent Sessions
1. Community Bldgs Efficiency/Retrofit Proj. - Pat Woodell, Development Specialist, AEA
2. Using Records To Make Management Decisions - Clarissa Quinlan, President, Kinetic Energy Systems
3. RELI Project - Dennis Arlt, General Manager, UIC Construction

FRIDAY, OCTOBER 13

8:00 - 8:15AM Check-in & Registration. Continental Breakfast will be served.

8:15 - 8:30AM Conference Preview & Schedule Updates

8:30 - 9:30AM Concurrent Sessions
A. Panel Discussion of Regional Utility Cooperatives Proposal
Moderator: Paula Anderson, AVEC
1. George Matz, Senior Policy Analyst, AEA
2. Clarissa Quinlan, President, Kinetic Energy Systems

B. Heating Efficiency, Conrad Z. R-CAP & Mike Jeffries, Northeat Woodstoves

9:30 - 10:15AM
ALASKA'S ECONOMY: WHAT'S AHEAD
Scott Goldsmith, Professor of Economics, Institute of Social & Economic Research, UAA

10:15 - 10:30AM Break

10:30 - NOON Concurrent Sessions
A. Panel Discussion of Available Financing:
Moderator: Alan Mitchell, Analysis North
1. AEA - Gloria Manni, Director/Accounting & Administration, AEA
2. DCRA & CDBG - Steve Baden, Director of Energy Programs, DCRA
3. Home Energy Loan Program - Barbara Collins, ERH/HELP
4. REA - Allen Yost, Regional Representative, REA

B. Bulk Fuel Tank Safety - Carl Hild, Executive Director, & Karen Wood, Research Analyst, AK Health Project

NOON - 1:00PM Lunch - on your own.

1:00 - 2:15PM Concurrent Sessions
A. Energy Efficient Home Construction & HUD/Golovin Project - Harvey Bowers, Executive Director, ACHP & Tom Azumbrado, HUD
B. Organizing Your Area's Bulk Fuel Purchasing Coop - Tim Troll / BIA Bulk Fuel Program - Jerry Taylor, Director/Seattle Support Office, BIA
C. Preventive Utility Maintenance, Jerry Larson, Manager of Rural Projects, AEA

2:15 - 2:30PM Break

2:30 - 3:30PM Concurrent Sessions
A. RELI Project - Dennis Arlt,
B. Bulk Fuel Tank Safety - Carl Hild, Executive Director, & Karen Wood, Research Analyst, AK Health Project
C. Heating Efficiency, Gary Neuman, Director of Energy & Housing Services, TCC

3:30 - 3:45PM Break

3:45 - 5:00 Closing Remarks.

OPTIONAL: SATURDAY, OCTOBER 14 - TOUR OF AN ALASKA CRAFTSMAN HOME

ALASKA HOUSING MARKET COUNCIL
HOUSING POLICY DEVELOPMENT COMMITTEE

Full Committee
Minutes

October 13, 1989
Anchorage Legislative Information Office
Anchorage, Alaska

CALL TO ORDER

The meeting was called to order at 9:15 a.m. by Chair Cynthia Parker.

The following members were present:

Sharon Araji, University of Alaska, Anchorage
Representative Kay Brown, State Representative, Anchorage
Gary Mandzik, Div. of Mental Health and Developmental Disabilities, Anchorage
Jeri Swenson, Div. of Mental Health and Developmental Disabilities, Anchorage
Stan Hoofard, Housing Services, Municipality of Anchorage
Barbara Chmiel, Housing Services, Municipality of Anchorage
Nancy Adams, Juneau Alliance for the Mentally Ill
Senator Pat Pourchot, State Representative, Anchorage
Rick Barrier, Malaspina Properties, Anchorage
Rob Gamel, Carr-Gottstein Properties, Anchorage
Mike Harper, Dept. of Community and Regional Affairs, Anchorage
Sam Helms, Public Member, AHMC, Fairbanks
Lee Huskey, University of Alaska, Anchorage
Deborah Ingman, Appraisal Associates of Juneau
Kay Murphy, Key Bank of Alaska, Anchorage
Representative Steve Rieger, State Representative, Anchorage
Bill Swain, Jack White Co., Anchorage
Bob Arwezon, Real Estate Broker, Anchorage
Howard Bess, Alaska Housing Ministries, Palmer
Bryan Borjesson, Consulting Engineer, Fairbanks
Paul Carr, Carr-Gottstein Properties, Anchorage
Linda Kingcade, Staff to Representative Johnny Ellis, Anchorage
Velma Ellyson, Homer Senior Citizens
Kelly Gunnels, Denali State Bank, Fairbanks
Carol Jackson, Alaska State Housing Authority, Anchorage
Leo Kaye, Senior Citizens Advisory Board, Wasilla
Kathy Keck, Alaska Legal Services Corporation, Fairbanks

Cynthia Parker, Anchorage Neighborhood Housing Services
Marge Arnold, representing JoAnn Goyne, Alaska State Housing Authority, Anchorage

Staff Present:

Heather Arnett

Public Present:

Hal Kummerow, Sitka
Karen King, Kodiak Island Housing Association
Bob Shuttlesworth, Kodiak
Bonnie Shuttlesworth, Kodiak
Irena McIntyre, Staff to Rep. Koponen, Fairbanks
Colleen Patrick-Riley, Alaska Psychiatric Institute, Anchorage
Rose Munafo, Dept. of Corrections, Anchorage
Alise Peck, Alliance for the Mentally Ill, Anchorage
Terry Hoke, Div. of Mental Health & Developmental Disabilities, Anchorage
Rosalee Walker, Juneau
Kit Ballentine, Department of Environmental Conservation, Anchorage

APPROVAL OF AGENDA

The agenda was adopted with no objections.

APPROVAL OF MINUTES

The minutes from the September 8-9 subcommittee and full committee meetings were unanimously approved.

PRESENTATION BY MIKE HARPER, DIRECTOR, RURAL DEVELOPMENT DIVISION, DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

Mr. Harper gave a short presentation on the Housing Assistance Division of DCRA. The Housing Assistance Division was created in the early 80's because of the need for a housing program in Rural Alaska.

HAD currently has three loan programs, which basically serve non-urban areas. They are:

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

2. Rural Nonowner-Occupied Loan 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% with a maximum loan term of 30 years.

3. 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 finance the rehabilitation with either a first or second deed of trust.

In addition, the Home Ownership Assistance Fund assists persons of low to moderate-incomes to purchase or construct single-family, owner-occupied dwellings financed with a loan purchased or originated by the Housing Assistance Division.

The legislature appropriates money to a revolving loan fund for these programs. DCRA does not bond. HAD's volume is $20 - $25 million per year.

DCRA also has a series of loan programs to develop energy-efficiency standards.

The committee discussed the possible sale of the HAD portfolio to AHFC, which was considered in the last legislative session.

Rep. Rieger stated that the sale of portions of the HAD portfolio to AHFC a few years ago was basically a forced sale.

Mr. Harper added that with the upswing in the economy in certain areas (for example, Dutch Harbor) there could be a time when HAD runs out of funds.

The delinquency rate on HAD loans is 7 - 8%.

Ms. Parker asked about the depreciation in market values in rural areas.

Mr. Harper responded that rural areas are experiencing a situation similar to Anchorage, although it is mixed. The Kodiak market is good and the Kotzebue market, with the development of the Red Dog Mine, is improving.

Mr. Harper stated that DCRA's experience with low income homeowners has not been bad. Many persons living in rural communities are committed to remaining in their community.

Ms. Ellyson said that in some communities affected by the oil spill, many people are still awaiting settlements from Exxon.

Mr. Harper responded that they haven't seen much of a problem yet with that issue. He said that they will do what they can to keep people in their homes. He added that it is important that distressed borrowers stay in contact with their lending

institutions.

PRESENTATION BY MARGARET NELSON, PUBLIC INFORMATION OFFICER, ALASKA HOUSING FINANCE CORPORATION

Ms. Nelson stated that AHFC has 13 mortgage loan programs.

Conventional Mortgage Loan Program

This program is financed through taxable bonds. 50% of the loans have been in conjunction with a Federal Housing Administration program.

Tax-exempt Program for First Time Homebuyers

This program is currently offered at an 8% interest rate.

Homeownership Assistance Fund (HOF)

This program is for low-income homebuyers. The interest rate is subsidized by AHFC and is lower than the other homeownership programs.

Second Mortgage Program

This program offers a second mortgage for purchase of a home and, also, second mortgages for home improvements.

Homeowners Assistance Program

This is a re-financing program which should be re-instated later this year.

Other loan programs include a Mobile Home Loan Program, a Veterans Mortgage Program, and a Non-conforming Properties Loan Program.

AHFC is also looking at effecting more condominium market stabilization through a condo exchange program.

There are also various special financing programs for foreclosed properties.

Ms. Nelson stated that AHFC's delinquency rate is currently at 9.56%. In February, 1988, it reached a high of over 17%.

AHFC has now become a property management and financing institution. The decision is being made now as to what type of a corporation AHFC will be in the future.

Ms. Nelson also stated that AHFC will be releasing a lot of their figures next week. They have determined that it is costing more

to hold on to mobile homes than to sell them.

Mr. Swain asked about the status of the bulk sales of condominiums between AHFC and MGIC?

Ms. Nelson stated that they're concerned about those homeowners who remain in certain condo projects.

Mr. Hoofard asked if they have any numbers on the HOF program delinquency rate?

Ms. Nelson stated that the program has experienced a high rate of delinquency. They have found that if the homeowner hasn't contributed enough of a downpayment, the delinquency rate is higher. A longer loan term with a smaller downpayment equates with a higher delinquency rate.

She added that with this program there is an incentive problem; when the homeowner's income increases -- their subsidy decreases.

Ms. Ingman asked about the issue of mortgage insurance?

Ms. Nelson responded that it makes the most sense for AHFC to do a joint venture with mortgage insurers as an incentive for them to insure Alaskan loans.

Mr. Arwezon asked about the delinquency rate on the HAD portfolio.

Ms. Nelson responded that it is difficult to find financing for this portfolio. They are currently putting together a financing program.

Ms. Murphy asked where they are in their negotiations with MGIC?

Ms. Nelson responded that they have made some progress in the upcoming bulk sales. Both AHFC and MGIC are working on this program. They've been discussing it for 1 1/2years.

PRESENTATION BY CAROL JACKSON, RESOURCE DEVELOPMENT ANALYST, ALASKA STATE HOUSING AUTHORITY

Ms. Jackson is currently developing homeownership opportunities for persons in ASHA programs. This model program will begin in Anchorage. This program is part of Secretary Kemp's directives to public housing authorities.

11 of the Willow Park replacement units will be used as model units in a lease-purchase homeownership program. 6 will be zero-lot line, 5 single-family dwellings. The purchase price won't exceed $50,000. 1 -2% of the sales price of each unit will be

set aside as a downpayment.

When a dwelling is purchased, a new property will be offered as part of the program.

ASHA is also considering developing an urban homesteading program and co-operative housing, similar to Anchorage Neighborhood Housing's Mutual Housing Program.

ASHA has received a $61,000 technical assistance grant, which will go to those residing in Loussac Manor. That money will primarily go to tenant managers. $11,000 will go to developing a housing counseling program.

Ms. Jackson added that there are 4 million homeless persons in the U.S. ASHA is trying to meet this goal in addition to their other goals.

Sen. Pourchot stated that, a few years ago, the Legislature appropriated $2 million to purchase housing for the developmentally disabled. He asked, what happened to that money?

Mr. Mandzik, from the Div. of Mental Health, stated that most of the capital has gone to purchase housing. It is likely that they will also purchase a property in Seward and one building in Dillingham. 70 persons will be housed as a result of the appropriation. In Anchorage, 10 persons have been housed at ARCA, 14 at the Southcentral Counseling Center.

Mr. Mandzik asked Ms. Jackson if there will be an expansion of Section 8 programs.

Ms. Jackson responded that many of the new programs proposed by Secretary Kemp will have additional vouchers as incentives. She added that ASHA is often applying for additional certificates for Alaska.

ASHA is also hoping to expand their homeownership program into the Fairbanks area.

ASHA is looking at the possibility of issuing tax-exempt bonds for housing development.

Ms. Ingman asked Mr. Mandzik how a $2.35 million appropriation translated into housing for 70 people.

Mr. Mandzik responded that funds were spent for advertising through RFP's. Also, housing purchased in rural areas was far more expensive than in urban areas. Administrative costs at the Div. of Mental Health & Developmental Disabilities and ASHA were expensive.

He added that if the Div. of Mental Health oversees another such project, they will try to do it entirely themselves and spread the program among mental health centers throughout the state.

REVIEW OF MISSION STATEMENT BY FULL COMMITTEE

The committee adopted a new mission statement which reads:

Safe, sound, sanitary and energy efficient living conditions should be available to all citizens of the state.

REVIEW OF POLICY STATEMENT #2

The committee discussed SB 300, currently pending in the Legislature, which relates to the State adopting a statewide building code.

Sen. Pourchot said he doesn't think the chances for passage for this bill are very high. He added that a more workable method may be for the Departments to adopt amended codes by regulation.

Action Plan #1 was amended by the full committee to read:

State agency regulations pertaining to housing and construction standards should be analyzed by a task force of industry and government for regional flexibility and an appeals process should be implemented.

Action Plan #2 was revised by the full committee to read:

The Alaska Housing Finance Corporation and the Department of Community and Regional Affairs should adjust their loan programs to be appropriate to regional housing conditions. It is recognized that secondary investors and/or insurers, for instance, the Federal Housing Administration, may be unwilling to participate in mortgage lending in certain areas of the state. The regionalization of AHFC and DCRA loan programs should be consistent with prudent lending standards.

Action Plan #3 was eliminated as staff had contacted DFYS and discovered no such housing space requirements exist for foster homes in the Bush.

REVIEW OF POLICY STATEMENT #3

This policy statement was approved with the following change:

It is the policy of the State of Alaska to encourage communities to take an active role in housing and land use issues, recognizing that local control is preferable to central control, because local governments can best balance the needs of the public with the private determination of supply and demand.

Action Plan #1 was adopted by the full committee.

Action Plans #2 and #3 were amended, combined, and approved to read as follows:

Municipal governments should be encouraged to facilitate establishment of transitional group housing. Zoning laws which prohibit group homes should be revised to be consistent with anti-discriminatory statutes (including the amendments to the Fair Housing Act), and integration of transitional housing residents into communities should be encouraged.

REVIEW OF POLICY STATEMENT #4

This statement was adopted as written.

Action Plan #1 was amended and adopted to read as follows:

The State of Alaska should become actively involved in assisting private developers and non-profits in obtaining financing for planning and development of units which are affordable to low-income Alaskans.

Action Plan #2 was adopted as written.

Action Plan #4 was amended and moved to #3 and reads as follows:

State law should be modified so that state agencies involved in housing finance can lend to non-profit housing developers. This may include statutory changes to AHFC and AIDEA and changes in policies and procedures to DCRA and ASHA.

A new #4 was created and adopted as follows:

The state recognizes the important niche which non-profit housing developers fill in the provision of housing. Local financial institutions, local governments and the secondary mortgage market should be encouraged to provide funding for that purpose.

REVIEW OF POLICY STATEMENT #5

Committee member Mr. Mandzik, from the Division of Mental Health & Developmental Disabilities, discussed some of his comments to the committee on the needs of the mentally ill. He said that there are tremendous mental health needs in the state. He recommended that Policy Statement #5 be amended to eliminate Action Plans #14 - 16 and DMHDD's suggestions #2 -9 (from their letter) be inserted instead. Or, a new policy statement should be created which deals only with the mentally ill and developmentally disabled.

A motion to substitute the DMHDD's recommendations (from their letter) failed.

Mr. Swain made a motion to remand these issues back to the Transitional Subcommittee for further work.

This was approved by the full committee.

Mr. Mandzik stated that it is unfair to single out seniors for their own policy statement and made a motion that the Transitional Subcommittee consider Policy Statement #11, too.

This was voted down by the full committee.

REVIEW OF POLICY STATEMENT #6

Mr. Swain read Rep. Rieger's comments to this policy statement. Rep. Rieger disagreed with Action Plan #1, which prioritizes who state funds should go to.

The committee voted on a motion to remove Action Plan #1. This was not approved.

PUBLIC TESTIMONY

Kit Ballentine, Department of Environmental Conservation

Ms. Ballentine stated that DEC is responsible for regulation of public facilities.

She spoke to Policy Statement #2, Action Plan #1. The Division is opposed to regionalization because they have accepted standards which should not be deviated from.

She stated that all sections of DEC's regulations can be waived with proper explanation. DEC is currently revising many of their regulations and would be happy to discuss the revisions with the committee.

Mr. Helms stated that regional housing directors have a problem with slow approval of water and sewer facilities by the Department.

Ms. Ballentine stated that she would take that concern back.

Mr. Borjesson asked about their appeals process.

Ms. Ballentine responded that a waiver application must be filled out. The party must explain why the regulation can't be met. The application is first reviewed at the district level - then goes to the regional level for consideration.

Mr. Borjesson asked if DEC would be supportive to having a board above them which would review concerns about regulations.

Ms. Ballentine stated that DEC regulations operate on public health principles. Those need to be followed.

Alise Peck, Alliance for the Mentally Ill

Ms. Peck stated that the Alliance is currently doing a study of Adult Residential Care Centers. The greatest need is for Anchorage's street people.

Also, there are few housing resources for children.

Rose Munafo, Dept. of Corrections

Ms. Munafo spoke briefly about the Dept. of Corrections' housing needs. She was informed that the Transitional subcommittee would be having a special meeting on these issues and she would be invited to attend.

Terry Hoke, Regional Program Specialist II, Div. of Mental Health & Developmental Disabilities

Mr. Hoke primarily works with the developmentally disabled in the Southcentral region. He stated that he has consumers with a variety of serious housing needs. There are children in acute care hospitals who could move into appropriate housing, but there is none available. Many of his consumers wish to move into less restrictive settings, but they are unable to find or purchase housing. That could be their own home, a group home or a supervised apartment setting. Many people are in nursing facilities because ther is no handicapped housing to go to.

He asked the Legislature to look at the important needs of the developmentally disabled when considering appropriating funds for housing.

Rosalee Walker, Juneau

Ms. Walker stated that the State Government should be aware that some of their activities can cause problems for low-income persons. In Juneau, the State condemned the Marine View Apartment Building and helped residents to move out. The building stayed empty for three years. Later, it was bought by an outside developer and set up as an office building. There had been no strucutural changes to the building. Recently, the State let a contract to a developer to build a new DEC building on the site of the Channel Apartments. Those residents (mostly low-income) were told to leave in thirty days. Residents experienced hardship because many did not have the first and last month's rent for a new apartment. There are still homeless people

suffering as a result of that situation. The state should consider the impacts on low-income residents, when making development decisions.

Colleen Patrick-Riley, Mentally Ill Offender Task Force, Alaska Psychiatric Institute

Ms. Patrick-Riley spoke briefly on the crucial need for halfway houses for mentally ill offenders. She also was invited to attend the special Transitional meeting.

CONTINUED REVIEW OF POLICY STATEMENT #6

Rep. Rieger spoke against Action Plan #1.

A motion was made to add the word "annually" into Action Plan #2. This was not approved.

A motion was made to adopt Action Plans #1 and #2.

Rep. Rieger made a motion to vote on Action Plans #1 and #2 separately.

Ms. Parker stated that she would allow the motion to be divided.

Mr. Bess called the question.

Mr. Borjesson called a point of order. He stated that the original motion would supersede.

The motion to adopt both Action Plans #1 and #2 was not approved.

Rep. Rieger made a motion to adopt Action Plan #2.
It was adopted.

Mr Bess made a motion to adopt Action Plan #1 as written.
This was seconded by Mr. Borjesson.

Ms. Ellyson made a motion to drop the words "low income."
This was not approved.

Action Plan #1 was then approved by the full committee.

REVIEW OF POLICY STATEMENT #7

Action Plan #1

Mr. Swain made a motion that Action Plans #1 and #2 be combined and reworded. This was approved.

The new Action Plan #1 reads:

1. **State agencies with mortgage lending programs should approve and follow prudent industry lending standards and downpayments should be required.**

A motion was made to adopt Action Plan #3, dealing with homeowner counseling.

Rep. Rieger stated that counseling should be offered, but should not be mandatory.

Ms. Murphy proposed the following amended Action Plan. It was approved by the committee:

2. **The state should encourage participation in a homeowner counseling and education program to work in partnership with new federal housing mandates, which direct states involved in low-income homeownership programs to offer homeowner counseling services.**

Action Plan #4

Rep. Rieger stated that the lending community has proved that "no downpayment" loan programs are unrealistic.

It was moved to strike this action plan. This was approved.

Action Plan #5

Ms. Gunnels explained this action plan.

This action plan was not approved by the full committee.

A new Action Plan, relating to disclosure to borrowers by mortgage loan servicers, was proposed by the Urban/Rural Subcommittee.

Ms. Murphy stated that the second part of the plan needed clarification. For instance, who will decide what faulty servicing is?

The new action plan was approved as follows:

There should be greater disclosure to borrowers that mortgage loan servicing can be sold to another institution, unless specified otherwise in the loan servicing agreement. The State of Alaska should adopt greater penalties and clearer recourse should occur in the case of faulty loan servicing (application of mortgage proceeds, payment of taxes or insurance).

REVIEW OF POLICY STATEMENT #8

This policy statement and it's action plan were adopted as written.

The committee took a break at 2:50 p.m.
They re-convened at 3:05 p.m.

PRESENTATION BY PEGGY STEWART, ALASKA HOUSING MARKET COUNCIL

Ms. Stewart is researching the feasibility of creating an Alaska Housing Commission in the state.

She discussed that she is researching three alternatives: establishing an independent commission, the creation of a "SuperBoard," and the establishment of a Department of Housing.

She described the costs and staffing requirements of an independent commission. Those estimates are attached.

Ms. Stewart asked the committee if there were any specific areas they needed research on.

Mr. Borjesson stated that there is a need for regional boards to support a commission. He didn't think a 9-member board would meet all the public's housing needs.

Mr. Helms stated that he believes the board should be larger, that it should be voluntary and should be predominately made up of public members.

Ms. Stewart stated that the most effective boards have 7 - 11 members.

Rep. Brown commented that it is important that a commission have an effective mechanism to carry out it's work. She would be interested in how that would occur with an independent commission.

Mr. Bess asked the legislators what kind of commission the Legislature would support?

Rep. Rieger responded that, he believes:

1. The implementation of policy has to be in the lap of the Governor.

2. Regional representation and public input to the Commission is important.

3. Possibly the Commission should be temporary with specific functions and changing members.

Rep. Brown stated that proposals to create new Departments don't seem to go far in the Legislature. Legislators are very concerned about cost. She added that a well-reasoned proposal that streamlines state government has a better chance for approval in Juneau.

Rep. Brown added that she would be interested in what problems the different agencies would anticipate with merged boards?

Mr. Borjesson stated that he's interested in seeing research on the differences between geographic and regional representation on the board.

Mr. Barrier said that he's interested in which states have had effective commissions and how they have worked.

Mr. Kaye stated that he's interested in working committees that can feed input to a commission.

Ms. Stewart stated that she will also do additional research on housing needs in the state and federal housing funds coming into the state.

REVIEW OF POLICY STATEMENT #9

Mr. Barrier made a motion to adopt the Urban/Rural Subcommittee's amended policy statement. That was approved. The amended statement reads:

It is the policy of the State of Alaska to minimize direct involvement of state government in the secondary mortgage market, with the primary exception of accessing capital markets in order to finance the state's housing needs.

Action Plan #1 was dropped by the full committee and a new Action Plan #1 was created and adopted to read:

1. **In an effort to help solve the hesitance of private mortgage insurers and investors to underwrite mortgage loans in Alaska, the state should develop a plan for encouraging participation in the state by private insurers and investors.**

A new Action Plan #2 was proposed by Ms. Murphy. It was adopted to read:

2. **The state should continue to direct economic assistance for rural housing and low to moderate-income housing programs.**

Action Plan #3 was adopted by the full committee.

REVIEW OF POLICY STATEMENT #10

It was moved to adopt this policy statement. It was adopted. Action Plan #1 was broken into three action plans and approved to read:

1. **The state should encourage the development of housing partnerships in the state and should provide pre-development financing for certain rental projects.**

2. **The state should examine the feasibility of converting appropriate foreclosed housing to rental units.**

3. **AHFC & DCRA lending practices should be expanded to allow mortgage loans for non-profits so that those developers would have the means to create affordable rental housing.**

REVIEW OF POLICY STATEMENT #11

Ms. Araji made a motion to accept the Transitional Subcommittee's revised version of the policy statement.

Rep. Brown seconded.

Ms. Ellyson recommended the "continuum of care" statement in the policy also be inserted in Policy Statement #5.

Policy Statement #1 was revised and approved to read as follows:

It is the policy of the State of Alaska to recognize that Senior Alaskans 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.

Action Plan #1 was discussed at length. A revised action plan was proposed by Rep. Rieger. This was approved to read:

1. **Regulations governing the construction of senior housing must be reviewed and made more flexible where appropriate. State housing regulations should be changed so that two categories of housing are created; medical and assisted living models. Medical models should be further developed into "intermediate care" and "long term care." Assisted living models should be developed to include models which are distinguished by nutrition needs, housekeeping needs, personal care needs, transportation needs and other non-medical needs.**

Ms. Ellyson made a motion that the statement referring to "continuum of care" be pulled out as a separate policy statement. This was not approved.

Mr. Borjesson moved to adopt Action Plan #2. This was approved. It was also recommended that this plan be considered by the Transitional Subcommittee at their special meeting.

Next HPDC Meeting

The committee discussed the next HPDC meeting, which is scheduled for November 3, in Anchorage. Staff stated that the full committee would be brought to Anchorage for the meeting.

There will be a special reception at Rick and Thea Barrier's that evening.

The full committee was adjourned at 4:50 p.m.

MEMORANDUM State of Alaska

TO: Heather Arnette
Alaska Housing
Market Council
Department of Commerce
and Economic Development

DATE: October 13, 1989

FILE: 1802

PHONE: 465-3170

SUBJECT: Comment AHMC Mission Statement and Action Plans

FROM: Russ Webb, Director
Division of Family
and Youth Services
Department of Health
and Social Services

Pat O'Brien of the Division's Central Office has reviewed the AHMC Mission and Policy Statements and Action Plans. She has prepared the comments below on behalf of the Division. The comments are organized following the same format and numbering system used in your original document.

Policy Statement #1

Action Plan:

6. You may wish to consider focusing this activity statement more specifically on coordinated planning among the various agencies with regard to housing services. Coordination of planning among these agencies should occur for a variety of reasons but the specific issue being addressed in your action plan should be clearly stated. Additionally, you may wish to address coordination in planning with this division and the Older Alaskans Commission. Each of these agencies has housing-related responsibilities for particularly vulnerable populations.

8. Good. Coordinating interdepartmental regulations is an endeavor that is often not appreciated, but critically important for effective administration.

9. Donation of foreclosed properties for use as transitional and long-term special needs facilities and senior housing is appropriate. "Special needs" facilities are not defined. The

definition of such facilities should include those facilities the Division has identified as critically needed. These are family child care homes, adult foster homes and group homes, child day care, and dependent adult care (including the elderly). In both the child day care and the dependent adult care field, many providers are private for profit. For these facilities, low interest loans may be appropriate rather than donated property.

10. Housing partnerships should be defined.

Policy Statement #2

There should be no regionalization of **minimum** standards for life safety and sanitation. Minimum standards should be met regardless of location; however, differences may be accounted for in optional requirements. For example, larger, more developed communities such as Anchorage may adopt higher standards but none should fall below minimum standards.

Action Plan:

1. See the comment above regarding the policy statement. Environmental Health regulations are in the revision process now and will be available for comment by the users of facilities as well as industry. If a task force were formed, users and related agencies should also be involved. Current regulations contain a waiver provision and an appeal process regarding closure for public health reasons. You may wish to refine this recommendation.

3. This recommendation is unnecessary and reflects a misunderstanding of the requirements of foster care regulations. It presumes that current regulations contain housing standards which are unrealistically restrictive for application in rural Alaska. In fact, it perpetuates a myth. There are not now and never have been foster home housing space requirements except in keeping with community standards. Regulations provide as follows:

> "A foster home must be large enough to provide sufficient space for both the family and the foster children, and be furnished and equipped to accommodate them comfortably in keeping with community standards."

These standards were specifically designed to recognize and accommodate for housing conditions in rural Alaska. Your report could be helpful in dispelling the common misperception regarding foster care housing requirements which impede our ability to recruit needed foster homes. At a minimum, it should not perpetuate the misunderstanding.

Policy Statement #3

Action Plan:

2. and 3. We support those recommendations but would prefer they not be limited to "transitional" housing. Group homes serve children for child day care, children and youth for residential care and treatment, adults experiencing a developmental disability, mental illness or other condition requiring supported living, and the frail elderly.

Policy Statement #4 and Action Plan

The Division supports the concept of this statement and plan.

Policy Statement #5

Action Plan:

4. The issue here is primarily one of providing housing services for runaway and homeless youth. Lack of a statutory basis and funding rather than regulations have been the factors limiting service to this population. This was addressed by the legislature in 1988 through passage of SB 79 which authorized the Department to grant funds to programs providing shelter and other services for runaway and homeless youth. No funds were appropriated for such grants, nowever. Regulations required to govern operation of such programs are under development.

5. DFYS strongly supports this recommendation. House Bill 177, sponsored by the HESS committee, would provide for such programs. Representative Johnny Ellis can provide information on this bill.

Policy Statement #6

Agreed.

DFYS - Russ Webb

Policy Statement #11 and Plans

(a) While we have no problem with the concepts contained in this statement and plans, it should be noted that some non-medical supportive living models will require licensure. Current adult foster and residential care regulations are a basic description of the non-medical model where adults in care continuously require the immediate availability of care providers. These regulations were coordinated originally with medical licensing and are currently scheduled for review in March 1989. They apply to all care facilities for all dependent adults, including the elderly. Coordination needs also to occur with senior housing accommodations where elements of supported living have been incorporated and are increasing.

(b) While we do not disagree, the comment on homemakers is a funding issue. There are insufficient funds at this point to implement the recommendation.

Policy Statement 13

Action Plan:

1. As previously noted, we support accommodation of regional differences **except** for basic life and health safety considerations. Additionally, it is our understanding that strict adherence to the Uniform Building Code would block a multi-departmental effort to facilitate the expansion of group homes, particularly in the field of child day care. The fire marshal's office has completed national research on group homes and should be consulted in this area.

We are disappointed that the regulations are silent on group homes for the elderly and on group homes for child day care, as there has been a multi-department effort to develop coordinated regulations to facilitate group home development. Pat O'Brien has estimated a need for up to 20 adult group homes over the next three years, and up to 75 group homes for child day care over the next five years. Perhaps your meeting with the interdepartmental committee will serve to formulate additional recommendations.

RW:POB:jr:rkh

cc: Karen Perdue, Deputy Commissioner
Department of Health and Social Services
Yvonne M. Chase. Deputy Commissioner
Department of Health and Social Services

October 19, 1989

COMMENTS ON HPDC RECOMMENDATIONS - STATE FIRE MARSHALL SAM NEAL AND BILL DAVIS, DIV. OF FIRE PREVENTION

General Note:

The committee should make reference to the creation of a new category of group homes which can house to 16 persons. This new category in state regulation makes it more economical to develop these homes since they require less expensive fire prevention measures.

1. Policy Statement #11 - Senior Housing

   Medical and non-medical needs should be clearly defined.

2. Policy Statement #13 - Quality Standards

   It is important to note that funding is essential to enforce building codes. Without that, this is a moot point.

   The issue of regional amendments to a building code is inappropriate because certain basic life safety requirements are essential. The requirements in the Uniform Building Code are so basic that regional amendments are inappropriate.

DRAFT

ALASKA HOUSING MARKET COUNCIL
10/20/89
REVISED:
MISSION STATEMENT:

SAFE, SOUND, SANITARY AND ENERGY EFFICIENT LIVING CONDITIONS SHOULD BE AVAILABLE TO ALL CITIZENS OF THE STATE.

FULL HOUSING POLICY DEVELOPMENT COMMITTEE

DRAFT ACTION PLANS

Policy Statement #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.

Action Plan:

1. The Alaska Housing Commission shall report directly to the Governor.

2. The Commission's composition shall reflect regional representation and shall include public members and representatives from the following: the housing and real estate industry; special needs groups; and rural areas. Represenatatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity only.

3. The Commission shall provide information on housing opportunities to the public and shall oversee state agency information services.

4. The Commission shall be the designated agency to review and distribute federal funds for housing and shall designate recipients throughout the state.

5. The Commission shall be charged with state agency housing program review, coordination and oversight. All new or amended housing or mortgage loan regulations must be approved by the Commission to ensure that they conform to the intent of the state housing policy. The Commission shall clarify the roles of the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the Department of Community and Regional Affairs in the housing market.

6. The Commission shall be charged with writing a long term housing plan for the state and updating the plan periodicaly. State agencies, including the Alaska Housing

Finance Corporation, the Alaska State Housing Authority, the Department of Community and Regional Affairs, the Division of Mental Health & Developmental Disabilities, the Division of Alcoholism and Drug Abuse, and the Council on Domestic Violence & Sexual Assault, shall develop statewide service plans in conjunction with each other and the state housing plan to insure coordination and efficiency of service delivery. The Alaska Housing Finance Corporation and the Department of Community and Regional Affairs shall develop short and long-term business and regional strategic plans.

7. The Commission shall conduct periodic statewide housing needs assessments on housing and financing availability.

8. The Commission shall direct state agencies to review housing regulations under their jurisdiction, comparing them to other agency regulations, and revising where appropriate to eliminate conflict and duplication.

9. The Commission shall be charged with reviewing the use of and disposition of state agency-owned foreclosed properties and shall provide information to interested parties regarding available properties. The Commission shall encourage AHFC, banks and secondary institutions to donate foreclosed properties for use as transitional and long term special needs facilities and senior housing where appropriate.

10. The Commission shall actively facilitate the creation of housing partnerships and provide advice and technical assistance on the development of those partnerships.

Policy Statement #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.

Action Plan:

1. State agency regulations pertaining to housing and construction standards should be analyzed by a task force of industry and government for regional flexibility and an appeals process should be implemented.

2. The Alaska Housing Finance Corporation and the Department of Community and Regional Affairs should adjust their loan programs to be appropriate to regional housing conditions. It is recognized the secondary investors and/or insurers, for instance, the Federal Housing Administration, may be

unwilling to participate in mortgage lending in certain areas of the state. The regionalization of AHFC and DCRA loan programs should be consistent with prudent lending standards.

Policy Statement #3

It is the policy of the State of Alaska to encourage communities to take an active role in housing and land use issues, recognizing that local control is preferable to central control, because local governments can best balance the needs of the public with the private determination of supply and demand.

Action Plan:

1. Local governments should include a housing plan, listing how housing needs can be met, as part of their comprehensive planning process.

2. Municipal governments should be encouraged to facilitate establishment of transitional group housing. Zoning laws which prohibit group homes should be revised to be consistent with anti-discriminatory statutes (including the amendments to the Fair Housing Act), and integration of transitional housing residents into communities should be encouraged.

Policy Statement #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.

Action Plan:

1. The State of Alaska should become actively involved in assisting private developers and non-profits in obtaining financing for planning and development of units which are affordable to low-income Alaskans.

2. Existing state agency-owned foreclosed properties should be considered for conversion to low income housing units, if economically and structurally feasible.

3. State law should be modified so that state agencies involved in housing finance can lend to non-profit housing developers. This may include statutory changes to AHFC and AIDEA and changes in policies and procedures to DCRA and ASHA.

4. The state recognizes the important niche which non-profit housing developers fill in the provision of housing. Local

financial institutions, local governments and the secondary mortgage market should be encouraged to provide funding for that purpose.

Policy Statement #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.

Action Plan:

1. The role of the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs should be expanded to allow mortgage loans to non-profits for transitional and long term housing for those with special needs. This should be a cooperative effort with rural housing authorities.

2. The U.S. Department of Housing and Urban Development should be encouraged to change regulations so that transitional housing tenants can be charged a small amount to support operating expenses. Also, if needed, Alaska's congressional delegation should be contacted about the differences among HUD program requirements, which makes it difficult for housing providers to utilize HUD programs.

3. State programs that provide temporary housing and services to Rural Alaskans who must come to regional centers for medical or other treatment should be adequately funded. In particular, more low-cost transitional family units should be offered, on a sliding fee scale, for Rural Alaskans who move to regional centers for services.

4. Division of Family and Youth Services regulations should be changed so that housing services for non-State custodial teens can be funded or some form of financial assistance can be provided for programs assisting these teens.

5. State legislation that funds independent living programs for youth should be supported.

6. Facilities for persons with AIDS, which offer continuing care, must be identified and funded. Also, a centralized agency must be identified to focus on the housing needs of AIDS patients.

The following transitional and long term housing for special needs areas have also been identified as needing funding:

7. Need for additional emergency shelter space for families with children, to include those with medical need.

8. Need for transitional housing for families leaving women's shelters.

9. Need for 150 additional beds, in halfway house settings, for substance abusers.

10. Need for housing and support services for pre-maternal teens and teens with infants. More child care programs that allow teens with children to attend school should be funded.

11. Need for structured housing environments for ex-offenders.

12. Need for group facilities for persons with handicap(s).

13. Need more programs for the neurologically impaired.

14. Long term (semi-independent) housing for the mentally disabled.

15. Short and long term facilities for those with head injuries and brain trauma.

16. The Capital Projects Land Fund in the Mental Health Lands Trust Account should be used to fund projects such as those listed below.

    a. Transitional halfway houses for mentally ill after leaving Alaska Psychiatric Institute.

    b. Long term "sleep off" centers for inebriates with problems so ingrained that treatment won't help.

    c. Structured housing environment for mentally ill with criminal records.

    d. Long term care facility for chronically mentally ill who refuse psychiatric treament.

17. Buildings for people with special needs should be renovated or built in accordance with the "Uniform Federal Accessibility Standards," produced by the Department of Transportation.

Policy Statement #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.

Action Plan:

1. Currently, the most urgent housing needs in the state are for rural and low income residents. Those needs should be given funding priority.

2. A function of an Alaska Housing Commission should be to maintain comprehensive information on housing needs statewide and keep track of the most urgent housing needs in the state. When state funds are designated to meet housing needs, the commission should identify which areas of the state and which target populations are most in need of housing resources.

Policy Statement #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.

Action Plan:

1. State agencies with mortgage lending programs should approve and follow prudent industry lending standards and downpayments should be required.

2. The state should encourage participation in a homeowner counseling and education program to work in partnership with new federal housing mandates, which direct states involved in low-income homeownership programs to offer homeowner counseling services.

3. There should be greater disclosure to borrowers that mortgage loan servicing can be sold to another institution, unless specified otherwise in the loan servicing agreement. The State of Alaska should adopt greater penalties and clearer recourse should occur in the case of faulty loan servicing (application of mortgage proceeds, payment of taxes or insurance).

Policy Statement #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.

Action Plan:

1. Benevolent loan funds, consisting of private donations, private and public financing, should be encouraged.

Policy Statement #9

It is the policy of the State of Alaska to minimize direct involvement of state government in the secondary mortgage market, with the primary exception of accessing capital markets in order to finance the state's housing needs.

Action Plan:

1. In an effort to help solve the hesistance of private mortgage insurers and investors to underwrite mortgage loans in Alaska, the state should develop a plan for encouraging participation in the state by private insurers and investors.

2. The state should continue to direct economic assistance for rural housing and low to moderate-income housing programs.

3. Where state agencies can access materially lower cost capital from secondary market lenders than funds available in the private sector, this may be done and the lower interest rates should be passed through to the public.

Policy Statement #10

It is the policy of the State of Alaska to promote the availability of quality, affordable rental housing.

Action Plan:

1. The state should encourage the development of housing partnerships in the state and provide pre-development financing for certain rental projects.

2. The state should examine the feasibility of converting appropriate foreclosed housing to rental units.

3. AHFC & DCRA lending practices should be expanded to allow mortgage loans for non-profits so that those developers would have the means to create affordable rental housing.

Policy Statement #11

It is the policy of the State of Alaska to recognize that Senior Alaskans 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.

Action Plan:

1. Regulations governing the construction of senior housing must be reviewed and made more flexible where appropriate. State housing regulations should be changed so that two categories of housing are created; medical and assisted living models. Medical models should be further developed into "intermediate care" and "long term care." Assisted living models should be developed to include models which are distinguished by nutrition needs, housekeeping needs, personal care needs, transportation needs and other non-medical needs.

2. The state should implement a "continuum of care" housing program for seniors and should adequately fund necessary supportive services, which allow seniors to remain independent for as long as possible.

   a. A case management system, which matches seniors with appropriate services, should be implemented by the state.

   b. State and other funded supportive services, such as homemaker assistance, should be expanded to 7 days a week.

   c. Financial assistance and training for home repair and maintenance should be increased.

Policy Statement #12

It is the policy of the State of Alaska to develop and maintain stable sources of capital and revenue to support housing needs in the state.

Action Plan:

1. The state should participate in the issuance of tax-exempt bonds, as well as taxable forms of financing, to provide the best market rate for the creation of low to moderate-income housing.

2. The state should also encourage the usage of 501c3 bonds by non-profit corporations as a means to create affordable and special needs housing.

3. State regulations should be changed so that grant monies can be used to pay for mortgage loans.

DRAFT

4. Other sources of funding should be considered to meet essential housing services, including the possibility of instituting a state sales tax.

5. The state should encourage the development of Neighborhood Housing Services in communities across the state.

6. The state should consider the creation of a "Housing Trust Fund" as a source of housing revenue.

7. The state should support the creation of a new "HOME" Corporation within the federal government, which will provide housing funds to states and local communities.

8. The state should review the new national FSLIC program for use as an additional source of housing funds. If a state does not have savings and loans institutions that qualify for the bond program, regional housing authorities can qualify for the bonds.

Policy Statement #13

It is the policy of the State of Alaska that housing in the state should meet specific quality standards.

Action Plan:

1. The state shall adopt the entire Uniform Building Code, and allow for regional differences and amendments.

2. The state shall adopt more stringent contractor licensing requirements.

3. The state should actively lobby for and support the financing of home improvements in rural areas under the federal Mutual Help program and Housing Improvement Program.

4. State agencies should not fund the financing of new construction of substandard housing, nor should they finance existing homes which meet the definition of substandard, with the exception of regional differences.

10/23/89

SUBCOMMITTEE INPUT ON HPDC RECOMMENDATIONS
UNRESOLVED BY FULL COMMITTEE

MISSION STATEMENT

Amend to read:
Safe, sanitary, and energy efficient living conditions should be available to all citizens of the state. (Urban/Rural)

POLICY STATEMENT #1

The Housing Commission structure (proposed by Rep. Kay Brown) was adopted. (Transitional)

Action Plan #1

Add: the Boards of ASHA and AHFC would be eliminated and the executive directors of those agencies would serve as advisors and at the pleasure of the Housing Commission. The Commission would consist of 10 members: one commissioner from DCRA and the Department of Revenue, and eight public members. (Transitional)

Action Plan #2

Add: Staffing for the commission shall come from existing state agencies and funding from existing agencies' resources. (Transitional)

Action Plan #4

Reword: The Commission shall be the designated state agency to review housing needs and request funds for housing and designate recipients throughout the state. (Transitional)

Action Plan #5

Reword: The Commission shall be charged with state agency housing program review, coordination and oversight. All new or amended housing or mortgage loan regulations must be approved by the Commission to ensure that they conform to the intent of the state housing policy. The Commission shall direct the activities of the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the housing programs within the Department of Community and

Regional Affairs. (Transitional)

Action Plan #6

Reword: The Commission shall be charged with writing a long term housing plan for the state and updating the plan periodically. State agencies, including the Alaska Housing Finance Corporation, the Alaska State Housing Authority, the Department of Community and Regional Affairs, the Division of Mental Health & Developmental Disabilities, the Division of Alcoholism and Drug Abuse, and the Council on Domestic Violence & Sexual Assault, shall advise the Housing Commission of housing needs within their area of responsibility. (Transitional)

Action Plan #8

Reword: The Commission shall review housing regulations of the agencies under its jurisdiction, and advise where appropriate to eliminate conflict and duplication. (Transitional)

Action Plan #9

Reword: The Commission shall review the use of and disposition of state agency-owned foreclosed properties and shall provide information to interested parties regarding available properties. The Commission may direct AHFC and encourage banks and secondary institutions to donate foreclosed properties for use as transitional and long term special needs facilities and senior housing, where appropriate. (Transitional)

POLICY STATEMENT #2

Action Plan #1

Subcommittee did not understand this action plan. Request clarification from full committee. (Transitional)

Reword: State agencies with regulations pertaining to housing standards should be analyzed by a task force of industry and government for regional flexibility and an appeals process should be implemented. (Urban/Rural)

Subcommittee recommends that task force created also address building codes. Add: "housing and construction" after "Department of Environmental Conservation's." (Low-Income/ Affordable)

Action Plan #2

Subcommittee requests clarification on this action plan from full committee. (Transitional)

POLICY STATEMENT #3

Reword: It is the policy of the State of Alaska to encourage communities to take an active role in housing issues, recognizing that local control is preferable to central control, because local governments can best balance the needs of the public with the private determination of supply and demand. (Transitional)

Action Plans 1, 2, & 3

Reword: Through DCRA, local government shall be encouraged to do the following:

1) Include a housing plan as part of their comprehensive planning process.

2) Revise zoning laws to be consistent with anti-discriminatory statutes (including the amendments to the Fair Housing Act), and integration of transitional housing residents into communities.

3) Review and revise zoning requirements to facilitate establishment of transitional group housing. (Transitional)

Action Plan #3

The subcommittee voted to remove this action plan, because it felt that most governments already have this ability under current municipal ordinances. It may be possible to include this in the policy statement. (Low-Income/Affordable)

POLICY STATEMENT #4

Subcommittee wants non-profits to be able to participate in any type of subsidy program. (Transitional)

Action Plan #3

Add: An educational program should be developed through state agencies and the secondary market to encourage funding of applications for qualified low income/affordable housing projects. (Low Income/Affordable)

POLICY STATEMENT #5

Action Plans #5 - 17

Combine: The Housing Commission should be given the responsibility to prioritize, review and seek funding for the listed action plans. (Transitional)

Action Plan #2

Remove: "also if needed." Move second sentence to policy statement #12, because it should apply to all HUD programs, not just transitional housing. (Low Income/Affordable)

Action Plan #4

Reword: State programs that provide temporary housing and services to Rural Alaskans who must come to regional centers for medical or other treatment should be adequately funded. (Transitional)

Action Plan #5

Remove. (Low Income/Affordable)

Action Plan #7

Not specific - doesn't meet SPAMO. (Low Income/Affordable)

Action Plans #8 - 17

Combine: Into one action plans, for example, 8a, 8b, 8c, etc. (Low Income/Affordable)

POLICY STATEMENT #6

Action Plan #1

Make this a finding of the report, not an action plan. (Low Income/Affordable)

Action Plan #2

Make this #1, and add the word "annually" after "should identify." (Low Income/Affordable)

POLICY STATEMENT #7

Action Plan #1

Not specific enough. Change "should approve...." to "should develop/adopt accepted industry lending standards." (Low Income/Affordable)

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1612 SCOMM 60. HOUSING FINANCE TASK FORCE, 1989 1180

Action Plan #2

Not specific enough. (Low-Income/Affordable)

Action Plan #4

Discuss with full committee, #2 and #4 are in conflict. (Low Income/Affordable)

Subcommittee did not support the state implementing a downpayment and closing cost program. (Urban/Rural)

Action Plan #5

Subcommittee was confused as to what this recommendation means. (Urban/Rural)

Ms. Gunnels suggested that this action plan should include some statement about the borrower's ability to refinance their loans, under state programs, with a servicer in Alaska. (Low Income/Affordable)

New Action Plan

There should be greater disclosure to borrowers that mortgage loan servicing can be sold to another institution, unless specified otherwise in the loan servicing agreement.

Greater penalties and clearer recourse shall occur in the case of faulty loan servicing (application or mortgage proceeds, payment of taxes or insurance). (Urban/Rural)

POLICY STATEMENT #9

Amend to read:

It is the policy of the State of Alaska to minimize direct involvement of state government in the secondary mortgage market, with the primary exception of accessing capital markets in order to finance the state's housing needs, which include, but aren't limited to, low to moderate-income housing, rural housing and transitional housing. (Urban/Rural)

Action Plan #1

Remove: and add to action plan #2. (Low Income/Affordable)

Action Plan #2

Add: "and secondary market mortgage investors" after "in Alaska,." (Low Income/Affordable)

POLICY STATEMENT #10

Action Plan #1

Add: A sentence to include ASHA in the provision of affordable rental housing. (Low Income/Affordable)

POLICY STATEMENT #11

Reword: It is the policy of the State of Alaska to recognize that Senior Alaskans should have access to affordable housing. (Transitional)

POLICY STATEMENT #12

Action Plan #1

Reword: The State should participate in the issuance of tax-exempt bonds, as well as taxable forms of financing, to provide the best market rate to finance the state's housing needs, which include, but aren't limited to, low to moderate-income housing, rural housing and transitional housing. (Urban/Rural)

Action Plan #3

Reword: State regulations should be changed so that grant monies can be used to pay non-profits for mortgage loans. (Transitional)

Remove: (Low Income/Affordable)

Subcommittee member didn't like idea of non-profits "mortgaging the state." (Urban, Rural)

Action Plan #8

Add: "and non-profit" after "regional housing authorities." (Low Income/Affordable)

Substitute: "Resolution Trust Program" for "new national FSLIC Program." (Low Income/Affordable)

POLICY STATEMENT #13

Action Plan #1

Add: "and an appeals process" after "amendments". (Low Income/Affordable)

Amend: The State shall adopt the entire Uniform Building Code, and allow for regional differences and amendments. Codes should include energy standards, which allow for regional differences. Strong protection should be afforded to owners of existing structures against arbitrary enforcement, when construction occureed before standards were implemented. (Urban/Rural)

Action Plan #2

Add: "and bonding" after contractor licensing. (Low Income/Affordable)

Action Plan #3

Add: Reference to state programs like the Alaska Craftsman Home Program. (Low Income/Affordable)

Action Plan #4

Reword: So sentence is positive. However, it should retain the concept that the state will not finance new housing that does not meet current building and construction codes or regulations. (Low Income/Affordable)

Alaska Housing Market Council

October 25, 1989

Dear Housing Policy Development Committee Member:

Enclosed find your agenda for the November 3, 1989 HPDC meeting. Please note that the meeting will begin at **8:30 a.m.** and will be held at the Anchorage Legislative Information Office. Other State Legislative Information Offices (open during the legislative interim) will be connected via teleconference.

We will be discussing and finalizing policy statements #12, #13, #5, #1 and their action plans. (The revised policy statement #5 will be distributed at the meeting). Also, if there are any action plans that you believe still need to be added in - please propose them (along with copies of the drafted action plan) at this meeting.

Since we are finalizing recommendations at these last meetings, we urge you to speak up on issues that you feel strongly about. It's very important that all views are represented as we draft the final report.

We have determined that an additional meeting will probably need to be scheduled for either November 17 or 30 (teleconferenced) in order to make sure the recommendations meet the "SPAMO" test (are specific, pertinent, attainable, measurable and observable). Please check your calendars. We will poll you as to which date is preferable at the November 3 meeting.

Lunch will be catered for this meeting.

A reception will be held for all HPDC members on the evening of the 3rd at the home of Rick and Thea Barrier. Please come!

A final note: we have changed the December 1 meeting to December 8. We needed additional time to prepare the draft HPDC report for this meeting.

If you have any questions about this meeting or are unable to attend, please contact me.

Sincerely,

Heather

Heather Arnett
HPDC Aide

624 W. INTERNATIONAL AIRPORT ROAD, SUITE E • ANCHORAGE, ALASKA 99518 • P.O. BOX 240048 • ANCHORAGE, ALASKA 99524-0048 • (907) 563-332

ALASKA HOUSING MARKET COUNCIL
Housing Policy Development Committee

Meeting of the Full Committee

AGENDA

November 3, 1989
8:30 a.m. to 5:00 p.m.
Anchorage Legislative Information Office
3111 'C' Street, Main Floor Conference Room
And all other State Legislative Information Offices
(Open during Legislative interim)

I. Call to Order - Roll Call

II. Approval of Agenda

III. Approval of Minutes
October 13, 1989 HPDC meeting

IV. Discuss and finalize Policy Statements #12, #13, #5 and their action plans.

V. 10:30 a.m.
Presentation by Cushing Dolbeare, national low-income housing consultant
Presentation by Dr. Barton Smith, Professor of Economics, University of Houston

VI. 12:00 p.m.
Lunch (**Will be catered**).

VII. 12:30 p.m.
Presentation by Peggy Stewart, Alaska Housing Market Council
"Different scenarios for an Alaska Housing Commission"

VIII. 1:30 p.m.
Public Testimony

IX. Discuss and finalize Policy Statement #1 and it's action plans.

X. 4:00 p.m.
Discuss final HPDC report and staff recommendations on making the action plans specific, pertinent, attainable, measurable and observable.

XI. Adjournment.

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ALASKA HOUSING MARKET COUNCIL
HOUSING POLICY DEVELOPMENT COMMITTEE

POLICY STATEMENT #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.

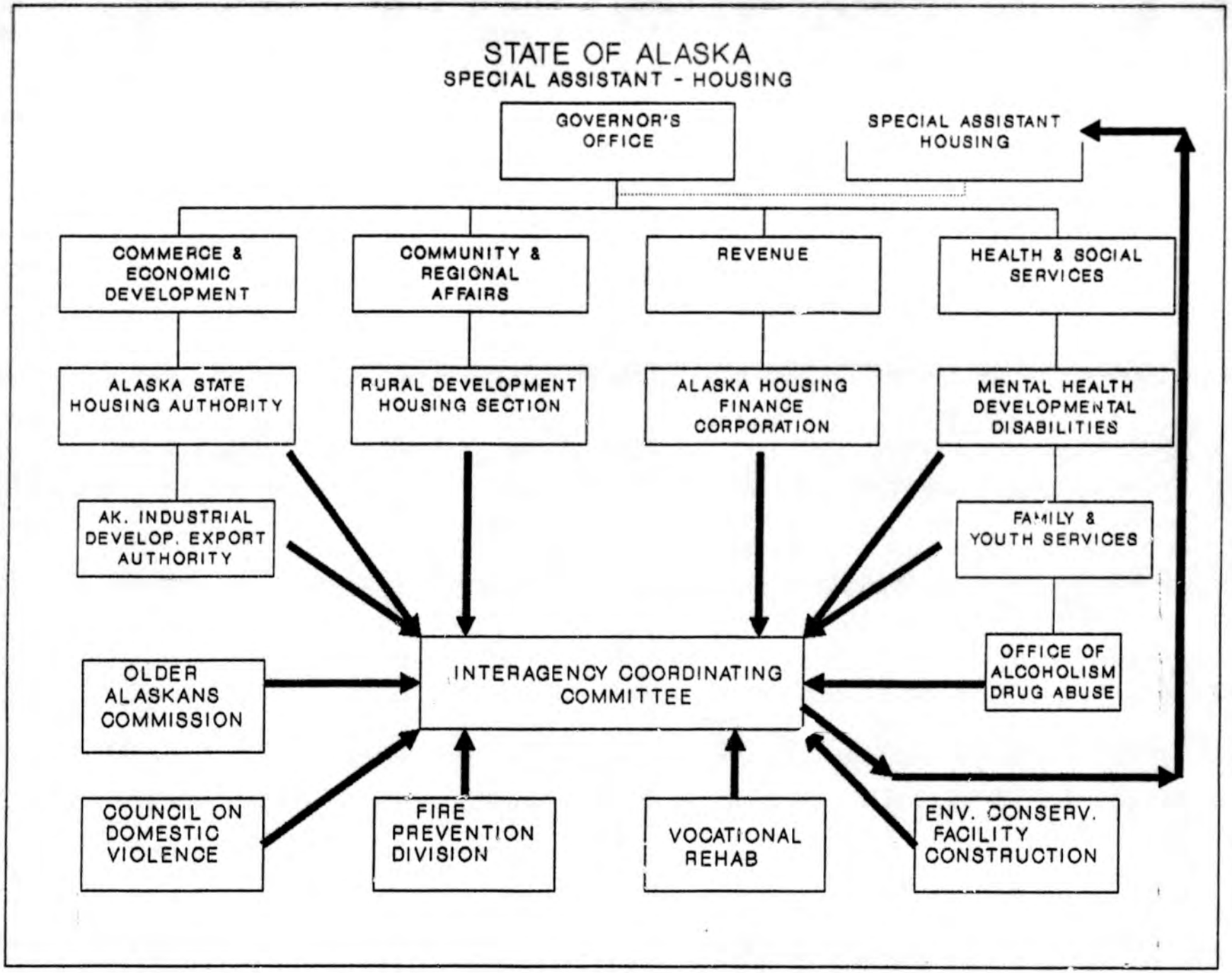
OPTIONS FOR IMPLEMENTATION

There is a national movement towards state centralization and authority in the development and execution of state housing policies and programs. The federal Housing and Urban Development legislation is up for re-authorization soon, and several bills addressing housing policy on the national level have been or will be introduced in Congress. Eric Ostrovsky of the Governor's Washington D.C. office thinks that it is very likely that housing policy directions will change by early 1990 with passage of either S. 565 or a House bill. Whether or not these bills include intent to mandate coordination and distribution of federal funds through the Governors' Offices of each state remains to be seen, but discussions on this subject are occurring.

Surveys of other states shows several of them moving in the direction of establishing centralization and coordination of housing issues. Fifteen states have an agency, either a department, division or council which is directly responsible for oversight of housing issues. Massachusetts, Washington and New Jersey are recognized as model states, and have very visible, progressive housing programs and development. They have centralized agencies/divisions within a Department of Community Affairs/Development, DCA Commissioner heads the various housing Boards, and they have a vehicle for interagency coordination.

OPTION 1 - SPECIAL ASSISTANT FOR HOUSING. Establish a Special Assistant for Housing position within the Office of the Governor. Position will be responsible for advising the Governor on housing policy.

The Special Assistant would direct an Interagency Coordinating Committee comprised of directors of the 12 housing agencies, offices, and divisions. The Committee would meet on a regular basis (monthly, bi-weekly) to discuss housing programs, problems, and policy.


STATE OF ALASKA
SPECIAL ASSISTANT - HOUSING
GOVERNOR'S OFFICE
SPECIAL ASSISTANT HOUSING
COMMERCE & ECONOMIC DEVELOPMENT
COMMUNITY & REGIONAL AFFAIRS
REVENUE
HEALTH & SOCIAL SERVICES
ALASKA STATE HOUSING AUTHORITY
RURAL DEVELOPMENT HOUSING SECTION
ALASKA HOUSING FINANCE CORPORATION
MENTAL HEALTH DEVELOPMENTAL DISABILITIES
AK. INDUSTRIAL DEVELOP. EXPORT AUTHORITY
FAMILY & YOUTH SERVICES
OLDER ALASKANS COMMISSION
INTERAGENCY COORDINATING COMMITTEE
OFFICE OF ALCOHOLISM DRUG ABUSE
COUNCIL ON DOMESTIC VIOLENCE
FIRE PREVENTION DIVISION
VOCATIONAL REHAB
ENV. CONSERV. FACILITY CONSTRUCTION

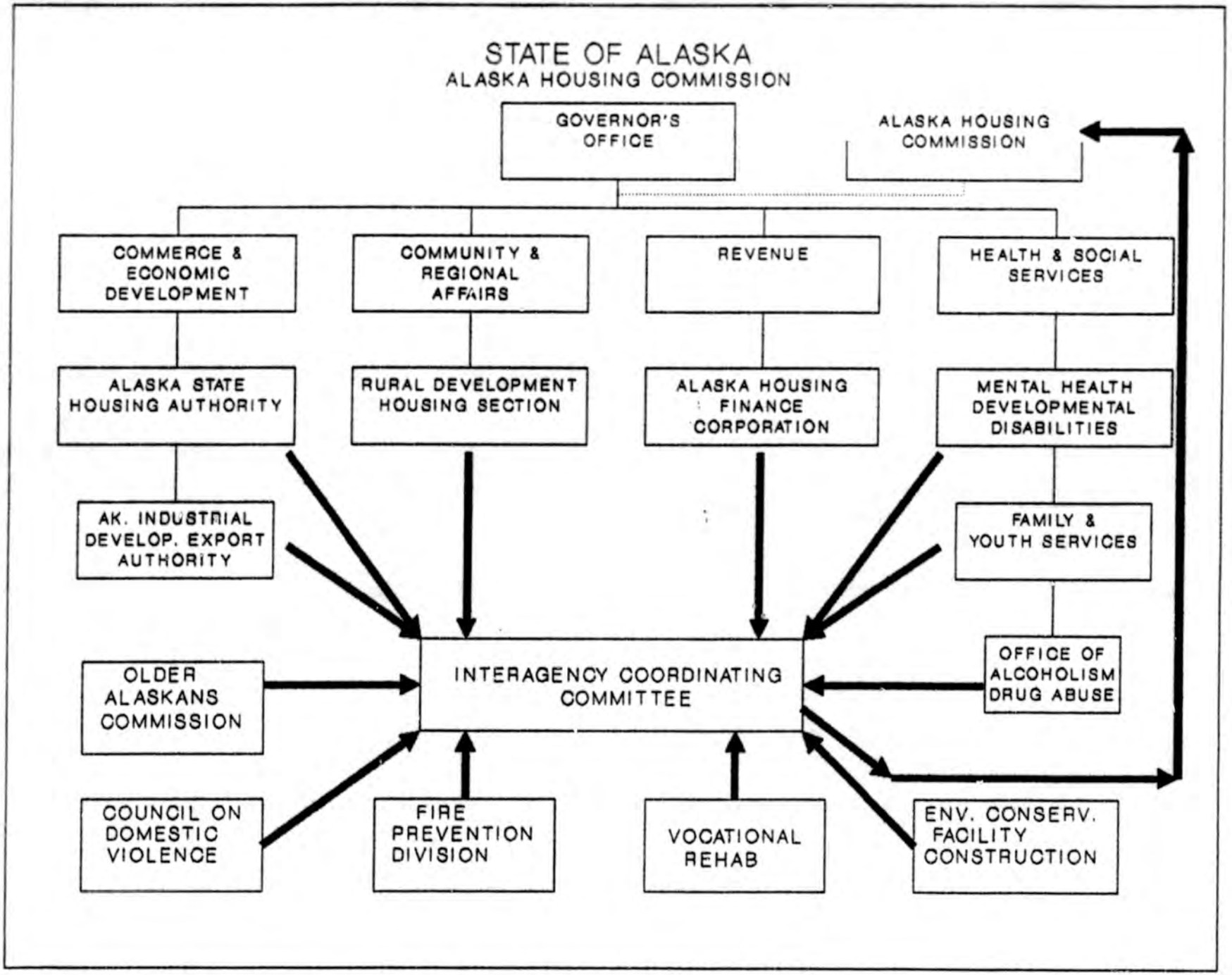
Responsibilities:	Formulating statewide housing policy. Coordinating housing programs consistent with a statewide housing policy.
Staffing:	Special Assistant for Housing Secretary
Pros:	This option would be a minimum level of commitment for a statewide housing policy and for coordination of state housing programs. This option would probably have more political support from the state housing agencies. Administrative costs would be minimal.
Cons:	Many of the statewide action plans identified by the HPDC would not get addressed, ie a long-term housing plan, statewide housing needs assessments, creating of housing partnerships, etc. Interagency Coordinating Committee too large and diversified. Consider reducing size of Committee to three main housing agencies and pulling in other agencies to address specific needs in their areas on an a specialized basis.

<u>OPTION 2 - ALASKA HOUSING COMMISSION</u>. Create an Alaska Housing Commission which reports directly to the Governor. Member composition shall reflect regional representation and shall include public members and representatives from housing and real estate industry, special needs groups, and rural areas. Representatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity. (9 members)

To further enhance this alternative, housing agencies could be placed under one department (Community & Regional Affairs or Commerce & Economic Development, as recommended under Alternative 3.

Number of members:	1 Regional representative from 4 judicial districts representing housing/mortgage loan industry 1 representative of special needs groups 1 representative for rural areas 1 Public members Commissioner, Commerce & Economic Development Commissioner, Community & Regional Affairs

Advisory members:	Alaska State Housing Authority Alaska Housing Finance Corporation Department of Community and Regional Affairs
Staffing:	Executive Director Secretary/Receptionist Administrative Officer Research Analyst/Planner Information Officer/Technical Advisor Grants Administrator*
Responsibilities:	Develop statewide housing policy. State agency housing program review, coordination, oversight. Writing/updating long term housing plan. Conduct periodic statewide housing needs assessments. Reviewing use and disposition of state agency-owned foreclosed properties. Facilitate the creation of housing partnerships, providing technical assistance. Direct review of housing regulations between state agencies. If Affordable Housing Act passes, review and allocate distribution of federal housing funds.
Pros:	Housing resources and programs are scattered throughout 12 different state agencies, offices and divisions. A Housing Commission given the authority to cross departmental lines and bring housing groups together can formulate and coordinate a cohesive statewide housing policy that addresses a wide range of housing needs and problems. Important to have Commission within Governor's Office rather than within a Department so it can function in an impartial role. The concept of this option has been supported and encouraged by a wide variety of housing groups. The proposed Housing Commission can provide clear, consistent, non-conflicting direction for the state's housing programs.


STATE OF ALASKA
ALASKA HOUSING COMMISSION
GOVERNOR'S OFFICE
ALASKA HOUSING COMMISSION
COMMERCE & ECONOMIC DEVELOPMENT
COMMUNITY & REGIONAL AFFAIRS
REVENUE
HEALTH & SOCIAL SERVICES
ALASKA STATE HOUSING AUTHORITY
RURAL DEVELOPMENT HOUSING SECTION
ALASKA HOUSING FINANCE CORPORATION
MENTAL HEALTH DEVELOPMENTAL DISABILITIES
AK. INDUSTRIAL DEVELOP. EXPORT AUTHORITY
FAMILY & YOUTH SERVICES
OLDER ALASKANS COMMISSION
INTERAGENCY COORDINATING COMMITTEE
OFFICE OF ALCOHOLISM DRUG ABUSE
COUNCIL ON DOMESTIC VIOLENCE
FIRE PREVENTION DIVISION
VOCATIONAL REHAB
ENV. CONSERV. FACILITY CONSTRUCTION

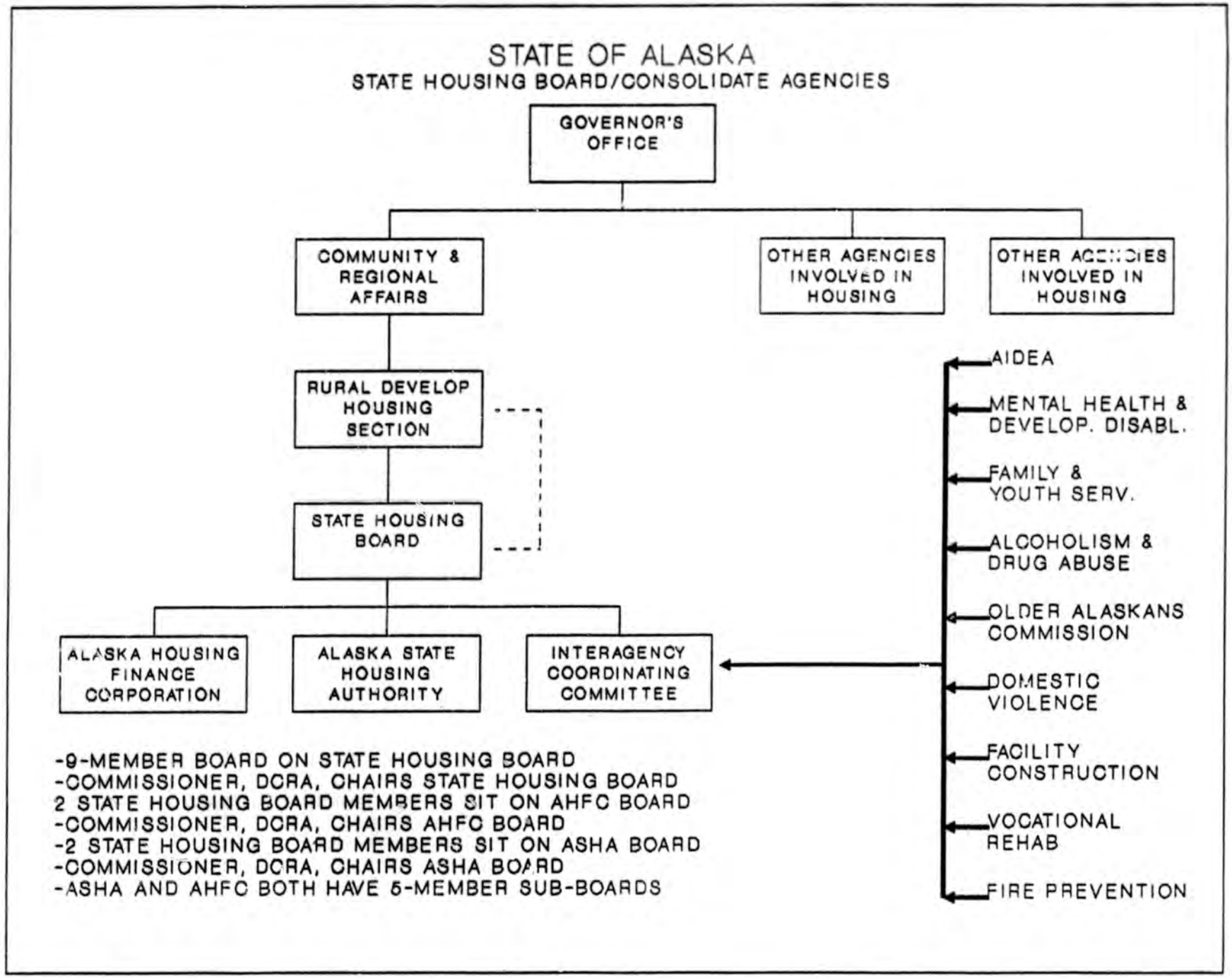
Pros (cont'd):	This option would satisfy the potential federal mandate for coordination and distribution of federal funds at the state level.
Cons:	The Commission would be working with a large number of agencies over which it would have no control. Two of those agencies have a separate, independent existence from the State. A legislative mandate which specifies the authority of the Commission over these agencies for follow-through on implementation will be complicated to put together and will require a thorough review of their existing legislation. There is no precedent in Alaskan state government for a board or council that has the power or ability to approve or deny regulations set by other boards or departments. A partial answer to this may be moving the various housing agencies under one department, while retaining their separate status. The Commission could be viewed as another unnecessary layer of bureaucracy and another complication in the tangle of housing programs.

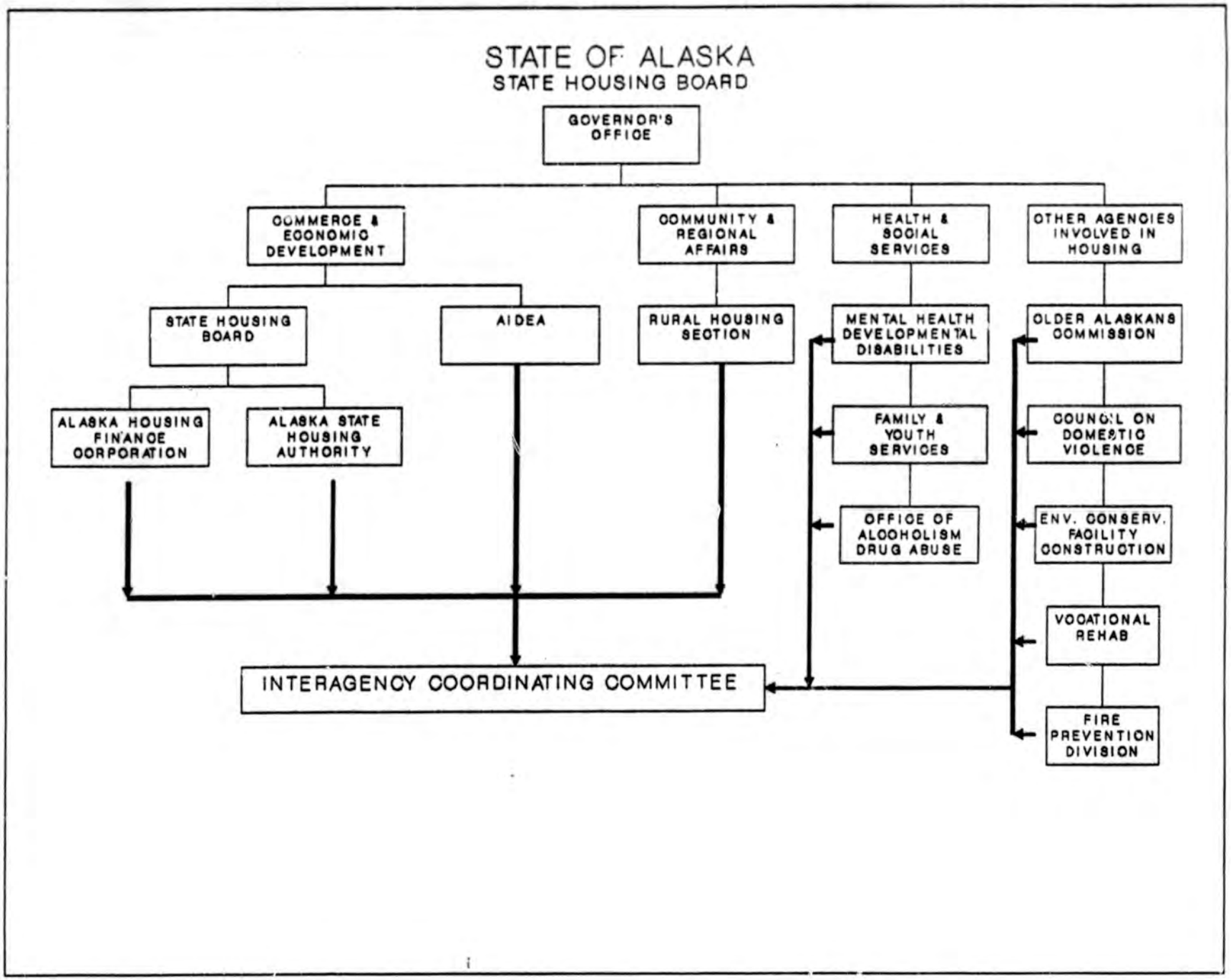
OPTION 3 - STATE HOUSING BOARD.. Merge the Alaska State Housing Authority and Alaska Housing Finance Corporation Boards into a State Housing Board with the authority to administer all housing agencies and state housing programs. Housing agencies will be placed under one department, the Department of Community & Regional Affairs or Commerce & Economic Development. The State Housing Board will be responsible for statewide coordination of all state housing programs and for setting state housing policy.

ASHA and AHFC will maintain their independent status. The Executive Directors of both agencies will serve at the pleasure of the State Housing Board. AHFC and ASHA will each have a 5-member sub-board responsible for agency operations and policy setting. The Commissioner of Community & Regional Affairs will chair the State Housing Board and both of the sub-boards. Membership on AHFC and ASHA Boards will each consist of the Commissioner of Community & Regional Affairs, 2 different members of the State Housing Board, and 2 members appointed by the Governor.

An Interagency Coordinating Committee will be formed with membership from each of the 12 agencies, offices and divisions involved in housing.

Number of Members:	9-member Board of Director, appointed by Governor Commissioner of Community & Regional Affairs serves as Chair. 1 regional representative from 4 judicial districts representing housing/mortgage loan industry. 1 representative of special needs groups 1 representative for rural areas 2 public members
Responsibilities:	Statewide coordination of all housing programs. Setting state housing policy. Writing/updating long-term housing plan. Same statewide responsibilities as listed above for Housing Commission.
Staffing:	Executive Director, State Housing Board Secretary/Receptionist Administrative Officer Research Analyst/Planner Information Officer/Technical Advisor
Pros:	Model organizations in other states have their main housing agencies centralized under one department. This would be an effective way to ensure that policies and goals are implemented through consistent regulations and unduplicated programs. Consolidating housing agencies within one department has greater likelihood of success in implementing statewide housing policies. The proposed Housing Board can provide clear, consistent, non-conflicting direction for the state's housing programs. This option would satisfy the potential federal mandate for coordination and distribution of federal funds at the state level.


STATE OF ALASKA
STATE HOUSING BOARD/CONSOLIDATE AGENCIES
GOVERNOR'S OFFICE
COMMUNITY & REGIONAL AFFAIRS
OTHER AGENCIES INVOLVED IN HOUSING
OTHER AGENCIES INVOLVED IN HOUSING
RURAL DEVELOP HOUSING SECTION
STATE HOUSING BOARD
ALASKA HOUSING FINANCE CORPORATION
ALASKA STATE HOUSING AUTHORITY
INTERAGENCY COORDINATING COMMITTEE
AIDEA
MENTAL HEALTH & DEVELOP. DISABL.
FAMILY & YOUTH SERV.
ALCOHOLISM & DRUG ABUSE
OLDER ALASKANS COMMISSION
DOMESTIC VIOLENCE
FACILITY CONSTRUCTION
VOCATIONAL REHAB
FIRE PREVENTION
-9-MEMBER BOARD ON STATE HOUSING BOARD
-COMMISSIONER, DCRA, CHAIRS STATE HOUSING BOARD
2 STATE HOUSING BOARD MEMBERS SIT ON AHFC BOARD
-COMMISSIONER, DCRA, CHAIRS AHFC BOARD
-2 STATE HOUSING BOARD MEMBERS SIT ON ASHA BOARD
-COMMISSIONER, DCRA, CHAIRS ASHA BOARD
-ASHA AND AHFC BOTH HAVE 5-MEMBER SUB-BOARDS


STATE OF ALASKA
STATE HOUSING BOARD
GOVERNOR'S OFFICE
COMMERCE & ECONOMIC DEVELOPMENT
COMMUNITY & REGIONAL AFFAIRS
HEALTH & SOCIAL SERVICES
OTHER AGENCIES INVOLVED IN HOUSING
STATE HOUSING BOARD
AIDEA
RURAL HOUSING SECTION
MENTAL HEALTH DEVELOPMENTAL DISABILITIES
OLDER ALASKANS COMMISSION
ALASKA HOUSING FINANCE CORPORATION
ALASKA STATE HOUSING AUTHORITY
FAMILY & YOUTH SERVICES
COUNCIL ON DOMESTIC VIOLENCE
OFFICE OF ALCOHOLISM DRUG ABUSE
ENV. CONSERV. FACILITY CONSTRUCTION
VOCATIONAL REHAB
INTERAGENCY COORDINATING COMMITTEE
FIRE PREVENTION DIVISION

Under this option ASHA and AHFC Boards retain their independent status within state government. Retaining this independent status is important due to concerns about the bond covenants of both agencies and ASHA's contractual arrangements with HUD.

Cons:

This is a more radical approach and may be more difficult to get existing agencies to support.

The mission and purpose of ASHA and AHFC are very different. The demands on their separate Boards of Directors are already significant. To combine the two Boards and add statewide responsibility in addition may be too much for Board members to handle.

Placement of Rural Housing, DCRA, into another department must be carefully considered. The service delivery of this program is combined with several other programs within the Division and is very effective in rural Alaska.

OPTION 4 - DEPARTMENT OF HOUSING. Create a Department of Housing with all housing agencies placed within that department. An interagency coordinating Committee would be formed with membership from each of the 12 agencies/programs involved in housing.

The Commissioner, Department of Housing would chair the Boards of Directors of ASHA and AHFC.

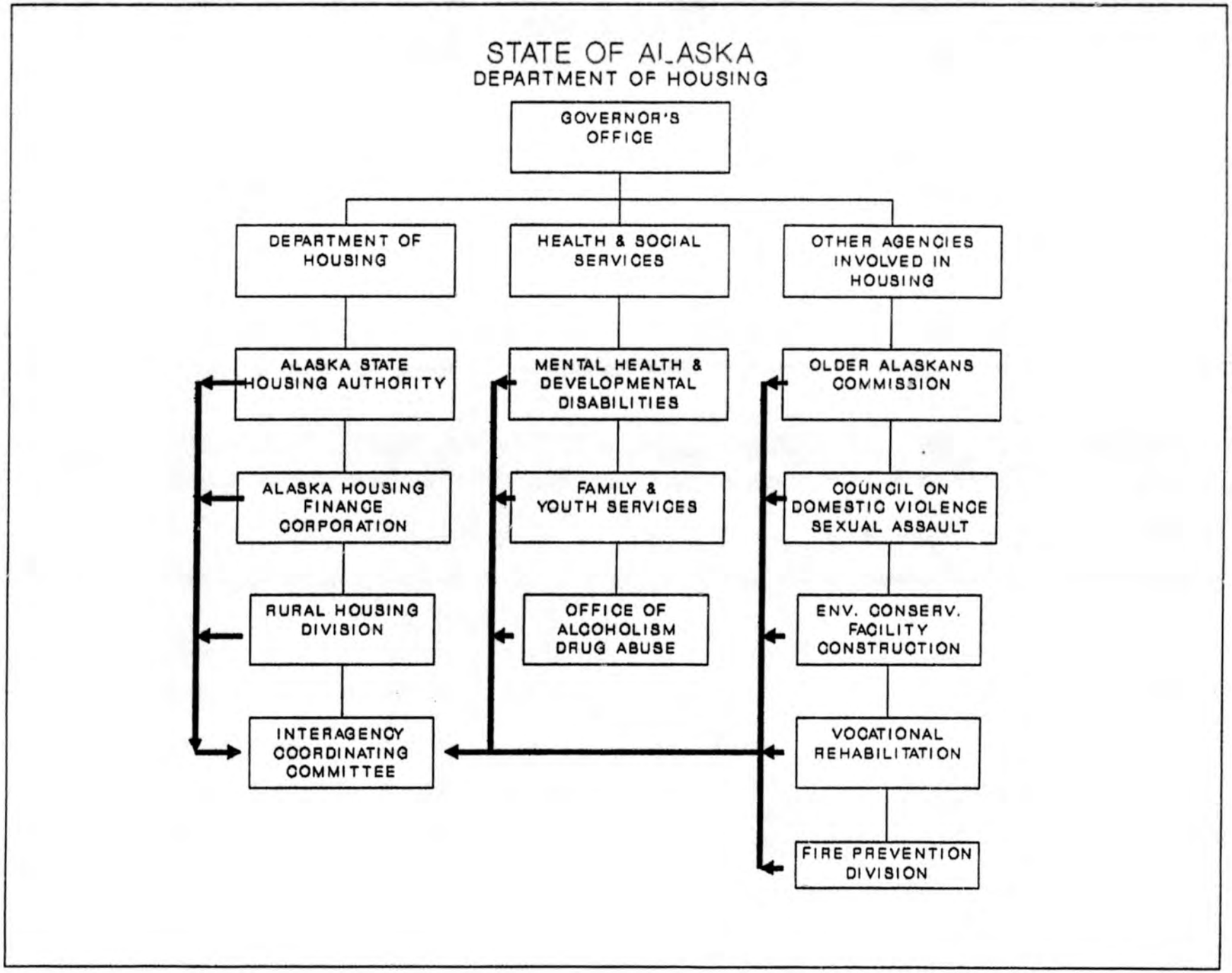
Staffing:

Commissioner, Department of Housing
Executive Secretary
Information Officer
Division of Administrative Services
Division of Rural Housing Services
Alaska Housing Finance Corporation staff
Alaska State Housing Authority staff

Responsibilities:

Direct all housing programs within the state.
Coordinate interagency housing activities.
Establish and implement statewide housing policy.
Same statewide responsibilities as listed for Housing Commission.

Pros:	This option provides the most visible commitment to state housing issues. Housing concerns and policies would be represented at cabinet level with more political clout to effect a coordinated statewide housing policy. Ability to better consolidate resources.
Cons:	Very difficult to get a new department created within state government. Most expensive option because of staffing levels needed at a department level. Does not appear to be a broad enough mission to warrant a separate department.


STATE OF ALASKA
DEPARTMENT OF HOUSING
GOVERNOR'S OFFICE
DEPARTMENT OF HOUSING
HEALTH & SOCIAL SERVICES
OTHER AGENCIES INVOLVED IN HOUSING
ALASKA STATE HOUSING AUTHORITY
ALASKA HOUSING FINANCE CORPORATION
RURAL HOUSING DIVISION
INTERAGENCY COORDINATING COMMITTEE
MENTAL HEALTH & DEVELOPMENTAL DISABILITIES
FAMILY & YOUTH SERVICES
OFFICE OF ALCOHOLISM DRUG ABUSE
OLDER ALASKANS COMMISSION
COUNCIL ON DOMESTIC VIOLENCE SEXUAL ASSAULT
ENV. CONSERV. FACILITY CONSTRUCTION
VOCATIONAL REHABILITATION
FIRE PREVENTION DIVISION

CURRENT HOUSING BOARDS/COUNCILS

There are currently 12 agencies, offices and divisions within State government which are involved in providing or regulating housing services within Alaska.

ALASKA HOUSING MARKET COUNCIL--Advises the Governor and the Legislature on housing policies directed towards the stabilization of the housing market. It also provides direct services to the public in the form of the mortgage and housing information and referral hotline, provides a forum for public input regarding housing issues, coordinates interagency housing policies, and conducts research on issues affecting housing and mortgage loans.

Membership:

Department of Community and Regional Affairs
Department of Commerce and Economic Development
Alaska Housing Finance Corporation
Alaska State Housing Authority
Alaska Permanent Fund
Alaska Industrial Development & Export Authority
Office of the Governor
Mortgage Guaranty Insurance Corp.
Public Members (4)

Committees:

Housing Policy Development Committee (37 members)
HPDC divided into working task forces in 5 major areas to develop policy recommendations for full Committee review and adoption.

Staffing:

Executive Director
4 staff members

Meetings:

Council meets monthly. Meetings usually held in Anchorage and teleconferenced to Fairbanks, Juneau. Subcommitee meetings and Committee meetings held monthly and usually teleconferenced.

1 meeting held in Anchorage with all Committee members present; teleconferenced to Fairbanks, Juneau, Kodiak.

Members do not receive a stipend or per diem for attendance at meetings. Members are reimbursed for travel expenses at rates set by the state.

ALASKA STATE HOUSING AUTHORITY - Provides low to moderate income housing under state and federal housing programs. Issues bonds for housing and public facilities as requested.

ASHA has been in existence since before statehood. They are an independent agency within the state and contract directly with HUD for the housing funds they receive and the housing programs they provide. ASHA deals with low to moderate income housing needs in the urban areas. Thirteen regional housing authorities operate as Indian Housing Authorities and deal with low to moderate housing needs in the rural/village areas.

Membership: 4 public members appointed by Governor, currently from Anchorage. Current membership represents rural/native, business/real estate, minority, social services, and state government.
Commissioner of Commerce & Economic Development

Staffing: Executive Director
Division Directors
Clerical

Meetings: 4 times per year; 12 days maximum
In 1989, Board met on quarterly basis. 2 meetings in Anchorage, 1 in Sitka, 1 in Juneau.

Board members are paid $80 per diem for each meeting they attend. Members are reimbursed for travel expenses at rates set by the state.

ALASKA HOUSING FINANCE CORPORATION. Board of Directors are responsible for the management of AHFC assets and the business of the corporation; adoption, amendment and repeal of bylaws and regulations governing the manner in which all AHFC powers are exercised; review of proposed legislation and participation in lobbying efforts during legislative session; review and approval of key policy decisions which will affect AHFC borrowers; prescription of duties and compensation of corporation personnel; review and approval of corporation budget.

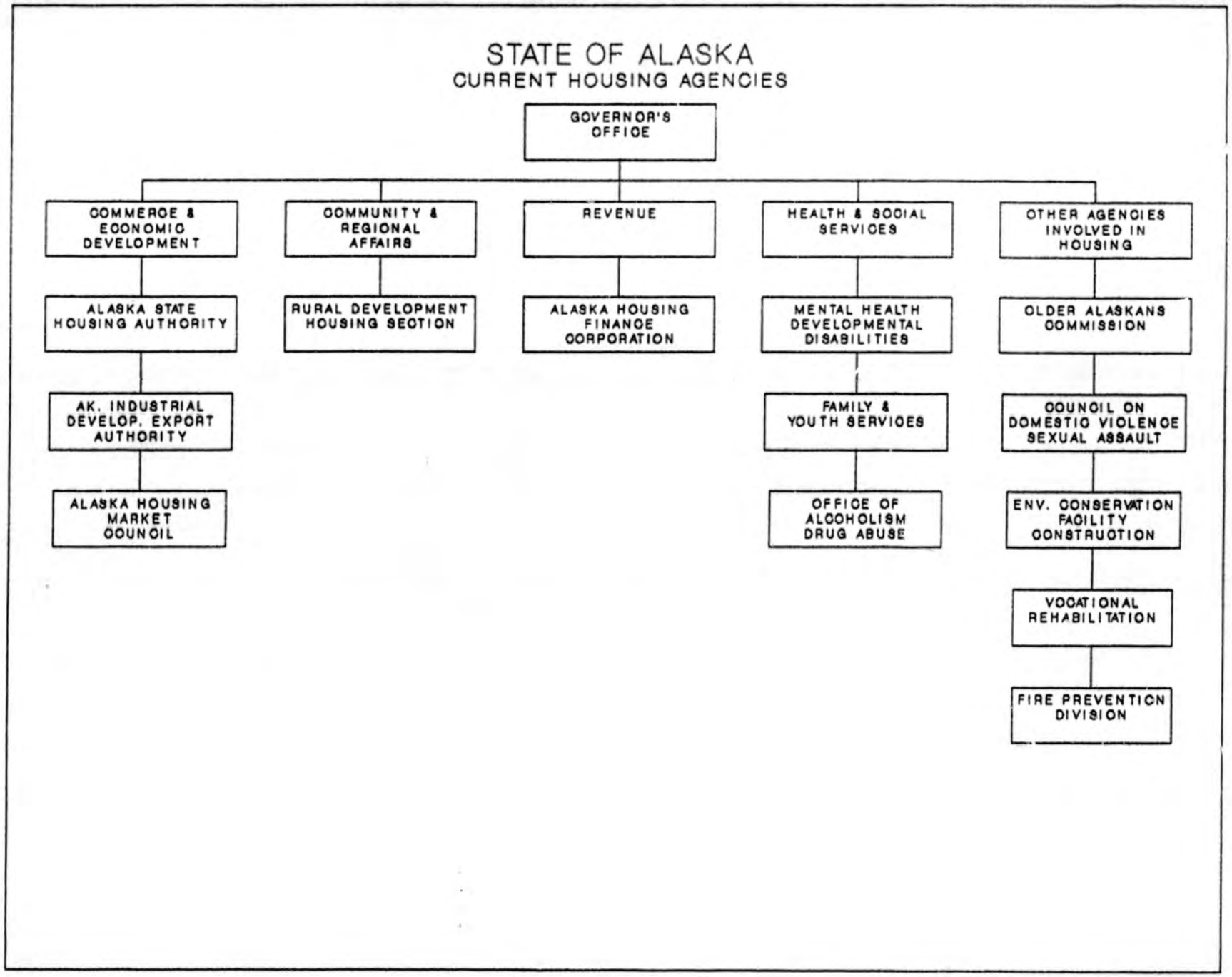
Membership: Commissioner, Department of Revenue
Commissioner, Commerce & Economic Development
State Government Executive appointed by Governor, currently Commissioner, Department of Labor
Public members (2), currently from Anchorage

Committees: Special committees established as needed, ie executive search.

Staffing: Executive Director
Executive Director's Secretary
Division Directors

Meetings: Not less than once every 3 months. Normally meet 12 times per year; 16 days maximum.
Usually transact meetings by teleconference with Anchorage, Juneau and Fairbanks. Meetings last from 3 to 6 hours.
Must give public notice, 24 hours or more in advance.

Members are paid $100 for each public member for each day spent on official business. Travel expenses are reimbursed at rate set by state.


STATE OF ALASKA
CURRENT HOUSING AGENCIES
GOVERNOR'S OFFICE
COMMERCE & ECONOMIC DEVELOPMENT
ALASKA STATE HOUSING AUTHORITY
AK. INDUSTRIAL DEVELOP. EXPORT AUTHORITY
ALASKA HOUSING MARKET COUNCIL
COMMUNITY & REGIONAL AFFAIRS
RURAL DEVELOPMENT HOUSING SECTION
REVENUE
ALASKA HOUSING FINANCE CORPORATION
HEALTH & SOCIAL SERVICES
MENTAL HEALTH DEVELOPMENTAL DISABILITIES
FAMILY & YOUTH SERVICES
OFFICE OF ALCOHOLISM DRUG ABUSE
OTHER AGENCIES INVOLVED IN HOUSING
OLDER ALASKANS COMMISSION
COUNCIL ON DOMESTIC VIOLENCE SEXUAL ASSAULT
ENV. CONSERVATION FACILITY CONSTRUCTION
VOCATIONAL REHABILITATION
FIRE PREVENTION DIVISION

ALASKA HOUSING MARKET COUNCIL
POLICY STATEMENT #1
CURRENT BOARDS/COUNCILS
COST ANALYSIS

BUDGET CATEGORY	CURRENT BOARDS		
	ASHA	AHFC	AHMC
OPERATING EXPENDITURES			
Personal Services	10.5	12.0	220.6
Travel			
Staff Travel	3.1		11.2
Board Travel/Stipend	6.1	7.6	24.4
Perdiem			15.3
Contractual			
Professional Services			21.3
Communication		2.7	17.5
Courier service			4.5
Advertising	0.4	1.0	13.2
Printing	0.1	0.3	6.7
Postage			3.7
Rent			17.8
Equipmemt			12.0
Supplies			
Office			9.0
Data Processing			1.0
TOTAL OPERATING EXP.	20.2	23.6	378.2
NON-OPERATING EXP.			1.2
TOTAL BOARD COST	20.2	23.6	379.4

ALASKA HOUSING MARKET COUNCIL
POLICY STATEMENT #1
ALTERNATIVES FOR IMPLEMENTATION
COST ANALYSIS

BUDGET CATEGORY	SPECIAL ASSISTANT		HOUSING COMISSION		STATE HOUSING BOARD		
	TOTAL COST	ALTERNATIVE COST	TOTAL COST	ALTERNATIVE COST	TOTAL COST	ALTERNATIVE COST	HOUSING DEPARTMENT
OPERATING EXPENDITURES							
Personal Services	110.7	0.0	239.4	104.3	262.6	169.6	400.9
Travel							
Staff Travel	6.0	6.0	14.5	6.9	14.5	10.3	28.0
Board Travel/Stipend			12.8	12.8	12.8	12.8	0.0
Perdiem							
Contractual							
Professional Services			8.7	3.9	8.7	3.9	
Communication	11.1	6.9	23.3	22.1	23.3	22.1	18.7
Courier service			4.5	4.5	4.5	4.5	4.5
Advertising	2.5	0.0	14.4	7.4	13.0	10.0	9.5
Printing	2.0	2.0	16.1	4.0	18.1	10.1	14.6
Postage	4.2	1.8	8.3	7.8	7.1	6.6	5.7
Rent	4.8	0.0	19.4	0.0	18.9	0.9	22.8
Equipmemt			7.3	0.0	7.3	0.0	7.3
Supplies							
Office	3.8	1.0	6.3	3.8	6.3	3.8	11.0
Data Processing			1.0	0.5	1.0	0.5	2.0
TOTAL OPERATING EXP.	145.1	17.7	376.0	178.0	398.1	255.1	525.0
NON-OPERATING EXP.			15.0	?	15.0	?	15.0
TOTAL BOARD COST	145.1	17.7	391.0	178.0	413.1	255.1	540.0

NOTE: IF THE AFFORDABLE HOUSING ACT PASSES, COSTS FOR EACH ALTERNATIVE WILL INCREASE BY $58.3 WITH THE ADDITION OF A GRANTS ADMINISTRATOR POSITION AND NECESSARY SUPPORT COSTS TO REVIEW AND DISTRIBUTE FEDERAL HOUSING FUNDS.

ALTERNATIVE #1
SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
1.	PROVIDE PUBLIC INFORMATION ON HOUSING OPPORTUNITIES	-RESOURCE PERSON ON-STAFF TO ANSWER PUBLIC INQUIRIES	NOT AVAILABLE UNDER THIS ALTERNATIVE		AHFC/ASHA STAFF	0.0
		-PRODUCE NEWSLETTER/BROCHURE			AGENCIES PRODUCE	0.0
2.	OVERSEE STATE AGENCY INFORMATION SERVICES	-REVIEW PUBLISHED INFORMATION	NOT AVAILABLE UNDER THIS ALTERNATIVE		COMMISSION EX. DIR.	
3.	PROVIDE INFORMATION TO INTERESTED PARTIES RE FORECLOSED PROPERTIES	-RESOURCE PERSON ON STAFF TO ANSWER PUBLIC INQUIRIES	NOT AVAILABLE UNDER THIS ALTERNATIVE		AHFC STAFF	
		-CURRENT DATA BASE ON LINE FOR INQUIRY				
4.	FACILITATE THE CREATION OF HOUSING PARTNERSHIPS; PROVIDE ADVICE AND TECHNICAL ASSISTANCE ON DEVELOPMENT OF HOUSING PARTNERSHIPS	-RESEARCH CREATIVE HOUSING PARTNERSHIPS IN OTHER STATES	NOT AVAILABLE UNDER THIS ALTERNATIVE			
		-IDENTIFY COMMUNITIES WHERE CREATION OF HOUSING PARTNERSHIPS NEEDED/FEASIBLE				
		-DOCUMENT HOUSING PARTNERHSIP POSSIBILITIES				
		-IDENTIFY SOURCES OF PRE-DEVELOPMENT FINANCING AND ENCOURAGE/LOBBY FOR AGENCY MORTGAGE LOANS TO NON-PROFITS				
		-DISTRIBUTE INFORMATION TO COMMUNITIES/AGENCIES				
		-OFFER ASSISTANCE/CONSULTATION IN PARTNERSHIP DEVELOPMENT				
		-RESOURCE PERSON ON STAFF AVAILABLE TO CONSULT WITH COMMUNITIES/AGENCIES ON HOUSING PARTNERSHIP OPPORTUNITIES/STRUCTURE	NOT AVAILABLE UNDER THIS ALTERNATIVE	0.0		0.0
		-DEVELOP AND CONDUCT COMMUNITY WORKSHOPS ON HOUSING PARTNERSHIPS		0.0		0.0
		-PRODUCE HANDBOOK ON HOUSING PARTNERSHIPS		0.0		0.0
5.	WRITE/UPDATE LONG-RANGE STATE HOUSING PLAN	-DOCUMENT EXISTING HOUSING CONDITIONS/ CONCERNS/PROBLEMS STATEWIDE	NOT AVAILABLE UNDER THIS ALTERNATIVE	0.0		0.0
		-DEVELOP LONG-RANGE HOUSING STRATEGIES CONSISTENT WITH STATE HOUSING POLICY				
		-PREPARE DRAFT AND FINAL LONG-RANGE HOUSING PLAN		0.0		0.0
		-DEVELOP PROCESS FOR ON-GOING REVIEW AND ANNUAL UPDATE OF PLAN				

ALTERNATIVE #1
SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
6.	REVIEW OTHER AGENCY PLANS FOR CONFORMANCE WITH STATE HOUSING PLAN	-COORDINATE THE DEVELOPMENT OF STATEWIDE SERVICE PLANS WITH AHFC, ASHA, DCRA, DIVN. OF ALCOHOLISM & DRUG ABUSE, DIVN. OF MENTAL HEALTH & DEVELOP. DISABILITIES, COUNCIL ON DOMESTIC VIOLENCE AND SEXUAL ASSUALT. -COORDINATE DEVELOPMENT OF SHORT AND LONG-TERM BUSINESS AND REGIONAL STRATEGIC PLANS WITH AHFC, DCRA AND ASHA.	NOT AVAILABLE UNDER THIS ALTERNATIVE		INTERAGENCY COORD COMMITTEE	
7.	PROVIDE STATE AGENCY HOUSING PROGRAM REVIEW, COORDINATION AND OVERSIGHT	-ESTABLISH PROCESS FOR REVIEW AND APPROVAL OF HOUSING OR MORTGAGE LOAN REGULATIONS -IDENTIFY AND CLARIFY ROLES OF AHFC, ASHA AND DCRA IN THE HOUSING MARKET	NOT AVAILABLE UNDER THIS ALTERNATIVE			
8.	REVIEW AND APPROVE ALL NEW OR AMENDED HOUSING AND MORTGAGE LOAN REGULATIONS	-REVIEW ALL PROPOSED AND EXISTING PROGRAMS OF AHFC, ASHA, AND DCRA AND IDENTIFY AREAS REQUIRING COORDINATION/COOPERATION				
9.	CONDUCT PERIODIC STATEWIDE HOUSING NEEDS ASSESSMENT ON HOUSING AND FINANCING AVAILABILITY	-CREATE DATA BASE ON HOUSING NEEDS BY REGION. -CREATE DATA BASE ON STATE, FEDERAL AND LOCAL FINANCING PROGRAMS AVAILABLE -SOLICIT UPDATED INFORMATION ON A QUARTERLY OR SEMI-ANNUAL BASIS -UPDATE DATA BASE ON ON-GOING BASIS	NOT AVAILABLE UNDER THIS ALTERNATIVE	0.0		0.0
10.	MAINTAIN COMPREHENSIVE INFORMATION ON HOUSING NEEDS STATEWIDE, TRACKING MOST URGENT HOUSING NEEDS IN STATE	-ESTABLISH CRITERIA FOR DETERMINING MOST URGENT HOUSING NEEDS CONSISTENT WITH STATE HOUSING POLICY -APPLY CRITERIA TO DATA BASE TO IDENTIFY MOST URGENT NEEDS AND TARGET POPULATIONS MOST IN NEED OF HOUSING RESOURCES -REVIEW STATE BUDGET REQUESTS FOR HOUSING FUNDS. -PREPARE RECOMMENDATIONS FOR GOVERNOR AND LEGISLATURE FOR PRIORITY FUNDING OF MOST URGENT HOUSING NEEDS -TESTIFY AT LEGISLATIVE HEARINGS ON FUNDING	NOT AVAILABLE UNDER THIS ALTERNATIVE SPECIAL ASSSITANT/ INTERAGENCY COORD. COMMITTEE			
11.	IDENTIFY WHICH AREAS OF STATE AND WHICH TARGET POPULATIONS MOST IN NEEDS OF STATE HOUSING RESOURCES					
12.	REVIEW USE AND DISPOSITION OF STATE AGENCY-OWNED FORECLOSED PROPERTIES	-IDENTIFY INVENTORY OF OREOS AND THEIR DISPOSITION -ESTABLISH REPORTING SYSTEM FOR UPDATED INFORMATION ON OREO INVENTORY -ESTABLISH POLICY WITH STATE AGENCIES ON DISPOSAL OF OREOS FOR URGENT HOUSING NEEDS	NOT AVAILABLE UNDER THIS ALTERNATIVE		AHFC STAFF	

ALTERNATIVE #1
SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		-REVIEW AND DISCUSSION OF PUBLIC PURPOSE USE OF ORRO INVENTORY.	INTERAGENCY COORD. COMMITTEE			
13.	IF AFFORDABLE HOUSING ACT PASSES, REVIEW AND DISTRIBUTE FEDERAL FUNDS/ DESIGNATE RECIPIENTS THROUGHOUT STATE	-SET UP CLEARINGHOUSE FOR ALL GRANTS FOR FEDERAL HOUSING FUNDS -DEVELOP FUNDING PLAN/ALLOCATION OF FEDERAL FUNDS BASED ON STATE HOUSING POLICY, LONG-RANGE HOUSING PLAN, MOST UBGENT HOUSING NEEDS, AVAILABLE FUND* -DESIGNATE RECIPIENTS AND AGENCY TO ADMINISTER FUNDS -MAINTAIN DATA BASE OF ALL FEDERAL HOUSING FUNDS AWARDED IN ALASKA	NOT AVAILABLE UNDER THIS ALTERNATIVE	0.0	* COVERED BY GRANT FUNDS	0.0
14.	ADMINISTRATIVE DUTIES	-MAINTAIN OFFICE SPACE, EQUIP, ETC.		21.2	SHARE AGENCY SPACE, EQUIP	4.4
		-DIRECT COMMITTEE ACTIVITIES	SPECIAL ASSISTANT	78.5		0.0
		-STAFF SUPPORT OF COORD. COMMITTEE MTGS.	SECRETARY	32.1		0.0
		-TECHNICAL SUPPORT OF INTERAGENCY COMMITTEE		7.3		7.3
		-STAFF TRAVEL		5.9		5.9
			TOTAL COSTS	145.0		17.6

*FUNDING FOR THIS POSITION IS QUESTIONABLE UNDER AFFORDABLE HOUSING ACT; POSSIBILITY OF USING GRANT FUNDS TO COVER POSITION NEEDS TO BE EXPLORED.

15-Nov-89
COMMACT1

ALTERNATIVE #2
ALASKA HOUSING COMMISSION

NO. RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
1. PROVIDE PUBLIC INFORMATION ON HOUSING OPPORTUNITIES	-RESOURCE PERSON ON-STAFF TO ANSWER PUBLIC INQUIRIES	INFORMATION OFFICER/ TECHNICAL ADVISER	47.7	AHFC/ASHA STAFF	0.0
	-PRODUCE NEWSLETTER/BROCHURE		3.6	AGENCIES PRODUCE	0.0
2. OVERSEE STATE AGENCY INFORMATION SERVICES	-REVIEW INFORMATION PRIOR TO PUBLICATION	INFORMATION OFFICER/ TECHNICAL ADVISOR		COMMISSION EX. DIR. ASSUMES THIS ROLE	
3. PROVIDE INFORMATION TO INTERESTED PARTIES RE FORECLOSED PROPERTIES	-RESOURCE PERSON ON STAFF TO ANSWER PUBLIC INQUIRIES -CURRENT DATA BASE ON LINE FOR INQUIRY	INFORMATION OFFICER RESEARCH ANALYST		AHFC STAFF	
4. FACILITATE THE CREATION OF HOUSING PARTNERSHIPS	-RESEARCH CREATIVE HOUSING PARTNERSHIPS IN OTHER STATES -IDENTIFY COMMUNITIES WHERE CREATION OF HOUSING PARTNERSHIPS NEEDED/FEASIBLE -DOCUMENT HOUSING PARTNERHSIP POSSIBILITIES -IDENTIFY SOURCES OF PRE-DEVELOPMENT FINANCING AND ENCOURAGE/LOBBY FOR AGENCY MORTGAGE LOANS TO NON-PROFITS -DISTRIBUTE INFORMATION TO COMMUNITIES/AGENCIES -OFFER ASSISTANCE/CONSULTATION IN PARTNERSHIP DEVELOPMENT	INFORMATION OFFICER/ TECHNICAL ADVISER EXECUTIVE DIRECTOR		NONE AVAILABLE UNDER THIS ALTERNATIVE	
5. PROVIDE ADVICE AND TECHNICAL ASSISTANCE ON DEVELOPMENT OF HOUSING PARTNERSHIPS	-RESOURCE PERSON ON STAFF AVAILABLE TO CONSULT WITH COMMUNITIES/AGENCIES ON HOUSING PARTNERSHIP OPPORTUNITIES/STRUCTURE	INFORMATION OFFICER/ TECHNICAL ADVISER	3.4	NONE AVAILABLE UNDER THIS ALTERNATIVE	0.0
	-DEVELOP AND CONDUCT COMMUNITY WORKSHOPS ON HOUSING PARTNERSHIPS		5.9		0.0
	-PRODUCE HANDBOOK ON HOUSING PARTNERSHIPS		1.8		0.0 0.0
6. WRITE/UPDATE LONG-RANGE STATE HOUSING PLAN	-DOCUMENT EXISTING HOUSING CONDITIONS/ CONCERNS/PROBLEMS STATEWIDE	RESEARCH ANALYST/ PLANNER	47.7	INTERAGENCY COORD. COMMITTEE/COMMISSION EXECUTIVE DIRECTOR	0.0
	-DEVELOP LONG-RANGE HOUSING STRATEGIES CONSISTENT WITH STATE HOUSING POLICY				
	-PREPARE DRAFT AND FINAL LONG-RANGE HOUSING PLAN		6.2		0.0
	-DEVELOP PROCESS FOR ON-GOING REVIEW AND ANNUAL UPDATE OF PLAN				

ALTERNATIVE #2
ALASKA HOUSING COMMISSION

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
7.	REVIEW OTHER AGENCY PLANS FOR CONFORMANCE WITH STATE HOUSING PLAN	-COORDINATE THE DEVELOPMENT OF STATEWIDE SERVICE PLANS WITH AHFC, ASHA, DCRA, DHSS DIVISIONS, OTHER STATE AGENCIES AND OFFICES WITH HOUSING PROGRAMS/SERVICES. -COORDINATE DEVELOPMENT OF SHORT AND LONG-TERM BUSINESS AND REGIONAL STRATEGIC PLANS WITH AHFC, DCRA & ASHA.	RESEARCH ANALYST/ PLANNER		INTERAGENCY COORD COMMITTEE	
8.	PROVIDE STATE AGENCY HOUSING PROGRAM REVIEW, COORDINATION AND OVERSIGHT	-ESTABLISH PROCESS FOR REVIEW AND APPROVAL OF HOUSING OR MORTGAGE LOAN REGULATIONS -IDENTIFY AND CLARIFY ROLES OF AHFC, ASHA AND DCRA IN THE HOUSING MARKET	EXECUTIVE DIRECTOR HOUSING COMMISSION		EXECUTIVE DIRECTOR/ INTERAGENCY COMM.	
9.	REVIEW AND APPROVE ALL NEW OR AMENDED HOUSING AND MORTGAGE LOAN REGULATIONS	-REVIEW ALL PROPOSED AND EXISTING PROGRAMS OF STATE HOUSING AGENCIES/OFFICES AND IDENTIFY AREAS REQUIRING COORDINATION/COOPERATION			INTERAGENCY COORD. COMMITTEE	
10.	CONDUCT PERIODIC STATEWIDE HOUSING NEEDS ASSESSMENT ON HOUSING AND FINANCING AVAILABILITY	-CREATE DATA BASE ON HOUSING NEEDS BY REGION. -CREATE DATA BASE ON STATE, FEDERAL AND LOCAL FINANCING PROGRAMS AVAILABLE -SOLICIT UPDATED INFORMATION ON A QUARTERLY OR SEMI-ANNUAL BASIS -UPDATE DATA BASE ON ON-GOING BASIS	RESEARCH ANALYST/ PLANNER	15.0	ISER OR UNIV. OF ALASKA	?
11.	MAINTAIN COMPREHENSIVE INFORMATION ON HOUSING NEEDS STATEWIDE, TRACKING MOST URGENT HOUSING NEEDS IN STATE	-ESTABLISH CRITERIA FOR DETERMINING MOST URGENT HOUSING NEEDS CONSISTENT WITH STATE HOUSING POLICY	RESEARCH ANALYST/ PLANNER		INTERAGENCY COORD. COMMITTEE	
12.	IDENTIFY WHICH AREAS OF STATE AND WHICH TARGET POPULATIONS MOST IN NEEDS OF STATE HOUSING RESOURCES	-APPLY CRITERIA TO DATA BASE TO IDENTIFY MOST URGENT NEEDS AND TARGET POPULATIONS MOST IN NEED OF HOUSING RESOURCES -REVIEW STATE BUDGET REQUESTS FOR HOUSING FUNDS. -PREPARE RECOMMENDATIONS FOR GOVERNOR AND LEGISLATURE FOR PRIORITY FUNDING OF MOST URGENT HOUSING NEEDS -TESTIFY AT LEGISLATIVE HEARINGS ON FUNDING	EXECUTIVE DIRECTOR/ HOUSING COMMISSION		ISER OR UNIV. OF ALASKA	
13.	REVIEW USE AND DISPOSITION OF STATE AGENCY-OWNED FORECLOSED PROPERTIES	-IDENTIFY INVENTORY OF OREOS AND THEIR DISPOSITION -ESTABLISH REPORTING SYSTEM FOR UPDATED INFORMATION ON OREO INVENTORY -ESTABLISH POLICY WITH STATE AGENCIES ON DISPOSAL OF OREOS FOR URGENT HOUSING NEEDS	RESEARCH ANALYST/ PLANNER EXECUTIVE DIRECTOR/ HOUSING COMMISSION		AHFC STAFF	

ALTERNATIVE #2
ALASKA HOUSING COMMISSION

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
14.	IF AFFORDABLE HOUSING ACT PASSES, REVIEW AND DISTRIBUTE FEDERAL FUNDS/ DESIGNATE RECIPIENTS THROUGHOUT STATE	-SET UP CLEARINGHOUSE FOR ALL GRANTS FOR FEDERAL HOUSING FUNDS -DEVELOP FUNDING PLAN/ALLOCATION OF FEDERAL FUNDS BASED ON STATE HOUSING POLICY, LONG-RANGE HOUSING PLAN, MOST URGENT HOUSING NEEDS, AVAILABLE FUNDS -DESIGNATE RECIPIENTS AND AGENCY TO ADMINISTER FUNDS -MAINTAIN DATA BASE OF ALL FEDERAL HOUSING FUNDS AWARDED IN ALASKA	GRANTS ADMINISTRATOR	50.9 *	COVERED BY GRANT FUNDS	0.0
15.	ADMINISTRATIVE DUTIES	-MAINTAIN OFFICE SPACE, EQUIP, ETC.		55.6	SHARE AGENCY SPACE, EQUIP	27.4
		-DIRECT COMMISSION ACTIVITIES	EXECUTIVE DIRECTOR	73.6		73.6
		-STAFF SUPPORT OF HOUSING COMMISSION MEETINGS	SECRETARY	30.6		30.6
		-ADMIN SUPPORT OF HOUSING COMMISSION	ADMIN. OFFICER	39.7		0
		-TECHNICAL SUPPORT OF HOUSING COMMISSION		25.3	USE AGENCY CONF. SPACE	20.6
		-TRAVEL FOR COMMISSION MEETINGS		12.8		12.8
		-PUBLICATION OF ANNUAL REPORT		2.1		2.1
		-BOOKKEEPING, ANNUAL AUDIT		8.7	AGENCY ACCTG. SERVICES	3.9
		-STAFF TRAVEL		11.1	REDUCED STAFF, LESS TRAVE	6.9
			TOTAL COSTS	390.8		177.9

*FUNDING FOR THIS POSITION IS QUESTIONABLE UNDER AFFORDABLE HOUSING ACT; POSSIBILITY OF USING GRANT FUNDS TO COVER POSITION NEEDS TO BE EXPLORED.

15-Nov-89
COMMACT2

ALTERNATIVE #3
STATE HOUSING BOARD

NO. RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
1. ADMINISTER ALL HOUSING AGENCIES AND STATE HOUSING PROGRAMS.	-STAFF STATE HOUSING BOARD -OVERALL ADMINISTRATIVE RESPONSIBILITY FOR AHFC, ASHA, RURAL HOUSING, INTERAGENCY COORDINATING COMMITTEE	EXECUTIVE DIRECTOR	86.5		86.5
2. PROVIDE PUBLIC INFORMATION ON HOUSING OPPORTUNITIES	-RESOURCE PERSON ON-STAFF TO ANSWER PUBLIC INQUIRIES	INFORMATION OFFICER	50.9	AHFC/ASHA STAFF	0.0
	-PRODUCE NEWSLETTER/BROCHURE		3.4	AGENCIES PRODUCE	0.0
3. OVERSEE STATE AGENCY INFORMATION SERVICES	-REVIEW INFORMATION PRIOR TO PUBLICATION	INFORMATION OFFICER			
4. PROVIDE INFORMATION TO INTERESTED PARTIES RE FORECLOSED PROPERTIES	-RESOURCE PERSON ON STAFF TO ANSWER PUBLIC INQUIRIES -CURRENT DATA BASE ON LINE FOR INQUIRY	INFORMATION OFFICER RESEARCH ANALYST		AHFC STAFF	
5. FACILITATE THE CREATION OF HOUSING PARTNERSHIPS; PROVIDE ADVICE AND TECHNICAL ASSISTANCE ON DEVELOPMENT OF HOUSING PARTNERSHIPS	-RESEARCH CREATIVE HOUSING PARTNERSHIPS IN OTHER STATES -IDENTIFY COMMUNITIES WHERE CREATION OF HOUSING PARTNERSHIPS NEEDED/FEASIBLE -DOCUMENT HOUSING PARTNERHSIP POSSIBILITIES -IDENTIFY SOURCES OF PRE-DEVELOPMENT FINANCING AND ENCOURAGE/LOBBY FOR AGENCY MORTGAGE LOANS TO NON-PROFITS -DISTRIBUTE INFORMATION TO COMMUNITIES/AGENCIES -OFFER ASSISTANCE/CONSULTATION IN PARTNERSHIP DEVELOPMENT	INFORMATION OFFICER EXECUTIVE DIRECTOR		MUST HAVE INFORMATION OFFICER/TECHNICAL ADVISOR POSITION TO ACCOMPLISH THIS ACTION PLAN.	50.9
	-RESOURCE PERSON ON STAFF AVAILABLE TO CONSULT WITH COMMUNITIES/AGENCIES ON HOUSING PARTNERSHIP OPPORTUNITIES/STRUCTURE	INFORMATION OFFICER	3.4		3.4
	-DEVELOP AND CONDUCT COMMUNITY WORKSHOPS ON HOUSING PARTNERSHIPS		5.9		5.9
	-PRODUCE HANDBOOK ON HOUSING PARTNERSHIPS		1.8		1.8
6. WRITE/UPDATE LONG-RANGE STATE HOUSING PLAN	-DOCUMENT EXISTING HOUSING CONDITIONS/ CONCERNS/PROBLEMS STATEWIDE -DEVELOP LONG-RANGE HOUSING STRATEGIES CONSISTENT WITH STATE HOUSING POLICY	RESEARCH ANALYST/ PLANNER	50.9	HOUSING AGENCIES/DIVISION USE EXISTING STAFF TO WRITE PLANS CONSISTENT W/ STATE HOUSING POLICY	0.0
	-PREPARE DRAFT AND FINAL LONG-RANGE HOUSING PLAN		6.2		0.0
	-DEVELOP PROCESS FOR ON-GOING REVIEW AND ANNUAL UPDATE OF PLAN				

ALTERNATIVE #3
STATE HOUSING BOARD

NO. RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
7. REVIEW OTHER AGENCY PLANS FOR CONFORMANCE WITH STATE HOUSING PLAN	-COORDINATE THE DEVELOPMENT OF STATEWIDE SERVICE PLANS WITH AHFC, ASHA, DCRA, DH&SS DIVISIONS, OTHER STATE AGENCIES AND OFFICES WITH HOUSING PROGRAMS/SERVICES. -COORDINATE DEVELOPMENT OF SHORT AND LONG-TERM BUSINESS AND REGIONAL STRATEGIC PLANS WITH AHFC, DCRA AND ASHA.	RESEARCH ANALYST/ PLANNER		INTERAGENCY COORD COMMITTEE	
8. PROVIDE STATE AGENCY HOUSING PROGRAM REVIEW, COORDINATION AND OVERSIGHT 9. REVIEW AND APPROVE ALL NEW OR AMENDED HOUSING AND MORTGAGE LOAN REGULATIONS	-ESTABLISH PROCESS FOR REVIEW AND APPROVAL OF HOUSING OR MORTGAGE LOAN REGULATIONS -IDENTIFY AND CLARIFY ROLES OF AHFC, ASHA AND DCRA IN THE HOUSING MARKET -REVIEW ALL PROPOSED AND EXISTING PROGRAMS OF AHFC, ASHA, AND DCRA AND IDENTIFY AREAS REQUIRING COORDINATION/COOPERATION	EXECUTIVE DIRECTOR HOUSING BOARD		EXECUTIVE DIRECTOR/ INTERAGENCY COMM. INTERAGENCY COORD. COMMITTEE	
10. CONDUCT PERIODIC STATEWIDE HOUSING NEEDS ASSESSMENT ON HOUSING AND FINANCING AVAILABILITY	-CREATE DATA BASE ON HOUSING NEEDS BY REGION. -CREATE DATA BASE ON STATE, FEDERAL AND LOCAL FINANCING PROGRAMS AVAILABLE -SOLICIT UPDATED INFORMATION ON A QUARTERLY OR SEMI-ANNUAL BASIS -UPDATE DATA BASE ON ON-GOING BASIS	RESEARCH ANALYST/ PLANNER	15.0	ISER OR UNIV. OF ALASKA	?
11. MAINTAIN COMPREHENSIVE INFORMATION ON HOUSING NEEDS STATEWIDE, TRACKING MOST URGENT HOUSING NEEDS IN STATE 12. IDENTIFY WHICH AREAS OF STATE AND WHICH TARGET POPULATIONS MOST IN NEEDS OF STATE HOUSING RESOURCES	-ESTABLISH CRITERIA FOR DETERMINING MOST URGENT HOUSING NEEDS CONSISTENT WITH STATE HOUSING POLICY -APPLY CRITERIA TO DATA BASE TO IDENTIFY MOST URGENT NEEDS AND TARGET POPULATIONS MOST IN NEED OF HOUSING RESOURCES -REVIEW STATE BUDGET REQUESTS FOR HOUSING FUNDS. -PREPARE RECOMMENDATIONS FOR GOVERNOR AND LEGISLATURE FOR PRIORITY FUNDING OF MOST URGENT HOUSING NEEDS -TESTIFY AT LEGISLATIVE HEARINGS ON FUNDING	RESEARCH ANALYST/ PLANNER EXECUTIVE DIRECTOR/ HOUSING COMMISSION		INTERAGENCY COORD. COMMITTEE ISER OR UNIV. OF ALASKA	
13. REVIEW USE AND DISPOSITION OF STATE AGENCY-OWNED FORECLOSED PROPERTIES	-IDENTIFY INVENTORY OF OREOS AND THEIR DISPOSITION -ESTABLISH REPORTING SYSTEM FOR UPDATED INFORMATION ON OREO INVENTORY -ESTABLISH POLICY WITH STATE AGENCIES ON DISPOSAL OF OREOS FOR URGENT HOUSING NEEDS	RESEARCH ANALYST/ PLANNER EXECUTIVE DIRECTOR/ HOUSING COMMISSION		AHFC STAFF	

ALTERNATIVE #3
STATE HOUSING BOARD

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
14.	IF AFFORDABLE HOUSING ACT PASSES, REVIEW AND DISTRIBUTE FEDERAL FUNDS/ DESIGNATE RECIPIENTS THROUGHOUT STATE	-SET UP CLEARINGHOUSE FOR ALL GRANTS FOR FEDERAL HOUSING FUNDS -DEVELOP FUNDING PLAN/ALLOCATION OF FEDERAL FUNDS BASED ON STATE HOUSING POLICY, LONG-RANGE HOUSING PLAN, MOST URGENT HOUSING NEEDS, AVAILABLE FUNDS -DESIGNATE RECIPIENTS AND AGENCY TO ADMINISTER FUNDS -MAINTAIN DATA BASE OF ALL FEDERAL HOUSING FUNDS AWARDED IN ALASKA	GRANTS ADMINISTRATOR	50.9 *	COVERED BY GRANT FUNDS	0.0
15.	ADMINISTRATIVE DUTIES	-MAINTAIN OFFICE SPACE, EQUIP, ETC.		54.9	SHARE AGENCY SPACE, EQUIP	27.9
		-STAFF SUPPORT OF HOUSING BOARD MEETINGS	SECRETARY	32.1		32.1
		-ADMIN SUPPORT OF HOUSING BOARD	ADMIN. OFFICER	42.1	DUTIES ABSORBED AGENCY	0
		-TECHNICAL SUPPORT OF HOUSING BOARD		24.9	USE AGENCY CONF. SPACE	23.2
		-TRAVEL FOR BOARD MEETINGS		12.6		12.6
		-PUBLICATION OF ANNUAL REPORT		2.1		2.1
		-BOOKKEEPING, ANNUAL AUDIT		8.7	AGENCY ACCTG. SERVICES	3.9
		-STAFF TRAVEL		11.1	REDUCED STAFF, LESS TRAVE	6.9
			TOTAL COSTS	412.9		257.4

*COVERED BY GRANT FUNDS, NOT INCLUDED IN OPERATING COST TOTAL.

15-Nov-89
COMMACT3

Alaska Housing Market Council

November 9, 1989

Dear Housing Policy Development Committee Member:

Enclosed please find your agenda, revised action plans, and "SPAMO" recommendations for the next HPDC meeting, **scheduled for Friday, November 17, 1989, at the Clarion Hotel, Denali Room, 9:00 a.m. to 5:00 p.m.**

As we discussed at the last HPDC meeting, we will be finalizing recommendations on Policy Statement #1 (relating to a commission or other body executing state housing policy). We'll also hear public recommendations on Policy Statement #5 (relating to Transitional and Special Needs housing).

After the public testimony section (scheduled for 1:30 p.m.), the committee will review recommendations on ensuring that the action plans are "SPAMO" (specific, pertinent, attainable, measurable and observable).

Please take a few minutes to review staff SPAMO suggestions. Also, bring your ideas as to how the action plans can be made more specific and attainable.

We are asking all committee members to come to Anchorage for this meeting.

The public testimony section of the meeting will be teleconferenced to Fairbanks (Attorney's Conference Room, City Hall Annex) and Juneau (Dept. of Commerce Conference Room, State Office Building). Other sites can be teleconferenced in by calling our office.

As before, please contact me if you won't be attending this meeting.

Sincerely,

Heather

Heather Arnett
HPDC Aide

624 W. INTERNATIONAL AIRPORT ROAD, SUITE E • ANCHORAGE, ALASKA 99518 • P.O. BOX 240048 • ANCHORAGE, ALASKA 99524-0048 • (907) 563-3325

ALASKA HOUSING MARKET COUNCIL
Housing Policy Development Committee

Meeting of the Full Committee

AGENDA

November 17, 1989
9:00 a.m. to 5:00 p.m.
Clarion Hotel, Denali Room
4800 Spenard Road
Anchorage, Alaska

I. Call to Order - Roll Call

II. Approval of Agenda

III. Policy Statement #1 and action plans
Presentation by Peggy Stewart, Alaska Housing Market Council

IV. 11:00 a.m.
Further review of Policy Statement #5

V. 12:00 p.m.
Lunch

VI. 1:30 p.m.
Public Testimony
(Please note: This portion of the meeting will be teleconferenced to Fairbanks, Juneau and other requested sites).

VII. Review "SPAMO" recommendations - Ensure that action plans meet SPAMO requirements.

VIII. Adjournment.

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ALASKA HOUSING MARKET COUNCIL
11/08/89
REVISED:
MISSION STATEMENT:

SAFE, SOUND, SANITARY AND ENERGY EFFICIENT LIVING CONDITIONS SHOULD BE AVAILABLE TO ALL CITIZENS OF THE STATE.

FULL HOUSING POLICY DEVELOPMENT COMMITTEE

DRAFT ACTION PLANS

Policy Statement #1

It is the policy of the State of Alaska to adopt and execute a state housing policy and facilitate coordination of housing services.

Action Plan:

1. The Alaska Housing Commission shall report directly to the Governor.

2. The Commission's composition shall reflect regional representation and shall include public members and representatives from the following: the housing and real estate industry; special needs groups; and rural areas. Represenatatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity only.

3. The Commission shall provide information on housing opportunities to the public and shall oversee state agency information services.

4. The Commission shall be the designated agency to review and distribute federal funds for housing and shall designate recipients throughout the state.

5. The Commission shall be charged with state agency housing program review, coordination and oversight. All new or amended housing or mortgage loan regulations must be approved by the Commission to ensure that they conform to the intent of the state housing policy. The Commission shall clarify the roles of the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the Department of Community and Regional Affairs in the housing market.

6. The Commission shall be charged with writing a long term housing plan for the state and updating the plan periodicaly. State agencies, including the Alaska Housing

Finance Corporation, the Alaska State Housing Authority, the Department of Community and Regional Affairs, the Division of Mental Health & Developmental Disabilities. the Division of Alcoholism and Drug Abuse, and the Council on Domestic Violence & Sexual Assault, shall develop statewide service plans in conjunction with each other and the state housing plan to insure coordination and efficiency of service delivery. The Alaska Housing Finance Corporation and the Department of Community and Regional Affairs shall develop short and long-term business and regional strategic plans.

7. The Commission shall conduct periodic statewide housing needs assessments on housing and financing availability.

8. The Commission shall direct state agencies to review housing regulations under their jurisdiction, comparing them to other agency regulations, and revising where appropriate to eliminate conflict and duplication.

9. The Commission shall be charged with reviewing the use of and disposition of state agency-owned foreclosed properties and shall provide information to interested parties regarding available properties. The Commission shall encourage AHFC, banks and secondary institutions to donate foreclosed properties for use as transitional and long term special needs facilities and senior housing where appropriate.

10. The Commission shall actively facilitate the creation of housing partnerships and provide advice and technical assistance on the development of those partnerships.

Policy Statement #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.

Action Plan:

1. State agency regulations pertaining to housing and construction standards should be analyzed by a task force of industry and government for regional flexibility and an appeals process should be implemented.

2. The Alaska Housing Finance Corporation and the Department of Community and Regional Affairs should adjust their loan programs to be appropriate to regional housing conditions. It is recognized the secondary investors and/or insurers, for instance, the Federal Housing Administration, may be

unwilling to participate in mortgage lending in certain areas of the state. The regionalization of AHFC and DCRA loan programs should be consistent with prudent lending standards.

Policy Statement #3

It is the policy of the State of Alaska to encourage communities to take an active role in housing and land use issues, recognizing that local control is preferable to central control, because local governments can best balance the needs of the public with the private determination of supply and demand.

Action Plan:

1. Local governments should include a housing plan, listing how housing needs can be met, as part of their comprehensive planning process.

2. Municipal governments should be encouraged to facilitate establishment of transitional group housing. Zoning laws which prohibit group homes should be revised to be consistent with anti-discriminatory statutes (including the amendments to the Fair Housing Act), and integration of transitional housing residents into communities should be encouraged.

Policy Statement #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.

Action Plan:

1. The State of Alaska should become actively involved in assisting private developers and non-profits in obtaining financing for planning and development of units which are affordable to low-income Alaskans.

2. Existing state agency-owned foreclosed properties should be considered for conversion to low income housing units, if economically and structurally feasible.

3. State law should be modified so that state agencies involved in housing finance can lend to non-profit housing developers. This may include statutory changes to AHFC and AIDEA and changes in policies and procedures to DCRA and ASHA.

4. The state recognizes the important niche which non-profit housing developers fill in the provision of housing. Local

financial institutions, local governments and the secondary mortgage market should be encouraged to provide funding for that purpose.

Policy Statement #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.

Action Plans:

1. Supportive Care Services

   It is essential that a continuum of supportive care services be in place for transitional and special needs housing to be successful. Those services include, but aren't limited to, case management, and medical and rehabilitative assistance.

2. Accessible Housing

   Buildings for persons with special needs should be renovated or built in accordance with the "Uniform Federal Accessibility Standards," produced by the Department of Transportation.

3. The State of Alaska through the proposed Housing Commission or another agency, should review and prioritize the need for transitional and special need housing, so that available resources and funding can be allocated accordingly.

4. The need for this type of housing in the state is severe and urgent. Listed below are some, but not all, groups identified as needing additional housing:

   a. Housing for AIDS patients.
   b. Emergency shelters for families with children.
   c. Transitional housing for women leaving crisis shelters.
   d. Halfway houses for substance abusers.
   e. Pre-maternal housing for teens.
   f. Long-term housing for youth.
   g. Structured housing environments for ex-offenders.
   h. Housing for persons experiencing a physical disability.
   i. Need for supervised apartments and crisis respite housing for the mentally ill.
   j. Continued funding needed for the state's Institutional Discharge Project, which provides supportive housing programs for persons leaving the Alaska Psychiatric Institute, the Department of Corrections and Alaska Youth Initiative Graduates.
   k. Need for structured halfway houses for the mentally ill leaving the Corrections system, to include individuals

with a history of violence and sexual assault.

l. Need for a structured housing environment for the chronically mentally ill, who have a history of violence or inappropriate sexual behavior and are not in the custody of the Department of Corrections.

m. Housing for dually diagnosed persons.

n. Housing for the seriously mentally ill and developmentally disabled, who have been removed from nursing homes as a result of the federal OBRA legislation.

o. Need for specialized housing for the developmentally disabled.

p. Need for family treatment homes for emotionally disturbed children.

q. Low-cost housing for Rural Alaskans who come to regional centers for medical or other treatment.

r. Group housing facilities for the neurologically impaired and those with head injuries and brain trauma.

s. Group housing for child day care.

5. Funding Issues

a. The role of the State of Alaska through (but not limited to), the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs, should be expanded to allow mortgage loans to non-profits for transitional and long term housing for those with special needs. This should be a cooperative effort with rural housing authorities.

b. The U.S. Department of Housing and Urban Development should be encouraged to change the $1 a year lease program regulations so that transitional housing tenants can be charged a small amount to support operating expenses. Also, if needed, Alaska's congressional delegation should be contacted about the differences among HUD program requirements, which makes it difficult for housing providers to utilize HUD programs.

c. Division of Family and Youth Services regulations should be changed so that housing services for non-State custodial teens can be funded or some form of financial assistance can be provided for programs assisting these teens.

Policy Statement #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.

Action Plan:

1. Currently, the most urgent housing needs in the state are for rural and low income residents. Those needs should be given funding priority.

2. A function of an Alaska Housing Commission should be to maintain comprehensive information on housing needs statewide and keep track of the most urgent housing needs in the state. When state funds are designated to meet housing needs, the commission should identify which areas of the state and which target populations are most in need of housing resources.

Policy Statement #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.

Action Plan:

1. State agencies with mortgage lending programs should approve and follow prudent industry lending standards and downpayments should be required.

2. The state should encourage participation in a homeowner counseling and education program to work in partnership with new federal housing mandates, which direct states involved in low-income homeownership programs to offer homeowner counseling services.

3. There should be greater disclosure to borrowers that mortgage loan servicing can be sold to another institution, unless specified otherwise in the loan servicing agreement. The State of Alaska should adopt greater penalties and clearer recourse should occur in the case of faulty loan servicing (application of mortgage proceeds, payment of taxes or insurance).

Policy Statement #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.

Action Plan:

1. Benevolent loan funds, consisting of private donations, private and public financing, should be encouraged.

Policy Statement #9

It is the policy of the State of Alaska to minimize direct involvement of state government in the secondary mortgage market, with the primary exception of accessing capital markets in order to finance the state's housing needs.

Action Plan:

1. In an effort to help solve the hesistance of private mortgage insurers and investors to underwrite mortgage loans in Alaska, the state should develop a plan for encouraging participation in the state by private insurers and investors.

2. The state should continue to direct economic assistance for rural housing and low to moderate-income housing programs.

3. Where state agencies can access materially lower cost capital from secondary market lenders than funds available in the private sector, this may be done and the lower interest rates should be passed through to the public.

Policy Statement #10

It is the policy of the State of Alaska to promote the availability of quality, affordable rental housing.

Action Plan:

1. The state should encourage the development of housing partnerships in the state and provide pre-development financing for certain rental projects.

2. The state should examine the feasibility of converting appropriate foreclosed housing to rental units.

3. AHFC & DCRA lending practices should be expanded to allow mortgage loans for non-profits so that those developers would have the means to create affordable rental housing.

Policy Statement #11

It is the policy of the State of Alaska to recognize that Senior Alaskans 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.

Action Plan:

1. Regulations governing the construction of senior housing must be reviewed and made more flexible where appropriate. State housing regulations should be changed so that two categories of housing are created; medical and assisted living models. Medical models should be further developed into "intermediate care" and "long term care." Assisted living models should be developed to include models which are distinguished by nutrition needs, housekeeping needs, personal care needs, transportation needs and other non-medical needs.

2. The state should implement a "continuum of care" housing program for seniors and should adequately fund necessary supportive services, which allow seniors to remain independent for as long as possible.

   a. A case management system, which matches seniors with appropriate services, should be implemented by the state.

   b. State and other funded supportive services, such as homemaker assistance, should be expanded to 7 days a week.

   c. Financial assistance and training for home repair and maintenance should be increased.

Policy Statement #12

It is the policy of the State of Alaska to develop and maintain stable sources of capital and revenue to support housing needs in the state.

Action Plan:

1. The state should participate in the issuance of tax-exempt bonds, as well as taxable forms of financing, to provide the best market rate for the creation of low to moderate-income and senior housing.

2. The state should encourage the usage of 501c3 bonds by non-profit corporations as a means to create affordable and special needs housing.

3. The state should encourage the development of Neighborhood Housing Services in communities across the state.

4. The state should review the Resolution Trust Corporation (created by the federal savings and loan legislation) for use as an additional source of housing funds.

Policy Statement #13

It is the policy of the State of Alaska that housing in the state should meet specific quality standards.

Action Plan:

1. The state shall adopt building codes and allow for regional differences and amendments.

2. The state shall adopt contractor licensing requirements which have more stringent educational and experience requirements.

3. The state should actively lobby for and support the financing of housing in rural areas under the federal Housing and Urban Development's Mutual Help program and the Bureau of Indian Affairs' Housing Improvement Program.

4. State agencies should not fund the financing of existing substandard housing, with the following exception:

   If the existing structure currently has a state financial mortgage and meets standards #1-4 of the definition of "substandard"; the size requirement will be waived.

11/09/89
SPAMO

PROPOSED CHANGES TO HPDC RECOMMENDATIONS
(TO ENSURE THAT THEY ARE SPECIFIC, PERTINENT, ATTAINABLE, MEASURABLE AND OBSERVABLE)

Policy Statement #2

Action Plan #1:

Would this plan take the place of a review by an Alaska Housing Commission? Which regulations are being referred to?

Action Plan #2:

Change to read:

By January 1, 1991, AHFC & DCRA shall implement a program to provide non-insured or co-insured loans for areas of the state which are red-lined and not being served by private and public secondary investors and/or insurers.

Policy Statement #3

Action Plan #1:

Change to read:

By January of 1992, local governments shall include a housing plan as part of their comprehensive planning process. The housing plan, which should be bi-ennial, should enumerate housing needs and recommend how they can be met at the local and state level. The plans will be used by both the Legislature and an Alaska Housing Commission when allocating housing resources.

Action Plan #2:

Change to read:

Alaska Statutes should be amended so that organized local governments provide proof to the Alaska State Human Rights Commission that their planning and zoning regulations conform with state and federal anti-discriminatory statutes (including the amendments to the Fair Housing Act).

Policy Statement #4

Action Plan #1:

This should probably be listed as a function of the Alaska Housing Commission and amended to read:

The Alaska Housing Commission should assist private developers and non-profit corporations in the development of low-income housing units by identifying funding sources and encouraging financing of such projects.

Action Plan #2:

Change to read:

By January 1, 1991, the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs should deed over to public or non-profit entities a minimum of 10% of their uninsured REO property portfolio. These properties should be for homeownership and rental opportunities for low-income, rural, and special needs housing.

Action Plan #4:

What can the state do to help?

Policy Statement #6

Action Plan #1:

Change to read:

Currently, the most urgent housing needs in the state are for rural and low income residents. Those needs should be given funding priority.

A. The Department of Community and Regional Affairs, the Alaska Housing Finance Corporation and the Alaska State Housing Authority shall provide a five-year plan for addressing the need for low-income and rural housing in Alaska. This plan shall include specific programs to be implemented no later than June 1, 1991. It is imperative that interagency cooperation occur during this process to eliminate duplication and ensure that programs complement each other and meet the needs of the state's low income and rural residents.

B. By January 1, 1991, the Alaska Housing Finance Corporation, the Department of Community and Regional Affairs, and the

Alaska State Housing Authority shall develop and implement low-income homeownership programs designed to serve the income range of _____with a subsidy floor of 5% (interest rate). These programs will address the inadequacies of the AHFC "HOP" program to insure:

The ability of borrowers to qualify for the subsidy as the need arises, during the life of the loan.

The program will be designed to insure that the value of the home will not be artificially inflated.

C. AHFC shall package bond sales so that 5-10% of the portfolio includes rural/non-conforming loans. Those funds will flow to DCRA for their mortgage loan programs.

Policy Statement #7

Action Plan #1:

What are those standards?

Action Plan #3:

Change to read:

a. There should be greater disclosure to borrowers that mortgage loan servicing be sold to another institution, unless specified otherwise in the loan servicing agreement. The State of Alaska should adopt greater penalties and clearer recourse should occur in the case of faulty loan servicing (application of mortgage proceeds, payment of taxes or insurance). By July 1, 1990, Bill No._____, which would approve seller/servicer standards, should be adopted by the Alaska State Legislature.

b. Anyone obtaining a state financed mortgage loan after July 1, 1990, should be informed, by the seller/servicer at the time of the loan application, that servicing rights of their loan can be sold to another institution, including one that is out-of-state.

(NOTE: POSSIBLY SHOULD ADD IN POLICY STATEMENT #9 TO POLICY #7).

Policy Statement #8

Add new Action Plan #1 to read:

1. By May 15, 1990, AHFC, DCRA & ASHA's statutes should be expanded to allow subsidized mortgage loans for public or non-profit entities who provide affordable

homeownership programs or who create affordable rental housing, provided that any such loans or programs do not unfairly compete with the private sector.

Policy Statement #9

Action Plan #1:

Change to read:

In an effort to help solve the hesitance of private mortgage insurers and investors to underwrite mortgage loans in Alaska, the state should develop a plan for encouraging participation in the state by private insurers and investors. State agencies should enter into co-insurance agreements, when necessary, in order to provide mortgage insurance for state-financed mortgage loans.

Action Plan #3:

Change to read:

By July 1, 1990, the Alaska State Legislature will begin a graduated process to eliminate the mortgage loan subsidy of the Department of Community and Regional Affairs and the Alaska Housing Finance Corporation, except to meet rural and low-income housing needs. However, state agencies can obtain lower interest rates than the private sector via the bond market or through direct federal funds. Lower interest rates obtained in this manner should be passed through to the public.

Policy Statement #12

Action Plan #5:

Change to read:

By June 30, 1990, the Legislature and Governor should allocate $100,000 for start-up and operational costs for Neighborhood Housing Services in Fairbanks and Juneau. Bill No. _____, appropriating these funds, is currently pending in the Alaska State Legislature.

Policy Statement #13

Action Plan #2:

Change to read:

The state shall adopt more stringent contractor licensing

requirements. By June 30, 1990, the Alaska State Legislature shall pass SB _____, to strengthen residential contractor licensing requirements.

Action Plan #4:

Change to read:

State agencies should not fund the financing of new construction of substandard housing, nor should they finance existing homes which meet the definition of substandard, with the exception of regional differences. By January 1, 1991, AHFC & DCRA will implement regulations requiring _____inspections of all homes awaiting state financing. Said inspection will ensure that state mortgage loans are not made for substandard housing.

6-1671A
Chenoweth
10/26/89

IN THE HOUSE BY SWACKHAMMER

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to residential housing assistance provided by the Alaska Housing Finance Corporation."

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

* Section 1. AS 18.56.088(c) is amended to read:

(c) The board may adopt regulations to carry out the purposes of this chapter, and shall adopt regulations necessary for the following purposes:

(1) determination of borrower eligibility including, but not limited to, income limitations and the determination of remote, underdeveloped or blighted areas of the state;

(2) loan guidelines and terms including but not limited to maximum loan amounts and required loan-to-value ratios, but excluding mortgage loan interest rates;

(3) characteristics of housing eligible for loans or purchase of loans, including compliance with the requirements of AS 18.56.300; [AND]

(4) the qualifications of loan originators and servicers and the method of allocating amounts available for the purchase of loans; and [.]

(5) establishment of a procedure, including a fee schedule, for the commitment for one year or less of money for the purchase of an individual mortgage loan at a specific interest rate.

* Sec. 2. AS 18.56 is amended by adding a new section to read:

Sec. 18.56.300. CONSTRUCTION STANDARDS FOR HOUSING ELIGIBLE FOR

LOANS OR PURCHASE OF LOANS. (a) The corporation may not make or purchase a housing loan for residential housing constructed after the effective date of this section unless the borrower complies with the provisions of this section.

(b) The corporation may not make or approve purchase of a loan for the construction of a new unit of residential housing or for the purchase of an existing unit of residential housing constructed after the effective date of this section unless

(1) the unit is in compliance with the construction codes of the municipality, if the unit is located within a municipality that has adopted and enforces construction codes and each of those codes meets or exceeds the comparable standards for similar housing established by the state building code; or

(2) the unit is in compliance with the comparable standards for similar housing established by the state building code

(A) if the unit is located

(i) within a municipality whose construction codes do not meet the standards for similar housing established by the state building code;

(ii) within a municipality that does not enforce construction codes; or

(iii) outside a municipality; or

(B) as to each specific code within the construction codes of the municipality that has adopted and enforces construction codes if the specific code does not meet or exceed the comparable standard for similar housing established by the state building code.

(c) As a condition of approval of a loan under this section, the corporation shall require inspection of the unit of residential

housing that is the subject of the loan. The inspection must be performed by a municipal building inspector or by a person who is approved or certified to perform residential inspections by the International Conference of Building Officials. The person who makes the inspection shall determine whether the construction conforms to relevant provisions of the construction codes of the municipality or of the state building code, as applicable, at each of the following stages of construction:

(1) plan approval;

(2) completion of footings and foundations;

(3) completion of electrical installation, plumbing, and framing;

(4) completion of installation of insulation;

(5) final approval.

(d) An action for damages may not be maintained against a person performing an inspection under (c) of this section if the claim is based on the person's inspection or failure to inspect for a violation of the construction codes of the municipality or the state building code, as applicable, as a condition of approval of a housing loan under this chapter.

(e) In this section,

(1) "construction codes" means, with reference to a municipality, the building, mechanical, plumbing, and electrical codes, or any of them that have been adopted and are enforced by the municipality;

(2) "state building code" means

(A) for building and mechanical standards, the minimum building and mechanical code provisions adopted by regulation by the Department of Public Safety under AS 18.70.080;

(B) for plumbing standards, the minimum plumbing code adopted by the Department of Labor under AS 18.60.705; and

(C) for electrical standards, the minimum electrical standards prescribed by AS 18.60.580.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

SECTIONAL ANALYSIS

Chenoweth draft, dated 10/26/89

"An Act relating to residential housing assistance provided by the Alaska Housing Finance Corporation."

SECTION ONE: Incoporates language that refers to new section (AS 18.56.300) that will be added to existing statutes.

SECTION TWO: New section added to AS 18.56.

(a) AHFC may not make or purchase a housing loan unless the borrower complies with the provisions of the new language (as defined under AS 18.56.300).

(b) Outlines the new conditions under which AHFC may make or approve purchase of a loan for the construction of a new unit of residential housing. These conditions include:

(1) Compliance with the construction codes of a municipality, if the building is within a municipality that has adopted and enforces a construction code that meets or exceeds the standards established by the state building code; or

(2) Compliance with the standards established by the state building code if the residential unit is located within a municipality whose construction code does not meet the standards of the state building code, within a municipality that does not enforce a building code, outside a municipality or if a municipal code does not meet the standards as described in state building codes, then the specific state code will take precedence over the code adopted by a municipality.

(c) Requires that the inspection be performed by a municipal building inspector or by a person who is approved or certified by the International Conference of Building Officials. The person who is conducting the inspections will make a determination whether the construction conforms to municipal construction or state building codes at each of these stages of construction:

(1) Plan approval;
(2) Completion of footings and foundations;
(3) Completion of electrical, plumbing and framing;
(4) Completion of installation of insulation; and
(5) Final approval.

(d) A hold harmless clause that protects the person conducting the inspection from claims for damages if the claim is based on the person's inspection or failure to inspect for a violation of the municipal code or the U.B.C. as a condition of approval of a housing loan.

(e) Definitions:
(1) Construction code refers to a municipality, the building, mechanical, plumbing and electrical codes or any of them that have been adopted and enforced by the municipality.
(2) State building code refers to the minimum building and mechanical code adopted by regulation by the Department of Public Safety under A.S. 18.70.080; minimum plumbing code adopted by the Department of Labor under A.S. 18.60.705; and the minimum electrical standards prescribed by A.S. 18.60.580.

DRAFT

ALASKA HOUSING MARKET COUNCIL
11/28/89
REVISED WITH BOLDED SPAMO RECOMMENDATIONS:
MISSION STATEMENT:

SAFE, SOUND, SANITARY AND ENERGY EFFICIENT LIVING CONDITIONS SHOULD BE AVAILABLE TO ALL CITIZENS OF THE STATE.

FULL HOUSING POLICY DEVELOPMENT COMMITTEE

DRAFT ACTION PLANS

Policy Statement #1

It is the policy of the State of Alaska to adopt and execute a state housing policy and facilitate coordination of housing services.

Action Plan:

1. **The Alaska Housing Commission shall report directly to the Governor.**

2. **The Commission's composition shall reflect regional representation and shall include public members and representatives from the following: the housing and real estate industry; special needs groups; and rural areas. Represenatatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity only.**

3. **The Commission shall provide information on housing opportunities to the public and shall oversee state agency information services.**

4. **The Commission shall be the designated agency to review and distribute federal funds for housing and shall designate recipients throughout the state.**

5. **The Commission shall be charged with state agency housing program review, coordination and oversight. All new or amended housing or mortgage loan regulations must be approved by the Commission to ensure that they conform to the intent of the state housing policy. The Commission shall clarify the roles of the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the Department of Community and Regional Affairs in the housing market.**

13. **New Action Plan**

By June 30, 1990, the Alaska State Legislature shall create a standing committee on housing in both the State House and State Senate.

Policy Statement #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.

Action Plan:

1. State agency regulations pertaining to housing and construction standards should be analyzed by a task force of industry and government for regional flexibility and an appeals process should be implemented.

1. **State agency regulations pertaining to housing and construction standards should be analyzed by a task force of industry and government for regional flexibility, and resulting recommendations should be forwarded to the body executing state housing policy. In addition, an agency appeals process should be implemented.**

2. The Alaska Housing Finance Corporation and the Department of Community and Regional Affairs should adjust their loan programs to be appropriate to regional housing conditions. It is recognized the secondary investors and/or insurers, for instance, the Federal Housing Administration, may be unwilling to participate in mortgage lending in certain areas of the state. The regionalization of AHFC and DCRA loan programs should be consistent with prudent lending standards.

2. **By January 1, 1991, AHFC & DCRA shall implement programs adjusted to regional housing conditions, to include non-insured or co-insured loans for areas of the state which are red-lined and not being served by private and public secondary investors and/or insurers. These new loan programs should be consistent with prudent lending standards.**

Policy Statement #3

It is the policy of the State of Alaska to encourage communities to take an active role in housing and land use issues, recognizing that local control is preferable to central control,

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

DRAFT

ALASKA HOUSING MARKET COUNCIL
11/28/89
REVISED WITH BOLDED SPAMO RECOMMENDATIONS:
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3. The Commission shall provide information on housing opportunities to the public and shall oversee state agency information services.

4. The Commission shall be the designated agency to review and distribute federal funds for housing and shall designate recipients throughout the state.

5. The Commission shall be charged with state agency housing program review, coordination and oversight. All new or amended housing or mortgage loan regulations must be approved by the Commission to ensure that they conform to the intent of the state housing policy. The Commission shall clarify the roles of the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the Department of Community and Regional Affairs in the housing market.

New Action Plan

6. **The Commission shall review and recommend revisions to state and federal housing policy and programs to ensure that Rural Alaska housing programs are culturally, environmentally and economically appropriate. (Proposed by Transitional and Long Term Housing for Special Needs Subcomittee).**

7. The Commission shall be charged with writing a long term housing plan for the state and updating the plan periodicaly. State agencies, including the Alaska Housing Finance Corporation, the Alaska State Housing Authority, the Department of Community and Regional Affairs, the Division of Mental Health & Developmental Disabilities, the Division of Alcoholism and Drug Abuse, and the Council on Domestic Violence & Sexual Assault, shall develop statewide service plans in conjunction with each other and the state housing plan to insure coordination and efficiency of service delivery. The Alaska Housing Finance Corporation and the Department of Community and Regional Affairs shall develop short and long-term business and regional strategic plans.

8. The Commission shall conduct periodic statewide housing needs assessments on housing and financing availability.

9. The Commission shall direct state agencies to review housing regulations under their jurisdiction, comparing them to other agency regulations, and revising where appropriate to eliminate conflict and duplication.

10. The Commission shall be charged with reviewing the use of and disposition of state agency-owned foreclosed properties and shall provide information to interested parties regarding available properties. The Commission shall encourage AHFC, banks and secondary institutions to donate foreclosed properties for use as transitional and long term special needs facilities and senior housing where appropriate.

11. The Commission shall actively facilitate the creation of housing partnerships and provide advice and technical assistance on the development of those partnerships.

New Action Plan

12. **If the option creating a State Housing Board is not approved, the boards of AHFC and ASHA will be expanded to include more public members.**

13. **New Action Plan**

By June 30, 1990, the Alaska State Legislature shall create a standing committee on housing in both the State House and State Senate.

Policy Statement #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.

Action Plan:

1. State agency regulations pertaining to housing and construction standards should be analyzed by a task force of industry and government for regional flexibility and an appeals process should be implemented.

1. **State agency regulations pertaining to housing and construction standards should be analyzed by a task force of industry and government for regional flexibility, and resulting recommendations should be forwarded to the body executing state housing policy. In addition, an agency appeals process should be implemented.**

2. The Alaska Housing Finance Corporation and the Department of Community and Regional Affairs should adjust their loan programs to be appropriate to regional housing conditions. It is recognized the secondary investors and/or insurers, for instance, the Federal Housing Administration, may be unwilling to participate in mortgage lending in certain areas of the state. The regionalization of AHFC and DCRA loan programs should be consistent with prudent lending standards.

2. **By January 1, 1991, AHFC & DCRA shall implement programs adjusted to regional housing conditions, to include non-insured or co-insured loans for areas of the state which are red-lined and not being served by private and public secondary investors and/or insurers. These new loan programs should be consistent with prudent lending standards.**

Policy Statement #3

It is the policy of the State of Alaska to encourage communities to take an active role in housing and land use issues, recognizing that local control is preferable to central control,

because local governments can best balance the needs of the public with the private determination of supply and demand.

Action Plan:

1. Local governments should include a housing plan, listing how housing needs can be met, as part of their comprehensive planning process.

1. **By January of 1992, organized loan governments shall include a housing plan as part of their comprehensive planning process. The housing plan, which should be bi-ennial, should enumerate housing needs and identify how they can be met with local resources and additional state resources. The plans will be used by both the Legislature and the approved body to execute state housing policy when allocating housing resources.**

2. Municipal governments should be encouraged to facilitate establishment of transitional group housing. Zoning laws which prohibit group homes should be revised to be consistent with anti-discriminatory statutes (including the amendments to the Fair Housing Act), and integration of transitional housing residents into communities should be encouraged.

2. **By January of 1992, organized local governments should provide proof to the body executing state housing policy that their planning and zoning regulations conform with state and federal anti-discriminatory statutes (including the amendments to the Fair Housing Act). Local governments should be encouraged to facilitate establishment of group housing.**

<u>Policy Statement #4</u>

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.

It is the policy of the State of Alaska to improve the availability, accessibility and affordability of housing for people with limited, low or no incomes. (Transitional and Long Term Housing for Special Needs Subcommittee)

Action Plan:

1. The State of Alaska should become actively involved in assisting private developers and non-profits in obtaining financing for planning and development of units which are affordable to low-income Alaskans.

1. **The State of Alaska should become actively involved in providing technical asssistance and/or programs to private developers and non-profits for planning and development of units which are affordable to low-income Alaskans. This should be through the body which will execute state housing policy or through programs established by AHFC, DCRA and ASHA by January, 1992.**

2. Existing state agency-owned foreclosed properties should be considered for conversion to low income housing units, if economically and structurally feasible.

2. **By January 1, 1991, the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs should implement a program which initially converts 5% of state agency-owned foreclosed property to public or non-profit entities. These properties should be for homeownership or rental opportunities for low-income, rural, and special needs housing. The body which will execute state housing policy or the Alaska State legislature shall set the short and long-term policy for disposition of these properties.**

3. State law should be modified so that state agencies involved in housing finance can lend to non-profit housing developers. This may include statutory changes to AHFC and AIDEA and changes in policies and procedures to DCRA and ASHA.

3. **By June 1, 1991, state law and agency policies and procedures should be modified so that state agencies involved in housing finance can lend to non-profit housing developers. This would include AHFC, AIDEA, DCRA and ASHA.**

DELETE NO. 4 - THIS IS COVERED UNDER ACTION PLAN #1.

4. The state recognizes the important niche which non-profit housing developers fill in the provision of housing. Local financial institutions, local governments and the secondary mortgage market should be encouraged to provide funding for that purpose.

<u>Policy Statement #5</u>

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.

Action Plans:

1. Supportive Care Services

   It is essential that a continuum of supportive care services

be in place for transitional and special needs housing to be successful. Those services include, but aren't limited to, case management, and medical and rehabilitative assistance.

2. Accessible Housing

Buildings for persons with special needs should be renovated or built in accordance with the "Uniform Federal Accessibility Standards," produced by the Department of Transportation.

3. The State of Alaska, through the proposed Housing Commission or another agency, should review and prioritize the need for transitional and special need housing, so that available resources and funding can be allocated accordingly.

4. The need for this type of housing in the state is severe and urgent. Listed below are some, but not all, groups identified as needing additional housing:

a. Housing for AIDS patients.
b. Emergency shelters for families with children.
c. Transitional housing for women leaving crisis shelters.
d. Halfway houses for substance abusers.
e. Pre-maternal housing for teens.
f. Long-term housing for youth.
g. Structured housing environments for ex-offenders.
h. Housing for persons experiencing a physical disability.
i. Need for supervised apartments and crisis respite housing for the mentally ill.
j. Continued funding needed for the state's Institutional Discharge Project, which provides supportive housing programs for persons leaving the Alaska Psychiatric Institute, the Department of Corrections and Alaska Youth Initiative Graduates.
k. Need for structured halfway houses for the mentally ill leaving the Corrections system, to include individuals with a history of violence and sexual assault.
l. Need for a structured housing environment for the chronically mentally ill, who have a history of violence or inappropriate sexual behavior and are not in the custody of the Department of Corrections.
m. Housing for dually diagnosed persons.
n. Housing for the seriously mentally ill and developmentally disabled, who have been removed from nursing homes as a result of the federal OBRA legislation.
o. Need for specialized housing for the developmentally disabled.
p. Need for family treatment homes for emotionally disturbed children.
q. Low-cost housing for Rural Alaskans who come to

regional centers for medical or other treatment.

r. Group housing facilities for the neurologically impaired and those with head injuries and brain trauma.

s. Group housing for child day care.

5. Funding Issues

a. The role of the State of Alaska through (but not limited to), the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs, should be expanded to allow mortgage loans to non-profits for transitional and long term housing for those with special needs. This should be a cooperative effort with rural housing authorities.

b. The U.S. Department of Housing and Urban Development should be encouraged to change the $1 a year lease program regulations so that transitional housing tenants can be charged a small amount to support operating expenses. Also, if needed, Alaska's congressional delegation should be contacted about the differences among HUD program requirements, which makes it difficult for housing providers to utilize HUD programs.

c. Division of Family and Youth Services regulations should be changed so that housing services for non-State custodial teens can be funded or some form of financial assistance can be provided for programs assisting these teens.

REVISED POLICY STATEMENT #5 (Transitional and Long Term Housing for Special Needs Subcommittee)

It is the policy of the State of Alaska to improve the availability, accessibility and affordability of emergency, transitional and long term housing for the homeless and others with special needs.

Action Plans:

1. Accessible Housing

Buildings for persons with special needs should be renovated or built in accordance with the "Uniform Federal Accessibility Standards," produced by the Department of Transportation.

2. Supportive Care Services

It is essential that a continuum of supportive care services be in place for emergency, transitional and long term housing for the homeless and others with special needs to be

successful. Those services include, but aren't limited to, case management, and medical and rehabilitative assistance.

3. Housing Needs

The need for emergency, transitional and long term housing for the homeless and others with special needs is severe and urgent. This type of housing may be needed by the consumer at any given time, on an emergency basis, or as a transitional living situation prior to permanent housing; or long term housing with some supportive services may be needed. On the other hand, the housing consumer may move through the housing continuum and need all three types of housing. Listed below are some, but not all, of the groups identified as needing various types of special needs housing:

a. AIDS patients.
b. The chronically ill.
c. Homeless men and women, with or without children.
d. Victims of domestic violence and their children.
e. Substance abusers.
f. Pregnant youth and women.
g. Homeless youth.
h. Persons experiencing a physical disability.
i. The mentally ill.
j. Persons leaving the Alaska Psychiatric Institute, the Corrections system (particularly the mentally ill) and Alaska Youth Initiative graduates.
k. Persons with more than one diagnosis, for example the mentally ill with a substance abuse problem.
l. The developmentally disabled.
m. Emotionally disturbed children.
n. Rural Alaskans who come to regional centers for educational, medical or other reasons.
o. Rural Alaskans, particularly youth, who move permanently to a larger community.
p. The neurologically impaired and those with head injuries and brain trauma.

4. Rural Alaskans

The need for emergency, transitional and long term housing for special needs is especially critical in Rural Alaska. With Rural Alaska's extreme housing shortage, there is almost no housing available to be used for special needs. As a result, it is recommended that the state give priority to developing housing opportunities in Rural Alaska.

5. Building Code Revision

Municipalities should revise local building codes to be

consistent with certain proposed code changes by the State Fire Marshall and Department of Health and Social Services. The revised codes will allow for the creation of a new category of group homes, which can house up to 16 persons. This new category in state regulation makes it more economical to develop these larger group homes, since they require less expensive fire prevention measures.

6. Funding Issues

a. The State of Alaska, through the proposed Housing Commission or another agency, should review and prioritize the need for emergency, transitional and long term housing for special needs, so that available resources and funding can be allocated accordingly.

b. By June 1, 1991, the role of the State of Alaska, through (but not limited to), the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs, should be expanded to allow mortgage loans to non-profits for emergency, transitional and long term housing for those with special needs. This should be a cooperative effort with rural housing authorities.

c. If needed, Alaska's congressional delegation should be contacted about the differences among HUD program requirements, which makes it difficult for housing providers to utilize HUD programs.

d. Continued funding should be provided for the state's Institutional Discharge Project, which provides supportive housing programs for persons leaving the Alaska Psychiatric Institute, the Department of Corrections and Alaska Youth Initiative Graduates.

e. The state should consider applying for federal Medicaid option waivers to obtain additional funding for programs such as home-based supportive services. By obtaining such a waiver, the state and federal government would each pay half of such programs.

f. Division of Family and Youth Services regulations should be changed so that housing services for non-state custodial teens can be funded or some form of financial assistance can be provided for programs assisting these teens.

Policy Statement #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.

Action Plan:

1. Currently, the most urgent housing needs in the state are for rural and low income residents. Those needs should be given funding priority.

1. **Currently, the most urgent housing needs in the state are for rural and low income residents. Those needs should be given funding priority.**

a. **The state shall commit to increase the rural and low-income housing stock at a rate of at least 10% per year through 1996, and shall identify how the total need can be met. DCRA, AHFC and ASHA shall provide a five-year plan (due January 1, 1991) which identifies and addresses how low-income and rural housing needs can be met in the state. The five-year plan shall include specific programs to be implemented no later than June 1, 1991. It is imperative that interagency cooperation occur during this process to eliminate duplication and ensure that programs do not overlap and meet the needs of the state's low income and rural residents.**

b. **By January 1, 1991, AHFC, DCRA and ASHA shall develop and implement low-income homeownership programs designed to serve the income range of $17,450 - $32,950, (depending on family size), with a subsidy floor of 5% (interest rate). These programs should address the ability of borrowers to qualify for the subsidy as the need arises, during the life of the loan. The program will be designed to insure that the value of the home will not be artificially inflated.**

c. **AHFC and DCRA will work together to determine the percentage of rural/non-conforming loans that should be offered in AHFC bond sales. Those funds will flow to DCRA for their mortgage loan programs.**

2. A function of an Alaska Housing Commission should be to maintain comprehensive information on housing needs statewide and keep track of the most urgent housing needs in the state. When state funds are designated to meet housing needs, the commission should identify which areas of the state and which target populations are most in need of housing resources.

Policy Statement #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.

Action Plan:

1. State agencies with mortgage lending programs should approve and follow prudent industry lending standards and downpayments should be required.

2. The state should encourage participation in a homeowner counseling and education program to work in partnership with new federal housing mandates, which direct states involved in low-income homeownership programs to offer homeowner counseling services.

3. There should be greater disclosure to borrowers that mortgage loan servicing can be sold to another institution, unless specified otherwise in the loan servicing agreement. The State of Alaska should adopt greater penalties and clearer recourse should occur in the case of faulty loan servicing (application of mortgage proceeds, payment of taxes or insurance).

3. **There should be greater disclosure to borrowers concerning the sale of their mortgage loan servicing to another institution, unless specified otherwise in the loan servicing agreement. The State of Alaska should adopt greater penalties and clearer recourse should occur in the case of faulty loan servicing (application of mortgage proceeds, payment of taxes or insurance). By July 1, 1990, Bill No. _____, which would approve seller/servicer standards, should be adopted by the Alaska State Legislature.**

Policy Statement #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.

Action Plan:

1. Benevolent loan funds, consisting of private donations, private and public financing, should be encouraged.

1. **A housing commission, or other approved body which would execute state housing policy, should encourage the development of housing partnerships in the state. The commission shall provide information, by publishing a document with a variety of partnership options, including the creation of benevolent loan funds (consisting of private donations, private and public financing). This shall occur by June 1, 1991.**

Policy Statement #9

It is the policy of the State of Alaska to minimize direct involvement of state government in the secondary mortgage market, with the primary exception of accessing capital markets in order to finance the state's housing needs.

Action Plan:

1. In an effort to help solve the hesistance of private mortgage insurers and investors to underwrite mortgage loans in Alaska, the state should develop a plan for encouraging participation in the state by private insurers and investors.

1. **In an effort to help solve the hesitancy of private mortgage insurers and investors to underwrite mortgage loans in Alaska, the state should develop a plan for encouraging participation in the state by private insurers and investors. State agencies should establish programs which allow them to enter into co-insurance agreements, when necessary, in order to provide mortgage insurance for state-financed mortgage loans.**

2. The state should continue to direct economic assistance for rural housing and low to moderate-income housing programs.

3. Where state agencies can access materially lower cost capital from secondary market lenders than funds available in the private sector, this may be done and the lower interest rates should be passed through to the public.

3. **By July 1, 1990, the Alaska State Legislature shall begin a graduated process to eliminate the mortgage loan subsidy of the Department of Community and Regional Affairs and the Alaska Housing Finance Corporation, except to meet rural and low-income housing needs. However, state agencies can obtain lower interest rates than the private sector via the bond market or through direct federal funds. Lower unsubsidized interest rates obtained in this manner should be passed through to the public.**

Policy Statement #10

It is the policy of the State of Alaska to promote the availability of quality, affordable rental housing.

Action Plan:

1. The state should encourage the development of housing partnerships in the state and provide pre-development financing for certain rental projects.

1. **Through an Alaska Housing Commission or other approved body, the state should encourage the development of housing partnerships in the state and authorize pre-development financing for certain rental projects.**

2. The state should examine the feasibility of converting appropriate foreclosed housing to rental units.

2. **The state should examine the feasibility of converting appropriate foreclosed housing to rental units. This could include changes to AHFC regulations to allow them to donate foreclosed properties to non-profits, to be improved and rehabilitated by the non-profit group.**

3. AHFC & DCRA lending practices should be expanded to allow mortgage loans for non-profits so that those developers would have the means to create affordable rental housing.

3. **AHFC & DCRA lending practices should be expanded to allow mortgage loans for non-profits, including housing authorities, so that those developers would have the means to create affordable rental housing.**

Policy Statement #11

It is the policy of the State of Alaska to recognize that Senior Alaskans 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.

Action Plan:

1. Regulations governing the construction of senior housing must be reviewed and made more flexible where appropriate. State agency housing regulations should be changed so that two categories of housing are created; medical and assisted living models. Medical models should be further developed into "intermediate care" and "long term care." Assisted living models should be developed to include models which are distinguished by nutrition needs, housekeeping needs, personal care needs, transportation needs and other non-medical needs.

2. The state should implement a "continuum of care" housing program for seniors, and should adequately fund necessary supportive services, which allow seniors to remain independent for as long as possible.

   a. A case management system, which matches seniors with

appropriate services, should be implemented by the state.

a. **A case management system, which matches seniors with appropriate services, should be approved by the state and implemented by the Older Alaskans Commission.**

b. State and other funded supportive services, such as homemaker assistance, should be expanded to 7 days a week.

b. **State and other funded supportive services, such as homemaker asssistance, home health care and home-delivered meals should be funded at the current state funding levels and expanded when needed. A mechanism should be in place so that seniors with the ability to pay, could be charged for supportive services.**

c. Financial assistance and training for home repair and maintenance should be increased.

New Action Plan

d. **The State should consider applying for federal Medicaid waivers for home-based supportive services. If approved, the waiver would require the federal government to match the state's contribution to supportive services.**

Policy Statement #12

It is the policy of the State of Alaska to develop and maintain stable sources of capital and revenue to support housing needs in the state.

Action Plan:

1. The state should participate in the issuance of tax-exempt bonds, as well as taxable forms of financing, to provide the best market rate for the creation of low to moderate-income and senior housing.

2. The state should encourage the usage of 501c3 bonds by non-profit corporations as a means to create affordable and special needs housing.

2. **The state should encourage the usage of 501c3 bonds by non-profit corporations as a means to create affordable and special needs housing. State agencies with the ability to issue tax-exempt bonds should establish a process which encourages the issuance of such bonds by non-profit corporations.**

3. The state should encourage the development of Neighborhood Housing Services in communities across the state.

3. **By June 30, 1990, the Alaska State Legislature and Governor Cowper should allocate $100,000 for start-up and operational costs for Neighborhood Housing Services in Fairbanks and Juneau. House Bill No 161, which would appropriate these funds, is currently pending in the Alaska State Legislature.**

4. The state should review the Resolution Trust Corporation (created by the federal savings and loan legislation) for use as an additional source of housing funds.

Policy Statement #13

It is the policy of the State of Alaska that housing in the state should meet specific quality standards.

Action Plan:

1. The state shall adopt building codes and allow for regional differences and amendments.

2. The state shall adopt contractor licensing requirements which have more stringent educational and experience requirements.

2. **The state shall adopt more stringent contractor licensing requirements. By June 30, 1990, the Alaska State Legislature shall pass Senate Bill 72, to strengthen residential contractor licensing requirements.**

3. The state should actively lobby for and support the financing of housing in rural areas under the federal Housing and Urban Development's Mutual Help program and the Bureau of Indian Affairs' Housing Improvement Program.

3. **The state should actively lobby for and support the financing of housing in rural areas under federal programs such as HUD's Mutual Help program and the BIA's Housing Improvement Program. However, the structure and management of these programs should be closely reviewed by the federal government and appropriately revised or enforced.**

4. State agencies should not fund the financing of existing substandard housing, with the following exception:

   If the existing structure currently has a state financial mortgage and meets standards #1-4 of the definition of "substandard"; the size requirement will be waived.

5. **New Action Plan**

The state should continue to support the Home Weatherization program, which is primarily funded by the federal government (Transitional and Long Term Housing for Special Needs Subcommittee).

11/29/89

COMMENTS FROM INTERESTED PARTIES ON HPDC RECOMMENDATIONS

1. Bill Jones, Veterans Center, Anchorage
2. Nancy Groszek, Public Defender's Office, Anchorage
3. Celeste Benson, President, Fairview Community Council, Anchorage
4. Melvin Kewan, Housing Specialist, Kodiak Area Native Association
5. Barbara Bennett, Bean's Cafe, Anchorage
6. Keith Anderson, Director, Div. of Vocational Rehabilitation
7. Willam Bruu, Mat-Su Valley

11/29/89

INTERESTED PARTY COMMENTS ON HPDC RECOMMENDATIONS

Bill Jones, Veterans Center, Anchorage

There are approximately 150 homeless Veterans living in Anchorage, with many making use of the Brother Francis Shelter. There is a great need for transitional and long term housing for this group.

Nancy Groszek, Public Defender's Office, Anchorage

The Municipality of Anchorage has a Health Housing Code which states that rental properties must meet minimum health standards and properties should be kept at certain temperatures. Such a code could be important in other parts of the state.

Also, urban living skills are needed for many rural persons who move to larger communities.

Celeste Benson, President, Fairview Community Council, Anchorage

Ms. Benson addressed Policy Statement #3, Action Plan #2, which addresses local governments revising zoning laws to allow for the establishment of group housing. She stated that the Fairview community has grappled a great deal with this issue. Some transitional living situations are not well managed. It's important that this type of housing meet certain guidelines and regulations and be properly managed. Although, it's important that this type of housing be developed, it's also important that residents feel properly protected.

Often, this type of housing is concentrated in certain neighborhoods, rather than spread throughout the city.

Kodiak Area Native Association

402 Center Avenue
Kodiak, Alaska 99615
Phone (907) 486-5725

Alaska Housing Market Council
P.O.Box 240048
Anchorage,Alaska 99524-0048

Nov. 16th,1989

Dear Ms. Straube,

I have read your letter dated 11-09-89, and agree that the state needs better housing programs for the homeless and other areas as well.

I work in the BIA Housing Improvement Program and I see a lot of needs for improving the condition of many homes on the Kodiak Island area. The funding is not enough to meet the needs of most of the clients that apply for the program, it is difficult to receive the amount of funding that you have applied for.

Working in the Housing field I do see a great need for assistance in many areas, not just in the improvement of the homes. Any support from the Alaska Housing Market Council, like a letter to the BIA office in Anchorage, would be most supportive.

If you have any questions I would be more than glad to answer them for you. Call 486- 5725 ext. 219. Thanks.

Sincerely,
KODIAK AREA NATIVE ASSOC.
GARY ARENSON, PRESIDENT
Melvin Kewan
Melvin Kewan, Housing Specialist

cc Gary Arenson, President
August Aga, Tribal Operations Coord.

To: The Alaska Housing Market Council

From: Barbara Bennett
Social Services Coordinator, Bean's Cafe
National Coalition for the Homeless, State Representative
Alaska Coalition for the Homeless, Rural Alaska Chairperson

Re: Housing Policy #5

I would like see the policy statement include emergency shelter with transitional and long-term housing.

The Action Plan section should begin by identifying those with special needs. Therefore #4 should become #1. The homeless and near or at risk for homelessness should be added and placed as #1 on the list for those needing additional housing.

Our state has a significant homeless population. The 1989 Alaska Comprehensive Homeless Assistance Plan (AKCHAP) has identified a minimum of 5000 people. We also have an unknown number of people at risk for homelessness, particularly in village Alaska where multi and cross generational families live in overcrowded conditions. Reference from AKCHAP.

Lastly, I would like to endorse the alternate #5 policy staement produce by Sheila Selkregg-O'Malley. Her draft recognizes that our state housing policy must name homelessness as the major special need category.

Barbara Bennett
274-9595

NOV 17 RECD
4:30 pm

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF EDUCATION

DIVISION OF VOCATIONAL REHABILITATION

CENTRAL OFFICE
P.O. BOX F
GOLDBELT PLACE
JUNEAU, ALASKA 99811-0081
PHONE: (907) 465-2814

November 23, 1989

Glenda J. Straube
Executive Director
Alaska Housing Market Council
P. O. Box 240048
Anchorage, Alaska 99524-0048

Dear Ms. Straube:

Thank you for the opportunity to respond to the proposed policy statements contained in your communication of November 9th.

As you indicate, policy statement # 5 is of most interest to me. The Alaska Division of Vocational Rehabilitation is charged with providing services to those individuals who experience a handicapping condition which is a deterrent to employment. In attempting to carry out that charge we have found many individuals who have difficulty locating and/or maintaining suitable housing. We have many special need clients who are unable to locate housing which is adequately accessible. This includes those in wheel chairs, those who are blind, or others who because of their physical condition require modifications to their living environment.

We are now providing services to clients who are much more severely disabled. Your statement number 4-(h) seems to be a little restrictive for these individuals. I suggest that the statement be expanded to read, "Accessible and appropriate housing for persons experiencing a physical disability or disabilities." This would allow for those who experience multiple disabilities and would insure that the housing is both accessible and appropriate.

The rest of the statement seems very well written and adequately addresses my other concerns.

My compliments on a very effective statement which covers a broad range of difficult issues.

Sincerely,

Keith J. Anderson
Director

05-E11LH

MBIC

NOVEMBER 14, 1989

Mr. Leo Kaye

Dear Leo

You asked me to jot down some notes on the package of proposals on implementation of the Alaska Housing Commission. well here goes.

Generally the proposals address the centralization of housing policy at or near the governors office. Is this a ploy to control the possible funding coming from the federal governme.t? The proposals don't really address the present state of affairs sufficiently to allow me to render an opinion. But I suspect and fear that another level of bureaucracy that will further dilute the bottom line for the true needs of the housing poor.

As I'm sure you know I'm not close to being qualified to render an opinion on the possible legal and financial ramifications of these proposals. But again it seems to me that both ASHA and AHFC/AHP have major hurdles before they could comply with this consolidation of authority. AHFC has private investor concerns whereas ASHA has contracural concerns with HUD. I'm not saying we shouldn't further explore these proposals, but lets make sure that the public has input and is provided information on which to make an informed decision.

Leo, thank you for the opportunity to review these proposals. I have taken the time to review them and have highlighted and noted my concerns in the margins as you suggested. again thank you for your consideration.

William H. Bruu

DRAFT

ALASKA HOUSING MARKET COUNCIL
HOUSING POLICY DEVELOPMENT COMMITTEE

POLICY STATEMENT #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.

OPTIONS FOR IMPLEMENTATION

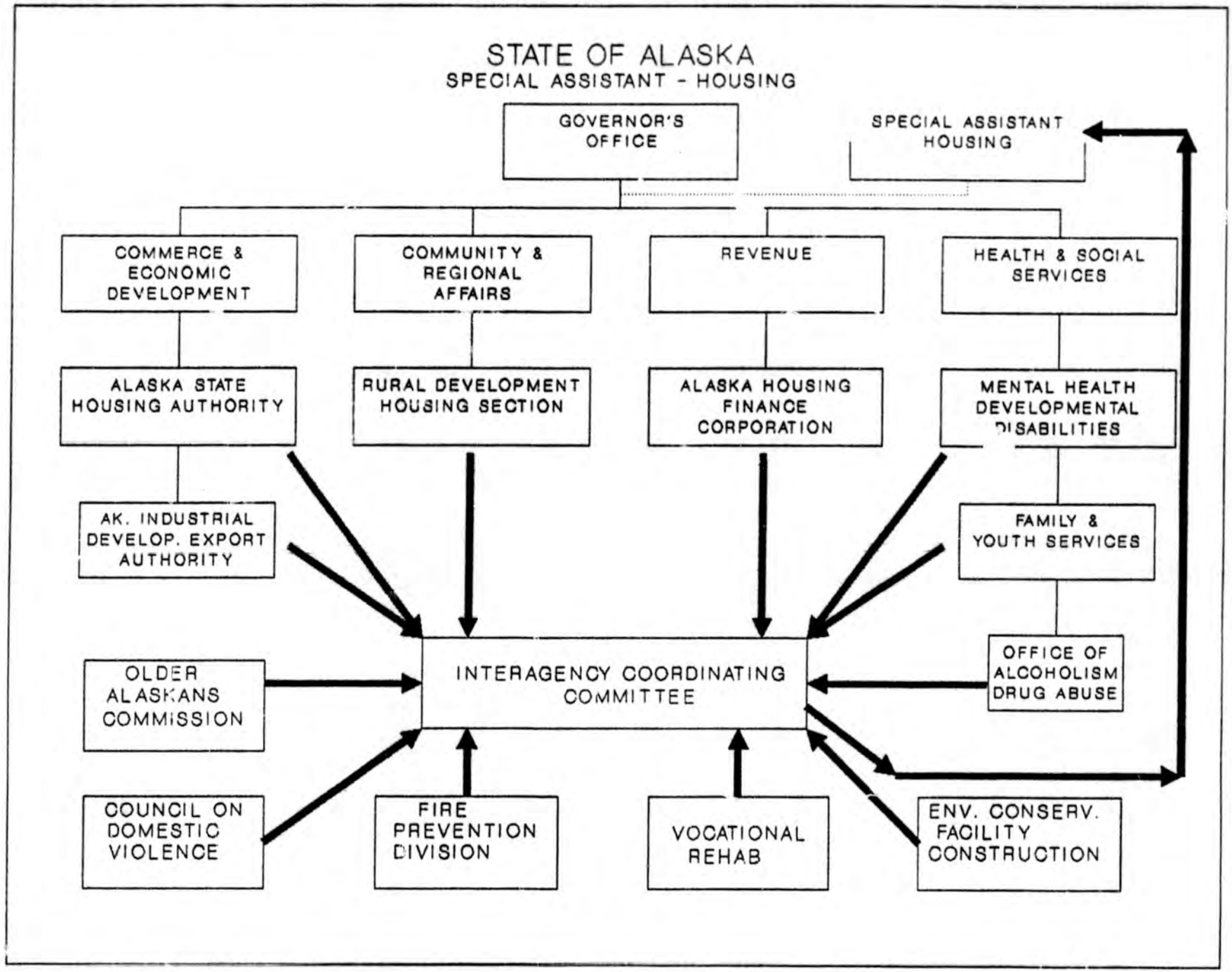
There is a national movement towards state centralization and authority in the development and execution of state housing policies and programs. The federal Housing and Urban Development legislation is up for re-authorization soon, and several bills addressing housing policy on the national level have been or will be introduced in Congress. Eric Ostrovsky of the Governor's Washington D.C. office thinks that it is very likely that housing policy directions will change by early 1990 with passage of either S. 565 or a House bill. Whether or not these bills include intent to mandate coordination and distribution of federal funds through the Governors' offices of each state remains to be seen, but discussions on this subject are occurring.

Surveys of other states shows several of them moving in the direction of establishing centralization and coordination of housing issues. Fifteen states have an agency, either a department, division or council which is directly responsible for oversight of housing issues. Massachusetts, Washington and New Jersey are recognized as model states, and have very visible, progressive housing programs and development. They have centralized agencies/divisions within a Department of Community Affairs/Development, DCA Commissioner heads the various housing Boards, and they have a vehicle for interagency coordination.

OPTION 1 - SPECIAL ASSISTANT FOR HOUSING. Establish a Special Assistant for Housing position within the Office of the Governor. Position will be responsible for advising the Governor on housing policy.

The Special Assistant would direct an Interagency Coordinating Committee comprised of directors of the 12 housing agencies, offices, and divisions. The Committee would meet on a regular basis (monthly, bi-weekly) to discuss housing programs, problems, and policy.

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1613 SCOMM 60: HOUSING FINANCE TASK FORCE; 1989


STATE OF ALASKA
SPECIAL ASSISTANT - HOUSING
GOVERNOR'S OFFICE
SPECIAL ASSISTANT HOUSING
COMMERCE & ECONOMIC DEVELOPMENT
COMMUNITY & REGIONAL AFFAIRS
REVENUE
HEALTH & SOCIAL SERVICES
ALASKA STATE HOUSING AUTHORITY
RURAL DEVELOPMENT HOUSING SECTION
ALASKA HOUSING FINANCE CORPORATION
MENTAL HEALTH DEVELOPMENTAL DISABILITIES
AK. INDUSTRIAL DEVELOP. EXPORT AUTHORITY
FAMILY & YOUTH SERVICES
OLDER ALASKANS COMMISSION
INTERAGENCY COORDINATING COMMITTEE
OFFICE OF ALCOHOLISM DRUG ABUSE
COUNCIL ON DOMESTIC VIOLENCE
FIRE PREVENTION DIVISION
VOCATIONAL REHAB
ENV. CONSERV. FACILITY CONSTRUCTION

Responsibilities: Formulating statewide housing policy. Coordinating housing programs consistent with a statewide housing policy.

Staffing: Special Assistant for Housing
Secretary

Pros: This option would be a minimum level of commitment for a statewide housing policy and for coordination of state housing programs.

This option would probably have more political support from the state housing agencies.

yes also very weak.

Administrative costs would be minimal.

Cons: Many of the statewide action plans identified by the HPDC would not get addressed, ie a long-term housing plan, statewide housing needs assessments, creating of housing partnerships, etc.

Least effective mechanism to implement centralized, coordinated statewide housing programs/policies.

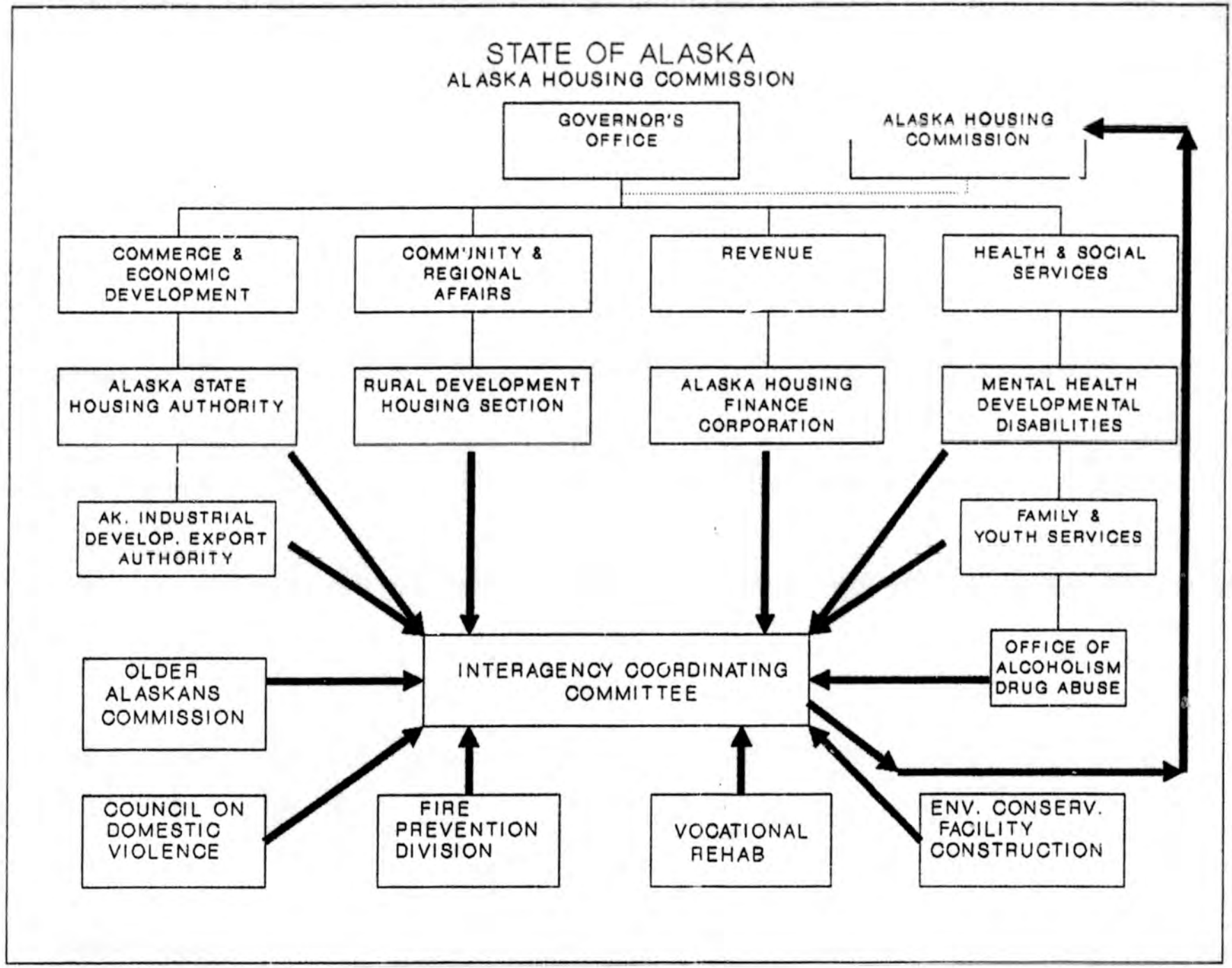
OPTION 2 - ALASKA HOUSING COMMISSION. Create an Alaska Housing Commission which reports directly to the Governor. Member composition shall reflect regional representation and shall include public members and representatives from housing and real estate industry, special needs groups, and rural areas. Representatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity. (9 members)

Number of members: 1 Regional representative from 4 judicial districts representing housing/mortgage loan industry
1 representative of special needs groups
1 representative for rural areas
1 Public members
Commissioner, Commerce & Economic Development
Commissioner, Community & Regional Affairs

Advisory members: Alaska State Housing Authority
Alaska Housing Finance Corporation
Department of Community and Regional Affairs

with the problem we have politically with the bush, regional concerns will frustrate this concept.

would address regional differences.


STATE OF ALASKA
ALASKA HOUSING COMMISSION
GOVERNOR'S OFFICE
ALASKA HOUSING COMMISSION
COMMERCE & ECONOMIC DEVELOPMENT
COMMUNITY & REGIONAL AFFAIRS
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OFFICE OF ALCOHOLISM DRUG ABUSE
COUNCIL ON DOMESTIC VIOLENCE
FIRE PREVENTION DIVISION
VOCATIONAL REHAB
ENV. CONSERV. FACILITY CONSTRUCTION

Staffing:

Executive Director
Secretary/Receptionist
Administrative Officer
Research Analyst/Planner
Information Officer/Technical Advisor
Grants Administrator*

Responsibilities:

Develop statewide housing policy.
State agency housing program review, coordination, oversight.
Writing/updating long term housing plan.
Conduct periodic statewide housing needs assessments.
Reviewing use and disposition of state agency-owned foreclosed properties.
Facilitate the creation of housing partnerships, providing technical assistance.
Direct review of housing regulations between state agencies.
If Affordable Housing Act passes, review and allocate distribution of federal housing funds.

will require representation of non state corporations.

Pros:

Housing resources and programs are scattered throughout 12 different state agencies, offices and divisions. A Housing Commission, if given the authority to cross departmental lines and bring housing groups together, can formulate and coordinate a cohesive statewide housing policy that addresses a wide range of housing needs and problems.

Needed!

Important to have Commission within Governor's Office rather than within a Department so it can function in an impartial role.

Cons:

The Commission would be working with a large number of agencies over which it would have no control. Two of those agencies have a separate, independent existence from the State. Without a legislative mandate which specifies the authority of the Commission over these agencies for follow-through on implementation, its effectiveness will be limited.

AHFC + ASHA

Cons (Cont'd): There is no precedent in state government for a board or council that has the power or ability to approve or deny regulations set by other boards or departments.

Review + Concur Rather than

The Commission could be viewed as another unnecessary layer of bureaucracy and another complication in the tangle of housing programs.

OPTION 3 - STATE HOUSING BOARD. Merge the Alaska State Housing Authority and Alaska Housing Finance Corporation Boards into a State Housing Board with the authority to administer all housing agencies and state housing programs. Housing agencies will be placed under one department, the Department of Community & Regional Affairs or Commerce & Economic Development. The State Housing Board will be responsible for statewide coordination of all state housing programs and for setting state housing policy.

Not a Reality because of Contractual & legal restrictions

ASHA and AHFC will maintain their independent status. The Executive Directors of both agencies will serve at the pleasure of the State Housing Board. AHFC and ASHA will each have a 5-member sub-board responsible for agency operations and policy setting. The Commissioner of Community & Regional Affairs will chair the State Housing Board and both of the sub-boards. Membership on AHFC and ASHA Boards will each consist of the Commissioner of Community & Regional Affairs, 2 different members of the State Housing Board, and 2 members appointed by the Governor.

An Interagency Coordinating Committee will be formed with membership from each of the 12 agencies, offices and divisions involved in housing.

Number of Members: 9-member Board of Director, appointed by Governor
Commissioner of Community & Regional Affairs serves as Chair.
1 regional representative from 4 judicial districts representing housing/mortgage loan industry.
1 representative of special needs groups
1 representative for rural areas
2 public members

Responsibilities: Statewide coordination of all housing programs.
Setting state housing policy.
Writing/updating long-term housing plan.
Same statewide responsibilities as listed above for Housing Commission.

Staffing: Executive Director, State Housing Board
Secretary/Receptionist
Administrative Officer
Research Analyst/Planner
Information Officer/Technical Advisor

Pros: OK! This option is the most consistent with model housing organizations in other states. It would be an effective way to ensure that policies and goals are implemented through consistent regulations and unduplicated programs.

Consolidating housing agencies within one department has greater likelihood of success in implementing statewide housing policies. The proposed Superboard can provide clear, consistent, non-conflicting direction for the state's housing programs.

This option would satisfy the potential federal mandate for coordination and distribution of federal funds at the state level.

Under this option ASHA and AHFC Boards retain their independent status within state government. Retaining this independent status is important because concerns about the bond covenants of both agencies and ASHA's contractual arrangements with HUD.

Cons: This is a more radical approach and may be more difficult to get existing agencies to support.

The mission and purpose of ASHA and AHFC are very different. The demands on their separate Boards of Directors are already significant. To combine the two Boards and add statewide responsibility in addition may be too much for Board members to handle.

Alaska Housing Market Council

November 30, 1989

Dear Housing Policy Development Committee Member:

Enclosed is your final meeting packet for the HPDC meeting, scheduled December 8, 1989, from 9:00 a.m. to 5:00 p.m. at the Anchorage Legislative Information Office, 3111 'C' Street. We are asking all members to come to Anchorage for the meeting. However, you can attend by teleconference from your own community.

Please Note: There will not be a public comment period at this meeting, but a statewide public hearing on the HPDC recommendations is scheduled for Thursday, December 7 from 7:00 p.m. to 8:30 p.m. at the Anchorage Legislative Information Office and all other State Legislative Information Offices open during the Legislative interim. Staff will be there to take comments and will present a report to the committee the following day. Please attend if you can.

Enclosed find:

1. Meeting agenda.
2. Policy statements and action plans with bolded "SPAMO" changes and recommended revisions from the Transitional and Long Term Housing for Special Needs Subcommittee.
3. Policy Statement #1 - options for implementation.
4. Comments from interested parties.

At the meeting, the committee will approve a final recommendation for Policy Statement #1 (relating to a body to execute state housing policy) and Policy Statement #5 (special needs housing). The committee will also consider and approve recommendations to make the action plans more specific and attainable.

Please take some time to closely review the Policy Statements/Action Plans with SPAMO and Transitional Subcommittee revisions bolded. **The SPAMO comments will be adopted by consent agenda, which means, that unless there are specific objections, all the SPAMO changes will be approved.** If you do have concerns with a SPAMO recommendation, please contact me prior to the meeting.

Also, take a few minutes to review the comments we've received from the public and state agency representatives.

624 W. INTERNATIONAL AIRPORT ROAD, SUITE E • ANCHORAGE, ALASKA 99518 • P.O. BOX 240048 • ANCHORAGE, ALASKA 99524-0048 • (907) 563-3325

As this is our final meeting, it is essential that all HPDC members make every effort to attend. It is also important that committee members come prepared to finalize the recommendations. We cannot afford to spend a great deal of time on minor issues.

As always, please contact me if you won't be attending the December 8 meeting.

Sincerely,

Heather Arnett

Heather Arnett
HPDC Aide

ALASKA HOUSING MARKET COUNCIL
Housing Policy Development Committee

Meeting of the Full Committee

AGENDA

December 8, 1989
9:00 a.m. to 5:00 p.m.
Legislative Information Office
Main Floor Conference Room
3111 'C' Street
Anchorage, Alaska

I. Call to Order - Roll Call

II. Approval of Agenda

III. Approval of Minutes

IV. Staff presentation on December 7 public hearing.

V. Finalize Policy Statement #1 and Policy Statement #5.

VI. Approve "SPAMO" recommendations.

VII. Discuss structure of final report.

VIII. Adjournment.

NOTE: Lunch will be at 12:00 p.m.

624 W. INTERNATIONAL AIRPORT ROAD, SUITE E • ANCHORAGE, ALASKA 99518 • P.O. BOX 240048 • ANCHORAGE, ALASKA 99524-0048 • (907) 563-3325

DRAFT

ALASKA HOUSING MARKET COUNCIL
HOUSING POLICY DEVELOPMENT COMMITTEE

POLICY STATEMENT #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.

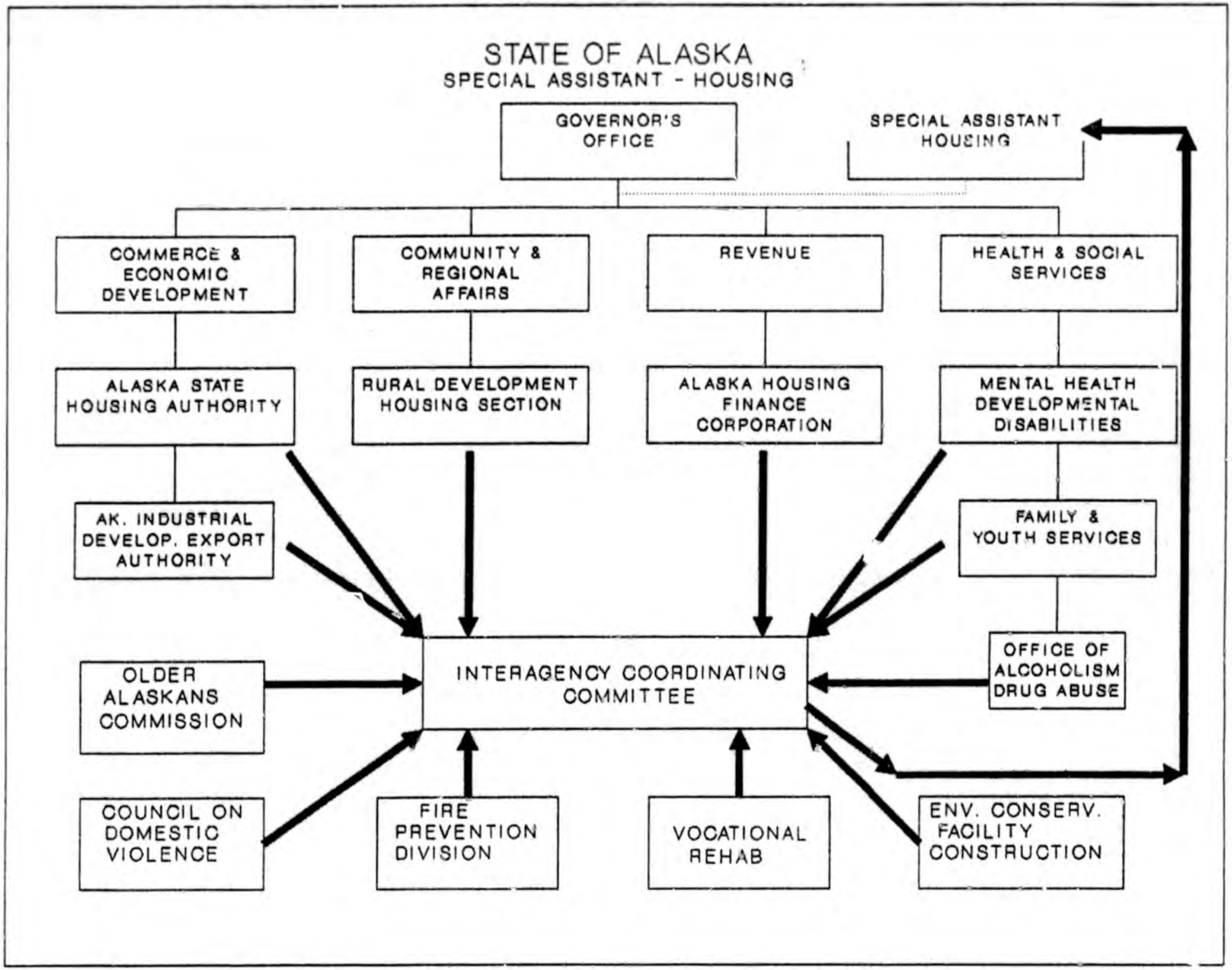
OPTIONS FOR IMPLEMENTATION

There is a national movement towards state centralization and authority in the development and execution of state housing policies and programs. The federal Housing and Urban Development legislation is up for re-authorization soon, and several bills addressing housing policy on the national level have been or will be introduced in Congress. Eric Ostrovsky of the Governor's Washington D.C. office thinks that it is very likely that housing policy directions will change by early 1990 with passage of either S. 565 or a House bill. Whether or not these bills include intent to mandate coordination and distribution of federal funds through the Governors' Offices of each state remains to be seen, but discussions on this subject are occurring.

Surveys of other states shows several of them moving in the direction of establishing centralization and coordination of housing issues. Fifteen states have an agency, either a department, division or council which is directly responsible for oversight of housing issues. Massachusetts, Washington and New Jersey are recognized as model states, and have very visible, progressive housing programs and development. They have centralized agencies/divisions within a Department of Community Affairs/Development, DCA Commissioner heads the various housing Boards, and they have a vehicle for interagency coordination.

OPTION 1 - SPECIAL ASSISTANT FOR HOUSING. Establish a Special Assistant for Housing position within the Office of the Governor. Position will be responsible for advising the Governor on housing policy.

The Special Assistant would direct an Interagency Coordinating Committee comprised of directors of the 12 housing agencies, offices, and divisions. The Committee would meet on a regular basis (monthly, bi-weekly) to discuss housing programs, problems, and policy.


STATE OF ALASKA
SPECIAL ASSISTANT - HOUSING
GOVERNOR'S OFFICE
SPECIAL ASSISTANT HOUSING
COMMERCE & ECONOMIC DEVELOPMENT
COMMUNITY & REGIONAL AFFAIRS
REVENUE
HEALTH & SOCIAL SERVICES
ALASKA STATE HOUSING AUTHORITY
RURAL DEVELOPMENT HOUSING SECTION
ALASKA HOUSING FINANCE CORPORATION
MENTAL HEALTH DEVELOPMENTAL DISABILITIES
AK. INDUSTRIAL DEVELOP. EXPORT AUTHORITY
FAMILY & YOUTH SERVICES
OLDER ALASKANS COMMISSION
INTERAGENCY COORDINATING COMMITTEE
OFFICE OF ALCOHOLISM DRUG ABUSE
COUNCIL ON DOMESTIC VIOLENCE
FIRE PREVENTION DIVISION
VOCATIONAL REHAB
ENV. CONSERV. FACILITY CONSTRUCTION

Responsibilities: Formulating statewide housing policy. Coordinating housing programs consistent with a statewide housing policy.

Staffing: Special Assistant for Housing
Secretary

Pros: This option would be a minimum level of commitment for a statewide housing policy and for coordination of state housing programs.

This option would probably have more political support from the state housing agencies.

Administrative costs would be minimal.

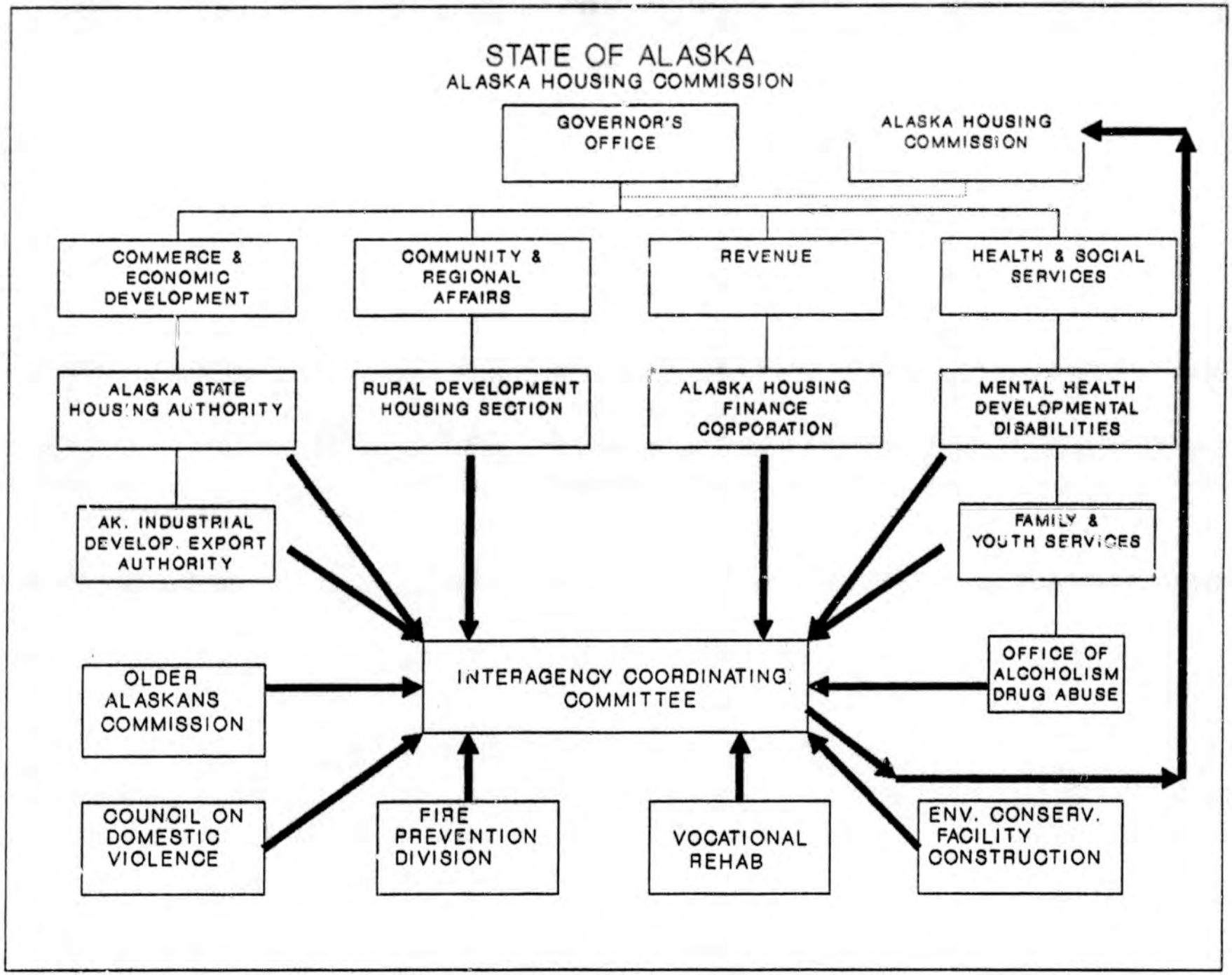
Cons: Many of the statewide action plans identified by the HPDC would not get addressed, ie a long-term housing plan, statewide housing needs assessments, creating of housing partnerships, etc.

Least effective mechanism to implement centralized, coordinated statewide housing programs/policies.

OPTION 2 - ALASKA HOUSING COMMISSION. Create an Alaska Housing Commission which reports directly to the Governor. Member composition shall reflect regional representation and shall include public members and representatives from housing and real estate industry, special needs groups, and rural areas. Representatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity. (9 members)

Number of members: 1 Regional representative from 4 judicial districts representing housing/mortgage loan industry
1 representative of special needs groups
1 representative for rural areas
1 Public members
Commissioner, Commerce & Economic Development
Commissioner, Community & Regional Affairs

Advisory members: Alaska State Housing Authority
Alaska Housing Finance Corporation
Department of Community and Regional Affairs


STATE OF ALASKA
ALASKA HOUSING COMMISSION
GOVERNOR'S OFFICE
ALASKA HOUSING COMMISSION
COMMERCE & ECONOMIC DEVELOPMENT
COMMUNITY & REGIONAL AFFAIRS
REVENUE
HEALTH & SOCIAL SERVICES
ALASKA STATE HOUSING AUTHORITY
RURAL DEVELOPMENT HOUSING SECTION
ALASKA HOUSING FINANCE CORPORATION
MENTAL HEALTH DEVELOPMENTAL DISABILITIES
AK. INDUSTRIAL DEVELOP. EXPORT AUTHORITY
FAMILY & YOUTH SERVICES
OLDER ALASKANS COMMISSION
INTERAGENCY COORDINATING COMMITTEE
OFFICE OF ALCOHOLISM DRUG ABUSE
COUNCIL ON DOMESTIC VIOLENCE
FIRE PREVENTION DIVISION
VOCATIONAL REHAB
ENV. CONSERV. FACILITY CONSTRUCTION

Staffing:	Executive Director Secretary/Receptionist Administrative Officer Research Analyst/Planner Information Officer/Technical Advisor Grants Administrator*
Responsibilities:	Develop statewide housing policy. State agency housing program review, coordination, oversight. Writing/updating long term housing plan. Conduct periodic statewide housing needs assessments. Reviewing use and disposition of state agency-owned foreclosed properties. Facilitate the creation of housing partnerships, providing technical assistance. Direct review of housing regulations between state agencies. If Affordable Housing Act passes, review and allocate distribution of federal housing funds.
Pros:	Housing resources and programs are scattered throughout 12 different state agencies, offices and divisions. A Housing Commission, if given the authority to cross departmental lines and bring housing groups together, can formulate and coordinate a cohesive statewide housing policy that addresses a wide range of housing needs and problems. Important to have Commission within Governor's Office rather than within a Department so it can function in an impartial role.
Cons:	The Commission would be working with a large number of agencies over which it would have no control. Two of those agencies have a separate, independent existence from the State. Without a legislative mandate which specifies the authority of the Commission over these agencies for follow-through on implementation, its effectiveness will be limited.

Cons (Cont'd): There is no precedent in state government for a board or council that has the power or ability to approve or deny regulations set by other boards or departments.

The Commission could be viewed as another unnecessary layer of bureaucracy and another complication in the tangle of housing programs.

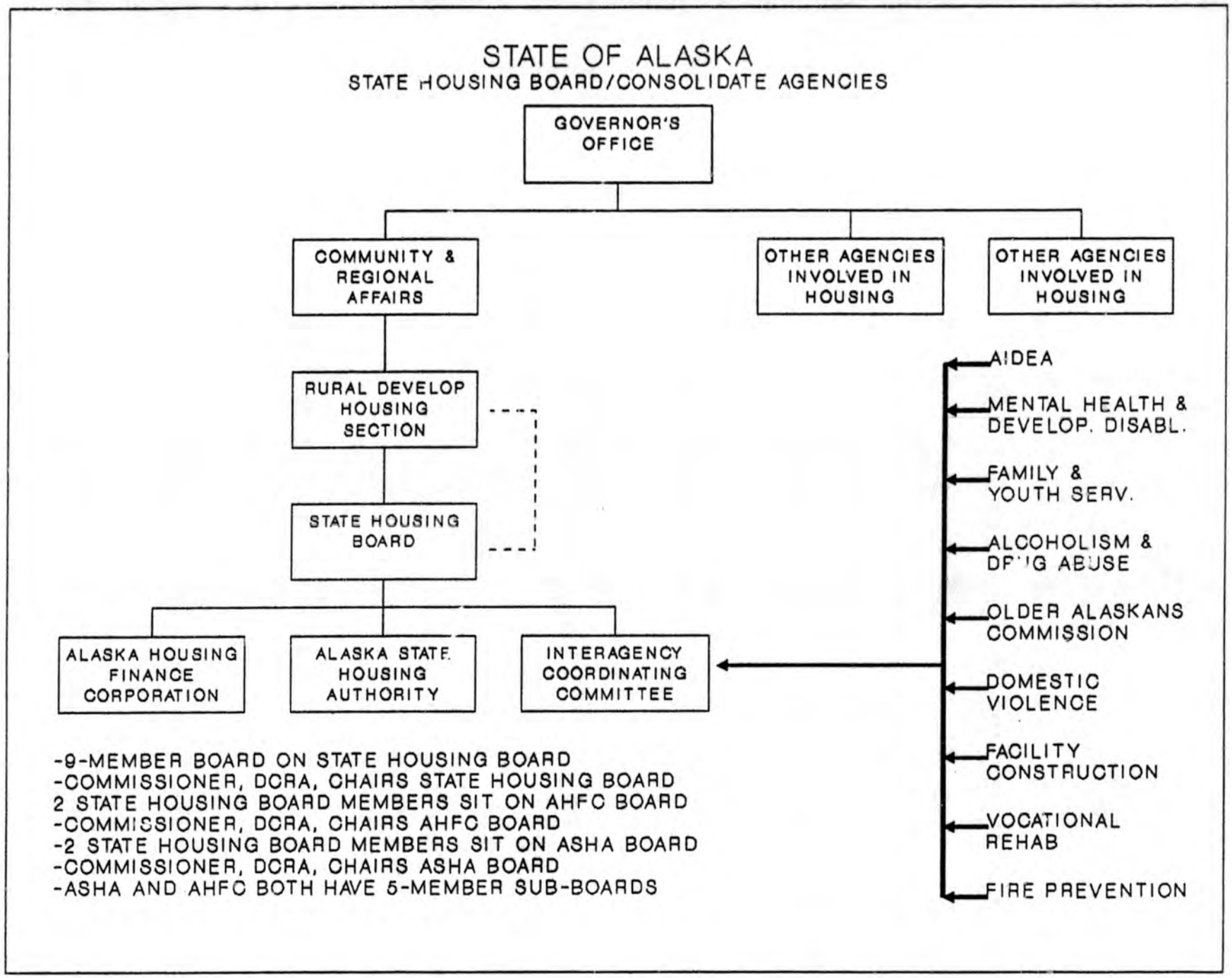
OPTION 3 - STATE HOUSING BOARD.. Merge the Alaska State Housing Authority and Alaska Housing Finance Corporation Boards into a State Housing Board with the authority to administer all housing agencies and state housing programs. Housing agencies will be placed under one department, the Department of Community & Regional Affairs or Commerce & Economic Development. The State Housing Board will be responsible for statewide coordination of all state housing programs and for setting state housing policy.

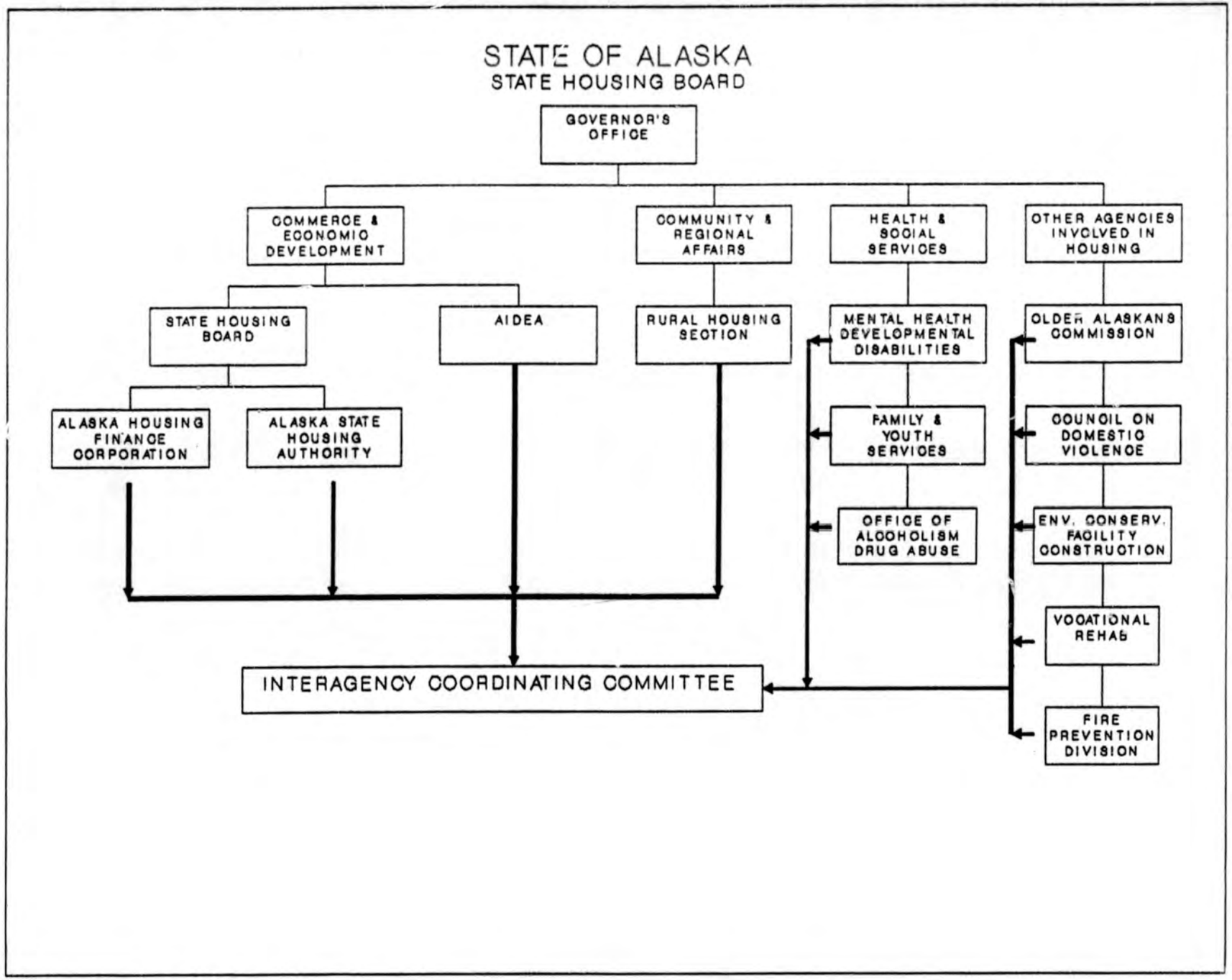
ASHA and AHFC will maintain their independent status. The Executive Directors of both agencies will serve at the pleasure of the State Housing Board. AHFC and ASHA will each have a 5-member sub-board responsible for agency operations and policy setting. The Commissioner of Community & Regional Affairs will chair the State Housing Board and both of the sub-boards. Membership on AHFC and ASHA Boards will each consist of the Commissioner of Community & Regional Affairs, 2 different members of the State Housing Board, and 2 members appointed by the Governor.

An Interagency Coordinating Committee will be formed with membership from each of the 12 agencies, offices and divisions involved in housing.

Number of Members: 9-member Board of Director, appointed by Governor
Commissioner of Community & Regional Affairs serves as Chair.
1 regional representative from 4 judicial districts representing housing/mortgage loan industry.
1 representative of special needs groups
1 representative for rural areas
2 public members

Responsibilities:	Statewide coordination of all housing programs. Setting state housing policy. Writing/updating long-term housing plan. Same statewide responsibilities as listed above for Housing Commission.
Staffing:	Executive Director, State Housing Board Secretary/Receptionist Administrative Officer Research Analyst/Planner Information Officer/Technical Advisor
Pros:	This option is the most consistent with model housing organizations in other states. It would be an effective way to ensure that policies and goals are implemented through consistent regulations and unduplicated programs. Consolidating housing agencies within one department has greater likelihood of success in implementing statewide housing policies. The proposed Superboard can provide clear, consistent, non-conflicting direction for the state's housing programs. This option would satisfy the potential federal mandate for coordination and distribution of federal funds at the state level. Under this option ASHA and AHFC Boards retain their independent status within state government. Retaining this independent status is important because concerns about the bond covenants of both agencies and ASHA's contractual arrangements with HUD.
Cons:	This is a more radical approach and may be more difficult to get existing agencies to support. The mission and purpose of ASHA and AHFC are very different. The demands on their separate Boards of Directors are already significant. To combine the two Boards and add statewide responsibility in addition may be too much for Board members to handle.


STATE OF ALASKA
STATE HOUSING BOARD/CONSOLIDATE AGENCIES
GOVERNOR'S OFFICE
COMMUNITY & REGIONAL AFFAIRS
OTHER AGENCIES INVOLVED IN HOUSING
OTHER AGENCIES INVOLVED IN HOUSING
RURAL DEVELOP HOUSING SECTION
STATE HOUSING BOARD
ALASKA HOUSING FINANCE CORPORATION
ALASKA STATE HOUSING AUTHORITY
INTERAGENCY COORDINATING COMMITTEE
AIDEA
MENTAL HEALTH & DEVELOP. DISABL.
FAMILY & YOUTH SERV.
ALCOHOLISM & DRUG ABUSE
OLDER ALASKANS COMMISSION
DOMESTIC VIOLENCE
FACILITY CONSTRUCTION
VOCATIONAL REHAB
FIRE PREVENTION
-9-MEMBER BOARD ON STATE HOUSING BOARD
-COMMISSIONER, DCRA, CHAIRS STATE HOUSING BOARD
2 STATE HOUSING BOARD MEMBERS SIT ON AHFC BOARD
-COMMISSIONER, DCRA, CHAIRS AHFC BOARD
-2 STATE HOUSING BOARD MEMBERS SIT ON ASHA BOARD
-COMMISSIONER, DCRA, CHAIRS ASHA BOARD
-ASHA AND AHFC BOTH HAVE 5-MEMBER SUB-BOARDS


STATE OF ALASKA
STATE HOUSING BOARD
GOVERNOR'S OFFICE
COMMERCE & ECONOMIC DEVELOPMENT
COMMUNITY & REGIONAL AFFAIRS
HEALTH & SOCIAL SERVICES
OTHER AGENCIES INVOLVED IN HOUSING
STATE HOUSING BOARD
AIDEA
RURAL HOUSING SECTION
MENTAL HEALTH DEVELOPMENTAL DISABILITIES
OLDER ALASKANS COMMISSION
ALASKA HOUSING FINANCE CORPORATION
ALASKA STATE HOUSING AUTHORITY
FAMILY & YOUTH SERVICES
COUNCIL ON DOMESTIC VIOLENCE
OFFICE OF ALCOHOLISM DRUG ABUSE
ENV. CONSERV. FACILITY CONSTRUCTION
VOCATIONAL REHAB
INTERAGENCY COORDINATING COMMITTEE
FIRE PREVENTION DIVISION

OPTION 4 - DEPARTMENT OF HOUSING. Create a Department of Housing with all housing agencies placed within that department. An interagency coordinating Committee would be formed with membership from each of the 12 agencies/programs involved in housing.

The Commissioner, Department of Housing would chair the Boards of Directors of ASHA and AHFC.

Staffing:

Commissioner, Department of Housing
Executive Secretary
Information Officer
Division of Administrative Services
Division of Rural Housing Services
Alaska Housing Finance Corporation staff
Alaska State Housing Authority staff

Responsibilities:

Direct all housing programs within the state.
Coordinate interagency housing activities.
Establish and implement statewide housing policy.
Same statewide responsibilities as listed for Housing Commission.

Pros:

This option provides the most visible commitment to state housing issues.

Housing concerns and policies would be represented at cabinet level with more political clout to effect a coordinated statewide housing policy.

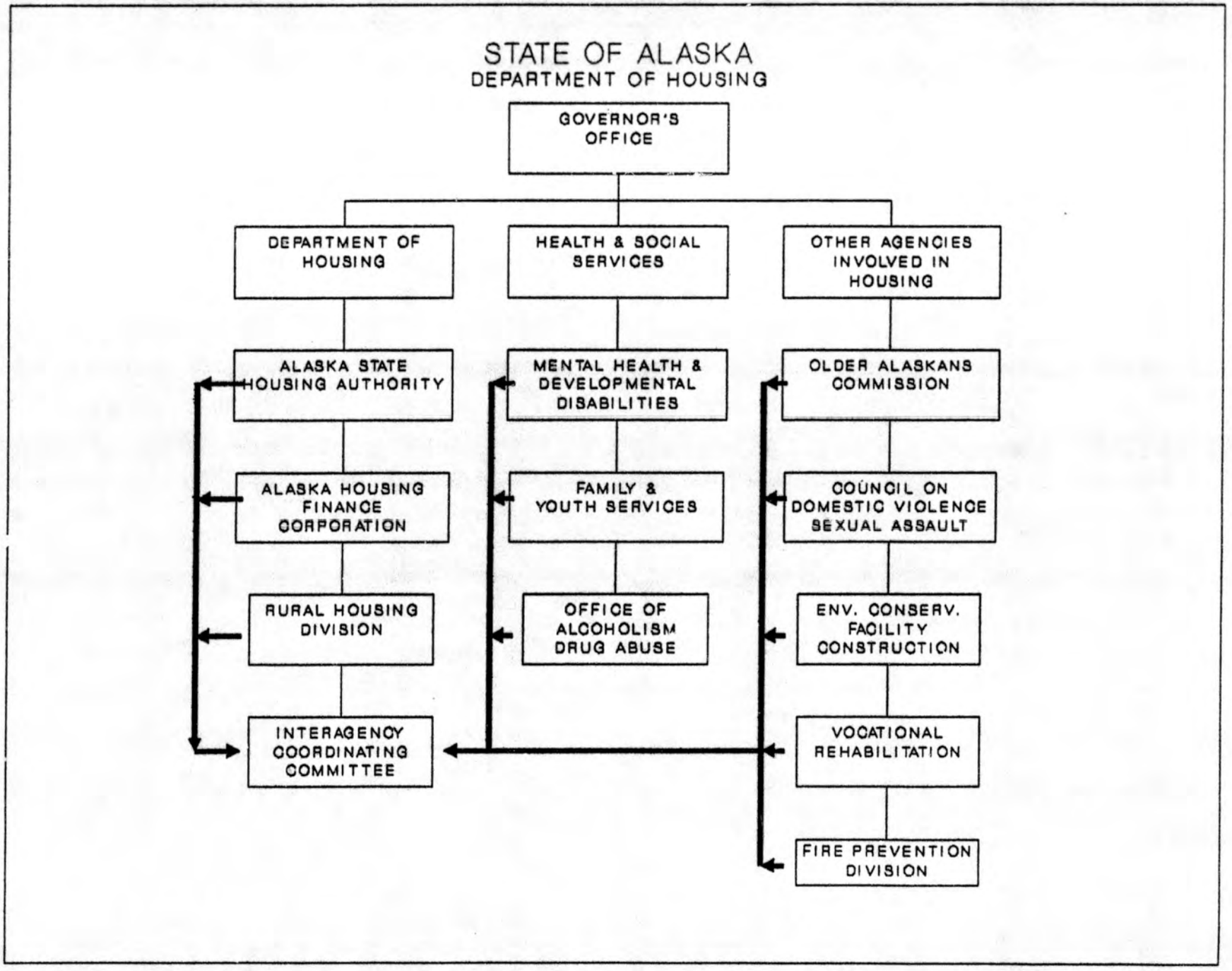
Ability to better consolidate resources.

Cons:

Very difficult to get a new department created within state government.

Most expensive option because of staffing levels needed at a department level.

Does not appear to be a broad enough mission to warrant a separate department.


STATE OF ALASKA
DEPARTMENT OF HOUSING
GOVERNOR'S OFFICE
DEPARTMENT OF HOUSING
HEALTH & SOCIAL SERVICES
OTHER AGENCIES INVOLVED IN HOUSING
ALASKA STATE HOUSING AUTHORITY
ALASKA HOUSING FINANCE CORPORATION
RURAL HOUSING DIVISION
INTERAGENCY COORDINATING COMMITTEE
MENTAL HEALTH & DEVELOPMENTAL DISABILITIES
FAMILY & YOUTH SERVICES
OFFICE OF ALCOHOLISM DRUG ABUSE
OLDER ALASKANS COMMISSION
COUNCIL ON DOMESTIC VIOLENCE SEXUAL ASSAULT
ENV. CONSERV. FACILITY CONSTRUCTION
VOCATIONAL REHABILITATION
FIRE PREVENTION DIVISION

CURRENT HOUSING BOARDS/COUNCILS

There are currently 12 agencies, offices and divisions within State government which are involved in providing or regulating housing services within Alaska.

ALASKA HOUSING MARKET COUNCIL--Advises the Governor and the Legislature on housing policies directed towards the stabilization of the housing market. It also provides direct services to the public in the form of the mortgage and housing information and referral hotline, provides a forum for public input regarding housing issues, coordinates interagency housing policies, and conducts research on issues affecting housing and mortgage loans.

Membership:
Department of Community and Regional Affairs
Department of Commerce and Economic Development
Alaska Housing Finance Corporation
Alaska State Housing Authority
Alaska Permanent Fund
Alaska Industrial Development & Export Authority
Office of the Governor
Mortgage Guaranty Insurance Corp.
Public Members (4)

Committees:
Housing Policy Development Committee (37 members)
HPDC divided into working task forces in 5 major areas to develop policy recommendations for full Committee review and adoption.

Staffing:
Executive Director
4 staff members

Meetings:
Council meets monthly. Meetings usually held in Anchorage and teleconferenced to Fairbanks, Juneau. Subcommitee meetings and Committee meetings held monthly and usually teleconferenced.

1 meeting held in Anchorage with all Committee members present; teleconferenced to Fairbanks, Juneau, Kodiak.

Members do not receive a stipend or per diem for attendance at meetings. Members are reimbursed for travel expenses at rates set by the state.

ALASKA STATE HOUSING AUTHORITY - Provides low to moderate income housing under state and federal housing programs. Issues bonds for housing and public facilities as requested.

ASHA has been in existence since before statehood. They are an independent agency within the state and contract directly with HUD for the housing funds they receive and the housing programs they provide. ASHA deals with low to moderate income housing needs in the urban areas. Thirteen regional housing authorities operate as Indian Housing Authorities and deal with low to moderate housing needs in the rural/village areas.

Membership: 4 public members appointed by Governor, currently from Anchorage. Current membership represents rural/native, business/real estate, minority, social services, and state government.
Commissioner of Commerce & Economic Development

Staffing: Executive Director
Division Directors
Clerical

Meetings: 4 times per year; 12 days maximum
In 1989, Board met on quarterly basis. 2 meetings in Anchorage, 1 in Sitka, 1 in Juneau.

Board members are paid $80 per diem for each meeting they attend. Members are reimbursed for travel expenses at rates set by the state.

ALASKA HOUSING FINANCE CORPORATION. Board of Directors are responsible for the management of AHFC assets and the business of the corporation; adoption, amendment and repeal of bylaws and regulations governing the manner in which all AHFC powers are exercised; review of proposed legislation and participation in lobbying efforts during legislative session; review and approval of key policy decisions which will affect AHFC borrowers; prescription of duties and compensation of corporation personnel; review and approval of corporation budget.

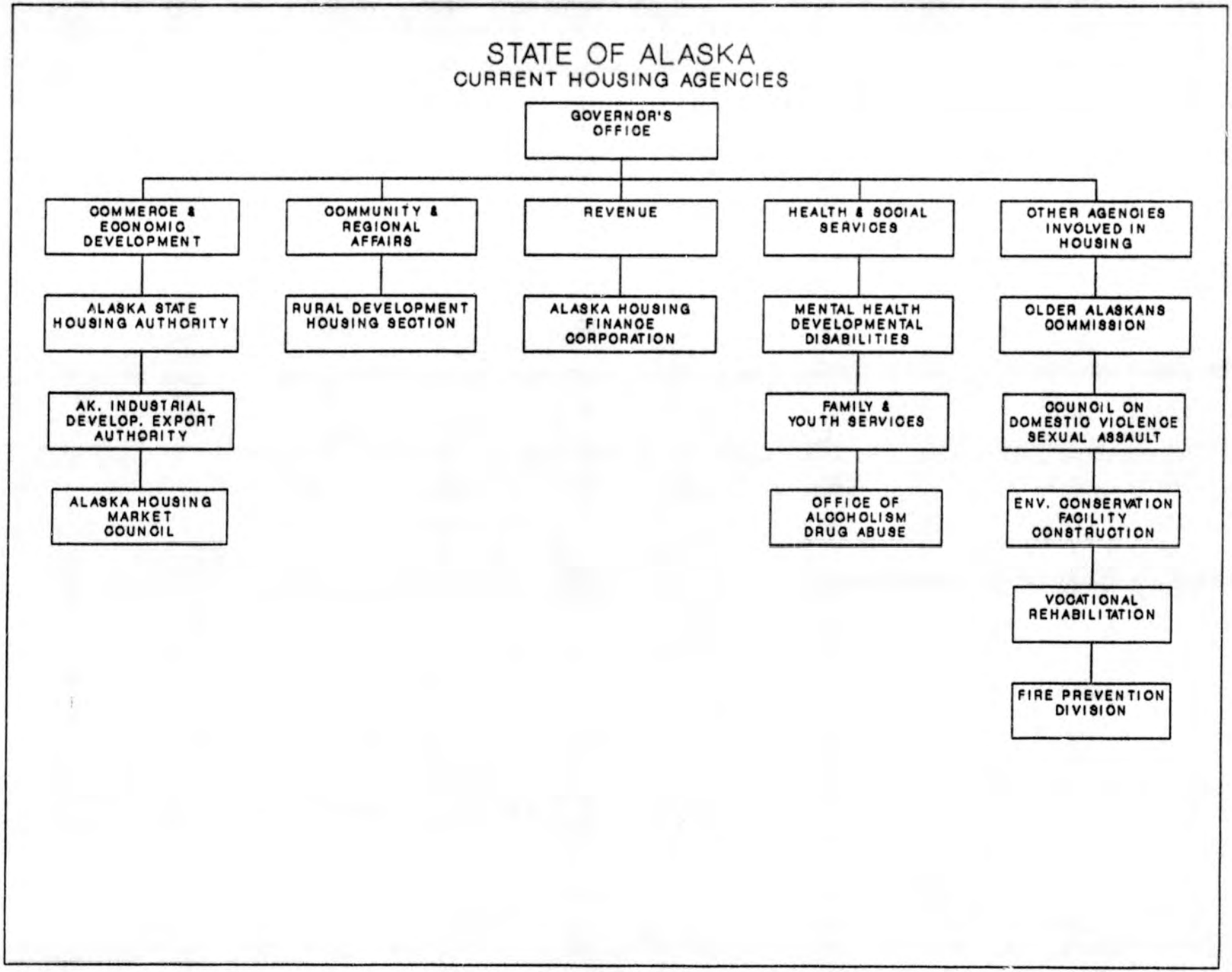
Membership: Commissioner, Department of Revenue
Commissioner, Commerce & Economic Development
State Government Executive appointed by Governor, currently Commissioner, Department of Labor
Public members (2), currently from Anchorage

Committees: Special committees established as needed, ie executive search.

Staffing: Executive Director
Executive Director's Secretary
Division Directors

Meetings: Not less than once every 3 months. Normally meet 12 times per year; 16 days maximum.
Usually transact meetings by teleconference with Anchorage, Juneau and Fairbanks. Meetings last from 3 to 6 hours.
Must give public notice, 24 hours or more in advance.

Members are paid $100 for each public member for each day spent on official business. Travel expenses are reimbursed at rate set by state.


STATE OF ALASKA
CURRENT HOUSING AGENCIES
GOVERNOR'S OFFICE
COMMERCE & ECONOMIC DEVELOPMENT
COMMUNITY & REGIONAL AFFAIRS
REVENUE
HEALTH & SOCIAL SERVICES
OTHER AGENCIES INVOLVED IN HOUSING
ALASKA STATE HOUSING AUTHORITY
RURAL DEVELOPMENT HOUSING SECTION
ALASKA HOUSING FINANCE CORPORATION
MENTAL HEALTH DEVELOPMENTAL DISABILITIES
OLDER ALASKANS COMMISSION
AK. INDUSTRIAL DEVELOP. EXPORT AUTHORITY
FAMILY & YOUTH SERVICES
COUNCIL ON DOMESTIC VIOLENCE SEXUAL ASSAULT
ALASKA HOUSING MARKET COUNCIL
OFFICE OF ALCOHOLISM DRUG ABUSE
ENV. CONSERVATION FACILITY CONSTRUCTION
VOCATIONAL REHABILITATION
FIRE PREVENTION DIVISION

Alaska Housing Market Council

December 20, 1989

Dear Housing Policy Development Committee Member:

Enclosed find a draft of the HPDC recommendations, which were approved at the December 8 meeting.

Please review the recommendations for errors or omissions and contact me by Friday, December 29 with any changes. This will be the final draft of the document.

Thank you very much and have a wonderful holiday.

Sincerely,

Heather Arnett

Heather Arnett
HPDC Aide

624 W. INTERNATIONAL AIRPORT ROAD, SUITE E • ANCHORAGE, ALASKA 99518 • P.O. BOX 240048 • ANCHORAGE, ALASKA 99524-0048 • (907) 563-3325

ALASKA HOUSING MARKET COUNCIL
12/20/89

MISSION STATEMENT:

SAFE, SOUND, SANITARY AND ENERGY EFFICIENT LIVING CONDITIONS SHOULD BE AVAILABLE TO ALL CITIZENS OF THE STATE.

FULL HOUSING POLICY DEVELOPMENT COMMITTEE

DRAFT ACTION PLANS

Policy Statement #1

It is the policy of the State of Alaska to adopt and execute a state housing policy and facilitate coordination of housing services.

Action Plan:

1. The committee recognizes that a continued mechanism or centralized housing agency is needed to overcome the fragmentation of existing programs and to ensure continuing public involvement in housing issues.

2. The committee recommends that a Housing Commission be established - with a plan to develop a Department of Housing in the state over the next several years. The Department will consolidate all of the state's housing functions.

3. A legislative mandate should be effected which specifies the relationship of the Housing Commission to the Alaska Housing Finance Corporation, the Alaska State Housing Authority and other state agencies with housing responsibilities, and provides the commission with the power to develop and implement state housing policy.

4. The Commission should report directly to the Governor.

5. The Commission's composition should reflect regional representation and should include public members and representative from the following: the housing and real estate industry; special needs groups; and rural areas. Representatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity only.

6. The Commission should provide information on housing opportunities to the public and oversee state agency information services.

7. The Commission should be charged with state agency housing program review, coordination and oversight. It should clarify the roles of the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the Department of Community and Regional Affairs in the housing market.

8. The Commission should review and recommend revisions to state and federal housing policy and programs to ensure that Rural Alaska housing programs are culturally, environmentally and economically appropriate.

9. The Commission should be charged with writing a long term housing plan for the state and updating the plan periodically. State agencies, to include the Alaska Housing Finance Corporation, the Alaska State Housing Authority, the Department of Community and Regional Affairs, the Department of Health and Social Services, and the Department of Public Safety should develop statewide service plans, in conjunction with each other and the state housing plan, to insure coordination and efficiency of service delivery.

10. The Commission should conduct periodic statewide housing needs assessments on housing and financing availability.

11. The Commission should direct state agencies to review housing regulations under their jurisdiction, comparing them to other agency regulations and recommending revision, where appropriate, to eliminate conflict and duplication.

12. The Commission should be charged with reviewing the use of, and disposition of, state agency-owned foreclosed properties and should provide information to interested parties regarding available properties. The Commission should encourage AHFC, banks and secondary institutions to donate foreclosed properties for use as transitional and long term special needs facilities, low-income housing and senior housing where appropriate.

13. The Commission should actively facilitate the creation of housing partnerships and provide advice and technical assistance on the development of those partnerships.

14. The boards of AHFC and ASHA should be expanded and include a majority of public members.

15. By June 30, 1990, the Alaska State Legislature should create a standing or special committee on housing in both the State House and State Senate.

Policy Statement #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.

Action Plan:

1. State agency regulations pertaining to housing and construction standards should be analyzed by a task force of industry and government for regional flexibility, and resulting recommendations should be forwarded to the body executing state housing policy. In addition, an agency appeals process should be implemented.

2. By January 1, 1991, AHFC & DCRA should explore, develop, and implement programs adjusted to regional housing conditions, to include non-insured or co-insured loans for areas of the state which are not being served by private and public secondary investors and/or insurers. These new loan programs should be consistent with prudent lending standards.

Policy Statement #3

It is the policy of the State of Alaska to encourage communities to take an active role in housing and land use issues, recognizing that local control is preferable to central control, because local governments can best balance the needs of the public with the private determination of supply and demand.

Action Plan:

1. Local governments should include a housing plan, listing how housing needs can be met, as part of their comprehensive planning process.

2. With community input and involvement, municipal governments should be encouraged to facilitate establishment of transitional group housing. Zoning laws which prohibit group homes should be revised to be consistent with anti-discriminatory statutes (including the amendments to the Fair Housing Act), and integration of transitional housing residents into communities should be encouraged.

Policy Statement #4

It is the policy of the State of Alaska to improve the availability, accessibility and affordability of housing for people with limited, low or no incomes.

Action Plan:

1. The State of Alaska should become actively involved in providing technical assistance and/or programs to private developers and non-profits for planning and development of units which are affordable to low-income Alaskans. This should be through the body which will execute state housing policy or through programs established by AHFC, DCRA and ASHA by January, 1992.

2. By January 1, 1991, state agencies should examine and evaluate their portfolios of non-insured REO properties (including mobile homes) to determine which properties are appropriate to provide housing opportunities for low-income, rural and special needs populations. Such evaluation shall include assessment of structural integrity, availability of necessary utilities, and economic feasibility factors. The agencies should present their short and long term policies for disposition of these properties to the commission for consideration.

3. By June 1, 1991, state agencies involved in housing finance should have the legal ability to provide financing to non-profit housing sponsors. DCRA, AIDEA, AHFC and ASHA should identify existing statutory, regulatory, policy and procedural barriers to such programs and initiate steps to eliminate these barriers through legislative, regulatory or internal processes as appropriate.

Policy Statement #5

It is the policy of the State of Alaska to improve the availability, accessibility and affordability of emergency, transitional and long term housing for the homeless and others with special needs.

Action Plans:

1. Accessible Housing

   Buildings for persons with special needs should be renovated or built in accordance with the "Uniform Federal Accessibility Standards," produced by the Department of Transportation.

2. Supportive Care Services

It is essential that a continuum of supportive care services be in place for emergency, transitional and long term housing for the homeless and others with special needs to be successful. Those services include, but aren't limited to, case management, and medical and rehabilitative assistance.

3. Housing Needs

The need for emergency, transitional and long term housing for the homeless and others with special needs is severe and urgent. This type of housing may be needed by the consumer at any given time, on an emergency basis, or as a transitional living situation prior to permanent housing; or long term housing with some supportive services may be needed. On the other hand, the housing consumer may move through the housing continuum and need all three types of housing. Listed below are some, but not all, of the groups identified as needing various types of special needs housing:

a. AIDS patients.
b. The chronically ill.
c. Homeless men and women, with or without children.
d. Victims of domestic violence and their children, victims of elder abuse and victims of sexual abuse.
e. Substance abusers.
f. Pregnant youth and women.
g. Homeless youth.
h. Persons experiencing a physical disability or disabilities.
i. The mentally ill.
j. Persons in transition from the Alaska Psychiatric Institute, the Corrections system (particularly the mentally ill) and Alaska Youth Initiative graduates.
k. Persons with more than one diagnosis, for example the mentally ill with a substance abuse problem.
l. The developmentally disabled.
m. Emotionally disturbed children.
n. Rural Alaskans who come to regional centers for educational, medical or other reasons.
o. Rural Alaskans, particularly youth, who move permanently to a larger community.
p. The neurologically impaired and those with head injuries and brain trauma.

4. Rural Alaskans

The need for emergency, transitional and long term housing for special needs is especially critical in Rural Alaska. With Rural Alaska's extreme housing shortage, there is

almost no housing available to be used for special needs. As a result, it is recommended that the state give priority to developing housing opportunities in Rural Alaska.

5. Funding Issues

a. The State of Alaska, through the proposed Housing Commission or another agency, should review and prioritize the need for emergency, transitional and long term housing for special needs, so that available resources and funding can be allocated accordingly.

b. By June 1, 1991, the role of the State of Alaska, through (but not limited to), the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs, should be expanded to allow mortgage loans to non-profits for emergency, transitional and long term housing for those with special needs. This should be a cooperative effort.

c. If needed, Alaska's congressional delegation should be contacted about the differences among HUD program requirements, which makes it difficult for housing providers to utilize HUD programs.

d. Continued funding should be provided for the state's Institutional Discharge Project, which provides supportive housing programs for persons leaving the Alaska Psychiatric Institute, the Department of Corrections and Alaska Youth Initiative Graduates.

e. The state should consider applying for federal Medicaid option waivers to obtain additional funding for programs such as home-based supportive services. By obtaining such a waiver, the state and federal government would each pay half of the cost of such programs.

f. Division of Family and Youth Services regulations should be changed so that housing services for non-state custodial teens can be funded or some form of financial assistance can be provided for programs assisting these teens.

Policy Statement #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.

Action Plan:

1. Currently, the most urgent housing needs in the state are for rural and low income residents. Those needs should be

given funding priority.

a. The state should commit to increase the rural and low-income housing stock at a rate of at least 10% per year through 1996, and should identify how the total need can be met. DCRA, AHFC and ASHA shall provide a five-year plan (due January 1, 1991) which identifies and addresses how low-income and rural housing needs can be met in the state. The five-year plan should include specific programs to be implemented no later than June 1, 1991. The Housing Commission should coordinate this effort.

b. By June 1, 1991, the state should examine the feasibility of developing a program for subsidizing rent or mortgage payments for rural, low-income Alaskans who lack adequate affordable housing but do not have enough income to participate in one of the existing rural housing assistance programs.

c. AHFC and DCRA should work together to determine the percentage of rural, non-conforming loans that should be offered in AHFC bond sales. Those funds will flow to DCRA for their mortgage loan programs.

2. A function of an Alaska Housing Commission should be to maintain comprehensive information on housing needs statewide and keep track of the most urgent housing needs in the state. When state funds are designated to meet housing needs, the commission should identify which areas of the state and which target populations are most in need of housing resources.

Policy Statement #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.

Action Plan:

1. State agencies with mortgage lending programs should approve and follow prudent industry lending standards and reasonable downpayments should be required.

2. The state should encourage participation in a homeowner counseling and education program to work in partnership with new federal housing mandates, which direct states involved in low-income homeownership programs to offer homeowner counseling services.

3. There should be greater disclosure to borrowers concerning the sale of their mortgage loan servicing to another

institution. The State of Alaska should adopt greater servicer penalties and clearer consumer recourse should occur in the case of misapplication of mortgage payments, or failure of the servicer to pay taxes or insurance on a timely basis.

Policy Statement #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.

Action Plan:

1. A housing commission should encourage the development of housing partnerships in the state. The commission shall provide information, by publishing a document with a variety of partnership options, including the creation of benevolent loan funds (consisting of private donations, private and public financing). This should occur by June 1, 1991.

Policy Statement #9

It is the policy of the State of Alaska to minimize direct involvement of state government in the secondary mortgage market, with the primary exception of accessing capital markets in order to finance the state's housing needs.

Action Plan:

1. In an effort to help solve the hesitancy of private mortgage insurers and investors to underwrite mortgage loans in Alaska, the state should develop a plan for encouraging participation in the state by private insurers and investors. State agencies should establish programs which allow them to enter into co-insurance agreements, when necessary, in order to provide mortgage insurance for state-financed mortgage loans.

2. The state should continue to direct economic assistance for rural housing and low to moderate-income housing programs.

3. By March 15, 1990, the Alaska State Legislature should eliminate the mortgage loan subsidy of the Department of Community and Regional Affairs and the Alaska Housing Finance Corporation, except to meet rural and low-income housing needs. However, state agencies can obtain lower interest rates than the private sector via the bond market or through direct federal funds. Lower unsubsidized interest rates obtained in this manner should be passed through to the public.

Policy Statement #10

It is the policy of the State of Alaska to promote the availability of quality, affordable rental housing.

Action Plan:

1. Through an Alaska Housing Commission, or other approved body, the state should encourage the development of housing partnerships in the state and authorize pre-development financing for certain rental projects.

2. The state should examine the feasibility of converting appropriate foreclosed housing to rental units. This could include changes to AHFC regulations to allow them to donate foreclosed properties to non-profits, to be improved and rehabilitated by the non-profit group.

3. AHFC & DCRA lending practices should be expanded to allow mortgage loans for non-profits, including housing authorities, so that those developers would have the means to create affordable rental housing.

Policy Statement #11

It is the policy of the State of Alaska to recognize that Senior Alaskans should have access to appropriate and 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.

Action Plan:

1. Regulations governing the construction of senior housing must be reviewed and made more flexible where appropriate. State agency housing regulations should be changed so that two categories of housing are created; medical and assisted living models. Medical models should be further developed into "intermediate care" and "long term care." Assisted living models should be developed to include models which are distinguished by nutrition needs, housekeeping needs, personal care needs, transportation needs and other non-medical needs.

2. The state should implement a "continuum of care" housing program for seniors, and should adequately fund necessary supportive services, which allow seniors to remain independent for as long as possible.

    a. A case management system, which matches seniors with

appropriate services, should be approved by the state and implemented by the Older Alaskans Commission.

b. State and other funded supportive services, such as homemaker assistance, home health care and home-delivered meals should be funded at the current state funding levels and expanded when needed. A mechanism should be in place so that seniors with the ability to pay, could be charged for supportive services.

c. Financial assistance and training for home repair and maintenance should be increased.

d. The State should consider applying for federal Medicaid waivers for home-based supportive services. If approved, the waiver would require the federal government to match the state's contribution to supportive services.

Policy Statement #12

It is the policy of the State of Alaska to develop and maintain stable sources of capital and revenue to support housing needs in the state.

Action Plan:

1. The state should participate in the issuance of tax-exempt bonds, as well as taxable forms of financing, to provide the best market rate for the creation of low to moderate-income and senior housing.

2. The state should encourage the usage of 501c3 bonds by non-profit corporations as a means to create affordable and special needs housing. State agencies with the ability to issue tax-exempt bonds should establish a process which encourages the issuance of such bonds for non-profit corporations.

3. By June 30, 1990, the Alaska State Legislature and the Governor should allocate funds for start-up and operational costs for Neighborhood Housing Services in the state. This fund should be matched by Neighborhod Housing Services of America and Neighborhood Reinvestment Corporation of America, on a four to one match.

4. The state should review the Resolution Trust Corporation (created by the federal savings and loan legislation) for use as an additional source of housing funds.

Policy Statement #13

It is the policy of the State of Alaska that housing in the state should meet specific quality standards.

Action Plan:

1. The state should adopt building codes and allow for regional differences and amendments.

2. The state should adopt more stringent contractor licensing requirements. By June 30, 1990, the Alaska State Legislature should pass Senate Bill 72, or other appropriate legislation, to strengthen residential contractor licensing requirements. Those requirements should include continuing education.

3. In accordance with federal guidelines, the state should establish a state licensing or certification program for real estate appraisers by January 1, 1991.

4. The state should actively lobby for and support the financing of affordable housing in rural areas under federal programs such as HUD's Mutual Help program, the BIA's Housing Improvement Program and the Department of Energy's Home Energy Program. However, the structure and management of these programs should be closely reviewed by the federal government and revised, where necessary.

5. State agencies should not fund the financing of existing substandard housing, with the following exception:

   If the existing structure currently has a state financed mortgage and meets standards #1-4 of the definition of "substandard"; the size requirement will be waived.

6. The state should continue to support the Home Weatherization program, which is primarily funded by the federal government.

7. The Alaska State Legislature should enact legislation to restore clear legal authority for the implementation of appropriate minimum thermal standards, based on regional differences, for newly constructed state-financed housing.

Housing Task Force Report

STABILIZATION OF THE HOUSING MARKET

prepared for Governor Cowper and
the Alaska State Legislature
by the Housing Task Force of
the Alaska Housing Market Council

March 1988

Executive Summary

Recommendations and suggested actions contained within this report have been grouped into the categories listed below. The order of categories does not necessarily reflect their order of importance. Within each category, there are recommendations which may be as equally important to stabilization as those contained within other categories.

A. REDUCE HOUSING SUPPLY.

Action: Direct AHFC to fund projects making use of institutionally owned housing for public purposes. These projects should be funded either from their reserve account or by use of their bonding ability.

Action: Identification of eligible properties statewide, for purposes of demolition, should be accomplished through cooperative efforts of the Alaska Housing Market Council and the largest investor in the market, the Alaska Housing Finance Corporation.

Action: Develop a mechanism to hold property off the market.

B. INCREASE DEMAND FOR HOUSING.

Action: All mortgage loan agencies should provide clear and consistent loan guidelines which are no more restrictive than those of the national, secondary investors and/or insurers.

Action: Where there is more than one institution involved in the approval process for offers and loan commitments, a system of delegation must be developed so that only one institution, such as AHFC, is authorized to make that approval.

Action: Investors should remove the down payment restrictions on assumptions through negotiations with bond holders and insurers, if necessary.

Action: The legislature should amend the statutes so that an Alaskan resident can obtain an additional mortgage loan while maintaining another loan financed through a state agency.

Action: AHFC should be directed to relax the current owner-occupancy ratios for condominiums.

Action: Trades of properties should be utilized, wherever feasible.

Action: The State of Alaska, through a public relations effort, should encourage other participants to enter the Alaska mortgage loan market.

Action: The legislature should amend the delinquency rate ceilings for state investors.

C. DECREASE DELINQUENCIES AND FORECLOSURES.

Action: Investors should provide more flexibility in, and the increased use of, modification, refinance, or forbearance plans.

Action: Legislation should be enacted requiring investors to provide an opportunity for borrowers to apply for assistance prior to the initiation of foreclosure proceedings, taking into

consideration the unique problems inherent in the effects of condominium foreclosures.

Action: Investors should set and enforce guidelines requiring seller/servicers to provide in-state personal contact for borrowers in distress.

Action: Funding should be provided to the Alaska Housing Market Council's Mortgage Information and Referral Hotline to provide a toll free number for residents outside of the Anchorage area.

Action: Investors and mortgage insurers should help fund for, and provide early referrals to, mortgage and credit counseling programs.

Action: Local and state government should encourage investors to maintain and repair abandoned and REO housing. They should also mitigate the impact of housing abandonments through community education and "neighborhood watch" type programs.

D. EDUCATE MARKET PLAYERS.

Action: The legislature should continue funding for the provision of information and education on housing and mortgage loan issues.

Action: The State of Alaska should provide complete and accurate information on the status of the state housing market through regular compilation and publication of relevant data.

Action: The public and private sector should prepare a public relations campaign to educate the public on housing issues.

The housing market in Alaska first showed signs of excess supply as early as the 1983 construction season when housing starts set an all time high. Construction in the low end of the market, for condominiums and zero lot lines ($60,000 - $90,000), led the market saturation.

There was little control exercised by lenders and investors on the type, number, or quality of units built. The inability or unwillingness to measure market demand disguised potential saturation, while a generally buoyant economy concealed the depth of the pending problem.

Home buyers, encouraged by annual appreciation on residential real estate in the 12-18% range, began to view homeownership as a high yield investment instead of a method for providing shelter. Alaska's traditionally high wages and salaries gave comfort to both buyers and lenders that homeowners would always be able to make their monthly mortgage payments.

These attitudes and practices collided with the dramatic drop in the per barrel price of oil in early 1986. The immediate loss of one billion dollars by the State resulted in a dramatic decline in publicly funded construction, local government revenue sharing, mortgage loans, and a host of other mechanisms which had driven the Alaska economy for five years of record growth. Alaska entered an economic recession.

The housing market showed immediate signs of the recession. Delinquency rates mounted as homeowners struggled to keep up mortgage payments based on previous earnings. Lenders and investors tightened up the

RESIDENTIAL MORTGAGE LOANS IN ALASKA: DECEMBER 31, 1987

	Number of Loans Outstanding	Unpaid Principal Balance ($ in millions)	Number of Loans Delinquent or in Default	Unpaid Principal Balance ($ in millions)	Delinquency Rate (a)	Number of REOs	Value of REOs ($ in millions) (b)
AHFC (Active Loans)	45,859	$3,905.5	6,981	$597.1	15.2%	3,687	$215.9
AHFC (Total Loans Owned)(c)	50,646	4,140.2	6,981	597.1	13.8%		
DCRA-HAD	1,376	140.1	82	12.4	6.0%	44	3.9
AK Permanent Fund	225	37.2	20	3.3	8.9%	24	2.8
AIDEA/Division of Invest.	1,518	64.9	116	5.9	7.6%	6	0.4
State Res. Energy Loans (d)	1,082	2.5	97	1.2	9.0%	n/a	n/a
AIDEA multi-family residential loans (e)	13	11.5	7	8.6	53.8%	0	0.0
Alaska Pension Funds (f)	NA	NA	NA	NA	NA	NA	NA
FNMA (g)	5,605	421.4	886	66.6	15.8%	498	43.4 (h)
FHLMC (i)	5,648	519.1	421	40.2 (j)	7.5%	79	25.1
FHA-Insured (k)	11,864	1,128.1	1,453	138.0 (l)	12.2%	948	90.0 (l)
VA-Guaranteed (m)	4,674	376.3	449 *	36.1 (n)	9.6%	391	23.4 (o)
Farmer's Home Admin.	1,270	75.1	104	7.8 (p)	8.2%	146	10.4 (q)
MGIC (r)	n/a	n/a	n/a	n/a	n/a	137	6.5 (s)
TOTALS	83,921	$6,916.4	10,616	917.2	12.6%	5,960	$421.8

* Alaska Housing Market Council estimate n/a - Not applicable NA - Not available

(a) - Determined by dividing "number of loans delinquent or in default" by "number of loans outstanding".

(b) - Most entities determine this value to be the unpaid principal balance of the loans on the properties forclosed.

(c) - This figure reflects the total number of loans "owned". It includes active loans, REO loans, and loan insurance receivables.

(d) - State Residential Energy Loans are not mortgage loans but reflect second or third mortgages.

(e) - These loans are commercial loans, but affect residential markets. The delinquency rate is a better reflection of the commercial market than the residential market.

(f) - No reliable estimates available.

(g) - AHMC estimate of FNMA loans not held by AHFC on December 31, 1987 based on available information.

(h) - FNMA estimate of market value. Based on 61% of original property appraisal.

(i) - AHMC estimate of FHLMC loans not held by AHFC on December 31, 1987 based on available information.

(j) - Figures based on average loan balance of $95,500.

(k) - AHMC estimate of FHA-insured loans not held by AHFC on December 31, 1987 based on available information.

(l) - Based on average loan balance of $95,000.

(m) - AHFC estimate of VA-guaranteed loans not held by AHFC on December 31, 1987 based on available information. UPB is based on average outstanding loan balance.

(n) - Based on average loan balance of $80,500.

(o) - VA estimate of market value. Based on average asking price of listed properties.

(p) - Based on Farmers' Home Administration estimated average balance of $75,000.

(q) - Farmes' Home Administration estimate of market value.

(r) - MGIC is a mortgage insurance company, they do not purchase loans. However, they do aquire property in settling insurance claims.

(s) - MGIC estimate of market value. Based on 66% of aquisition value.

money supply and began to apply the most conservative interpretation to lending requirements.

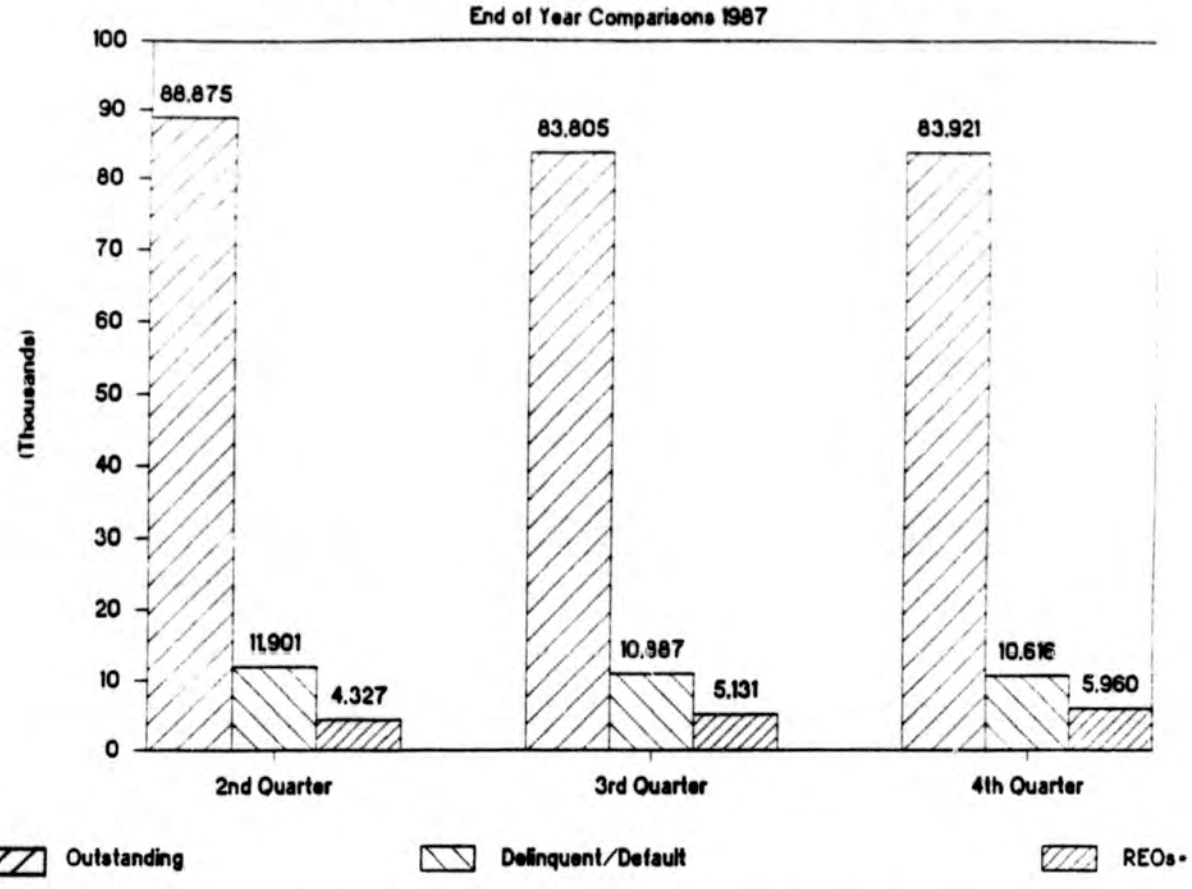
The subsequent decline in population, combined with tighter lending policies, contributed to the reduction in housing demand. The level of prices fell as the surplus developed. Some homeowners saw the value of their homes drop by as much as 40% in just two years.

It is this series of events which led to the formation of the Alaska Housing Market Council by Governor Steve Cowper. In an effort to provide the public sector, private sector, and policy makers with direction in bringing positive change to the housing market, three regional task force groups were formed. These groups, representing Interior, Southeast, and Southcentral Alaska, consisted of knowledgeable individuals familiar with the housing market.

Recommendations contained within this report are oriented towards urban areas. The task forces recognized the differences between urban and rural areas; they felt that recommendations for rural areas would best be dealt with through the rural housing report funded by the 86-87 legislature. That report will be released by the Department of Community and Regional Affairs by the end of March, 1988.

The State of Alaska may need to approach these problems and solutions differently according to regions. There has been some discussion that a mistake of the past may have been the manner in which we treated all urban areas of the state the same. It makes no sense to establish a program for demolishing condominiums in areas of the state where there is no excess supply of condos. The criteria for consideration in diverse areas should center around the status of the market components in that region.

Residential Mortgage Loans in Alaska



Source: Alaska Housing Market Council, Year End Residential Mortgage Loan Report, March 1988.

*Does not include private lending institutions.

It is essential to understand the interdependency of public and private interests in the housing market to be able to assimilate the recommendations contained in this report.

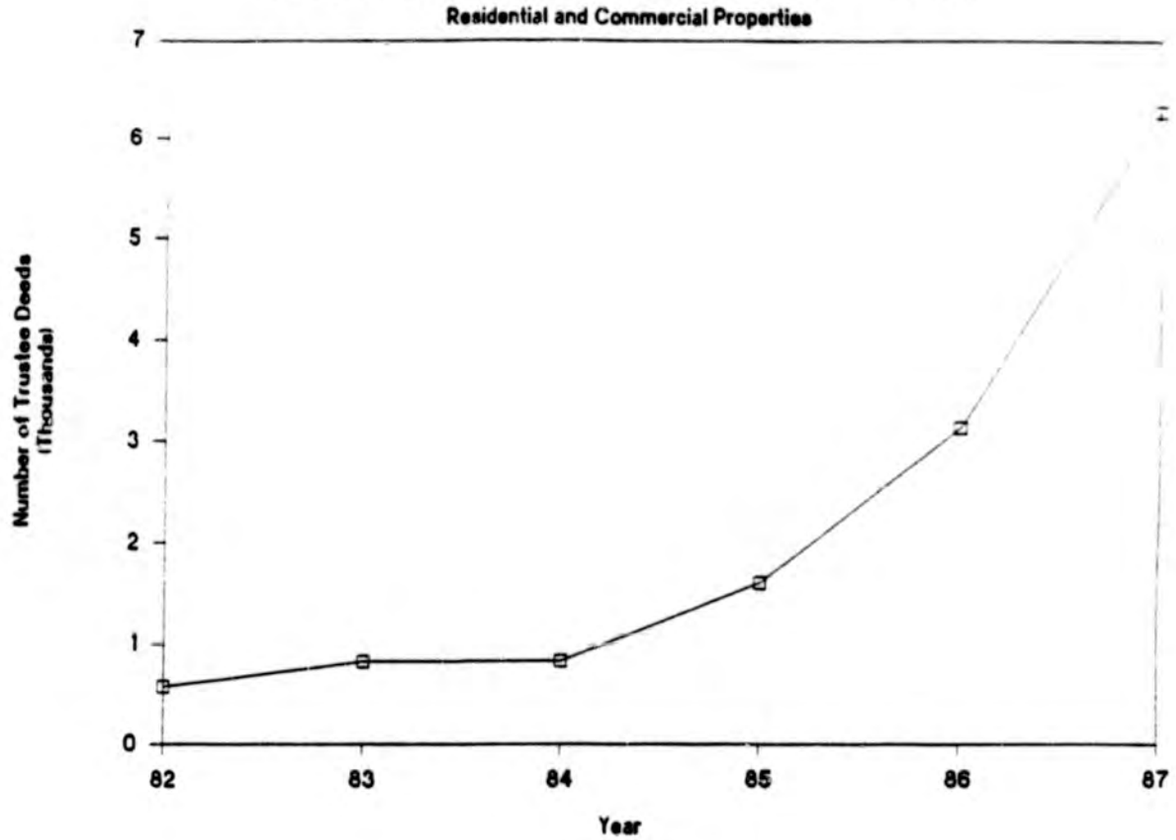
While some of the suggested actions may stand alone, these recommendations are presented as a package designed to achieve market stability.

Many people who call for change may not be aware of the control outside interests may have upon the state's housing interests. Mortgage insurers from outside the state are an integral part of the mortgage industry in Alaska. It is these groups who are, at this time, taking the financial losses on residential real estate in Alaska. Oftentimes, bond holders and mortgage insurers must agree to changes in existing loans.

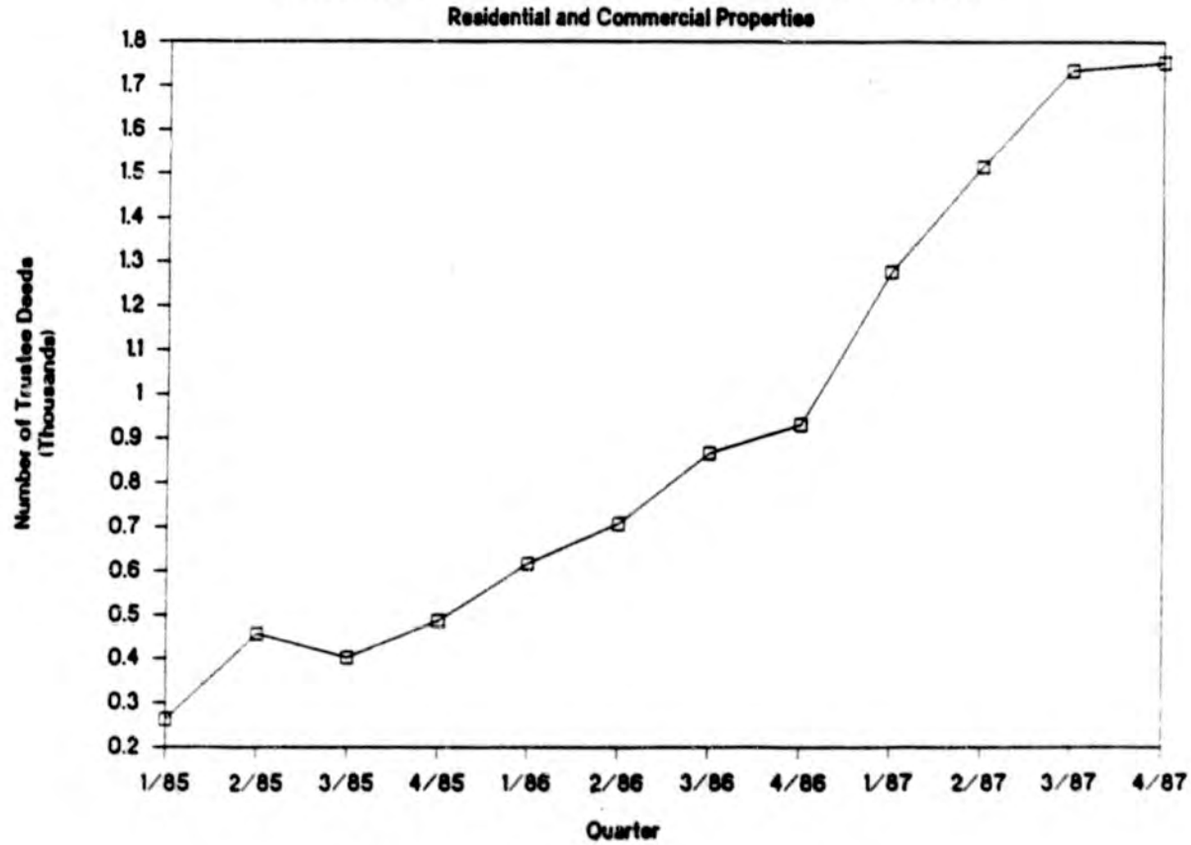
It's important, however, that a positive attitude prevail when considering recommendations and possible action plans. Oftentimes, when there are roadblocks such as contracual provisions which would make it difficult to achieve a solution, we find that negotiations and cooperation may be the keys to attaining that goal. The HOAP program, recently introduced by the Alaska Housing Finance Corporation (AHFC), is a good example of that. Many parties had to agree to changes: AFHC; the Federal National Mortgage Association (FNMA); the Mortgage Guaranty Insurance Corporation (MGIC); private mortgage insurers; and bond holders.

As there is no one cause for the current market condition, there is no one solution. All sectors of the Alaskan economy must share the responsibility for returning the housing market to a stable condition.

Foreclosures Statewide: 1982 - 1987



Foreclosures Statewide: 1985 - 1987



Source: Motznik Computer Services, Anchorage, Alaska.

Recommendations

A. REDUCE HOUSING SUPPLY

1. **Make institutionally owned housing available for public interest use, such as student, elderly, low-income, developmentally disabled, mental health and transitional housing.**

   The housing most conducive to this use would be multi-family housing. Smaller projects could make use of tri-plexes and fourplexes, while condominiums might be converted for larger projects. Conversion, however, becomes a complex issue with the use of condominiums, as there are numerous private and institutional owners involved.

   It should be stressed that the purpose behind this recommendation is to decrease supply on the private market for use in regards to the public good, while minimizing competition with private owners.

   ACTION: Direct AHFC to fund these projects either from their reserve account or by use of their bonding ability.

2. **Develop and initiate plans for the demolition of institutionally owned properties (REOs or OREOs) which are unsafe and/or substandard in quality.**

Demolition of these REOs should be limited to types of housing in which an excess supply is predicted in the market for at least five years. The most likely buildings are particular condominium projects which are not presently in demand, where individual owners are anxious to vacate, and where the quality of construction does not meet present codes.

To accomplish this goal, it's incumbent upon the public and private sector to work with mortgage insurers in determining that financial losses taken today will be mitigated by future stabilization of the market.

ACTION: Identification of eligible properties statewide should be accomplished through cooperative efforts of the Alaska Housing Market Council and the largest investor in the market, the Alaska Housing Finance Corporation.

3. **Develop a mechanism, where appropriate, to hold property off the market and reduce holding costs through the consolidation of properties into a consortium such as a "bridge bank" or Real Estate Investment Trust (REIT).**

This concept was introduced during the time that the regional task forces had completed their meetings. Members of the combined task force chose not to recommend any particular mechanism.

This recommendation reflects the concern that there has been a lack of coordinated efforts in the management of these properties and that there is a critical need for an orderly release of residential REOs into the market.

To be successful, without creating a financial burden, this recommendation would need the extensive cooperation of mortgage insurers. It is also important that the financial costs of any of these plans would not rest entirely on the shoulders of the state.

ACTION: The action plan will differ depending upon the mechanism used. If the state were to become involved in the bridge bank, then enabling legislation, accompanied by a fiscal note, would be appropriate.

4. **Any cooperative program, developed for the disposal and utilization of REOs, should provide a balanced approach in regards to both the rental and the sales market.**

Numerous solutions to stabilization of the market have been offered by public and private interests;

some of those solutions may benefit one sector of the market while adversely affecting other sectors.

ACTION: Prior to creating or modifying housing policies or mortgage loan programs, the State of Alaska should perform a cost/benefit analysis in regards to both the rental and the sales market.

B. INCREASE DEMAND FOR HOUSING

1. **All mortgage loan agencies, particularly Alaska Housing Finance Corporation (AHFC), should provide clear and consistent loan guidelines which are no more restrictive than those of the national, secondary investors and/or insurers.**

Task force members recognize the need for agencies to conform to national guidelines, yet there is concern that this is not the opportune time to create more restrictive regulations than those which have been used in the past. With tighter restrictions, the market may stagnate from lack of activity.

Consistency is crucial in this market so that lenders, real estate professionals, purchasers and sellers may be reasonably certain that they will know whether or not a loan will be approved by

investors, such as AHFC. If there is no way to predict eligibility, then many months have been wasted by all parties involved. The purchaser may become disillusioned by the system and the sale is cancelled. This is a scenario which is not uncommon.

ACTION: AHFC, where practical, should seek affiliations with secondary investors with guidelines which are no more restrictive than those in the past. The staff of state agencies involved with mortgage loans should be directed to be consistent and clear with their loan guidelines. Management should be held accountable for inconsistencies in their programs.

2. **All mortgage loan agencies, particularly AHFC, should take whatever action is necessary to provide for a more timely response to all routine business matters.**

The process whereby offers to purchase REOs are approved is often delayed for an extensive time while all parties involved must "sign off" on the approvals. This is also the case, sometimes, in the approval for the loans to purchase the REOs. Improvements in this cumbersome system are being initiated, but sometimes at a slow pace.

One may find that the investor, the private mortgage insurer, and the pool insurer must all agree on just one offer. The ball is sometimes thrown back and forth between each one's court

until all parties involved have hammered out a mutually agreeable settlement.

ACTION: Where there is more than one institution involved in the approval process for offers and loan commitments, a system of delegation must be developed so that only one institution, such as AHFC, is authorized to make that approval.

3. **Lenders and investors should remove restrictions to the straight assumption regulations which require down payments from otherwise qualified borrowers, when possible under existing contractual provisions.**

There are many people whose homes are for sale and who, due to their inability to pay, will most likely lose that home through foreclosure should the home not sell. Meanwhile, there are potential borrowers who are well qualified to assume the monthly mortgage payments, but who do not have the necessary 5% or 10% down payment required by regulation. The public might be better served by approving the "no money down" loan of this potential borrower. The seller then is not a victim of foreclosure, the investor will receive reliable payments, the mortgage insurer has incurred little or no loss, and there is one less house in the burdensome REO portfolio of the investor.

ACTION: Investors should remove the down payment restrictions on assumptions. If existing contractual agreements prevent this, then the investor should attempt negotiations with either bond holders and/or insurers to affect change.

4. **The number of loans an individual can receive from AHFC should be increased for a three year trial period.**

Recognizing that this recommendation may be relevant and advisable in today's market but not necessarily in the future, the task force has placed a definite time period on this solution. It is not the intent of the task force that AHFC should subsidize interest rates of people seeking investment properties.

This should be used in situations, for example, where a family has outgrown their home or where they find themselves moving to another Alaskan community in order to find work. Those people should be allowed to rent their homes, until they sell, and still be permitted to purchase a home either in a different community or upgrade within the same community. This would stimulate the market and not be punitive, particularly to those who are forced to leave their community to support themselves or their families.

ACTION: The legislature should amend the statutes so that an Alaskan resident can obtain an additional mortgage loan while maintaining another loan financed through a state agency.

5. **Investors should relax current owner-occupancy ratios for condominium mortgage loans.**

Condominium owners find themselves caught in the vicious cycle of condo foreclosures. With each foreclosure, the owner occupany ratio decreases. There are few condominium groups which then qualify for FHA or AHFC approval because they can no longer meet the owner occupancy minimums. The cycle begins when this makes it impossible for a condo owner to sell; subsequently, they lose their unit to foreclosure - bringing the ratios down further.

ACTION: AHFC should be directed to relax the current owner-occupany ratios for condominiums. If contractual agreements prevent this, then AHFC should initiate negotiations to accomplish this goal.

6. **Trades of property should be utilized wherever feasible.**

This is a difficult and complex issue which, if effective, will require that AHFC take some direct

losses. To merely allow someone to trade up and add the negative equity from the first home onto the mortgage balance on the second home is a noble approach, but it's not likely that anyone will pursue this option nor can they afford to do so.

A proposal has been presented to the legislature whereby all parties involved would agree to absorb a portion of the financial loss which would result from a trade.

ACTION: The legislature should approve enabling legislation and direct AHFC to provide for a trade program where the owner, AHFC, and the mortgage insurer all absorb a portion of the financial loss created by a trade.

7. **The entry of new lenders, investors and mortgage insurers into Alaska should be encouraged to increase financing options.**

Without alternatives, it will become more and more difficult for the public to obtain mortgage loan financing which is not heavily restrictive.

ACTION: The State of Alaska, through a public relations effort, should encourage other

participants to enter the Alaska mortgage loan market.

8. Delinquency rate ceilings should be increased for loans through the Alaska Industrial Development Authority (AIDEA), the Public Employees Retirement System (PERS), and the Teacher Employees Retirement Systems (TERS).

AIDEA's 2% ceiling mandates that lending institutions with a delinquency rate exceeding 2% may not participate in AIDEA's loan program. There are very few lenders in the state who now qualify to work with AIDEA; even the more conservative lenders have exceeded the low rate of 2%.

ACTION: The legislature should amend the delinquency rate ceilings for state investors.

C. DECREASE DELINQUENCIES AND FORECLOSURES

1. Investors should provide more flexibility in, and the increased use of, modification, refinance, or forbearance plans.

This recommendation addresses not only the need for improvements in these plans, but also the need for changes in attitudes. This is not

restricted only to investors; seller/servicers and mortgage insurers also need to make a concerted effort to encourage use of these plans so that the rising tide of foreclosures can be slowed.

ACTION: The state agencies providing mortgage loans should provide an example to the private sector through their attempts to keep people in their homes, if at all financially feasible.

2. **Investors should be <u>required</u> to allow delinquent borrowers an opportunity to apply for a modification, refinance, or forbearance plan prior to any initiation of foreclosure proceedings, provided that the borrower has not abandoned his/her property.**

It is crucial, at this time, that unnecessary foreclosures be halted. Some foreclosures need not occur if the homeowners involved have an opportunity to seek help before they are beyond any chance of being helped.

In the case of condominium owners, the investor should include delinquent association fees in any modification, refinance, or forbearance plan. Additionally, special timelines may need to be enforced on applications for condo owners, since other owners in the condo group are effected by prolonged foreclosure proceedings.

ACTION: Legislation should be enacted requiring investors to provide an opportunity for borrowers to apply for assistance prior to the initiation of foreclosure proceedings, taking into consideration the unique problems inherent in condominium foreclosures.

3. **Seller/servicers should provide trained, consistent, and centralized staffing to assist borrowers in danger of default or delinquency. Said staff must be located within the state of Alaska.**

All investors, including those out of state, should be encouraged to set clear guidelines regarding availability of personal contact for servicing agreements; they should enforce those guidelines.

Lack of consistency by seller/servicers creates a nightmare for borrowers. It's important that their staff be trained and constantly updated concerning changes in loan programs or modification/refinance/forbearance plans.

ACTION: Investors should set and enforce guidelines requiring seller/servicers to provide in-state personal contact for borrowers in distress.

4. **The State of Alaska should expand the existing Mortgage and Information Referral Hotline, operated by the Alaska Housing Market Council (AHMC), outside of the Anchorage area- particularly to Juneau and Fairbanks.**

Communities outside of Anchorage do not have equal access for help, considering the costs of an in-state long distance phone call. This recommendation would entail one of two approaches: either open small offices in these communities or provide funding for a Zenith line for the Hotline.

ACTION: Funding should be provided to AHMC to finance the costs of a Zenith number which can be accessed statewide.

5. **Investors and mortgage insurers should encourage the development of statewide mortgage counseling programs and promote early referrals for borrower counseling.**

Early counseling of borrowers can sometimes make the difference between foreclosure and someone staying in their home. Combining mortgage and credit counseling provides a holistic approach to a person's financial situation. It's important that counselors be permitted and encouraged to negotiate directly with investors on behalf of the borrowers.

ACTION: Investors and mortgage insurers should help fund, as well as provide early referrals to, mortgage and credit counseling programs.

6. **The maintenance of abandoned and institutionally owned homes should be encouraged.**

ACTION: Local and state government should encourage investors to maintain and repair abandoned and REO housing.

7. **Local and state government should mitigate the impact of housing abandonments through community education and "neighborhood watch" type programs.**

There are residual effects for neighborhoods when people abandon their homes. Deterioration of these abandoned homes can reduce the value of other homes in the area. The costs to the investor or mortgage insurer can be extensive for homes abandoned, particularly in the winter.

ACTION: See recommendation.

D. EDUCATE MARKET PLAYERS

1. **The Alaska Housing Market Council (AHMC) should continue to provide information and education on housing and mortgage loan issues to the public and to state decision makers.**

ACTION: The legislature should continue to fund Alaska Housing Market Council activities.

2. **The State of Alaska should provide complete and accurate information on the status of the state housing market through regular compilation and publication of relevant data.**

ACTION: See recommendation.

3. **Lenders, investors and the State of Alaska should educate the public on the short and long-term effects of homeownership, particularly in regard to housing being viewed as a necessity rather than a "high yield" investment.**

ACTION: The public and private sector should prepare a public relations campaign to educate the public on housing issues.

Task Force Meetings Summary

1987 Hearings

Dates	Location	Attendance	People Testifying
Nov. 17	Fairbanks	55	16
Dec. 10	Juneau	46	18

1987 Workshops

Alaskaland Civic Center
Fairbanks
November 21, 1987
(70 people attending)

Panelists:

William Beistline
President
Beistline Contruction

Audrey Foldoe
Associate Broker
ERA Meyeres Real Estate

Carrie Garner
Assistant Vice-President
Alaska State Bank

Myra Hollibough
Director
Consumer Credit Counseling

Taija Hoopes, Vice-President
Mortgage Loans
National Bank of Alaska

Barbara Johnson
Mortgage Loan Officer
Key Bank of Alaska

Centennial Hall
Juneau
December 12, 1987
(45 people attending)

Panelists:

Randy Crewse
Sales Associate
Century 21 Real Estate

Myra Hollibough
Director
Consumer Credit Counseling

Debra Ingman
President
Appraisal Assoc. of Juneau

Karen King, Vice President
Mortgage Loans
Alliance Bank

Amanda Richardson
Sales Associate
The Home Team

Frank Seiersen, Manager
Alaska USA Federal
Credit Union

Fairbanks (cont'd)

James Lentine
Vice President
Coldwell Banker Real Estate

Barbara Van Ness
Associate Broker
Remax Inc. of Fairbanks

Gary Roderick
Vice President
National Bank of Alaska

Peter Wielgos
Claims Specialist
Mortgage Guaranty Insurance
Corporation

Juneau (cont'd)

Joyce Tisch, Assist. Vice
President, Mortgage Loans
Alaska Federal Savings & Loan

Peter Wielgos
Claims Specialist
Mortgage Guaranty Insurance
Corporation

Task Force Meetings

Interior:	Southcentral:	Southeast:
1987		
October 22	November 12	October 26
November 5	November 24	November 5
November 19	December 7	November 19
December 3	December 22	December 8
December 17		
1988		
January 7	January 12	January 14
January 21		

Statewide Combined Task Force Meeting

On February 11, 1988, two members from each of the regional task forces met in Juneau, with the Executive Director of the Alaska Housing Market Council, to finalize recommendations.

Profiles of Task Force Members

Interior Housing Task Force

Joseph M. Beedle
Currently employed as Senior Vice President with Key Bank of Alaska with 14 years of banking experience; earned Bachelor's in Business Administration with honors from the University of Alaska-Fairbanks and post graduate work at University of Washington-School of Business; member of State Chamber of Commerce Board, Fairbanks Memorial Hospital Finance Committee, Fairbanks City Revenue Task Force, and the Alaska and American Bankers Assoc., and the American Institute of Banking; serves as advisory chair of Fairbanks Community Research Center, vice pres. of UA Alumni Board, and vice pres. of Tanana Valley United Way Board.

Erma Belz
Currently Fairbanks Project Coordinator for Foster Grandparent Program, Senior Companion Program, and retired Senior Volunteer Program; continues to serve as a senior advocate; resident since 1971; member of National Association of Foster Grandparents Program Directors, Borough Mayor's Council on Economic Policy, Arctic Alliance for People, Tanana Valley United Way Agency Director Association, and Interior Alaska Elder Abuse Task Force; selected 1987 Member of the Year for the American Association of Retired Persons.

Lucy Carlo
Information unavailable.

Audrey Foldoe
Currently employed as Associate Broker and Sales Manager with ERA Meyeres Real Estate; 12 years experience in the real estate field; Alaskan resident for 32 years; previously partner in residential construction company; first female licensed carpenter in Alaska; president-elect of the Greater Fairbanks Board of Realtors, past chair and present board member of the Alaska Mechanical Contractors Ladies Auxiliary of Fairbanks; former chair and present member of the Fairbanks North Star Borough Planning Commission.

Nanci Jones
Employed with the Fairbanks North Star Borough as an Internal Auditor; previously with KMG Main Hurdman, a public accounting firm; graduate of the University of Alaska in Fairbanks with a Bachelor's Degree in Business

Administration; 15 year resident and homeowner for over 13 years; member of Internal Auditor Association, Alaska Society of Independent Accountants, Board of Foundation for Preschool Education; president-elect for Fairbanks Quota Club.

Dan Leland

Currently Vice-President at Alaska Title Guaranty Agency where he has been employed since 1979; seventeen years of title industry experience; holds an AA degree in Liberal Arts; charter member, current board member and past president of Interior Building Assoc.; past treasurer and vice president of Interior Mortgage Assoc.; member of Alaska Land Title Assoc., Education Committee of the Chamber of Commerce, Budget Committee of the United Way; currently Executive Board member with Council of Boy Scouts of America - Midnight Sun.

Brian Rogers

Currently employed as Vice President of Finance with the University of Alaska statewide system; 18 year resident and 15 years as a homeowner; Master's Degree in Public Administration from the Kennedy School of Government at Harvard University; former member of the Alaska House of Representatives for two terms; vice chair of Governor Cowper's budget transition team; has been active in numerous community organizations.

Josephine Violett

Presently the Project Office Manager for the Section 8 program with the Alaska State Building Authority (ASBA); helped facilitate the Birch Park renovation move; employed with ASBA for 5 years; experience with low-income housing and landlord-tenant issues; previously employed with the Fairbanks Daily News Miner in Classified Advertising where she dealt with real estate; 12 year resident.

Southcentral Housing Task Force

Bob Arwezon

Licensed Real Estate Salesperson and Associate Broker for 22 years; graduate of Bowdoin College, in Maine, with a Bachelor of Arts degree - major in Economics and minor in Education; resident of Alaska for 26 years; currently serves as the treasurer of the Alaska Association of Realtors; past president, director, and secretary of the Anchorage Board of Realtors; served many years on realtor legislative and political affair committees.

Rick Barrier

Currently the general partner in Malaspina Properties and a partner with them for seven years; President of Alaska Technology - business consultants and builders; active in real estate investments; holds a

Bachelor of Science Degree from Yale University and a Master's in Business Administration from Stanford University; 17 year resident of Alaska; president of the Alaska Trailer Court Association.

Fred Ferrara

Presently a Real Estate Appraiser and Consultant; has the largest firm statewide in appraisal and business consulting; independent appraiser for twenty-two years; active in Society of Real Estate Appraisers National Board of Governors; member of the Board of Directors Home Builders Association of Alaska; instructor with the University of Alaska for 13 years; lectures and instructs various seminars locally and nationally; holds a Bachelor of Arts Degree in Management from the University of Alaska.

Rob Gamel

Currently the Southport Project Director for Carr/Gottstein Properties; president of Alaska State Homebuilders Association; former president of Building Industry Association of Anchorage; chairman of Governor Sheffield's statewide task force on housing; active in home building industry for twelve years; holds a Bachelor of Science Degree from Alaska Methodist University in Economics; born and raised in Alaska.

Mike Hanley

Presently the Vice President of Corporate Banking with Rainier Bank Alaska; sixteen years of experience in banking; holds a Bachelor of Arts Degree from State University (New York) in Business Administration; member of Alaska Mortgage Bankers; member of Anchorage Neighborhood Housing Service and serves on their Lending Committee for Residential Housing and Commercial Loans.

Carol Jackson

Currently employed as President of First Alaska Management Services, Inc.- the first housing consumer counseling agency funded by HUD in the State of Alaska; a licensed real estate agent; previously a property manager for four years specializing in condo units; prior work as an Underwriter Project Review Specialist with Alaska Housing Finance Corporation; 27 year resident of Alaska Business Management Courses from Alaska Pacific University.

Ann Marie Lindboe

Presently a Loan Examiner for the Housing Assistance Division of the Department of Community and Regional Affairs; prior work in the mortgage area with a local lender for two years; holds a Bachelor of Science Degree in Business Administration, with a major in Business Management; member of Mortgage Bankers Association and Rotary Club serves on Education Committee.

Gil Lulay

Member and past president of Community Associations Institute, Alaska Chapter; first Alaskan candidate for the Professional Community Association Manager; licensed real estate agent; involved with managing 35 condo associations and advised on 65 condo associations; prior owner of a contracting business; prior work as a Federal Grants Manager, City of Portland; served on Advisory Committee for Downtown Plan; holds a Masters Degree and has a year of law school from Lewis and Clark Law School.

Ron Moore

Broker and Co-Owner of Freedom Realty with 10 years of real estate experience; past positions include president of Alaska Association of Realtors, member of National Association of Realtors, member of Kenai Builders Association and Real Estate Instructor for Alaska Association of Realtors; graduate of Kenai High School; cum laude graduate with a Bachelor of Arts Degree in Accounting from the University of Alaska; a Certified Commercial Investment Member; Alaska resident since 1952.

Kay Murphy

Presently Vice President of Real Estate Loan Administration in charge of Alaska Mortgage Production with Alliance Bank; 1987-88 President of Alaska Mortgage Bankers Association; member of Board of Directors for AMBS since 1985; previously worked for 6 years as a Mortgage Department Supervisor with Alaska Housing Finance Corporation; 4 years as an Assistant Cashier in charge of Mortgage Loan Production with First National Bank of Anchorage; one year of college at Oregon College of Education; 1984 graduate of the School of Mortgage Banking through the Mortgage Bankers Association of America; numerous mortgage banking seminars and correspondence courses; Alaska resident for 18 years.

Cynthia Parker

Currently Executive Director for Anchorage Neighborhood Housing Services managing residential and commercial loans; an extensive background in housing and property management; previously manager for Housing Authority in Portland, Oregon; holds a Bachelor of Science Degree in Political Science & Planning post graduate studies in Business Administration; member of Anchorage Planning & Zoning Commission; past chairperson of Anchorage Platting Authority; resident of Alaska for 8 years.

Leslie Bogda

Fourteen year resident and homeowner for over eight years; past Director of Valley Women's Resource Center for 3 years; holds a Bachelor of Social Work Degree from the University of Alaska.

Southeastern Housing Task Force

Mary A. Cook

Presently Finance Director for the Finance Department, City of Juneau for four years; recruited for the above position from Olympia, Washington with 15 years of finance experience; holds a Bachelor of Science Degree from Washington State University in Business Administration and Accountirg; past executive board member of Government Finance Officers Association of the United States and Canada; past president of Washington Finance Office Association; served as liaison between state and national Organization of Government Finance Offices; received appointment from Mayor of Juneau to serve on AD Hoc committee of school funding.

Chris Foster

Broker and owner of The Home Team Realtor for 6 years; holds GRI designation; studied in Political Science at the University of Utah; currently president elect of Alaska Association of Realtor; chairperson of the Task Force for Alaska Real Estate Commission to propose recommendations to statue and regulations for change in 1985.

Deborah Ingman

A licenced realtor and owner of the Appraisal Associates of Juneau for 5 years; holds the designation Certified Review Appraisers; appraisal education obtained from American Institute of Real Estate Appraisers and Society of Real Estate Appraisers; appraisals done in 17 communities in Southeast Alaska; approved through all lending institutions, relocation companies, FNMA, FDIC, DCRA and AHFC; president of the Association of Professional Mortgage Women.

Karen King

Currently supervisor of Mortgage Loans at Alliance Bank; 12 years of mortgage banking experience; has a direct indorsement as underwriter for HUD loans; member of Juneau Association of Professional Mortgage Women and National Association of Review Mortgage Underwriters; an active member of National Home Builders; Alaska resident for 18 years.

Jerry Reinwand

Information unavailable.

Frank Seiersen

Currently Southeast Area Manager with Alaska USA Federal Credit Union; prior vice president, Juneau Regional Office for Alaska Federal Savings for 4 years; 14 years in Washington Mortgage Lending; 7 years with Savings and Loan in California; studied in the

executive program and completed the Mortgage Banking and Savings and Loan courses at Stanford University; studied Petroleum Technology in Executive Development for two years at University of Washington; active in Juneau Chamber of Commerce; director of Alaska State Chamber; past port commissioner for the Port of Douglas County Washington; member of Rotary Club; resident of Alaska since 1982.

Joyce Tisch

Employed with Alaska Federal Savings and Loan as Assistant Vice President; prior vice president Real Estate Loan Officer for B. M. Behrends bank in Juneau for over a year; chief of loan processing with Veterans Administration for 6 years; 15 years with Idaho First National Bank and was the first female real estate officer in the State of Idaho; previous experience as a Bank Real Estate Auditor; several courses in business school; president for two years Mortgage Women; affiliate member of Mortgage Women in Idaho; past member Bankers Association in Idaho; a resident of Alaska since 1981.

Ron Wendte

An appraiser with Wendte Services; fifteen years of appraisal experience in Southeast Alaska, previously mortgage banker with Alaska Federal Savings and Loan; holds a Bachelor of Arts Degree from the University of Montana; graduate studies at the University of Alaska Juneau; past member of House Special Committee on loans and Alaska Board of Regents; past president of Ketchikan Chamber of Commerce and Rotary Club.

Joe Wilson

Currently the Executive Regional Director of Tlingit for 5 years; previously with the Central Council Tlingit Indian Tribes of Alaska for 11 years; graduate of Shelton Jackson Junior College in Sitka, Alaska; member board of directors of Alaska Association of Housing Authority; past chairman of Sea Alaska Corporation; past president and chairman and current director of Goldbelt Corporation; born and raised in Alaska.

Alaska Housing Market Council

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Special thanks to the following consultants: Fiona Caitlund and Gordon Smith.

1988

CONFERENCE PAPERS

GOVERNOR'S HOUSING CONFERENCE

SEPTEMBER 23, 1988

ANCHORAGE, ALASKA

ALASKA HOUSING
MARKET COUNCIL

Governor's Housing Conference

September 23, 1988

Anchorage, Alaska

CONFERENCE PAPERS

These papers were prepared in response to a call for papers issued by the Alaska Housing Market Council, an advisory group to the Governor and Legislature. The opinions expressed in these papers are the authors' and do not necessarily reflect the positions of AHMC.

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Governor's Housing Conference
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CONFERENCE PAPERS

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The Alaska Real Estate Recession - 1984-1988 Lessons Learned

For
Alaska Housing Market Council
Written August 1988

by
G. Hayden Green
Professor/Real Estate and
Associate Dean
School of Business
University of Alaska Anchorage

been suggested that this statement should have been modified slightly. A more appropriate comment could have been, "I am putting my banker's money where my mouth is."

One of the most popular seminars offered in the last decade to the general public by real estate experts was titled, "How to Buy Real Estate for Nothing Down." Hundreds of individuals in Alaska took these courses at considerable expense and many of these students had the distinction of being some of the first to go broke when the economy turned down. We Alaskans now have a better understanding of the concept of leverage and have added to our vocabulary the term "reverse leverage." The same forces that can make you wealthy in an inflationary cycle can render you poor with equal acceleration in a deflationary market. If the reader has questions about this concept, direct them to the author of the "buying real estate for nothing down" concept, Dr. Lowary. He too has filed bankruptcy in the Florida Federal Court and is today much wiser than before.

Prior to the real estate crash, bank loan processors, real estate agents and mortgage insurance companies often explained to buyers of real estate that mortgage insurance premiums paid by the buyer was protection for the bank in the event the buyer defaulted on the loan, which somehow ultimately protected the buyer, giving the buyer a false sense of security that he/she was protected in the event of a foreclosure. We now know that the mortgage insurers will demand extensive financial information from the mortgagor to justify the foreclosure action. If the mortgagor fails to succeed to the mortgage insurer's demands for some restitution they are often forced into bankruptcy. Mortgage insurers have also scrutinized the underwriting standards and contractual agreements between themselves and the lenders. Where building quality has been substandard or in cases where mortgagors were approved for loans for which they did not qualify, banks have become the mortgage insurers.

Alaskans have learned a lot about the foreclosure laws in the past four years. Prior to 1987, most real estate professionals understood that lenders had the right to foreclose either judicially or non-judicially. Everyone also knew that banks almost never resorted to judicial foreclosure and the risk of owning real estate was the possible loss of equity invested (if any existed) in the event of a default. We now know that you can be sued on the note and/or foreclosed upon judicially or non-judicially and that banks will go after your property, garnish your income, try to seize your retirement accounts and file judgments against your children's educational funds. It seems that, under the facade of the "friendly banker," the big bad wolf has been lurking all along.

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

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The Alaska Real Estate Recession - 1984-1988 Lessons Learned

For
Alaska Housing Market Council
Written August 1988

by
G. Hayden Green
Professor/Real Estate and
Associate Dean
School of Business
University of Alaska Anchorage

THE ALASKA REAL ESTATE RECESSION: - 1984-1988
THE LESSONS LEARNED

by G. Hayden Green

Real estate text books have been around for over 100 years and many of the principles studied by contemporary students of real estate have survived the test of time. Students answer questions correctly about these principles on tests and professional real estate practitioners often respond with a condescending smile when queried about such concepts by amateur investors. Sometimes, however, the utter veracity of these concepts can only be firmly imbedded in the intellects by a swift and lethal blow to the wallet.

As in other fields of endeavor, it is a truism in real estate circles that experience is the best teacher. The higher the cost of the education, the greater the likelihood the student will remember it. This has been the philosophy of the Ivy League colleges for many years. Parents know that if they pay large sums sending their children to expensive schools, these children will have a greater opportunity for success, even if the children are only learning though osmosis. If this a priori assumption is correct, then many Alaskans are ready to sit for their doctoral exams.

The following text describes some of the principles and concepts that we Alaskans have a greater appreciation for in 1988 than we had in 1984. These principles have become so well understood by the present generation that the reader might question the necessity to restate them. Like the Ten Commandments these precepts are being recorded for our posterity. As Moses discovered, his generation and several generations to follow made the same mistakes many times over. Not even manna from heaven could enlighten the Israelites. It is, therefore, unreasonable to believe that oil from the ground will relieve the myopia of Alaskan real estate investors. We are destined to make some of the same mistakes again. Possibly, if we record these lessons enough times, future generations will profit from our painful and expensive experience induced education.

Probably the most classically erroneous statement uttered by an Anchorage real estate practitioner was in 1984 when a developer was quoted in the Anchorage Daily News as saying, " I believe the Alaska economy will continue to grow at this rate for the next 10 years and I am putting my money where my mouth is." One short year later this businessman filed for protection in the federal bankruptcy court. It has

been suggested that this statement should have been modified slightly. A more appropriate comment could have been, "I am putting my banker's money where my mouth is."

One of the most popular seminars offered in the last decade to the general public by real estate experts was titled, "How to Buy Real Estate for Nothing Down." Hundreds of individuals in Alaska took these courses at considerable expense and many of these students had the distinction of being some of the first to go broke when the economy turned down. We Alaskans now have a better understanding of the concept of leverage and have added to our vocabulary the term "reverse leverage." The same forces that can make you wealthy in an inflationary cycle can render you poor with equal acceleration in a deflationary market. If the reader has questions about this concept, direct them to the author of the "buying real estate for nothing down" concept, Dr. Lowary. He too has filed bankruptcy in the Florida Federal Court and is today much wiser than before.

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One of the most commonly heard phrases in Alaska in early 1985 was, "just send the keys to the bank." Then we learned that if you send enough keys to the banks soon there are no banks to which to send the keys. Alaskans have learned that, if you are going to default, it is best to default in the early stages of the recession. There are two types of real estate borrowers. (1) those who feel a strong moral obligation for their commitments and (2) those whose signatures mean nothing. The latter group quit making their payments to the banks at the first sign of trouble, milking rents from properties for as long as they could, and then giving the bank a deed-in-lieu of foreclosure while the experience of foreclosures was still a relatively new phenomenon. Individuals with a strong moral commitment for their obligations hung on long enough to see the banks change their policies and start suing mortgagors for every last drop of blood. Fortunately the latter class of mortgagors listed above now know or will soon know that debt relief is taxable income unless provided for through bankruptcy.

When times were good in the early 1980's, real estate agents often opted to take their commissions as partial assignments of deeds of trust to spread out their income and reduce their income tax obligations. When the market crashed, the brokerage community learned that a holder of a partial assignment of a deed of trust can not foreclose on their rights. Without a promissory note specifying to the contrary, the acceptance of the partial assignment in lieu of cash may relinquish the sellers obligation and brokers have learned that commissions can be lost long after they are earned.

"Where was the building inspector", is a question asked with considerable repetitiveness by members of the real estate industry in the past few years. Buyers of property, banks, and real estate agents have become the guarantors of substandard properties while the builders have moved on to apply their ineptness in other growth markets. We also now know that you can not hold the city responsible for incompetent building inspectors.

One of the many lessons learned in Anchorage during the last three years is that past prices do not always reflect future prices. Real estate is not always measured in linear dimensions. "But I had an appraisal" is a frequently heard exclamation offered by real estate owners. To many an embittered investor, one of the most frustrating deficiencies of the appraisal for which he/she paid hundreds or even thousands of dollars in 1984, is why the appraisal did not mention the over built conditions in the market and the possible eventuality of a market crash. Even more perplexing is why the same appraisers that recommended the projects that led to a severely over built market are still

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1614 SCOMM 60 HOUSING FINANCE TASK FORCE, 1989

on the lenders' approved appraiser list and are now being paid hundreds or even thousands more dollars to reappraise the same properties to settle deficiency judgment disputes.

There is an old saying that once a government program is put into place it can never be deleted. This aphorism has been solidified by recent experiences. In spite of the disastrous effect that the AHFC's mobile home financing program has had on the mobile home market and the devastation inflicted on the condo market by the HOAF program, both are still offered by the Alaska Housing Finance Corporation. Though these programs are not needed in today's market, they will be left on the books to recycle the same mayhem for our progeny.

We are also now aware that if a secondary lender's programs lead to an over built housing market, the lender can always find some university economist, for a fee, to attest that the lender's programs had no effect on the market. For an additional fee, the lender can even find some economist who will recommend that he convert condo's and sell them as low priced apartments, particularly if the lender does not hold mortgages on apartments, thus destroying someone else's portfolio while improving his own. The declaration, "It's every man for himself" becomes the lender's creed in a real estate recession.

In the early 1980's there was a loud public outcry for the state to spend money and create jobs, which of course is a laudable goal. Except, we created many of the wrong kinds of jobs. Many people that came to Alaska were attracted here to build the homes that they purchased and to work on short-term projects. Professional real estate analyst know that communities anticipating a volatile business cycle have options other than building new homes or building apartments to house transit employees.

One of the major causes of the housing market in Anchorage was the easy availability of money. We now know that if a secondary lender sets a upper-limit of $80,000 on a subsidized mortgage program, all condos in the area which were previously priced at a lower amount instantly gravitates to the upper-limit. If financing is attractive enough during short-term employment peaks, real estate agents will go door to door convencing apartment renters to become condo owners, builders will make the buyer's down payment, and under-writing standards are forgotten. At the first sign of a decline in employment these condo's become the property of the lenders and then the real estate community will spend hundreds of hours in conferences trying figure out what happened.

On several occasions the author has recommended that the current housing market could be helped by converting

multiple-housing projects to low rent project and to take advantage of the recession by instituting urban renew programs and studying the mistakes of the past to establish policies for the future. One of the lessons learned during the past two years is that once a housing recession starts the term "cooperation" disappears from many peoples vocabulary. It is next to impossible to get mortgage insurers, lenders, and government officials to coordinate to the extent necessary to affect positive change. One of the reasons for this lack of coordination is everyone wants to be the "knight who slayed the housing dragon".

In Alaska we have also learned that real estate markets do not just fall, they ratchet down. Each level of market rents and prices takes from six to eight months to adjust, and each time the market reaches one of these ratchet plateaus, someone declares that we have finally bottomed-out. Each price/rent plateau devastates the previous level, causing more foreclosures. Defaults and foreclosures on property previously purchased at foreclosure sales are not uncommon. Each time the lenders foreclose on property they put it back on the market at a reduced rate which results in another ratcheting of the market and more foreclosures. Each time the market ratchets down the mortgage portfolios of the lending institutions are appropriately discounted.

We also know that lenders will resort to predatory actions when they have their backs to the wall. When the market for commercial real estate has been sufficiently devastated to the point that no market exists, the lenders will ask the court to sell property upon which has been defaulted, and then submit the only bid, after which they ask the court to award a deficiency judgment against the bank's own minimal offer.

The question most frequently asked the faculty in the real estate department at the University of Alaska Anchorage is "Has any city every experienced a more severe real estate depression than the one being experienced in Anchorage today?" The answer is yes. These cities are known as ghost towns.

Another question that we frequently answer at the university for consumers, real estate agents, bankers, and economists is, "How low can the value of property drop? We now know that real estate can have a negative value. Take the example of rental property. When rents start falling, the first consequence is that cash flow to cover the return on equity is wiped out and the owner loses his/her equity. The second consequence is that cash flow to cover debt service is reduced or wiped out. The third consequence is that cash flow to cover operating costs and taxes is wiped out. The value of improvements to real estate can become

negative and land can have a negative value. The greater the liability of real estate ownership, the greater the negative value.

Real estate markets impacted by over inflating the economy and then followed by the sudden drop in oil prices are good reminders of sound cyclical investment principles: i.e. (1), concentrating on developing or purchasing quality real estate projects for retention, (2) fostering relations with strong tenants, (3) developing enough equity in retained properties to withstand cyclical price and rent declines and/or protect cash flows with long term rental contracts with strong clients, and (4) keeping an adequate amount of operating reserves or sources of cash flow through diversification to weather market downturns. One or more prime properties with a low mortgage-to-value ratio and strong tenants in the investor's portfolio can provide considerable stability for the long-term strategist.

The results of studies conducted at the University of Alaska Anchorage by the author suggest three possible operating strategies for the real estate investor operating in a market subject to economic volatility: (1) a short term strategy in which the investor plays the market swings, getting in and out at just the right time; (2) a long-term strategy where the investor concentrates on quality properties and accumulating cash reserves or a strong cash flow position through diversification to provide for continuity; or (3) a strategy which would include a combination of these two approaches. The investor could take advantage of the market swings, selling off some properties at the peak of the market, and keeping the best properties for long-term stability. This assumes that when the investor sells, he/she doesn't carry back financing or he/she may still be a long-term investor, getting the property back when the market turns down. The best strategy for lenders to protect themselves against sudden market swings is to forget the term, "If I don't make the loan someone else will."

Last, but certainly not least, we have also learned that the most frequently used real estate term in a severely depressed real estate market is "negative equity."

It is a timeless truth, not only in real estate concerns but in every area of life, that the events of the past are portents of the future. It, therefore, behooves Alaskan real estate practitioners to pay attention to past mistakes in order to divert similar occurrences in the future. This wisdom is no where more evident than in Harry Truman's assertion that "The only thing we don't know about the future is the history we haven't read."

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The Anchorage Housing Market

Problems and Solutions

Prepared for

The Governor's Conference on Housing

September 23, 1988

By

Connie Yoshimura
President

FORTUNE PROPERTIES

The Road To Recovery

With the average AHFC loss on a repossessed property now pegged at close to $50,000 and with suspected continued loss of population in the Anchorage bowl, the Anchorage real estate market remains in the eye of the hurricane. Those who have endured the precipitous decline of the real estate market have simply gotten used to the problem and so many think we have passed the brink of disaster. Nothing could be further from the truth. With AHFC delinquences of 120 days at 7%, that figure alone would indicate another 2,800 properties must be recycled, or double what the AHFC REO inventory already is. Given that the present economic conditions are not going to change in the immediate future, the work of the real estate profession is not done in forging a recovery plan.

The road to recovery has many detours and one such detour is the glitzy marketing campaigns put on by institutional sellers who believe that if you talk about it enough, advertise it enough and pay enough, you can sell property. Nothing could be further from the truth in the Anchorage real estate market and the quicker outside institutional sellers learn their lessons the faster our market can begin its real recovery. Financing, added value and limiting supply are the real roads to recovery.

Refinancing a Necessary Ingredient

The AHFC HOAP program is not the great white hope of Alaska's residential recovery, although it may help stem the tide of future foreclosures to a limited extent. Unfortunately, the vast majority of foreclosures are due to job loss as opposed to diminished cash flow. However, refinancing loans so that they are sustainable on the basis of personal cash flow is probably the best way of keeping people in their homes which have a negative equity.

Those homeowners with negative equity are willing to absorb the loss as long as their cash flow is not terribly adversely affected. The HOAP program, with 700 closed deals through the end of June, will keep a certain percentage of homeowners in their homes and in Alaska. However, it is not the final solution.

The continued availability of AHFC mortgage money is a crucial, key element in our recycling efforts. Without AHFC mortgage money, there would be no opportunity to recycle our properties, regardless of the value placed on them. So far, the bond market has responded well to the steps AHFC has taken to control its problems. As a first priority, all efforts should be maintained to sustain Alaska and AHFC's good relationship with the bond market. That element is crucial to any recovery that Anchorage hopes to experience in its near future.

Restoration and Renovation = Recovery

The average institutional seller, except for VA and HUD, is now spending about $5,000 per property to make it more attractive for purchase. Restoration and renovation is a key ingredient for Anchorage's recovery. Adding value to a property is one major way to stimulate buyer demand and to improve the overall quality of life for Anchorage neighborhoods. Putting the property in market ready condition adds value to a property which results in a faster sale at a better price. Any institutional seller who refuses to participate in a restoration and renovation program is only contributing to a further decline in the value of property for the Anchorage marketplace, which will ultimately result in more foreclosures.

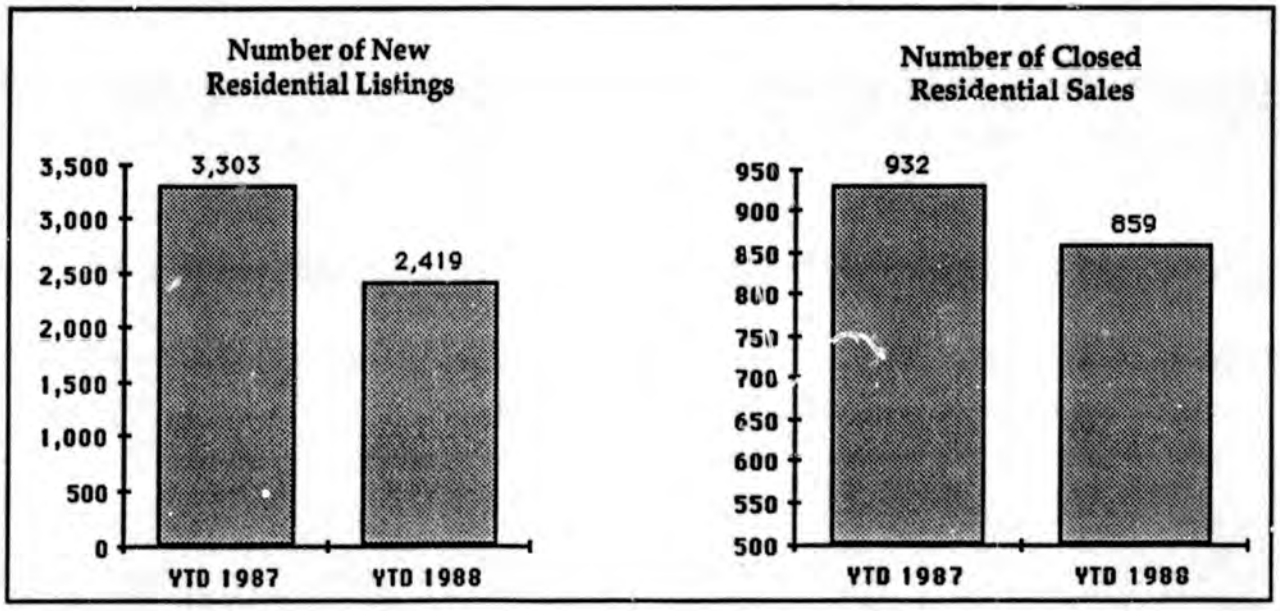
Limiting Supply

There are several ways to limit supply, or at least give the appearance of limiting supply. These ideas are discussed in greater detail in the condominium section of this report. Condos suffer the most from oversupply. Limiting supply includes the demolition of properties, the enactment of an apartment condominium conversion ban for 10 years and the requirement that all future condominiums have adequate car storage, be a minimum of 1,000 square feet and have increased landscaping.

Limiting supply also encompasses the renting of condominiums as apartments and the application of some condos for social service purposes.

A Look at the Market

The decline in residential inventory by almost 30% for single family and zero lot lines indicates that we have just begun to hit the bottom of this market. This 30% decline coupled with only an 8% decline in sales activity for the same time period indicates that the residential marketplace, with the exclusion of condos, is bounding along the bottom of the market.



Most real estate professionals are breathing a deep sigh of relief as the precipitous downward slide of values appears to be abating above $100,000 as a result of continued sales activity and a growing lack of inventory.

As a result, it appears that the Anchorage residential market is going to experience a significant split based upon the availability of existing inventory. As is demonstrated by the accompanying chart, the vast majority of inventory lies below $100,000. It is interesting to note in comparing inventory by price range from 1986, 1987 and 1988, that there has been a substantial downward price trend of inventory. In other words, the inventory has shifted from the mid-range to the low-range of under $80,000.

The decline in inventory can be attributed in part to the lag time of a foreclosure, approximately six to nine months. AHFC reports a delinquency of 7% on their 120 day defaults. With 41,000 loans this is approximately 2,800 more properties which will eventually be placed on the market for recycling at a lower value. If you take that inventory which is in the pipeline and add it to the existing number of properties, you equal the inventory that we had of approximately 4,000 units going into this downward spiral. Coupled with a 10% loss of population, what the Anchorage marketplace is doing is recycling its better properties at a lower value, somewhere in the range of 20 to 40% less than what values were when this recycling began.

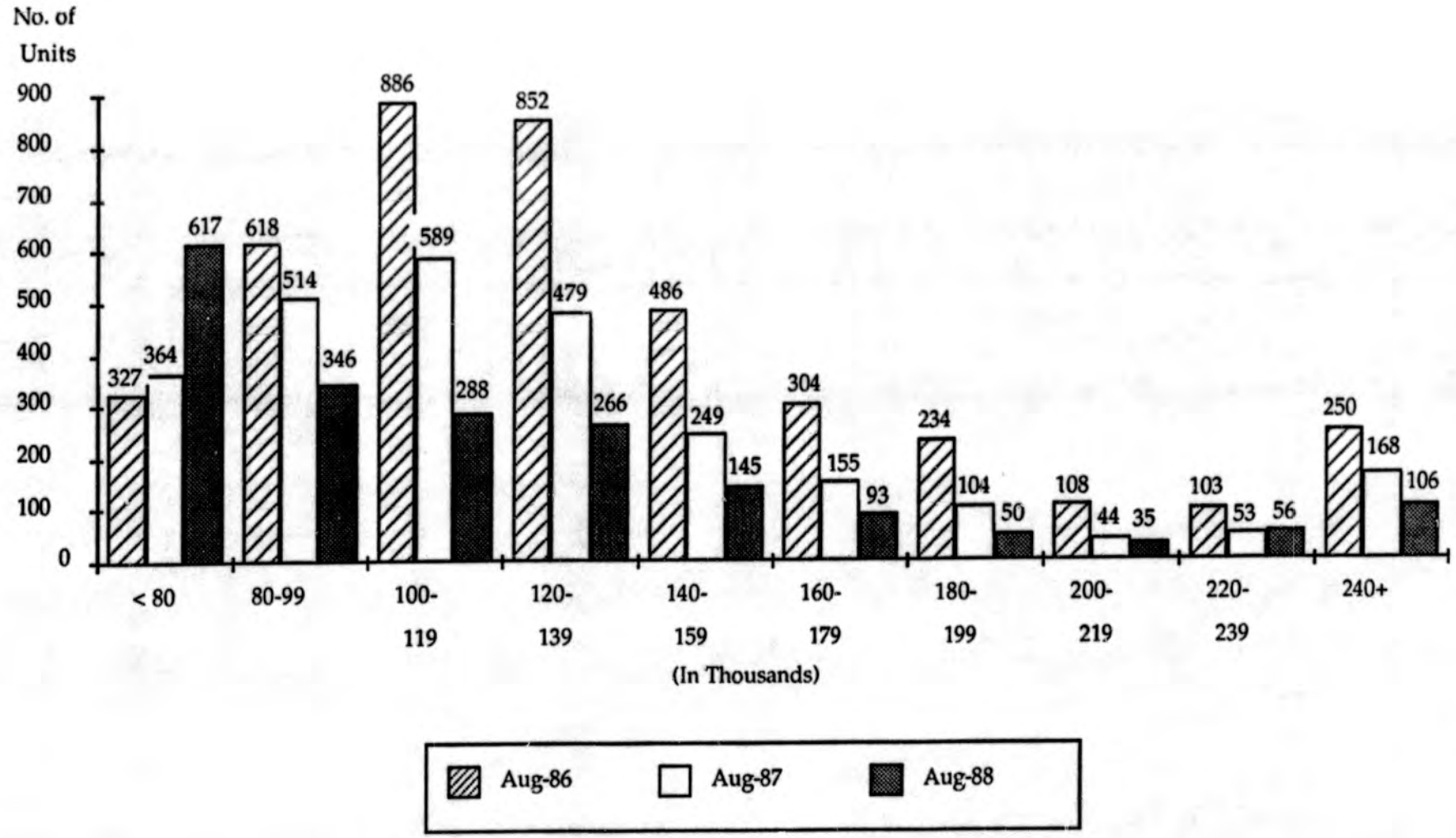
The market that has been created, through expensive marketing programs and lower interest rates, is one of first-time buyers who could not afford to purchase at the peak of the market and move-ups who see this as an opportunity to purchase a better home for less money. The move-up buyer requires the disposition of their existing home or the rental of it. Depending upon their financial situation, many move-up buyers are renting out their existing property at relatively high rates for single family residences.

The trend of the move-up buyer can by seen in the diminishing supply of inventory above the $180,000 price range. In virtually all categories, inventory above $180,000 has either stayed the same or diminished. It can be anticipated as a result of this move-up phenomenon that there will be some building activity in 1989 in this price range. The existing houses in this price range are much less subject to foreclosure and as the move-up demand increases, there should be an increase in prices.

This means that the market above $150,000 will have completely different characteristics than the REO market, which will suffer from growing inventory and low prices. It is difficult for appraisers and marketing people to work in a market which has such separate characteristics. However, the upper end will have buyer demands on it long before any recovery can take place in the low end.

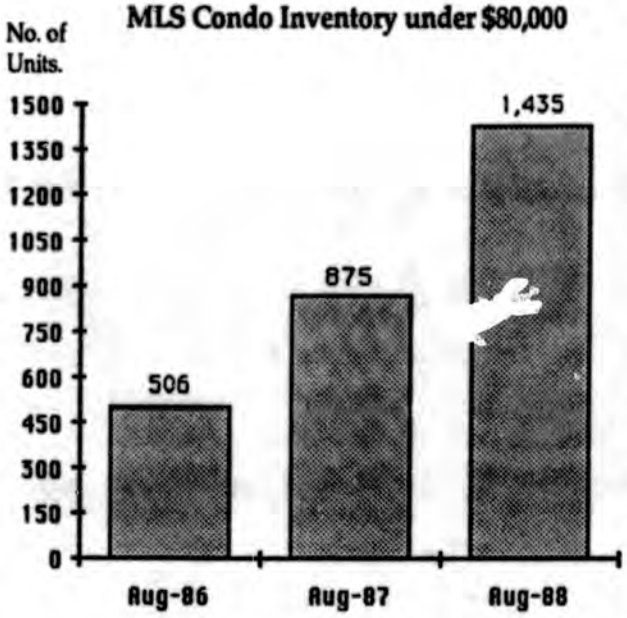
The low end is saturated with zero lot line properties which do not have adequate car storage. It is interesting to note that the zero lot line ordinance has sunsetted and no attempt was made to reactivate it. Hopefully that will remain the situation for at least five years.

Residential Active Units By Price Range

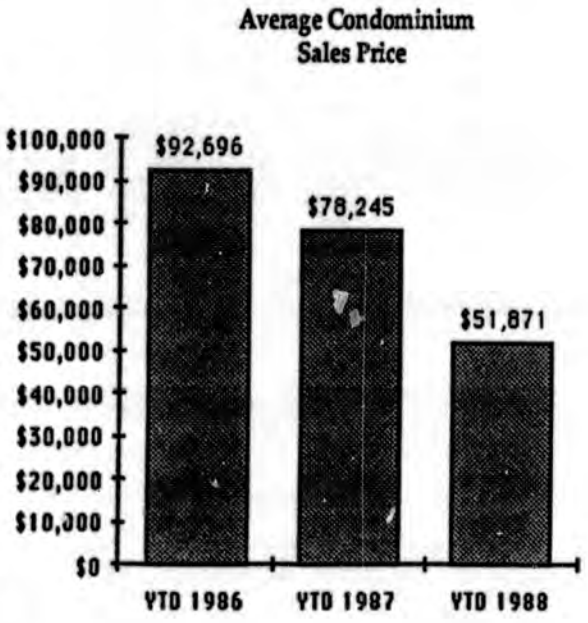


What's Happening With Condos

The number of condominiums priced under $80,000 in the Anchorage real estate market has grown by 40% from August 1987 to August 1988. It is interesting to note that in August 1986, there were 1,099 condominiums on the market. The 1986 condominiums listed for sale had a much broader and higher range of value than today. In 1986 only 506 units were under $80,000. In the $80,000 to $100,000 price range there were 293 units and between $100,000 and $120,000 there were 59 units listed for sale. The condominium inventory has dramatically shifted to the under $80,000 category this year as the glut of inventory has created falling prices.



Today, the average price of a condominium is $51,871. There is no reason to think that this price will not continue to decline unless collective steps are taken by institutional sellers to address the issues facing the condominium market. In 1986, the average price of a condominium was $92,696. This equates to an approximately 20% annual price drop. There is no reason, with Anchorage's loss of population and supply exceeding demand, to think that the price of a condo will not continue to drop until it reaches zero unless steps are taken to shore up the market by the institutional sellers. The dip in inventory in 1987 is undoubtedly the result of the foreclosure process, during which the property was not listed for sale. The foreclosure process creates a lag time of up to one year before the property is recycled into the marketplace. That is also the reason why the August 1988 figure does not reflect the high inventory of AHFC condominiums which have already been repossessed.



There is no reason not to suspect that the condominium market is going to become further saturated with inventory. As this occurs, prices will continue to fall unless substantial steps are taken on a collective basis by institutional sellers to put a floor in the marketplace. Those steps could include the demolition of designated condominium projects which do not meet municipal code standards, the rental of certain condominium projects, in particular those that were apartment conversions, the lifting of the

70% owner-occupancy requirement so that private owners other than institutions could sell their homes and the initiation of an aggressive 'presale' policy which allows sellers to sell their property with a negative equity through a negotiated process with the investor, the seller/servicer and the private mortgage insurance company, saving the expensive process of foreclosure.

Abolish the 70% Rule

The private condo owner who wants to sell his condo is in an economic time freeze which prevents him from selling, regardless of his financial condition or intention. A major contributor to that problem is the required 70% owner-occupancy ratio for an association before AHFC will approve the project. This is a direct conflict of interest for AHFC since they allow the sale and financing of their own institutional properties in the same projects.

It is possible that a few of the private sellers in the project would be willing to make restitution to the private mortgage insurance company or pay cash at closing in order to save their credit rating. However, AHFC's continued policy of 70% occupancy only forces the private seller to go to foreclosure, thus exacerbating AHFC's own problem of rising REO inventory.

The average AHFC loss on a property is now almost $50,000. The goal should be over the next year to reduce that loss by 20%. That possibility exists if AHFC would begin waiving the 70% occupancy rule in some of the better condominium projects in Anchorage, thus putting the private sector more in charge of its own fate.

A better condominium project is defined as one which is built to condominium specifications with washer/dryer facilities within the unit as opposed to the common areas. A garage, fireplace and at least 800 square feet are also common characteristics of better condominium projects.

Even within the burgeoning condominium market, there seems to be a sales differential between those projects which have the above described features and those that don't. A study completed in 1988 by the Municipality of Anchorage demonstrated that the vast majority of condominiums in foreclosure are smaller units, under 1,000 square feet.

Ban Condo Conversions

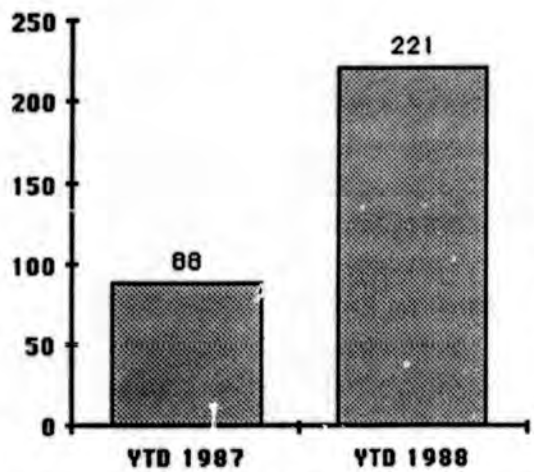
Another way to tighten up the public's perception of the glut of condominiums in Anchorage is for the Municipality to adopt some stricter building codes for future development. This might include a ten year ban on all apartment conversions to condominiums. It might also require that all future condominiums have adequate covered car storage. In addition, a minimum square footage could be required for a two bedroom condo, such as 1,000 square feet. This might indeed have a positive effect on the condo market if buyers knew that the product that they were looking at would not be available in the future because of its lack of car storage or small square footage. Although this alone does not solve the condominium problem it closes the gate so that the problem has an end in the future. Right now, there seems to be no end in sight so there is no impetus for a buyer to enter the condo r. arket.

Add Value Through Landscaping

The Municipality of Anchorage could also impose stricter landscaping requirements for future condominium developments. Right now, landscaping requirements are based upon the type of zoning. In the future, condominium developments could have landscaping requirements based upon the number of units and their size, for example, four trees per unit. Landscaping goes a long way in creating perceived and added value. Added value is one of the main criterion for creating a resale market from REO inventory. It is difficult for the creation of added value in a condo project except in the interior of the unit where applicances, draperies, and upgraded carpeting can be added. However, creating added value in the common areas through landscaping would enhance the marketability of today's and tomorrow's projects.

Lopsided and Expensive Marketing

Through expensive and active marketing by the private mortgage insurance company, MGIC, condominium sales have taken a dramatic swing upward in 1988. In addition, Fannie Mae announced a lease/option program and increased sales commissions, 6% to the selling office, which also contributed to active sales increases. However, expensive marketing will not buy our way out of the Anchorage condominium market. Fur coats, cars, trips to the Caribbean and bonuses are not going to solve the condominium problem in Anchorage. In fact, the rewards are short-lived and the cost of the promotion needs to be weighed against the declining value of the property itself.



It would be a better strategy to set a minimum commission for the sale of all property which falls under $60,000 which is where the market is most glutted both in single family, zero lot line, and condominiums. If all institutional sellers could agree upon this minimum commission to be divided equally between the listing agency and the selling agency, then a level playing field would be created for all institutions.

If this were to occur, then these same institutional sellers could direct their energy and funds to the real issues of the condominium market which is oversupply and undervaluing of property. The marketing mania which has accompanied Anchorage's growing REO inventory needs to be nipped in the bud so that the real issues can be addressed. Right now too much time and money is being spent on trying to outmarket the other institutional sellers.

At the same time, real estate brokers are not going to work to sell $30,000 condominiums unless a minimum commission is established. Since values continue to decline and the vast majority of the inventory is in the low end, compensation needs to be substantive to the

agent in order to work that market. However, it should be consistent and industry wide, creating a level playing field for all.

Limiting Supply Through Demolition

It is estimated that there are approximately 200 to 300 units in Anchorage which presently do not meet municipal standards and which may pose a health or safety hazard to their occupants. Thus far to date, there has been no decision made to demolish these units. If these units were demolished, it would have a positive, psychological impact on the Anchorage real estate market. The obvious reason that the properties have not been demolished is that no one can agree who is responsible for the financial loss amongst the seller/servicer, the investor and the private mortgage insurance company. The financial entities which are involved in each one of the condo projects which have been targeted for demolition should be forced into negotiating a settlement as quickly as possible. Not enough emphasis has been placed upon this area of the condominium problem, but its speedy resolve would have a very positive impact on the Anchorage condo market.

Renting Creates Economic LIfe

Virtually all repossessed condos in Anchorage are sitting vacant at this time. How long institutional sellers are going to wait before wanting to create a cashflow for themselves by renting out their condos remains to be seen. However, the renting of the condos would have a beneficial impact in the marketplace and certain projects should be pulled off the FOR SALE market and placed in a rental pool. There are some projects today which will not sell at any price because they do not have the amenity package necessary to compete with other condos. Rather than leaving these condos on the market, which only further exacerbates the problem of oversupply and helps drive the market down to zero, these properties should become rentals. A two bedroom, one bath condo with a carport, small fireplace and 800 square feet may not make a great condo but it does make a great apartment, when compared to other rental property.

Most condos if they were rented would fall into the mid to high range of value for apartment rentals. Most of these same condos if left vacant and for sale only further deplete the value of other condos because they are non-competitive. A mediocre condo makes an excellent rental property when compared to what is available in the rental market. Why institutional sellers refuse to take this step and improve their cash position remains an unresolved issue. If they did nothing with the rents other than improve the common areas of the project they were renting, it would be a better addition to the market than leaving the condos vacant, without any economic life whatsoever.

Social Service Purposes

Finally, there are some limited number of social uses that unsold condominiums can fulfill. Low income housing needs exceed availabilty of federal coupons at this time. The State of Alaska or the Municipality should consider setting up their own coupon program which would enable some condos to be used for low-income housing. In addition, the University of Alaska-Anchorage shoud be encouraged to purchase more student housing units. The

precedent has already been set with the purchase of a limited number of units near the college campus. Other needs that could be met through the social service agencies are housing for the elderly and the retarded. These condos, when sold for social service purposes, to either the state or local agencies, should be done on a bulk sale basis, with discounts for cash. However, it is important that an established social service oriented sales program be fair and equitable to all organizations which might have a use for them. Therefore, a policy needs to be established which would include a social service discount based upon current, fair market value.

WHY THE INCREASED MILITARY PRESENCE WILL NOT SOLVE THE FAIRBANKS HOUSING MARKET GLUT

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&

Light Infantry Division Impact Steering Committee

Fairbanks North Star Borough

August 23, 1988

WHY THE INCREASED MILITARY PRESENCE WILL NOT SOLVE THE FAIRBANKS HOUSING MARKET GLUT

When oil prices dropped in 1985, changes in the civilian housing market were some of the more apparent consequences of the economic downturn that hit Alaska and the Fairbanks North Star Borough. Following principles of supply and demand, as employment decreased, residential construction, rentals and sales all went into a severe slump.

At the same time expansion of the military at Fort Wainwright, with the buildup of the 6th Infantry Division (Light) (LID), had a positive effect on the economy in general and the housing market in particular. For reasons to be explored in this article, however, LID deployment has reduced but did not solve problems in the civilian housing market.

MAGNITUDE OF THE HOUSING PROBLEM IN FAIRBANKS

During the days of high oil prices throughout the early 1980's the housing market experienced significant expansion. Factors that contributed to this expansion were the highest population growth in the nation and state support of home ownership through programs such as Alaska Housing Finance Corporation subsidies of interest rates. Changes in the housing market during that period were reflected in the amount and type of new construction, the prices of dwellings, and the levels of rents.

As shown by Table 1 the number of new housing units authorized nearly tripled between 1980 and 1984, when there were 949 units authorized. Not only were single family dwellings constructed in large numbers, but the increased demand for rental units was also addressed by construction of 1,422 multi-family units. Paralleling the number of new housing units authorized, the dollar value of building permits increased dramatically from $15.7 million in 1980 to $58.3 million in 1984.

Table 1
NEW HOUSING UNITS AUTHORIZED
Fairbanks North Star Borough, 1980-87

	Number			Dollar Value ($000's)		
	Single Family	Multi Family	Total	Single Family	Multi Family	Total
1980	345	32	377	$13,592	$ 2,077	$15,669
1981	538	162	700	29,453	6,813	36,356
1982	462	165	627	25,159	10,350	35,509
1983	315	473	788	27,586	17,624	45,210
1984	327	622	949	24,236	34,029	58,265
1985	227	467	694	18,044	23,677	41,721
1986	112	166	278	8,263	22,858	31,121
1987	65	116	181	4,652	17,204	21,856

Meanwhile, rents for both single family dwellings and apartments increased. Between 1980 and the end of 1983 average rents increased more than 75%. As supply increased due to construction of multi-family units, rents dropped slightly and then remained relatively constant throughout 1984 and 1985. Purchase prices of houses followed a similar pattern to rents, although the change was less and the price increases and peak levels occurred later. For example the average purchase price of a three bedroom house rose by 53% between 1980 and early 1985, when it reached its maximum.

Partially in response to the large number of units brought on line in the early 1980's, construction started to fall off in 1985. What might have been a mild slump became severe when oil prices dropped beginning in December 1985. As the economy contracted, the civilian population grew smaller, and the housing market reflected the decrease in demand. The number of new housing units authorized declined nearly 30% between 1984 and 1985. By 1987 it was less than one-fifth of its 1984 level. The dollar value of building permits showed a similar pattern, decreasing from $583 million in 1984 to $219 million in 1987. In 1986 and 1987 activation of the 6th LID had its first impacts on the Fairbanks housing construction. Of the 459 units authorized during those two years, 400 were for a housing project on Fort Wainwright.

The existing housing market also reflected the economic downturn. Between 1985 and 1987 the number of vacant rentals advertised nearly doubled, and rents dropped by 20%. The number of houses listed for sale roughly doubled in 1986, and during the two-year period 1986-1987 house purchase prices decreased by about 20%. Another indication of the change in the housing market was that notices of default went from 97 in 1984 to 764 in 1987, and foreclosures increased from 179 in 1986 to 690 in 1987.

Not reflected in these figures was the personal loss all home owners incurred due to decrease of home equity. Furthermore, the difficulty in selling houses and the slump in prices created an additional burden on home owners by restricting their mobility.

Thus at the beginning of 1988 the Fairbanks housing market was bad for landlords and property owners, but good for renters, home buyers, and, it would appear, the military.

ACTIVATION OF THE LID AND HOUSING CONCERNS

Since inception of the plan to activate the 6th LID, an important consideration in the rate of deployment and possibly even its continued existence was the availability of housing. The army announced that any housing shortfalls would have to be corrected before troops were deployed. The mere size of the buildup made it certain that some construction of new units would take place, and there was one vital requirement for this construction. Since chances were high that funds would be appropriated by the U.S. Congress only during the period of buildup, army planners considered it absolutely necessary that housing construction occur during activation. Otherwise, the division would not be fully deployed.

From the beginning the housing situation in the greater Fairbanks area held many uncertainties for military planners. One consistent conclusion of all army analyses of housing needs, however, was that the local market would be incapable of meeting all of the army housing needs at the time of full deployment. Several factors accounted for these findings. First, on post housing was preferred for military readiness requirements. As it stands, even if new construction of government owned Military Construction Army (MCA) on post housing were funded at levels requested by the army, over 1,000 soldiers would live off post. Second, army policy dictated that military personnel were not to use too great a

percent of local housing. Third, a certain number of MCA units were considered necessary by the army to provide affordable housing for lower ranked personnel with large families. Finally, and of great importance to military planners, the Fairbanks history of booms and busts made them hesitant to rely too heavily on the local market which had experienced previous cycles of low rental availability and prices beyond the range soldiers could pay. The era of pipeline construction created severe hardships for army personnel living in the community.

Over time, however, some factors have changed. For example, by 1987 the number of rental vacancies had increased and rental rates had decreased. Further, it was initially assumed that the LID would be fully in place by the end of 1989 and that deployment would be too rapid for the local market to react. In reality the schedule was relaxed and extended to 1992. Thus it appeared that not only could the Fairbanks housing market meet immediate demands but that it also would have time for local developers to adjust to additional needs.

As part of a program to analyze available resources better, the Department of Defense initiated a new standardized procedure for annual review of the housing situation. The Segmented Housing Market Analysis (SHMA) was used at Fort Wainwright for the first time in early 1987. Similar to previous LID studies, the SHMA concluded that there would be a family housing shortfall which could potentially preclude activation of the 6th Infantry Division.

Several factors played major parts in this conclusion. Of prime importance was the fact that, although rental housing in Fairbanks had a sufficient supply of efficiencies and one- and two-bedroom units, there was a severe shortage of the three-bedroom and larger units needed by the army. Another important factor was that in the analysis military personnel were allowed to use no more than 54% of the community's vacancies. This was done to provide a buffer against future shortages of rental housing and to allow a significant number of units to be available for the civilian population. Although this seemed unnecessarily restrictive to some, the military felt the need for the precaution due to Fairbanks' history and the severe housing problems that have arisen in the area surrounding Fort Drum, the site of the other new light infantry division.

An early step taken to resolve the shortfall was FY 1985 authorization for construction of 400 units on Fort Wainwright. These were done under the Build-to-Lease Program, whereby units were constructed by private developers with contracts to lease to the military for up to 20 years. Because the program first appeared as Section 801 of the Military Construction Authorization Act of 1983, this became known as 801 housing . These 400 units, of which 304 were three bedrooms, 68 were four bedroom, and 28 were five bedrooms or more, were completed and occupied during 1987. The army estimated additional requirements of about 1,600 units, of which 1,200 would be supplied through construction of new units or long term lease of existing structures.

CHANGES THROUGH 1987

As a result of federal government reaction to the October 1987 stock market crash, the army was faced with the need to reduce its budget by $1 billion. There was serious talk for a while of disbanding the 6th LID entirely, but a series of compromises resulted in its continued deployment although at a slower rate and with a reduction in final strength.

Numerous cost cutting measures were implemented, and a slight shift away from construction of new units and long term leases to greater use of individual rentals occurred.

One important housing project on Fort Wainwright was reduced from the 150 units which had been requested to 59 units considered vital for key and essential personnel. Although this would provide sufficient housing to allow relocation of the 6th LID headquarters from Fort Richardson to Fort Wainwright in September 1990, it represented a setback in army plans to provide housing for LID personnel.

Other developments, however, combined to offset the housing shortage facing the LID at Fort Wainwright. Funds that were originally designated for 801 leasing in Hawaii were transferred to Fort Wainwright, enabling construction of an additional 200 units to be planned for the summer of 1989. Furthermore, in response to continued high numbers of vacancies in the civilian housing market, the army gradually permitted the number of its personnel using civilian housing through individual lease or ownership to increase from approximately 430 in January 1986 to 690 at the beginning of 1988. This 60% increase in military usage of greater Fairbanks area housing was noticed by many landlords and obviously was important. Nevertheless, the total number of vacancies remained fairly constant. Thus greater military utilization of civilian housing merely offset decreases resulting from civilian outmigration.

THE 1988 SEGMENTED HOUSING MARKET ANALYSIS

The 1988 SHMA of the Fairbanks area reported similar concerns as those expressed in previous studies. Among these were the possibility of future booms in the Fairbanks economy with resultant increases in housing costs, the limited availability of larger units in the community, and the effect of too much military penetration of civilian units. Additionally, concern was expressed regarding the amount of housing allowance that Fort Wainwright soldiers might receive in the future. The Variable Housing Allowance (VHA) is currently sufficient, given the relatively low rents, for even the most junior soldier to afford off base housing. But if a sharp upturn in the area's economy were to occur, rents might again be driven too high for soldiers to secure housing affordable with their VHA. Furthermore, funding of the entire VHA program at current levels could be cut.

The 1988 SHMA determined that the total rental market of units adequate for army standards was 1123 in early 1988. Adjusting these figures to account for a moderate 2% growth rate of new civilian units, for a reduction in the vacancy rate expected as the local economy recovers from the current recession, and for increased military occupancy as additional troops arrive, the SHMA projected that 910 adequate rental units would be available by 1993 when the LID is fully deployed. However, virtually no five bedroom or larger units were found currently available nor were any expected to be available in the future. The breakdown of available units projected for 1993 was as follows:

98	Efficiencies
377	One-bedroom units
360	Two-bedroom units
70	Three-bedroom units
6	Four-bedroom units
910	TOTAL

1993 ARMY HOUSING NEEDS AND STRATEGY

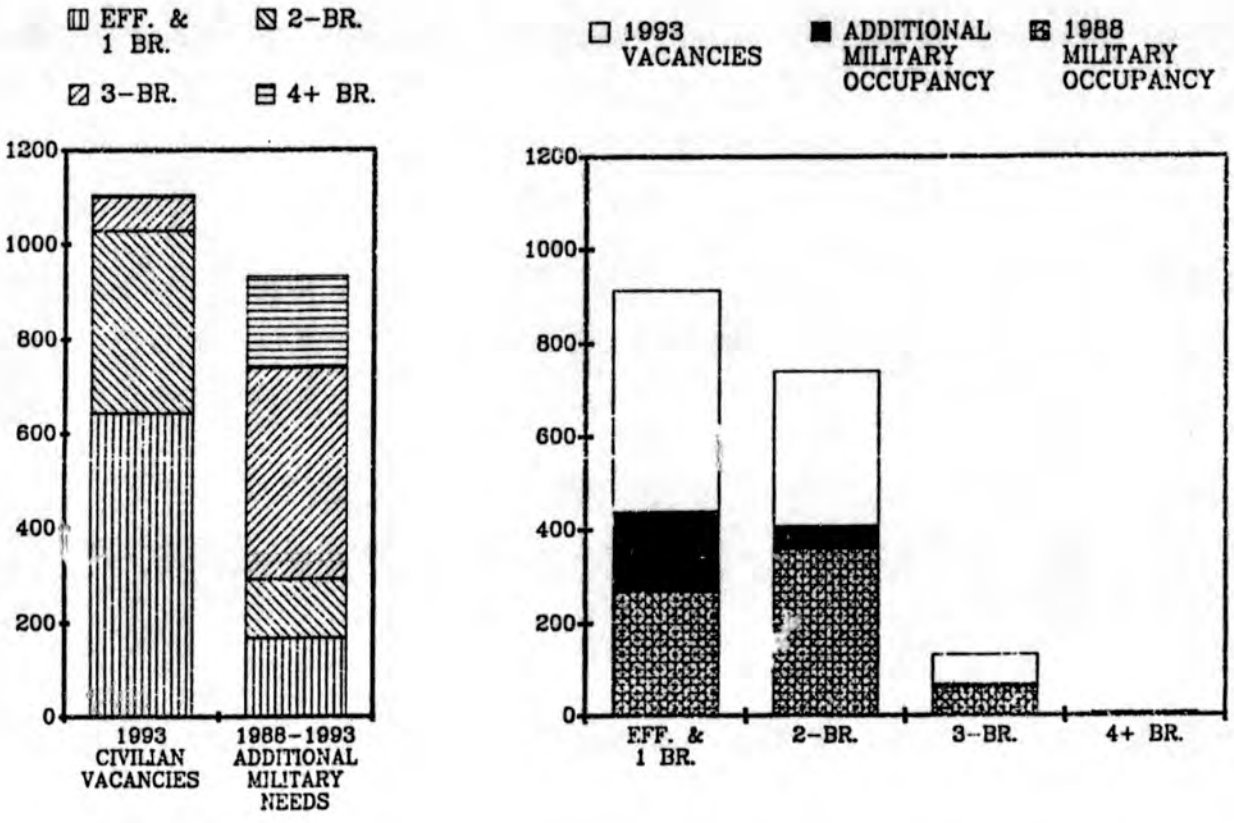
In developing its strategy for attaining adequate housing, the army estimated that an additional 170 efficiencies and one-bedroom units would be required to meet the needs of bachelors and voluntarily separated soldiers. Their penetration of these units would be so large that the army considered none of the remaining efficiencies or one-bedrooms to be

available for family use. Community assets of the larger sized units were projected not to be adequate to meet the needs of army families being stationed at Fort Wainwright by 1993.

Figure 1 compares the projected number of community rental vacancies in January 1993 with the increase in army housing needs between 1988 and 1993. The left graph shows that although the total number of expected vacancies would be more than the total increase in army housing needs, shortfalls exist in several types of units. Although the civilian housing market would be able to satisfy army needs for two-bedroom units if a high percentage of projected vacancies were occupied by military families, severe shortages would occur in units of three-bedrooms and larger.

The right graph depicts the projected number of vacancies in the community in 1993 plus units occupied by the military. Military occupancy is the sum of units currently being rented by LID households plus expected additional military use as the division attains full deployment. This graph shows the proportion of LID use of otherwise vacant civilian housing units. The extent of occupancy approximates the 54% maximum penetration of the vacant civilian housing market as called for by army policy.

Figure 1
FAIRBANKS NORTH STAR BOROUGH VACANCIES AND LID HOUSING NEEDS
1988-1993



The strategy for attaining the amount of housing needed combines individual leasing in the community with additional construction of 801 units and army controlled (MCA) units on post. Table 2 shows actions taken already and those projected for the future to meet the total housing needs.

Table 2
LID HOUSING ACTIONS AND STRATEGY
Fort Wainwright
1985-93

	Army Controlled On Post	Army Controlled Off Post	Individual Rentals in Community	Status
January 1986				
	1418		430	Existing housing
January 1988				
FY 85 801 Units	400			Completed in 1987
			260	Civilian units
SUBTOTAL	1818		690	
January 1993				Projections at time of full activation
FY 87 801 Units		150		Bid has been awarded
FY 87 801 Units		200		Land options being considered (Funding transferred from Hawaii)
FY 88 MCA	59			Bid to be awarded early FY 89 (Funding originally requested for 150 units but only 59 Key and Essential approved)
FY 88 801 Units		150		Bid release pending (May be long term lease)
FY 89 MCA	150			Appropriation pending
			225	Civilian units
SUBTOTAL	2027	500	915	
TOTAL OF ALL UNITS			3442	

All of the construction and long term lease is projected to be for two-bedroom and larger units. Construction of two-bedroom units is scheduled to account for only 10% of the total, three-bedroom units for slightly over 60% and four- and five-bedroom units for the remainder. Table 3 shows the planned construction program.

Table 3
LID FAMILY HOUSING CONSTRUCTION AND LONG TERM LEASE
Fairbanks North Star Borough, FY 1987-89

Type of Program	Number of Units	Number of Bedrooms			
		Two	Three	Four	Five
FY 87 801 Phase I	150	0	69	69	12
FY 87 801 Phase II	200	0	200	0	0
FY 88 MCA	59	0	23	36	0
FY 88 801 Long Term Lease	150	0	150	0	0
FY 89 MCA	150	74	0	66	10
TOTAL	709	74	442	171	22

Of course uncertainties remain in several areas. Primary is the fact that the total deployment number is not assured and may be lower than the army desires. Secondly, funding for the FY 89 projects is still in the congressional process and may not survive at the levels sought by the LID. And finally, although the army is lobbying for new construction to meet the final 150 units of 801 housing, this housing need might be met by long term leasing of existing structures.

CONCLUSION

The army will not absorb the entire Fairbanks housing glut for several reasons. Army requirements for types of housing, control of troops, affordability under long range uncertainties about possible repeats of large price increases, and policies that limit total allowable percentage use of vacancies by army personnel are all cited in the LID analysis as reasons that Fairbanks will not be able to satisfy the army's housing needs. Additional structural factors in the Fairbanks housing market limit its use by the army. Prime among these is the extreme shortage of larger rental units.

Although the Light Infantry Division at Fort Wainwright can not be expected to reduce the civilian housing glut completely, its benefit to the Fairbanks economy remains substantial. Current military construction allows some of the local construction industry to survive through an otherwise depressed time. In addition, the Division provides a necessary element of long term economic diversity and stability. In contributing to the general economic health of the region it adds to employment for people in Fairbanks, who will then help absorb some of the current housing glut.

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COUNSELING ASSISTANCE CAN REDUCE FORECLOSURE RATES IN ALASKA

Sherry Hassan
Consumer Credit Counseling Service
of Alaska

August 25, 1988

The average consumer, regardless of income or education level, lacks the information crucial to making decisions as irreversible and far-reaching as those facing homeowners in this economy. Coupled with the lack of information is the confusion generated by dealing with the array of entities involved in Alaskan mortgages and exacerbated by the spread of misconceptions. Providing free advice, by a disinterested third party, to individuals facing financial difficulties could reduce the number of foreclosures.

Most homeowners have a variety of financial commitments other than their mortgage. When faced with a reduction in income, the average family fails to set priorities and make choices to accommodate the loss. More common is the family who tries to juggle and struggle their way through the "temporary" situation only to find themselves jeopardizing those things they value most.

Mortgage loan collectors comment "the house must not be very important to this family because they are current on their credit card accounts and delinquent on their mortgage." Some times families receive shut-off notices on their utilities or eviction notices from trailer park owners before they realize that there is more to saving their home than just paying the mortgage.

Many of these families lack the ability to set priorities within their existing resources and to stick with their choices when facing the inevitable pressure from those at the bottom of the list. Most often, the "squeaky wheel gets the grease" because the family is unprepared for the consequences of the choices they make and unskilled in the nuances of dealing with secured versus non-secured creditors.

Offering advice to these families on the necessity of making choices, on options available with the various types of creditors, on the consequences of the choices they make and on the reaction to expect from the parties involved would supply them with the means to make sound decisions.

The array of entities involved in mortgages, including the servicer, the investor and the insurer, is confusing and often discouraging to many homeowners trying to save their house. It is possible for a homeowner to be told by his servicer that unless he makes a payment and a half toward his delinquency that his home will be foreclosed upon. He could then call Alaska Housing only to hear that he must deal directly with his servicer, or wait for a HOAP package from MGIC. If determined enough to hold on until he gets his HOAP package and returns it, he could conceivably receive a letter from his servicer informing him that foreclosure proceeding will begin in 10 days unless he brings the full amount of the delinquency current. Unable to do so and having been told that his HOAP package will take up to six weeks to process, he is likely to give up on his house and prepare to provide alternative housing for his family.

Acquainting families with the terminology and procedures involved with resolving delinquencies on their mortgage would eliminate those foreclosures that are the result of confusion and despair with the process.

Adding to the confusion of homeowners are the misconceptions spread by word-of mouth. A surprising number of mortgagees base decisions on information received from friends, relatives, co-workers etc. Remarks like "my neighbor let his house go back and he still has great credit" or "what can they do to me if I walk away" abound.

To be making the type of irreversible decisions these homeowners face, they need and deserve more accurate and thorough information. Furthermore, it should be provided at no cost to avoid the loss to those who feel they cannot afford another burden to an already strained budget.

The luke-warm reception of the HOAP I program by the general public was in part due to their naivete, confusion and frustration as discussed above. In order for any new plan or program designed to reduce foreclosures to be effective, information and guidance must be provided to the public. It must be done free of charge and by a party who has no stake in the results. Until such service is employed, unnecessary and unwanted foreclosures will continue.

Alaska Housing
FINANCE CORPORATION

Alaska Housing Finance Corporation's

Home Owners' Assistance Program:

New Hope for Alaskan Homeowners

By: Margaret Nelson

August 19, 1988

Prepared for Governor's Housing Conference

September 23, 1988

Thousands of Alaskan homeowners now have the opportunity to make their house payments more affordable, and in some instances avoid foreclosure of their homes, under a unique program developed by the Alaska Housing Finance Corporation (AHFC) with the cooperation of companies which insure or secure Alaskan mortgages.

The Home Owners' Assistance Program, known as HOAP (pronounced hope), offers Alaskan mortgagors the opportunity to refinance their loans to longer terms and lower interest rates as well as apply for short-term assistance, or loans, to meet temporary financial difficulties. All of this was an effort by AHFC to help mortgagors make their house payments more easily during Alaska's current recession.

Today, just eight months into the program, more than 4,000 Alaskans have been approved to receive refinances or mortgage assistance and another 1,000 are currently being reviewed for approval. Due to the response, it is possible that nearly 10,000 Alaskan homeowners will benefit from this program.

ALASKA'S BOOMING ECONOMY BEGINS TO DECLINE

In the first half of the 1980 decade, Alaska experienced tremendous growth in all sectors of the economy, particularly in the oil industry due to the development of the Prudhoe Bay oil fields in the 1970s.

Before development of oil fields on the North Slope, Alaska's economic base consisted of military and federal government spending and a few resource industries such as fishing, mining and logging.

But in the 1970s, Prudhoe Bay was developed and Alaska's oil pipeline was built resulting in a bonanza for the Alaska economy. In his report titled "Alaska's Economy: What's Ahead," prepared for the Alaska Institute of Social and Economic Research, Oliver Scott Goldsmith states that three things together contributed to Alaska's boom at that time: state government owned the oil fields and received tremendous royalties; the fields produced very large amounts of oil, and; the world price of oil tripled in 1979 to around $30 a barrel and stayed high for several years.

"Taken together," Goldsmith said, "those circumstances meant that the state government came into billions of dollars in petroleum revenues in the early 1980s.

"But as a consequence, the state became extremely vulnerable to changes in the price of oil: Throughout the 1980s, petroleum revenues made up 80 percent or more of the state's unrestricted general fund revenues."

State spending, then, was responsible for most of the growth in the early 1980s in jobs, population and incomes in Alaska. The state spent that new found wealth on new roads, community centers, harbors and hundreds of other capital projects fueling a great construction boom and services to support it.

But in 1985, things began to slow. This year is considered the beginning of Alaska's current recession, said Edward Eboch in the Alaska Department of Labor's March 1987 publication, "Alaska Economic Trends," because it was then the economy as a whole began losing more jobs than it was creating, particularly in the areas of construction and air transportation.[2]

Big government spending had created the Alaska boom, Goldsmith said, by pumping billions of dollars into the economy in a short time. Construction in the state burgeoned overnight. Businesses overextended themselves, because they expected to keep growing and keep stimulating the economy.[3]

But the high oil prices that had propped up state spending in the early 1980s began to drift down and by early 1986 prices had dropped to $10 per barrel bringing further declines in the economy. Alaskan businesses found that the level of economic activity they had anticipated wasn't there.[4]

EFFECT ON THE HOUSING MARKET

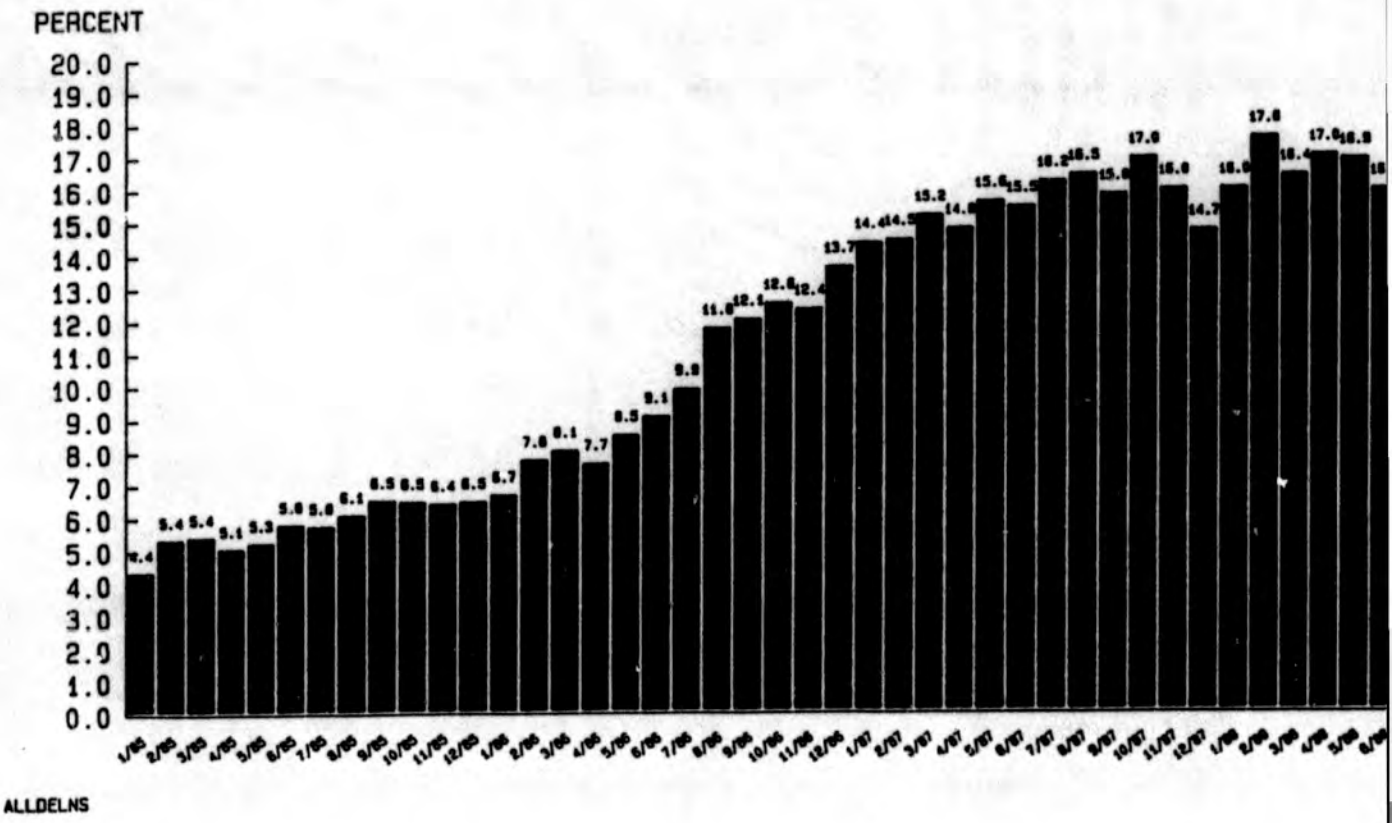
The Alaska Housing Finance Corporation was created in 1971 by the State of Alaska to provide all Alaskans with low-cost mortgage financing. AHFC, a self-supporting public corporation, is a secondary purchaser of mortgages. This means AHFC does not lend funds directly, rather it purchases mortgages made by private financial institutions or mortgage companies operating in Alaska. The majority of funds used to purchase the mortgages are generated through the issuance of taxable and tax-exempt bonds.

By the end of fiscal year 1985, AHFC owned more than 52,000 mortgages across the state totaling $4.3 billion. This accounted for nearly 80 percent of the mortgages in Alaska. The majority of these loans were Alaska Building Equity or ABE-structured mortgages. Under the ABE structure, the mortgage was amortized on a 30-year basis, but five percent principal and interest increases were scheduled each year of the mortgage in years four through nine. This resulted in a loan

maturity of about 17 years. At the time, these loans were attractive to Alaskan mortgagors since incomes were going up and homes could be purchased quickly.

AHFC began to feel the effects of the decline in the economy in late 1985. See Table I. Delinquency rates on all loans went from below four percent in 1983 and 1984 to 6.7 percent in January of 1986. All economic indicators available at that time indicated that the delinquency was on the upswing.

ALASKA HOUSING FINANCE CORPORATION
TOTAL DELINQUENCIES
TABLE I



And while delinquency rates were rising, house values were falling, as much as one to two percent per month. This caused many mortgagors to have negative equity, or mortgages which exceeded the value of their homes. It was not uncommon then or today to see loan-to-value ratios of 120 percent or more.

AHFC TAKES ACTION

By early 1986, it became evident to AHFC officials that something had to be done to ease the effect of the economy on Alaskan homeowners.

The first hint of what now is known as HOAP came out in mid-1986 when AHFC executive staff began brainstorming on the concept of a hardship loan assistance program. The proposed Hardship Loan Modification Program focused on the concept of providing help for those AHFC borrowers who had experienced an involuntary decrease in income such that their mortgage payments exceeded 28 percent of their total household income. Also, it was hoped that a program could be developed to help those homeowners who needed a refinance but could not afford one because they did not have enough money to buy down the loan to value ratios to 90 percent or less. (Mortgage insurance is not generally available on mortgages with loan-to-value ratios greater than 90 percent.)

By late summer 1986, AHFC proceeded with public hearings and program development. However, based upon comments from the public at three separate meetings held in Anchorage, Fairbanks and Juneau on the proposed hardship program, AHFC staff realized that any program offered must be expanded to allow for a simplified refinance for all AHFC homeowners, regardless of financial hardship.

Because of this, AHFC began to develop a simplified refinance program and sought legislative authorization to offer such a program. Under this program AHFC homeowners would be able to refinance their mortgages for lower interest rates and longer terms without having to worry about loan-to-value ratios or appraisals. In essence, the refinance process was simplified. In developing the Simplified Refinance Program, AHFC stated that before such a program can be offered, several events had to occur. The ten primary mortgage insurance companies insuring AHFC mortgages had to agree to continue insuring the new mortgages. The major pool insurer of loans from 1982 to 1984, the Mortgage Guaranty Insurance Corporation (MGIC), and the Federal National Mortgage Association (Fannie Mae) which secured loans from 1984 forward, also had to agree to continue insurance. The state legislature had to authorize such a refinance, and the appropriate financing had to be obtained.

Within a very short time--less than 2 months--these events were accomplished. MGIC and Fannie Mae fully embraced the program and agreed to dedicate all the resources necessary to make the program work. Subsequently all 10 mortgage insurance companies approved the program and streamlined their existing procedures so that loans could be modified or refinanced quickly. The response from all insuring companies was overwhelmingly favorable and unprecedented in mortgage lending history.

HOAP BECOMES A REALITY

With enough progress on the program complete, on November 13, 1987, Governor Steve Cowper held a press conference and announced that a conceptual agreement had been reached among AHFC, Fannie Mae and MGIC on the Home Owners' Assistance Program. The program would begin in December.

To allow all homeowners who were experiencing financial difficulties the opportunity to apply for the program, all the institutions agreed to postpone all foreclosure sales from that date until January 1, 1988.

"The state's current economic problems have left many Alaskans unable to meet their monthly financial obligations," the Governor said at that conference. "We're trying to do what we can to help and this housing program is a major step in the right direction.

"This program may eventually keep thousands of Alaskans in their homes," Cowper said, "prevent further foreclosures and steady the state's real estate industry."

In early December 1987, meetings with top AHFC and state officials were held with mortgage industry leaders to gain support for HOAP. Mortgage lenders agreed to support HOAP and said that this program could help the state's borrowers during this economic recession.

With all program details completed and final agreements signed with MGIC, Fannie Mae and many primary mortgage insurance companies, Governor Cowper on December 23, 1987 announced the start-up of HOAP. On December 24, the first HOAP packets were mailed to delinquent homeowners.

The original HOAP would:

*Eliminate the ABE increases in mortgage payment by refinancing the loan to a 30-year fixed rate;

*Lower the interest rate to 10 percent, if possible, or allow the mortgagor to keep a lower interest rate if the current rate was less than 10 percent;

*Provide advances to bring the loan current; and,

*Provide monthly payments for up to two years to eligible homeowners. Any assistance provided to the borrowers must be repaid.

These new HOAP loans were assumable and the property had to be owner-occupied.

At this time only those AHFC homeowners with financial hardships were eligible for the program. Hardship was defined as an involuntary decrease in income such as that the mortgage payment exceeded 28 percent of the total household income. Borrowers were expected to prove that a hardship existed as well as prove that they would be able to repay any assistance and resume making full monthly mortgage payments, including homeowners dues, if any, taxes, insurance and other such expenses, at the end of the assistance period. The maximum assistance period was for 24 months.

Considered as eligible hardships were a long-term layoff, involuntary loss of job, mandatory reduction in pay, disability or illness which resulted in a reduced income, death of a wage earner or reduction in self-employed earnings.

Situations not considered hardships were normal seasonal layoffs, voluntary job loss or reduction in hours, or loss of income to return to school.

The application process was purposely designed to be quick and easy for the borrower. The borrowers received HOAP packets in the mail. The packets contained detailed information on the program, applications and instructions. Borrowers simply followed the easy instructions, filled out the forms and provided any necessary back-up documentation.

If the loan was insured by MGIC, borrowers mailed the information to an Anchorage office. Workers there collected further information from the mortgage loan servicer before forwarding a complete packet to MGIC's central office in Milwaukee, Wis., for underwriting.

If the loan was secured by Fannie Mae, borrowers called Fannie Mae's local office for an interview and brought the completed packets in.

Once approved, borrowers would close the new loan at a title company designated by MGIC or Fannie Mae.

On January 7, 1988, AHFC closed the first bond issue to fund HOAP loans in the amount of $100 million.

The expanded HOAP in operation today was adopted by the Board of Directors on April 14, 1988. While the initial focus of helping delinquent borrowers remained in place, HOAP was expanded to offer the simplified refinance to all AHFC borrowers.

Under the expanded HOAP, refinance of an existing AHFC loan is offered to all AHFC borrowers (except those few in the Rental Refinance Program), whether they are current or delinquent in meeting their monthly payments and without regard to whether they meet the hardship criteria established under the original program. Essentially this is offering a simple, streamlined refinance program designed to lower monthly payments by lowering the interest rate on the loan and/or

eliminating the graduated payment feature or ABE that is included in many existing AHFC loans. In addition to this simplified refinance program, a borrower also can receive additional assistance if he or she qualifies. To qualify for further assistance, the borrower would have to meet hardship criteria as outlined in the original program.

Or looking at it another way, there would be no advances under the simplified refinance aspect of the expanded HOAP, although eligible closing costs could be included in the loan amount. However, if the borrower demonstrated that he or she was in a hardship situation, then advances could be made under the same terms as the original HOAP.

Another major change in the expanded program is the elimination of the requirement that the properties be owner-occupied. The loans still remain assumable as defined under AHFC guidelines.

With the newly expanded program, AHFC in April issued a second bond for $75 million to fund the new loans.

With the newly expanded criteria, several thousand packets were mailed to the remaining AHFC borrowers in April through June of 1988.

HOAP RECAPPED

To summarize, today HOAP offers a refinance to a longer loan term with a lower interest rate, if applicable. If the borrower is experiencing a temporary hardship, the program offers assistance, or advances, for a short period. Specifically:

*For Alaskan homeowners who have financed their homes through AHFC and who are not in a hardship, HOAP can eliminate the currently scheduled increases in monthly principal and interest payments. Also, depending on the homeowner's current interest rate, the rate on the future HOAP loan may be lower (it will never be higher), which may result in lower monthly payments.

*For AHFC homeowners experiencing a hardship as defined below, HOAP can eliminate the currently scheduled increases in monthly principal and interest payments. Also, it may decrease the interest rate depending on the current interest rate. In addition, financial assistance is available to homeowners experiencing a hardship.

*Hardship is defined as an involuntary decrease in income such that the mortgage payment exceeds 28 percent of the total gross household income. Hardships that qualify for assistance include: long-term layoff, involuntary loss of job, mandatory reduction in income, disability or illness which results in a reduced income, death of a borrower or co-borrower or a reduction in self-employed earnings.

Certain situations, while they may create financial problems, are not considered involuntary hardships and will not qualify for assistance. They are: normal seasonal layoffs, voluntary job loss or reduction in hours and/or income and loss of income to return to school.

*To qualify for assistance, the borrower must:

a) Provide evidence that a hardship exists and that an involuntary decrease in income has occurred,
b) Provide reasonable assurance that after the assistance period the borrower can make full monthly payments, including any assistance given;
c) Provide reasonable assurance that the mortgagor can pay taxes, insurance, home owner's association dues and other such expenses due after the assistance agreement is signed.
If the borrower is eligible to receive assistance, AHFC may advance funds to bring the loan current and/or pay a portion of the monthly mortgage payment for up to two years.
This type of assistance helps the borrower bring his or her loan current with no immediate out-of-pocket expenses and makes the mortgage payment more affordable until the borrower can resume full payments.

If advances are necessary, the total funds advanced is limited to 10 percent of the outstanding loan balance as of the date on which the homeowner applies to participate in the program. The funds advanced will be added to the outstanding loan balance and subsequently repaid, with interest, by the borrower.

*Homeowners are expected to pay at least 28 percent of their gross monthly income toward the mortgage.

*To apply, homeowners fill out the application following instructions as mailed to them by Fannie Mae or MGIC.

HOAP IS A SUCCESS

Now, eight months into the program, Alaskans can feel good about the results. This program may not have been as successful without the unprecedented cooperation and participation of all institutions involved, especially Fannie Mae and MGIC. The unprecedented cooperation has helped many Alaskans and thousands will see a savings each month when they make their mortgage payments. Furthermore, many Alaskans within days of foreclosure have been able to remain in their homes.

As of August 12, 1988, more than 46,000 HOAP packets had been mailed to AHFC borrowers. Nearly 3,800 of those borrowers have been approved to participate in the program and 658 loans have closed. Many more borrowers, hundreds each week, are applying for HOAP.

See Table II below for a complete description of activity to date.

ALASKA HOUSING FINANCE CORPORATION

Combined HOAP Programs
Status Report
AHFC Run Date 8/12/88
Table II

	FNMA*	MGIC**	Non-Pool MGIC**	TOTAL
(M) Mailed, no repsonse	6,926	9,798	17,173	33,897
(I) Pending	1,168			1,168
(A) Approved	1,175	1,797	826	3,798
(C) Closed	281	313	84	678
(D) Declined	227	388	221	836
(R) Rejected telephonically	422			422
(W) Withdrawn by client	263			263
(X) Returned, undeliverable	____	1,784	2,571	4,355
TOTAL	10,462	14,080	20,875	45,417

*FNMA Data Current as of 8/6/88 **MGIC Data Current as of 8/7/88

Code	FNMA	MGIC
M	Mailed, no response	Mailed, no response
I	Pending	Not tracking
A	Approved	Approved
C	Closed	Closed
D	Declined	Declined
R	Rejected telephonically	Returned, undeliverable
W	Withdrawn	Not tracking

Of the 658 loans closed to date:

*Borrowers have saved an average of $150 per month, some up to $900 per month;

*Lenders have collected more than $20,000 per month in servicing fees on previous delinquent loans;

*Fannie Mae and MGIC may save as much as $32,900,000 in claims if these loans continue to perform (using their estimate of $50,000 claim loss per loan), and;

*AHFC is receiving $600,000 per month in principal and interest on previously unperforming loans.

It is too early in the program to see complete results. However, in referring back to Table I, delinquency rates have declined somewhat and have stabilized.

Also, AHFC borrowers have been expressing their satisfaction with the program.

"This will be a great help to us in being able to afford to retain the home we built three years ago," one borrower said in a letter to Fannie Mae.

Another borrower, who received some assistance with her mortgage, was extremely happy with the program.

The program shouldn't be spelled h-o-a-p, she said. It should be spelled h-o-p-e.

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THE SALE OF MORTGAGE LOAN SERVICING RIGHTS: ALASKA TRENDS

By
Jim Picard
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and
Vice President
Real Estate Lending
Alaska USA Federal Credit Union

August 19, 1988

INTRODUCTION

The typical mortgage loan, when originated, is underwritten to the standards of the investor, insurer and/or guarantor, where applicable. Once the loan documents are signed and the loan closed, the loan is sold to an investor. The servicing rights to a loan may be sold to the same investor, to another servicer or retained by the servicing department of the originating lender.

The purpose of this paper is to explain the reasons why servicing rights are bought and sold, the trends that are occurring and suggest a change in strategy for some servicers. As Alaska Housing Finance Corporation loans dominate the Alaska market, the trends which are occurring with AHFC servicing will be used.

WHY BUY SERVICING RIGHTS?

The investor allows the servicer to earn a fee for "managing" or servicing the loan, which include collecting and accounting for each monthly payment, paying taxes and various insurance premiums and communication with the borrower. In return the servicer retains a portion of the interest part of the payment or servicing fee, which normally approximates three eights of 1 percent or about $380 per year per $100,000 loan. This fee is a steady annuity-like income stream which continues over the life of the loan, even through periods when origination fee income dries up.

A second reason which motivates buyers to purchase servicing is the yield. A firm may use capital to buy servicing to maximize its rate of return on capital. While the value of servicing may go up or down as a function of supply and demand, the monthly servicing fee cash flow will continue so long as the borrower's monthly payment is made. Alaska has experienced a significant drop in demand for servicing, due in large part to the increase in servicer costs casued by increased delinquency and foreclosures in the state. As a result, the price a firm is willing to pay for servicing drops, which raises the yield, so long as costs associated with delinquency do not rise at a corresponding rate.

A third reason a firm would purchase servicing is to diversify -- either corporate assets or an existing servicing portfolio. A portfolio can be diversified, or the characteristics which make up the portfolio varied which lessens the risks pertaining to portfolio age, loan maturity, interest rate or geographic makeup. Servicers with loans spread across the state are less susceptible to a drop in economic activity in a particular geographic area. As another example, a portfolio dominated by high interest rates is more susceptible to a large run off if interest rates dropped quickly, which occurred in the spring, 1986.

A fourth reason to purchase servicing is due to economies of scale which can be recognized in an expanding portfolio. The economies are different for each servicer, whether on the same automated data system or a manual system. The loan acquisition cost, personnel expenses, operations and overhead all play a role in determining cost per loan. Further, each facet of servicing, such as payment of property taxes, hazard insurance renewal or customer service all have different levels where efficiencies can be achieved. Therefore, when making a purchase decision, the benefits from individual economies of scale are recognized and blended into one general average. While servicing expenses have not been studied among servicers as an Alaskan group, individual Alaskan servicers should calculate their particular cost of servicing annually. Nationally, the number of loans per servicing employee for 1986, the latest figures available, demonstrates the economies at work. Chart 1 shows a small servicing operation with less than $300 million in loans carries the least number of loans per employee. A servicing operation that carries more than $3.5 billion has a loans per employee ratio twice the rate of the smallest category. It should be noted that the changes in size are not necessarily perfectly lineal in

nature. The area within $1 billion to $2 billion are less efficient than the next smallest grouping, as an example.

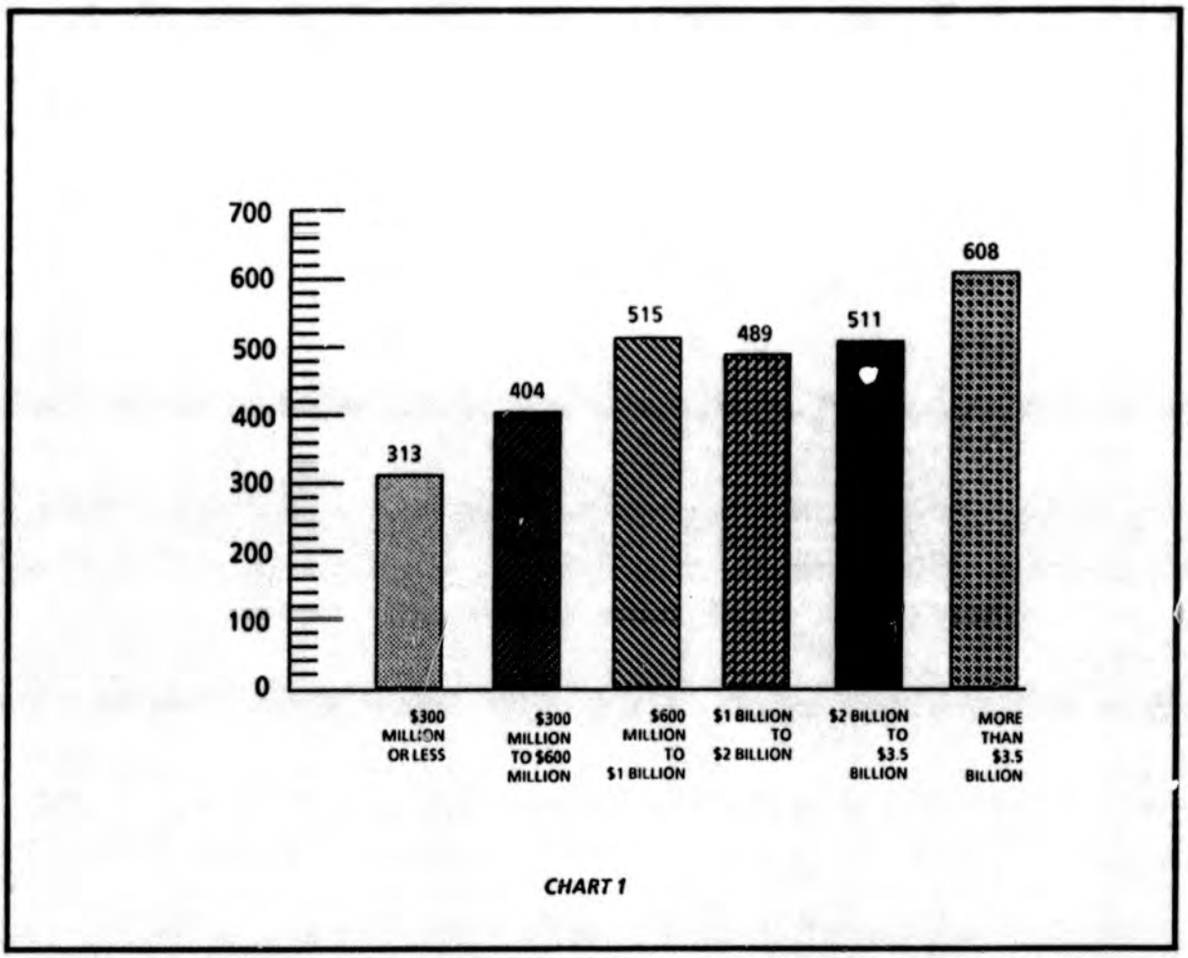

CHART 1

A fifth reason for buying servicing, though not as important as the first four, recognizes the stable, relatively inexpensive deposit base that escrow accounts which accompany a mortgage loan generate. Typically averaging $500 to $1,000, these funds are collected monthly to fund tax and insurance payments. Servicers do not normally pay interest on these funds due to the administrative expenses involved in administering the payment of these bills. In addition, servicers frequently advance funds to keep taxes and insurance current if escrow funds are not sufficient.

A sixth reason to buy servicing is to gain the opportunity to cross sell other services available from the firm. A borrower is more likely to utilize a servicers other primary services such as a checking, savings or loan service, if available, if the institution also processes the monthly mortgage payment.

WHY SELL SERVICING RIGHTS?

The most common reason for selling servicing during recent times in Alaska is due to the liquidation or merger of the servicing institution. Normally the servicing rights revert back to the individual investor if a liquidation has occurred. In this situation, the investor markets the servicing rights to those remaining in the area who have previously shown an interest in

purchasing servicing. If a merger of two or more institutions occurs, more than likely the servicing rights will flow to the surviving firm.

A second reason for selling servicing is to raise capital for reasons such as meeting regulatory requirements, covering anticipated loan losses or to fund an anticipated major expenditure such as a branch expansion or a computer system.

A third reason a seller would be motivated to sell are due to the inefficiencies involved in their particular servicing operation, whether it be size; a particularly expensive loan type, such as mobile homes; geographic location of property and its distance from the servicers nearest office; or an inefficient servicing data system. A servicer is faced with the choice of restructuring a portfolio by selling off loans which do not fit into its overall strategy -- or by buying loans which fit better.

The fourth reason why a servicer would choose to sell their servicing is because of the complexities involved in the profession. Each year new and varied loan products are designed to meet certain objectives of the borrower, investor or bond holder. The IRS requirements continually increase. As the complexity expands the only solution is further automation. A servicer reaches the point where a major investment must be made in conversion or upgrade to a more automated system. The servicer is faced with the choice of either investing funds to optimize efficiency or selling the servicing to avoid the expense, or some middle ground. A new servicing system can easily cost $100,000 for an average size Alaskan servicer.

The fifth reason a servicer may wish to sell their servicing is due to a newly emerging problem in Alaska and the nation. Servicers are finding that investors and insurers are holding them liable for their errors which sometimes are very costly to resolve. Failure to obtain a certificate of adequacy for a septic system, failure to provide certain notices consistent with the terms of the insurance policy or permitting winter freeze up when a property is vacated have all cost servicers unanticipated expenses. The experienced personnel needed to avoid these types of mistakes are expensive to retain.

The last reason a servicer may sell is due to the loan product. An FHA insured loan not sold to AHFC must be sold to the investor creating the Ginnie Mae pool who will retain the servicing rights. This sale of servicing is normally on an individual loan basis and occurs within days after closing.

ALASKA TRENDS

Alaska servicers are currently experiencing change in a number of areas. Five years ago, outside lenders were acquiring or originating a large amount of AHFC servicing. Some Alaska mortgage lenders sold their entire existing AHFC portfolios to these national companies, then continued making additional loans for their own portfolio. Another practice was to sell the servicing rights on a continual or flow basis, as each individual loan was closed and sold to AHFC. These practices have slowed in recent years due in part to the higher than average delinquencies, by national standards, experienced by these same outside servicers dealing in Alaska servicing. Additionally, in March 1987, when AHFC restricted the movement of servicing by requiring that servicing facilities, other than data processing plants, be located within the state of Alaska, any remaining momentum in the flow to out of state services was stopped.

Individual AHFC servicing portfolios continue to be consolidated through mergers and liquidations, causing the market share held by the ten largest AHFC servicers to continually rise over the last three years, while AHFC maintains the same approximate number of approved servicers. Chart 2 shows that during the years 1984 and 1985 the top ten servicers maintained

approximately 67 percent of the AHFC servicing market. In 1986 a dramatic increase started, raising the share to 74 percent, then 79 percent in 1987 and 86 percent in June 1988. On the other hand, the number of AHFC servicers remained very stable between 44 and 47 as shown on Chart 3. As servicers leave the market, others enter. Additionally, if a portfolio is sold, frequently the terms are such that only the current loans change hands, leaving the selling servicer still in business to manage the remaining delinquent loans through foreclosure or back into current payment status.

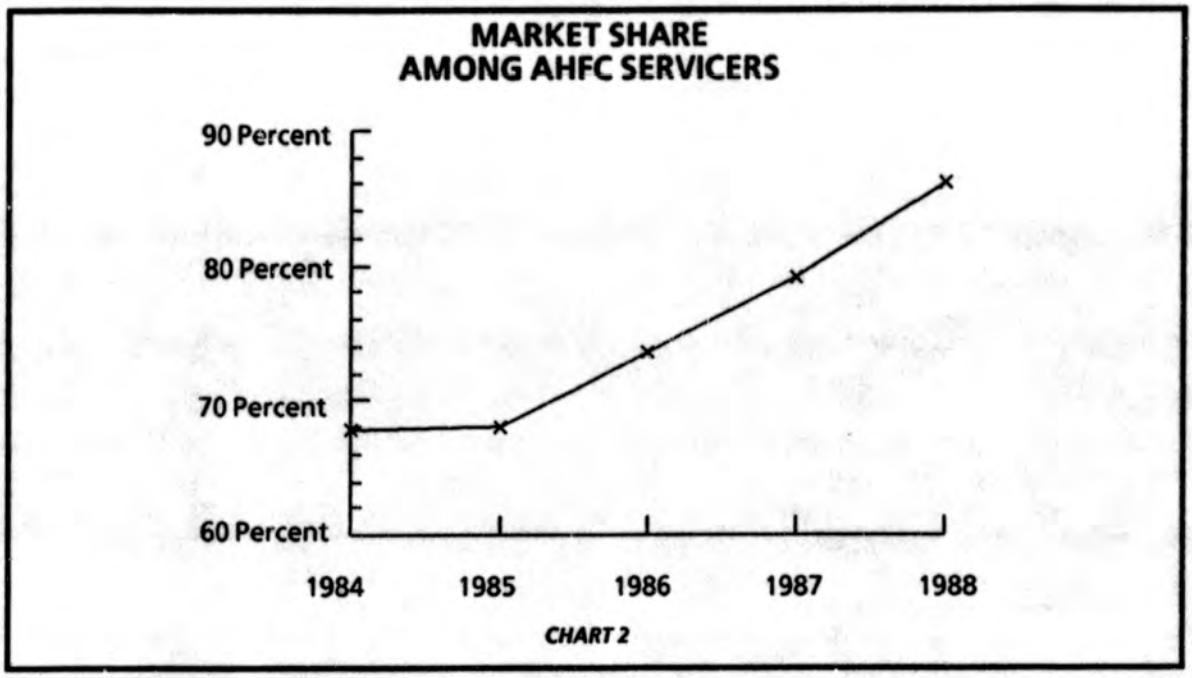

CHART 2

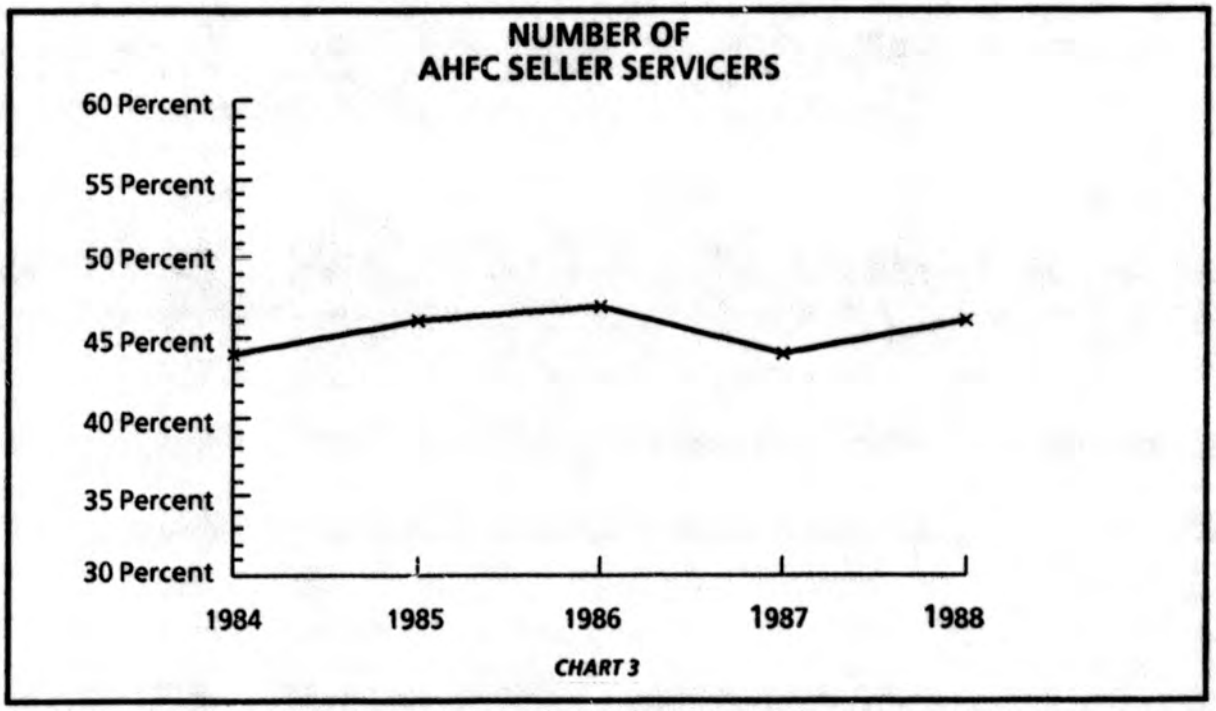

CHART 3

Servicing expenses continue to rise, both nationally and in Alaska. These increased expenses in Alaska, as previously noted, are due in large part to our delinquency and foreclosure experience. Also, as property values drop and new sales occur, smaller loan balances are created with a corresponding decrease in the servicing fees and less income for the servicer.

The Federal Home Loan Mortgage Corporation, in its July 1988 issue of Freddie Mac Reports, noted that 78 percent of all Mortgage Bankers Association of America members now service no loans. That article went on to quote American Banker's most recent survey which noted that the nation's top 100 mortgage companies increased their servicing portfolios by 23 percent in 1987.

The trend nationally is one of consolidation. That trend has also been occurring in Alaska among mortgage lenders.

THE FUTURE FOR MORTGAGE BANKING IN ALASKA

The function of mortgage banking in Alaska for the vast majority of firms has included both origination of loans and their servicing. Generally a firm has been prepared or found it necessary to service whatever product they originated, unless the loan was eventually being sold to a Ginnie Mae pool on a servicing released basis.

Smaller firms are more likely to remain profitable in the short term by concentrating on just one facet of the origination/servicing process. The origination process can only be profitable standing alone if the rights to the servicing are sold on a servicing released basis. Originating on a servicing released basis allows a firm to recognize the present value of a future servicing fee cash flow, discounted to market conditions, without the investment in an expensive servicing system. Originations and servicing are two very different, specialist occupations. It is therefor uncommon for a company to employ an individual who is current and competent as both a servicer and an originator. This specialization then eliminates the need for a second set of unique employees who specialize in servicing tasks. On the other hand, if the firm is intent on originating and servicing, the servicing income must be recognized as a partial subsidy of the origination function.

If resources are limited, or if a firm cannot be efficient at both originations and servicing, a choice should be made. Should the firm continue to struggle with the servicing tasks at stagnant loan levels? Or should they originate for sale, realizing the servicing release income immediately, while leaving the actual servicing to a larger, and theoretically more efficient servicing firm.

Chart 4 illustrates the historically data as it is related to the average number of loans by AHFC servicers over the last five years. While the overall number of active AHFC loans has decreased by about 10,000 loans during that period, the average number of loans by the ten largest servicers has increased from 3,152 in 1984 to 3,865 in mid 1988 after peaking at 4,111 in 1987. On the other hand, the average number of loans per servicer not within the top ten has dropped steadily from 441 in 1984 to 172 in 1988. On average, the largest Alaska servicers continue to grow, while the smallest continue to shrink.

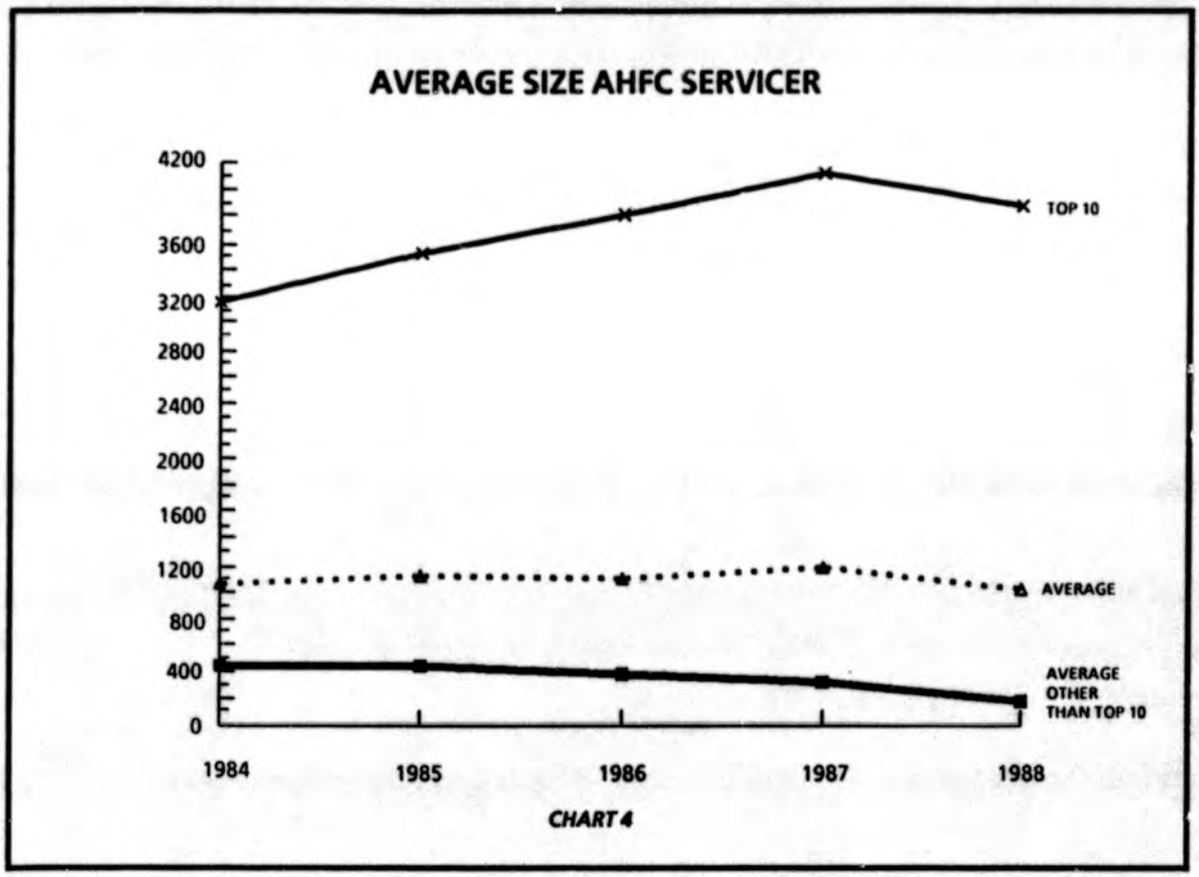

CHART 4

The exchange of servicing which has occurred in Alaska during the last five years has happened with some regulatory and statutory intervention. AHFC's restriction on the transfer of servicing outside the state was in responses to some concerns regarding the service home owners were receiving from their outside servicers. Another was a bill passed during the last legislature which contained certain sale notice and response requirements, which for the majority of servicers were ongoing common sense business practices. Barring additional intervention by AHFC or the legislature, the sale of servicing will continue. The Alaska Mortgage Bankers Association supports the continued practice of buying and/or selling servicing rights to AHFC loans. The Mortgage Bankers Association of America has developed and published a set of recommended standards that the buyers and sellers of servicing should subscribe to in the interest of minimizing inconvenience to the home owner affected by a servicing sale. The standards, which have been followed by the vast majority of mortgage lenders in Alaska, are a model of normal, good business practices for our industry.

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THE THRIFT INDUSTRY
AND MORTGAGE CREDIT IN ALASKA

by

Judith C. Chaney, Housing Director

Federal Home Loan Bank of Seattle



ALASKA COMMUNITIES SERVED BY

FEDERAL HOME LOAN BANK MEMBER BRANCHES

August 1988

THE THRIFT INDUSTRY

AND MORTGAGE CREDIT IN ALASKA

Judith C. Chaney

Federal Home Loan Bank of Seattle

The Thrift Industry in Alaska

As I write this paper during the summer of 1988 there is an intense debate in Alaska on the future of the state's housing industry. As part of this debate, a fundamental public policy question must be addressed: Does thrift industry still play a critical and necessary role as a provider of home mortgage credit in Alaska?

In Alaska the issue of survival of a community-based thrift industry is especially relevant since the number of all locally-owned financial institutions, both healthy and troubled, continues to decline. In the past four years, for example, KeyCorp of Albany, New York, purchased Alaska Pacific Bank and First National Bank of Fairbanks and Rainier Bank of Seattle bought Security National Bank, while Alliance Bank was created when the Hallwood Group, from New York, merged Alaska Mutual and Alaska Bancorporation with FDIC assistance. And, just this past month, First Interstate of California purchased Alaska Continental Bank.

Even though many economists believe that the state's recession has touched bottom, it is no secret that some banks and thrifts in Alaska are still facing problems of capital adequacy. In fact, less than five months ago, a Joint Resolution was introduced in the Alaska State Legislature "urging the Federal Home Loan Bank Board to consider extension of assistance to Alaska financial institutions similar to the Board's 'Southwest Plan'." The resolution focused on the need to infuse new capital into thrifts in states hard hit by local economic problems.

The mechanism used in the Southwest Plan, however, was the consolidation of financial institutions in a region where archaic unit banking laws created a large number of independent banks and thrifts, each serving a very limited market area.

The structure of the financial services industry in Alaska is quite different. Even though the number of Federal Home Loan Bank (FHLB) members is lower than it has been since 1975, the number of communities served and total assets held have grown steadily. As Table 1 shows, the five members of the Federal Home Loan Bank (FHLB) System have 29 branches in 12 communities. In the larger cities (Anchorage, Fairbanks, Juneau, Kenai, Ketchikan, and Wasilla), consumers may chose among two or three competing thrift institutions.

Table 1: **FHLB Member Associations Serving Alaska***

Year	Associations	Branches	Cities	Assets**
1975	6	17	8	$ 281.1
1976	6	19	10	$ 367.2
1978	6	21	12	$ 487.4
1979	6	22	12	$ 506.9
1980	7	23	13	$ 567.7
1981	7	21	12	$ 700.3
1982	6	19	11	$ 829.1
1983	7	22	12	$ 1,029.8
1984	7	23	12	$ 1,069.3
1985	7	27	12	$ 1,266.8
1986	7	29	12	$ 1,466.8
1987	6	24	12	$ 1,372.8
1988	5	29	15	$ 1,944.1

* Data as of beginning of the year.
** Millions of dollars.

Source: Federal Home Loan Bank of Seattle.

This paper discusses the role the thrift industry has played in Alaska's housing market and raises questions that must be faced in the next two years.

Structure of the Thrift Industry

Congress created the Federal Home Loan Bank System in 1932 to solve the liquidity problems faced by lenders and home owners alike during the Depression. Individual community-based savings associations simply did not have enough market presence to provide mortgage credit under all economic conditions.

The system has three parts: a presidentially-appointed, three-member Federal Home Loan Bank Board; 12 District Banks; and more than 3,000 member thrift associations. The District Banks are very successful financial institutions. The Federal Home Loan Bank of Seattle, whose district includes Alaska, is one of the smallest (in number of members) but most profitable in the system. With assets of over $10.6 billion, it returned a 11.0% dividend to our 114 member stockholders last year.

Most of the financial associations that are members of the Federal Home Loan Bank System are Federal Savings and Loan Insurance Corporation (FSLIC) insured. Many savings banks insured by the Federal Deposit Insurance Corporation (FDIC) have chosen to join the system, however, because of the low-cost advances, member services, and excellent dividends. The following discussion of the Alaska thrift industry will include both FSLIC and FDIC members of the Federal Home Loan Bank of Seattle.

As Table 2 shows, there are five FHLB member associations in Alaska, two of which are FDIC insured. Together they have assets of almost $2 billion.

Table 2: **Alaska Members, 1988**

Institution	Headquarters	Insurance	Assets*
Alliance Bank	Anchorage	FDIC	$ 1,276.0
First Federal Bank of Alaska	Anchorage	FSLIC	$ 351.9
Home Savings Bank	Anchorage	FSLIC	$ 85.0
Mt. McKinley Mutual S.B.	Fairbanks	FDIC	$ 97.0
Alaska Federal S&LA of Juneau	Juneau	FSLIC	$ 134.2
Total Assets			$ 1,944.1

* Millions of dollars as of the beginning of 1988.

Source: Federal Home Loan Bank of Seattle.

The FHLB System and Mortgage Credit

The District Banks' charter is to ensure the financial viability of local thrift institutions so that they may provide home mortgage financing to individual borrowers. To ensure member viability the Banks provide a wide array of complex services: advances to members, acceptance of deposits, correspondent banking services, and provision of services to assist examinations. The most direct role the Banks play in availability of mortgage credit is through member advances (loans).

Residential mortgage originations by thrifts are funded by deposits, FHLB advances, repayments, sales of loans into the secondary market, and a scattering of other capital-raising vehicles. Nationally, deposits as a percent of member assets dropped from 84 percent in 1977 to 74 percent in 1987. In Alaska deposits were 78 percent of total assets at year end 1987, down slightly from 79 percent the previous year. As deposits drop, thrifts must rely more heavily on other non-deposit sources of funds.

Until recently, the District Banks were the only reliable, cost-effective source of non-deposit fixed-rate funds for home mortgages. Today, qualifying thrifts can raise long-term funds (one-year plus) through such instruments as mortgage-backed bonds, collateralized mortgage obligations, medium-term notes, and senior and subordinated debt. While the use of these sources of funds has increased as the financial markets have evolved, specific member use varies widely depending on size, financial condition, and location.

The District Banks offer both fixed-rate and adjustable-rate advances to members with terms ranging to twenty years. Approximately 60% of outstanding advances consist of fixed-rate funds with remaining terms of one year or more. Compared to the least cost alternatives sources of term financing that are available to most thrifts, term advances provide the thrift industry an annual reduction in borrowing costs of approximately $1.381 trillion, according to the FHLB of San Francisco (August 1988).

In Alaska, however, by offering below-market rates, the Alaska Housing Finance Corporation (AHFC) in recent years has been the major source of mortgage financing. According to the Institution of Social and Economic Research (ISER, October 1987), AHFC bought 80% of new mortgages originated between 1980 and 1985. With the drop in market interest rates since 1985, AHFC's market share has declined as home owners shop for mortgage terms and conditions. Thrifts, by offering both AHFC and conventional mortgage programs funded to varying degrees by FHLB advances, help home owners choose mortgages that best meet their individual needs.

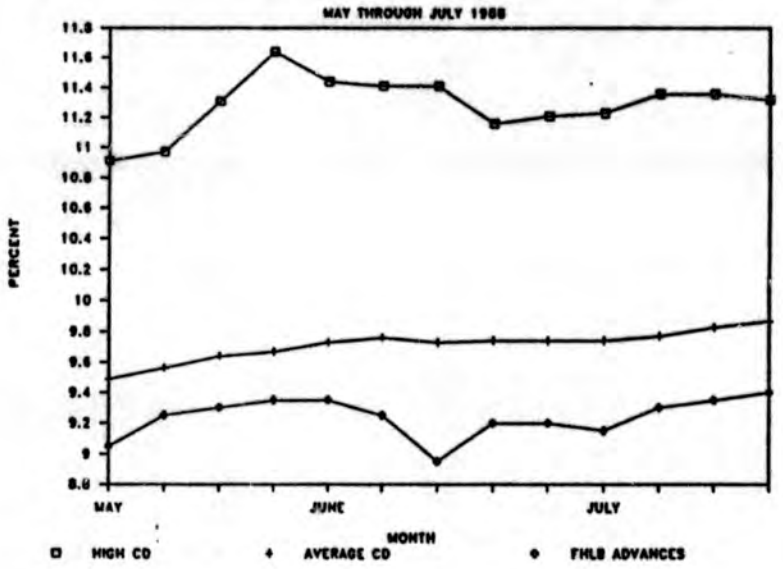
These Alaska home owners benefit directly from FHLB advances that lower thrifts' costs of funds, as the following comparison demonstrates. If FHLB advances were no longer available, given the size of

Alaska thrifts, certificates of deposits (CDs) would be the most likely alternative source of mortgage funds.

As a funding source, however, CDs have a number of drawbacks: limited availability of longer maturities, difficulty of gathering large sums in a short period of time, and interest rate risk because the funds can be withdrawn. Further, in the absence of advances, heavier reliance on term CDs could create price wars driving up the cost. Given these limitations, term CDs would be a costly and inefficient replacement for long-term advances.

In this District, ignoring the other costs of marketing retail CDs, between May and July 1988 the average yield on five-year CDs was 31 to 78 basis points higher than five-year fixed-rate advances from the FHLB of Seattle. For the 100 highest yield five-year CDs, the spread over advances was 186 to 246 basis points. As pointed out above, if thrifts relied more heavily on CDs for funds, the average yield would probably be above the highest yields found in the market today. Figure 1 shows these spreads for the past three months.

Figure 1: **Sources of Long-Term Mortgage Funds**



Sources: 100 Highest Yields, Federal Home Loan Bank Board.

A difference of 31 to 246 basis points in mortgage rates is significant to the consumer. With a 30-year fixed-rate mortgage of $150,000, for example, a mortgage at 10.31% would cost the consumer $413 more per year than one at 10.00%, while a mortgage at 12.46% costs the consumer $3,346 more. When these amounts are multiplied by the total state loan origination volume (over $760 million in 1987, a low year), the impact of even slightly lower cost of funds on Alaska home buyers can be is substantial.

Total end of year advances to Alaska members from the Federal Home Loan Bank of Seattle are shown on Table 3. As of July 1988, the FHLB of Seattle has $193.6 million invested in Alaska. Not every dollar has gone directly into residential lending, of course, but these advances, as well as AHFC programs, have helped to make affordable mortgage credit available in Alaska despite the volatile economy.

Table 3: **FHLB Advances to Alaska Members***

Year	FHLB Advances	All Member Loans	Advances/Loans
1987	$ 197,570,000	$ 451,431,000	43.8%
1986	$ 199,390,000	$1,268,864,000	15.7%
1985	$ 208,450,000	$1,039,929,000	20.0%
1984	$ 133,944,000	$ 786,774,000	17.0%
1983	$ 125,279,000	$ 889,783,000	14.1%

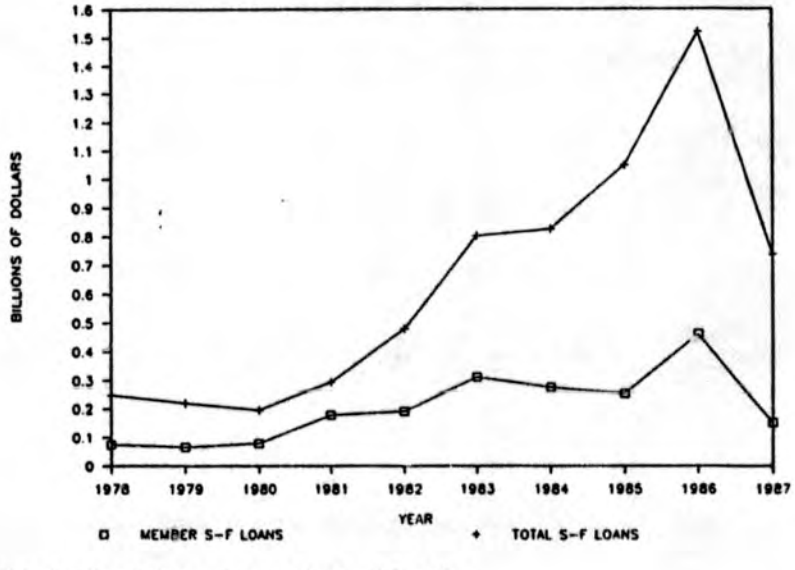
* End of year.

Source: Federal Home Loan Bank of Seattle.

The Thrift Industry and Mortgage Lending in Alaska

Figure 2 compares total single-family mortgage originations in Alaska (HUD, August 1988) with those made by thrift institutions. During the early years before the oil boom, local thrifts originated a third to a half of all residential loans. After 1983 the spread between thrift originations and total originations widened significantly. In 1986 some of the difference between total loan volume and member originations was due to refinancing which AHFC was newly authorized to undertake. Even without refinances, however, the thrift industry lost market share in Alaska as the housing market heated up attracting many Outside lenders.

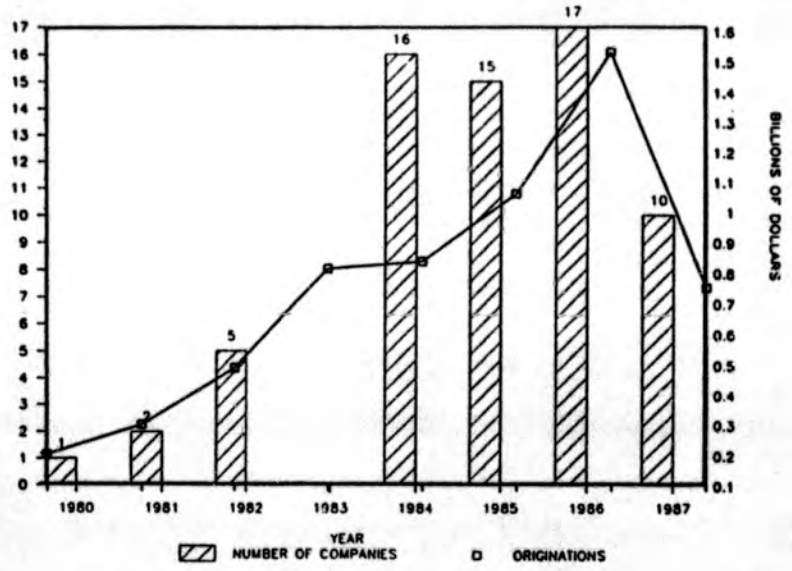
Figure 2: **Residential Lending in Alaska**



Sources: HUD, Federal Home Loan Bank of Seattle.

It is difficult to track mortgage lenders who are not depository institutions because they are not subject to federal regulation. As a proxy, Figure 3 compares the number of mortgage companies that advertised in the Anchorage Yellow Pages between 1980 and 1988 with billions of dollars of loan originations. It is clear, even from this unscientific analysis, that the number of non-depository lenders fluctuates rapidly with local economic conditions.

Figure 3: **Mortgage Bankers in Anchorage**

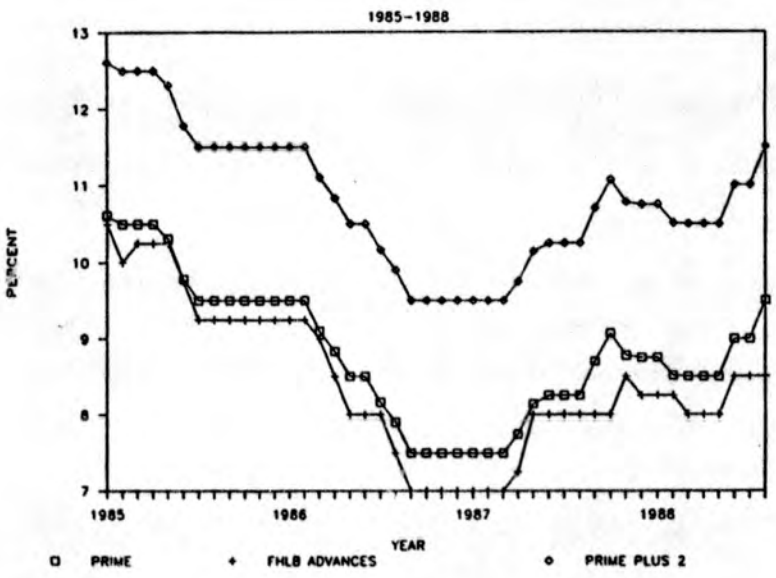


Source: GTE Yellow Pages.

Commercial banks were another group that entered the booming residential market in large numbers after 1983, functioning as mortgage bankers rather than as portfolio lenders. The current low level of mortgage lending has forced many of these bankers to withdraw from the residential market, too.

Mortgage lenders who do not have access to FHLB advances use other sources of funds including borrowings, forward sales into the secondary markets, and other capital market vehicles. Since they are not portfolio lenders, they tend to operate with short-term borrowings. According to industry sources, the best rate to approximate their cost of funds is the prime rate charged by New York banks. The spread over prime can vary from 1.5 to 2.0 points over prime to 1.0 points under, if the mortgage banker has substantial escrow accounts on deposit. All mortgage banking companies in Alaska would pay prime plus. Figure 4 compares this rate range with FHLB short-term advances.

Figure 4: **Prime Rate vs. FHLB of Seattle One-Year Variable Advances**



Sources: The Wall Street Journal, Federal Home Loan Bank of Seattle.

The spread between FHLB advance rates and the prime rate suggests why nonthrift mortgage bankers are more sensitive to changes in local mortgage markets. With their very narrow spread between their cost of funds and the mortgage rates consumers will accept, they may not be able to survive in a declining market.

This year mortgage originations in Alaska have plummeted--down even from last year's low levels. Mortgage lending among FHLB members dropped 40 percent during the first quarter of 1988. Lending in Anchorage in the first half of 1988, as measured by recorded deeds of trust, was 61 percent of the previous year's volume for that period. Table 4 gives some indication of the declines individual lenders have faced. Unfortunately these figures include both residential and commercial mortgages, so they indicate the trend rather than strictly residential mortgage volume.

Table 4: **Mortgage Market Share, Anchorage Recorded Deeds of Trust**

	1987	1988*
Lender	Dollar Volume	Dollar Volume
Alliance Bank**	47,544,510	13,024,678
Key Bank of Alaska	46,142,787	8,500,723
Home Savings Bank	44,970,898	22,885,162
Centrust Mortgage	42,424,089	10,772,597
Nat'l. Bank of Alaska	39,429,937	20,782,746
First Interstate Bank	36,949,480	N/A
First National Bank	36,119,232	11,185,073
AK USA Federal CU	34,998,577	10,962,859
Rainier Bank of Alaska	30,609,999	8,670,748
GMAC Mortgage Co.	28,614,930	13,410,935
Commonwealth Mortgage	28,569,465	12,979,015
Key Pacific Mortgage	25,669,975	9,162,465
Northland Mortgage	24,835,914	8,022,320
City Mortgage	18,361,200	9,274,229
FNMA (Fannie Mae)	N/A	17,260,005
Total Recorded Deeds	$763,695,970	$260,134,803

* First 6 months only.
** Alaska Mutual Bank and United Bancorporation merged in 1987.

Source: Security Title & Trust Agency of Alaska, Inc.

The Future of the Thrift Industry in Alaska

At the beginning I mentioned the public policy debate on the importance of the thrift industry in Alaska. As the Appendix demonstrates, in the past three years the composition of the state's thrift industry has changed rapidly and the next several years will probably see more change. The guiding principle for the regulators in resolving troubled FDIC- and FSLIC-insured associations is to protect the insurance funds by finding the lowest-cost solution.

No matter what option is used, however, the FHLB of Seattle is committed to preserving a locally-owned, community-based thrift industry in Alaska.

What the Thrift Industry Offers Alaska

This paper has discussed in depth how the thrift industry has contributed to the availability of mortgage credit in Alaska. Although in this decade the Alaska Housing Finance Corporation has been the most significant source of credit for Alaska's families, the Federal Home Loan Bank System has played a part. Beyond the financial savings the FHLB System can offer home owners, there are some other, less tangible benefits.

- Preservation of a competitive environment for both mortgage and deposit products. Because they are not totally dependent on either state or federal agency programs to fund their mortgages, thrifts can give home owners a choice.

- Flexibility and stability in the face of significant market changes. Alaska's economy has changed enormously since Alaska Federal S&LA of Juneau was chartered in 1935 and thrift institutions have changed to keep pace.

- Long-term commitment to local communities. This commitment extends beyond offering loans and deposit products to supporting community-improvement programs as Anchorage Neighborhood Housing Services, Inc.

In testimony before the Congress this past month, Jay Janis emphasized that there is "an unwritten compact between the (federal) government and its people for decent, affordable housing for everyone." This compact recognizes that it would be impossible for the individual home buyer to compete directly for credit with other larger and more powerful entities. There is a need in American for a specialized system devoted solely to mortgage finance, and since 1935 the thrift industry in Alaska has help fill that need.

Appendix: **FHLB of Seattle Alaska Members 1976-1988**

Alaska Federal S&LA of Juneau: FSLIC insured mutual association. State chartered 1935. Headquartered in Juneau. 1988 assets: $134,194,000.

Alaska Mutual Savings Bank: FDIC insured stock association. Chartered 1961. Headquartered in Anchorage. Changed name to Alaska Mutual Bank in 1980. Merged with United Bancorporation to form Alliance Bank in 1987.

Alliance Bank: FDIC insured stock association. State chartered. Formed in 1987 from merger of Alaska Mutual Bank and United Bancorporation. Headquartered in Anchorage. 1988 assets: $1,276,000,000.

Arctic First Federal S&LA: FSLIC insured. Headquartered in Fairbanks. $41 million in assets when acquired by First Federal S&LA of Anchorage in 1981.

First Federal S&LA of Anchorage: FSLIC insured mutual association. Federally chartered 1955. Headquartered in Anchorage. Acquired Arctic First Federal S&LA in 1981. Changed name to First Federal Bank of Alaska, S.B. 1983. Acquired insured deposits from Peninsula S&LA in 1986 and from Frontier S&LA in 1987. 1988 assets: $351,890,000.

Frontier S&LA: FSLIC insured stock association. Chartered 1982. Headquartered in Fairbanks. Liquidated in 1987 and insured deposits transferred to First Federal Bank of Alaska, S.B.

Home Federal S&LA: FSLIC insured stock association. Federally chartered 1973. Headquartered in Anchorage. 1982 converted to state charter and changed name to Home Savings and Loan Association. 1988 changed name to Home Savings Bank. 1988 assets: $84,973,000.

Mt. McKinley Mutual Savings Bank: FDIC insured mutual association. State chartered 1965. Headquartered in Fairbanks. 1988 assets: $97,047,000.

Peninsula S&LA: FSLIC insured stock association. State chartered 1979. Headquartered in Soldotna. Liquidated in 1986 and insured deposits transferred to First Federal Bank of Alaska, S.B.

Source: Federal Home Loan Bank of Seattle.

ENERGY CONSERVATION STANDARD

FOR NEW RESIDENTIAL BUILDINGS

by

Stuart D. Brooks

Project Coordinator
Lighting and Thermal Efficiency Standards

Office of Energy Programs
Department of Community and Regional Affairs

August 19, 1988

ENERGY CONSERVATION STANDARD
FOR NEW RESIDENTIAL BUILDINGS

How The Standard Was Developed

The Alaska Legislature enacted a law, AS 46.11.040, in 1980 that mandated statewide lighting and thermal efficiency standards for all residential buildings which receive state financial assistance. The responsibility for developing this standard was transfered to the Department of Community and Regional Affairs (DCRA) in 1983.

In late 1983 a sixteen member advisory committee representing all facets of the building industry was established by DCRA to review and guide the development of the standard. Their first action was to reject a draft standard done by a consultant. This draft incorporated both commercial and residential standards into a single document. This made the standard difficult to understand for those persons only interested in the residential requirements.

In July 1984 DCRA staff began the process of developing a standard geared soley toward residential use. The state was divided into 15 regions and data was gathered specific to each. This data included: weather, construction costs, solar energy, fuel costs, insurance, taxes, maintenance, mortgage rates, discount rate, mortgage term, fuel and general inflation rates, and an appropriate time period of analysis. Additionally, contruction costs were estimated for 2 door types, 2 window types, 3 ceiling types, 11 dwall types, 3 floor over crawlspace types, 3 elevated floor (piling or post and pad foundations) types, and 2 heating system types.

A computer model to analyze all this data was developed by the University of Alaska's Institute of Social and Economic Research (ISER). The model used a life-cycle-cost technique and a period of analysis of 30 years. The model "constructed" houses by combining the various building assemblies in every possible combination. This technique allowed ISER to contruct 330 houses in each of six regions for Southeast and Southcentral Alaska, and 198 houses in each of the remaining nine regions.

From this analysis the advisory committee choose two levels of thermal efficiency. The first was a mandatory minimum level and the second was a higher recommended level (which eventually became the Alaska Craftsman Home Program). It was found that many of the thermal efficiency levels choosen for the 15 regions matched or was nearly identical to levels for other nearby regions. Thus, the initial 15 regions could be consolidated down to only 5 regions for the entire state.

The minimum standard was then drafted incorporating the recomendations of the advisory committee. State staff next conducted nineteen community meetings across the state to explain how the standard was developed and to give the public an opportunity to respond to the draft standard. The standard was then revised and public hearings were held in fourteen communities around the state. The standard was finally adopted into law in 1987.

The Office of Energy Programs within DCRA conducted workshops in twenty-one communities around the state this past Spring to explain the specific requirements of the standard. The standard is slated to go into effect on October 1, 1988.

Scope of The Standard

The standard is required only for new residential construction and only if state financing will be involved in the mortgage process. Construction that begins before October 1 is not required to comply with the standard.

The standard applies to residential buildings measuring three stories or less in height. Additions need to comply only if habitable space 50% or greater in floor area than the existing dwelling is made - and then only the addition need comply.

The standard does not apply to transient housing such as hotels and motels etc.; manufactured homes; or lighting considerations.

If a local government develops an energy standard that meets or exceeds the state standard, the law allows the local government's standard to take precedent.

The Commissioner for DCRA has the authority to exempt an area of the state where the standard is not justified because of the high cost of implementation.

How To Comply

The standard provides for three methods of showing compliance: Prescriptive, Performance, and Building Budget. Builders may use any one of these three methods. Additionally, there are mandatory measures that must be met regardless of which of the above three compliance methods the builder chooses to follow.

Each of the state's financing agencies have developed a compliance process appropriate to their scope of business. Builders should contact the appropriate agency (AHFC or DCRA's Housing Assistance Section for example) for specifics.

Portions of the standard's requirements are shown on this and the next page. Readers should obtain a full copy of the standard to ensure a complete understanding of all requirements contained therein. Write to the Alaska Office of Energy Programs, 949 E. 36th Ave., Suite 403, Anchorage, AK 99508. Copies are $4.00 each which includes postage and handling.

Mandatory Measures

These measures encompass insulation practices, vapor retarders, air infiltration control, ventilation requirements, window performance testing, conservation of hot water, plumbing, air ducts, and heating system testing.

Prescriptive Requirements

Window Area	Minimum R-value Required			
	Regions 1&2	Region 3	Region 4	Region 5
up to 8%	2.10	2.30	2.80	2.80
greater than 8% and up to 11%	2.80	2.80	2.80	2.80
greater than 11% and up to 15%	4.00	4.00	4.00	4.00

Window area greater than 15% not allowed in any region. If more than 15% window area is desired, the builder must use the Performance or Building Budget methods.

Five percent of the allowable window area is exempted from the above requirements to permit special architectural windows.

Skylights must be double glazed as a minimum and skylight area may not exceed one percent of the total insulated ceiling area.

PRESCRIPTIVE ENVELOPE R-VALUE REQUIREMENTS

This table lists minimum prescribed insulation requirements for the building envelope. The builder may use any method of constructing the building envelope provided clear compliance with the listed R-values can be shown and is acceptable to approving officials. The builder may exceed these minimums if so desired.

CAUTION: Permafrost areas require engineering analysis for proper application of insulation in contact with the ground.

Region Number Region Name Heating Fuel	Prescriptive Envelope R-Value Requirements						
	Ceiling[1]		Above-grade		Below-grade	Slab-on-	
	#1	#2	Wall	Floor	Wall	grade Floor	Door[2]
Region 1							
Southeast							
All Fuels	38	48	21	30	15	15	2.5, 7
Region 2							
Southcentral, Aleutian, Kodiak							
Natural Gas	38	45	18	19	10	10	2.5, 7
All Other Fuels	38	48	25	30	15	15	2.5, 7
Region 3							
Interior, Southwest							
All Fuels	38	48	25	38	19	15	7
Region 4							
Northwest							
All Fuels		48	30	38	19	15	7
Region 5							
Arctic Slope							
All Fuels	52	NA[3]	35	43	--	--	7

Notes:

1. Ceiling #1: R-values listed are for ceilings with no skylights.
   Ceiling #2: R-values listed are for ceilings with skylights. See paragraph 3.7b.
2. One exterior door in Region 1 may have an R-value less than 7 but no less than 2.5.
3. Not allowed.

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ENERGY RATED HOMES OF ALASKA

by

Geoff Feiler, President
Heat Loss Analysis, Inc.

19 August 1988

prepared for the

Alaska Housing Market Council
Governor's Conference on Housing
23 September 1988

INTRODUCTION

Since the mid-1970's energy has been an increasingly important issue in the residential shelter industry. The increases in the cost of heating and providing power to homes that began with the Arab Oil Embargo of 1973 have spawned a multitude of innovative techniques designed to improve the efficiency of our housing stock.

As a result of these changes, the potential homebuyer has been faced with a multitude of energy related choices. The task has been made difficult because there was not a uniform method for evaluating combinations of features. In addition, the impetus to build or buy with energy wisdom has been alternatively supported and roadblocked by the fluctuating presence or absence of financial incentives beyond the promise of lower operating costs.

Enter Energy Rated Homes of Alaska, a voluntary shelter industry program designed to allow comparison of dissimilar homes on an energy basis and to provide the means by which the efficient homebuyer could be rewarded.

PURPOSE

The Energy Rated Homes program is designed to provide benefits to the full spectrum of the shelter industry. Its basic concept of a uniform system by which homes can rated based on their energy using features is a primary key. Its intent to voluntary and member oriented, rather than regulatory and government controlled, will also help it reach its goal. The benefits to some of the industry segments are as follows:

For the homebuyer it provides a uniform energy rating by which homes can be compared. The rating is based on a point system (1-100) that translates into a highly visible "Star Rating" (one to five stars). The homebuyer merely needs to compare the number of Stars to see how opposing homes stack up on energy. The greater the number of Stars, the more efficient the home.

In addition, choosing an energy efficient home can mean more flexibility in the mortgage lending process since the number of Stars can tranlate to a greater allowable debt to income ratio - a primary measure used by lenders in determining eligibility for a loan. For example, the Alaska Housing Finance Corporation will allow the following adjustments to the ratio based on the rating received in the program:

*	no increase (28%)
**	no increase (28%)
***	one additional point on ratio (29%)
****	one additional point on ratio (29%)
*****	two additional points on ratio (30%)

FannieMae, FreddieMac, and other secondary lenders working with the program may use different allowances both for the debt to income ratio and the energy rating allowances.

To carry the example further, consider a home with a purchase price of $100,000 and 90% financing. Current interest rates might result in a payment of about $870 per month and a required income over $3100 per month. A five star rating would reduce the required income level to about $2900 per month. Conversely, with an unrated home, a $3000 per month salary would qualify a potential buyer for a $95,000 home. If the home received a five star rating, that buyer's potential would increase to about $105,000.

For the **homeowner**, the Energy Rating includes a list of improvements that are feasible for that particular home and that will, if performed, raise the energy point value. It also lets him know where he stands in the myriad of properties surrounding him. This can be valuable if energy related remodeling funds are available or if the homeowner is considering becoming a homeseller.

For the **realtor or speculative builder**, the energy rating of an efficient home is a selling tool. During periods of high energy costs, the operating costs of a home will become a consideration in the same class as size, appearance, and neighborhood. Other aspects being roughly equal, the smart homebuyer will certainly prefer the more energy efficient home. Realtors wanting to sell these homes will be able to use a good Star Rating to their advantage.

For the **mortgage lender**, the energy rating of the efficient home is the backup needed to adjust a potential buyer's debt to income ratio. Here the lender recognizes that energy efficiency means lower home operating costs and, therefore, more funds available for mortgage payments.

For the **builder**, an energy rating can be used to show compliance with the new State of Alaska Energy Conservation Standard for New Residential Buildings. It can also be used to show compliance with some of the requirements of the Alaska Craftsman Home Program.

PARTICIPANTS AND ORGANIZATION

As mentioned earlier, the Energy Rated Homes program is a shelter industry program. The participants include primary and secondary mortgage lenders, utilities, realtors, appraisers, builders, and public officials. Although funding and support for program startup has been primarily provided by the State of Alaska, the State Homebuilders Association, and railbelt utilities, program oversight is performed by a volunteer advisory committee made up of representatives from each of the industry segments. The committee also includes the program 'local operators' from the Southcentral and Interior regions of the State.

These local operators are responsible for the daily operation of the program. They supervise the performance of ratings, provide training to members, maintain records, and report back to both the advisory committee and the national organization - Energy Rated Homes of America.

The intent of the program is also to have a broad based, dues paying membership base including not only those industry members mentioned above but also entities such as building material suppliers. Participation and benefits would vary with the type of service provided.

PROCESS

Energy ratings are performed either by trained appraisers who are members of the Energy Rated Homes system or by trained energy raters under the direction of a local operator. A request for a rating can come from a builder, a realtor, a lender, a homebuyer, or a homeowner.

When a request is made by a lender it would usually go to an authorized appraiser who would complete the inspection as a part of his appraisal. Requests made by other parties would go directly to the local operator who have the rating performed by a contract rater.

The site visit consists of an inspection of the energy consuming aspects of the home including insulation levels, doors and windows, caulking and weatherstripping, and the heating system. An evaluation of solar access is also performed.

The data collected goes either directly onto an Energy Rating sheet or onto a temporary sheet from which the information is fed into the ERHS computer. The Energy Rating sheets are primarily used by appraisers who evaluate the points on site. The results are delivered directly to the lender or buyer along with the appraisal. A copy is also submitted to the local operator who is responsible for maintaining the records, for issuing the "Star Certificates", and for reporting back to the national organization.

Along with the final rating and 'Star Certificate' the homebuyer receives a voucher for an Improvements Worksheet. This is the process whereby an evaluation is made of energy saving home improvements and their effect on the current rating. There is no additional charge for the improvements worksheet over and above the $165 cost of the energy rating. However, there is an additional charge for an upgraded rating once work has been performed.

HISTORY

The Energy Rated Homes program was started in the early 1980's by Western Resources, Inc. under the direction of Jay Luboff. Initial work was done under a grant provided by the University of Washington and was focused at developing a rating system for Washington State. This work include technical support, procedural systems, and marketing and training programs. A national board of directors was organized and included representatives from major national shelter industry organizations.

At the end of 1982, with the program active in Washington and Oregon, Energy Rated Homes was introduced to Alaska. An energy mortgage valuation process was already under consideration at that time, but Energy Rated Homes seemed to be the most advanced of the systems that were available.

With industry support, the State of Alaska granted funds to tailor the program for our unique conditions. A volunteer technical committee was put together to oversee that aspect of the work being done by Western Resources (now Energy Rated Homes of America). They reviewed data including demographics on existing housing stock, utility rate information, and aggregate residential energy use patterns. The work of Western Resources and the technical committee resulted in the forms, a computer program, and processes that are now used in urban Alaska.

Two other facets of the program were also funded by the State and by some of the larger utility companies. They included training workshops for realtors (developed by C.A.R.E - Conservation And Renewable Energy, a non-profit organization) and appraisers and a $90,000 marketing effort (developed by The Aadland Group) designed to increase program recognition through television and print media.

During this period an advisory group chaired by Randy Boyd of Key Bank was organized. It included representatives from realtor associations, builder associations, utilities, lenders, program operators from Anchorage and Fairbanks, and the State. Their mission was to promote the program by soliciting memberships from their various groups and to oversee the local operators.

After several years of technical, organizational, procedural, educational, and promotional preparation, Energy Rated Homes of Alaska was ready to makes its debut in the spring of 1987. Unfortunately, this coincided with the severe changes in State's economy - changes which were drastically felt in the residential shelter industry. The energy efficiency of a potential home purchase - earlier a top priority of homebuyers - took a back seat to the wealth of bargain foreclosures coming on the market. The debut sparked interest among realtors, but failed to have a significant impact on the buying public.

CURRENT STATUS

Currently Energy Rated Homes of Alaska is waiting in the wings for an improvement in market conditions while it continues to streamline its organization and procedures and to also develop the tools needed for applications in rural Alaska. It is possible that operation of the program may come under the auspices of the Alaska Craftsman Home Program - an education and incentive program that promotes the construction of super efficient residential buildings. The association with the national organization is still incomplete due to funding shortages and the consideration that the relationship may not be essential to our operation.

Regardless of who runs it or whether or not it seeks national recognition, the Energy Rated Homes of Alaska program will be ready to act when energy again becomes a primary issue in the purchase of a home.

UNDERSTANDING YOUR HOME'S UNIFORM ENERGY RATING

The Uniform Energy Rating scores the major energy saving features of houses, and coverts that score to a five level rating. The levels are shown as stars - from the lowest rating of 1 star to the highest rating of 5 stars. Houses at the high end of each category have a plus (+) added to their rating.

The rating takes into account the design of the house, it's airtightness, the amount and location of its insulation, the type of windows, and the efficiency of the heating system, among other factors.

RATING:

★ Generally built before 1962, when no insulation was required. One-Star houses have little insulation and little potential for gaining heat from the sun. Have original heating system without upgrades. It is unusual to find a home in Fairbanks without some insulation or weatherstripping added to bring it up to a 2 Star rating.

★★ Generally built before 1975, 2 Star homes have approximatley R-19 ceilings and R-11 walls and floors. Typically have double pane windows and older heating system.

★★★ Houses built to code betwen 1975 and 1982 fall into this category. Typically, 3 Star houses have 9 inches of ceiling insulation, 6 inches of wall and floor insulation. Often have insulation-wrapped water heater and double pane windows. Houses built prior to 1975 will fall in this category if they have added insulation and double pane windows, or if they have upgraded the heating system with an especially efficient unit. The majority of houses in Fairbanks fall intp the 3 Star category.

★★★★ Most houses of standard construction built after 1982 fall into this category. Typically have R-38 ceiling insulation and at least R-25 walls and floors. Have triple pane windows, efficient heating sytem, good weatherstriping and vapor barrier. Four Stars is the maximum rating a house of standard 2x6 stud wall construction would normally receive unless it has a heat pump or other unusually efficient heating system.

★★★★★ Five Stars indicates especially efficient construction found in highly insulated houses. Usually have R-60 ceilings and R-49 walls and floors.

★★★★★+ 5+ Stars indicate unusual and especially efficient construction as found in solar or super insulated houses. Have over 18 inches of ceiling insulation and 18 inches of wall and floor insulation. Generally requires double wall construction and a continuous vapor barrier.

Most houses which rate in the 1 to 3 Star category can be upgraded at least one level by uncomplicated measures such as insulating, caulking, wrapping the water heater or heating system renovations. The Uniform Energy Rating can be used, like a car mileage rating, to compare the relative energy efficiency of houses. Your energy bills will differ with your individual lifestyle, as well as your home's size.

RATING SHEET

FOR USE ONLY AS ENERGY ADDENDUM TO STANDARD APPRAISAL REPORT (FHLMC / FNMA)

The Uniform System of Evaluating and Rating Home Energy Efficiency.

© 1985 Western Resources Institute

The potential energy efficiency of this house is evaluated and rated as follows:

Applicability: Western Washington

Year built _____ File No. _____

Loan no. _____

Borrower _____

Address _____

City _____ State _____ Zip _____

Census tract _____ Map Reference _____

Tax parcel no. _____

Legal description _____

Previous Serial Number _____ Date _____

Energy Rater _____ Date _____

Appraiser _____ Date _____

1 ONE STORY with HEATED BASEMENT

General Description:
One story above ground
Full, finished and heated basement
Attached garage



2 HEATED FLOOR AREA _____ SQUARE FEET

Includes basement when basement is heated and lived in.

3 ENVELOPE EFFICIENCY or how well the living space keeps heat in.

	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5	
CEILING	0.0	17.5	19.5	21.0	21.5	___
WALLS, WOOD	0.0	6.0	7.0	9.5	10.0	___
WALLS, CONC.	0.0	0.0	4.0	5.0	6.0	___
FLOOR	0.0	0.0	0.0	0.0	0.0	___
WINDOWS	0.0	1.5	4.0	5.0	6.5	___
AIR LEAKAGE	0.0	5.0	8.5	13.0	18.5	___

Use E in Step 4 ___ TOTAL ___

SCORE

_____ E
ENVELOPE

4 SOLAR GAIN or how well the living space is heated by sunlight

South Window Area	Mass For Heat Storage	23.	38.	43.	54.
50 sq.ft.	NO	3.0	2.5	2.5	2.5	2.5
100 sq.ft.	NO	6.0	5.0	4.5	4.5	4.0
200 sq.ft.	NO	11.5	8.5	7.5	6.5	5.5
50 sq.ft.	YES	0.0	3.0	3.0	3.0	3.0
100 sq.ft.	YES	0.0	5.5	5.5	5.0	5.0
200 sq.ft.	YES	0.0	10.0	9.5	8.5	8.0
300 sq.ft.	YES	0.0	13.5	12.0	11.0	10.0

SCORE is zero for no solar gain

_____ E + S
Use for Step 7 & 9 with Energy Use Table in Appendix D

_____ S
SOLAR

5 COOLING ENERGY Not included in rating for this region

Prevention of Overheating
- ☐ Overheating not a problem
- ☐ Overheating possibly a problem
- ☐ Overheating is a problem

Prevention Measures
- ☐ Window shading or roof overhangs
- ☐ Ventilation through opening windows
- ☐ Mechanical ventilation or cooling device

N/A _____ C
COOLING

6 WATER HEATER

Location of water heater: ☐ inside ☐ unheated basement, crawl space or garage ☐ outside

LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
0.0	1.5	6.0	7.0	13.0

Fuel Type: ☐ electric ☐ gas

_____ W
WATER

7 SPACE HEATING/COOLING EFFICIENCY

Wood Fuel
- ☐ Primary fuel (no other heating system, see Appendix E)
- ☐ Secondary

E + S less than 6.5

	LOW	MID	HIGH
OIL	0.0	14.0	28.0
GAS	0.0	19.0	32.0
ELECTRICITY	0.0	19.0	41.0
WOOD	0.0	23.5	39.5
COOLING	0.0	0.0	0.0

E + S greater than 6.5

	LOW	MID	HIGH
OIL	0.0	5.5	9.5
GAS	0.0	6.5	11.0
ELECTRICITY	0.0	6.5	14.0
WOOD	0.0	8.0	13.5
COOLING	0.0	0.0	0.0

Select correct table by using E + S score from Step 4.

Energy Efficient Devices
- ☐ Automatic setback thermostat
- ☐ Zoned thermostat control
- ☐ Other energy-saving devices

Gas utility (name): _____ Electric utility (name): _____

_____ H
SPACE HEATER/ COOLER

8 UNIFORM ENERGY RATING* This is an energy efficiency potential rating which rates the potential of this house to use energy efficiently assuming average size and typical energy use.

0-16	17-24	25-36	31-35	36-45	46-55	56-62	63-68	69-73	74-99
★	★★	★★	★★★	★★★	★★★★	★★★★	★★★★★	★★★★★	★★★★★
✓									
BELOW AVERAGE		FAIR		GOOD		EFFICIENT		VERY EFFICIENT	

Appraisers: use word rating (e.g., EFFICIENT) on appraisal form.

TOTAL SCORE

(E + S + C + W + H)

RATING

9 ENERGY PURCHASED* Energy Use (Use E + S from Step 4 and Appendix D) ÷ Efficiency (see back of the page or Appendix E) = Purchased Energy

MBtu/yr ÷ Efficiency	Gas	Electric	Oil
Space Heating ( ) ÷ ( ) =			
Space Cooling ( ) ÷ ( ) =			
Water Heating ( ) ÷ ( ) =			
Light & Appliances (see back)			
Total Energy Purchased (MBtu/yr)*			

10 ENERGY COST* Purchased Energy X Cost (see Appendix F) = Energy Cost

Total gas		MBtu/yr x		$/MBtu =	$/yr
Total electricity		MBtu/yr x		$/MBtu =	$/yr
Total oil		MBtu/yr x		$/MBtu =	$/yr
TOTAL APPROX. ANNUAL ENERGY COST*					$/yr

*The estimated energy cost for this house is to be used for comparison only. Actual use will be higher or lower from this estimate depending upon occupants' use, weather conditions and utility rates in effect at the time.

WRI 108 1/85

Disclaimer: Although every effort has been made to provide accurate information on this form, neither this form nor any entries made on it constitutes any warranty, express or implied, as to the presence or lack of energy features in the house, the heating fuel used in the house and its cost, or the actual annual energy consumption of the house.

Appraiser: send White copy to lender for data bank, attach Yellow copy to appraisal

Serial #

ENERGY RATED HOMES™

certifies that the home located at:

Address _____ City _____ State _____ Zip _____

has been rated using the Uniform Energy Rating System and receives, on a scale of 1 Star to 5 Stars



™ (HIGHEST RATING)

Director, Local Energy Rated Homes Operations _____ Date of Rating _____

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THE ALASKA CRAFTSMAN HOME PROGRAM

by
Donald R. Markle
Executive Director
and
Randall Lofstrom
Chairman
Alaska Craftsman Home Program

ECONOMIC MOTIVATION

In most Alaskan communities, the demand for energy is placing a serious strain on the local economy. This is particularly true in rural communities which are subsistence based. The cost of energy is a constant drain on the local economy with money being sent out to petroleum suppliers rather than being circulated within the community. In fact money circulates 3 times less frequently in Alaska than in communities in the lower 48 according to the Alaska Department of Labor.

The burden that energy cost places upon the family is illustrated by the fact that rural Alaskans (off the natural gas line) spend between 16% and 37% of their incomes on energy bills. This is after State subsidy of utility and energy delivery costs. In general terms it costs on average between $1,200 to $1,500 annually to heat a home in Alaska. It is clear that conservation, which can save up to 80% of energy costs to our citizens, has a key role to play in the State's economic development strategy as well as energy policy.

This last year the Department of Community and Regional Affairs contracted for a study on rural housing. The following is a quote from the executive summary of that report. "Although conditions vary widely, the inescapable conclusion apparent from the survey results is that housing in rural Alaska has dramatically poor housing conditions in terms of space per resident and state of repair." The report also indicates that 36% of all rural homes surveyed can not maintain 70 degrees during the heating season. This is a damning statement on the quality of housing in rural Alaska much of which is low income government housing. Foreclosed properties in urban areas suggests that a significant percentage of housing there also can be considered inadequate. Since most of the poor housing is inhabited by low income people, our housing policy is trapping people in poverty. The minimal quality approach to housing is committing the low income to an endless cycle of high fuel and maintenance costs, subsidy, and low self esteem and related social ills.

No sector of Alaska's economy has been devastated as severely as the home construction industry during the present recession. Housing starts have nearly ceased, dropping to a handful from the thousands built per year several years ago. The vast majority of homebuilders have left the state, leaving only a few dedicated quality builders. These people are the core of the Alaska Craftsman Home Program. The Alaska Craftsman Home Program is also the catalyst they are using to markedly change and rebuilt the home building industry in Alaska.

Health and Safety Motivation:

There is motivation for achieving the Alaska Craftsman Home Program standard other than economic. The motivation is health and safety. The Consumer Alliance estimates that poor indoor air pollution costs this country $100 Billion dollars annually. The more conservative Bonneville Power Administration puts the estimate at $30 Billion dollars.

Radon gas kills between 5,000 and 30,000 people a year with lung cancer according to Environmental experts, much of which is related to indoor air pollution. If we put 30,000 into perspective that is three times more than are murdered in this country and 3/4 as many as are killed in car accidents. Consider the efforts put into police protection and car safety attempting to reduce those deaths, then consider if prevention of radon deaths is a valuable product of our educational system. Indoor air contamination by radon and at least a 126 other identified toxic indoor air contaminates can be reduced through mechanical ventilation, which is a requirement of the voluntary Alaska Craftsman Home Standards.

Most Alaskans are de-sensitized to cancer risk and other factors, because it seems to be everywhere. Perhaps we should consider the Indoor Air Quality facts on a financial basis. Recent analysis indicates that 40% of the clinic visits in the Barrow area were upper respiratory related calls. Consider the fact that we Alaskan spend over 90% of our time indoors, and that indoor air quality is suspect in the majority of those calls. Now consider who pays for the calls? Who pays for the lost days at work? Who pays for the hospitals, doctors, and for the medicine? Who pays for the $30 Billion to $100 Billion loss related to indoor air quality and could it be spent better on something else?

Energy and Environmental Policy Motivation:

The Alaska Craftsman Home Program addresses energy planning from the demand side. From the perspective of energy planning, a barrel of oil saved is as good as finding a new barrel of oil. Finding a way to eliminate a recurring need for oil, gas or electricity without reducing comfort, or the standard of living of the user is as high a priority as finding new reserves of oil, gas or developing new methods of producing electricity. After all, energy producers are merely supplying a commodity that keeps people warm, provides light, moves people about and does work for them. If the tasks that require energy can be satisfactorily accomplished using less fuel and electricity, it benefits the consumer who pays for the commodity. Reducing consumption is what demand side planning is all about, and is obviously as valid as looking for new energy resources.

It is important to note that energy producers are spending more resources and time finding less and less conventional forms of energy. Conventional fossil fuel resources are finite and the need for warmth, transportation, light, and work are not. In the long term, conventional fossil fuel energy resources are running low. The United States domestic oil industry has not discovered a giant oil field since Prudhoe

Bay in 1968. Consumers have used 2/3 of those reserves since production began in the mid 1970's. It is interesting to note that the United States is now importing more oil than at the time of the 1973 Arab Oil embargo. The United States is also predicted to require imported oil equivalent to one Prudhoe Bay every three years by the turn of the century. It is also predicted that we will import nearly half of our oil by the mid-1990's and primarily from the Middle East. Recently the United States Geological Survey cut in half the estimate of domestic reserves. The conventional wisdom is that as consumers reduce the available world supply of fossil fuels, the cost will increase.

The reduced individual use of energy as the Alaska Craftsman Home does reaps environmental benefits. These benefits range from reduced extraction impacts to reduced atmospheric emissions. The ozone layer in the upper atmosphere that protects us from ultraviolet radiation is thinning. The very temperature of the earth appears to rising, posing a threat of unknown dimensions to virtually all the life-support systems on which humanity depends.

The context in which we find ourselves is that Acid Rain, the Greenhouse Effect and other global environmental issues are becoming critical. The global warming is having devastating effects and they will increase in intensity for the foreseeable future with dramatic effects in all aspects of our lives. These issues will be the primary issues of the remainder of the 20th century. All human activities affect the earth's physical condition, but two are disproportionately important: energy use and population growth. Heavy dependence on fossil fuels has caused a buildup of carbon dioxide in the atmosphere that threatens to warm the earth. Pollutants from fossil fuel burning have also led to acidification and the death of lakes and forests. Superinsulation is part of the equation in mitigation of the destructive results of these by products of fuel consumption. With so much potential at such bargain prices, improving energy efficiency deserves to be the cornerstone of environmental policy.

Energy conservation in housing has the curious effect of bringing together consumer, business, and environmental interests because it is cost effective, makes money available for products other than energy and is environmentally better for the owner and his neighbor.

Implementing the Alaska Craftsman Home Program will achieve energy savings as significant as discovering an oil field. If, because of this program 2,500 homes save an average of 500 gallons of oil a year, then implementing this program would be equivalent to discovering 75,000,000 gallons of refined heating oil. This would be a conservative estimate to be sure. If all Alaskan builders start building Alaska Craftsman Homes as a standard practice, the savings would be truly monumental. Another energy crisis will be made or avoided by individual decisions made around the world, like whether to invest in an energy efficient home or not.

The significance of the Alaska Craftsman Home Program is that it provides a model of how strategic international planning can be accomplished with minimal government intervention, expense and disruption of the private enterprise system. In fact, the Alaska governmental contribution to energy conservation is being done with the cooperation of private enterprise in the housing market through the Alaska Craftsman Home Program. The state is influencing the individual decisions of home buyers through education and building science.

How Does The Alaska Craftsman Home Program Work?

Research and development around the world has changed the way homes are being built in northern climates. So many technical changes have taken place that an educational network is needed to keep the building industry informed of the advancements. With such a network, the building industry can stay abreast of advancements in other parts of the world, as well as other parts of the state. The Alaska Craftsman Home Program is that educational network in Alaska.

The energy savings that can be achieved is only one benefit of an education network allowing research and field application experience to be systematically exchanged within the Alaska housing industry. The program is designed to provide:

. technical information for the industry
. a forum for the building industry to help determine objectives for the State financial institutions and University research community.
. a non threatening environment where builders can discuss building science.

As a result of the Alaska Craftsman Home Program the shelter industry will build better homes. The information network will be in place to improve the shelter industry as new technologies are developed in the future. Alaskans will live in a more durable, comfortable and safer environment, and will benefit economically from the changes that have and will take place in the shelter industry as a result of the Alaska Craftsman Home Program.

Goals:

The immediate goal of the Alaska Craftsman Home Program is to build thermal efficiency into the shelter industry in Alaska through education. This will save nearly 80% of the energy consumed in a typical home.

The long range goal of the program is to assist the Alaska shelter industry in providing the best, most appropriate and affordable shelter available.

In order to achieve these goals and to make the Alaska Craftsman Home Program work the effort must be a continuing effort for the next several years to firmly establish the educational network.

The Alaska Craftsman Home Program is voluntary. To manage this educational effort a joint stewardship of government, the university and shelter industry associations has been established. An ad hoc Board of Directors composed of the Cooperative Extension Service, Alaska State Homebuilders Association, Energy Rated Homes Program and the State Office of Energy Programs has been formed. A protocol agreement has been signed between the organizations to establish the board of directors. This board will guide the program through the initial three years of formation. Policy decisions will be made by the Board of Directors and carried out by the staffs of various organizations as appropriate. The primary address and staff contact for the organization is the Anchorage office of the Cooperative Extension Service.

The Alaska Craftsman home program will have completed five phases by the time it reaches maturity.

Phase 1

The Cooperative Extension Service and State Office of Energy Programs jointly initiated the program in 1986. A pilot series of building seminars were held March of 1986 in Juneau, Anchorage, and Fairbanks. One hundred three shelter industry people were introduced to the "superinsulation" building techniques through the Super Energy Efficient Home Workshop Series taught by internationally acclaimed experts Oliver Drerup and Ned Nisson. The reviews from the industry were very favorable.

Phase 2

The second phase of the Alaska Craftsman Home Program began with the development of the first edition of the Alaska Craftsman Home Building Manual. The Cooperative Extension Service engaged 24 Alaskans to take part in the educational effort. These people have since become the backbone of the Alaska Craftsman Building Program and are the industry educators for Alaska. These 24 people represent all regions of the State and are divided into 12 training teams. They came to the program with a vast amount of expertise on building homes in Alaska. They left the training workshop and immediately put on 14 two day workshops. These people were volunteers.

Phase 3

Phase three activities have continued the educational effort through field workshops introducing the Alaska Craftsman techniques to the builders and interested people throughout Alaska. These workshops have been taught independently by the 12 Alaska training teams. Over

350 people have now attend the 22 workshops held around the State and several homes are now being registered into the program.

The program is new and as such has undergone extensive internal and external review in the first year. The program has been evaluated internationally by people from Canada, Japan, Norway the National Association of Homebuilders, National Center for Appropriate Technology, Minnesota Cold Weather Housing Institute, 6 National Laboratories, and the Department of Energy as well as 64 Alaskans.

A marketing campaign has been developed and initiated during the phase three activities. The marketing campaign will focus on six primary benefits:

. significantly reduced energy bills
. increased comfort
. reduced noise from outside sources
. improved indoor air quality
. improved durability
. improved resale value

The goal is to establish the Alaska Craftsman Home as the recognized standard of excellence for home building in Alaska. This, in turn, will help establish a market for those homes for the homebuilders who have taken the training.

Phase 4

The future of the program is now being developed. The goal is to establish an educational network that feeds new technology and research information to the builders in Alaska. The network also feeds practical application experience and field needs to the research and product development community. Legislation was recently passed and signed into law to officially start the programs incentive plan.

This phase of the program consists of four prime elements.

1.) Education
2.) Incentives
3.) Promotion
4.) Research

Education

The first elements have already been initiated with the Alaska Craftsman Home Program workshops. A manual, audiovisuals, an achievable standard, and a series of workshops have been developed and implemented to allow Alaskans to build to what present technology will allow. New educational items that will be completed now are:
A complete review of the existing manual and an update of audio visuals is scheduled every three years; The development of Alaskan specific energy budget computer program from existing international public domain program is planned; Support of existing education network and management will continue, this will include communication links and full time workshop coordinator.

Incentives:

The State has committed to making approximately 12 homes newly built or retrofit to Alaska Craftsman standards as demonstrations this year. That commitment would require approximately $6,000 investment in each new house and nearly $12,000 per house for a retrofit including radon mitigation. In return for the money the home owner must commit to a two—week open house and the ability for the program to monitor the home.

Promotion:

There will be two efforts in the promotion of the Alaska Craftsman Home Program. The first effort would be to educate and thereby convince Alaskans of the advantages of the Alaska Craftsman Home. The second promotional effort is to export the technology and Alaskan products developed through the program. The public education program would be at a level of sophistication and commitment to achieve a 50% new start market penetration of the technology in 3 years.

Research:

The research element will include the monitoring of the initial round of Alaska Craftsman Homes. This monitoring of the improved Alaska Craftsman Homes compared with control groups will help establish research objectives. Documentation of success will help sell the program here in Alaska.

Phase 5

Once the program has been well advertised and the market penetration of energy efficient homes achieved, then the mature phase of the program will occur. The educational network and cooperative research efforts will be institutionalized in some form.

The engine behind the change will be research and a major effort will be initiated in this field. This will include instrumentation and new product development. Research will also define the direction in which the housing industry will proceed. The Alaska Craftsman Home Program has initiated contacts with the Yukon Territory and the R—2000 program to establish joint research activities. Future ties are envisioned with all polar countries. This future effort will be closely tied to the new Science and Technology Foundation it is anticipated.

Alaska is one of the world's best natural torture chambers for product development. If a product survives in Alaska, it can survive anywhere. Because of Alaska's small market and remote location product failures are not catastrophic for manufacturers. The state of Alaska has made a commitment to new technology development and cooperation with private enterprise. In essence Alaska is a perfect test

bed for new products in the housing industry and the program will help develop this concept through research activities.

New objectives will then be pursued to suit Alaska's and the worlds demands in housing. The technical committee has already developed chapters on independent power use and water and waste water systems.

The Alaska Craftsman Home:

The Alaska Craftsman Home Program sets a design and performance standard. Generally speaking the Alaska Craftsman Home has six elements:

1) The first element of the Alaska Craftsman Home is meeting a thermal requirement for the building envelope. These thermal standards vary for different regions of the state and are based on life cycle cost analysis. A budget approach is used to determine the overall efficiency of the home, so insulation levels may change depending on the configuration. However, the envelope R value will be about twice standard construction or in the R−40 range with R −3 or more windows.

2) A second requirement is providing for minimal natural air leakage. A blower door test is required to assure that the standard is met. The house must achieve 1.5 air changes at 50 pascals or better performance.

3) The third element of the Alaska Craftsman Home is an adequately controlled ventilation system to assure proper air quality. This systems must be capable of producing 1/2 air change per hour of continuous ventilation.

4) The fourth element is to assure that builder supplied lighting and appliances are efficient.

5) The fifth element is that safety standards are met.

The program is designed to encourage builder innovation and creativity so the program remains flexible through the energy budget approach.

Alaska thermal standards:

The Alaska Craftsman Home Program educational effort is being initiated at the same time the State of Alaska enacts new minimum thermal efficiency building standards for homes that use State finance programs. These standards are the result of two years of intensive research and will be implemented in October of 1988.

The thermal standards are the prescriptive approach to the home building industry.

Energy Rated Homes of America:

The Alaska Craftsman Home Program is being coordinated with a new financing program offered through state sponsored loan programs such as Alaska Housing Finance Corporation. That program is the Energy Rated Homes Program. The Energy Rated Homes Program qualifies home buyers for a greater percentage of their income for mortgages on an energy efficient home.

The Energy Rated Home Program is a uniform system of evaluating and rating the energy efficiency of homes. The system was established so that homes everywhere can be rated according to the same energy standards or criteria. Thus, for the first time in Alaska, there's a common energy language that can be used by everyone to compare—on a uniform basis—the energy efficiency of one home with another.

The system was developed through the cooperative efforts of lending institutions, appraisers, Realtors, builders, utilities, and others in related industries. It can be used to great advantage by all, but most especially by, home buyer, sellers and builders.

Participation:

The Alaska Craftsman Home Program will be voluntary and will rely on prestige marketing as the main stimulus for acceptance by builders. As now envisioned, the Alaska Craftsman Home Program will instill the craftsman ideal into the builders who take the training. Marketing and financial incentives will make the program attractive to both builders and consumers. Alaska builders and contractors who complete the course will be able to use a registered trademark in their marketing efforts. Homes built to the Alaska Craftsman standard will be certified and registered as an Alaska Craftsman Home and with the Energy Rated Home Program if financial incentives are pursued. Certification that a home meets the Alaska Craftsman standards will be done by Alaska Craftsman certified inspectors.

Institutional roles:

The University of Alaska, Cooperative Extension Service will assume the role of keeping the manual and the training teams technically current and assume initial management of the program.

The Building Industry Association will coordinate the Alaska Craftsman Home Program Policy. They will issue certificates, pins, awards, and shape publicity. The national and state technical assistance networks available will be used to help find solutions to field problems. Eventually, more program management will be assumed by the building industry, once the capability exists.

The State Office of Energy Programs will be the primary funding agency to start up the program and will manage the incentive program. They will also provide staff time and monitoring of the project. They will coordinate the program with all the other state programs and assure that all Alaskans benefit from the Alaska Craftsman Home Program.

Energy Rated Home Program will help maintain the registry of homes built to the Alaska Craftsman Standard and assist in evaluation of homes.

Conclusion:

It is the expectation of the Board of Directors that within a relatively short three year period, the shelter industry of Alaska is going to be transformed into an industry that is state of the art and craftsman oriented because of the Alaska Craftsman Home Program. The independent builder is going to be able to tap into an easy to use, responsive, and technical information network. The builder will be able to remain independent while voluntarily participating in this program.

The Alaska Craftsman Home Program receives clear direction from the private sector aided by government and higher education. As such, innovation can come very rapidly and on a voluntary basis. The results of initiating the Alaska Craftsman Program will be to propel Alaska into a world leadership role in housing within the next three years and cooperatively achieve state and national energy efficiency and environmental goals.

All Alaskans will benefit from the improvement in the quality of homes because of the Alaska Craftsman Home Program. The improvement in home quality will ultimately be more important to the Citizens of this State than any of the short term concerns with supply and demand now the focus of so much debate. State policy should reflect this fact.

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A PAPER ON

IDENTIFICATION, ANALYSIS AND CURE OF PROBLEMS IN EXISTING HOUSING

BY

BRYAN F. BORJESSON MCE PE

August 15th, 1988

IDENTIFICATION, ANALYSIS AND CURE OF PROBLEMS IN EXISTING HOUSING.

Recent increasing awareness of construction problems in housing has resulted in considerable inspection activity by the engineering community for the purpose of assuring that houses being sold are in good condition.

The requirements for these inspections have come from several sources. There is a growing awareness by buyers as well as sellers of the need for determining the quality of housing that is either being sold or purchased. There have been numerous cases in the recent past of house sales to unwary buyers, who then have to spend thousands of dollars to repair or save the structure. Both realtors and appraisers have been gaining knowledge of the housing they are selling or appraising and are recommending to buyers as well as sellers that they should be aware of potential problems of housing transactions. In addition, an increasing number of court cases dealing with defective housing is placing an emphasis on improving the quality of the construction as well as making sellers and realtors more aware of representing housing that is free of major defects to avoid later legal entanglements.

The increasing number of problems found in housing in the last several years would lead one to the conclusion that current construction problems in the housing market were due to unqualified contractors, low quality materials or lack of inspection.

When ample monies were available for new construction and the demand was great, an influx of out of state along with new local builders occurred. These contractors were to various extents, unfamiliar with Arctic construction problems. This can be seen by recent inspections of houses wherein it is uniformly seen that the same poor construction

techniques were utilized in every dwelling by the same contractor. With the downturn in the economy, these builders were the first to stop construction and in most cases are no longer in the area. Only the better contractors who were willing to stand behind their product have remained and are continuing to build a quality product.

Hand in hand with the growth of contractors without adequate knowledge of good construction techniques, went the lack of quality control and the available demand on the market wherein buyers were willing to purchase a product without caring about its quality because they could easily remarket it. Outside the city limits of Fairbanks, code enforcement is lacking. Along with this is the problems of a partially adopted code.

Along with the lack of code provisions and the enforcement of those adopted, was the lack of the requirement of professional services to do inspections. This allowed the builder to virtually do anything he wanted, as long as the finished product was attractive and saleable.

The current problems have led to a form of self policing activities by the construction industry. Realtors, appraisers, lending institutions, and the builders themselves are requiring professional services from the engineering community to assure that housing being constructed at least meets minimum requirements for quality.

SOILS AND FOUNDATIONS

The importance of the knowledge of soils and the foundations which can be constructed on them is of paramount concern to the builder. Unfortunately, most builders who otherwise perform quality construction do not have the availability of techniqual expertise to assure them of the types of soils upon which they are constructing or whether or not the foundation system which they desire to employ will function on the types of soils on which they are building.

The gap on this particular problem is now closing wherein most builders are using professional engineering services whenever they are in doubt as to the particular soils upon which they are constructing.

The foundation system of a house is the singular most important part of the structure. Without a good foundation all of the other excellent features of an otherwise well constructed house are meaningless.

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1615 SCOMM 60• HOUSING FINANCE TASK FORCE,• 1989

All one has to do is to drive around the Fairbanks area and look at the housing which is settling, (several feet in some cases) and see them breaking up, knowing there is little to be done to save them.

Basic soil types in the Fairbanks area are schist, bedrock, gravels and sands, wind blown loese (on the upper hill sides), and organic silts (in the lower areas).

It is in the organic silts where permafrost is most likely to be found, although it can be found on the higher slopes especially on the north side of the ridges.

Gravels and sands usually provide a good foundation for structures. The gravels found in the Fairbanks area are usually well graded and when compacted provide a good bearing surface. Sands, unless they are silt infiltrated, likewise provide adequate bearing surfaces.

The bedrock in the Fairbanks area if solid and competent, provides an excellent bearing surface. If it is in a decomposed state it needs to be carefully examined prior to construction.

The silts, if dry, provide good bearing surfaces but if wet usually must be avoided. The organic silts, inparticular, are bad for construction for several reasons. They are normally associated with permafrost (although not always). and they hold and retain large quantities of water. In addition, if the organic content is high enough they have a high compressability factor and will tend to settle with time.

There are two kinds of frozen grounds. One is seasonally frozen and the other is permanently frozen. Permafrost is generally described as a soil material which has been frozen continuously for a period of two years or more. Seasonal frost deals with grounds which freeze in the wintertime and thaw the following summer.

Frozen soils provide the most hazardous conditions for construction. The hazards are usually associated with the thawing of the soils once construction is completed. If one can keep the material frozen, then the house will remain stable. However this is difficult to do and requires special construction techniques. The problems with the thawing soils is not only the shrinkage of the soils due to loss of the ice matrix, but also the compaction of the soils due to a high liquid content. In many cases the frozen soils have free ice and settlement upon thawing can be massive. In addition if the house is built on any kind of a

slope, then there is a possibility of subsurface flowing which again causes setlement of the structure.

Seasonal frost which occurs in the Fairbanks area is generally accepted as being four feet deep although variations of depth can occur due to exposure,moisture content and type of soil.

The basic types of foundations include the continuious footing and foundation wall, post and pads, piling, and special foundations utilizing refrigerated devices to keep the ground permanently frozen. Both wood and concrete are utilized in foundations and have their own individual uses in different soils situtations.

Concrete footings and walls have an excellent feature in that they will bridge minor soft spots beneath the footing and provide uniform support for structures. Therefore these types of foundations usually assist the contractor who otherwise may be somewhat careless in his compaction or selection of soils.

On the other hand wood foundations tend to yield where a soft spot occurs allowing a house to settle causing internal cracking and other unsightly features. However compared to concrete the wood foundation wall is much easier to work with if repairs must be made.

Post and pad foundations are normally utilized in perma- frost areas and for smaller cabin type construction wherein the support requirements are not as great.

Pilings are likewise utilized in permafrost areas and sometimes are associated with the refrigerated systems which are designed to keep the ground permanently frozen.

Most often the foundation failures that we have witnessed have been involved either with super saturated soils with high organic content or with permafrost which is in the thawing stage.

Failing foundation systems present the greatest problems for engineers to solve. The most common system used is to underpin the existing foundation with large footings to reduce the load on the soil. In most cases this will arrest the settlement rate and provide the needed stability.

An additional process involves raising the structure in the air and installing a large gravel pad which again assists in the distribution of the weight over the soils.

In most cases this results in a more uniform settlement rate with little or no distress showing in the structure. Eventually, equilibrium is established between the weight on the soil and its ability to support it at which time no more settlement occurrs. Another technique utilized is an adjustable foundation concept, wherein the existing foundation system is underpined with a new foundation, consisting of large concrete pads and posts designed specifically for vertical adjustment. These types of systems will allow the house to be releveled on an annual basis if settlement occurs, which will provide for the longevity of the structure without its destruction.

Settlement which has occurred in otherwise competent soils is usually from a lack of compaction by the builder prior to construction of the house. This type of situtation can be made stable by one of several techniques. Usually the house is temporarily supported and the soils are force consolidated by water injection, mechanical compaction, or high pressure grouting. Once the soils are compacted then the foundation is repaired.

Permafrost soils are the most difficult to deal with from an engineering perspective. Once thawing has started it is very difficult to arrest it or to arrest it in a uniform manner. The only technique for arresting the thawing of permafrost is to install a refrigerated system which extracts the heat from the ground and keeps the underlying permafrost from thawing. This type of technique has been utilized all over the State where ever permafrost is found. It requires special knowledge and special installation techniques. In addition, annual maintenance and monitoring must be performed to assure the system is functioning properly, therefore, it is a type of system which is only utilized in special cases for residential use. This is due to the lack of knowledge and expertise of the average home owner in monitoring the system.

There are other types of techniques to be used in permafrost which include the installation of deep piling into the perma frost layer, hopefully into underlying gravel layers to provide support during the thawing process. Another technique is to deeply force thaw the area to achieve the initial consolidation prior to construction.

If it turns out frozen soils are found after construction and it is in gravels and sands which have a low moisture content, then little or no work should have to be done to the structure, as these types of frozen soils will settle little or not at all during the thawing process. However, in the case of silts, where free ice may be

present, settlement can be rapid and massive during the thawing process.

The cost for any corrective measures in permafrost is usually very high and can in some cases exceed fifty per cent of the value of the structure. Therefore, repair work must be carefully considered as to not only effectiveness but as to total cost.

If it is determined that a refrigerated system is a viable alternative then it should be considered. However this system must be very carefully designed and requires extensive knowledge of the soils prior to installation. In addition the contractor performing the installation should be employed on a yearly basis to check the system to assure its proper functioning. In addition, a monitoring system should be installed so that ground temperatures can be measured on a seasonal basis and modifications to the system employed so that a stable freeze/thaw regime is achieved.

IDENTIFYING FOUNDATION PROBLEMS

The systems of foundation problems can take many forms. The most notable are cracks in walls and slabs along with uneveness of floors or preceptable tipping of the house. In addition sticking doors and windows can be signs of settlement. Site location can be very important by recognizing that the house is located in a known poor soil area. If potential problems exist then an engineer should be consulted. The engineer may order several tests, including soil borings, doing level shots on the house, and examining available records such as well logs, previous soil borings and information gleaned from the neighborhood to determine the nature and cause of the settlement.

A thorough examination of the foundation system then follows and the problem identified. Once idenfification of the problem is made then one or more remedies may be selected.

STRUCTURAL AND OTHER PROBLEMS ABOVE THE FOUNDATION LINE

Sometimes problems occur in structures which are not associated with the foundation system. In particular areas which can cause problems due to poor construction are the lack of adequate headers above openings such as doors and windows, beams and trusses which are too light to carry the

loads placed upon them, floor joists with too great a span and improper use of plywoods and other construction materials.

The usual signs of overloaded beams and joist is sagging and cracking of walls somewhere near the midspan of the element.

In addition headers over doors and windows allow sagging and compression into the window or doors. When these conditions are found, there are numerous techniques which can be utilized to remedy the situtation. This usually results in the addition of supports, the building up of beams, and the installation of new and stronger headers above windows and doors. Some solutions can be inexpensive while other solutions which require tearing out of portions of the house can become rather expensive.

Underdesigned trusses, if they have not already reached a high level of failure, can be repaired in place. This is usually accomplished by providing temporary support, jacking them back into a level position and then installing additional struts, gusset plates or other supports as required to strengthen them.

CONCLUSION

The housing indistry is going through an intraspective period. Mistakes of the past are readily visible and measures are being taken by everyone involved to solve the current problems. It is hoped that history will not repeat itself.

Foundation and other types of structural failures are being dealth with in inovative ways. Even though it appears that problems are numerous and overwhelming in magnitude, buth the engineers trying to solve the problems and the contractors performing the work have gained new knowledge. This knowledge will be invaluable in the future to keep from repeating the mistakes of the past and to improve construction techniques of the future.

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QUALITY OF CONSTRUCTION IN AHFC FINANCED PROPERTIES

BY TERRY DUSZYNSKI

AUGUST 15, 1988

QUALITY OF CONSTRUCTION IN AHFC FINANCED PROPERTIES

By Terry Duszynski

THE PROBLEM

In 1978, a young couple purchased their first home in the foothills above Fairbanks. It was not their dream house but for a start, they thought it was a good investment. Having paid close to $80,000, thoughts of any major problems seemed remote.

Everything seemed fine as they entered their first winter, that is, until small annoyances began to happen. The furnace in the small closet in the hallway would not run with the door closed. The doors did not close as well as before, some got stuck after they were closed. They noticed that snow did not stay on the roof much. It was always dry. There were light switches that appeared to operate nothing and outlets that did not work. All these were small, as I said, and sort of expected by the new homeowners.

It was not until a friend came over to investigate the light switch to nowhere that the true condition of the house came out. The switch did actually go somewhere. It operated the smoke alarm so that one could turn off the noisy thing when it went off as it often did when the furnace backed up because of an improperly installed draft damper. A rather convenient switch, don't you think? The fellow who wired the switch decided that since it only ran the smoke alarm, he could use lamp cord for the wire, besides, it is so much easier to work with.

This was just the beginning of the nightmare. After a thorough inspection of the house, the following was discovered: The entire basement was wired with lampcord. Lights, switches, outlets, every bit of electrical in the basement was common two wire lampcord. On the top level, the lampcord was used to add outlets and power the exhaust fan. The main service into the house was spliced in the crawlspace using an unsafe method. The output of the furnace was too small for the house and the ducts for the forced air were in the attic, small wonder the roof stayed dry. The floor of the basement looked like a rolling ship at sea. The same level was not maintained for more than eight feet at a stretch. The reason for this was simple. The foundation was large roughcut timber resting on bolts attached to two posts in the ground. The bolts were carrying the weight of the house. The plumbing drains were taped and silicone caulked together at every joint. I hope you can get the picture from this description. Everywhere you turned, something was wrong.

You might imagine the family's surprise when they were told that **the home was not safe for habitation** and they should move immediately. This was a home appraised by a reputable appraiser, sold by a licensed realtor, handled by a reputable bank, and **FINANCED BY ALASKA HOUSING FINANCE CORPORATION.**

The couple eventually did move and the bank did take back the house, however, the couple lost their downpayment and all the payments they had made. The walked away safe, but poorer for the experience. **THAT WAS TEN YEARS AGO. As of this writing, AHFC does not require that homes mortgaged by them meet any building code or minimum standard.**

Homes are still being mortgaged that have been built by unlicensed builders and other persons who may know little or nothing about construction. The houses that AHFC mortgaged during the past ten years are now being repaired at great expense as the repossessions are upgraded for sale.

It is interesting to note that these repossessed homes were mortgageable with unsafe electrical wiring, improperly installed heating systems, questionable foundations and structural members, and no bedroom egress windows. These same homes, however, must be upgraded before AHFC sells them. I agree that the homes must be safe, sound and sanitary but who is paying for this? Because there were no standards in effect for an AHFC loan, the people of Alaska are now repairing homes that should never have been finanaced.

The easy part of this dissertation is over. Pointing out the wrong is always easy. Having solutions is the hard part. You and I can make a difference in the quality of housing that will be built in the future by making a few hard and fast rules about the type of house AHFC will finance.

When I came to Alaska 15 years ago, I was attracted by the freedom that residents enjoyed here compared to other states. One of those was the ability to build one's own home without having ten inspectors breathing down your neck and requiring a permit for everything from window awnings to a backyard patio. I am still attracted to and in favor of these freedoms. I believe we should be able to build our own home any way we choose without government interference. This freedom, however, should be exercised only if we build the home without state financing and never sell it.

Once the home goes up for sale or the builder/owner wants state financing, then we as the public should have some protections. Every home should meet minimum code at the time of sale or state financing. This would protect the homebuying public yet preserve our freedom to build as we wish.

This sounds simple but the real problem lies in the implementation. How do we determine if the homes meet code when no inspection is available outside the large cities and municipalities? Few people even realize that some building codes are in effect statewide.

THE SOLUTION

The implementation would take some legislation. The cost of inspection, however, could fall to those who use it and not to the citizenry at large as all state inspections do now.

I propose that **three steps** be taken to insure that all homes financed with state funds meet minimum standards of safety, soundness, and sanitation.

1) **Legislation must be passed to require all homes financed with state funds meet minimum building standards** set forth in the National Electrical Code, the Uniform Plumbing Code, and the CABO One & Two Family Dwelling Code. The NEC and UPC are already law in the state and apply to residential housing. The One & Two Family Dwelling Code would have to be adopted by the State for residential housing.

2) **A Board of Building Inspectors must be created to set standards of competancy for licensing of persons working as home inspectors within the state.** The Board would be three members, two home inspectors and one public member. The testing and certification could be taken care of by the International Conference of Building Officials. ICBO is the recognized expert in the U.S. on building codes and puts out the Uniform Building Code. They already have proven tests for competency and expertise in building inspection. Licensure by the State Board would occur after the person showed background knowledge in construction and certification from ICBO.

3) **Alaska Housing Finance Corporation must change loan policies to require certification from a licensed home inspector prior to making a mortgage on a home.** This policy would apply to old and new homes alike. The older homes would be required to meet the code that was in existance at the time of construction. The new homes would meet the current code. The cost of bringing the house up to code would fall on the owner or builder. The cost of inspection would fall on the buyer or seller, depending on the situation. The only cost to the state of Alaska for enforcement and implementation would be the cost of the Board, and much of this cost would be offset by license fees.

The practice of having an home inspected before purchase is accepted among the homebuying public, however not everyone does it. You may argue that this only hurts the homeowner. That may be true, however, if that homeowner defaults on his or her loan, then we the Alaskan people must pay to bring the home up to code.

It will take qualified inspectors who are familiar with the building codes and their application to adequately determine if

the home is built to the minimum standards. An appraiser is not qualified to inspect a home for code and safety violations, and I doubt they would want to. They often point out glaring deficiencies and suggest an inspection report on the item. It takes someone who knows the systems within a home and how they relate to one another to properly inspect.

This plan would accomplish three things: **1) It would preserve our Alaskan freedoms to build our own homes as we choose yet protect AHFC, as well as the homebuying public, from unsafe building practices. 2) It would put the inspection in the hands of private industry, not a large state bureaucracy. 3) It would be paid for by the industry that uses it.**

If something is not done soon, when the next group of loan defaults come along, you and I will be paying, through our state dollars, to upgrade substandard housing. Lets not wait for this to happen. Lets do something now!

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INDOOR AIR QUALITY
AND
REQUIREMENTS FOR RESIDENTIAL VENTILATION

By: Phil Loudon
Member, ACHP Technical Committee

BACKGROUND

The American Society of Heating, Refrigerating and Air-conditioning Engineers (ASHRAE) states in a 1986 Public Review Draft of Standard 62-1981R, Ventilation for Acceptable Indoor Air Quality,

> "Indoor air should not contain contaminants that exceed concentrations known to impair health or cause discomfort to occupants. Such contaminants include various gases, vapors, micro-organisms, smoke, and other particulate matter. These may be present in makeup air or be introduced from indoor activities, furnishings, building materials, surface coatings, and air handling and air treatment components. Deleterious factors include toxicity, radioactivity, potential to induce infection or allergies, irritants, extreme thermal conditions and objectionable odors."

Thus we begin a semi-technical foray into issues surrounding Indoor Air Quality (IAQ) and ventilation requirements of residential dwellings. Indoor air quality problems are not implicit to new construction, however we have a greater opportunity to affect buildings not yet built, therefore much of the following discussion will focus on new construction.

The terms natural ventilation, and mechanical, or forced ventilation rate will be used throughout this article. In distinguishing the difference it is necessary to understand that the "natural" variety includes ventilation only through intentional (windows and doors) and unintentional openings (cracks and leaks to the outside). Forced, or mechanical ventilation is that amount of ventilating capacity attributable to fans, blowers, range hoods and similar mechanical devices.

EFFECTS OF IAQ

The wide variety of pollutants available to generate a residential IAQ problem is reason for concern. While we often speak of such minor pollutants as water vapor that can damage the physical building, or odors which may be uncomfortable, Volatile Organic Compounds (VOC) are usually carcinogens, exposure to radon gas can cause lung cancer and carbon monoxide (CO) exposure frequently results in death. The effects of poor

Indoor Air Quality fall into three areas: (1) comfort, (2) acute health effects, and (3) chronic health effects.

The most costly of the health effects are those that are chronic since their cause is often masked through sensitivity to other substances with the end result being a long term expense to society. Influenza, strep and similar upper respiratory illnesses rob millions of person hours from the United States work force each year, most of which are avoidable.

After the energy crisis of 1973, builders and homeowners spent a great amount of time, effort and money in building and retrofitting houses to make them more energy efficient. In doing so, and often without thinking of the ramifications of their acts, they caulked and sealed air leaks that had been costing them large amounts of money by leaking heat to the outside.

We now know that these air leaks were important because they supplied the replacement air that was necessary for comfort and health. Ventilation rates were often reduced to the point of causing IAQ complaints since the concentration of various pollutants produced indoors increased with the reduced natural ventilation rate. Mold and mildew have become problems even in our cold, dry Alaskan climate because our new buildings are constructed to be energy efficient and air-tight.

ALASKA'S EXPERIENCE

As stated during a meeting of the Canadian National Research Council in 1980:

> "Although the importance of air-tightness has been stressed for the past 25 years in the technical literature dealing with the design of building enclosures, we still construct buildings that provide their owners with excisable energy costs, buildings that make the occupants uncomfortable because of drafts and infiltration of contaminated air and that suffer from problems of condensation and the deterioration of their components and materials, which require high costs for repair and maintenance. Air tightness accordingly should be the primary objective in the design and construction of walls, windows, floors, and roofs of buildings."

Though Alaska did not begin the above journey in 1980, this statement brings us to where we are presently surviving with our existing deteriorating and dilapidated housing stock. Many of our existing buildings would benefit from the application of mechanical ventilation. These buildings are those with the

severe mold and mildew problems. They are the ones where odors linger for days on end. They are also largely responsible for a good portion of the high incidence of upper respiratory illness experienced by the average Alaskan resident.

Because the winters are longer and more harsh than those of warmer climates, Alaskans spend more time indoors than do people residing at lower latitudes. In performing calculations on just how much time we Alaskans spend indoors on a life-time average, I often use the under-estimate of ninety percent. This represents all of the time we spend indoors whether it be at work, or at home. This 90% estimate encompasses the entire life experience, from cradle to grave. Were we to spend ninety percent of our lives indoors we would have to average two hours and twenty four minutes outside every day, seven days a week, from birth till death, summer and winter, rain or shine.

Few Alaskans can claim this degree of outside exposure for a life-time average. For a person forty years of age this is the equivalent to working outside for seventeen and a half years, forty hours per week. I am often surprised at our concern for the outside environment as we spend such a small amount of our lives in it. It is only recently that we have begun to focus on the micro-climate that we call "indoors".

In 1987 the Center for Disease Control (Arctic Investigations Laboratory) reported that Alaskan female Natives less than 1 year old have <u>died 14.4 times more often</u> from pneumonia and influenza than other U.S. residents. Alaskan, non-native females have <u>died 1.5 times more often</u> from lung cancer and other chronic lung diseases than other U.S. females. These are alarming statistics that we must deal with in our regulatory and policy making bodies if we wish Alaskan residents to receive full benefit of the current knowledge regarding poor Indoor Air Quality.

Alaska has little to be proud of in the way of well designed and constructed residential buildings. Alaska has no state building code and few, if any, of our local building codes reflect the true need which is for integrated designs specific to northern climate conditions. Evidence of Alaska's poor quality of housing can be seen in every city and every village. Several recent attempts to deliver housing products that could be considered advanced and appropriate for our climate have been completed without the two ingredients necessary for success. Air-tightness testing and mechanical ventilation.

EXAMPLE

The United States Army recently constructed 400 units for

families of servicemen on the Fort Wainwright Army Post, just outside of Fairbanks. The design was a sincere attempt to build to the needs of our climate with R-38 walls, R-60 ceiling insulation, triple pane windows and central heating plants. The contractor even tried to install the vapor barrier in a continuous manner and except for a few misunderstandings and missed approaches would have succeeded. Installing mechanical ventilation was felt to be unnecessary as no recognized code required it. Every building of this 40 million dollar project was inspected by the local building authority, and passed.

The real problem is that had these 400 units been assembled in an air-tight fashion, the absence of ventilation systems would have doomed them to a moldy and mildew ridden demise. With the buildings in their present configuration, the owner is now experiencing extreme difficulty keeping the gable end vents clear of frost and ice during the winter months. This is attributable to excessive upper envelope air leakage which allows moist, stale indoor air to leak into the attics and accumulate during the long heating season. The moist air condenses and wets the attic insulation, which of course greatly increases the expense of heating the structures. Unfortunately, the entire cost of heating this project is sustained by the taxpayers, you and I.

Another related concern is for high maintenance due to the frequent need for removing the frost, or the vents, each year, from now until these units are demolished. What is the true expense of this upkeep when the maintenance person falls or slips off the ladder and is injured or disabled? Loss of time from work, increased insurance costs, permanent disability and even death could be the end result.

The future holds more of the same according to the Army's designs for an upcoming housing project scheduled for construction in 1989. These next 150 units will use similar criteria as contained in the previous solicitation. Heavy wall and ceiling insulation levels, but no continuous vapor barriers and no ventilation systems.

JUSTIFICATION

Reasons for building housing air-tight are:

a) To lower fuel bills. Improved air-vapor barriers and interior caulking reduce the risk of wet insulation from vapor condensing inside the building envelope (walls, roof, floor). With smaller individual fuel bills, residents retain more of their income to spend in local economies.

b) Reduced maintenance costs. In leaky, poorly insulated

buildings the heating systems cycle more frequently and wear out more rapidly (pumps, fans, burners, valves, electric switch components, etc.). There are no moisture problems requiring frequent re-painting of mold or mildew stained surfaces. There is no need to remove frost and ice from attic vents, or remove the vents themselves.

c) To conserve energy. Conscientious individuals save energy because they know it is their moral duty to make these finite resources last for future generations and for wiser, more durable uses.

d) To improve comfort levels. Warmer, less drafty and quieter, are some of the ways that comfort is improved in air-tight construction. For seniors and infirm individuals with reduced circulatory systems the comfort level aspect is very important. Being comfortable in a climate that has a reputation for being uncomfortable, is a very big plus for all residents of Alaska.

e) To reduce levels of air pollution. Fairbanks, Anchorage, Juneau-Douglas and other areas of Alaska have their own special conditions where outside air movement is greatly reduced during winter months. This often results in the formation of "inversion" periods where combustion by-products are able to accumulate to harmful levels in localized areas. We have recently experienced increases in airborne pollutant levels world wide. "Arctic Haze" is one example that Alaskans are familiar with, and the hole in the ozone and the greenhouse effect are others.

f) To have total control over ventilation air and to minimize heat loss by recuperating energy from the exhaust air. Houses that provide adequate ventilation air during periods of mild weather, will always afford too much air during periods of extreme weather. This is known as uncontrolled, or out of control ventilation. The benefits are many and varied for housing that is tightly constructed, mechanically ventilated and well insulated.

REQUIREMENTS FOR MECHANICAL VENTILATION

When our indoor air becomes polluted the most popular way to clean it up is to add forced ventilation. In determining the need, type, and value of various forms of mechanical ventilation the following questions must first be answered.

1) What is the use of the building? Factory, office, residential etc.
(This analysis applies only to residential buildings)

2) What is the tightness level of the dwelling? (The Alaska Energy Conservation Standard For New Residential Buildings requires that new houses be tighter than 4 Air Changes per Hour (ACH) @ 50 pa, when tested with depressurization equipment.)

3) What is the climate for the location? (For this exercise the most mild Alaskan climate is considered. Extending from Ketchikan north to Yakutat defines that area of Alaska otherwise known as southeast. All of southeast Alaska is above the 7,000 Heating Degree Day (HDD) climate with a low at Annette/Ketchikan of 7053 HDD and a high at Homer of 10,364 HDD. Average annual wind speed is between 10.7 miles per hour (mph) at Annette, to a low of 6.5 mph at Homer. While not nearly as extreme as the interior of Alaska, southeast has a climate similar to northern maritime countries such as Denmark, Sweden and Norway.)

The answer to whether mechanical ventilation is needed for buildings meeting the above parameters is an obvious yes. Reasons for not permitting natural or uncontrolled (really out of control) ventilation is well documented and recognized throughout northern circumpolar nations. Canada, Norway, Sweden, and many southern countries all recognize the fact that buildings do not ventilate well naturally. When building houses tight to conserve heat energy the option of using mechanical ventilation becomes a necessity in order to eliminate excess odors, humidity and to provide a safe non-toxic environment and increase occupant comfort.

During a 1985 conference in Copenhagen titled "RESEARCH ON FRESH AIR CHANGE RATE DUE TO OCCUPANT EFFECTS", it was revealed that occupancy of a dwelling increases the "static" or unoccupied ventilation rate by 3-4 times. This is interesting when we consider how extremely leaky some of the older southeast and south central Alaskan housing stock is. A few of our existing structures may receive adequate natural ventilation much of the time, but most do not. Serious concern must be raised when we have buildings constructed which experience less than .3 natural air changes per hour.

The almost two million person research hours performed and documented within the International Energy Agency's, Air Infiltration and Ventilation Center, adequately answers the question of whether mechanical ventilation is necessary. This organization is made up of 22 participating nations and has already performed much of our work for us. The characteristics of air leakage in buildings is very complicated, but significant steps have been taken to define the geometry of air leakage in buildings and Alaska can ill afford to duplicate, or

ignore these research efforts. The recommendation from the Infiltration and Ventilation Center is to minimize and where possible eliminate natural ventilation completely.

However, requiring contractors to install mechanical ventilation can only be viable if the buildings are relatively air-tight. For this reason the importance of an air-tightness test cannot be ignored. If contractors are to be taken on their honor to be building air-tight construction, we can only expect a large percentage of failures for any program mandating mechanical ventilation, but not advocating at least a random spot check air-leakage test policy.

We should accept the research results of our northern neighbors which have mandatory mechanical ventilation requirements. At 4 ACH @ 50 pa, the level of tightness prescribed within the Minimum Thermal Standards, there should be little doubt that buildings in the most southern portion of Alaska should be designed and constructed with mechanical ventilation systems for reasons previously mentioned.

In fact, if we could slowly move a house from southeast Alaska to the North Slope and measure the buildings air leakage as we traveled, we would find that the natural ventilation rate would increase as the climate became colder. If any region should be considered for modification or lessening of ventilation requirements, it should be the North Slope which has a heating demand of over three times that of the Annette/Ketchikan region. It is common for warmer climates to demonstrate a greater need for mechanical ventilation due to their lower **NATURAL** driving forces. However, considerations of occupant comfort and the potential for heat recovery in Alaskan climates requires that mechanical ventilation always be used in place of natural ventilation.

VENTILATION STRATEGIES

Selection of the type of mechanical ventilation to use is a straightforward process of elimination. There are three basic types of mechanical ventilation strategies:

1) Negative pressure systems (exhaust only)
2) Positive pressure systems (supply only)
3) Balanced delivery/extract systems.

Problems associated with negative pressure systems (exhaust only) are high velocity drafts and combustion appliance back-drafting which can occur at quite small pressure differences. Another problem with using negative pressure systems is the introduction of soil gas pollutants such as radon, benzene, chlordane and moisture. Also, sewer gas entrainment may occur

when the water in a sewer line trap drys up allowing gas to flow back into the dwelling. This is a common problem in large houses with minimum occupancy where all of the available fixtures may not be utilized on a regular basis.

Positive pressure, or supply only ventilation is less common than exhaust only due to primarily one reason. Positive pressure forces moisture into the exterior building components and causes serious damage. In freezing climates the result is swift and severe. Saturated wood fiber and concrete mortar demonstrate extreme expansion when the temperatures dip below freezing. The result is saturated insulation and rapidly deteriorating structural components.

This brings us to balanced ventilation systems. The balanced, or combined exhaust/supply systems have the highest ventilation efficiency of all. Popular in most northern countries, balanced systems give good air circulation and allow for potential heat recovery. Balanced systems do not influence combustion appliances, and the moisture problems from positive pressure techniques are also absent.

HEAT RECOVERY ECONOMICS

When utilizing heat recovery, balanced systems have been found to lower ventilation related heating costs by more than 45% in Great Britain and 55% in Sweden. Other studies show heat recovery to be cost effective in climates colder than 6,000 HDD (Heating Degree Days). With Ketchikan at 7,000+ HDD it seems prudent to utilize continuously operating, balanced ventilation systems with strong recommendations for heat recovery.

The following is a simple analysis of the heat recovery potential for a 2,000 square foot house in Ketchikan, Alaska.

ASSUMPTIONS:

Volume of 2,000 sq. ft. with 8 ft. ceiling = 16,000 cubic ft.
Annual Temperature Difference = 23.4° F, Ti - To
Average Year = 8,760 hours
Specific Heat Capacity of Air = .018 Btu/FT^3 * °F
One Gallon of Oil = 103,500 Btu, Burned 75% Efficient

USING:

$$Q = \frac{V * (Ti-To) * Cp * T}{103,500}$$

WHERE:

Q = Gallons Of Fuel Oil Used To Heat One Air Change per Hour (ACH) Over A One Year Period
V = Volume Of The Interior Conditioned Space
Ti = Temperature inside = 70° F
To = Temperature outside = 46.6° F
Cp = Specific Heat Capacity of Dry Air 0.018 BTU/FT^3 * °F
T = Time In Hours Analysis Is Considered (365 X 24 = 8,760)
103,500 = Btu In One Gallon Of No. 2 Oil, At 75% Efficient

FINDING:

16,000 * (70-46.6) * .018 * 8,760 /103,500 = 570.39 gallons oil

To calculate .5 natural air changes per hour (ASHRAE recommendation) we divide 570.39 by 2 and find the ventilation expense equivalent to 285.2 gallons annually. With heat recovery at 60% efficient, the energy saved is equal to 171.12 gallons annually.

Assuming a steady state economic analysis for a ten year period we find a simple payback of $1,711.20 with oil averaging $1.00 per gallon. This is quite adequate to justify heat recovery in Alaska's warmest climate. Should our energy costs increase beyond an average of one dollar per gallon over the next ten years, heat recovery ventilation will prove to be a prudent investment especially when the many associated health and comfort benefits are included.

CONCLUSIONS

At a minimum, balanced ventilation is necessary for new houses which meet or exceed the Thermal Standard air tightness requirement. Justification exists for heat recovery in the most mild Alaskan climate, though this option could reside with the designer/builder to provide maximum program flexibility.

Today we have more options and therefore more decisions to make regarding the methods, materials and design of housing that should last for the next 80 to 100 years, instead of the 40 to 60 years estimated for typical construction. Design requires a much more important role in the modern energy efficient structure as we must minimize our chance for errors by eliminating all known causative effects relating to previous building failures.

We must quit viewing buildings as stagnant entities and see them as the continuously changing structures that they are, moving and breathing throughout the seasons. Only then can we

learn to view the house as a compilation of dynamic systems where the interaction formed by one system with another will determine each systems viability.

Whether the impetus for change is in the form of the voluntary Alaska Craftsman Home Program, or the mandatory Alaskan Thermal Standards, the physics of building and living in Alaska will demand that these issues be addressed. In the interest of resident health, safety, comfort and economics, Alaska should join with our northern neighbors and develop a comprehensive thermal, ventilation, and air-tightness standard for all new residential buildings.

Phil Loudon, is a thirty year resident of Fairbanks with experience in diagnosing building and indoor air quality problems. He has been a member of the Alaska Craftsman Home Program's Review and Technical Committees since 1986 and instructs ACHP building workshops in the North Slope Borough.

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PGL/slf

"RADON IN ALASKA HOUSING"

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For approximately two years now radon has been an increasing concern in Alaska. Much is unknown about this threat in our housing and in order to more clearly state the situation I would like to present this paper to the Housing Council with an overview of what we do know about it and what I think we should do about it for the Alaskan case.

First, what is Radon? Radon is a naturally occurring radioactive gas that comes from the natural radioactive decay of uranium in the soil. It can be found in high concentrations in soils and rocks which contain uranium: granite, shale, phosphate, or in the case of the Fairbanks problem, metamorphic Birch Creek schist. Radon may also be found in other soils contaminated with industrial wastes or phosphate mining. In outdoor air, Radon is diluted to such low concentrations that there is usually nothing to worry about. However, once it is in an enclosed space such as a home, it can accumulate. The indoor levels depend on the construction of a building, whether it has soil contact, (Does it have a basement?), and the concentration strength of the radon in the underlying soil.

Radon is a problem only because it is a noble gas. Because it is a gas it can be mobilized and transported in air. The problem detected in Fairbanks, and other locations in Alaska to a lesser degree, is due in part to our long heating season our soil conditions, and our type of housing construction. We have in Alaska a case in the extreme for radon concentration in homes. This is a concern because the known health effect associated with exposure to radon is an increased risk of developing lung cancer. Not everyone exposed to elevated levels of radon will develop lung cancer, but scientists estimate that from about 5,000 to about 20,000 lung cancer deaths a year in the United States may be attributable to radon. The American Cancer Society expects that 130,000 people died of lung cancer in 1987.

The risk of exposure to radon has also been reviewed recently by the National Academy of Science. The results were published in a major report and also in Science magazine, January 1988. The estimate of risk associated with radon was actually increased as a result of a thorough re-examination of the data that exists. Most of that data, by the way, comes from the experience of uranium miners in the 1940's and 50's.

These people were exposed to known levels of radon gas in underground uranium mines. They were monitored throughout their lives for their health, whether or not they smoked, what they got sick from, and particularly how they died. The risk associated with these known exposures to the radon levels is

very relevant to the case of radon exposure in homes, although in some cases the esposure levels must be extrapolated to include the range in homes.

The situation is of deep concern in Alaska because of the rate at which we have found high levels of interior radon, as opposed to what is considered to be, "an acceptable level". The EPA sets the remedial action level for radon at 4 pico-curies per liter (4 pCi/1). Although there is some risk contracting lung cancer at this level, it is often difficult to lower this concentration in any economically feasible way. In looking at the Fairbanks test population as a case study and as an indicator of the radon problem in Alaska, we find some very significant concerns. There are two major sets of data resulting from two different types of radon tests in homes available to us in Alaska. One of them has been assembled by The State Office of Radiological Health in the Department of Health and Social Services. Mr. Sid Heidersdorf is the State Radiological Physicist, who is mandated to keep an eye on radiation hazards to the population. This mandate includes keeping tabs on the radon problems. That survey has been ongoing for about two years in Alaska. The state survey employs a three month etch-track type radon detector which measures the alpha particle decay of radon in the home. In this study, data from all over the state has been included. The latest data from the Health and Social Services Department are shown in figure 1. You will note that Fairbanks is by far the problem area in the state. In fact more tests have been done in the Fairbanks area than anywhere else. A second data set (figure 2) is also from a statewide survey, but the results are posted only in terms of zip codes because this data set is accumulated by a private company from individuals who buy test kits. The information remains confidential but the locations are known. The data shown in figure 2, is data from "Air Chek", a company that sells a passive carbon-type test kit. Their data is extremely revealing and is the basis for concern. The data shown that the highest level found in Wasilla, for instance, was 196 pCi/1, and in Talkeetna a test indicated 183 pCi/1. Both were above the highest level ever detected in a ten state study by the EPA in the lower 48. Fairbanks is the site of the very highest rate with 989 pCi/1 in one instance. Many others are in the range of 100 to 600. These ranges are 50 to 100 times the acceptable EPA remedial action level. Other communities with radon levels measuring above 4 pCi/1 are Anchorage, Dillingham, Gakona, Homer, Ninilchik, Palmer, Valdez, Clear, North Pole, Ester, Delta Junction, Healy, Mckinley Park, and the Border Station near Tok.

Some caution needs to be exercised in making a case with this data because it is insufficient to provide an accurate statistical analysis. However, because so many elevated levels have been detected with such limited testing, it serves notice to members of the community, especially it should serve notice to the real estate community that this is an issue of considerable concern. In fact, figure 2 shows that 52 percent of the tests (totalling 353) were at or above the remedial action level as set by the EPA. More than 20 percent of the tests or 1 in 5 were above 20 pCi/1 which is 5 times the EPA recommended remedial action level. Obviously, Fairbanks appears to be a case worthy of further research to determine how bad the problem is and what in fact we can do about it.

UPDATED ALASKA RADON RESULTS (WD-1)
(All data through 03/21/88)

(Figure 1.)

Radiological Health Program
Dept. of Health & Social Services
Juneau, Alaska

	Location	Number	Concentration of radon, picocuries per liter of air (pCi/l)			
			4 or less	5-8	9-20	20 +
1	Anchorage	92	90	1	1	
2	Anchor Point	1	1			
3	Anderson	1	1			
4	Arctic Circle H.S.	7	4	3		
5	Barrow	1	1			
6	Bethel	1	1			
7	Bettles	1	1			
8	Copper Center	1	1			
9	Craig	1	1			
10	Deadhorse	1	1			
11	Delta Junction	4	3	1		
12	Dillingham	1	1			
13	Douglas	3	3			
14	Eagle	1	1			
15	Eagle River	15	15			
16	Fairbanks	115	85	9	9	12
17	Fort Yukon	1	1			
18	Gakona	1	1			
19	Galena	1	1			
20	Glenallen	2	2			
21	Haines	5	5			
22	Healy	7	5	1	1	
23	Homer	4	3		1	
24	Hope	1	1			
25	Juneau	30	29	1		
26	Kasilof	1	1			
27	Kenai	1	1			
28	Ketchikan	4	4			
29	King Salmon	1	1			
30	Klawock	1	1			
31	Kodiak	13	12	1		
32	Kotzebue	2	2			
33	Manley Hot Springs	3	2		1	
34	McGrath	1	1			
35	McKinley Park	48	33	7	7	1
36	Moose Pass	1	1			
37	Nenana	1	1			
38	Nome	1	1			
39	North Pole	4	4			
40	Northway	3	2		1	
41	Palmer	7	6		1	
42	Pedro Bay	1	1			
43	St. Mary's	1	1			
44	Seward	1		1		
45	Sitka	2	2			
46	Skagway	1	1			
47	Soldotna	4	4			
48	Sterling	1	1			
49	Tanacross	1	1			
50	Tok	3	2		1	
51	Unakleet	1	1			
52	Valdez	2	2			
53	Wales	1	1			
54	Wasilla	6	6			
	TOTALS	415	354	25	23	13

Zip Codes	No. At Each Zip Code	No. Of Occurrences Under 4 pCi/l	Percent of Occurrences <4 pCi/l	# In Range 4-10 pCi/l	Percent 4-10 pCi/l	# In Range 10-20 pCi/l	Percent 10-20 pCi/l	# In Range 10-50 pCi/l	Percent 20-50 pCi/l	# In Range 50-100 pCi/l	Percent 50-100 pCi/l	# In Range Over 100 pCi/l	Percent Over 100 pCi/l	Highest Level Each Location
99501	2	2	100%	0	0%	0	0%	0	0%	0	0%	0	0%	.6
99504	2	2	100%	0	0%	0	0%	0	0%	0	0%	0	0%	.6
99506	1	0	0%	1	100%	0	0%	0	0%	0	0%	0	0%	4.9
99507	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	2.5
99508	6	6	100%	0	0%	0	0%	0	0%	0	0%	0	0%	1.8
99511	3	3	100%	0	0%	0	0%	0	0%	0	0%	0	0%	1.6
99515	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	.6
99516	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	.8
99519	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	.4
99576	2	0	0%	2	100%	0	0%	0	0%	0	0%	0	0%	8.9
99577	5	5	100%	0	0%	0	0%	0	0%	0	0%	0	0%	2.2
99586	3	2	66.7%	1	33.3%	0	0%	0	0%	0	0%	0	0%	7.1
99588	3	3	100%	0	0%	0	0%	0	0%	0	0%	0	0%	1.3
99603	2	1	50%	1	50%	0	0%	0	0%	0	0%	0	0%	4.1
99615	3	3	100%	0	0%	0	0%	0	0%	0	0%	0	0%	.8
99639	1	0	0%	1	100%	0	0%	0	0%	0	0%	0	0%	6.1
99645	6	4	66.7%	2	33.3%	0	0%	0	0%	0	0%	0	0%	4.9
99676	3	0	0%	1	33.3%	1	33.3%	0	0%	0	0%	1	33.3%	183
99686	3	1	33.3%	2	66.7%	0	0%	0	0%	0	0%	0	0%	97
99687	18	4	22.2%	5	27.8%	5	27.8%	3	16.7%	0	0%	1	5.6%	196
99701	25	16	64%	4	16%	5	20%	0	0%	0	0%	0	0%	16.8
99702	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	1.5
99704	1	0	0%	1	100%	0	0%	0	0%	0	0%	0	0%	7
99705	7	6	85.7%	0	0%	0	0%	1	14.3%	0	0%	0	0%	35.5
99706	7	2	28.6%	2	28.6%	0	0%	0	0%	0	0%	3	42.9%	548
99707	31	14	45.2%	8	25.8%	2	6.5%	4	12.9%	0	0%	3	9.7%	145
99708	56	21	37.5%	8	14.3%	5	8.9%	8	14.3%	10	0%	4	7.1%	989
99709	70	37	52.9%	15	21.4%	1	1.4%	4	5.7%	5	0%	8	11.4%	532
99710	5	3	60%	1	20%	1	20%	0	0%	0	0%	0	0%	15
99712	56	17	30.4%	14	25%	10	17.9%	6	10.7%	7	0%	2	3.6%	432
99714	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	3.5
99725	9	2	22.2%	1	11.1%	2	22.2%	1	11.1%	2	0%	1	11.1%	105
99737	5	3	60%	2	40%	0	0%	0	0%	0	0%	0	0%	8.5
99743	1	0	0%	1	100%	0	0%	0	0%	0	0%	0	0%	9.5
99755	3	2	66.7%	1	33.3%	0	0%	0	0%	0	0%	0	0%	9.4
99775	2	2	100%	0	0%	0	0%	0	0%	0	0%	0	0%	.8
99780	2	0	0%	2	100%	0	0%	0	0%	0	0%	0	0%	5.5
99801	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	.9
99827	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	1.5
99835	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	.7

ANSWERS UNDER FOUR = 170 OR 48.5%
ANSWERS FOUR TO TEN = 76 OR 21.5%
ANSWERS TEN TO TWENTY = 32 OR 9.1%
ANSWERS TWENTY TO FIFTY = 27 OR 7.6%
ANSWERS FITY TO HUNDRED = 24 OR 6.8%
ANSWERS OVER HUNDRED = 23 OR 6.5%
TOTAL NUMBER OF ANSWERS = 353

FIGURE 2. (COURTESY OF NORTECH AND AIR-CHEK, INC.)

These data show the results of 353 passive radon detectors exposed in locations in Alaska. The first column is the zip code of the location in Alaska. Other columns are labelled with the range of radon levels measured, and followed by the percentage of the total number of measurements in each range. The last column lists the highest level measured at each location.

Perhaps this is a good time to note radon's "Good - News" side. Radon is a solvable problem. The Cooperative Extension Service has available a set of publications with very detailed and successfully applied instructions on how to mitigate against radon in a basement. It may not always be cheap. In fact, in a particular case which I can cite from personal experience , mitigating radon levels in the range of 50 to 100 pCi/1, and getting down to a level of .7 pCi/l over a period of about fourteen months, resulted in a cost of about $4,500 dollars. This total includes the tests that were done to see what the results of the mitigation steps were. This is an intimidating prospect for someone who may want to sell a house and finds radon or who has a house that has radon problems and needs to mitigate . For this reason I suggest that a state program to loan money for the purpose of radon mitigation would be in order. If it were at or above market rate, having the money available would be a major public service for which I foresee an increasing need.

Such a bill to provide radon mitigation funds was presented in the last legislature by Representative Mike Davis of Fairbanks. However, it was not successfully passed although $83,000 dollars was attached to another bill to provide radon mitigation. Such mitigation could only be applied now with regard to other energy efficient retrofits of buildings. The Alaska Craftsman Home Program includes instructions on radon proofing new construction and a detailed appendix on how to mitigate against radon problems in construction. All of this is a result of what we have learned in the past two years about the Alaskan radon problem. These publications are all available from the Cooperative Extension Service of the University of Alaska in Fairbanks.

It should be noted also that one of the banks in Fairbanks, Key Bank, has instituted a loan program at 1/2 percent below market rate for radon mitigation. A bank vice-president invited myself, and Mr. Phil Loudon, a Building Consultant in Fairbanks, to give a presentation on radon in anticipation of this loan program earlier in 1988.

Because the radon problem in Fairbanks is widespread, we have learned a great deal about how to approach the problem from the experience there. There seem to be high risk areas in certain subdivisions and in certain geological locations in the area. For instance, a home located home high on the breast of a hill, with soil depths of 8 feet or less, is a suspect home. Here's why: The hypothesis for now radon moves in the soil is based on a permeable layer above bedrock which allows the radon, and air carrying the radon, to move through it to cracks, fissures, or imperfections in basements, and into the living spaces of a house. Studies in the lower 48 have shown that radon rarely moves more than 60 meters laterally in the soil, so that most of the radon entering a home would have to come from a bulb below the house. Forces that drive radon and the air from the soil into the house are often generated by heating the house.

Not only is the long heating season in Fairbanks a factor in radon transport, but throughout the heating season you are operating a system which tends to move radon into the house and concentrate it. The heating system in a house tends to act as a pump sucking radon laden air in the bottom of the house, and driving exhaust out the top.

All of these factors relate to an understanding of the problem in a specific geological setting. This does not mean that radon can not be present in areas which are less suspect, such as flood plains, highly porous gravel in valleys or deep silts. Certainly we have found less of a problem at these sites, but there are always spurious and inexplicably high levels in various places where one would not expect them. One such area is the Aurora Subdivision in Fairbanks, which is right along the Noyes Slough. Another is Lakloey Hill on Badger Road in the North Pole Area. The Lakloey Hill situation is a model of the larger hills to the north of Fairbanks, so it is more explicable than the case for Aurora Subdivision. The lesson here is clear. No one should presume that because of where they live and because their neighbors do not have a radon problem, that they do not have a radon problem. The only way to be sure is to test.

A radon problem case study from Pennsylvania is worthy of note. The State of Pennsylvania is where the radon issue became well known first. It is now a legal requirement in any transaction in Pennsylvania conducted by a real estate agent, that a radon disclosure form must be signed as part of the transaction. This means that the seller must disclose whether or not he has tested for radon and if he has tested, what the radon level was in the house. Or he must say that he has not tested and does not know. In that case the prospective buyer has the right to request the test and to know what the radon level is. This is apparently working quite well, but it is yet another element of complication in the sale process.

There is no immediate necessity for this type of option in the Alaska situation. However, because of the ethical requirements of the real estate profession, it is necessary that people who may be at risk from radon be informed as such by the real estate agent. In several instances in the Fairbanks area a buyer required a radon test as part of his contract for the sale. In some cases the house did not sell because it had high radon levels. So this is not an insignificant issue, and it will continue to become a larger issue as more awareness of this problem develops.

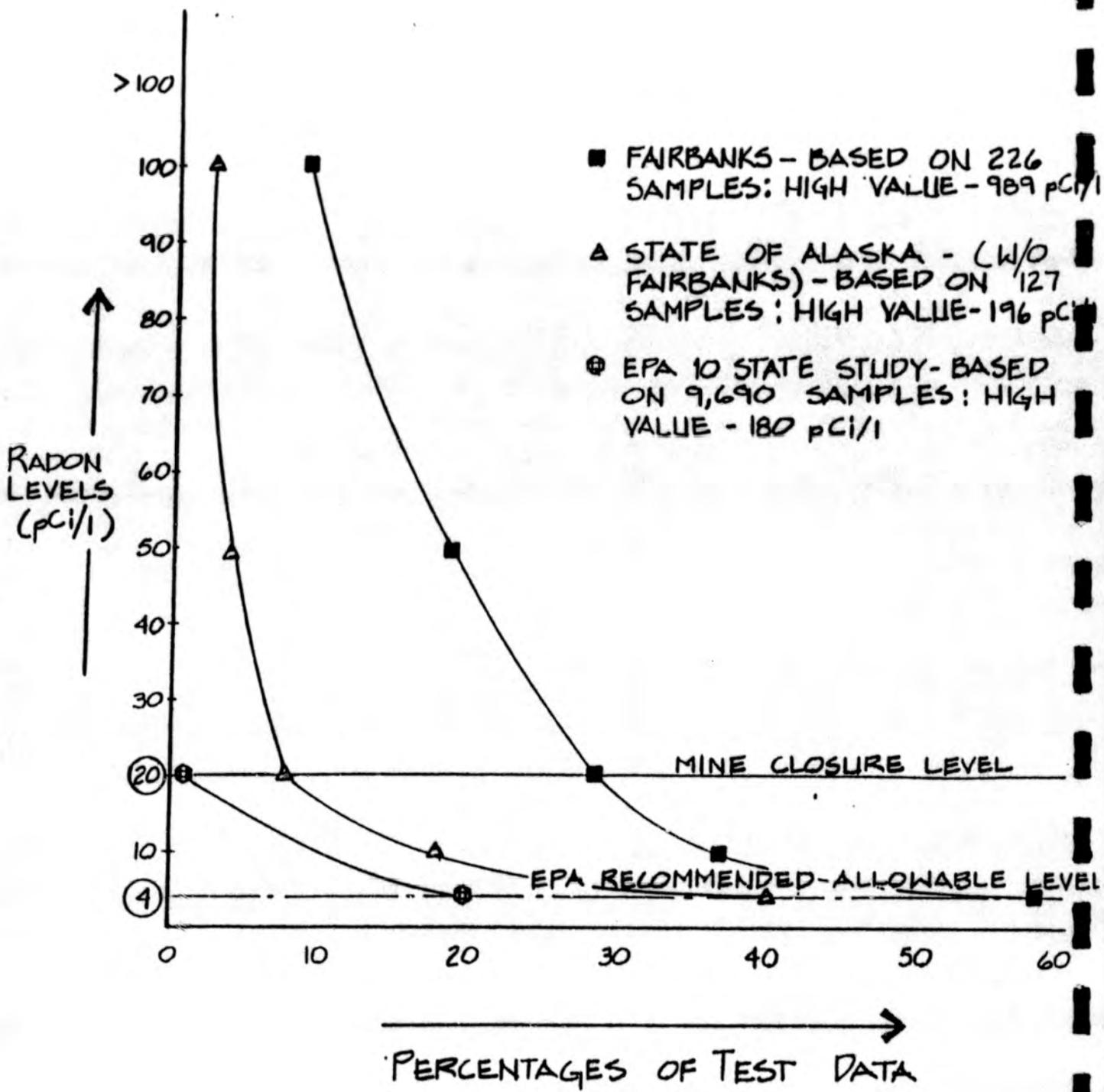
In summary, radon is an issue that the housing industry needs to become familiar with. The important matters to understand are how radon moves,and why it is a problem only in certain types of houses, ie., those houses which have soil contact. Perhaps most important is the optimism that radon is a solvable problem even though it may require a capital investment of as much as a few thousand dollars to mitigate. There is no reason why anybody should hesitate to buy a home that has been mitigated against radon, because a very inexpensive ($15 to $30) test can be performed at any regular interval (one to three months,or one to three years) to assure the occupants that the radon levels continue to be acceptable for family living.

Another consolation is that the level of scientific expertise and technical capability to mitigate radon is very high in Alaska. This is the result of the first case studies and the fact that the state Division of Geological and Geophysical Surveys has equipment that it uses publicly to monitor and test areas of concern. The private sector has also responded very positively to the challenge of radon mitigation with a very high level of technic competence and expertise in dealing with this problem.

Each problem needs to be understood and evaluated as a unique circumstance, but there are certain physical processes in radon transport which are well understood and can be relied on in the mitigation scheme. So the process is learnable and the problem is manageable. Further research and education about awareness of the radon problem should be encouraged by the building community and within the building community. This is a technical problem which nature has provided for us, and whether you are subject to its effects or not is really a matter of chance. It is an economic reality in the system today because it can influence the purchase of homes and the sale of homes, but it is also a solvable problem and should be regarded as such.

Any information that we either develop, or receive from elsewhere about radon and its mitigation, the Cooperative Extension Service makes available to the public, free-of-charge, through our offices in Fairbanks and around the state. We welcome any opportunity to present radon seminars for educational purposes to the building community as well as to the banking and finance communities.

July 20, 1988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RADON LEVELS (pCi/l)
FAIRBANKS - BASED ON 226 SAMPLES: HIGH VALUE - 989 pCi/l
STATE OF ALASKA - (W/O FAIRBANKS) - BASED ON 127 SAMPLES: HIGH VALUE - 196 pCi/l
EPA 10 STATE STUDY - BASED ON 9,690 SAMPLES: HIGH VALUE - 180 pCi/l
MINE CLOSURE LEVEL
EPA RECOMMENDED-ALLOWABLE LEVEL
PERCENTAGES OF TEST DATA

ZONES, CODES, AND AFFORDABLE HOUSING: EVALUATING THE IMPACT OF LOCAL LAND DEVELOPMENT REGULATIONS

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INTRODUCTION

The relationship between local regulation and the cost of housing has been established for some time. According to a 1982 report of the President's Commission on Housing, regulations affecting land use, building codes and standards, development requirements, and permit processing account for 25% of the final sales cost of an average home.[1] In 1979, the U.S. Department of Housing and Urban Development sponsored a national conference on housing costs, which focused on methods of reducing costs at the local level by improving development standards, increasing the supply of developable land, providing for equitable distribution of public facilities costs, and improving permitting procedures. More recently, a 1985 National Association of Homebuilders conference on Low and Moderate Income Housing explored regulatory barriers to development of affordable housing.[2]

The legitimacy of local regulatory processes governing land development is not at issue. Local governments, through extension of the police power, exercise control over local land use and development to promote the general welfare and to protect the public from unnecessary hazards and nuisances. What is at issue is the <u>way</u> in which local governments exercise that authority, characterized by "(r)estrictive growth policies and excessive development standards (which) make it difficult to find reasonably priced land for development. Inefficient procedures and unduly elaborate regulations complicate public approvals for development proposals. Vague requirements and lengthy approval processes encumber the timely provision of public facilities".[3]

This paper focuses not on a prescriptive approach to solving already identifed problems with local development regulation, but rather seeks to outline some of the most common problems experienced nationwide, to provide Alaskan communities with a framework within which to evaluate their own local development codes and regulations, and to assess their impact on the supply of affordable housing in Alaska.

Regulatory impacts can be grouped into three general categories: 1) Front-end costs, 2) Land and property taxation, and 3) Building, zoning and other governmental regulation.

FRONT-END COSTS

One of the primary factors contributing to escalating housing costs is the set of expenses commonly referred to as "front-end" costs. These include:

* Plant investment fees such as sewer, water, electricity, storm drainage, and street oversizing

* Land-related costs, such as land dedication for schools, parks, and other public facilities, as well as utility infrastructure requirements

* Planning-related costs, such as the carrying costs incurred during the development approval process, land use policies, and setback requirements

* Utility-related costs, including time delays, non-interest bearing deposits, and labor costs

According to the National Association of Homebuilders, these types of costs and fees have increased the price of a single-family home nearly 13 percent from 1949 to 1982 [4]

Plant Investment Fees. Abuse of plant investment fees has been practiced by many communities in the Lower 48 in an attempt to discourage new growth, recoup overhead and administrative expenses not necessarily related to land development, and to preserve neighborhood or community "exclusivity" by specifically retarding the development of affordable housing.

Legitimate use of plant investment fees is possible, however, when governed by the following guidelines:

* Fees should not be used as a growth management tool or mechanism to inhibit development

* Development should be charged with only those costs directly related to the activity, not "overhead" costs

* Fees should recognize and take into account special design features of the project (ie energy or water conserving) in establishing the fees charged

* Local officials and staff who establish fees and fee structures, should be required to provide explicit documentation and justification of the basis of the fees

In addition, local governments should explore innovative ways to finance urban infrastructure that will reduce front-end loading costs. Conventional interest rates are typically twice as expensive as bonded rates. If, for example, special improvement district bond financing were employed, the lessened inflationary pressures would benefit the entire community.

Land-Related Costs. The practice of requiring developer dedication of land for schools, parks and other public facilities (often referred to as "impact fees") is frequently cited as a front-end cost that is easily abused. Impact fees are fees levied against the project to pay for required capital improvements.

As an example, schools traditionally have been financed by property taxes on a community- or district-wide basis. Under an impact fee structure, the new development which will benefit from the schools must bear the cost of provididng the facilities, either through land dedication, or cash fees. Whether "set-aside" of land for schools is a cost that should be borne by the developer or by the school district is subject to debate.

Use of impact fees has spread to the financing of low-cost housing, day-care facilities, and other community interests. The sense of current case law indicates that communities will be required to prove a "rational nexus" in order to exact impact fees, that is, the fees or dedications must bear a direct relationship to the impact the proposed development will exert on the community infrastructure. Under this argument, impact fees charged to a housing developer to pay for street improvements providing access to the subdivision might be permissable, while fees to build low-cost housing in another part of the community probably would not.

The creation of artificial growth area boundaries has had a dramatic impact on land prices in communities in the Lower 48 where this practice exists. Cities have created these boundaries to enable infrastructure planners to predict what land will develop and what will be left fallow. The effect of such practices can be skyrocketing land prices within the boundary, directly translating into higher overall housing costs, at all levels. Development of a growth boundary policy needs to be carefully coordinated with taxation policies to avoid such adverse impacts.

Planning-Related Costs. Unnecessary delays in processing of approvals and permits add to the final cost of housing by increasing the carrying costs of the project. Delays of over 6 months are not uncommon, industry-wide.

Communities should examine the length of time required to approve a plan, once a complete package is submitted by the developer, and place limits on the process to assure prompt performance by the local government. Failure by the local government to act in accordance with its own policies could result in assessment of damage costs against the city. On the other side, developers should be allowed to post bond that they will meet all permitting requirements, allowing construction to commence without waiting for final approvals. Such a policy would enable developers to take optimal advantage of the short Alaskan construction season.

Utility-Related Costs. One of the major tasks of cities and developers in developing new housing is providing utility infrastructure to the project. It overlaps with the Plant Investment fee issue, in that cities should not abuse these fees and should seek alternative methods of financing these capital

improvements, which may develop additional service capacity and therefore benefit the community as a whole.

Another related issue concerns the deposits charged to developers by utility companies. This money, which must be deposited on the front end of the project, should be placed in escrow with interest accruing to the developer, not tothe utility. Utilities should be required to start work by a certain agreed-upon date, or the developer should be able to hire other certified and available subcontractors to perform the work of the utility company.

Summary. High housing costs hurt everyone; no one really profits from them. Yet some communities may unknowingly allow practices and policies that directly increase housing costs. Each of the above categories should be carefully studied in the context of the local community setting, and action taken to reduce government-imposed front-end costs whenever possible.

LAND AND PROPERTY TAXATION

It has been convincingly argued that the property tax is one of the principal reasons why land speculation is rampant in growth communities. Good evidence suggests that proper adjustments to this tax can help suppress speculation, loosening its grip on tightly-held idle lands that now push development outward. Real estate taxes in most U.S. communities favor speculative land holders over developers or land users. Property taxes on vacant land are kept low, and then skyrocket when development takes place. Communities seek to improve the quality of inner-city housing, but continually raise property taxes when improvements are made.

The property tax is really two taxes combined as one. First, the property tax is a tax on land. Second, it is a levy on the improvements made to the land, such as homes, stores, and office buildings. Generally, the land tax tends to be very low; the improvement tax too high. The higher the tax on improvements, the greater the disincentive to maintain buildings or to construct new ones. In effect, deteriorated buildings receive greater tax advantages than well-maintained neighbors.

The land tax, on the other hand, tends to stimulate more appropriate investment on land as the tax increases. Since the tax does not alter the productivity of the site or the quantity of land available, the owner usually cannot shift the land tax to tenants or customers. If the land tax is too low, owners have little pressure to make the best possible use of their sites.

Property tax can be characterized as both the best and worst of taxes. The tax on land values is equitable, but the tax on improvements is ammunition for killing the goose that lays the

golden eggs. Many communities have the worst of both -- relatively low land taxes, combined with high improvement taxes.

To achieve optimum social results from the property tax, while retaining its revenue-generating function, communities should consider these options: 1) putting assessments in order; 2) providing temporary abatements to encourage rehabilitation or new contruction in targeted areas; 3) taxing buildings less and land more, and 4) adopting tax base sharing. Communities should also consider enlisting the aid of taxation experts to evaluate their individual land taxation policies.[5]

BUILDING AND ZONING CODES, AND OTHER GOVERNMENTAL REGULATION

Building Codes. Many communities, in an effort to modernize their local codes, have adopted model building codes. These codes often create problems both for developers and for the communities that administer them.

Often, model codes are adopted without close scrutiny to determine whether the requirements they impose are really appropriate to the community. For example, one model ordinance dictates cul-de-sac length, minimum set backs, maximum fire hose length and other fire protection and planning requirements. Other model codes deal with specific unit size requirements and such details as triple-glazed windows and distance between joist and studs. Communities should bear in mind that a **model** code is just that, a code designed for a **model** city. In Alaska, where communities face unique topographic and climatic challenges, model codes should be subjected to careful review, and adapted to the needs of the community before adoption by the local governing body.

Administering model codes can also be burdensome for small units of local government, who may lack sufficient staff trained in all aspects of specialized code enforcement policies. The burden may exhibit itself in increased staff training costs, inefficient and costly delays in permitting and approvals, and housing that does not "work" in the Alaskan climate and topography. In addition, model codes often use specific, rather than performance-oriented standards, and fail to allow builders to employ innovative techniques and materials which may reduce building and/or operating costs of the project.

Zoning and Density Standards. A number of zoning trends nationwide has made it difficult for many communiites to develop an adequate mix of affordable single family, townhouse, and moderate to high density residental uses, particularly near urban centers. Single family zoning, coupled with large minimum lot sizes, extensive setback requirements, and minimum unit sizes or values not only precludes multi-family development, but prices single family housing beyond the reach of prospective entry-level homebuyers. Large-lot zoning, combined with

excessive development constraints, usually results in an "exclusionary" effect by excluding development of higher-density, lower-cost housing.

One response to this dilemma has been the development of so-called "inclusionary zoning" policies. Inclusionary zoning ordinances either require or encourage developers to provide housing units to lower income households at prices below market levels, in exchange for certain financing or density incentives. Inclusionary zoning is highly controversial, and its long-term effectiveness has not been evaluated.[6]

Arguments against inclusionary zoning as a tool to facilitate development of affordable housing include: Is inclusionary zoning an unconstitutional "taking" without compensation?; If density bonuses are used as incentives with no harm, then why aren't higher densities the rule, rather than the exception?; and Is it equitable for higher-income households to, in effect, subsidize housing for lower-income households?[7]

Alaska is currently experiencing a disequilibirum of the housing market, where supply outstrips demand. Ideally, this should create a "buyers market" for housing, where all households have a wide choice of housing types and tenures, whether single family, condominium, rental or ownership. In fact, however, the supply of standard housing affordable to poorer families continues to fall short of the need. As the economy has continued to decline, more and more households are falling into the lower-income category, and many are forced to occupy substandard or shared housing. Meanwhile, due to a general tightening of lending requirements, some middle-income households find it difficult to obtain financing to purchase existing vacant homes, despite steady employment in stable sectors of the economy.

The current condition of the Alaska housing market does not render the state immune from the issues of exclusionary zoning. Communities can anticipate future housing needs and replacement of substandard housing now by evaluating their existing zoning ordinances with a eye toward their effect in restricting or encouraging development of affordable housing.

Project Design Standards. At issue here is the retardation of development of affordable housing by imposition of development standards and procedures beyond that which is necessary for the minimum protection of health, safety and welfare. While minimum building size, pavement widths, off-street parking, landscaping and sidewalks may appear desirable, their net effect is to exclude all but higher-income households from entry into the community.

Local governments can take a progressive step toward lowering the cost of housing by reviewing their subdivision and building regulations, seeking changes that would permit and encourage

more compact, cost effective development. Some ways to accomplish this effect are:

* Allow increased densities in sufficent amounts to meet present and future demand

* Reduce requirements for lot and yard size, setbacks and street widths

* Replace traditional quantitative standards for facility sizes with performance standards

* Establish minimum density requirements for developing areas, as appropriate to local conditions, to promote efficient use and infill of vacant land

* Employ performance standards in housing and building codes

* Remove restrictions and prohibitions against manufactured and prefabricated housing and adopt in their place standards which can be applied to all housing in conformance with principles of effective planning and design

Environmental Regulations. In recent years, increased public attention and and governmental regulation has been focused on the impact of development upon Alaska's fragile arctic landscape. However, local governments need to assess their local environmental regulations to ensure that unnecessary or duplicative reviews and approvals are eliminated, and that these regulations serve no purposes other than environmental protection.

In addition, local governments should examine applicable state regulations to determine the impact of these regulations on the development of affordable housing in their communities, and advocate through the legislative process for changes where necessary.

SUMMARY

Because of the temporary decline in the housing market, Alaskan communities have a unique opportunity right now to evaluate their local development regulations to assess their impact on the development of affordable housing, and to promulgate effective regulation that will result in a supply of housing to meet the present and future needs of Alaskan families.

We have briefly examined regulatory impacts, grouped into three general categories: 1) Front-end costs, 2) Land and property taxation, and 3) Building, zoning and other governmental regulation. Communities are encouraged to examine their local codes, ordinances and development regulations to determine if they are congruent with local housing needs and special topographic and climatic challenges and to make creative adaptations and modifications to ensure that regulations that are intended to serve the public welfare do not have the opposite effect of imposing barriers to the development of the wide range of housing opportunities necessary to achieve and sustain economic health and stability.

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HOMELESSNESS IN ANCHORAGE
"The Fine Gray Line"
August 1988

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I. INTRODUCTION

During my 21 months as a full-time homeless activist in Anchorage, I encountered a great obstacle in my efforts to polarize the homeless issues. The sociologist's dilemma: working within the fine gray line between opposing points of view was ever present and made more difficult by a tendency in most people to not speak out honestly when the homeless issues became sensitive. The homeless did not often speak to me of their anger and rage as outcasts of society and the people working to help them rarely spoke to me of their fear, distaste and frustration as they tried to assist a group of people, many of whom, were plagued with chemical addictions, mental illness and poor hygiene.

I no longer work one-on-one with the Anchorage homeless and it will be months before I can put together six month's of research on homelessness in the United States and 21 months of community activism into a clear pattern of analysis; nevertheless I feel this writing can offer a few brief but important facts regarding the homeless population in Anchorage that will be of interest and hopefully of some value to the Alaska Housing Market Council.

This presentation is an attempt to bring the reader a glimpse beneath the surface of homelessness: a look at the "nitty-gritty" problems and an opportunity to consider a few of the grass-roots solutions to the problems of homelessness in Anchorage as I found them to be. The reader however, must keep in mind that I worked alone. Although I did receive college credit for my work, I was not salaried; therefore my perspective of what it is like to be homeless in Anchorage may be biased from my living in poverty with these people, or it may be positively biased since I did not form my opinions from a "distance."

II THE PROBLEM

However much it may be true that the single most tragic cause of homelessness in America today is this nation's failure to "provide a decent home and suitable living environment for every family in the United States" as the 1949 federal housing policy demanded; it is also true that efforts to help the poor get bogged down in bureaucratic red-tape and fears that low-income projects will turn into slums if the behavior of a great many of the "street people" does not improve.

According to a January 22 article entitled: "1987 Shows Housing Problems Reflect Other Anchorage Troubles" written by Connie Yoshimura for the Anchorage Daily News, there are "14,000 vacant residential properties" in Anchorage. Comparing the availability of housing in Anchorage to the

Municipality of Anchorage's estimate of 4,000 homeless people in our community (see Comprehensive Homeless Assistance Plan) it would seem on the surface at least, that Anchorage has a rare opportunity to come up with some long-term solutions to homelessness and in my opinion this opportunity should not be ignored.

Anchorage though, has few places if any, to look for guidance for orchestrating a long-term approach. As Washington Post staff writer Jay Mathews put it, (see Homeless: First You Have to Count Them, Sept. 9, 1985): homelessness has become a metaphor for the "clash" that has occured since 1981 between the Great Society and the Reagan revolution. And yet the "instinct" of government even under a President "distrustful of social engineering" acted; but today, the effort appears mired in "confusion over what forces have caused homelessness" and whether any of them are within the government's power.

Other city governments then like ours and the federal government, face the same obstacle: homelessness is not a singular problem that can be solved simply by counting heads and constructing affordable housing or making affordable housing available. Homelessness is as complex an issue as are the complex needs of today's population of two-million women, children and men themselves.

On a nation-wide level the problem of homelessness in America, taken as a whole, seems a near-impossible challenge. From the perspective of solving the problem on a community-by-community level however, I have found homelessness to be a less formidable task to solve. What is difficult and perhaps not solvable, is the task of putting aside questions regarding those forces or causes that put people out onto the streets in the first place.

It is my assertion however, that we should put these questions aside, not because looking for cause or causes is not a good approach; on the contrary, finding the causes will give some assurance that certain social signs will predict when problems are in danger of surfacing again, but I believe there is no time left for thesis, anti-thesis and synthesis. The number of homeless Americans will soon, in the year 2003-just 16 years from now-reach 18.7 million people, (see Snyder, Mitch, Community for Creative Non-Violence). Nor is there any time left to ignore the problem. The people are on the streets. Their numbers are growing. And they are not going away.

The need of the homeless to be free from the effects of homelessness or whatever brought them to the streets in the first place, cannot be separated from their need for housing. In the following paragraphs I will discuss a few of the problems of Anchorage's homeless as I found them to be. Some of these will be familiar to the reader and some will not, but it is important that the reader understand that I discuss homelessness in terms of a holistic approach versus what I call a "fragmented individual" approach. I will try to explain.

The fragmented individual approach is traditional and it is: "let-me-fix-you." Efforts to polarize the causes of homelessness and poverty in general in the United States have led us all astray. Instead of one national conceptual effort to sort out the entire milieu of sociological variables causing poverty, isolating them and then solving them; our nation has allowed instead, duplicated efforts which have not shared information in a link-up system. In turn, there has been confusion and frustration on the part of government on "how" to treat poverty. And in the end in our frustration, we have "blamed the victim," tried to fix each person according to what that person "did" to make themselves homeless and only dimly did we realize the extent to which the problems of poverty were social in nature and would effect us all.

A holistic approach is non-traditional. It is a new way of looking at poverty that asserts blame-casting is immature but deceptively close to looking for cause. The approach calls for: "let-us-help-each-other" for we are all victims: the homeless because they suffer from social stigma and neglect and the tax-payer because they suffer from the insanity of paying for top-heavy, impossible to administer, government social welfare bureaucracies that cannot put an end to poverty.

And yet as tax-weary as Americans are from funding social welfare programs, they are still willing to do more for the poor. In an April 1988 poll conducted by the National Housing Institute, a majority of Americans said they were willing to pay an additional $10 to $15 a month in taxes to pay for affordable housing for the poor! (see Anc. Daily News, April 7, 1988). What this means for a holistic approach will be discussed in part III THE SOLUTION.

A. ANCHORAGE'S HOMELESS. One of the most difficult problems for non-homeless Anchorage citizens comes up when they think about homelessness in our city, is watching Asian people come into our community and "make it," while our homeless appear to have stagnated: either unable or unwilling to "pull themselves up by their bootstraps."

This is logical thinking. The Work Ethic is very strong in our community as it is in the rest of the nation. Rags-to-riches stories are a reality and not just a figment of the imagination of Horatio Algier. The question then, is not so much "how" did people become homeleless, but "why can't they get out of it?"

One answer is social isolation. This is an unfamiliar concept to an Asian and so is what we Americans call poverty. What is familiar to an Asian is a kind of poverty America has never seen. The kind of poverty that necessitates families drawing together if family members are to survive.

In America it would seem that affluence has driven us apart. The amount of leisure time Americans have enjoyed as the result of high wages and availability of time-consuming devices has made way for the concept:

"freedom of individual expression," which roughly translated can be interpreted to mean "if it feels good - do it." As members of social family units in America began expressing their individuality their "right" to do so often infringed upon the rights of others which in turn brought about more social change to America.

America has always been a nation of "rugged individualists," and even after the I'm okay-you're okay communal push of the 1960s, America continued to not only push forward the notion of individuality, but then along came minority rights. The results of this have been both good and bad: some minorities gained their rights but the loss of the nuclear family resulted in social isolation for many family members.

With the loss of family member encouragement and assistance, many Americans were unable to make the right decisions when it came to their own welfare. These were important decisions: whether to strive for higher education or whether to drop out, whether to marry young or whether to wait until a secure place in society could be achieved and of course, choices to do with alcohol, long an accepted practice in the United States for dealing with social tensions.

Homeless people in Anchorage do not make good decisions. In fact they make few decisions at all. The dependency upon others is in itself a mechanism that robs people of even limited skill in decision-making. People in shelters are told when to eat, when to sleep and in which line to stand. People accepting social welfare participate in the decision-making process only in terms of proving their poverty in what I call the "paper war" between the haves and the hav-nots.

A holistic approach to this stagnation would be one of involving people in choices that effect their immediate welfare and to reinforce this need, I offer the following from People of the Lie written by psychologist Dr. Scott Peck: "If the degree of freedom to choose the good is great, it needs less effort to choose the good. If it is small, it takes a great effort, help from others and favorable circumstances."

Asian people in our community are used to the "delayed gratification" that most Americans are not. They think nothing of living cramped together in small houses because they have lived close together and have learned to make certain personal sacrifices in order to get along. They have little need for the "control mechanisms" we Americans must place in our shelters if bedlam is not to break loose due to our invasion of one and another's social space.

Homeless people in our community are stagnated, but they are willing to get out of poverty if they just knew how. This problem however, leads to another question many Anchorage residents ask: are the homeless capable

both physically and mentally of helping themselves if a holistic approach is used. The answer to this question is like the fine gray line: some are and some are not.

From January 1988 to June of 1988, I attempted a congregate living project in Spenard as an effort to provide a substitute to the social isolation factor I discovered early on in my research. Without being descriptive due to the brevity and the demand of this presentation, I will try to comment on the effect congregate living had on several social problems related to homelessness.

Drugs and Alcohol. Homeless people drink a lot. Cheap wine is easy to get and it stops the mind from demanding decisions that most homeless people cannot come up with. However, going to AA meetings in a group as a sort of "family" social outing proved to be so popular amongst our group that often I felt "left-out."

About 12 alcoholics showed no ability to get into the "swing" of congregate living and either they were asked to leave and did, or we as a group of peers, put enough pressure on them that in the end they did leave. In retrospect I feel that these 12 people could have remained and made progress toward ending their alcohol abuse if there had been more than just myself on hand to lure them into cooperating with the rest of the group.

Hygiene. One of the most startling of my findings was the improvement in hygiene and how it came about. All the houses we rented were former "massage parlors." Our first was dark, dismal and ill furnished; but after we moved into our second home which was a house with many windows, hard-wood floors, a fireplace and a sauna downstairs; without exception the cleanliness and dress of every individual living there improved. I thought then as I do now that the people were saying: "I finally have something of which to be proud."

Skills. The most skilled amongst the homeless were the white, male veterans. This group of mostly men comprised the largest and most disproportionate numbers of homeless people. Between the ages of 35 and 55, these men were former licensed carpenters, electricians, plumbers, mechanics and heavy-equipment operators. However, what they also are, are a troubled lot. These men have been through the revolving doors of every agency that is supposed to help people with disabilities including the Veteran's Administration, so many times and with so little help, they are dizzy from their efforts.

I see these men as a tremendous resource. Not only could they, with a little help such as receiving borrowed or used tools, work to improve the properties of each other, or go into small businesses themselves; they could also teach many of the homeless some needed skills. But before this can occur, the rest of us Anchorage citizens must reach out to them and give them the respect they deserve.

The conflict of the Vietnam war as we all know, was not just betwen north and south Vietnam. The conflict was also between Americans: between those who thought we should be involved in that so-called "cold" war and those who didn't. And in the middle of this American conflict were those who served their country in that war. These are the men I believe suffer more in homelessness than any other.

Homeless vets in Anchorage feel they have been "thrown away" by their country, that they are no longer a valuable asset in terms of fighting wars, but they are a valuable asset in terms of their skills. And they are. But some are badly beat-up. These are the men who have hocked their tools to buy wine and drugs - to forget - and to die.

They are a loud and angry group who demand respect. Respect that rarely comes and when it does it comes in the form of "tribute" rather that anything tangible they can grasp to pull themselves out of poverty. They also had the audacity to call me, a middle-aged feminist, a "little do-gooder," but without them I would not have "toughened up" and been able to face much of the dirt and pain of the streets.

Mental Illness. I saw enough mental illness during my year of hanging out with "street people" to last me quite awhile. But it was not the numbers of mentally ill people that surprised me because as I expected, there were not that many, what surpised me was the severity of their illnesses.

The visible and audible assault of a person suffering from schizophrenia is not so much frightening as it is defeating: one has the feeling of running into a brick wall - there is nothing a non-trained person such as myself can do with this suffering. What did frighten me however, were the two cases of paranoid schizophrenia that I believed I spotted. From Psychology 101 at UAA I had learned that it is the paranoid schizophreniac that will kill at random, believing he or she is about to be killed themselves. The other form of schizophrenia I am told, is treatable with drugs and I did observe evidence of this. But the streets are not conducive to taking medicine on a regular basis. Drugs get lost - drugs get stolen - and some people believe they are "cured" and stop taking them. In my opinion, the supervision that already exists for these people should be increased.

I had expected most of the so-called mental illness amongst the homeless to be situational and it was. This form of mental suffering improved greatly when social isolation was removed. This is not to say that people who processed their thought systems slowly became bright articulate people in our congregate living environment; but I did notice a distinct change in what some call "acting out" behavior. Acting out is usually angry. It is the result of frustration from not being able to express thoughts and it is also a mechanism to gain attention. In congregate living, acting out at first became worse because most of the people suspected that they probably

would not be isolated in an environment of peers. However it was peer pressure that eventually convinced people to stop acting out.

Again, I recognize in retrospect the special needs of the situationally mentally ill and the recovering alcoholic or drug addict. I learned this the hard way, because had there been more volunteer help on the project, together we might have spotted the discrimination toward the mentally "different" from the recovering alcoholics! As it was this got by me and became the "straw" that toppled the project.

Fourth Avenue. Before concluding this brief description of the problems, or some of the problems, surrounding Anchorage's homeless, I would like to comment on "the avenue" as it is popularly called. Fourth Avenue is visible. It is a place where passers-by may view homeless people walking to and fro along the cement streets. But it is Fourth Avenue that has given many non-homeless people in Anchorage the impression that most of Anchorage's homeless are Alaskan Eskimos or Alaskan Indians.

This simply is not fact. As mentioned before in my discussion on "skills," it is the male veteran who comprise the largest segment of our homeless people. Without discussing this much further, I would like to comment that the "reality" of Fourth Avenue to Alaskan Natives is this: it is a network. A place to find each other. And it is also in close proximity to Alaskan Native Services Hospital.

III. SOLUTIONS TO HOMELESSNESS IN ANCHORAGE

The majority of Americans are still willing to shell out more taxes to help the poor, (see page 3). This information from the National Housing Institute's poll is both heart-warming and sad. Heart-warming because Americans are still showing the fine traits that built this nation: a willingness to work hard and share what this country has given them. But it is also sad because Americans have been paying through the nose to support social welfare programs for years; and never once have these tax-payers seen an end to poverty in sight.

The following suggestions toward solving the homeless problem in Anchorage are also directed at solving homelessness in our nation. What the suggestions are not however, are complete. The reader will find his or herself asking: "sure, but how would we pull this off?" To these people I can only say that this presentation is not a thesis which details the "how" of anything and I am not a person who has all the answers. What I am however is what I had the good fortune to learn about homelessness. There is not the slightest doubt in my mind that the homeless in our city will work with a little care and guidance from the rest of us, to come up with their own self-defined solutions which I might add is logical for after all, they know more about the problem. Remove the social isolation and help the homeless form the social structure of a group and you will have what we had: a large and unruly family!

The federal government of the United States should stop taxing American citizens for social welfare programs that do not work that in fact only serve to perpetuate poverty by creating masses of welfare-

dependent people who in turn only serve to support the bureaucrats working to help them.

Respecting the wishes of American tax-payers who want an end to poverty in the United States, the President should call for a "state of emergency" in the nation to end homelessness and call upon small communities for assistance. On a nation-wide scale the homeless problems would hence be divided up into small more manageable units.

Communities could fairly easily and speedily comprise grass-roots structures made up of professionals, the homeless and any concerned non-homeless citizen. In Anchorage, community councils could canvass their areas for available decent housing and for waste as well. In our self-help project we were able to furnish three houses in six months with items thrown away in dumpsters or abandoned along road-sides or from garage sales, the Salvation Army or Bishop's Attic.

Congregate living should be adopted in the interim as a means of getting people out of shelters and out of social isolation. There are plenty of rental units available in Anchorage to do this and by pooling the $120 each individual could receive under General Relief Assistance for rent, a reasonable amount of rent could be paid.

As decent housing is made available, communities should enlist the aid of the homeless to refurbish the structures. In this regard, I particularly would remind the reader of our skilled male veterans. I particularly see a need for building renovation versus new construction because again, homeless people indeed all people, need to participate or work for what they believe they can achieve. If there are any readers (and I doubt there are) who doubt this, all one has to do is look at most low-income housing projects.

All information regarding the effects of homelessness should be shared with the homeless. This includes personalized therapy designed to meet cultural needs. It is my opinion that an intense personal effort is one of many or at least several volunteers working with each congregate housing unit, bringing help to the people but also keeping in mind that people need to make their own effort to go where the help is.

In each congregate living "home," I believe there should be at least two people from the community: one male and one female (for balance) that are capable of giving up the trappings of professionalism. By that I mean that not only do people used to living in poverty "distrust" professionals, they can also spot a "phony" in a heart-beat. Phony professionals are people with big egos who care more about controlling people to make their group effort look good to the rest of the community, than they do about helping people to help themselves through the painful process of struggle.

My discussion of solutions to end homelessness has been quite short but time and space will not permit me to elaborate further. So before I move on to my conclusion, I would like to mention a sensitive problem that has an easy solution. This problem is one some people refer to as the problem of "territorial turf."

I believe there is no end to the human desire to make a better world by helping those of us who are needy, but something goes wrong between our ideals concerning what we set out to do and what in the end we actually accomplish. An example of this is our social welfare system. Where once Americans believed in the creation of a federal structure to help the needy, Americans now realize that what we have actually created is a giant best that we must feed daily if the poor are even able to enter its doors.

The same reality can occur to any organized effort no matter how small <u>if</u> the structure itself demands more than do the people the structure is designed to help. In other words, if a single community effort must compete with other community efforts to look good in the eyes of the greater whole: the community at large, then that single effort will work harder to protect its structure than it will to help the needy.

This is the problem of territorial turf: a jealousy on the part of a group with the same mission as other groups, a condition I observed several times as Anchorage groups worked to help the homeless. The solution to this turf problem is one of: openly admitting that it exists and taking actions to prevent it. And prevention is one of recognizing that all groups must work together for the common mission. After all, an organizational structure is not a giant beast with a life of its own. We create the beasts and we can kill the beasts.

IV. <u>CONCLUSION</u>

Anchorage has an opportunity few other cities in the United States have to provide already constructed housing for the city's homeless. And, there is another opportunity. Since Anchorage does have needed housing, the city could work to also develop a holistic program for the homeless that might possibly become a model for the rest of the nation.

In June 1987 the Senate gave final approval to the Homeless Assistance Act of 1987, a measure supporters call "the foundation for a national commitment to end homelessness in America." The Act defined government intention as a "clear responsibility and existing <u>capacity</u>" to fulfill an effective and responsible role to meet the basic human needs and to engender respect for the human dignity of the homeless.

Yet one month later police in Minneapolis, aided by the Public Works Department brought out front-end loaders, and targeted homeless shacks for demolition. Speaking to the press, Deputy Police Chief Bob Lutz said, "When they break the law, when they try to take money from other

people, when they urinate in public and are involved in disorderly conduct, there are no constitutional protections for that conduct and we will aggressively move against it." No constitutional protections for "some" Americans? What happened to the folks in Minneapolis? Have they never read the United States Constitution or heard of the 1949 federal housing policy?

No. What happened in Minneapolis could conceivably occur in any city in the nation and probably will, if homelessness is not stopped. The number of homeless in that city grew so large people became hysterical. The urinating of the homeless in public was apalling and non-homeless people were so revulsed they obviously did not care that with no homes there are also no toilets.

Many of us in Anchorage believe this could never happen here. But it could. During the same week the Municipality of Anchorage and the Brother Francis Shelter received an award in 1986 for their efforts to help the homeless, Eugene Tunuchuk died in a cardboard box at Ship Creek. When they found this man he had frozen vomit in his throat and some people commented: "Well he was a drunk, what can you expect?" But, no one said much, when four days later Don Rosenthal who did not drink, was found on the bluff behind Third Avenue near death with frozen feet and a frozen hand.

The fine gray line exists. On one side of this foggy barrier lie the needs of the homeless and on the other side lie the needs of the non-homeless. Both sides have understandable and logical conclusions regarding poverty, but human beings do not need a textbook or sociological analysis to act. Before the technology of our hard sciences and the technology of our human sciences, humans simply "did" what they were called upon to do. To those who will say "things are more complicated than that today," I would reply that things are not so complicated that we cannot stop treating poverty from a distance, from behind our desks and our spectacles and get out there and face the homeless and ask them what can be done.

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ANCHORAGE COMMUNITY MENTAL HEALTH SERVICES, INC.

SOUTHCENTRAL COUNSELING CENTER

4020 Folker Street • Anchorage, Alaska 99508
(907) 563-1000

- Adult and Family Services
- Emergency Services 24 Hours
- Psychiatric Services
- Senior Services
- Community Support Unit
  - — Outpatient
  - — Residential
- Day Break

HOUSING FOR SERIOUSLY MENTALLY ILL CHILDREN AND ADULTS

by

Chuck Gasta
Sylvia Condy
Lona Dayan

August 19, 1988

HOUSING FOR SERIOUSLY MENTALLY ILL ADULTS AND CHILDREN

Southcentral Counseling Center
August 19, 1988

I. INTRODUCTION

Low cost housing for the seriously mentally ill is desperately needed in the state of Alaska. Housing for severely mentally adults and children in Alaska and specifically in Southcentral Alaska must be carefully developed to provide a continuum of care for these individuals. Different "levels" of "care homes" must be provided and a specialized environment for each level developed. Individuals must have the opportunity to advance through the system to the level at which they feel comfortable. Individuals should not feel like they failed only because they chose to remain in a group home or residential setting. Supportive services such as job skills, training and placement; supervised employment and job sharing opportunities; and ongoing case management services must be available to allow the individual to achieve his/her maximum potential. All services should be developed cooperatively in the community through a variety of State, local, and private funding sources securing input from consumers, providers, family members, and mental health professionals.

II. HOUSING FOR ADULTS

Group Home Environment: The first level of care for seriously mentally ill adults would be in an intensely supervised group home living setting. Housing requirements would require a large home (3-4 bedrooms minimum) with an attached apartment for houseparents. Staffing patterns would be such to provide extensive supervision of individuals. Clinical staff would be available at all times to teach basic living/socialization skills. Client/staff ratio would be 4:1, to provide individualized care to each individual in the home. Transportation to other day treatment programs in the community would be available. Medication monitoring would be available. Although it is anticipated that a few individuals would enter the group home from the Alaska Psychiatric Institute (API), remain at the facility a short time to learn daily living skills, and then move on to the next level, many individuals would never progress beyond this level.

Transitional Center (TC): This center provides a somewhat less structured level of care for seriously mentally ill individuals. This Center would provide daily living skills training as well as assist individuals in developing employment skills and opportunities. Typical residents would include individuals who had been admitted to the Alaska Psychiatric Institute for a psychotic episode but not requiring the intense supervision of a group home setting. Housing requirements would be a six to eight-plex with two to three bedrooms in each dwelling. Individuals would be required to cook their own meals, clean their apartments, and work with others in their particular apartment as roommates. Medication monitoring and clinical case management would be available. Transportation to other day treatment programs in the community would be available. Staff would be present 24-hours per day. A respite component

would also be available for placement of individuals requiring short-term (1-21 days) observation/intervention. A typical placement at the transitional center would be from one to three months.

Transitional Housing for Offenders: Additionally, a specialized transitional half-way house for mentally ill offenders released from the corrections system should be developed. Ideally, this program would be a community effort utilizing the expertise of the Forensic Unit of API, the Department of Corrections, the Department of Health and Social Services, and mental health providers. This level of care would provide a more structured placement than the transitional center and would be targeted toward integrating the mentally ill offender back into the community. Strict medication monitoring and intense clinical case management would be available. Work therapy would be an important component of this program. Individuals who participated in a pre-trial diversion program (in lieu of sentencing through the correctional system) would also be eligible for placement in this program.

The Half-Way House: The half-way house would provide basically the same level of care as the TC but would be reserved for individuals who had advanced through the TC program and wanted a prolonged placement at the TC level. Housing requirements would replicate the requirements of the TC. All ancillary services offered at the TC would be available at the half-way house. A six to eight-plex with one to three bedrooms in each unit would meet the needs of this program.

Supervised Apartments: Supervised apartments would provide the most advanced placement in the continuum of care. The seriously mentally ill individual would rent the apartments at low costs which would be located in various locations throughout the Southcentral area. These individuals would be living in their own apartment but would still receive ongoing case management services. Employment placement/job sharing opportunities would be available. Minimal clinical intervention would be available. This level of care is designated for individuals who are able to adequately deal with the daily stressors of life with minimal assistance.

III. HOUSING FOR SERIOUSLY MENTALLY ILL CHILDREN (AGE 13-17)

There is a need for a continuum of care for seriously mentally ill children. Several facilities are available in the state for children with emotional disturbances but none are specifically targeted for children with a serious mental disability (i.e. bi-polar disorder, schizophrenia). Mental health professionals are seeing more and more children with these disabilities.

Residential Care (Long-Term): Long-term residential care for these children is a need which is currently unmet within the city of Anchorage. Children with a serious mental disability are housed at the Alaska Psychiatric Institute during the acute portion of their illness and are either sent home or to an out of state residential treatment facility. The last option is extremely costly to the state.

Housing requirements would require a large home with an attached apartment for houseparents. A large commercial building could be used for the daytime portion of this program. Clinical staff would be available at all times to teach basic living/socialization skills. Medication monitoring would be available through a nurse assigned to the home. Individuals in the home would be closely supervised, with trained staff available 24 hours per day. A school program, specifically tailored for the residents of the home, affording an opportunity for a high school education would be a priority goal of the home. The school component could also be available for seriously mentally ill children in therapeutic foster homes and in respite care. Educational programs should be developed in concert with the Anchorage School District. Day-only (7:00 a.m.-6:00 p.m.) respite care could also be provided as a portion of this program to enable caregivers to work.

Respite Care: Respite care for seriously mentally ill children is an important piece of the continuum of care. Caregivers need a "respite" -- a safe and therapeutic place where their children can stay so the parent can travel for work, take a vacation, or just to take some "time out." The respite is not intended to be "just a babysitter," but a place where these children can go and receive quality care and treatment. Programming would be similar to the residential care facility, but of short-term duration. It should be noted that these programs, although expensive, are much more cost effective than housing an individual at the Alaska Psychiatric Institute or in a residential treatment program outside the state of Alaska. Additionally, it is more therapeutic to have a child in their home state or partially in their home, rather than in an institution outside of Alaska. A residential home with three to four bedrooms would meet the needs of this program. Backup support services (day-only respite and school services) could be available through the residential care facility.

IV. SUMMARY

Low cost housing for the seriously mentally ill is desperately needed in Alaska. Presently, residential treatment programs use a portion of their funds to rent housing. If properties were purchased now at low cost, long-term savings would result for treatment programs. Purchase of facilities for programs would also help alleviate excess housing in Alaska.

ask*

Marketing and Research Group

ALASKA RURAL HOUSING NEEDS

by

Mary P. Collins

Senior Partner
ASK* Marketing and Research Group

August 26, 1988

RESPONSE TO CALL FOR PAPERS
ALASKA HOUSING MARKETING COUNCIL

PREFATORY REMARKS

ASK* Marketing and Research Group is pleased to submit this paper on Alaska rural housing needs to the 1988 Governor's Housing Conference.

In 1987, the Alaska State Legislature passed Senate Concurrent Resolution 21 requesting the Department of Community and Regional Affairs to conduct a study of rural housing conditions and the need for rural housing. The Alaska Department of Community and Regional Affairs contracted with the Rural Alaska Community Action Program (RurAL CAP) to determine current conditions in rural housing and assess the need for additional rural housing. ASK* Marketing and Research Group (then ASK* Marketing/Information Search) was the principal consultant in the design, execution, and analysis of the research effort.

Areas excluded under contract specifications were: the Municipality of Anchorage, the City of Fairbanks, the City of Juneau, the City of Sitka, the City of Ketchikan and all military bases.

The study was conducted in two phases. In Phase I all the existing relevant information on housing conditions in Alaska was gathered and assessed. It was expected that a survey would need to be conducted to supplement and update existing data concerning rural housing.

In Phase II, a household-level survey was conducted. Housing authority directors, community planners and other key informants were also interviewed, and the information gathered was analyzed to accurately determine the current conditions of rural housing stock and to project future housing needs.

This paper contains the essential findings of current housing conditions and needs in remote communities in rural Alaska. A full copy of the report can be obtained from the Alaska Department of Community and Regional Affairs.

August 26, 1988

-Mary P. Collins, Senior Partner
ASK* Marketing and Research Group

INTRODUCTION

According to housing authority executive directors, experienced weatherization contractors, Alaska Dept. of Community and Regional Affairs (DCRA), and the Housing Advisory Committee, the evaluation of these four basic categories provides an accurate indication of the living conditions in rural Alaska. These categories were:

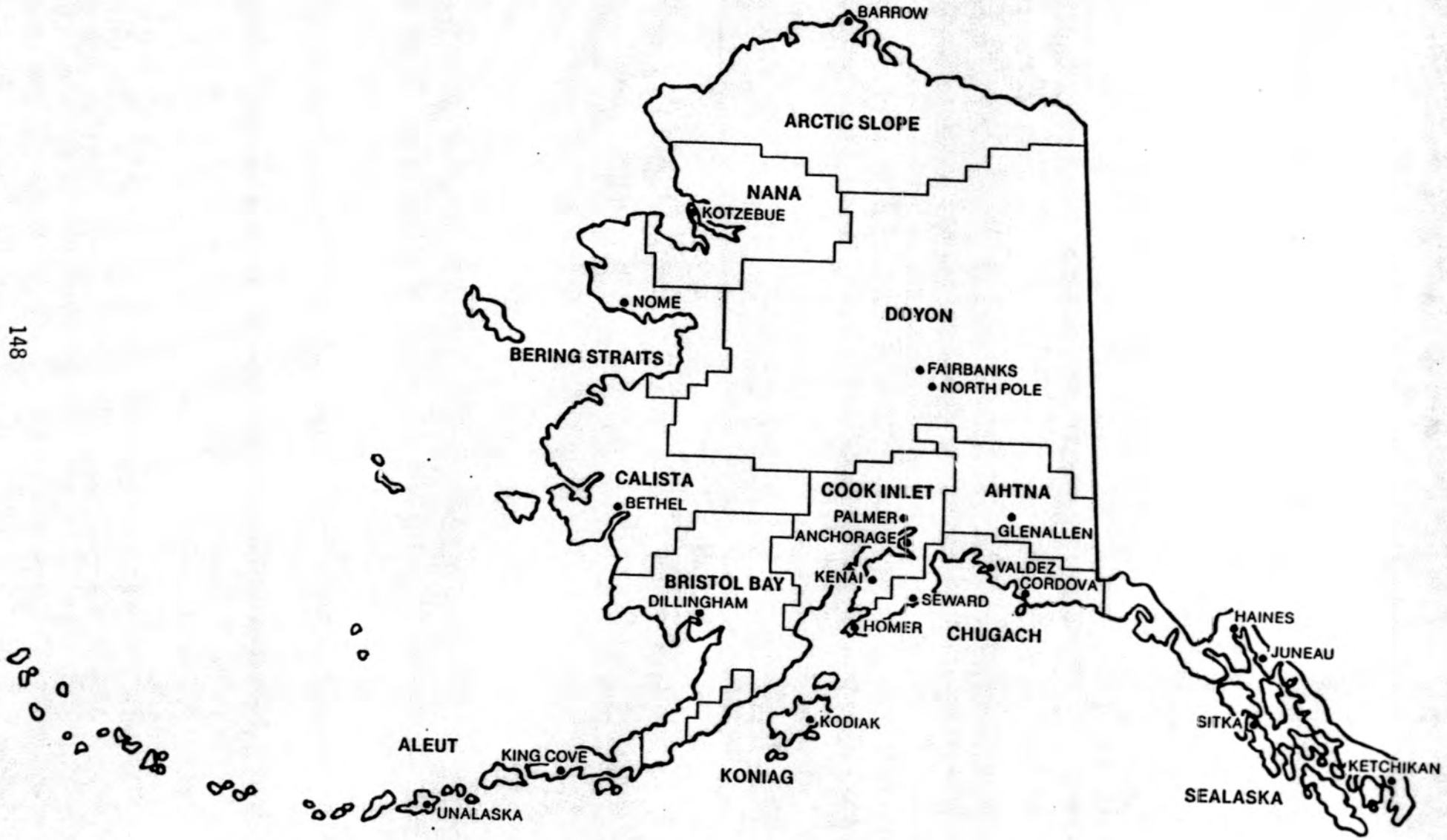
- o *crowdedness within the home,*
- o *ability to maintain a comfortable temperature in the home,*
- o *home sanitation facilities*
- o *safety of the home.*

There were several factors within each of these four categories that were used in evaluating overall living conditions within a community or region.

The first task was to determine the amount of new housing stock that is currently needed and the number of homes needing immediate repair. The second task involved projecting new housing stock and repairs required over the next ten years.

The number of households per region was estimated by dividing the total 1985 population provided by the Alaska State Demographer's office, by the average household size data acquired from the survey. The number of households per region is found in several of this report's summary tables.

In many of the tables, the quantity listed under TOTAL is a summary of this report's survey data. Additional statistical information on confidence levels, derivations, and other features too detailed for inclusion in this general audience report is available. This *excludes* the Municipality of Anchorage, the City of Fairbanks, the City of Juneau, the City of Sitka, the City of Ketchikan and all military bases. Additional statistical information on confidence levels, standard deviations, means and features too detailed for inclusion in this general audience report is available.


BARROW
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PALMER
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HAINES
JUNEAU
KODIAK
SITKA
KETCHIKAN
ALEUT
KING COVE
KONIAG
SEALASKA
UNALASKA

EXECUTIVE SUMMARY

The key findings of the 1988 Rural Housing Needs Assessment Study include:

- HOUSEHOLD SIZE AND OVERCROWDING

  The average number of members per household in rural Alaska was 3.70. The average household size ranged from a low of 2.6 in Ahtna region to a high of 5.3 in NANA region. *In comparison, Anchorage households have an average size of 2.72.*

  The Arctic Slope region had the highest percentage, (18.7%), of households with three or more generations per house. Calista region was second with 16.4% and Bering Straits region had 15.4%. Cook Inlet had only 0.9% of households with three or more generations.

  Overcrowding conditions appeared to be the worst in the Calista and NANA regions. **29% of households in these regions had 100 or less square feet per resident..**

  The average house size ranged from 650 sq. ft. in Bering Straits region to 1,996 sq. ft. in Chugach region while the average was 1,162 sq.ft. *In comparison, Anchorage households have an average of 1,635 square feet per house.*

  Nearly **87% of the houses in NANA region had less than 300 square feet.** 81% of the houses in Calista region and 72% of the houses in Doyon region were less than 300 sq ft.

  The average square footage per resident ranged from 616 sq.ft. per resident in the Cook Inlet region to 137 sq.ft. per resident in the Bering Straits region. The survey average was 333 sq.ft. per resident. In comparison, Anchorage had an average of 600 sq.ft. per resident based on an average household size of 2.72 and 1,635 average sq.ft. per residence.

- PHYSICAL CONDITION OF DWELLINGS

  43% of the house foundations needed major repair in Bristol Bay region. 57% of the houses in Bristol Bay region and 43% of houses in Ahtna region needed major repair.

  The highest percentage of houses rated in need of replacement by region was Ahtna with 21%, followed by Doyon region, 17%, Aleut region, 10% and NANA region, 10%.

  The **total 6,740 new houses needed** was determined by consolidating the total number of homes needing immediate replacement with the total number of households with three or more generations. **Doyon region alone accounted for 3,169** of the new houses needed.

Comments and observations from field interviewers included several inches of glaciation on walls and windows, snow-filled attics, badly damaged roofs and siding from high winds, and seriously heaved foundations. Without correction, foundation heaving negates most benefits from weatherization activities since windows and doors become warped or separated from the house frame.

- SIGNIFICANCE OF FINDINGS AND ESTIMATED COST OF CORRECTIVE ACTION

Although conditions vary widely, the inescapable conclusion apparent from the survey results is that housing in rural Alaska has dramatically poor housing conditions in terms of space per resident and state of repair. **Crowded multi-generational families occupying dwellings in run-down condition is far too prevalent.**

Based on the current costs for rural housing of $116,000 per new house as described in this report, **$781,813,000 will be needed to build the estimated 6,740 houses.**

If 6,740 houses were built to provide new housing for homes needing immediate replacement and new houses for the displaced third or fourth generations, **overcrowded conditions in rural Alaska would still be a problem.**

In order to address crowded conditions not due to multi-generational households three enhancement levels were examined:

Replace/add to houses with 200 sq. ft. or less per resident
Replace/add to houses with 250 sq. ft. or less per resident
Replace/add to houses with 300 sq. ft. or less per resident

Two solutions were considered: a 320 sq.ft. addition at a cost of $15,000 or, if the addition did not alleviate the conditions, a new house at a cost of $116,000. This $15,000 figure is based on the average cost of a BIA housing addition under the HIP program.

It was estimated that a total of approximately **19,188 houses had 200 sq. ft. or less per resident**; 15,088 of these would require an addition while 4,100 need new houses. Based on current costs and excluding homes needing replacement, $491,717,000 would be required to alleviate overcrowding at the 200 sq.ft. level. At the 250 sq level, $692,243,000 would be required, and at the 300 sq.ft. lev. $882,521,000 would be required.

The combined cost of providing new housing for homes needing replacement; third and fourth generations needing a home; and additions or new homes to alleviate overcrowding at 250 sq.ft. or less per resident was **$1,474,056,000.**

- NEED FOR A COORDINATED, COMPUTERIZED HOUSING INFORMATION SYSTEM

In the course of acquiring data for this study, the foundation for an excellent statewide population and demographic computer database was laid. It was also determined that there is a definite need and interest to establish a central computer database with dial-in access for weatherization contractors.

Although the State of Alaska Weatherization Office collects summary data from all weatherization contractors, they do not maintain a computerized database. The result is that there is no way to analyse statewide data or to create reports as needed.

We are aware that there have been discussions with the Department of Energy to which the DCRA Weatherization program submits reports. *It is important that any planning for a coordinated, computerized data collection and reporting system include the capture of essential community demographic and housing data.* This information is valuable for planning and monitoring of key social and economic trends statewide. Coordination with the AK Department of Fish and Game's subsistence database must also be included.

Major benefits obtained from this will lower administration costs, improved reporting, forecasting support, improved coordination of information between agencies.

- POTENTIAL FOR SMALL-SCALE MANUFACTURING AND LOCAL JOBS

From the period of 1984 through to and including 1988, the Weatherization program represents a significant ongoing residential construction program in Alaska, estimated to include *over $9.1 million in materials alone.* When we consider this plus the added economic contribution of a major rural housing program which can be valued at approximately $1.2 billion to add to the existing housing stock and remedy deficient dwellings, the *potential* exists to aid the development of Alaskan-based wood products, thermal window and insulation manufacturing. With adequate market planning, local industries could leverage off the in-state market for export.

We suggest that an economic feasibility study be commissioned to examine the various aspects of this.

STATE WEATHERIZATION COSTS - APPROXIMATE VALUES ($ 000's)

	1984	1985	1986	1987	1988
Total Budget	$7,000.	$8,000.	$4,575.	$3,984.	$3,810.
Administration	820.	950.	526.	394.	449.
Program support	3,000.	3,800.	2,054.	1,878.	1,787.
Materials	2,500.	2,550.	1,453.	1,279.	1,191.
Insurance	125.	200.	175.	172.	130.
Transportation	555.	500.	367.	261.	253.
Homes Served	2,300	2,700	1,000	1,600	1,860

Source: AK Dept. Community Regional Affairs, Weatherization

OTHER ASPECTS CONCERNING POTENTIAL ECONOMIC CONTRIBUTION OF A MAJOR ALASKAN RURAL HOUSING PROGRAM

What might be the economic contribution to the state of funding an ongoing housing construction program estimated at over $1 billion, designed to improve rural housing conditions? (In other words, there could be created a major in-state market for construction materials, windows, doors, insulation, labor, etc.)

One possible scenario: A Fairbanks window company manufacturing thousands of thermopane windows; South-central firm manufacturing doors and cabinetry; yet another building wood-laminate furniture; etc. Construction labor is divided so that rural residents are engaged in building/rebuilding their own communities. Perhaps this could be leveraged to assist new export industries based on Alaskan wood and other products. Appropriate constraints could be placed on the sourcing of materials to favor in-state manufacture.

Given the cost and potential economic impact of fully meeting rural housing needs, a study should be performed to determine the potential economic implications of this in its fullest implications. An important secondary benefit of the study would be to determine not only a true picture of the role of the construction industry but could also uncover new opportunities for Alaskans. Such a study could be funded for approximately $100,000 to $150,000.

This could be a significant rural-urban joint economic venture. If begun in the second quarter of 1988, the study could be completed in time for full deliberation by the next Alaskan legislative session.

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"MOBILE HOMES"

By:

Robert H. Schenker
Mobile Home Bulk Sales Coordinator

Gay A. Jurgensen
Mobile Home Marketing Specialist

Alaska Housing Finance Corporation

August 15, 1988

Alaska Housing
FINANCE CORPORATION

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AHFC Mobile Homes are Finding New Life

Mobile home sales for the Alaska Housing Finance Corporation have significantly increased this summer and have surpassed repossessions, leading the way to stablization in that section of the housing market.

In June, AHFC sold 117 units statewide as opposed to repossessing 48. April and May show similar figures with 89 and 85 units being sold respectively in those months and only 52 and 28 being taken in.

"AHFC sees the depletion of the repossessed mobile home inventory in these areas as stabilization of that section of the housing market," said Gay Jurgensen, AHFC's mobile home marketing specialist.

At the housing market financing peak in the mid-1980s, AHFC financed approximately 4,200 mobile home purchases. So far, AHFC has repossessed nearly 25 percent of those units. As a result of these repossessions, AHFC in 1987 owned about 1,200 units. However, due to increased sales the inventory has been significantly reduced to just over 950. In Juneau, the inventory was reduced from a high of 82 to 6. In Fairbanks, an inventory of 120 was reduced to 30. Anchorage's inventory still remains the highest at more than 800 units.

The increased sales are due in part to AHFC's concentration on a marketing plan for mobile homes in 1987. A loose network of mobile home brokers haphazardly holding AHFC listings was overhauled into a system where all listings are pooled into a general inventory. More than 60 AHFC-approved agents sell from that inventory.

While individual unit sales make up a majority of the sales and contribute significantly to the overall reduction of the inventory, bulk sales are becoming more significant. AHFC this spring put into place regulations allowing for bulk sales outside of the traditional housing market.

AHFC's first two bulk sales took place in June with sales of 13 units which went to Kodiak and another sale of 19 units which went to Afognak. Twenty units were recently sold on a sealed-bid basis to four Anchorage mobile home park owners. Another seven were sold to another park owner.

Currently, AHFC is seeking bids on a 125-unit bulk sale. The units are being offered in 5-unit lots. One of the requirements of the invitation to bid is that the units must be removed from the Anchorage area to help stabilize the city's housing market.

The sale is being advertised in Alaskan and West Coast newspapers. Sealed bids will be accepted until Aug. 24 when they will be publicly opened in Anchorage.

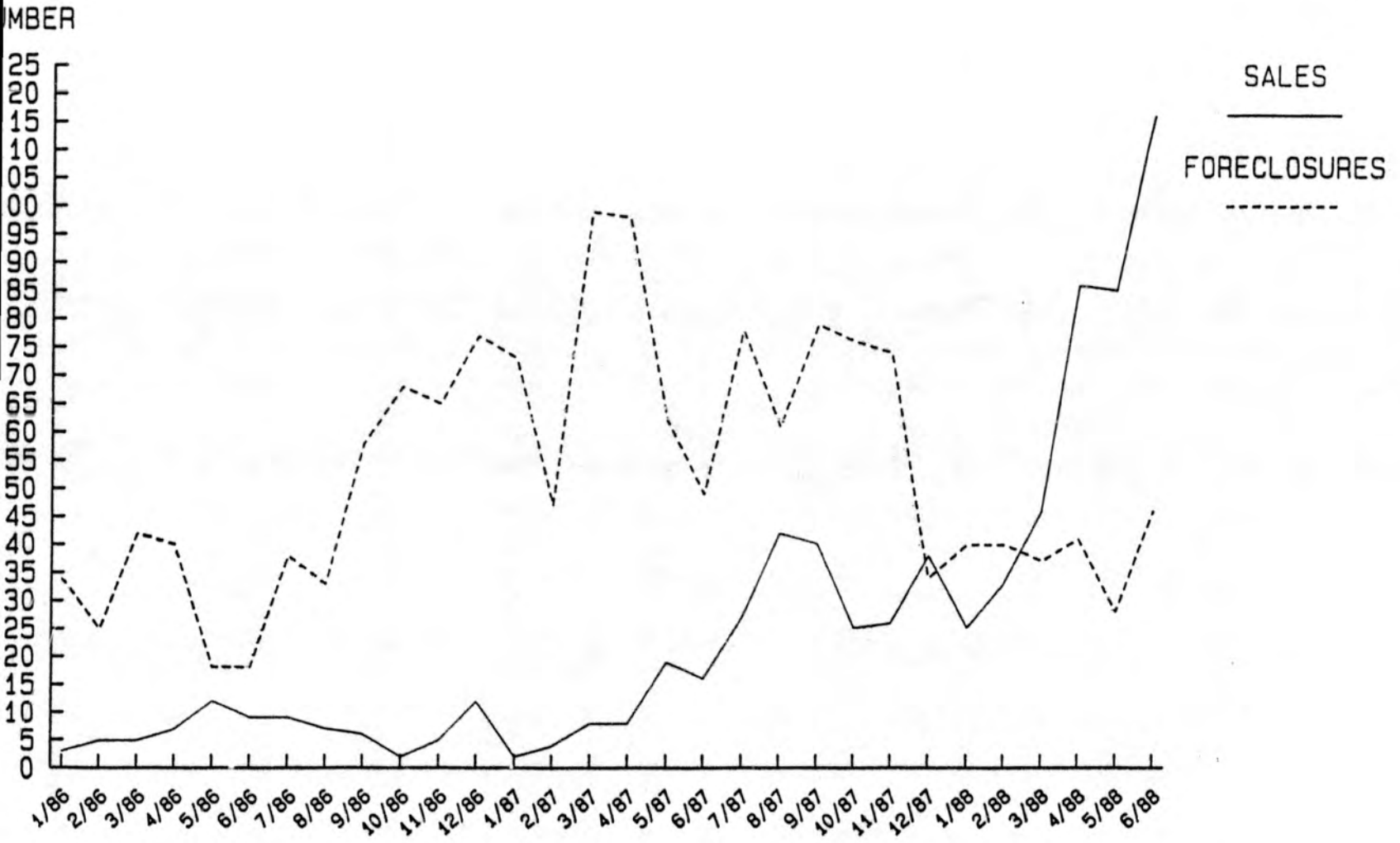
In the area of individual sales, AHFC has been targeting the previously untapped area of using the units for recreational purposes. A model mobile home was set up in the Fred Meyer parking lot just off the Seward Highway for the summer to show prospective recreational users what could be done with a mobile home. The unit is staffed daily by AHFC-approved mobile home agents.

The Anchorage units range in price from $5,000 to $40,000 and are primarily single-wides. All types of make and model are available. Approximately 25 dobule-wides are available and a few are on land as opposed to being in a park. Approximately 75 percent of the sales so far have been for cash, however, financing is available through AHFC currently at 9-1/2 percent interest, 10-year loan term with a 10 percent downpayment.

In another area, to decrease holding costs of the large inventory of units, AHFC last summer opened a sales/storage lot at the corner of King Street and 104th Avenue which can be seen from the northbound traffic lane of the Minnesota Freeway from the Old Seward Highway. The lot now serves as a show area, and during June sales from the lot made it the second largest "selling park" and sales are expected to continue.

ALASKA HOUSING FINANCE CORPORATION

Mobile Home Sales and Foreclosures



THE MOBILE HOME REPOSSESSION PROBLEM:

ONE POSSIBLE SOLUTION

BY

RICHARD P. BARRIER
GENERAL PARTNER
MALASPINA PROPERTIES

AUGUST 9, 1988

THE MOBILE HOME REPOSSESSION PROBLEM:

ONE POSSIBLE SOLUTION

The mobile home industry in Alaska has been decimated by AHFC repossessions in the part three years. At least 1500 mobile homes have been repossessed by AHFC during this period. AHFC currently owns nearly 1,000 of these repossesed units. To date, AHFC has taken no major steps to help slow down the tide of repossessions.

In September, 1987, I submitted an analysis and possible solution to this problem to the staff and board of AHFC. This paper is a reproduction of most of that letter. The numbers are all nearly one year out of date, but the analysis still holds true today.

BACKGROUND

The major contributing factor to the unrealistic values and loan levels for mobile homes financed in the early 80's was the introduction of 20 year financing by AHFC. Prior to that time, and at all times in the rest of the country, the maximum term on these loans has been 10 to 12 years. The impact of drastically reducing monthly payments (from $413 to $310 for a 10 year versus 20 year $30,000 loan at 11%) was to greatly (and artificially) increase the value of the units being sold.

The secondary result of the 20 year financing was the slow equity buildup or debt reduction, compared to shorter term financing. Therefore, sellers in 1987 who purchased mobile homes in 1982-84 are finding that the value is now considerably less than they paid, and that their loan balance has not declined appreciably. The net result is a loan balance that greatly exceeds current value, thereby making a sale of the unit impossible, without seller subsidy to the buyer or AHFC.

CURRENT PROBLEM

Owners currently have little motivation to keep paying on their mortgages, since the rate of reduction of principal balance is insufficient to bring their loan balance in line with current values. Therefore, with any "disturbance" of owners' life situation (loss of job, leaving the state, divorce, need for different type of housing, etc.), the owners are very likely to give their units back to AHFC. Even with a stronger overall market, it is doubtful that the value of many of the AHFC financed units will ever equal the loan balance.

POSSIBLE SOLUTIONS

To encourage owners to keep their units, AHFC could:

1. reduce payments
2. reduce interest rate
3. reduce loan balance
4. reduce amortization term

In any given case, one of these alternatives might cause an owner to stay with his loan, or allow him to sell it without personal subsidy. Of the solutions listed above, only one is unique to the mobile home program and can be directly linked to the owners' current plight - amortization term. All AHFC loan programs featured low interest rates and therefore low payments. But only the mobile home program introduced a longer than conventional loan term, which had the immediate effect of inflating the market.

RECOMMENDATION

Based on the points raised above, I recommend that AHFC seriously study the feasibility of adopting the following policy:

> The loans for all AHFC-financed type II mobile homes shall be rewritten to reflect a 12 year amortization term from the date of issuance of the loan. Payments shall remain unchanged.

To adopt this policy, each outstanding loan would be rewritten to a term equal to 12 years minus the years since inception. The current loan balance would be the principal to be amortized, and the payment would remain the same. I will provide an example.

For purposes of this example, I will use one hypothetical loan: $30,000 original loan balance, 11% interest, 20 year term. The payment on this loan is $310 per month. Using the policy proposed above, all loans of this nature would end up with 12 years of payments at $310 per month, regardless of the year that the loan was originated. The effective overall interest rate would be reduced to approximately 7%. Depending upon the age of the loan, the effective interest rate for the balance of the loan could range from 6.5% to -2%, but all loans would have a cumulative or overall rate of 7%. The following table summarizes the effect of this policy on loans originated in 3 different years, assuming that the policy is implemented in 1987.

	Year Loan Originated		
	1982	1984	1985
Loan balance in 1987:	$27,244	$28,529	$29,074
Number of years left to amortize:	7	9	10
Total payments to date:	18,600	11,160	7,440
Total payments left:	26,040	33,480	37,200
Total payments over loan life:	44,640	44,640	44,640
Interest rate, overall:	7%	7%	7%
Interest rate, on remaining balance:	-1.3%	4.7%	5.1%
Loan balance in 1988	23,352	24,754	26,788
1989	19,460	22,144	24,382
1990	15,568	19,409	21,850
1991	11,676	16,543	19,186
Loan balance in 1991 if loans are not reamortized	23,651	25,644	26,487

COMMENTS

An owner in the above example who purchased a home in 1982 would find that in 1987, his $31,500 mobile home may be worth only 60% of that, or $18,900. If his loan balance is $27,244, with fifteen years of payments left, it is unlikely that anyone would assume his loan. There is a good chance that the unit will be repossessed by AHFC. If the loan of this owner were rewritten as proposed, the balance would still be $27,244 in 1987, but only 7 years of payments would be left. If a potential buyer computed the "true" value of the balance, he would find that $310 payments for 7 years at 11% interest would equate to $18,105 in principal, or $800 less than the current value. The potential buyer would therefore be willing to assume the balance under the new terms.

Using this same example, if the owner wanted to sell his unit in 1991, the loan balance would be down to $11,676. With three years of payments left, a potential buyer would in all likelihood assume this $11,676 balance. Contrast this to a potential buyer walking away from a $23,651 loan balance with eleven years of payments left (and AHFC repossessing the unit, marking down the price to $10,000, and reselling it). Is an owner likely to hold onto his unit until 1991, if he knows that he will be unable to sell it then for the $23,651 loan balance? Or is it better to reamortize the loan and give the owner hope that he may be able to sell it someday?

I believe that a program such as the one described above could go a long way toward slowing down and ultimately halting the repossession of mobile homes by AHFC. This program has obvious costs to AHFC, in terms of overall return on the capital dollars invested, (a loss of 3-4% in return on its investment). However, it appears that this program would cost the state less than continuing to repossess units, taking a capital loss upon repossession, and incurring holding and sales costs. If the state ultimately ends up owning, at one time or another, 50 to 75% of its total

portfolio of mobile home loans (which is highly possible), the loss to the state could easily be $75 to $100 million or more. Implementing this program would cost considerably less than this, certainly considering net present value.

Mobile home loans are different from other AHFC back programs and affect the buyers differently for the following reasons:

1. Mobile home loans are General Fund appropriations, not bond proceeds.
2. The AHFC loan program changed the very nature of mobile home loan practices in Alaska when it went to a 20 year amortization.
3. Values of mobile homes typically decline over time, except in highly inflationary periods. Therefore, it is unlikely that many mobile home values will ever reach the outstanding loan balance on a 20 year amortization. Stick-built properties, on the other hand, can appreciate over time, to the point that values exceed loan balances.

If AHFC is to avoid continuing disruption of the mobile home markets and piling on additional costs and losses, it needs to take an active step toward stemming the tide of repossessions. The proposal above is one alternative.

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Governor's Housing Conference
September 23, 1988
Anchorage, Alaska

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(in same order as papers)

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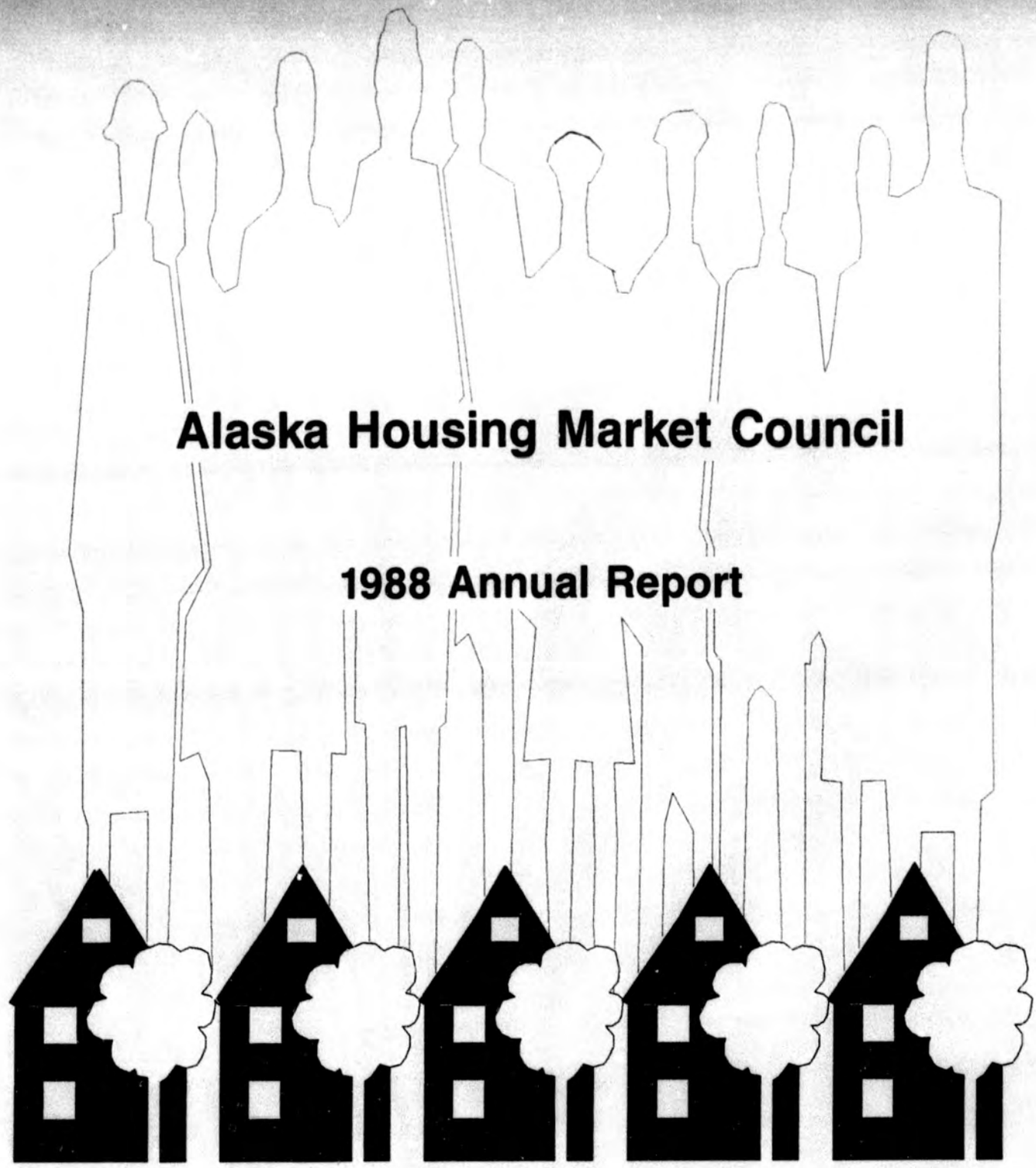


Alaska Housing Market Council

1988 Annual Report

GOVERNOR STEVE COWPER



STEVE COWPER
Governor

ALASKA HOUSING MARKET COUNCIL

Council Members

Cynthia Parker, Chair
Ron Clarke
Mike Harper
Ron Lehr
Ray Price
Pam Throop
Susan Taylor Buchanan
Carol George
Sam Helms
Larry Merculieff
Dave Rose
Bert Wagnon

Council Staff

Glenda Straube	Executive Director
Mark Romick	Staff Assistant
Brenda Glaze	Hotline Coordinator
Michelle Hill	Hotline Specialist
Michael Ser'gent	Secretary

1988 EXECUTIVE DIRECTOR'S REPORT



Glenda Straube
Executive Director

Alaska's real estate market has been hard hit by economic recession; stories about plummeting home values and burgeoning inventories of repossessed homes are common occurrences in the media. Governor Cowper's commitment to solving these problems led to the establishment of the Alaska Housing Market Council. Since the Council began full operation in early Fiscal Year 1988, the State has come a long way in developing programs to speed recovery of the housing market.

With the initiation of the Mortgage Information and Referral Hotline, the Council has been able to provide troubled homeowners with objective information and an empathetic ear. Workshops and hearings throughout the state also offered information and allowed us to gather first hand knowledge about public concerns. If there is anything we have learned, it is that people <u>want</u> information, good news or bad news, so they can make necessary decisions in their lives. Our informational efforts have been amply rewarded by the many people who've thanked us for "just being there".

The Council has been the only centralized source of information on the statewide housing market. Our quarterly mortgage loan reports have provided both state and "outside" agencies with the first clear and consistent picture of Alaska's housing problems. A better understanding of these problems has led to a realization that we all have a common purpose and that working together benefits everyone.

The Council began studying policy options for market stabilization by establishing regional housing task forces. Many of the recommendations offered by the task forces have already been acted upon and have had a positive effect on the housing market.

Given the magnitude of Alaska's housing problems, solutions will not come over night. It will take continued cooperation between all the players to achieve a complete housing recovery. The Alaska Housing Market Council will continue to serve the public by facilitating that cooperation with every resource available.

COUNCIL MEMBERS



Chair. Cynthia Parker



Susan Taylor Buchanan
Public Member



Ron Clarke
Office of the Governor



Carol George
Mortgage Guaranty
Insurance Corp. (MGIC)



Mike Harper
Dept. of Community
& Regional Affairs



Sam Helms
Public Member



Ron Lehr
Alaska Housing
Finance Corp. (AHFC)



Larry Merculieff
Commissioner, Commerce
& Economic Development



Ray Price
Alaska State
Building Authority



Dave Rose
Alaska Permanent Fund



Pam Throop
Public Member



Bert Wagnon
Alaska Industrial Dev.
& Export Authority (AIDEA)

HOUSING MARKET STABILIZATION TASK FORCE REPORT

The Council established three regional housing task forces to make recommendations on state policies which would help stabilize the housing market in Alaska. The recommendations were made in four areas: reducing the supply of housing, increasing the demand for housing, educating market players, and decreasing delinquencies and foreclosures.

A separate task force was formed to deal with the problems of the condominium market. , Their report provided the first clear picture of the problems facing condo owners and the associations that manage condo projects.

Over 200 people had the opportunity to contribute to the work of the task forces through public hearings and workshops. Many of the concerns reflected the public's desire to stay in Alaska despite problems due to unemployment and/or reduced wages. A final report was presented to Governor Cowper and the Legislature in March. Since then, progress has been made on finding solutions to the issues and recommendations raised by the Task Forces report.

Reduce Housing Supply

- Direct AHFC to fund projects that make use of institutionally owned housing for public purposes.

- Identification of projects statewide, for purposes of demolition, should be accomplished through a cooperative effort of all state investors and the Alaska Housing Market Council.

Increase Demand For Housing

- Mortgage Loan agencies should provide clear and consistent loan guidelines which are no more restrictive than those of national, secondary investors and/or insurers.

- Alaskan residents should be able to obtain additional mortgage loans while maintaining another loan financed through a state agency (for specific cases).

- AHFC should be directed to find ways to relax owner occupancy ratios for condominiums.

- Trades of properties should be utilized, wherever feasible.

- The State should encourage, as much as possible, other participants to enter the Alaska mortgage loan market.

- Delinquency rate ceilings for state investors should be amended.

Decrease Delinquencies and Foreclosures

- Investors should provide more flexibility in, and the increased use of, modification, refinance, or forbearance plans.

- Investors should be required to provide an opportunity for borrowers to get assistance prior to the initiation of foreclosure proceedings.

- Investors should set and enforce guidelines requiring seller/servicers to provide in-state personal contact for borrowers in distress.

- Investors and mortgage insurers should help fund for, and provide early referrals to, mortgage and credit counseling programs.

- Local and state governments should encourage investors to maintain the quality of repossessed homes to protect real estate values in neighborhoods.

Educate Market Players

- The Legislature should continue to fund for the provision of information and education on housing and mortgage loan issues.

- The State should provide complete and accurate information on the status of the state housing market through regular compilation and publication of relevant data.

- The public and private sector should cooperate on a public relations campaign to educate the public on housing issues.

REGIONAL HOUSING TASK FORCES

Interior	Southcentral	Southeastern
Joe Beedle	Bob Arwezon	Mary A. Cook
Erma Beltz	Rick Barrier	Chris Foster
Lucy Carlo	Fred Ferrara	Deborah Ingman
Audrey Foldoe	Rob Gamel	Karen King
Nancy Jones	Mike Hanley	Jerry Reinwand
Dan Leland	Carol Jackson	Frank Seiersen
Brian Rogers	Ann Marie Lindboe	Joyce Tisch
Josephine Violett	Gil Lulay	Ron Wendte
	Ron Moore	Joe Wilson
	Kay Murphy	
	Cynthia Parker	
	Leslie Wheeler	

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1616 SCOMM 60: HOUSING FINANCE TASK FORCE, 1989

RESIDENTIAL MORTGAGE LOAN REPORTS

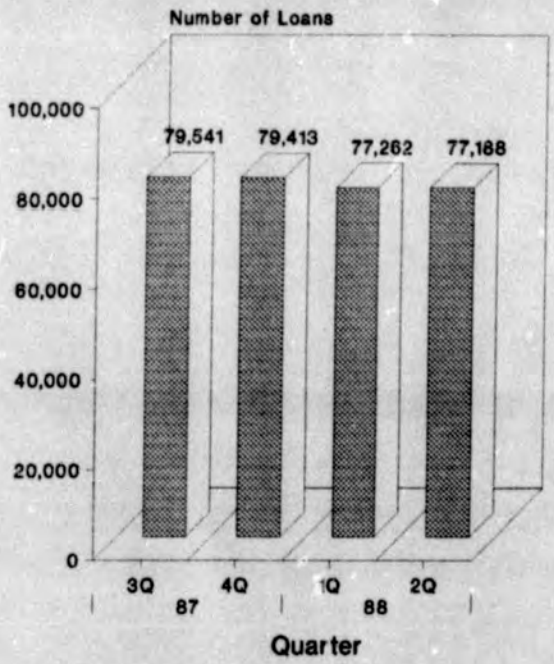
The Council's statewide survey of residential mortgage loans in Alaska was inaugurated at the beginning of the fiscal year with publication of its first quarterly report covering April-June 1987. The survey, analysis and regular publication of delinquencies or defaults, and the nature of properties held by institutions represents a unique service which did not previously exist.

With the cooperation of state agencies, federal agencies, and some private institutions, the Council has been able to collate information from diverse sources and make it accessible to lenders, servicers, insurers, realtors and policy makers.

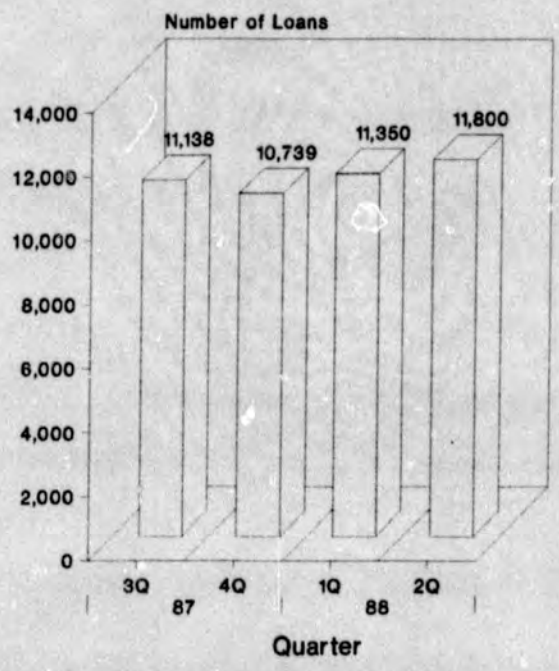
A unique feature of the survey is the analysis of the current quarter's statistics as well as the identification of significant trends. Once data has been collected, interviews with housing professionals add a significant dimension to the quarterly analysis.

As a result of the residential mortgage loan surveys, the Council staff is frequently asked to provide housing information to other state agencies, housing industry professionals, the public and the media. The Council has received numerous requests from agencies outside Alaska who have expressed surprise at the amount and detail of the data available. The Council's quarterly survey and report has become recognized as one of the best sources of information about the statewide housing market.

FY88 Outstanding Loans

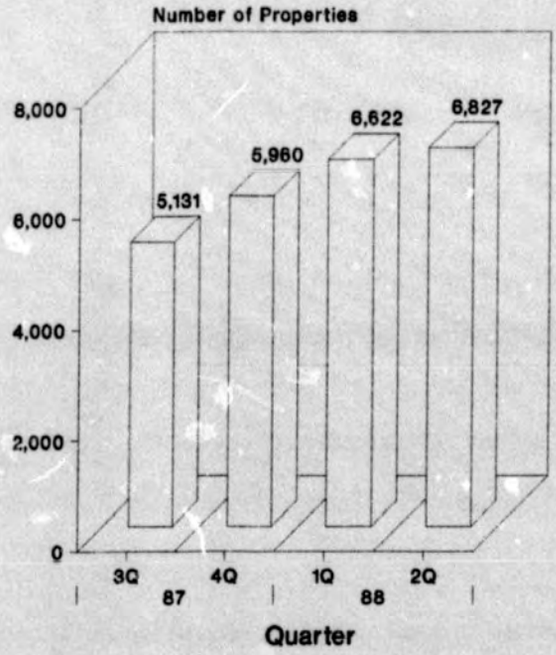


FY88 Loans in Delinquency or Default

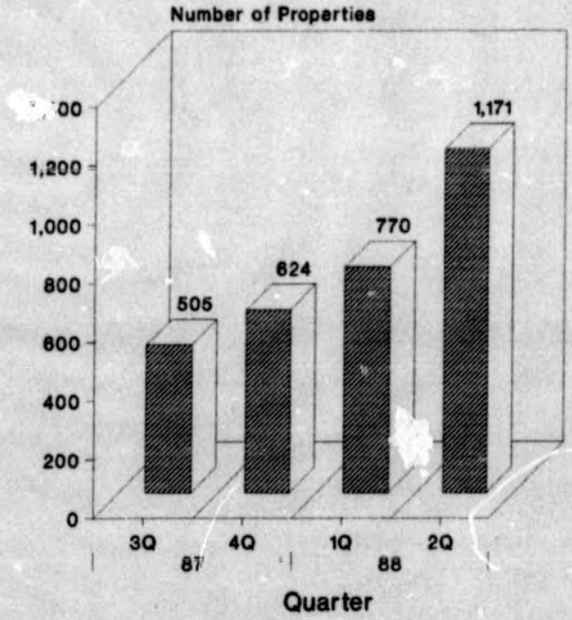


Note: The quarterly survey has continued into FY89 and copies of those reports are available from the Council.

FY88 Other Real Estate Owned Held



FY88 Other Real Estate Owned Sold•



•Does not include Freddie Mac Sales

Foreclosures Statewide: 1Q/85 - 2Q/88
Residential and Commercial Properties



Source: Motznik Computer Service

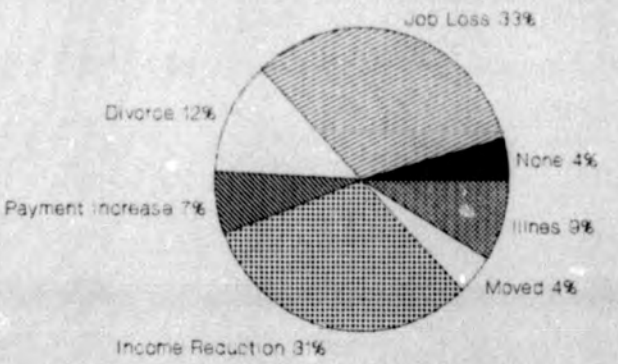
PUBLIC OUTREACH

Mortgage Information and Referral Hotline

The Alaska Housing Market Council established the "Mortgage Information and Referral Hotline", December 1987, to meet the information needs of mortgage holders.

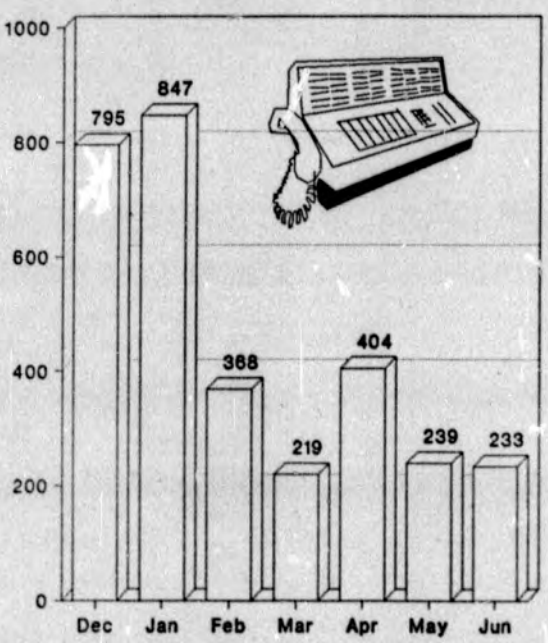
The hotline staff assists callers in understanding their rights, responsibilities, and options available to them when they are unable to meet their mortgage payments or face imminent foreclosure. The hotline has assisted 3,100 home owners throughout the state. Empowering callers with this knowledge allows them to make better decisions concerning their future as homeowners.

Reason for Financial Hardship

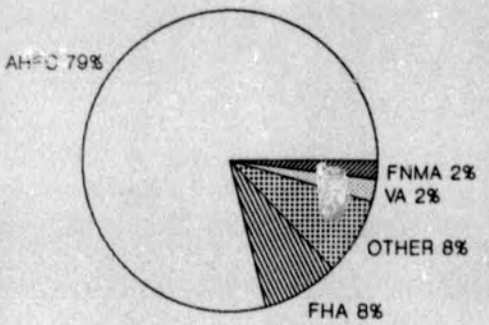


Statistical information shows that a reduction in salary and/or loss of job by the primary borrower is the main reason for most home owners having financial difficulties.

Total Hotline Calls
December 1987 through June 1988

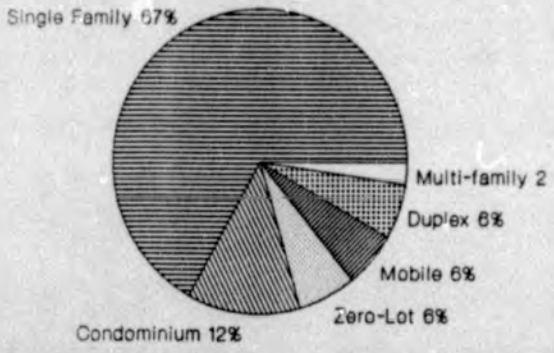


Number of Calls By Investor



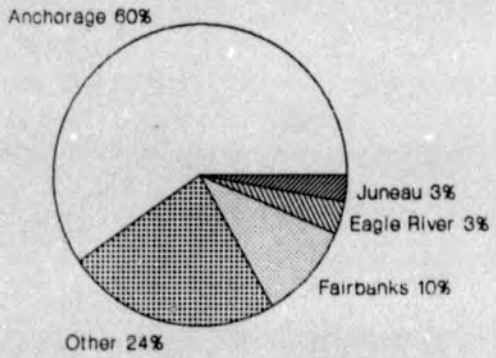
The largest percentage of callers have Alaska Housing Finance Corporation (AHFC) loans. Many home owners have benefited from AHFC's Homeowners Assistance Program (HOAP) by having their loan modified or refinanced. The unique status of AHFC and the HOAP program have made it inevitable that many of the hotline calls relate to them.

Number of Calls By House Type



Mobile home and condominium owners account for 18 percent of the callers that expressed deep frustration with the current housing market. Many have tried to sell their property and because of the negative equity are unable to compete with the sellers of foreclosed properties.

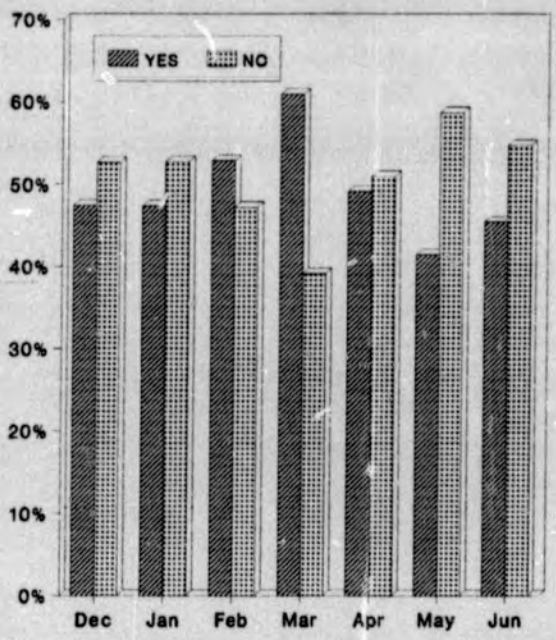
Number of Calls By Region



The information maintained by the hotline allows the Alaska Housing Market Council, the Governor, and the private sector to pinpoint problems and work on solutions for stabilizing the market.

Callers used the hotline because they were unaware of their options and felt more comfortable explaining their situation in confidence. Callers were referred to their servicer with more knowledge about the mortgage process, what they could expect from their servicer, and what they could reasonably ask for.

Did You Contact Your Lender Before You Called Us?



The Alaska Housing Market Council recognizes the unique and difficult problem faced by home owners and is working diligently on methods to stabilize this area of the housing market. AHMC's "hotline" has been successful in relieving borrowers' fears and helping them to hang on to the most important investment of their lives, thereby helping to reduce the number of foreclosures statewide.

Alaska Housing Market Council Newsletter

By fiscal year end, AHMC had published its first periodic newsletter. It was distributed to over 600 people statewide and included excepts from the Council's quarterly mortgage loan analysis, preview information on the Governor's Housing Conference, summaries of housing legislation which had been signed into law, and statistics concerning use of the Mortgage Information and Referral Hotline.

The Council believes a frequent newsletter would be a cost efficient way of publicizing new informational reports and alerting interested parties to current activities. If you'd like to be on our mailing list, please contact the Council at P.O. Box 240048, Anchorage, Alaska 99524.



Mortgage Problems?

More than 100,000 copies of the Council's consumer pamphlet, providing basic mortgage information, have been distributed statewide. The brochure was mailed to everyone who appeared on the property tax rolls within the municipalities and organized boroughs in Alaska. They were also distributed by social service agencies and financial institutions.

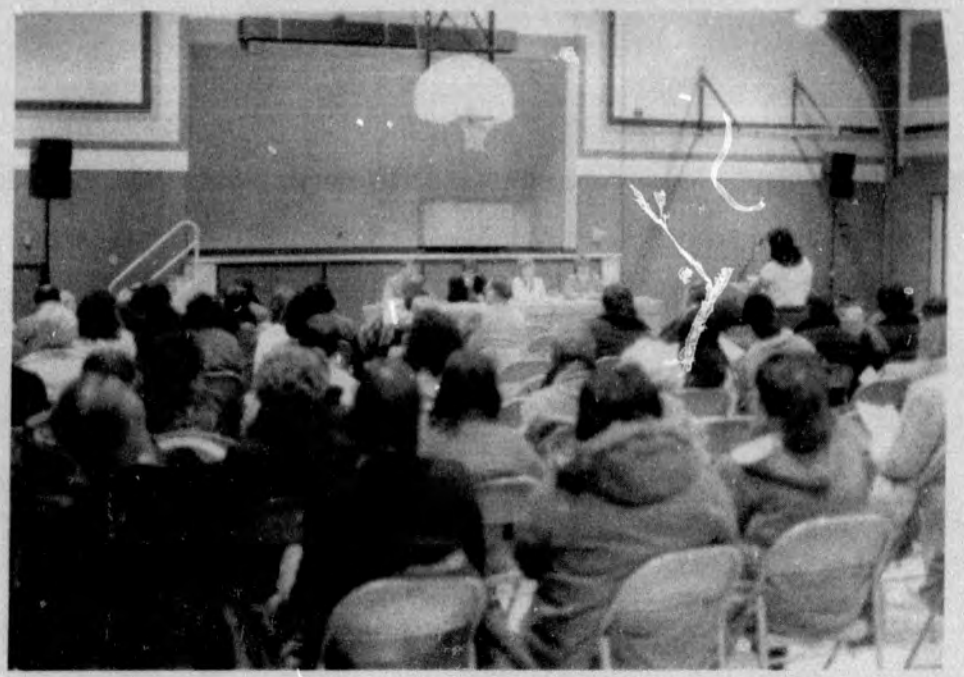
Emphasizing both the rights and responsibilities of lenders and borrowers, the brochure is written in easily understood language. It advises consumers on how to organize their information, communication, and resources if they anticipate trouble in making their mortgage payments.

INTERAGENCY COOPERATION

In the past ten years, Alaska has used its oil wealth in a variety of programs to provide affordable, adequate housing. As increased numbers of homeowners experienced mortgage problems, it became apparent that increased efforts to pool information and explore alternative solutions would be required. The Council has been active in several joint projects with both public and private agencies.

Anchorage Residential Foreclosure Analysis

During the first quarter of 1988, the Council worked with the Municipality of Anchorage on an analysis of residential foreclosures. The ability to profile the typical foreclosed property, and to identify the areas hardest hit by residential foreclosures, provides valuable community planning information.



Willow Park Model Relocation Housing Project - Public Hearing

This project was designed both to relocate residents of substandard public housing and to provide a model for such efforts. The Council staff researched the economic and sociological issues involved and produced the public comment portion of the federal application which was submitted by the Alaska State Building Authority.

Three public hearings within the neighborhood and a resident survey were conducted to document tenant concerns. The project serves as a test case for the demolition and replacement of substandard housing with surplus foreclosed property.

Low Income Housing Tax Credit Brochure

The 1987 Low Income Housing Tax Credit was designed to encourage building activity in the low income, multi-residential market. Working with the Alaska State Building Authority, the Council produced a public brochure explaining eligibility requirements, credit limits, program duration, and the method of calculating credit amounts.

Mutual Housing Association Market Survey

As a result of the information provided by the Council's market survey, Anchorage Neighborhood Housing Services, Inc. has embarked upon the development of mutual housing associations or cooperatives. Such projects seek new ways to market foreclosed property while providing housing for low to middle income families. The Council surveyed local residents of several condominium, zero lot, and rental projects on their preferences and demographic variables.

PLANNING FOR FY89

Housing Programs and Data Resources Information Guide

Early in FY89, AHMC will publish a reference guide to housing loan programs and resources throughout the state. Housing programs will be listed by agency and data sources will be listed by subject matter. The first of its kind, this information guide should find a wide audience.

Governor's Housing Conference

This statewide meeting will be the first opportunity for a large number of diverse groups to discuss the major issues/concerns facing Alaska's housing market. Government agencies, the legislature, real estate companies, banks appraisers, social service organizations, builders, developers, and the public will be invited. Eleven workshops on subjects ranging from rural housing to housing for senior citizens will be held. The Council will use the issues raised at this conference as the framework for work on a state housing policy.

Housing Policy Development Committee

Issues identified through the Governor's Housing Conference will form the initial agenda for a Housing Policy Development Committee. The mission of the Committee will be to formulate the first comprehensive state housing policy. Three subcommittees will focus on specific areas of the housing market:

-- urban and rural markets

-- transitional and long term housing for groups with specialized needs; and

-- low income, affordable and senior housing.

The results of this process will provide the state with legislative recommendations and a structure for addressing public policy questions concerning Alaska's housing.

ALASKA HOUSING MARKET COUNCIL

Statements of Support, Operating Expenses and Changes in Fund Balance

Years ended June 30, 1988 and 1987

(See Accompanying Auditors' Report)

	1988	1987 unaudited
Support:		
Subscriber fees	$ 300,000	109,574
State of Alaska General Fund	100,000	-
Interest on investments	2,110	-
Donations and other	5,303	-
Total support	507,413	109,574
Operating expenses:		
Salaries	177,346	10,637
Benefits	54,337	2,297
Printing and advertising	40,101	785
Contractual services	33,647	11,948
Travel	31,431	2,003
Communications	30,983	400
Occupancy	21,499	-
Supplies and materials	19,468	1,959
Furniture and equipment depreciation	10,405	-
Equipment rentals	8,000	700
Office improvements	4,494	3,384
Repairs and maintenance	1,339	15
Accounting	-	300
Other	4,176	239
Total operating expenses	437,226	34,667
Excess (deficiency) of support over operating expenses	(29,813)	74,907
Fund balance at beginning of year	74,907	-
Fund balance at end of year	$ 45,094	74,907

See accompanying notes to financial statements.

KPMG Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.
Alaska Mutual Bank Building
601 West Fifth Avenue, Suite 700
Anchorage, AK 99501

Independent Auditors' Report

The Board of Directors
Alaska Housing Market Council:

We have audited the accompanying balance sheet of the Alaska Housing Market Council as of June 30, 1988, and the related statements of support, operating expenses and changes in fund balance and changes in financial position for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alaska Housing Market Council at June 30, 1988, and the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles.

The 1987 financial statements were reviewed by us and our report thereon dated August 20, 1987 stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

Peat Marwick Main & Co.

September 2, 1988

ALASKA HOUSING MARKET COUNCIL

GOALS

1. Recommend policies directed toward the stabilization of the housing market.

2. Recommend policies concerning the coordinated management and resale of all institutionally owned residential units.

3. To serve as a public forum for housing and housing market issued facing more than one state entity.

4. Create and maintain a housing information data bank.

5. Provide reports and accounting to AHMC members, the Governor, and the Legislature of AHMC activities and funds used to coordinate activities concerning Alaska's housing issues.

Alaska Housing Market Council

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563-4357

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Anchorage, Alaska 99524-0048

STATE HOUSING POLICY FOR THE 1990's

Housing Policy Development Committee
Alaska Housing Market Council

January 1990

Dear Governor Cowper and Members of the Legislature:

I am pleased to present policy recommendations on behalf of the Alaska Housing Market Council. These recommendations have been formulated over a year and a half period, through a committee process involving consumers, housing professionals, banking representatives, legislators and public housing officials. The committee was established by the Alaska Housing Market Council and was specifically designed to provide the broadest representation of individuals impacted by housing issues across our state.

We have found that nothing impacts individuals more than the requirement for basic shelter. We have also found that no industry other than the oil industry has had as dramatic, or such a roller coaster effect, on the Alaskan economy as real estate.

The committee endeavored to receive the broadest possible amount of public testimony in the process of developing these recommendations. The committee held public hearings on a regular basis, teleconferencing and meeting in both rural and urban locations.

We have heard and seen the enormous need for new housing construction in rural Alaska that meets acceptable standards for safety, decency, sanitation and energy efficiency. We have learned about the continuing need for affordable housing units to meet our low-income population's requirements. We have also looked at the needs of special housing populations for emergency, transitional and long term housing. The growing senior Alaskan population will require a variety of housing forms and related care facilities. We have also examined economic factors that limit our state and believe that those needs must be addressed in a realistic and prudent manner.

The committee spent much time discussing the Alaskan real estate market and inconsistencies in that market throughout various regions. As part of the market discussion, we thoroughly examined the role of our state housing institutions and duplicate services within those entities. Central to these policy recommendations is the need to provide coordinated housing functions within state government. Financial constraints could be most effectively overcome through efficient housing delivery. The recommendations of the AHMC provide models for that central coordination, and specific suggestions that address our housing needs for the next decade.

We welcome your review of these suggestions and the opportunity to provide additional assistance to you for formulating solutions to these issues.

Sincerely,

Cynthia Parker, Chair
Alaska Housing Market Council

HOUSING POLICY DEVELOPMENT SUBCOMMITTEE MEMBERS

LOW-INCOME, AFFORDABLE, AND SENIOR HOUSING

Chair Paul Carr, Real Estate Planner, Carr-Gottstein Properties
Vice-Chair Carol Jackson, Resource Development Analyst, Alaska State Housing Authority
Bob Arwezon, Licensed Real Estate Broker
Howard Bess, President, Alaska Housing Ministries
Bryan Borjesson, Owner, Borjesson Engineering
Representative Johnny Ellis, Legislator, District 12-B
Velma Ellyson, Project Director, Homer Seniors Inc.
Kelly Gunnels, Assistant Vice President, Denali State Bank
Leo Kaye, Member of Mat-Su Senior Citizens' Advisory Board
Kathy Keck, Staff Attorney, Alaska Legal Services Corporation
Cynthia Parker, Executive Director, Anchorage Neighborhood Housing Services
Ray Price/Jo Ann Goyne/Jessie Bartlett, Executive Director/Deputy Director/Case Manager Supervisor, Alaska State Housing Authority
Representative C. E. Swackhammer, Legislator, District 5-B

RURAL AND URBAN HOUSING MARKETS

Chair William Swain, Co-Owner and Chair of the Board of Jack White Company
Vice-Chair Mike Shuler, Executive Director of Bristol Bay Housing Authority
Rick Barrier, General Partner, Malaspina Properties
Tom Behan/Mitzi Barker, Executive Director/Special Projects Assistant, Alaska Housing Finance Corporation
Senator Johne Binkley, Legislator, District M
Rob Gamel, Residential Projects Director, Carr-Gottstein Properties
John Guinn, Executive Director, Alaska Village Council Presidents' Regional Housing Authority
Mike Harper, Director, Rural Development Division, Department of Community and Regional Affairs
Sam Helms, Retired Fairbanks General Contractor
Lee Husky, Professor of Economics and Chair of the Department of Economics, University of Alaska, Anchorage
Deborah Ingman, Owner of Appraisal Associates of Juneau
Caren Mathis, Special Assistant, Department of Commerce and Economic Development
Kay Murphy, Vice President of Mortgage Production, Key Bank of Alaska
Representative Steve Rieger, Legislator, District 8-B

TRANSITIONAL AND LONG TERM HOUSING FOR SPECIAL NEEDS

Chair Barbara Miklos, Executive Director, Council on Domestic Violence and Sexual Assault
Vice-Chair Gale Cipra, Past Vice-President of Mortgage Production, Key Bank of Alaska
Nancy Adams, Executive Director, Juneau Alliance for the Mentally Ill
Fred Ali, Executive Director, Covenant House Alaska
Sharon Araji, Professor of Sociology, University of Alaska, Anchorage
Representative Kay Brown, Legislator, District 12-A
Stan Hoofard/Barbara Chmiel, Rehabilitation Coordinator /Rehabilitation Financial Analyst, Municipality of Anchorage
Gary Mandzik, Residential Resource Coordinator, Division of Mental Health and Developmental Disabilities, Department of Health and Social Services
Senator Pat Pourchot, Legislator, District H-A
Mary Wolcoff, Former Executive Director, Association for Stranded Rural Alaskans

STATE HOUSING POLICY FOR THE 1990'S

The Housing Policy Development Committee
Alaska Housing Market Council
January, 1990

Glenda Straube, Executive Director
Heather Arnett, Staff to Committee
Peggy Stewart, Research Analyst
Kathleen Metcalfe, Researcher

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Executive Summary

One of the overriding goals of the Alaska Housing Market Council has been to develop a statewide housing policy. In December of 1988, the Alaska Housing Market Council appointed a thirty-seven member Housing Policy Development Committee. This committee has been comprised of housing professionals, consumers, banking representatives, legislators and public housing and housing finance officials.

During the 1989 legislative session, the Legislature confirmed their support for a housing policy by approving a resolution mandating that state agencies work together to draft a state housing policy. Governor Cowper approved the resolution, which became Legislative Resolve 55.

The Housing Policy Development Committee was divided into three subcommittees: Rural and Urban Housing Markets Subcommittee; Low-income, Affordable and Senior Housing Subcommittee; and the Transitional and Long Term Housing for Special Needs Subcommittee.

The subcommittees and the full Housing Policy Development Committee met monthly, often twice a month, in communities across the state. They heard hours of testimony from the public and private sector on every aspect of housing. They reviewed research on the present, and past, housing industry in Alaska, examined the federal housing picture, and looked at how other states have met their housing needs.

As a result of the committee's work and the accumulation of statistical housing data, the following major findings came to light:

- Housing programs in Alaska are not consolidated and are spread among 13 different state agencies, offices, and divisions. The result is that there is no coordinated state housing policy which would allow clear direction for housing programs. Housing regulations, from agency to agency, are sometimes in conflict. Statistical data on housing needs in the state is limited and, as a result, housing programs are designed with little quantitative information regarding the real housing needs of Alaskans.
- Low-income and rural housing needs in the state are critical and have not been met with existing housing resources. Almost 33 percent of Alaskans are considered to be low-income residents.
- Federal housing money to the state is dwindling — over the past year by $22 million.
- Many states are taking a much more active role in housing than Alaska. Those states have adopted an overall state housing policy and have coordinated housing programs. Some have set up "housing trust funds" to support housing needs. They have developed innovative housing "partnerships" with the private and public sector to fill in gaps unmet by federal housing programs.

As a result of these and other findings, the committee approved a mission statement and drafted a series of 13 policy statements:

MISSION STATEMENT

Safe, sound, sanitary and energy efficient living conditions should be available to all citizens of the state.

SUMMARY OF STATE HOUSING POLICY STATEMENTS

It is the policy of the State of Alaska. . .

- *to adopt and execute a state housing policy and facilitate coordination of housing services. (page 9)*
- *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. (page 9)*

- *to encourage communities to take an active role in housing and land use issues, recognizing that local control is preferable to central control, because local governments can best balance the needs of the public with the private determination of supply and demand. (page 31)*
- *to improve the availability, accessibility and affordability of housing for people with limited, low or no incomes. (page 12)*
- *to improve the availability, accessibility and affordability of emergency, transitional and long term housing for the homeless and others with special needs. (page 18)*
- *in the allocation of state housing resources, to give first funding priority to the state's most urgent housing needs. (page 12)*
- *to encourage and assist the citizens of the state in homeownership opportunities in a fiscally responsible manner. (page 24)*
- *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. (page 28)*
- *to minimize direct involvement of state government in the secondary mortgage market, with the primary exception of accessing capital markets in order to finance the state's housing needs. (page 24)*
- *to promote the availability of quality, affordable rental housing. (page 12)*
- *to recognize that Senior Alaskans should have access to appropriate and 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. (page 22)*
- *to develop and maintain stable sources of capital and revenue to support housing needs in the state. (page 24)*
- *that housing in the state should meet specific quality standards. (page 29)*

Some of the recommended action plans which accompany the thirteen policy statements are listed below:

- **Establish a Housing Commission and, ultimately, a Department of Housing (page 9)**

  To overcome the fragmentation of existing programs and to ensure continued involvement in housing issues, the committee recommends that a Housing Commission be established - with a plan to develop a Department of Housing in the state over the next several years. The Department will consolidate all of the state's housing functions.

- **Increase Low-income and Rural Housing 10% Per Year (page 16)**

  The state should commit to increasing the rural and low-income housing stock at a rate of at least 10% per year through 1996, and the state should identify how the total need can be met.

- **Eliminate State Mortgage Loan Subsidies (page 26)**

  The Legislature should eliminate the mortgage loan subsidies, except to meet rural and low-income housing needs.

- **Develop housing assistance program for rural, low-income residents (page 16)**

  The state should examine the feasibility of developing a program for subsidizing rent or mortgage payments for rural, low-income Alaskans who do not have enough income to participate in one of the housing assistance programs.

- **Expand Membership of AHFC and ASHA Boards (page 15)**

  The boards of AHFC and ASHA should be expanded and should include a majority of public members.

- **Loan to Non-profit Housing Providers (page 5)**

To better meet the state's housing needs, state agencies involved in housing finance should have the legal, regulatory and procedural ability to provide financing to non-profit housing sponsors.

- **Donate Foreclosed Properties for Low-income, Rural and Special Needs Housing (page 17)**

  State agencies should examine and evaluate their portfolios of non-insured "REO" properties (including mobile homes) to determine which properties could be donated for low-income, rural, and special needs housing.

- **Provide Supportive Care Services When Providing Housing for Special Needs (page 20)**

  It is essential that a continuum of supportive care services be in place so that emergency, transitional and long term housing, for the homeless and others with special needs, will be effective.

- **Implement a "Continuum of Care" Housing Program for Seniors (page 23)**

  The State of Alaska should adequately fund necessary supportive services which allow seniors to remain independent for as long as possible.

- **Apply for Federal Medicaid Waiver to Fund Supportive Services (page 23)**

  The State should consider applying for federal Medicaid waivers for home-based supportive services. If approved, the waiver would require the federal government to match the state's contribution to supportive services

- **Adopt Building Codes (page 29)**

  The state should adopt building codes, allowing for regional differences and amendments.

- **Adopt More Stringent Contractor Licensing Requirements (page 30)**

  The Legislature should pass SB72, or other appropriate legislation, to strengthen residential contractor licensing requirements.

- **Establish a State Licensing or Certification Program for Real Estate Appraisers (page 30)**

  In accordance with federal guidelines, the state should establish a state licensing or certification program for real estate appraisers.

The History of State Housing and Mortgage Loan Programs

Summary

The history of the state's involvement in providing housing and mortgage loan programs has been long and varied. The Territorial Legislature recognized the government's need to develop and manage housing; thus the Alaska Housing Authority (later known as ASHA) was created in 1945. Shortly thereafter, the Alaska World War II Veterans Board was created. One of its missions was to provide funds for veterans seeking residential mortgage loans.

It wasn't until the early 1970's that the State of Alaska expanded its role and entered the secondary mortgage market by creating the Alaska Housing Finance Corporation (AHFC). Its purpose was to purchase federally insured mortgage loans for low-to-moderate income borrowers.

The Department of Community and Regional Affairs (DCRA) entered the housing business, in 1980, when the Legislature created the Nonconforming Housing Loan Program; its funds were divided in a 80/20 split between rural and urban Alaska. It was the state's first real commitment to home ownership for rural Alaskans.

In the same year, the Legislature made significant changes in the operations of AHFC. The most major of those changes was to remove the income limits and provide an interest subsidy. This created a new constituency for AHFC to serve.

Meanwhile, in the early 80's, the Permanent Fund Corporation and the Alaska Industrial Development Authority began to play a small, but important, role in the state's residential mortgage loan market. And the Division of Investments, in the Department of Commerce and Economic Development, began its role as a mortgage loan servicer.

Throughout this time, ASHA continued to provide low-income and senior housing throughout the state. ASHA has recently set a new agenda to actively provide better opportunities for its low-income clients to improve their standard of living.

Despite the dramatic effects of Alaska's declining economy, both AHFC and DCRA have continued their commitment to providing affordable housing in Alaska. With decreasing revenues, however, Governor Cowper and the Legislature are seriously evaluating the future of both agencies and are trying to determine the best use of our financial resources. We may soon witness changes in the way the state faces housing issues and in how we determine: who we will serve with dwindling resources; what role state agencies will play in delivery of those services; and to what extent we are willing to commit to solving housing issues in Alaska.

1945-1949

The Territorial Legislature initiated Alaska's long history of involvement in housing by creating the Alaska Housing Authority in March of 1945. The Authority's primary function was to help alleviate the serious post-war housing shortage. The Authority was responsible for construction and management of veterans, low-income rental, and defense housing.

In 1946, the Territorial Legislature established a $100,000 revolving fund to accommodate Veterans of World War II who were enrolled in educational institutions in Alaska. A fifty person dormitory, for veterans, was built at the University of Alaska in Fairbanks.

Since the economics of Alaska were different from most states, the Authority

submitted legislation to Congress which would address those differences. The legislation was approved in 1949 and included an initial appropriation of $15,000,000 and was called the "Alaska Housing Act".

The initial concept of the Alaska Housing Act was to recognize the limited home financing available in Alaska, the high construction costs, and the absence of a construction industry. The purpose of the Act was to encourage the development of an adequate building industry and to meet the ever increasing need for home construction.

In April of 1946, the Territorial Legislature set up another source for housing funds: the Alaska World War II Veterans Board. The Commissioner of the Board was responsible for the Veterans Revolving Fund, which generated money for residential mortgage loans. After statehood, responsibility for the Fund was transferred to the Division of Veterans Affairs in the Alaska Department of Commerce.

1950-1959

A low-rent housing program was initiated, by the Alaska Housing Authority in 1950, and units were completed in Anchorage, Juneau, Ketchikan and Fairbanks by 1953. During the 1960's, construction of additional low-rent housing took place in Anchorage, Cordova, Juneau, Ketchikan, Sitka, Valdez, Wrangell, Petersburg, and Kodiak.

In 1957, funds were appropriated to approximately 40 villages, cities, and boroughs to assist in developing comprehensive plans. These plans analyzed existing conditions in each area and made predictions and recommendations for the future. As a result, a statewide housing study was completed which assisted the state in identifying housing needs and the methods for overcoming substandard housing. In 1959, the Alaska State Housing Authority (ASHA) was codified to continue its public housing work. Under new state laws, ASHA acted as a public authority in issuing bonds for the construction of public facilities. ASHA also supported private developers and non-profit organizations through the issuance of multi-family bonds.

1960-1969

ASHA was granted $180,000 by the Federal Government, in 1963, to conduct low-income housing demonstration projects in remote native villages. One project was the relocation of an entire village to a new site on the Yukon River. The Authority administered the grant and provided materials and technical assistance to the village for the construction of twenty-three new homes, using the federal Mutual-Help Program.

In early 1964, the Governor requested that ASHA conduct a survey of the needs of the State for office and service type buildings and employee housing. The report formed the basis for the introduction and passage of legislation in 1965, which empowered ASHA to issue bonds to finance the construction and acquisition of public buildings for lease to the State of Alaska. State Lease Revenue Bonds totaling $106 million have been sold, during ASHA's tenure, and a substantial number of buildings were leased to the State. At the expiration of these leases, title to the buildings will be transferred to the State of Alaska.

The Remote and Village Housing Program was authorized in 1966 with state appropriations equal to 10% of the federal appropriation.

During 1967, ASHA was involved in several state building projects, including the construction of state employee housing in Valdez at a cost of $5 million.

1970-1979

In the early 1970's, the Alaska Housing Finance Corporation (AHFC) was created, for the purpose of purchasing federally insured mortgage loans for low-to-moderate income borrowers. From its inception until the mid-1970's, AHFC was administered by the Executive Director of ASHA and both organizations shared a common Board of Directors.

In 1975, new legislation established a state Mortgage Insurance Fund, which allowed AHFC to purchase loans not federally insured; as a result, the Alaska Housing Finance Corporation increased their portfolio.

Meanwhile, between 1972 and 1974, ASHA was building twenty houses in Yakutat and eighty-one additional houses in Anaktuvik Pass, Kaktovik, Deering, Noatak, Shaktoolik, Koyuk, Tanacross, Galena, English Bay, Ouzinkie, King Cove, and Sand Point. These were all built under the Turnkey Construction Bond Program.

In 1974, ASHA entered into an agreement with the State of Alaska for construction of a 98 unit low-rent apartment building in Juneau, known as Marine View Apartments. In 1975, development and completion of 25 low-rent units took place in Douglas.

Between 1976 and 1980, elderly housing units were built by ASHA across the state: 96-unit Golden Towers in Fairbanks; 120-unit Chugach View in Anchorage; 42-unit Mountain View in Juneau; 50-unit Sea View in Ketchikan; 30-unit elderly housing in Seward; 17 units of family housing in Anchorage; and 22 units of elderly housing in Cordova.

1980-1989

The 1980's were marked by a dramatic increase in the state's involvement in providing subsidized, or low interest, mortgage loans to Alaskans.

The Housing Assistance Division, of the Department of Community and Regional Affairs (DCRA), was created by the 1980 Alaska State Legislature to administer the Nonconforming Housing Loan Program. Loan funds were to be distributed on a statewide basis with emphasis on rural Alaska. 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 Housing Loan Program at a rate of $40 million and directed the Division to divide such funds between rural and urban Alaska at an 80/20 split. Interest rates on DCRA's loans were established to be 1% lower than the interest rates received by AHFC on their taxable bonds.

In 1980, significant statutory changes were made in the operations of the Alaska Housing Finance Corporation: income limits were removed; loan limits were increased; mobile home and rural loan purchases were authorized; and a subsidy of 10% interest rates were established on the first $90,000 of a mortgage loan (one percent less for veterans).

The legislature assisted AHFC in implementing these changes by authorizing more than $500 million in appropriations. The net effect was that AHFC's volume surged and they began purchasing a large majority of all mortgage loans made in the state.

In 1981, the Permanent Fund Corporation was mandated by the Legislature to make investments in Alaska, where the risks and returns were the same or comparable with other investment opportunities. Residential mortgage loans fit this profile and so the corporation began their in-state mortgage loan program. These loans were made at market rates and included no subsidies.

The Permanent Fund Corporation bought new loans only during a two year period - due to lack of demand. The corporation presently holds only 192 Alaskan residential mortgage loans, $30.3 million, in their portfolio.

During the early 1980's, there was little mortgage loan activity at the Department of Commerce and Economic Development (DCED). The Division of Veterans Affairs was consolidated with the Division of Business Loans and went through numerous other changes until it was transferred to the renamed Alaska State Department of Military and Veterans Affairs in 1984. No new veterans mortgage loans were issued since 1982.

However, the Division of Investments, at DCED, continues to service 23 loans originally purchased by the Veterans Mortgage Loan Fund and 1,342 Veterans Residential Mortgage Loans for the Alaska Industrial Development and Export Authority (AIDEA).

AIDEA's role in mortgage loans was expanded when it was given authority by the Legislature, in 1982, to participate in a residential mortgage loan program - in order to meet an increasing demand for multi-family dwellings. In 1985, the demand for these loans decreased and no new loans were issued after that time.

By 1987, the program itself was terminated. Currently, there are six multi-family residential mortgage loans in AIDEA's portfolio, totalling approximately $3 million.

Earlier in the decade, major changes were taking place at the Department of Community and Regional Affairs. In 1982, the Housing Assistance Loan Fund (HALF) was created in the Housing Assistance Division. It combined the Nonconforming Loan Fund and AHFC's Rural Mortgage Purchase Programs. An FY82 appropriation, to the newly created HALF, was in the amount of $45 million.

The 1983 Legislature gave HALF another $45 million and a new program called the Homeownership Assistance Fund. The object of this program was to make home ownership a reality for low-income families, by subsidizing a portion of the interest payment on the loan.

The authority for making nonconforming loans in urban areas was transferred, in 1985, from the Housing Assistance Division of DCED to the Alaska Housing Finance Corporation.

Meanwhile, throughout the 1980's, the Alaska State Housing Authority continued to dedicate itself to providing housing for Alaskans. In 1983, ASHA completed 20 units of elderly housing in Juneau, as well as the Anchorage Senior Citizen Center, which was totally destroyed by fire in May of 1982 when it was half way through its construction. In 1985, 20 units of senior citizen housing in Sitka and a 40-unit senior citizen housing facility in Fairbanks opened.

Changes continued at the Alaska Housing Finance Corporation. The voters of Alaska renewed their commitment to veterans housing, in 1983, when they adopted the Veterans Mortgage Program. This program allowed AHFC to purchase loans with tax-exempt bonds for qualifying veterans.

That same year, AHFC became the third largest issuer of taxable bonds in the U. S. corporate bond market.

In fiscal year 1984, an agreement was signed with the Federal National Mortgage Association (Fannie Mae) to swap Alaskan mortgages for Mortgage-Backed Securities. State Guaranteed Veterans Mortgage Bonds were restructured to extend the bond maturity to 30 or 35 years.

During 1985, the Corporation became an issuer of Government National Mortgage Association (GNMA) mortgage certificates, as a means of securing Veterans Administration guaranteed loans. In 1986, AHFC loans were approved by the Federal Housing Administration, qualifying AHFC loans for FHA insurance.

The Alaska State Building Authority (ASBA), formerly known as ASHA, renewed its role as a public finance vehicle for state operated facilities and expanded its services as a public housing authority operation throughout Alaska in 1986.

A 120 unit senior housing project, known as Chugach View, was completed and occupied by late 1987. During the same year, ASHA prepaid $13.2 million in outstanding notes payable to the State of Alaska and reduced its outstanding indebtedness from $18.5 million to $5.3 million. ASBA also weathered the default of four FHA-insured multi-family projects originally bonded in 1983, allowing all bond holders to be paid at par value.

During FY87, ASBA committed time and resources to obtaining multi-million dollar grants, from both the federal and state governments, for asbestos removal and demolition of a substandard, low-income housing project in Anchorage known as Willow Park. Federal funds were authorized for the purchase of scattered housing - to relocate Willow Park renters. Asbestos removal followed the relocation process and demolition began in the summer of 1989.

Also this year, the name of the Alaska State Building Authority was changed back to its previous name, the Alaska State Housing Authority (ASHA), to better reflect its focus on providing low-income and senior housing in Alaska.

Looking for sources of revenue, the Legislature appropriated $70 million from DCRA's Housing Assistance Loan Fund to the General Fund of the State Treasury in 1986. The 1987 Legislature appropriated $2.5 million from the General Fund to the Revolving Loan Fund, enabling the Housing Assistance Division to maintain available funding for the housing loan demand in rural Alaska.

In March 1987, Governor Cowper signed an Administrative Order merging the Division of Community Development and the Housing Assistance Division into the Rural Development Division. This merger helped coordinate energy conservation programs by bringing the energy and housing sections together to work side by side.

Today, DCRA continues its policy of working, with rural Alaskans, to develop appropriate programs which can help people continue to live and work in their own communities. As of September 30, 1989, there were 1,566 residential mortgage loans ($154.4 million) in their portfolio.

During the mid to late 1980's, it was clear that Alaska Housing Finance Corporation suddenly found itself in a new role, due to dramatic changes in the state's economy. With increasing foreclosures, AHFC became a major property holder.

In response to larger delinquency rates and foreclosures, the Home Owners' Assistance Program (HOAP) was created in 1988 to help thousands of Alaskan home owners. It gave them the opportunity to make their house payments more affordable and, in some instances, avoid foreclosure.

During fiscal year 1988, AHFC signed a new contract with the Federal Home Loan Mortgage Corporation (Freddie Mac) for $200 million - which allowed them to continue to provide affordable loans to Alaskans. As of September 30, 1989, there were 42,793 residential mortgage loans ($3.5 billion) in their portfolio.

The Alaska Housing Finance Corporation also focused its efforts on establishing programs for repossessed mobile homes and other foreclosed properties, making their loans assumable, and expanding their Refinance Program to include refinancing of non-AHFC loans.

The Legislature's Housing Finance Task Force has recently commissioned, with funding from AHFC, a report on the financial status of AHFC. This report, with a completion date of late January 1990, will analyze the effects of several future options for AHFC: keeping programs as they are; slowly removing the interest rate subsidy; and removing the full subsidy at one time. It seems inevitable that both Governor Cowper and the Legislature will be addressing program changes at the Alaska Housing Finance Corporation this session.

Policy Statements and Recommended Action Plans

COORDINATED AND REGIONALIZED POLICIES

- IT IS THE POLICY OF THE STATE OF ALASKA TO ADOPT AND EXECUTE A STATE HOUSING POLICY AND FACILITATE COORDINATION OF HOUSING SERVICES.

- 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.

BACKGROUND

Housing is a major economic reality in Alaska, and it is the most fragmented area of service delivery and policy in the state. Alaska's housing needs are very complex, and the delivery of services is very fractionalized. Demand for housing programs and service delivery are as wide and varied as the agencies that provide them. Resources to meet the demand are limited and the state can ill afford to waste them. A centralized, coordinated housing policy can bring housing groups together, and formulate and coordinate a cohesive housing policy that addresses a wide range of housing needs and problems. The Housing Policy Development Committee recognizes the problems in the delivery of housing services. The existing structure of scattered housing agencies throughout the state has not facilitated interagency dialogue, let alone coordination, about housing needs and resources. The Committee also recognizes the wide diversity between regions of the state and the importance of regionally appropriate housing programs.

They strongly believe that public input has been the catalyst that has moved housing issues to the forefront in the work the Alaska Housing Market Council has done. It is vital that a Commission that would keep housing issues at the forefront, and facilitate housing policy development, be established - with the ultimate goal of the creation of a Department of Housing. A centralized agency to conduct housing policy is essential.

FINDINGS:

1. In all of the states which are recognized nationally as model housing states, there exists a department, division or council which is directly responsible for oversight of housing issues.

2. In Alaska, housing resources and programs are scattered throughout 13 different state agencies, offices and divisions. In addition, 13 regional Indian Housing Authorities address rural housing needs, and organized local governments administer a variety of housing programs.

3. There is no clear, consistent, non-conflicting direction for the state's housing programs nor is there an effective mechanism for avoiding conflicting regulations or duplicated programs.

4. The 1988 Rural Housing Needs Assessment Study, commissioned by the Department of Community and Regional Affairs, is one of the few examples, in Alaska's housing history, of a state housing agency or division methodically determining what needs have been left unmet. Most housing programs have been implemented in an information void.

RECOMMENDED ACTION PLANS

1. A continued mechanism, or centralized housing organization, is needed to overcome the fragmentation of existing programs and to ensure continuing public involvement in housing issues. A Housing Commission should be established - with a plan to develop a Department of Housing in the state over the next several years. The De-

partment would consolidate all of the state's housing functions under one organization.

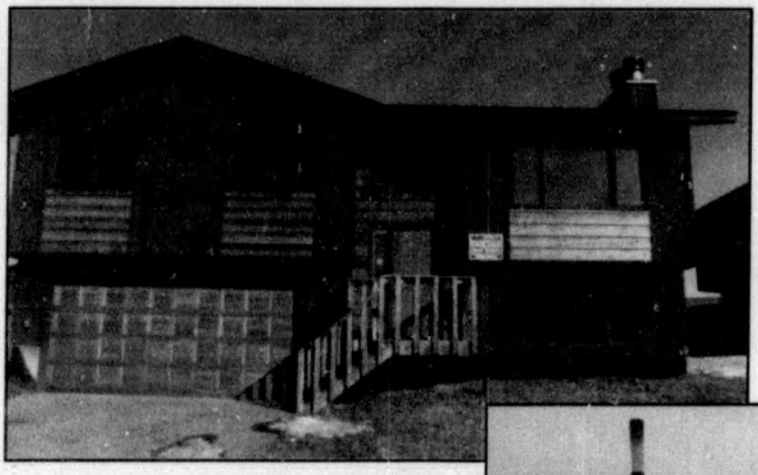
The Committee also considered the following options for a centralized housing agency. A detailed analysis of all options is presented in the Appendix.

a. *Establish a Special Assistant in the Governor's Office with housing issues as the sole area of responsibility.*

b. *Merge the Boards of Directors of ASHA and AHFC into a State Housing Board with the authority to administer all housing agencies and state housing programs.*

2. A legislative mandate should be effected which specifies the relationship of the Housing Commission to the Alaska Housing Finance Corporation, the Alaska State Housing Authority and other state agencies with housing responsibilities, and which provides the Commission with the power to develop and implement state housing policy.

3. The Commission's composition should reflect regional representation and should include public members and representatives from the following: the housing and real estate industry; special needs groups; and rural areas. Representatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity only.



Split-level home in Anchorage.



Home in Kwethluk, Alaska

4. The Commission should report directly to the Governor.

5. The Commission should provide information on housing opportunities to the public and oversee state agency information services.

6. The Commission should be charged with state agency housing program review, coordination and oversight. It should clarify the roles of the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the Department of Community and Regional Affairs in the housing market.

7. The Commission should review and recommend revisions to state and federal housing policy and programs to ensure that Rural Alaska housing programs are culturally, environmentally and economically appropriate.

8. The Commission should be charged with writing a long term housing plan for the state and updating the plan periodically. State agencies, to include the Alaska Housing Finance Corporation, the Alaska State Housing Authority, the Department of Community and Regional Affairs, the Department of Health and Social Services, and the Department of Public Safety should develop statewide service plans in conjunction with each other and the state housing plan, to insure coordination and efficiency of service delivery.

9. The Commission should conduct periodic statewide housing needs assessments on housing and financing availability.

10. The Commission should direct state agencies to review housing regulations under their jurisdiction, compare them to other agency regulations and recommend revision, where appropriate, to eliminate conflict and duplication.

11. The Commission should be charged with reviewing the use of, and disposition of, state agency-owned foreclosed properties and shall provide information to interested parties regarding available properties. The Commission should encourage AHFC, banks and secondary institutions to donate foreclosed properties for use as transitional and long term special needs facilities, low-income housing and senior housing where appropriate.

12. The Commission should actively facilitate the creation of housing partnerships and provide advice and technical assistance on the development of those partnerships.

13. State agency regulations pertaining to housing and construction standards should be analyzed by a task force of industry and government for regional flexibility, and resulting recommendations should be forwarded to the Housing Commission. In addition, an agency appeals process should be implemented.

14. By January 1, 1991, AHFC & DCRA should explore, develop, and implement programs responsive to regional housing conditions, to include non-insured or co-insured loans for areas of the state which are not being served by private and public secondary investors and/or insurers. These new loan programs should be consistent with prudent lending standards.

15. The boards of AHFC and ASHA should be expanded and should include a majority of public members.

16. By June 30, 1990, the Alaska State Legislature should create a standing or special committee on housing in both the State House and State Senate.

LOW-INCOME, RURAL AND AFFORDABLE HOUSING

- 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.

- 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.

- IT IS THE POLICY OF THE STATE OF ALASKA TO PROMOTE THE AVAILABILITY OF QUALITY, AFFORDABLE RENTAL HOUSING.

Rural Alaska has dramatically poor housing conditions in terms of space per resident and state of repair according to the 1988 Rural Housing Needs Assessment Study. Many of the areas are ineligible for rental subsidies under HUD regulations because they are not on a cash based economy. Home ownership opportunities are limited due to lack of housing supply and difficulty with obtaining financing.

Affordable rental housing is a problem for a large section of Alaska's population. Although the median family income in Alaska for all households is $46,000, the median family income for rental families is only $29,800. 34% of Alaskans are unable to afford rent on a 1-bedroom unit based on HUD fair market rents of $489. 40% of Alaskans are unable to afford rent on 2-Bedroom units with a $576 fair market rent, according to a study by Cushing N. Dolbeare, "Out of Reach—Why Everyday People Can't Find Affordable Housing."

TABLE I
LOW-INCOME GUIDELINES

Family Size	ASHA Very Low Inc.	Income 70% LLSIL*	Poverty Guidelines
1	$17,450	$ 7,480	$ 7,480
2	$19,650	$10,950	$10,030
3	$22,450	$15,030	$12,580
4	$24,950	$18,560	$15,130
5	$26,950	$21,900	$17,680
6	$28,950	$25,610	$20,230
7	$30,950	$29,320	$22,780
8	$32,950	$33,030	$25,330

*LLSIL - Lower Living Standard Income Level

Sources: Alaska State Housing Authority
Federal Register, Vol 54, No. 63, April 4, 1989
Federal Register, Vol 54, No. 31, Feb. 16, 1989

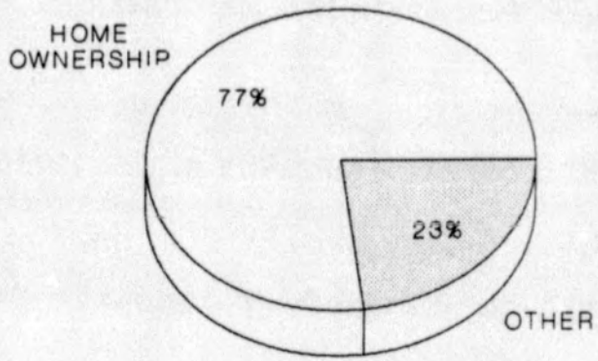
BACKGROUND:

The state's most urgent housing needs have been identified as low-income and rural as of the time of this report.

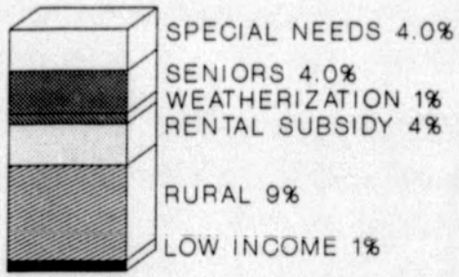
There are a variety of programs within the State of Alaska which provide services to people with limited or low-income. The Alaska guidelines determining low-income are aligned with the national guidelines, with an additional 25% cost of living adjustment.

WHERE HOUSING FUNDS ARE ALLOCATED

Fiscal Years 1988/1989



TOTAL FUNDS
(State & Federal)



OTHER HOUSING FUNDS
(Excluding Home Ownership)

Alaska Housing Market Council
December, 1989

FINDINGS:

(Note: Whenever available, statewide and regional statistics are used in the findings. In some instances, Anchorage statistics were the only ones available and are included to add more description to the scope of the problem).

1. There are approximately 182,000 households statewide. 32.7%, or 59,412, of those households are low-income. An additional 20.8%, or 37,847, families are considered moderate income.

TABLE II
FAMILY INCOMES

Low-income Families in Alaska:	
Statewide Population	536,800
Total Households	181,955
Median Family Income	$46,000
Low-income (50% of Median Family Income)	$23,000
Number of Low-income Families	59,412
Percentage of Low-income Families	32.7%
Moderate Income Families in Alaska:	
Moderate Income (80% of Median Family Income	$36,800
Number of Families	37,847
Percentage of Moderate Income Families	20.8%

2. The incomes of families vary significantly between the urban and rural areas of the state. Median family incomes in urban areas range between $41,600 and $62,200. Median family incomes in rural areas are as low as $22,210. 42% of the rural population live in areas with median family incomes ranging between $22,200 and $35,000.

3. Of the 59,412 low-income families statewide, we were able to identify only 11,691 or 19.6% , which were served by ASHA, with rent subsidies or low rent units, or were served by the 13 regional housing authorities, the Rural Development Division of DCRA, or AHFC with home ownership opportunities.

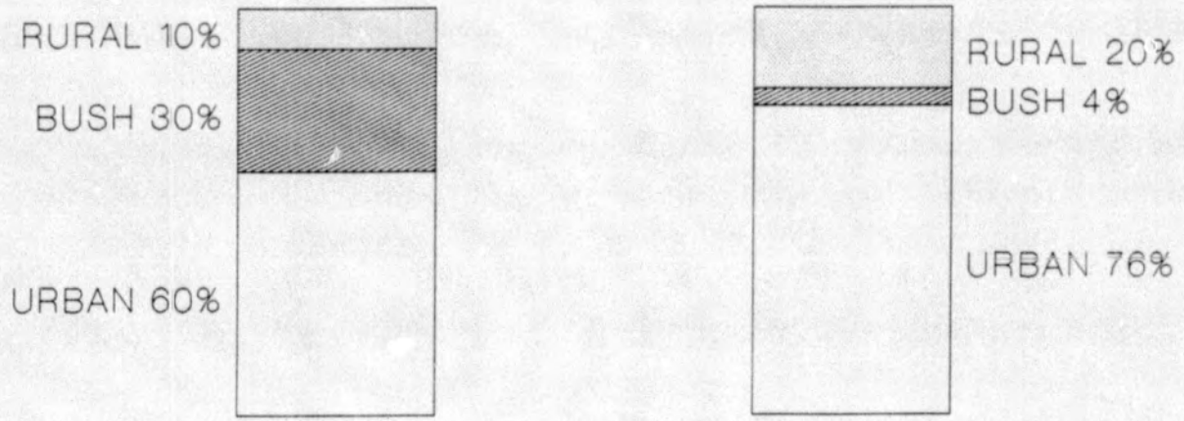
TABLE III
LOW-INCOME HOUSEHOLDS SERVED

Low-income Households	
Statewide	59,412
Known Households Served Statewide	
ASHA Rent Subsidy	1,884
ASHA Low Rent Units	1,328
ASHA Section 8 Mgmt Units	285
Regional Housing Authority Home Ownership	3,586
Regional Housing Authority Low Rent	630
DCRA Loans to Incomes < $20,000	32
AHFC Loans to Incomes < $20,000	3,946
Total Households	11,691
Percentage of Low-income Households Served	19.6%

4. The 1988 Rural Housing Needs Assessment Study identified a need for 6,740 houses at a cost of $781,813,000 to meet the need for immediate replacement and for displaced third/fourth generations. An additional 15,088 houses require construction of an addition to relieve overcrowding and 4,100 homes need replacement at a total cost of $491,717,000.

5. AHFC's loan program was originally designed to help meet the housing needs of the low-income people in our state. As AHFC's role expanded, the State funded the Rural Development Division at DCRA and charged them with providing financial support for residential housing in rural Alaska. Even when the 99% of DCRA's $158 million loan portfolio, in bush and rural areas, is combined with AHFC's total loan portfolio of $3.5 Billion, only 27% of total (both AHFC and DCRA) loans went to rural and bush area

AREAS SERVED BY AHFC/HAD LOANS



Population By Area of State

Loans Made By Area of State (by dollar amount)

Areas served by mortgage loans based on current 1989 agency portfolios.

Alaska Housing Market Council
December, 1989

NUMBER OF LOANS		
URBAN LOANS	32,406 LOANS	73%
RURAL LOANS	9,960 LOANS	22%
BUSH LOANS	1,948 LOANS	5%
TOTAL LOANS	44,314 LOANS	100%

6. There is a lack of comprehensive information, on a statewide basis, on the extent of low-income and rural needs and how they are being met. Meanwhile state policy and programs are being developed and implemented in an information vacuum.

RECOMMENDED ACTION PLANS:

1. Currently, the most urgent housing needs in the state are for rural and low-income residents. Those needs should be given funding priority.

   a. The state should commit to increasing the rural and low-income housing stock at a rate of at least 10% per year through 1996, and the state should identify how the total need can be met.

Rural - A community in the first, second or fourth judicial district which has a population between 1,000 and 4,500 and is connected by road or rail to Anchorage or Fairbanks

Bush - A community in the second, third or fourth 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 first judicial district which has a population which is less than 1,000.

7. According to the "Municipality of Anchorage 1987 Population Survey," in the entire Anchorage population occupying multi-family housing, renters account for about 69.5% of the households. Altogether there were an estimated 34,583 occupied multi-family housing units in Anchorage in 1987.

8. According to the "Municipality of Anchorage 1987 Population Survey," the average income in renter-occupied housing in Anchorage is $28,802; the average income in owner occupied housing in Anchorage is $55,553. Low-income in the Anchorage area is defined in the range of $22,450 to $24,950 for a family of three.

9. In the 1980 census, there were 131,463 households statewide. 54,804 or 41% of those were renter households. The median family income for renter households was $17,491 as compared to a median family income for owner occupied households of $32,344. The same relationship is still seen in the "Municipality of Anchorage 1987 Population Survey."

   b. DCRA, AHFC, and ASHA should provide a five-year plan (due January 1, 1991) which identifies and addresses how low-income and rural housing needs can be met in the state. The five-year plan should include specific programs to be implemented no later than June 1, 1991. The Housing Commission should coordinate this effort.

   c. By June 1, 1991, the state should examine the feasibility of developing a program for subsidizing rent or mortgage payments for rural/low-income Alaskans who lack adequate affordable housing but do not have enough income to participate in one of the existing rural housing assistance programs.

   d. AHFC and DCRA should work together to determine the percentage of rural/non-conforming loans

that should be offered in AHFC bond sales. Those funds will flow to DCRA for their mortgage loan programs.

2. A function of the Alaska Housing Commission should be to collect and maintain comprehensive information on housing needs statewide and keep track of the most urgent housing needs in the state. When state funds are designated to meet housing needs, the Commission should identify which areas of the state and which target populations are most in need of housing resources.

3. By January 1, 1992, the State of Alaska should become actively involved in providing technical assistance and/or programs to private developers and non-profits for the planning and development of units which are affordable to low-income Alaskans. This should be through the Housing Commission and/or through programs established by AHFC, DCRA and ASHA.

4. By January 1, 1991, state agencies should examine and evaluate their portfolios of non-insured REO properties (including mobile homes) to determine which properties are appropriate to provide housing opportunities for low- income, rural and special needs populations. Such evaluation shall include assessment of structural integrity, availability of necessary utilities, and economic feasibility factors. The agencies should present their short and long term policies for disposition of these properties to the Commission for consideration.

Note: As of November 1989, AHFC had 1287 units (including mobile homes) from its REO inventory on the market with a sales price of $30,000 or less.

5. By June 1, 1991, state agencies involved in housing finance should have the legal ability to provide financing to non-profit housing sponsors. DCRA, AIDEA, AHFC and ASHA should identify existing statutory, regulatory, policy and procedural barriers to such programs and initiate steps to eliminate these barriers through legislative, regulatory or internal processes, as appropriate.

6. Through the Alaska Housing Commission or other approved body, the state should encourage the development of housing partnerships in the state and authorize pre-development financing for certain rental projects (such as feasibility studies).

7. The state should examine the feasibility of converting appropriate foreclosed housing to rental units. This includes changes to AHFC policy to allow them to donate foreclosed properties to non-profit organizations, to be improved and rehabilitated by the non-profit group.

8. AHFC & DCRA lending practices should be expanded to allow mortgage loans for non-profit organizations, including housing authorities, so that those developers have the means to create affordable rental housing.

SPECIAL NEEDS HOUSING

IT IS THE POLICY OF THE STATE OF ALASKA TO IMPROVE THE AVAILABILITY, ACCESSIBILITY AND AFFORDABILITY OF EMERGENCY, TRANSITIONAL AND LONG TERM HOUSING FOR THE HOMELESS AND OTHERS WITH SPECIAL NEEDS.

BACKGROUND:

Another severe, and urgent need, in the state is housing for the homeless and housing for Alaskans with special needs. There are three components of housing needed: emergency housing; transitional housing that includes some services for those in need, prior to them moving into an independent living situation; and long term housing for those with special needs.

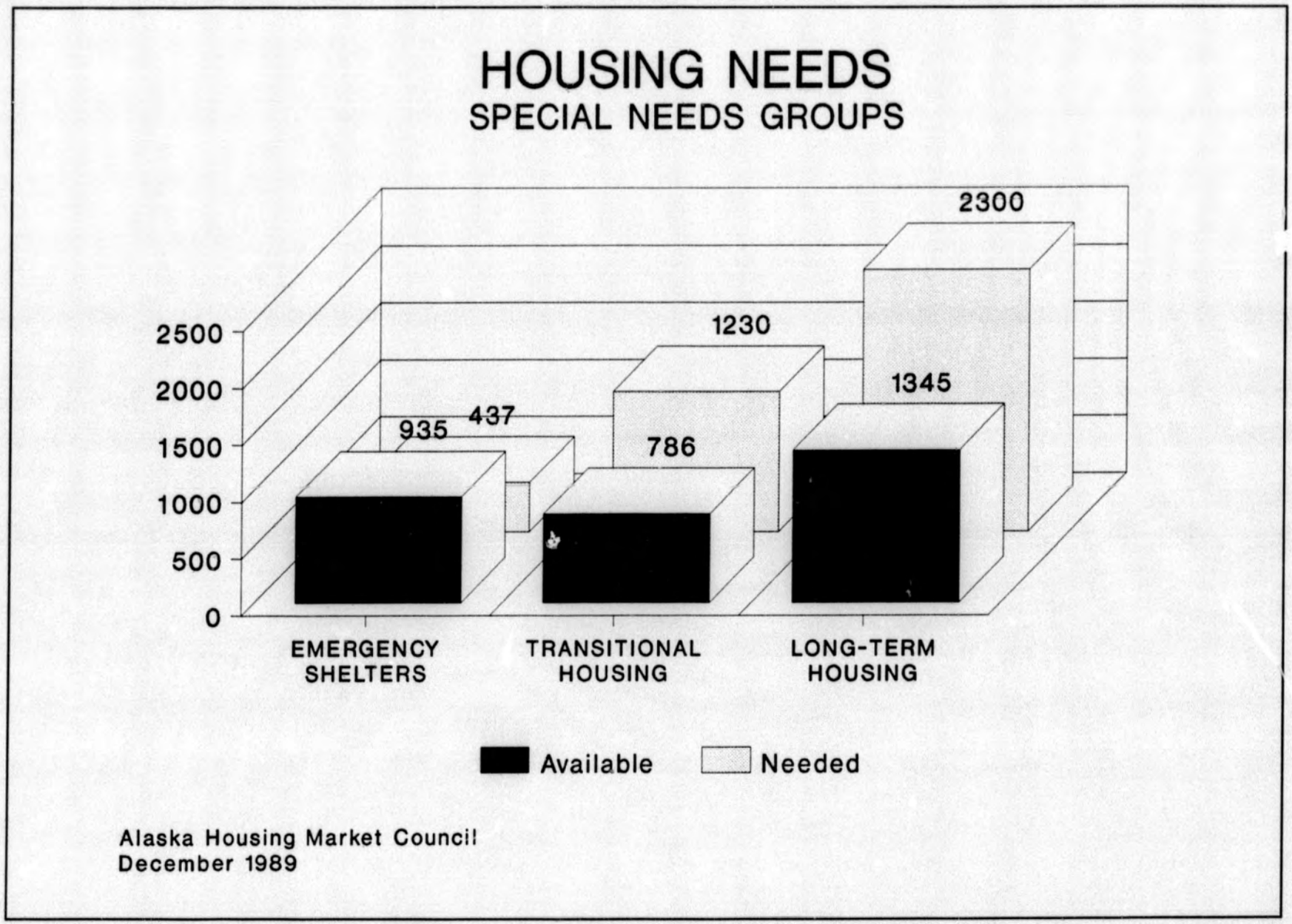
Special needs housing is unique because an individual or family may utilize this type of housing at any time on the housing continuum: on an emergency basis, on a transitional basis, or over a long period of time; sometimes they may need all three types of housing.

FINDINGS:

1. An established need for 6,808 beds for emergency housing, transitional housing and long-term housing, has been identified in the state. Public, private and state agencies are currently providing 3,066 beds. An unmet need for 3,967 additional beds has been established. The largest gaps are in transitional and long term housing.
2. According to the "1989 State Comprehensive Homeless Assistance Plan," 85% of the state's homeless population in need of long term shelter assistance are chronic substance abusers. 40% of those in need of long term housing are chronically mentally or physically disabled.
3. In 1988, during the highest-volume months of January and February, the Brother Francis Emergency Shelter in Anchorage provided beds for approximately 250 persons per night. In 1989, the shelter assisted that many people in November alone, and they believe it is likely those numbers will climb even higher in the months of January and February, 1990.



Maryette Kanabak and children at Clare House shelter in Anchorage.


HOUSING NEEDS
SPECIAL NEEDS GROUPS
2500
2000
1500
1000
500
0
935
437
1230
786
2300
1345
EMERGENCY SHELTERS
TRANSITIONAL HOUSING
LONG-TERM HOUSING
Available
Needed
Alaska Housing Market Council
December 1989

4. Each year, the Department of Corrections releases 2,300 - 2,500 people. It is estimated that 10-15% of that population is mentally ill. With no structured halfway houses to go to, that population has no other place to go but the street.

RECOMMENDED ACTION PLANS

1. Accessible Housing

   Buildings for persons with special needs should be handicapped accessible and should be renovated, or built, in accordance with the "Uniform Federal Accessibility Standards," produced by the Department of Transportation and Public Facilities.

2. Supportive Care Services

   It is essential that a continuum of supportive care services be in place for emergency, transitional and long term housing for the homeless and others with special needs in order for those housing programs to be successful. Those services include, but are not limited to, case management and medical and rehabilitative assistance.

3. Housing Needs

   Listed below are some, but not all, of the groups identified in the state as needing various types of special needs housing:

a. AIDS patients.
b. The chronically ill.
c. Homeless men and women, with or without children.
d. Victims of domestic violence and their children, victims of elder abuse and victims of sexual abuse.
e. Substance abusers.
f. Pregnant youth and women.
g. Homeless youth.
h. Persons experiencing a physical disability or disabilities.
i. The mentally ill.
j. Persons in transition from the Alaska Psychiatric Institute, the Corrections system (particularly the mentally ill) and Alaska Youth Initiative graduates.
k. Persons with more than one diagnosis. For example, the mentally ill person with a substance abuse problem.
l. The developmentally disabled.
m. Emotionally disturbed children.
n. Rural Alaskans who come to regional centers for educational, medical or other reasons.
o. Rural Alaskans, particularly youth, who move permanently to a larger community.
p. The neurologically impaired and those with head injuries and brain trauma.

4. Rural Alaskans

   The need for emergency, transitional and long term housing for special needs is critical in Rural Alaska. With Rural Alaska's severe housing shortage, there is almost no housing available to be used for special needs. As a result, it is recommended that the state give priority to developing special needs housing opportunities in Rural Alaska.

5. Funding Issues

   a. The State of Alaska, through the proposed Housing Commission, should review and prioritize the need for emergency, transitional and long term housing for special needs, so that available resources and funding can be allocated accordingly.

   b. By June 1, 1991, the role of the State of Alaska, through (but not limited to) the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs, should be expanded to allow mortgage loans to non-profits for emergency, transitional and long term housing for those with special needs. This should be a cooperative effort.

   c. If needed, Alaska's congressional delegation should be contacted about the differences among HUD program requirements, which makes it difficult for housing providers to utilize HUD programs.

   d. Continued funding should be provided for the state's Institutional Discharge Project, which provides supportive housing programs for persons leaving the Alaska Psychiatric Institute, the Department of Corrections and Alaska Youth Initiative graduates.

   e. The state should consider applying for federal Medicaid option waivers to obtain additional funding for programs such as home-based supportive services. By obtaining such a waiver, the state and federal government would each pay half of such programs.

   f. Division of Family and Youth Services regulations should be changed so that housing services for non-state custodial teens can be funded or some form of financial assistance can be provided for programs assisting these teens.

SENIOR HOUSING

IT IS THE POLICY OF THE STATE OF ALASKA TO RECOGNIZE THAT SENIOR ALASKANS SHOULD HAVE ACCESS TO APPROPRIATE AND 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 ABILIT '.

BACKGROUND:

It is becoming more and more difficult for Senior Alaskans to obtain affordable and appropriate housing in the state. The State's Pioneer Homes are one option, but the waiting list, particularly for rooms in the nursing sections, is long.

Housing in one of Alaska's long-term care facilities can be extremely expensive and, as a result, many Alaskans who have been here for years, choose to leave the state to retire.

Supportive services, such as homemaker and nursing assistance, are in short supply. If available at a reasonable cost, those services would help many seniors remain in their homes for longer periods of time.

FINDINGS:

1. Housing costs at the state's six Pioneer Homes will rise by up to 52 percent by January 1, 1990; residential rates will rise from $425 to $525 per month. Nursing rates will rise from $525 to $800 per month.
2. Obtaining a room in the state's Pioneer Homes is not always easy. In November of 1989, 267 Alaskans were waiting for a place in the Pioneer Homes. 171 of those persons were waiting for a room in the nursing section.
3. Other options for nursing care in the state are limited. A 1989 Division of Medical Assistance report stated that, of 621 nursing beds statewide, 119 of those beds were vacant. Costs for those beds are extremely high. At one Anchorage long term care cen-



Anchorage Pioneer Home

ter, the cost for a nursing bed is $7,000 per month.

4. Some state regulations regarding the construction of senior housing contain so many requirements, that it is cost-prohibitive to build this type of housing.

RECOMMENDED ACTION PLANS:

1. Regulations governing the construction of senior housing must be reviewed and made more flexible where appropriate. State agency housing regulations should be changed so that two categories of housing are created: medical and assisted living models. Medical models should be further developed into "intermediate care" and "long term care." Assisted living models should be developed to include models which are distinguished by nutrition needs, housekeeping needs, personal care needs, transportation needs and other non-medical needs.

2. The state should implement a "continuum of care" housing program for seniors, and should adequately fund necessary supportive services, which allow seniors to remain independent for as long as possible.

   a. A case management system, which matches seniors with appropriate services, should be approved by the state and implemented by the Older Alaskans Commission.

   b. State and other funded supportive services, such as homemaker assistance, home health care and home-delivered meals should be funded at the current state funding levels and expanded when needed. A mechanism should be in place so that seniors, with the ability to pay, could be charged for supportive services.

   c. Financial assistance and training for home repair and maintenance should be increased.

   d. The state should consider applying for federal Medicaid waivers for home-based supportive services. If approved, the waiver would require the federal government to match the state's contribution to supportive services.

HOUSING FINANCE

IT IS THE POLICY OF THE STATE OF ALASKA TO ENCOURAGE AND ASSIST THE CITIZENS OF THE STATE IN HOME OWNERSHIP OPPORTUNITIES IN A FISCALLY RESPONSIBLE MANNER.

IT IS THE POLICY OF THE STATE OF ALASKA TO MINIMIZE DIRECT INVOLVEMENT OF STATE GOVERNMENT IN THE SECONDARY MORTGAGE MARKET, WITH THE PRIMARY EXCEPTION OF ACCESSING CAPITAL MARKETS IN ORDER TO FINANCE THE STATE'S HOUSING NEEDS.

IT IS THE POLICY OF THE STATE OF ALASKA TO DEVELOP AND MAINTAIN STABLE SOURCES OF CAPITAL AND REVENUE TO SUPPORT HOUSING NEEDS IN THE STATE.

BACKGROUND:

During the early 1980's, the programs of the Alaska Housing Finance Corporation experienced fundamental changes: income limits were removed; loan limits were increased; mobile homes were financed; and the Home Ownership Assistance Program (HOF) was created. These changes precipitated AHFC's gain of the lion's share of the mortgage loan market.

Additionally, in 1980, the Housing Assistance Division (later named the Rural Development Division) of the Department of Community and Regional Affairs was created to administer the Nonconforming Housing Loan Program, with an emphasis on funding rural housing.

The state's loan portfolios have continued to show a higher rate of delinquency than non-state portfolios. There has been conjecture by some professionals that the state tried to be all things to all people and that we could have been more prudent in our lending standards; yet there has been no factual documentation to prove this point.

However, the Committee did determine that the State of Alaska can no longer afford to subsidize mortgage loan rates, without some income limitations, and that the state's participation in the mortgage loan market should carefully follow prudent lending standards. At the same time, they recognize that AHFC's access to capital markets oftentimes allows AHFC to obtain reasonable rates, regardless of whether we decide to subsidize those rates.

It is hoped that, as the State of Alaska removes its competitive (subsidized) edge in the mortgage loan market, other outside sources of capital and revenue will become more of a force in the Alaskan market.

FINDINGS:

1. As of July 1989, the Alaska Housing Finance Corporation held a loan portfolio of $3.5 Billion and a total of 42,774 outstanding loans. The Department of Community & Regional Affairs held a loan portfolio of $152 Million and a total of 1,540 outstanding loans.

2. The state's share in the residential mortgage loan market has held steady, over the last three years, at 62-63% of the total market.

3. On June 30 of 1987, 58% of the statewide portfolio of foreclosed properties (REOs) belonged to agencies or departments of the State of Alaska. By the same month in 1989, that share of the REO market had increased to 71%.

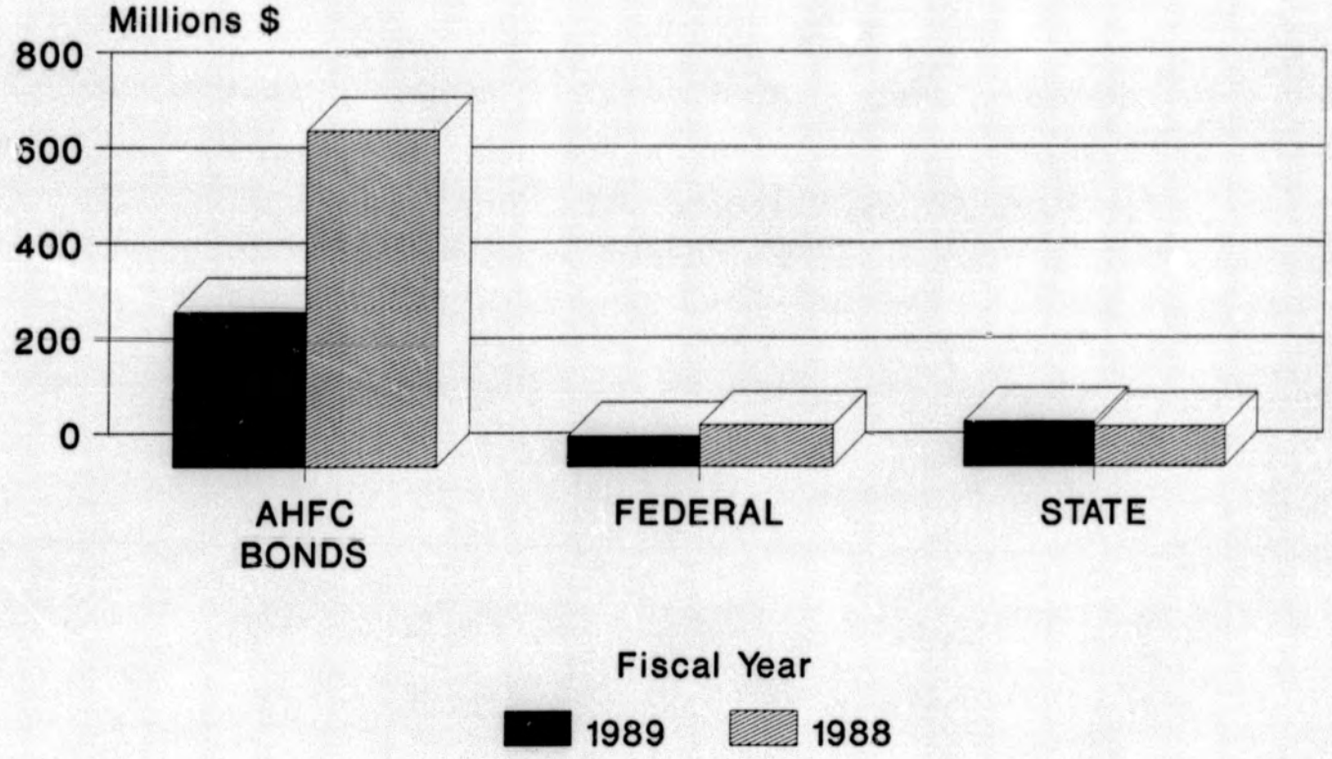
4. From 1987 though 1989, the average delinquency rate for state financed, residential mortgage loans remained consistently higher than that of non-state financed loans.

5. Approximately 26% of total AHFC and DCRA outstanding loans are in the non-urbanareas of the state. Of that 26%, approximately 4.5% of them are in the bush areas of the state.

6. Approximately 17.5% of total AHFC and DCRA current outstanding loans were made to people with incomes of less than $30,000, at the time the initial loan was made. Data is not available on current incomes of borrowers.

7. According to a national study of loans, originated from 1975 to 1987 and insured by private mortgage insurance companies, a mortgage loan with only a 5% down payment is more than twice as likely to default

TOTAL STATE AND FEDERAL HOUSING FUNDS
(With AHFC Bond Funds)
FISCAL YEARS 1988/1989



Alaska Housing Market Council
December 1989

as a mortgage loan with a 10% down payment. When the study looked at default experience by income level, they found little difference. The loan to value ratio is the primary indicator of default risk. Source: Mortgage Banking , August 1989, "Housing The Rank and File."

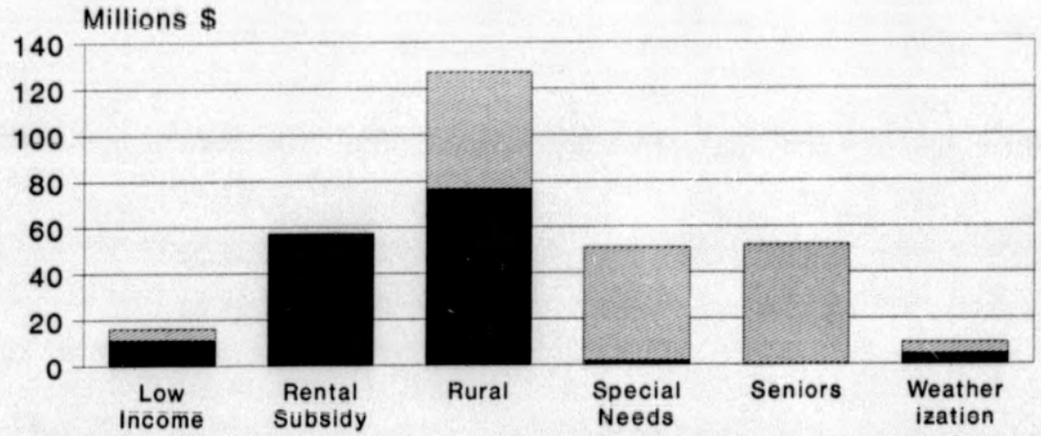
RECOMMENDED ACTION PLANS:

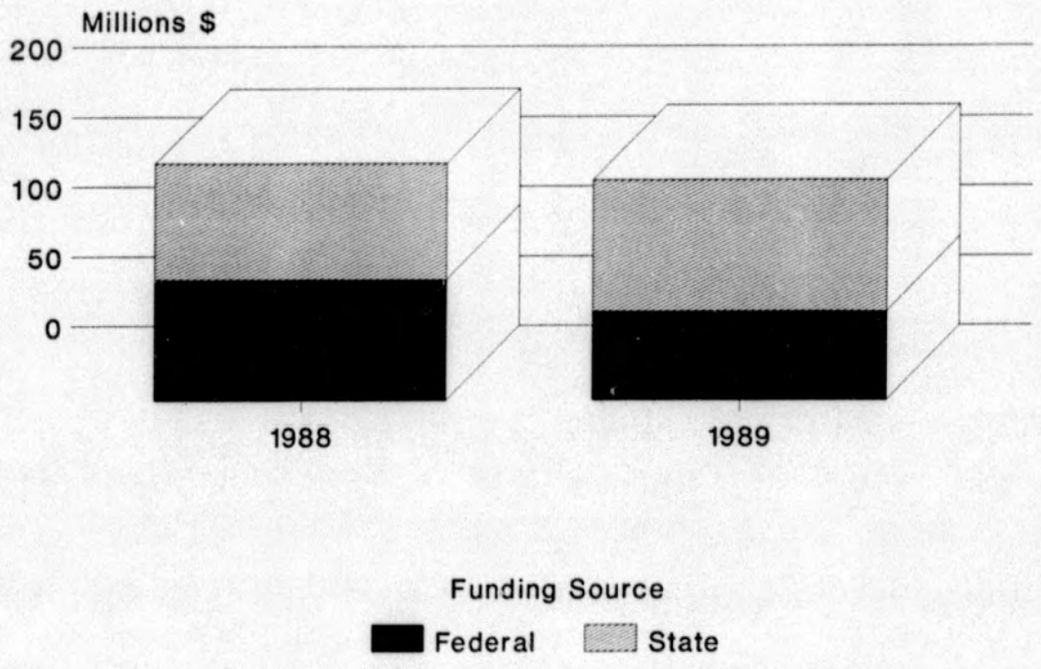
1. State agencies with mortgage lending programs should follow prudent industry lending standards and reasonable down payments should be required.
2. The state should encourage participation in a homeowner counseling and education program to work in partnership with new federal housing mandates - which direct states involved in low-income home ownership programs to offer homeowner counseling services.
3. There should be greater disclosure to borrowers concerning the sale of their mortgage loan servicing to another institution. The State of Alaska should adopt greater servicer penalties. Clearer recourse should occur in the case of misapplication of mortgage payments, or failure to pay taxes or insurance on a timely basis.
4. In an effort to help solve the hesitancy of private mortgage insurers and investors to underwrite mortgage loans in Alaska, the state should develop a plan for encouraging participation in the state by private insurers and investors. State agencies should establish programs which allow them to enter into co-insurance agreements, when necessary, to provide mortgage insurance for state-financed mortgage loans.
5. The state should continue to direct economic assistance for rural housing and low to moderate-income housing programs.
6. By March 15, 1990, the Alaska State Legislature should eliminate the mortgage loan subsidy of the Department of Community and Regional Affairs and the Alaska Housing Finance Corporation, except to meet rural and low-income housing needs. However, state agencies can obtain lower interest rates than the private sector via the bond market or through direct federal funds. Lower, unsubsidized interest rates obtained in this manner should be passed through to the public.
7. The state should participate in the issuance of tax-exempt bonds, as well as taxable forms of financing, to provide the best market rate for the financing of low to moderate-income, rural and senior housing.
8. The state should encourage the usage of 501c3 bonds by non-profit corporations as a means to create affordable and special needs housing. State agencies with the ability to issue tax-exempt bonds should establish a process which encourages the issuance of such bonds for non-profit corporations.
9. By June 30, 1990, the Alaska State Legislature and the Governor should allocate funds for start-up and operational costs for Neighborhood Housing Services in the state. This fund should be matched by Neighborhood Housing Services of America and Neighborhood Reinvestment Corporation of America, on a four-to-one match.
10. The state should review the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (Savings & Loan bailout bill) for use as an additional source of housing funds.

TOTAL STATE AND FEDERAL HOUSING FUNDS

(State Bond Funds Not Included)

Fiscal Years 1988/1989





Alaska Housing Market Council
December 1989

HOUSING PARTNERSHIPS

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.

BACKGROUND:

Federal funding for low-income, affordable housing in the state has been declining as the federal government exits from the affordable housing business. Across the country, communities are looking at innovative housing finance programs to provide housing for low-income people.

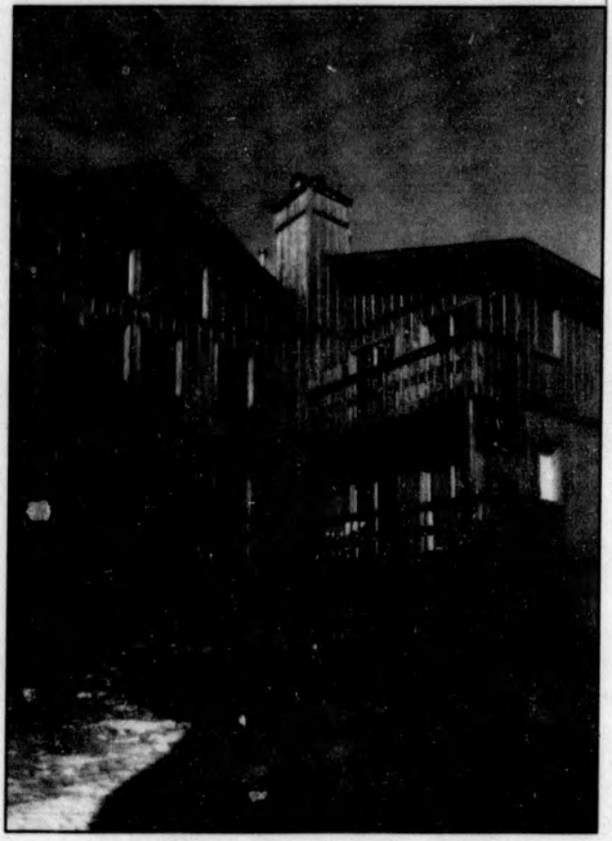
An important player in the financing and delivery of low-income and affordable housing are non-profit corporations. Widely accepted in many states, they often team up with other critical players, such as private-sector developers. The non-profit organizations are often more skilled at obtaining neighborhood support and can better deal with issues like zoning permits.

FINDINGS:

1. Total federal funds appropriated for Alaska dropped from $87.9 million in 1988 to $64 million in 1989, with further decreases anticipated for 1990.
2. State appropriations for housing increased from $83.4 million to $93.7 million between 1988 and 1989. However, the increase still left an unmet gap of approximately $13 million in declining federal housing funds.
3. Some jurisdictions in the country, such as Boston, New York City and Chicago, have active and sophisticated non-profit groups with experience in developing housing and in working out partnerships with the government and the private sector, according to a recent article published in Governing, November 1988.

RECOMMENDED ACTION PLANS

1. By June 1, 1991, the Housing Commission should encourage the development of housing partnerships in the state. The commission should provide information by publishing a document, with a variety of partnership options including the creation of benevolent loan funds (consisting of private donations, private and public financing).



Turnagain Circle Project
Anchorage Neighborhood Housing Services

HOUSING QUALITY STANDARDS

IT IS THE POLICY OF THE STATE OF ALASKA THAT HOUSING IN THE STATE SHOULD MEET SPECIFIC QUALITY STANDARDS.

BACKGROUND:

In Alaska, the state has adopted only those sections of the Uniform Building Code (UBC) that deal with life safety; neither the technical information or structural requirements have been adopted.

Some local communities, such as Anchorage, Fairbanks, Juneau, Dillingham, and Kenai have adopted the UBC in its entirety, along with the Uniform Plumbing and Mechanical Codes. In other parts of the state, particularly rural areas, there are no structural building codes in place.

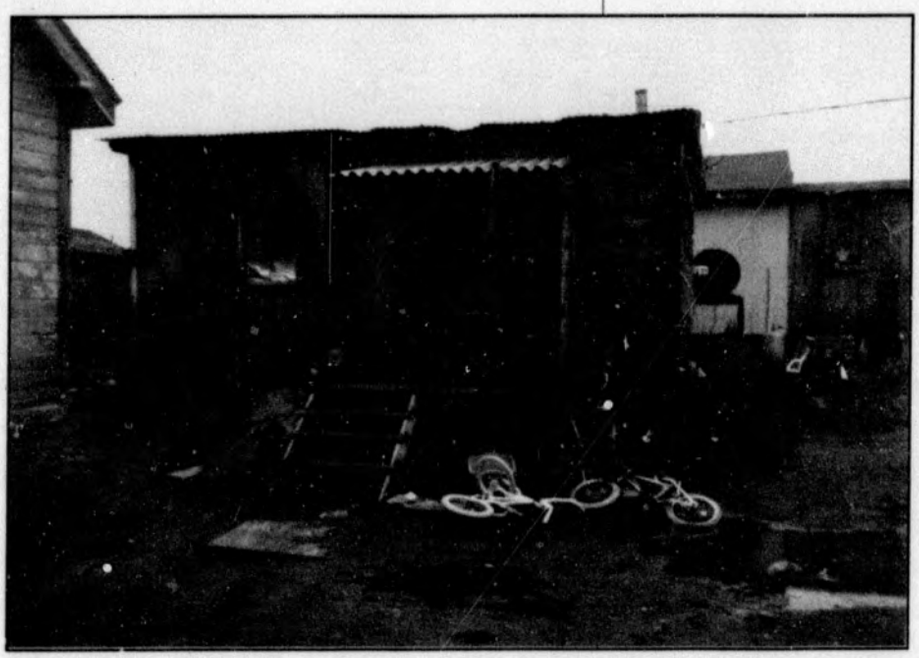
In the Bush, the lack of standards is compounded by the fact that some of the housing provided by the federal government has been built to "Lower 48," not Alaskan housing standards.

FINDINGS:

1. The 1988 DCRA Rural Housing Needs Assessment states that 6,740 homes in the Bush are so substandard that they should be immediately replaced.
2. The same study points out that 36% of rural homes can not maintain an inside temperature of 70 degrees during the winter.
3. Rural families spend up to 37% of their income to heat and light their homes.
4. Recently passed federal legislation mandates that by July 1, 1991, commercial banks, savings and loans, and credit unions with federal insurance use only state certified real estate appraisers. Alaska has no such state licensing or certification program for real estate appraisers.

RECOMMENDED ACTION PLANS:

1. The state should adopt building codes and allow for regional differences and amendments.



Home in Kwethluk, Alaska

2. The state should adopt more stringent contractor licensing requirements. By June 30, 1990, the Alaska State Legislature should pass Senate Bill 72, or other appropriate legislation, to strengthen residential contractor licensing requirements. Those requirements should include continuing education.

3. In accordance with federal guidelines, the state should establish a state licensing or certification program for real estate appraisers by January 1, 1991.

5. State agencies should not fund the financing of existing substandard housing, with the following exception: If the existing structure currently has a state financed mortgage and meets standards #1-4 of the committee's definition of "substandard," the size requirement will be waived.

6. The state should continue to support the Home Weatherization program, which is primarily funded by the federal government.

Committee's Definition of Substandard:

1. Dilapidated: Where dilapidated means a housing unit that does not provide safe and adequate shelter and endangers the health, safety, or well being of its occupants.
2. A unit that has plumbing that does not conform to the typical community standards of the area it is located in.
3. A unit that does not have adequate or safe electrical service if electricity is available in the community and there is access to it.
4. A unit that cannot maintain an indoor air temperature of 70 degrees Fahrenheit.
5. A building that has less than 600 square feet of living space with 200 square feet per resident.

4. The state should actively lobby for, and support the financing of, affordable housing in rural areas under federal programs such as HUD's Mutual Help program, the BIA's Housing Improvement Program and the Department of Energy's Home Energy Program. However, the structure and management of these programs should be closely reviewed by the federal government and revised, where necessary.

7. The Alaska State Legislature should enact legislation to restore clear legal authority for the implementation of appropriate minimum thermal standards, based on regional differences, for newly constructed state-financed housing.

LOCAL HOUSING POLICY/LAND USE

IT IS THE POLICY OF THE STATE OF ALASKA TO ENCOURAGE COMMUNITIES TO TAKE AN ACTIVE ROLE IN HOUSING AND LAND USE ISSUES, RECOGNIZING THAT LOCAL CONTROL IS PREFERABLE TO CENTRAL CONTROL, BECAUSE LOCAL GOVERNMENTS CAN BEST BALANCE THE NEEDS OF THE PUBLIC WITH THE PRIVATE DETERMINATION OF SUPPLY AND DEMAND.

BACKGROUND:

Many of Alaska's villages and cities are separated not only by vast land areas, but also by geographic, economic and cultural differences as well. As a result, local governments in Alaska often have a more "independent" focus than in many other parts of the country.

With federal housing appropriations to states being reduced on an annual basis, local governments and states across the country are taking a more active role in housing.

Many local governments are using their bonding ability to support housing needs in their communities.

FINDINGS:

1. Local communities are the most knowledgeable on housing and land use issues in their area and local governments are the best qualified entity to accurately plan for how needs should be met.
2. Land use decisions in many Alaskan communities have become extremely complicated because these communities are dealing with private lands, regional Native corporation lands and Native village corporation lands.
3. In the past year, federal housing dollars to Alaska have been reduced by $23.9 million dollars.
4. Very few Alaska communities do comprehensive housing plans as part of their long range planning process, often a result of limited resources for data collection and comprehensive housing planning. A sampling of 12 organized local governments in the state showed that only three included a housing plan as part of their comprehensive land use plan.
5. The U.S. Congress recently passed amendments to the federal Fair Housing Act. As a result of these amendments many local government-imposed restrictions, on the development of group homes or other housing for people with disabilities, will be a violation of federal law. These include restrictions contained in state and local laws, such as special use-permit requirements, dispersion rules and limitations on the number of residents in group homes.

RECOMMENDED ACTION PLANS:

1. Local governments should include a housing plan, listing how housing needs can be met, as part of their comprehensive planning process.
2. With community input and involvement, municipal governments should be encouraged to facilitate establishment of group housing. Zoning laws which prohibit group homes should be revised to be consistent with anti-discriminatory statutes (including the amendments to the Fair Housing Act). Integration of transitional housing residents into communities should be encouraged.

HOUSING POLICY DEVELOPMENT COMMITTEE
MEETING SCHEDULE

Full Committee

December 7, 1988 ..... Anchorage
April 21, 1989 ..... Anchorage
June 23-24, 1989 ..... Fairbanks
July 27, 1989 ..... Homer
(Teleconference)
September 8-9, 1989 ..... Anchorage
October 13, 1989 ..... Anchorage
(Teleconference)
November 3, 1989 ..... Anchorage
(Teleconference)
November 17, 1989 ..... Anchorage
(Teleconference)
December 8, 1989 ..... Anchorage
(Teleconference)



Housing Policy Development Committee meeting in Fairbanks

Transitional and Long Term Housing for Special Needs Subcommittee

December 7, 1988 ..... Anchorage
January 13-14, 1989 ..... Anchorage
April 7-8, 1989 ..... Juneau
April 20, 1989 ..... Anchorage
June 23-24, 1989 ..... Fairbanks
September 8-9, 1989 ..... Anchorage
October 24, 1989 ..... Anchorage
November 28, 1989 ..... Anchorage

Low-income, Affordable and Senior Housing Subcommittee

December 7, 1988 ..... Anchorage
January 13-14, 1989 ..... Anchorage
February 23-24, 1989 ..... Anchorage
March 30-31, 1989 ..... Juneau
April 20, 1989 ..... Anchorage
June 23-24, 1989 ..... Fairbanks
July 14, 1989 ..... Anchorage
September 8-9, 1989 ..... Anchorage

Rural and Urban Housing Markets Subcommittee

December 7, 1988 ..... Anchorage
January 20-21, 1989 ..... Anchorage
February 24-25, 1989 ..... Anchorage
March 30-31, 1989 ..... Juneau
April 20, 1989 ..... Anchorage
June 23-24, 1989 ..... Fairbanks
September 8-9, 1989 ..... Anchorage

Special Meeting of the Subcommittee Chairs

August 25, 1989 ..... Bethel

Public Hearings

Public testimony taken at all full committee meetings and at selected subcommittee meetings.

Statewide public testimony received at all teleconferenced meetings.

Additional teleconferenced public hearing held during the evening of December 7, 1989.

Public Participation

The following members of the public either attended or gave public testimony at the meetings (in person or via teleconference network):

Colleen Patrick-Riley
Rose Munafo
Marbeth Johns
Jerry Grover
Dr. Marilyn Scott
Jeanine Kennedy
Suzanne Goodrich
Sheila Selkregg O'Malley
Amos Heacock
Nancy Thompson Heacock
Velma Schaffner
Lorena Neece
Bill Heumann
Greg Pease
John Egan
Norman William
Roy Isturis
Judith Holden
Mary Matthews
Patricia Walsh
Hal Kummerow
Dottie Englund
Harvey Bowers
Nathan Wright
Karen King
Bob Shuttlesworth
Bonnie Shuttlesworth
Drena McIntyre
Alise Peck
Terry Hoke
Rosalee Walker
Kit Ballentine
Don Foss
H. Prent Gazaway
Jean Smith
Jacquelyn Canoose
John McCool
Bryon Coney
Lorena Showers
Linda Stanton
Bill Varner
Tim Meyers
Richard Kinney
Jetta Whittaker
Nita Greenwell-Madsen
Mary Collins
Pat Malone
Dennis Burns
Terry Baily
Dr. Chuck Logsdon
Judy Calhoun
Mary Raymond
Mary Guinn
Kaye Rogers
Hazel Heath
Margaret Pate
Evelyn Sprague
Florence Ross
Janet Wiltrout
Clifford Jenson
Hayden Ellyson
Edna Kahn
John Stephan
Enid Jones
Marilyn Kirkhan
Karen Stephens
Susan Benedetti
Florence Orr
Catherine Davis
Theresa Maser
Marie MacKenzie
Mark Guy
Loree Wiltse
Virginia Carter
Charles McKee
Herbert Wilborg
James Fisher
Connie Sipe
Marie Darlin
Paul Fuhs
Pat McGee
Gary McGee
Jim Snyder
Christine Manion
Colleen Craig
Eldon Young
Gil Lulay
Dr. Dennis Scholl
Chuck Gasta
Don Sherwood
Hank Hodge
Kathleen Grahan

Appendix I

BIOGRAPHIES OF COMMITTEE MEMBERS

Nancy Adams

Executive Director of the Juneau Alliance for the Mentally Ill; past housing project coordinator for the Division of Mental Health, Department of Health and Social Services; Masters of Social Work from the University of California, Fresno. Has worked for the mentally ill in California, Montana, and Alaska since 1971.

Fred Ali

Executive Director of Covenant House Alaska since 1988; Bachelors of Arts in History and Political Science from Santa Clara University and a Masters in Education from the University of Michigan; past experience: founder and director of rural training program; deputy director of the State's Employment and Training Division; president of a community college; vice chancellor of Student Affairs at the University of Alaska, Anchorage; and seventeen year Alaskan resident.

Sharon Araji

Professor of Sociology, University of Alaska Anchorage; Ph.D. in Sociology from Washington State University in 1978; former faculty member at the University of Idaho, Washington State University and the University of Rhode Island; former recipient of several Institute of Mental Health (NIMH) Post Doctoral Fellowships; and currently involved in research that focuses on problems that families are experiencing as a result of the Exxon Valdez Oil Spill.

Bob Arwezon

Licensed Real Estate Broker and salesperson for 22 years; Bachelor of Arts in Economics, with a minor in Education from Bowdoin College in Maine; currently treasurer of the Alaska Association of Realtors; past president, director, and secretary of the Anchorage Board of Realtors; served for several years on real estate, legislative and government affairs committees; served on the Council's 1988 Housing Task Force; and resident of Alaska for 27 years.

Mitzi Barker (substitute for Tom Behan)

Special Projects Assistant to the executive director, Alaska Housing Finance Corporation; B. S. in Urban and Regional Government from Willamette University in Oregon and M. S. in Urban Planning from the University of Mississippi; prior experience: self-employed housing consultant; regional supervisor (Anchorage and Kenai) for the Alaska State Housing Authority; and fifteen years experience in research and policy analysis of housing issues.

Rick Barrier

General Partner in Malaspina Properties and a partner with them for eight years; Bachelor of Science from Yale University and a Master in Business Administration from Stanford University; president of Alaska Technology - business consultants and builders; active in real estate investments; president of the Alaska Trailer Court Association; and former member of the Council's Housing Task Force.

Jessie M. Bartlett (Substitute for Ray Price)

Case Manager Supervisor for the Alaska State Housing Authority; Bachelor of Arts in Sociology, with a minor in Business Education from Bethune-Cookman College, Daytona Beach, Florida; previously mortgage loan officer at Alaska Pacific Mortgage; past board member for Alaska Children's Services; member of the Alaska Professional Mortgage Women; participant in several campaign fund raising efforts. Works part-time at Hope Cottages as a program technician.

Tom Behan

Alaska Housing Finance Corporation's Executive Director since February 1989; Bachelor's Degree in Business Administration

from the University of Texas, El Paso and graduate of the Pacific Coast Banking School, University of Washington; extensive background in banking, mortgage real estate and lending; previously general partner and former manager of the Alaska Club; and active in Anchorage business and civic activities. Member of the Alaska Housing Market Council.

Howard Bess

Currently President of Alaska Housing Ministries; Masters in Divinity from Garret Theological Seminary; pastor of Church of the Covenant in Palmer; previously pastor of American Baptist Church for seven years and president of Gatela Ministries in California. Twenty years experience in housing.

Senator Johne Binkley

Elected to the State Senate in 1987 and is presently Co-Chair of the Senate Finance Committee; served on Governor's Interim Commission on Children and Youth, the Senate Special Committee on Suicide Prevention and the Senate Special Committee on School Performance; received degrees from University of Alaska, Fairbanks and Western Michigan University; past member of the State House of Representatives, the Bethel City Council, and the Alaska Municipal League Board of Directors.

Bryan Borjesson

Over 30 years of general and specialty construction experience in Alaska, including engineering design, construction management and company ownership; Bachelor of Arts in Civil Engineering and a Master in Civil Engineering, University of Alaska, Fairbanks; past president, Alaska Society of Professional Engineers; past vice president, International Conference of Building Officials; member, American Society of Civil Engineers; and Alaska resident for over 30 years.

Representative Kay Brown

Elected in 1986 to Alaska House of Representatives, member of House Finance Committee; Bachelor's in Journalism from Baylor University; employed as analyst for PlanGraphics; named by Savvy Magazine as one of country's outstanding executives in 1985; former employee of state Department of Natural Resources: director of Division of Oil & Gas and deputy director of Division of Minerals & Energy Management; and worked as reporter for United Press Int'l., Anchorage Times, and The Charlotte Observer.

Paul A. Carr

Real Estate Planner with Carr Gottstein Properties; graduate of Montana State University in 1968 and Master in Public Administration applicant at the University of Alaska; past experience: planner for State of Alaska, platting officer for Anchorage Area Borough Planning Department, community development specialist with State of Montana, private consultant for Capital Site Planning Committee, and past member of Municipality of Anchorage Planning and Zoning Commission and Platting Board.

Barbara Chmiel

Currently a Rehabilitation Financial Specialist for the Municipality of Anchorage - staff ranked #1 in Region 10 under the rental rehab program; working towards BA in psychology/behavioral sciences; served as support staff for the Anchorage Handicapped Commission; board member of the Community Housing Resource Board; Iditarod Trail Committee volunteer from 1986 to 1988; member of the Anchorage Commission on the Handicapped; and a 35 year Alaskan resident.

Gale Cipra

Past Vice-President and Manager of Mortgage Production Department at Key Bank of Alaska; Associate of Arts from Indian River Community College and 1985 graduate of Mortgage Bankers Association, School of Mortgage Banking; senior loan officer, Alaska Housing Finance Corporation; mortgage branch coordinator, National Bank of Alaska; served on several Anchorage Neighborhood Housing Service committees; served on board

of directors and as vice-president (1988/89), Alaska Mortgage Bankers Association.

Representative Johnny Ellis

Elected in 1986 to AK. State House of Representatives, serves as Chair of the Health, Education and Social Services Committee and member of the Judiciary Committee; attended the University of Alaska, Anchorage and received a Bachelor of Science degree from Claremont College, California; past experience: legislative aide to the House Majority Leader in 1985 and 1986; researcher/writer for a marketing firm; has served on numerous state and local commissions and committees since coming to Alaska in 1975.

Velma Ellyson

Project Director for Homer Seniors Inc. since 1987; Bachelor of Science in Home Economics from West Virginia University and Masters in Administration from Bowie State College; course work at John Hopkins, University of Maryland. Past experience includes: twenty years in the field of education administration; owner-operator of seafood processing plant on the Homer Spit; currently serves on Homer Planning Commission and former president of Kachemak Bay Visitors Association.

Rob Gamel

Residential Projects Director for the Southport Company, a division of Carr-Gottstein Properties; Bachelor degree in Economics from Alaska Methodist University; active in the home building industry since 1973; former president of the Alaska State Home Builders Association, currently its legislative affairs chairman; former president of the Building Industry Association of Anchorage; past chair of Governor Sheffield's Statewide Task Force on Housing; born and raised in Alaska.

Jo Ann Goyne (Substitute for Ray Price)

Deputy Director of the Alaska State Housing Authority; twenty years in private sector property asset management; certified property asset management consultant for state and federal governments; serves as Alaska representative on the National Committee of Severely Distressed Public Housing; past president and current member of the Alaska Chapter of the National Institute of Real Estate Management.

John Guinn

Executive Director for Alaska Village Council Presidents' (AVCP) Regional Housing Authority; past experience: deputy director of AVCP Regional Housing Authority; president of Guinn Lumber Company; past president of the Yukon-Kuskokwim Delta Mayors' Conference; mayor of Bethel, Alaska; served on Bethel City Council; carpenter with Carpenters' Local 1281; served in the United States Marine Corps; recipient of the Purple Heart Medal with honorable discharge in 1967; and commercial fisherman.

Kelly Gunnels

Assistant Vice President and Manager of the Mortgage Lending Division and Supervisor of Loan Production and Servicing Departments for Denali State Bank - since the bank was formed in 1976; three year member of Alaska State Board of Financial Women International; member of Advisory Board of Energy Rated Homes of Alaska. Fifteen year resident of Alaska.

Michael Harper

Director of Rural Development Division, Department of Community & Regional Affairs; Bachelor's of Business Administration from University of Georgia; serves on board of directors for Tundra Times Newspaper, Commonwealth North, and Doyon Ltd.; past vice president & loan officer for United Bank of Alaska; served as deputy commissioner of Department of Community & Regional Affairs and administrative assistant to the governor; planner & deputy director for RuralCAP.

Sam Helms

Retired Fairbanks general contractor and businessperson; active in state and local gov-

ernment affairs for over thirty years; public member of the Alaska Housing Market Council; Co-chair of the Alaska Laborers Retirees Association; member of the City of Fairbanks Public Utilities Board; and a thirty-six year Fairbanks resident.

Stan Hoofard

Rehabilitation Coordinator for the Municipality of Anchorage; previously a general contractor in the Anchorage Area; serves on the board of directors for Kid Corps; volunteer consultant on accessibility issues for the State of Alaska/Vocational Rehabilitation; and Alaska resident for twelve years.

Lee Huskey

Professor of Economics and Chair of the Department of Economics, University of Alaska Anchorage; Ph.d. and Master of Arts in Economics from Washington State University; past experience includes economist in the Planning Department, Municipality of Anchorage; member of American Economic Association, Western Economics Association; member, Anchorage Municipality, Economic Information Task Force; and member, Anchorage Community Development Block Grant Committee.

Deborah Ingman

Owner of Appraisal Associates of Juneau; designated as certified review appraiser - responsible for 13 Southeast Alaska communities; appraisal education obtained from American Institute of Real Estate Appraisers and Society of Real Estate Appraisers; past member of Southeastern Housing Task Force with the Alaska Housing Market Council, past president of Juneau Association of Professional Mortgage Women and on current board of directors; and resident of Juneau for the past 6 years.

Carol Jackson

Resource Development Analyst for Alaska State Housing Authority; business management courses from Alaska Pacific University; previously employed as president of First Alaska Management Services, Inc. - the first housing consumer counseling agency funded by HUD in the State of Alaska; licensed real estate agent; past experiences include: property management and underwriter project review specialist with Alaska Housing Finance Corporation; and resident of Alaska for 27 years.

Leo Kaye

Litter Patrol Supervisor for Mat-Su Parks & Recreation; Bachelor of Science from Ithaca College and a Masters in Education from Oregon State College; serves on the Senior Citizens' Advisory Board; previously special assistant to Mat-Su Borough Manager; served as executive director of the Alaska Lung Association for 13 years; served as executive director to the TB & Lung Associations of Colorado, New York, and New Jersey for a combination of 21 years; served on many boards and councils.

Kathy Keck

Currently Staff Attorney for Alaska Legal Services Corporation (ALSC) in Fairbanks; Bachelor of Arts from the University of Washington, graduating Magna Cum Laude and Phi Beta Kappa; received Juris Doctorate from Yale Law School; previous staff attorney and supervising attorney in the Bethel office of ALSC; past experience: Environmental Litigation Program—Nuclear Waste Policy Project, Environmental Law Association; Yale Law Women's Association Restraining Order Project; and the Indian Law Forum.

Gary Mandzik

Residential Resource Coordinator with the Division of Mental Health and Developmental Disabilities, State of Alaska; Bachelor Degree from University of New York and Masters Degree in Counseling from the University of Southern Connecticut; member of the National Coalition for the Homeless; worked with the Division of Family & Youth Services in the Adult Services Unit; and supervised the Nome/Kotzebue Division of Family & Youth Services office. Nine year resident of Alaska.

Caren Mathis

Special Asst. to Commissioner of Dept. of Commerce & Economic Development; BA in Journalism from Colorado State U. and Master's in City Planning from MA. Institute of Technology; prior experience: project consultant to Cook Inlet Region, Inc.; mgr., Planning Services Division of Tryck, Nyman & Hayes; and past consultant to Municipality of Anchorage. Board member of AK. Council of Camp Fire and Alaska Planning Association; previously on MOA Platting Board, and Zoning Board of Examiners & Appeals.

Barbara Miklos

Executive Director of AK. Council on Domestic Violence and Sexual Assault; BS in Education from NE Missouri State U. and Masters in Health Admin. from University of Colorado; member of Governor's Task Force on Youth; chair, Mental Health Advisory Committee; member of Social Services Advisory Board for City & Borough of Juneau; past chair, Governor's Child Sexual Abuse Working Group; former health systems specialist, Mt. Edgecumbe Hospital; health planning coordinator, SE Alaska Health Systems Agency.

Kay Murphy

Vice President of Mortgage Production at Key Bank; employed in banking industry since 1974; completed the School of Mortgage Banking (Northwestern University) in 1984; served as mortgage operations supervisor at Alaska Housing Finance Corporation from 1978 to 1984; has been active in the Alaska Mortgage Bankers Association and served as its president in 1987; former member of the Council's Housing Task Force; and Alaska resident for 19 years.

Cynthia Parker

Executive Director for Anchorage Neighborhood Housing Services; Bachelor of Science in Political Science and Planning with post graduate studies in Business Administration; extensive background in housing and property management; presently the chair of the Alaska Housing Market Council and former member of the Council's Housing Task Force; previously the manager for the Portland Housing Authority; past chair of the Anchorage Platting Authority; and has been a resident of Alaska for 9 years.

Ray Price

Executive Director of the Alaska State Housing Authority; prior experience includes: special staff assistant to Governor Cowper, manager of Anchorage Heritage Land Bank, and deputy director of the Housing Assistance Division for the Department of Community & Regional Affairs; member of the Alaska Housing Market Council; past president of the Anchorage Chapter of Blacks in Government and a youth football coach since coming to Alaska 11 years ago.

Pat Pourchot

Elected to Alaska State Senate in 1988, Chair of Senate State Affairs; State Representative (1985-1988); BA from University of Wisconsin and Masters in Public Administration, Harvard University; fourteen years experience in resource management and policy making in such capacities as resource manager, NANA Development Corp; admin. asst., State Senate Resources Committee; land manager, Alaska Federation of Natives; and legal assistant for former U.S. Senator Mike Gravel.

Steven Rieger

Elected to House of Representative in 1984; Bachelor of Science from Harvard University and a Masters in Business Administration from Harvard Graduate School of Business; business consultant and financial manager; formerly worked for management consulting firm, investment bank, and major ocean shipping company; member of the Anchorage Chamber of Commerce, World Affairs Council and Iditarod Trail Committee; previously served on National Ski Patrol.

Mike Shuler

Executive Director of the Bristol Bay Housing Authority in Dillingham. (No additional information was received).

C.E. "Swack" Swackhammer

Elected to State House of Representatives in 1986; currently serves on House Finance Committee, Public Safety & Law Committee, House Fiscal Policy Subcommittee, House Ethics Committee and Housing Finance Task Force; Alaska State Trooper for 20 years; member of AK. Association of Chiefs of Police board of directors, Alaska Peace Officers Association, Rotary International-Soldotna, International Association of Chiefs of Police and past member of Governor's Advisory Board on Drug Abuse.

William Swain

Co-owner and Chair of the Board of Jack White Company; Bachelor of Arts degree from the University of Minnesota; past experience: director of marketing and assistant to chairman at local bank; vice president of a television production firm located in Los Angeles, California; licensed real estate agent and formed real estate business with Bennett Williams, known as Swain - Williams Inc.; active in community affairs and charities; member of Board of Trustees for Humana Hospital. Resident of Alaska since 1969.

Mary Wolcoff

Former Executive Director of the Association for Stranded Rural Alaskans and adjunct faculty member at the University of Alaska, specializing in human services/cultural issues; volunteer experience: missionette state director, Alaska Native Education Council; Minority Education Concerns Committee; and Native Education Committee.

Appendix II

ANALYSIS OF COORDINATED HOUSING POLICY STATEMENT

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.

OPTIONS FOR IMPLEMENTATION

There is a national movement towards state centralization and authority in the development and execution of state housing policies and programs. The federal Housing and Urban Development legislation is up for re-authorization soon, and several bills addressing housing policy on the national level have been, or will be, introduced in Congress. Eric Ostrovsky of the Governor's Washington D.C. office thinks that it is very likely that housing policy directions will change by early 1990 with passage of either S. 565 or a House bill. Whether or not these bills include intent to mandate coordination and distribution of federal funds through the Governors' Offices of each state remains to be seen, but discussions on this subject are occurring.

Surveys of other states show several of them moving in the direction of establishing centralization and coordination of housing issues. Fifteen states have an agency, either a department, division or council which is directly responsible for oversight of housing issues. Massachusetts, Washington and New Jersey are recognized as model states, and have very visible, progressive housing programs and development. They have centralized agencies/divisions within a Department of Community Affairs/Development with the DCA Commissioner heading the various housing Boards. They also have a vehicle for interagency coordination.

The Housing Policy Development Committee recognizes that a continued mechanism or centralized housing agency is needed to overcome the fragmentation of existing programs and to ensure continuing public involvement in housing issues. The Committee weighed each of the options presented below and recommends that a Housing Commission be established, for now, with a plan to develop a Department of Housing in the state over the next several years. The Department will consolidate all of the state's housing functions.

OPTION 1 - ALASKA HOUSING COMMISSION.

Create an Alaska Housing Commission which reports directly to the Governor. Member composition shall reflect regional representation and shall include public members and representatives from housing and real estate industries, special needs groups, and rural areas. Representatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity. (9 members)

Number of members:
- 1 Regional representative from 4 judicial districts representing housing/ mortgage loan industries
- 1 representative of special needs groups
- 1 representative for rural areas
- 1 additional public member
- Commissioner, Commerce & Economic Development
- Commissioner, Community & Regional Affairs

Advisory members:
- Alaska State Housing Authority
- Alaska Housing Finance Corporation
- Department of Community and Regional Affairs

Staffing:
Executive Director
Secretary/Receptionist
Administrative Officer
Research Analyst/Planner
Information Officer/Technical Advisor

Responsibilities:
Develop and implement statewide housing policy.
Plan and develop a Department of Housing.
State agency housing program review, coordination, oversight.
Writing/updating long term housing plan.
Conduct periodic statewide housing needs assessments.
Review use and disposition of state agency-owned foreclosed properties.
Facilitate the creation of housing partnerships, providing technical assistance.
Review of housing regulations between state agencies, recommending revision where appropriate.

A legislative mandate should be effected which specifies the authority of the Housing Commission in relationship to the Alaska Housing Finance Corporation, the Alaska State Housing Authority and other state agencies with housing responsibilities. The mandate should provide the Commission with the power to implement state housing policy.

Pros:
Housing resources and programs are scattered throughout 13 different state agencies, offices and divisions. A Housing Commission, given the authority to cross departmental lines and bring housing groups together, can formulate and coordinate a cohesive statewide housing policy that addresses a wide range of housing needs and problems.

Important to have Commission within Governor's Office rather than within a Department so it can function in an impartial role.

Cons:
The Commission could be viewed as another unnecessary layer of bureaucracy and another complication in the tangle of housing programs.

OPTION 2 - DEPARTMENT OF HOUSING.

Create a Department of Housing with all housing agencies placed within that department. An interagency coordinating Committee could be formed with membership from each of the 12 agencies/programs involved in housing.

The Commissioner of the Department of Housing would chair the Boards of Directors of ASHA and AHFC.

Staffing:
Commissioner, Department of Housing
Executive Secretary
Information Officer
Division of Administrative Services
Division of Rural Housing Services
Alaska Housing Finance Corporation staff
Alaska State Housing Authority staff

Responsibilities: Direct all housing programs within the state.
Coordinate interagency housing activities.
Establish and implement statewide housing policy.
Same statewide responsibilities as listed for Housing Commission.

Pros: This option provides the most visible commitment to state housing issues and the most effective entity to focus attention on the issues and problems. Housing concerns and policies would be represented at cabinet level, with more political clout to effect a coordinated statewide housing policy.

Ability to better consolidate resources. Department could be created with stipulation of no increase in operating costs.

Cons: Very difficult to get a new department created within state government.

OPTION 3 STATE HOUSING BOARD.

Merge the Boards of Directors of the Alaska State Housing Authority and Alaska Housing Finance Corporation into a State Housing Board with the authority to administer all housing agencies and state housing programs. Housing agencies will be placed under one department: either the Department of Community & Regional Affairs or the Department of Commerce & Economic Development. The State Housing Board will be responsible for statewide coordination of all state housing programs and for setting state housing policy.

Number of Members: 9-member Board of Director, appointed by Governor
Commissioner of Community & Regional Affairs serves as Chair
1 regional representative from 4 judicial districts representing housing/ mortgage loan industry
1 representative of special needs groups
1 representative for rural areas
2 public members

ASHA and AHFC will maintain their independent status. The Executive Directors of both agencies will serve at the pleasure of the State Housing Board. AHFC and ASHA will each have a 5-member sub-board responsible for agency operations. The Commissioner of Community & Regional Affairs will chair the State Housing Board and both of the sub-boards. Membership on AHFC and ASHA Sub-Boards will each consist of the Commissioner of Community & Regional Affairs, 2 different members of the State Housing Board, and 2 members appointed by the Governor.

An Interagency Coordinating Committee could be formed with membership from each of the 12 agencies, offices and divisions involved in housing

Responsibilities: Statewide coordination of all housing programs.
Setting state housing policy.
Writing/updating long-term housing plan.
Same statewide responsibilities as listed above for Housing Commission.

Staffing: Executive Director, State Housing Board
Secretary/Receptionist
Administrative Officer
Research Analyst/Planner
Information Officer/Technical Advisor

Pros: This option is the most consistent with model housing organizations in other states. It would be an effective way to ensure that policies and goals are implemented through consistent regulations and non-duplicated programs.

Consolidating housing agencies under one board has greater likelihood of success in implementing statewide housing policies. The proposed State Housing Board can provide clear, consistent, non-conflicting direction for the state's housing programs.

This option would satisfy the potential federal mandate for coordination and distribution of federal funds at the state level.

Under this option ASHA and AHFC Boards retain their independent status within state government. Retaining this independent status is important because of concerns about the bond covenants of both agencies and ASHA's contractual arrangements with HUD.

Cons: The mission and purpose of ASHA and AHFC are very different. The demands on their separate boards of directors are already significant. To combine the two boards and add statewide responsibility in addition may be too much for board members to handle.

OPTION 4 SPECIAL ASSISTANT FOR HOUSING.

Establish a Special Assistant for Housing position within the Office of the Governor. Position will be responsible for advising the Governor on housing policy.

The Special Assistant would direct an Interagency Coordinating Committee comprised of directors of the 12 housing agencies, offices, and divisions. The Committee would meet on a regular basis (monthly, bi-weekly) to discuss housing programs, problems, and policy.

Responsibilities: Formulating statewide housing policy.
Coordinating housing programs consistent with a statewide housing policy.

Staffing: Special Assistant for Housing
Secretary

Pros: This option would be a minimum level of commitment for a statewide housing policy and for coordination of state housing programs. Administrative costs would be minimal.

Cons: Many of the statewide action plans identified by the HPDC would not get addressed, i.e. a long-term housing plan, statewide housing needs assessments, creating of housing partnerships, etc.

Least effective mechanism to implement centralized, coordinated statewide housing programs/policies.

There is no mechanism for public input under this option.

CURRENT HOUSING BOARDS/COUNCILS

There are currently 12 agencies, offices and divisions within State government which are involved in providing or regulating housing services within Alaska.

ALASKA HOUSING MARKET COUNCIL

Advises the Governor and the Legislature on housing policies directed towards the stabilization of the housing market. It also provides direct services to the public in the form of the mortgage and housing information and referral hotline, provides a forum for public input regarding housing issues, coordinates interagency housing policies, and conducts research on issues affecting housing and mortgage loans. (The Council will sunset on March 12, 1990.)

Membership:
Department of Community and Regional Affairs
Department of Commerce and Economic Development
Alaska Housing Finance Corporation
Alaska State Housing Authority
Alaska Permanent Fund Corporation
Alaska Industrial Development & Export Authority
Office of the Governor
Public Members (5)

Committees:
Housing Policy Development Committee (37 members)
HPDC divided into working task forces in 5 major areas to develop policy recommendations for full Committee review and adoption.

Staffing:
Executive Director
4 staff members

Meetings:
Council meets monthly. Meetings usually held in Anchorage and teleconferenced to Fairbanks, Juneau. Subcommittee meetings and Committee meetings held monthly and usually teleconferenced.

Members do not receive a stipend for attendance at meetings. Members are reimbursed for travel expenses at rates set by the state.

ALASKA STATE HOUSING AUTHORITY

Provides low to moderate income housing under state and federal housing programs. Issues bonds for housing and public facilities as requested.

ASHA has been in existence since before statehood. They are an independent agency within the state and contract directly with HUD for the housing funds they receive and the housing programs they provide. ASHA deals with low to moderate income housing needs - primarily in the urban areas. Thirteen regional housing authorities operate as Indian Housing Authorities and deal with low to moderate housing needs in the rural/village areas; these authorities are independent and do not report to ASHA.

Membership:
4 public members appointed by Governor,
currently all members are from Anchorage and membership represents rural/native, business/real estate, minority, social services, and state government.
Commissioner of Commerce & Economic Development

Staffing:	Executive Director Division Directors Clerical
Meetings:	4 times per year; 12 days maximum In 1989, Board met on quarterly basis: 2 meetings in Anchorage, 1 in Sitka, 1 in Juneau. Board members are paid $80 per diem for each meeting they attend. Members are reimbursed for travel expenses at rates set by the state.

ALASKA HOUSING FINANCE CORPORATION

Board of Directors is responsible for the management of AHFC assets and the business of the corporation; adoption, amendment and repeal of bylaws and regulations governing the manner in which all AHFC powers are exercised; review of proposed legislation and participation in lobbying efforts during legislative session; review and approval of key policy decisions which will affect AHFC borrowers; prescription of duties and compensation of corporation personnel; and review and approval of corporation budget.

Membership:	Commissioner, Department of Revenue Commissioner, Commerce & Economic Development State Government Executive appointed by Governor, currently Commissioner, Department of Labor Public members (2), currently from Anchorage
Committees:	Special committees established as needed.
Staffing:	Executive Director Executive Director's Secretary Division Directors
Meetings:	Not less than once every 3 months. Normally meet 12 times per year; 16 days maximum. Usually transact meetings by teleconference with Anchorage, Juneau and Fairbanks. Meetings last from 3 to 6 hours. Must give public notice, 24 hours or more in advance. Members are paid $100 for each public member, for each day spent on official business. Travel expenses are reimbursed at rate set by state.

ALTERNATIVES FOR IMPLEMENTATION OF HOUSING COORDINATION

COST ANALYSIS (in thousands)

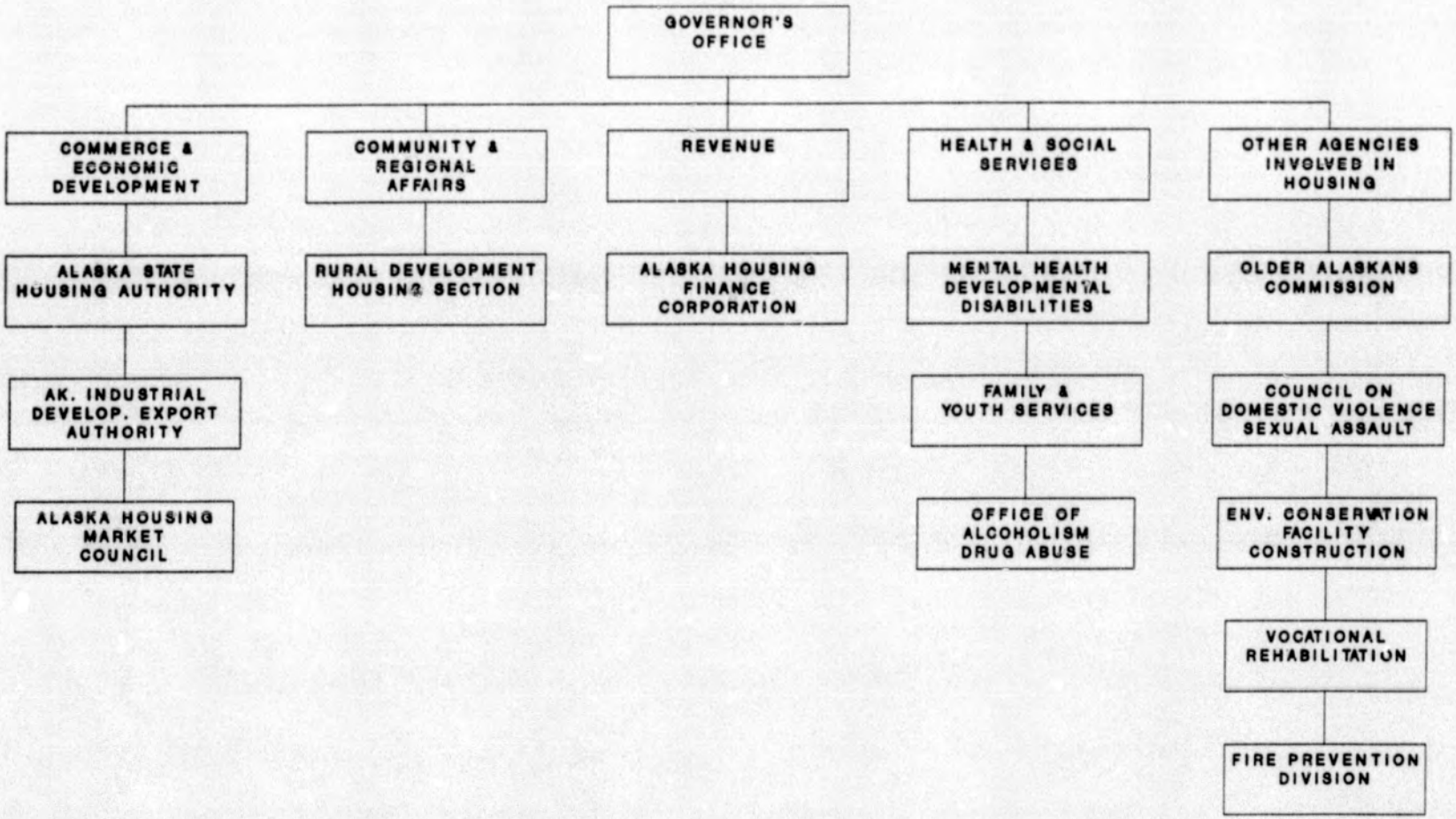
BUDGET CATEGORY	SPECIAL ASSISTANT		HOUSING COMMISSION		STATE HOUSING BOARD		HOUSING DEPT.
	TOTAL COST	ALTERNATE COST ①	TOTAL COST	ALTERNATE COST ①	TOTAL COST	ALTERNATE COST ①	TOTAL COST
OPERATING EXPENDITURES							
Personal Services	$110.7	$0.0	$239.4	$104.3	$262.6	$169.6	$400.9
Travel							
Staff Travel	6.0	6.0	14.5	6.9	14.5	10.3	28.0
Board Travel/Stipend			12.8	12.8	12.8	12.8	0.0
Per Diem							
Contractual							
Professional Services			8.7	3.9	8.7	3.9	
Communication	11.1	6.9	27.8	26.6	27.8	26.6	23.2
Advertising	2.5	0.0	14.4	7.4	13.0	10.0	9.5
Printing	2.0	2.0	16.1	4.0	18.1	10.1	14.6
Postage	4.2	1.8	8.3	7.8	7.1	6.6	5.7
Rent	4.8	0.0	19.4	0.0	18.9	0.9	22.8
Equipt. Rent, etc.			7.3	0.0	7.3	0.0	7.3
Supplies							
Office	3.8	1.0	6.3	3.8	6.3	3.8	11.0
Data Processing			1.0	1.0	1.0	0.5	2.0
TOTAL OPERATING EXP.	$145.1	$17.7	$376.0	$178.5	$398.1	$255.1	$525.0
NON-OPERATING EXP.			15.0	②	15.0	②	15.0
TOTAL BOARD COST	$145.1	$17.7	$391.0	$178.5	$413.1	$255.1	$540.0

NOTE: IF THE FEDERAL, AFFORDABLE HOUSING ACT PASSES, COSTS FOR EACH ALTERNATIVE WILL INCREASE BY $58.3 WITH THE ADDITION OF A GRANTS OFFICER TO REVIEW AND DISTRIBUTE FEDERAL FUNDS

① THESE ARE THE COSTS INCURRED WHEN EXISTING RESOURCES ARE USED. ALTERNATE COSTS FOR A DEPARTMENT OF HOUSING WERE NOT AVAILABLE AT IME OF REPORT.

② THERE WOULD BE NO ADDITIONAL COST IF THE PRESENT INVENTORY OF THE AHMC WERE USED.

STATE OF ALASKA
AGENCIES WITH HOUSING RESPONSIBILITIES



December 1989

ALASKA HOUSING COMMISSION

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
1.	PROVIDE PUBLIC INFORMATION ON HOUSING OPPORTUNITIES	-RESOURCE PERSON ON-STAFF TO ANSWER PUBLIC INQUIRIES	INFORMATION OFFICER/ TECHNICAL ADVISER	47.7	AHFC/ASHA STAFF	0.0
		-PRODUCE NEWSLETTER/BROCHURE		3.6	AGENCIES PRODUCE	0.0
2.	OVERSEE STATE AGENCY INFORMATION SERVICES	-REVIEW INFORMATION PRIOR TO PUBLICATION	INFORMATION OFFICER/ TECHNICAL ADVISOR		COMMISSION EX. DIR. ASSUMES THIS ROLE	
3.	PROVIDE INFORMATION TO INTERESTED PARTIES, RE: FORECLOSED PROPERTIES	-RESOURCE PERSON ON STAFF TO ANSWER PUBLIC INQUIRIES -CURRENT DATA BASE ON-LINE FOR INQUIRY	INFORMATION OFFICER RESEARCH ANALYST		AHFC STAFF	
4.	FACILITATE THE CREATION OF HOUSING PARTNERSHIPS	-RESEARCH CREATIVE HOUSING PARTNERSHIPS IN OTHER STATES -IDENTIFY COMMUNITIES WHERE CREATION OF HOUSING PARTNERSHIPS NEEDED/FEASIBLE -DOCUMENT HOUSING PARTNERSHIP POSSIBILITIES -IDENTIFY SOURCES OF PRE-DEVELOPMENT FINANCING AND ENCOURAGE/LOBBY FOR AGENCY MORTGAGE LOANS TO NON-PROFITS -DISTRIBUTE INFORMATION TO COMMUNITIES/AGENCIES -OFFER ASSISTANCE/CONSULTATION IN PARTNERSHIP DEVELOPMENT	INFORMATION OFFICER/ TECHNICAL ADVISER EXECUTIVE DIRECTOR		NONE AVAILABLE UNDER THIS ALTERNATIVE	

ALASKA HOUSING COMMISSION

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
5.	PROVIDE ADVICE AND TECHNICAL ASSISTANCE ON DEVELOPMENT OF HOUSING PARTNERSHIPS	-RESOURCE PERSON ON STAFF AVAILABLE TO CONSULT WITH COMMUNITIES/AGENCIES ON HOUSING PARTNERSHIP OPPORTUNITIES/STRUCTURE	INFORMATION OFFICER/ TECHNICAL ADVISER	3.4	NONE AVAILABLE UNDER THIS ALTERNATIVE	0.0
		-DEVELOP AND CONDUCT COMMUNITY WORKSHOPS ON HOUSING PARTNERSHIPS		5.9		0.0
		-PRODUCE HANDBOOK ON HOUSING PARTNERSHIPS		1.8		0.0
6.	WRITE/UPDATE LONG-RANGE STATE HOUSING PLAN	-DOCUMENT EXISTING HOUSING CONDITIONS/ CONCERNS/PROBLEMS STATEWIDE -DEVELOP LONG-RANGE HOUSING STRATEGIES CONSISTENT WITH STATE HOUSING POLICY	RESEARCH ANALYST/ PLANNER	47.7	INTERAGENCY COORD. COMMITTEE/COMMISSION EXECUTIVE DIRECTOR	0.0
		-PREPARE DRAFT AND FINAL LONG-RANGE HOUSING PLAN		6.2		0.0
		-DEVELOP PROCESS FOR ON-GOING REVIEW AND ANNUAL UPDATE OF PLAN				
7.	REVIEW OTHER AGENCY PLANS FOR CONFORMANCE WITH STATE HOUSING PLAN	-COORDINATE THE DEVELOPMENT OF STATEWIDE SERVICE PLANS WITH AHFC, ASHA, DCRA, DH&SS DIVISIONS, OTHER STATE AGENCIES AND OFFICES WITH HOUSING PROGRAMS/SERVICES	RESEARCH ANALYST/ PLANNER		INTERAGENCY COORD. COMMITTEE	

ALASKA HOUSING COMMISSION

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		-COORDINATE DEVELOPMENT OF SHORT AND LONG-TERM BUSINESS AND REGIONAL STRATEGIC PLANS WITH AHFC, DCRA & ASHA				
8.	PROVIDE STATE AGENCY HOUSING PROGRAM REVIEW, COORDINATION AND OVERSIGHT	-ESTABLISH PROCESS FOR REVIEW AND APPROVAL OF HOUSING OR MORTGAGE LOAN REGULATIONS -IDENTIFY AND CLARIFY ROLES OF AHFC, ASHA AND DCRA IN THE HOUSING MARKET	EXECUTIVE DIRECTOR HOUSING COMMISSION		EXECUTIVE DIRECTOR/ INTERAGENCY COMM.	
9.	REVIEW AND APPROVE ALL NEW OR AMENDED HOUSING AND MORTGAGE LOAN REGULATIONS	-REVIEW ALL PROPOSED AND EXISTING PROGRAMS OF STATE HOUSING AGENCIES/OFFICES AND IDENTIFY AREAS REQUIRING COORDINATION/COOPERATION			INTERAGENCY COORD. COMMITTEE	
10.	CONDUCT PERIODIC STATEWIDE HOUSING NEEDS ASSESSMENT ON HOUSING AND FINANCING AVAILABILITY	-CREATE DATA BASE ON HOUSING NEEDS BY REGION -CREATE DATA BASE ON STATE, FEDERAL AND LOCAL FINANCING PROGRAMS AVAILABLE -SOLICIT UPDATED INFORMATION ON A QUARTERLY OR SEMI-ANNUAL BASIS -UPDATE DATA BASE ON ON-GOING BASIS	RESEARCH ANALYST/ PLANNER	15.0	ISER OR UNIV. OF ALASKA	
11.	MAINTAIN COMPREHENSIVE INFORMATION ON HOUSING NEEDS STATEWIDE, TRACKING MOST URGENT HOUSING NEEDS	-ESTABLISH CRITERIA FOR DETERMINING MOST URGENT HOUSING NEEDS CONSISTENT WITH STATE HOUSING POLICY	RESEARCH ANALYST/ PLANNER		INTERAGENCY COORD. COMMITTEE	

ALASKA HOUSING COMMISSION

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
12.	IDENTIFY WHICH AREAS OF STATE AND WHICH TARGET POPULATIONS MOST IN NEED OF STATE HOUSING RESOURCES	-APPLY CRITERIA TO DATA BASE TO IDENTIFY MOST URGENT NEEDS AND TARGET POPULATIONS MOST IN NEED OF HOUSING RESOURCES -REVIEW STATE BUDGET REQUESTS FOR HOUSING FUNDS -PREPARE RECOMMENDATIONS FOR GOVERNOR AND LEGISLATURE FOR PRIORITY FUNDING OF MOST URGENT HOUSING NEEDS -TESTIFY AT LEGISLATIVE HEARINGS ON FUNDING	EXECUTIVE DIRECTOR/ HOUSING COMMISSION		ISER OR UNIV. OF ALASKA	
13.	REVIEW USE AND DISPOSITION OF STATE AGENCY-OWNED FORECLOSED PROPERTIES	-IDENTIFY INVENTORY OF OREOS AND THEIR DISPOSITION -ESTABLISH REPORTING SYSTEM FOR UPDATED INFORMATION ON OREO INVENTORY -ESTABLISH POLICY WITH STATE AGENCIES ON DISPOSAL OF OREOS FOR URGENT HOUSING NEEDS	RESEARCH ANALYST/ PLANNER EXECUTIVE DIRECTOR/ HOUSING COMMISSION		AHFC STAFF	
14.	IF AFFORDABLE HOUSING ACT PASSES, REVIEW AND DISTRIBUTE FEDERAL FUNDS AND DESIGNATE RECIPIENTS THROUGHOUT STATE	-SET UP CLEARINGHOUSE FOR ALL GRANTS FOR FEDERAL HOUSING FUNDS -DEVELOP FUNDING PLAN/ALLOCATION OF FEDERAL FUNDS BASED ON STATE HOUSING POLICY, LONG-RANGE HOUSING PLAN, MOST URGENT HOUSING NEEDS, AVAILABLE FUNDS	GRANTS ADMINISTRATOR	50.9 *	COVERED BY GRANT FUNDS	0.0

ALASKA HOUSING COMMISSION

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		-DESIGNATE RECIPIENTS AND AGENCY TO ADMINISTER FUNDS -MAINTAIN DATA BASE OF ALL FEDERAL HOUSING FUNDS AWARDED IN ALASKA				
15.	ADMINISTRATIVE DUTIES					
		-MAINTAIN OFFICE SPACE, EQUIP, ETC.		52.4	SHARE AGENCY SPACE, EQUIP	27.4
		-DIRECT COMMISSION ACTIVITIES	EXECUTIVE DIRECTOR	73.6		73.6
		-STAFF SUPPORT OF HOUSING COMMISSION MEETINGS	SECRETARY	30.6		30.7
		-ADMIN SUPPORT OF HOUSING COMMISSION	ADMIN. OFFICER	39.7		0
		-TECHNICAL SUPPORT OF HOUSING COMMISSION		25.3	USE AGENCY CONF. SPACE	21.1
		-TRAVEL FOR COMMISSION MEETINGS		12.8		12.8
		-PUBLICATION OF ANNUAL REPORT		2.1		2.1
		-BOOKKEEPING, ANNUAL AUDIT		8.7	AGENCY ACCTG. SERVICES	3.9
		-STAFF TRAVEL		14.5	REDUCED STAFF, LESS TRAVE	6.9
			TOTAL COSTS	391.0		178.5

*FUNDING FOR THIS POSITION IS QUESTIONABLE UNDER AFFORDABLE HOUSING ACT; POSSIBILITY OF USING GRANT FUNDS TO COVER POSITION NEEDS TO BE EXPLORED.

STATE HOUSING BOARD

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
1.	ADMINISTER ALL HOUSING AGENCIES AND STATE HOUSING PROGRAMS	-STAFF STATE HOUSING BOARD -OVERALL ADMINISTRATIVE RESPONSIBILITY FOR AHFC, ASHA, RURAL HOUSING, INTERAGENCY COORDINATING COMMITTEE	EXECUTIVE DIRECTOR	86.5		86.5
2.	PROVIDE PUBLIC INFORMATION ON HOUSING OPPORTUNITIES	-RESOURCE PERSON ON STAFF TO ANSWER PUBLIC INQUIRIES	INFORMATION OFFICER	50.9	AHFC/ASHA STAFF	0.0
		-PRODUCE NEWSLETTER/BROCHURE		3.6	AGENCIES PRODUCE	0.0
3.	OVERSEE STATE AGENCY INFORMATION SERVICES	-REVIEW INFORMATION PRIOR TO PUBLICATION	INFORMATION OFFICER			
4.	PROVIDE INFORMATION TO INTERESTED PARTIES, RE: FORECLOSED PROPERTIES	-RESOURCE PERSON ON STAFF TO ANSWER PUBLIC INQUIRIES -CURRENT DATA BASE ON LINE FOR INQUIRY	INFORMATION OFFICER RESEARCH ANALYST		AHFC STAFF	
5.	FACILITATE THE CREATION OF HOUSING PARTNERSHIPS; PROVIDE ADVICE AND TECHNICAL ASSISTANCE ON DEVELOPMENT OF HOUSING PARTNERSHIPS	-RESEARCH CREATIVE HOUSING PARTNERSHIPS IN OTHER STATES -IDENTIFY COMMUNITIES WHERE CREATION OF HOUSING PARTNERSHIPS NEEDED/FEASIBLE -DOCUMENT HOUSING PARTNERSHIP POSSIBILITIES	INFORMATION OFFICER		MUST HAVE INFORMATION OFFICER/TECHNICAL ADVISOR POSITION TO ACCOMPLISH THIS ACTION PLAN.	50.9

STATE HOUSING BOARD

NO. RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
	-IDENTIFY SOURCES OF PRE-DEVELOPMENT FINANCING AND ENCOURAGE/LOBBY FOR AGENCY MORTGAGE LOANS TO NON-PROFITS -DISTRIBUTE INFORMATION TO COMMUNITIES/AGENCIES -OFFER ASSISTANCE/CONSULTATION IN PARTNERSHIP DEVELOPMENT	EXECUTIVE DIRECTOR			
	-RESOURCE PERSON ON STAFF AVAILABLE TO CONSULT WITH COMMUNITIES/AGENCIES ON HOUSING PARTNERSHIP OPPORTUNITIES/STRUCTURE	INFORMATION OFFICER	3.4		3.4
	-DEVELOP AND CONDUCT COMMUNITY WORKSHOPS ON HOUSING PARTNERSHIPS		5.9		5.9
	-PRODUCE HANDBOOK ON HOUSING PARTNERSHIPS		1.8		1.8
6. WRITE/UPDATE LONG-RANGE STATE HOUSING PLAN	-DOCUMENT EXISTING HOUSING CONDITIONS/ CONCERNS/PROBLEMS STATEWIDE -DEVELOP LONG-RANGE HOUSING STRATEGIES CONSISTENT WITH STATE HOUSING POLICY -PREPARE DRAFT AND FINAL LONG-RANGE HOUSING PLAN -DEVELOP PROCESS FOR ONGOING REVIEW AND ANNUAL UPDATE OF PLAN	RESEARCH ANALYST/ PLANNER	50.9 6.2	HOUSING AGENGIES/DIVISION USE EXISTING STAFF TO WRITE PLANS CONSISTENT W/ STATE HOUSING POLICY	0.0 0.0

STATE HOUSING BOARD

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
7.	REVIEW OTHER AGENCY PLANS FOR CONFORMANCE WITH STATE HOUSING PLAN	-COORDINATE THE DEVELOPMENT OF STATEWIDE SERVICE PLANS WITH AHFC, ASHA, DCRA, DHSS DIVISIONS, OTHER STATE AGENCIES AND OFFICES WITH HOUSING PROGRAMS/SERVICES -COORDINATE DEVELOPMENT OF SHORT AND LONG-TERM BUSINESS AND REGIONAL STRATEGIC PLANS WITH AHFC, DCRA AND ASHA	RESEARCH ANALYST/ PLANNER		INTERAGENCY COORD COMMITTEE	
8.	PROVIDE STATE AGENCY HOUSING PROGRAM REVIEW, COORDINATION AND OVERSIGHT	-ESTABLISH PROCESS FOR REVIEW AND APPROVAL OF HOUSING OR MORTGAGE LOAN REGULATIONS -IDENTIFY AND CLARIFY ROLES OF AHFC, ASHA AND DCRA IN THE HOUSING MARKET	EXECUTIVE DIRECTOR HOUSING BOARD		EXECUTIVE DIRECTOR/ INTERAGENCY COMM.	
9.	REVIEW AND APPROVE ALL NEW OR AMENDED HOUSING AND MORTGAGE LOAN REGULATIONS	-REVIEW ALL PROPOSED AND EXISTING PROGRAMS OF AHFC, ASHA, AND DCRA AND IDENTIFY AREAS REQUIRING COORDINATION/COOPERATION			INTERAGENCY COORD. COMMITTEE	
10.	CONDUCT PERIODIC STATEWIDE HOUSING NEEDS ASSESSMENT ON HOUSING AND FINANCING AVAILABILITY	-CREATE DATA BASE ON HOUSING NEEDS BY REGION -CREATE DATA BASE ON AVAILABLE STATE, FEDERAL AND LOCAL FINANCING PROGRAMS -SOLICIT UPDATED INFORMATION ON A QUARTERLY OR SEMI-ANNUAL BASIS	RESEARCH ANALYST/ PLANNER	15.0	ISER OR UNIV. OF ALASKA	

STATE HOUSING BOARD

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		-UPDATE DATA BASE ON ONGOING BASIS				
11.	MAINTAIN COMPREHENSIVE INFORMATION ON HOUSING NEEDS STATEWIDE, TRACKING MOST URGENT HOUSING NEEDS	-ESTABLISH CRITERIA FOR DETERMINING MOST URGENT HOUSING NEEDS CONSISTENT WITH STATE HOUSING POLICY	RESEARCH ANALYST/ PLANNER		INTERAGENCY COORD. COMMITTEE	
12.	IDENTIFY WHICH AREAS OF STATE AND WHICH TARGET POPULATIONS MOST IN NEED OF STATE HOUSING RESOURCES	-APPLY CRITERIA TO DATA BASE TO IDENTIFY MOST URGENT NEEDS AND TARGET POPULATIONS MOST IN NEED OF HOUSING RESOURCES -REVIEW STATE BUDGET REQUESTS FOR HOUSING FUNDS -PREPARE RECOMMENDATIONS FOR GOVERNOR AND LEGISLATURE FOR PRIORITY FUNDING OF MOST URGENT HOUSING NEEDS -TESTIFY AT LEGISLATIVE HEARINGS ON FUNDING	EXECUTIVE DIRECTOR/ HOUSING COMMISSION		ISER OR UNIV. OF ALASKA	
13.	REVIEW USE AND DISPOSITION OF STATE AGENCY-OWNED FORECLOSED PROPERTIES	-IDENTIFY INVENTORY OF OREOS AND THEIR DISPOSITION -ESTABLISH REPORTING SYSTEM FOR UPDATED INFORMATION ON OREO INVENTORY -ESTABLISH POLICY WITH STATE AGENCIES ON DISPOSAL OF OREOS FOR URGENT HOUSING NEEDS	RESEARCH ANALYST/ PLANNER EXECUTIVE DIRECTOR/ HOUSING COMMISSION		AHFC STAFF	

STATE HOUSING BOARD

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
14.	IF AFFORDABLE HOUSING ACT PASSES, REVIEW AND DISTRIBUTE FEDERAL FUNDS AND DESIGNATE RECIPIENTS	-SET UP CLEARINGHOUSE FOR ALL GRANTS FOR FEDERAL HOUSING FUNDS -DEVELOP FUNDING PLAN/ALLOCATION OF FEDERAL FUNDS BASED ON STATE HOUSING POLICY, LONG-RANGE HOUSING PLAN, MOST URGENT HOUSING NEEDS, AVAILABLE FUNDS -DESIGNATE RECIPIENTS AND AGENCY TO ADMINISTER FUNDS -MAINTAIN DATA BASE OF ALL FEDERAL HOUSING FUNDS AWARDED IN ALASKA	GRANTS ADMINISTRATOR	50.9 *	COVERED BY GRANT FUNDS	0.0
15.	ADMINISTRATIVE DUTIES	-MAINTAIN OFFICE SPACE, EQUIP., ETC.		55.1	SHARE AGENCY SPACE, EQUIP	25.6
		-STAFF SUPPORT OF HOUSING BOARD MEETINGS	SECRETARY	32.1		32.1
		-ADMIN. SUPPORT OF HOUSING BOARD	ADMIN. OFFICER	42.1	DUTIES ABSORBED AGENCY	0
		-TECHNICAL SUPPORT OF HOUSING BOARD		24.9	USE AGENCY CONF. SPACE	23.2
		-TRAVEL FOR BOARD MEETINGS		12.8		12.8
		-PUBLICATION OF ANNUAL REPORT		2.1		2.1
		-BOOKKEEPING, ANNUAL AUDIT		8.7	AGENCY ACCTG. SERVICES	3.9
		-STAFF TRAVEL		11.1	REDUCED STAFF, LESS TRAVE	6.9
			TOTAL COSTS	413.1		255.1

*COVERED BY GRANT FUNDS, NOT INCLUDED IN OPERATING COST TOTAL.

SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
1.	PROVIDE PUBLIC INFORMATION ON HOUSING OPPORTUNITIES	-RESOURCE PERSON ON-STAFF TO ANSWER PUBLIC INQUIRIES -PRODUCE NEWSLETTER/BROCHURE	NOT AVAILABLE UNDER THIS ALTERNATIVE		AHFC/ASHA STAFF AGENCIES PRODUCE	0.0 0.0
2.	OVERSEE STATE AGENCY INFORMATION SERVICES	-REVIEW PUBLISHED INFORMATION	NOT AVAILABLE UNDER THIS ALTERNATIVE		COMMISSION EX. DIR.	
3.	PROVIDE INFORMATION TO INTERESTED PARTIES RE: FORECLOSED PROPERTIES	-RESOURCE PERSON ON STAFF TO ANSWER PUBLIC INQUIRIES -CURRENT DATA BASE ON-LINE FOR INQUIRY	NOT AVAILABLE UNDER THIS ALTERNATIVE		AHFC STAFF	
4.	FACILITATE THE CREATION OF HOUSING PARTNERSHIPS; PROVIDE ADVICE AND TECHNICAL ASSISTANCE ON DEVELOPMENT OF HOUSING PARTNERSHIPS	-RESEARCH CREATIVE HOUSING PARTNERSHIPS IN OTHER STATES -IDENTIFY COMMUNITIES WHERE CREATION OF HOUSING PARTNERSHIPS NEEDED/FEASIBLE -DOCUMENT HOUSING PARTNERSHIP POSSIBILITIES -IDENTIFY SOURCES OF PRE-DEVELOPMENT FINANCING AND ENCOURAGE/LOBBY FOR AGENCY MORTGAGE LOANS TO NON-PROFITS -DISTRIBUTE INFORMATION TO COMMUNITIES/AGENCIES -OFFER ASSISTANCE/CONSULTATION IN PARTNERSHIP DEVELOPMENT	NOT AVAILABLE UNDER THIS ALTERNATIVE			

SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		-RESOURCE PERSON ON STAFF AVAILABLE TO CONSULT WITH COMMUNITIES/AGENCIES ON HOUSING PARTNERSHIP OPPORTUNITIES/STRUCTURE	NOT AVAILABLE UNDER THIS ALTERNATIVE	0.0		0.0
		-DEVELOP AND CONDUCT COMMUNITY WORKSHOPS ON HOUSING PARTNERSHIPS		0.0		0.0
		-PRODUCE HANDBOOK ON HOUSING PARTNERSHIPS		0.0		0.0
5.	WRITE/UPDATE LONG-RANGE STATE HOUSING PLAN	-DOCUMENT EXISTING HOUSING CONDITIONS/ CONCERNS/PROBLEMS STATEWIDE -DEVELOP LONG-RANGE HOUSING STRATEGIES CONSISTENT WITH STATE HOUSING POLICY	NOT AVAILABLE UNDER THIS ALTERNATIVE	0.0		0.0
		-PREPARE DRAFT AND FINAL LONG-RANGE HOUSING PLAN -DEVELOP PROCESS FOR ON-GOING REVIEW AND ANNUAL UPDATE OF PLAN		0.0		0.0
6.	REVIEW OTHER AGENCY PLANS FOR CONFORMANCE WITH STATE HOUSING PLAN	-COORDINATE THE DEVELOPMENT OF STATEWIDE SERVICE PLANS WITH AHFC, ASHA, DCRA, DIV. OF ALCOHOLISM & DRUG ABUSE, DIV. OF MENTAL HEALTH & DEVELOP. DISABILITIES, COUNCIL ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT.	NOT AVAILABLE UNDER THIS ALTERNATIVE		INTERAGENCY COORD. COMMITTEE	

SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		-COORDINATE DEVELOPMENT OF SHORT AND LONG-TERM BUSINESS AND REGIONAL STRATEGIC PLANS WITH AHFC, DCRA AND ASHA.				
7.	PROVIDE STATE AGENCY HOUSING PROGRAM REVIEW, COORDINATION AND OVERSIGHT	-ESTABLISH PROCESS FOR REVIEW AND APPROVAL OF HOUSING OR MORTGAGE LOAN REGULATIONS -IDENTIFY AND CLARIFY ROLES OF AHFC, ASHA AND DCRA IN THE HOUSING MARKET	NOT AVAILABLE UNDER THIS ALTERNATIVE			
8.	REVIEW AND APPROVE ALL NEW OR AMENDED HOUSING AND MORTGAGE LOAN REGULATIONS	-REVIEW ALL PROPOSED AND EXISTING PROGRAMS OF AHFC, ASHA, AND DCRA AND IDENTIFY AREAS REQUIRING COORDINATION/COOPERATION				
9.	CONDUCT PERIOD STATEWIDE HOUSING NEEDS ASSESSMENT ON HOUSING AND FINANCING AVAILABILITY	-CREATE DATA BASE ON HOUSING NEEDS BY REGION. -CREATE DATA BASE ON STATE, FEDERAL AND LOCAL FINANCING PROGRAMS AVAILABLE -SOLICIT UPDATED INFORMATION ON A QUARTERLY OR SEMI-ANNUAL BASIS -UPDATE DATA BASE ON ON-GOING BASIS	NOT AVAILABLE UNDER THIS ALTERNATIVE	0.0		
10.	MAINTAIN COMPREHENSIVE INFORMATION ON HOUSING NEED STATEWIDE, TRACKING MOST URGENT HOUSING NEEDS	-ESTABLISH CRITERIA FOR DETERMINING MOST URGENT HOUSING NEEDS CONSISTENT WITH STATE HOUSING POLICY	NOT AVAILABLE UNDER THIS ALTERNATIVE			

SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
11.	IDENTIFY WHICH AREAS OF STATE AND WHICH TARGET POPULATIONS MOST IN NEED OF STATE HOUSING RESOURCES	-APPLY CRITERIA TO DATA BASE TO IDENTIFY MOST URGENT NEEDS AND TARGET POPULATIONS MOST IN NEED OF HOUSING RESOURCES -REVIEW STATE BUDGET REQUESTS FOR HOUSING FUNDS -PREPARE RECOMMENDATIONS FOR GOVERNOR AND LEGISLATURE FOR PRIORITY FUNDING OF MOST URGENT HOUSING NEEDS -TESTIFY AT LEGISLATIVE HEARINGS ON FUNDING	SPECIAL ASSITANT/ INTERAGENCY COORD. COMMITTEE			
12.	REVIEW USE AND DISPOSITION OF STATE AGENCY-OWNED FORECLOSED PROPERTIES	-IDENTIFY INVENTORY OF OREOS AND THEIR DISPOSITION -ESTABLISH REPORTING SYSTEM FOR UPDATED INFORMATION ON OREO INVENTORY -ESTABLISH POLICY WITH STATE AGENCIES ON DISPOSAL OF OREOS FOR URGENT HOUSING NEEDS	NOT AVAILABLE UNDER THIS ALTERNATIVE		AHFC STAFF	
		-REVIEW AND DISCUSSION OF PUBLIC PURPOSE USE OF OREO INVENTORY.	INTERAGENCY COORD. COMMITTEE			
13.	IF AFFORDABLE HOUSING ACT PASSES, REVIEW AND DISTRIBUTE FEDERAL FUNDS AND DESIGNATE RECIPIENTS THROUGHOUT STATE	-SET UP CLEARINGHOUSE FOR ALL GRANTS FOR FEDERAL HOUSING FUNDS -DEVELOP FUNDING PLAN/ALLOCATION OF FEDERAL FUNDS BASED ON STATE HOUSING POLICY, LONG-RANGE HOUSING PLAN, MOST URGENT	NOT AVAILABLE UNDER THIS ALTERNATIVE	0.0	COVERED BY GRANT FUNDS	0.0

SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		HOUSING NEEDS, AVAILABLE FUNDS -DESIGNATE RECIPIENTS AND AGENCY TO ADMINISTER FUNDS -MAINTAIN DATA BASE OF ALL FEDERAL HOUSING FUNDS AWARDED IN ALASKA				
14.	ADMINISTRATIVE DUTIES	-MAINTAIN OFFICE SPACE, EQUIP., ETC.		21.2	SHARE AGENCY SPACE, EQUIP	4.4
		-DIRECT COMMITTEE ACTIVITIES	SPECIAL ASSISTANT	78.5		0.0
		-STAFF SUPPORT OF COORD. COMMITTEE MTGS.	SECRETARY	32.1		0.0
		-TECHNICAL SUPPORT OF INTERAGENCY COMMITTEE		7.3		7.3
		-STAFF TRAVEL		6.0		6.0
			TOTAL COSTS	145.1		17.7

*FUNDING FOR THIS POSITION IS QUESTIONABLE UNDER AFFORDABLE HOUSING ACT; POSSIBILITY OF USING GRANT FUNDS TO COVER POSITION NEEDS TO BE EXPLORED.

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1617 SCOMM 60: HOUSING FINANCE TASK FORCE, 1989

Appendix III

TOTAL STATE AND FEDERAL FUNDS APPROPRIATED IN ALASKA
For Fiscal Years 1988 and 1989 (In Thousands)

PURPOSE	LOW INCOME	RURAL	RENTAL	HOME OWNERSHIP	SPECIAL NEEDS	SENIORS	WEATHERIZATION	TOTALS
Federal:								
MCKINNEY					$1,217.6			
DEVELOP HOUSING		$57,876.0						
EMERGENCY SHELTER					549.5			
H A OPERATIONS	$8,246.0	6,936.3						
HOMELESS YOUTH					50.0			
HOUSING REHAB	1,005.0	1,874.8						
REHAB PROJECTS	1,997.4	9,837.9						
RENT SUBSIDIES			$36,659.7					
RENTAL UNITS			20,745.0					
RUNAWAY SHELTER					128.0			
SENIOR CENTER						348.5		
WEATHERIZATION							4,800.0	
TOTAL FEDERAL	11,248.4	76,525.0	57,404.7	0.0	1,945.1	348.5	4,800.0	$152,271.7
State:								
MORTGAGE LOANS		47,874.0		1,042,978.6				
SUPPLEM. HOUSING		7,000.0						
PIONEER HOMES						51,854.0		
MENTAL HEALTH					19,684.4			
WEATHERIZATION							4,700.0	
RECIPIENT GRANTS					29,412.9			
WILLOW PARK GRAN	4,900.0							
TOTAL STATE	4,900.0	54,874.0	0.0	1,042,978.6	49,097.3	51,854.0	4,700.0	$1,208,403.9
TOTAL COMBINED	$16,148.4	$131,399.0	$57,404.7	$1,042,978.6	$51,042.4	$52,202.5	$9,500.0	$1,360,675.6
% OF TOTAL	1.19%	9.66%	4.22%	76.65%	3.75%	3.84%	0.70%	100.00%

Alaska Housing Market Council
December 1989

STATE FUNDS APPROPRIATED FOR HOUSING IN ALASKA
For Fiscal Years 1988, 1989 and 1990 To Date

AGENCY	SOURCE: GENERAL FUNDS OR BONDS	AMOUNT	TYPE OF FUNDS: CAP/OPR	YEAR	PURPOSE	SUBTOTALS
				1988		
AHFC	GEN. FUND	$5,924,100	OPR	88	LOAN ADMINISTRATION	
AHFC	BONDS	$705,154,107	LOAN	88	LOANS ORIGINATED	$711,078,207
RURAL LOAN FUND	GEN FUND	22,683,850	LOAN	88	RURAL HOUSING LOANS	
SUPPLEMENTAL HOUSING	GEN. FUND	3,500,000	CAP	88	RURAL HOUSING	
RURAL LOAN FUND	GEN FUND	2,134,716	OPR	88	RURAL HOUSING	$28,318,566
PIONEER HOMES	GEN. FUND	900,000	CAP	88	SENIOR HOUSING	
PIONEER HOMES	GEN. FUND	22,983,000	OPR	88	SENIOR HOUSING	$23,883,000
MENTAL HEALTH	GEN. FUND	700,000	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	432,000	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	197,700	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,303,050	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	641,000	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,784,850	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	23,820	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	886,100	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	401,625	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,872,000	OPR	88	SPECIAL NEEDS HOUSING	$8,242,145

STATE FUNDS APPROPRIATED FOR HOUSING IN ALASKA
For Fiscal Years 1988, 1989 and 1990 To Date

AGENCY	SOURCE: GENERAL FUNDS OR BONDS	AMOUNT	TYPE OF FUNDS: CAP/OPR	YEAR	PURPOSE	SUBTOTALS
WEATHERIZATION	GEN. FUND	350,000	CAP	88	WEATHERIZATION PROJECTS	
WEATHERIZATION	OIL OVERCHARGE	2,000,000	CAP	88	WEATHERIZATION PROJECTS	
						$2,350,000
NAMED RECIPIENT GRANTS	GEN. FUND	14,653,375		88	STATE GRANTS	$14,653,375
TOTAL 1988 GENERAL FUNDS		$83,371,186				
TOTAL 1988 BONDS		$705,154,107			TOTAL 1988 FUNDS	$788,525,293
				1989		
AHFC	GEN FUND	$5,723,700	OPR	89	LOAN ADMINISTRATION	
AHFC	BONDS	$326,176,703	LOAN	89	LOANS ORIGINATED	
						$331,900,403
RURAL LOAN FUND	GEN FUND	20,165,700	LOAN	89	LOANS ORIGINATED	
RURAL LOAN FUND	GEN FUND	2,889,700	OPR	89	RURAL HOUSING	
SUPPLEMENTAL HOUSING	GEN. FUND	3,500,000	CAP	89	RURAL HOUSING	
						$26,555,400
PIONEER HOMES	GEN. FUND	24,761,000	OPR	89	SENIOR HOUSING	
ASHA	GEN FUND	2,430,000	CAP	89	SENIOR HOUSING	
PIONEER HOMES	GEN. FUND	780,000	CAP	89	SENIOR HOUSING	
						$27,971,000

STATE FUNDS APPROPRIATED FOR HOUSING IN ALASKA
For Fiscal Years 1988, 1989 and 1990 To Date

AGENCY	SOURCE: GENERAL FUNDS OR BONDS	AMOUNT	TYPE OF FUNDS: CAP/OPR	YEAR	PURPOSE	SUBTOTALS
MENTAL HEALTH	GEN. FUND	401,625	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	23,820	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	197,700	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,784,850	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,872,000	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,303,050	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,174,800	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	641,000	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	886,100	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	432,000	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,700,000	CAP	88-89	SPECIAL NEEDS HOUSING	
ASHA	GEN. FUND	1,025,271	CAP	89	SPECIAL NEEDS HOUSING	
						$11,442,216
ASHA	AHFC & GEN. FUN	4,900,000		89	ASBESTOS ABATE. & REMOVAL	$4,900,000
WEATHERIZATION	OIL OVERCHARGE	2,000,000	CAP	89	WEATHERIZATION PROJECTS	
WEATHERIZATION	GEN. FUND	350,000	CAP	89	WEATHERIZATION PROJECTS	
						$2,350,000
NAMED RECIPIENT GRANTS		14,759,533		89	STATE GRANTS	$14,759,533
TOTAL 1989 GENERAL FUNDS		$93,701,849				
TOTAL 1989 BONDS		$ 20,176,703			TOTAL 1989 FUNDS	$419,878,552
TOTAL ALL FUNDS 1988/1989		$1,208,403,845				$1,208,403,845

STATE FUNDS APPROPRIATED FOR HOUSING IN ALASKA
For Fiscal Years 1988, 1989 and 1990 To Date

AGENCY	SOURCE: GENERAL FUNDS OR BONDS	AMOUNT	TYPE OF FUNDS: CAP/OPR	YEAR	PURPOSE	SUBTOTALS
				1990		
PIONEER HOMES	GEN. FUND	$25,000,000	OPR	90	SENIOR HOUSING	
PIONEER HOMES	GEN. FUND	500,000	CAP	90	SENIOR HOUSING	$25,500,000
AHFC	GEN. FUND	10,527,600	OPR	90	LOAN ADMINISTRATION	$10,527,600
SUPPLEMENTAL HOUSING	GEN. FUND	3,500,000	CAP	90	RURAL HOUSING	$3,500,000
WEATHERIZATION	OIL OVERCHARGE	0	CAP	90	WEATHERIZATION PROJECTS	
WEATHERIZATION	GEN. FUND	400,000	CAP	90	WEATHERIZATION PROJECTS	$400,000
TOTAL 1990 APPROPRIATION KNOWN TO DATE		$39,927,600				

Alaska Housing Market Council
December, 1989

FEDERAL HOUSING FUNDS APPROPRIATED FOR ALASKA

SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	AWARD	OPERATING/ CAPITAL $	PURPOSE
1988 APPROPRIATED						
HUD	HUD	ALEUTIAN H. A.		$1,032,252	CAP	REHAB 5 PROJECTS
HUD	HUD	ARCTIC SLOPE REG. H. A.		137,500	CAP	REHAB 1 PROJECT
HUD	HUD	ASHA		508,279	CAP	REHAB 1 PROJECT
HUD	HUD	ASHA		13,830,000	CAP	REPLACE WILLOW PARK*
HUD	HUD	ASSOC. VILLAGE COUNCIL H. A.		22,700	CAP	DEVELOP NEW HOUSING
HUD	HUD	ASSOC. VILLAGE COUNCIL H. A.		6,313,200	CAP	DEVELOP NEW HOUSING
HUD	HUD	ASSOC. VILLAGE COUNCIL H. A.		510,546	CAP	REHAB 22 PROJECTS
HUD	HUD	BARANOF ISLAND H A/C		922,000	CAP	DEVELOP NEW HOUSING
HUD	CDBG	BEAVER VILLAGE		350,000	CAP	HOUSING REHAB
HUD	HUD	BERING STRAITS REG. H.A.		5,961,600	CAP	DEVELOP NEW HOUSING
HUD	HUD	BERING STRAITS REG. H.A.		456,568	CAP	DEVELOPMENT FUNDS
HUD	HUD	BERING STRAITS REG. H.A.		849,212	CAP	REHAB 8 PROJECTS
HUD	HUD	BRISTOL BAY H.A.		7,172,159	CAP	DEVELOP NEW HOUSING
HUD	HUD	BRISTOL BAY H.A.		293,160	CAP	DEVELOPMENT FUNDS
HUD	HUD	COPPER RIVER H A		20,730	CAP	REHAB 1 PROJECT
HUD	HUD	COPPER RIVER H A		435,450	CAP	DEVELOPMENT FUNDS
HUD/ESG	CDBG	FAIRBANKS N.S.B.		15,634	CAP	EMERGENCY SHELTER
HUD	HUD	INTERIOR REGION H A		277,130	CAP	DEVELOPMENT FUNDS
HUD	HUD	INTERIOR REGION H A		311,478	CAP	REHAB 3 PROJECTS
HUD	HUD	INTERIOR REGION H A		3,627,000	CAP	DEVELOP NEW HOUSING
HUD/ESG	CDBG	JUNEAU		29,613	CAP	EMERGENCY SHELTER
HUD/ESG	CDBG	KENAI		4,770	CAP	EMERGENCY SHELTER
HUD	HUD	KODIAK ISLAND H A		680,446	CAP	REHAB 3 PROJECTS
HUD/ESG	CDBG	KOTZEBUE		11,023	CAP	EMERGENCY SHELTER
MCKINNEY ACT	HUD	MOA		4,000	CAP	EMERGENCY SHELTER GRANTS
HUD/ESG	CDBG	MOA		5,100	CAP	EMERGENCY SHELTER
HUD	ESGP	MUN OF ANCHORAGE		4,000	CAP	EMERGENCY SHELTER
HUD	RRP	MUN OF ANCHORAGE		156,700	CAP	RENTAL REHAB
HUD	HUD	MUN OF ANCHORAGE		729,950	CAP	HOUSING REHAB
HUD	CDBG	MUN OF ANCHORAGE		128,000	CAP	RUNAWAY SHELTER
HUD	HUD	NORTH PACIFIC RIM H A		19,384	CAP	DEVELOPMENT FUNDS
HUD	HUD	NORTH PACIFIC RIM H A		1,844,000	CAP	DEVELOP NEW HOUSING
HUD	HUD	NORTHWEST INUPIAT H A		3,103,778	CAP	DEVELOPMENT FUNDS
HUD	HUD	NORTHWEST INUPIAT H A		2,344,000	CAP	DEVELOP NEW HOUSING
HUD	HUD	NORTHWEST INUPIAT H A		319,575	CAP	REHAB 3 PROJECTS
HUD	CDBG	PETERSBURG		350,000	CAP	HOUSING REHAB
HUD	CDBG	RUBY		124,768	CAP	HOUSING REHAB
HUD	HUD	STATE OF ALASKA		81,000	CAP	RENTAL REHAB
HUD	ESPG	STATE OF ALASKA		5,000	CAP	EMERGENCY SHELTER
HUD/ESG		STATE OF ALASKA		2,500,000	CAP	WEATHERIZATION
MCKINNEY ACT	HUD	STATE OF ALASKA		5,000	CAP	EMERGENCY SHELTER GRANTS
HUD	CDBG	TCC/VENETIE		350,000	CAP	HOUSING REHAB

FEDERAL HOUSING FUNDS APPROPRIATED FOR ALASKA

SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	AWARD	OPERATING/ CAPITAL $	PURPOSE
HUD	HUD	TLINGIT-HAIDA H A		75,000	CAP	DEVELOPMENT FUNDS
HUD	HUD	TLINGIT-HAIDA H A		3,739,800	CAP	DEVELOP NEW HOUSING
HUD	HUD	TLINGIT-HAIDA H A		1,185,525	CAP	REHAB 15 PROJECTS
		SUBTOTAL 1988 CAPITAL APPROPRIATIONS		$60,847,030		
HUD	HUD	ALEUTIAN H.A.		$179,070	OPR	H A OPERATIONS
HUD	HUD	ARCTIC SLOPE REG. H. A.		304,080	OPR	H A OPERATIONS
HUD	HUD	ASHA		4,036,039	OPR	H A OPERATIONS
HUD	HUD	ASHA		8,526,654	OPR	RENT SUBSIDIES
HUD	HUD	ASHA		898,190	OPR	RENT SUBSIDIES
HUD	HUD	ASSOC. VILLAGE COUNCIL H. A.		191,120	OPR	OPERATING SUBSIDY
HUD	HUD	BARANOF ISLAND H A/C		14,700	OPR	H A OPERATIONS
HUD	HUD	BERING STRAITS REG. H.A.		210,334	OPR	H A OPERATIONS
MCKINNEY ACT	FEMA	BETHEL		5,000	OPR	EMERG. FOOD & SHELTER
MCKINNEY ACT	HHS	BRISTOL BAY	INDIAN ALLOCATION	2,265	OPR	ECS - HOMELESS
HUD	HUD	BRISTOL BAY H.A.		54,340	OPR	H A OPERATIONS
MCKINNEY ACT	HHS	COOK INLET	INDIAN ALLOCATION	6,302	OPR	ECS - HOMELESS
HUD	HUD	COOK INLET H A		706,476	OPR	H A OPERATIONS
HUD	HUD	COPPER RIVER H A		286,994	OPR	H A OPERATIONS
MCKINNEY ACT	HHS	FAIRBANKS	INDIAN ALLOCATION	1,000	OPR	ECS - HOMELESS
MCKINNEY ACT	FEMA	FAIRBANKS N. S. B.		77,425	OPR	EMERG. FOOD & SHELTER
HUD	HUD	INTERIOR REGION H A		59,690	OPR	H A OPERATIONS
MCKINNEY ACT	FEMA	KENAI PENINSULA BOR.		49,565	OPR	EMERG. FOOD & SHELTER
MCKINNEY ACT	HHS	KODIAK	INDIAN ALLOCATION	1,001	OPR	ECS - HOMELESS
HUD	HUD	KODIAK ISLAND H A		137,450	OPR	H A OPERATIONS
MCKINNEY ACT	FEMA	KODIAK ISL. BO.		4,907	OPR	EMERG. FOOD & SHELTER
MCKINNEY ACT	HHS	LARSEN BAY	INDIAN ALLOCATION	500	OPR	ECS - HOMELESS
MCKINNEY ACT	FEMA	MAT-SU		48,039	OPR	EMERG. FOOD & SHELTER
HUD	HUD	METLAKATLA H A		127,814	OPR	H A OPERATIONS
MCKINNEY ACT	HHS	MOA	CLITHEROE CENTER	1,046,589	OPR	ALCOHOL/DRUG ABUSE TREAT.
MCKINNEY ACT	FEMA	MOA		95,700	OPR	EMERG. FOOD & SHELTER
MCKINNEY ACT	FEMA	NOME/KOTZEBUE		2,000	OPR	EMERG. FOOD & SHELTER
HUD	HUD	NORTH PACIFIC RIM H A		188,506	OPR	H A OPERATIONS
HUD	HUD	NORTHWEST INUPIAT H A		409,300	OPR	H A OPERATIONS
MCKINNEY ACT	HHS	NO. PACIFIC RIM	INDIAN ALLOCATION	1,000	OPR	ECS - HOMELESS
MCKINNEY ACT	EDUC	STATE OF ALASKA		75,000	OPR	ADULT ED. LITERACY
MCKINNEY ACT	HHS	STATE OF ALASKA		59,178	OPR	ECS - HOMELESS
MCKINNEY ACT	EDUC	STATE OF ALASKA	DEPT. OF EDUCATION	50,000	OPR	HOMELESS YOUTH EDUC.
MCKINNEY ACT	FEMA	S.E. ALASKA COUNTY		45,000	OPR	EMERG. FOOD & SHELTER
MCKINNEY ACT	HHS	TANANA	INDIAN ALLOCATION	3,784	OPR	ECS - HOMELESS
MCKINNEY ACT	HHS	TLINGIT HAIDA	INDIAN ALLOCATION	5,711	OPR	ECS - HOMELESS
HUD	HUD	TLINGIT-HAIDA H A		638,598	OPR	H A OPERATIONS
MCKINNEY ACT	FEMA	VALDEZ-CORDOVA		6,000	OPR	EMERG. FOOD & SHELTER

FEDERAL HOUSING FUNDS APPROPRIATED FOR ALASKA

SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	AWARD	OPERATING/ CAPITAL $	PURPOSE
HUD	HUD	VARIOUS PROJECTS		8,542,156	OPR	RENT SUBSIDIES
	SUBTOTAL 1988 OPERATING APPROPRIATIONS			$27,097,477		
	TOTAL 88 APPROPRIATIONS			$87,944,507		
1989 APPROPRIATION						
HUD	HUD	ALEUTIAN H A		$1,170,889	CAP	DEVELOP NEW HOUSING
HUD	HUD	ALEUTIAN H A		1,228,175	CAP	REHAB 4 PROJECTS
HUD	HUD	ARCTIC SLOPE H A		2,212,800	CAP	DEVELOP NEW HOUSING
HUD	HUD	ASHA		6,915,000	CAP	REPLACE BIRCH PARK*
HUD	HUD	ASHA		1,489,150	CAP	REHAB 2 PROJECTS
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		450,000	CAP	REHAB 2 PROJECTS
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		3,203,000	CAP	DEVELOP NEW HOUSING
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		717,782	CAP	DEVELOPMENT FUNDS
HUD	HUD	BERING STRAITS H A		538,626	CAP	DEVELOPMENT FUNDS
HUD	HUD	BERING STRAITS H A		1,547,022	CAP	REHAB 9 PROJECTS
HUD	HUD	BERING STRAITS H A		5,540,000	CAP	DEVELOP NEW HOUSING
HUD	HUD	BRISTOL BAY H A		261,063	CAP	DEVELOPMENT FUNDS
HUD	CDBG	CIRCLE		124,000	CAP	ELECTRIFICATION
HUD	HUD	COOK INLET H A		1,659,852	CAP	DEVELOP NEW HOUSING
HUD	HUD	COOK INLET H A		170,634	CAP	REHAB 1 PROJECT
HUD	HUD	COOK INLET H A		73,509	CAP	DEVELOPMENT FUNDS
HUD	HUD	COOPER RIVER H A		71,500	CAP	REHAB 2 PROJECTS
HUD	CDBG	GRAYLING		350,000	CAP	HOUSING REHAB
HUD	HUD	INTERIOR REGION H A		447,577	CAP	REHAB 3 PROJECTS
HUD	CDBG	KLAWOCK		350,000	CAP	HOUSING REHAB
HUD	HUD	KODIAK ISLAND H A		482,336	CAP	REHAB 2 PROJECTS
HUD	RRP	MUN. OF ANCH.		178,000	CAP	RENTAL REHAB
HUD	CDBG	MUN. OF ANCH.		96,000	CAP	BR. FRANCIS SHELTER
HUD	ESGP	MUN. OF ANCH.		26,000	CAP	EMERGENCY SHELTER
HUD	CDBG	MUN. OF ANCH.		275,000	CAP	HOUSING REHAB
HUD	HUD	NORTH PACIFIC RIM H A		60,921	CAP	REHAB 2 PROJECTS
HUD	HUD	NORTHWEST INUPIAT H A		1,052,425	CAP	DEVELOPMENT FUNDS
HUD	HUD	NORTHWEST INUPIAT H A		332,500	CAP	REHAB 1 PROJECT
HUD	HUD	NORTHWEST INUPIAT H A		4,524,000	CAP	DEVELOP NEW HOUSING
HUD	ESGP	STATE OF ALASKA		25,000	CAP	EMERGENCY SHELTER
		STATE OF ALASKA		2,300,000	CAP	WEATHERIZATION
HUD	HUD	STATE OF ALASKA		60,000	CAP	RENTAL REHAB
HUD	CDBG	TOGIAK		348,545	CAP	SENIOR CENTER
	SUBTOTAL 1989 CAPITAL APPROPRIATIONS			$38,281,306		

FEDERAL HOUSING FUNDS APPROPRIATED FOR ALASKA

SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	AWARD	OPERATING/ CAPITAL $	PURPOSE
HUD	HUD	ALEUTIAN H A		$165,531	OPR	H A OPERATIONS
HUD	HUD	ARCTIC SLOPE H A		333,918	OPR	H A OPERATIONS
HUD	HUD	ASHA		4,209,971	OPR	H A OPERATIONS
HUD	HUD	ASHA		8,642,951	OPR	RENT SUBSIDIES
HUD	HUD	ASHA		1,369,781	OPR	RENT SUBSIDIES
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		185,510	OPR	H A OPERATIONS
HUD	HUD	BARANOF ISLAND H A		30,755	OPR	H A OPERATIONS
HUD	HUD	BERING STRAITS H A		135,797	OPR	H A OPERATIONS
HUD	HUD	BRISTOL BAY H A		195,684	OPR	H A OPERATIONS
HUD	HUD	COOK INLET H A		630,996	OPR	H A OPERATIONS
HUD	HUD	COOPER RIVER H A		310,880	OPR	H A OPERATIONS
HUD	HUD	INTERIOR REGION H A		113,100	OPR	H A OPERATIONS
HUD	HUD	KODIAK ISLAND H A		238,019	OPR	H A OPERATIONS
HUD	HUD	METLAKATLA H A		214,231	OPR	H A OPERATIONS
HUD	HUD	NORTH PACIFIC RIM H A		167,352	OPR	H A OPERATIONS
HUD	HUD	NORTHWEST INUPIAT H A		290,265	OPR	H A OPERATIONS
HUD	HUD	TLINGIT-HAIDA H A		606,915	OPR	H A OPERTIONS
HUD	HUD	VARIOUS PROJECTS		8,204,268	OPR	RENT SUBSIDIES
	SUBTOTAL 1989 OPERATING APPROPRIATIONS			$26,045,924		
	TOTAL 1989 APPROPRIATIONS			$64,327,230		

LEGEND:

FEMA - Federal Emergency Management Agency
CDBG - Community Development Block Grant
ESGP - Emergency Shelter Grants Program
RRP - Rental Rehabilitation Program
HHS - Department of Health and Human Services
HUD - Department of Housing and Urban Development
EDUC - Department of Education
ECS - Emergency Community Services
H A - Housing Authority
* - Purchase of scattered site units to replace public housing units which will be demolished

Alaska Housing Market Council
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FEDERAL FUNDING IN ALASKA
RURAL/URBAN DISTRIBUTION BY FISCAL YEAR

FUNDING SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	1988/1989 AWARD	OPERATING/ CAPITAL	PURPOSE	RURAL	URBAN
HUD	HUD	ALEUTIAN H A		$1,032,252	CAP	REHAB 5 PROJECTS		
HUD	HUD	ALEUTIAN H A		179,070	OPR	H A OPERATIONS	$1,211,322	
HUD	HUD	ARCTIC SLOPE REG. H A		137,500	CAP	REHAB 1 PROJECT		
HUD	HUD	ARCTIC SLOPE REG. H A		304,080	OPR	H. A. OPERATIONS	441,580	
HUD	HUD	ASHA		898,190	OPR	RENT SUBSIDIES		
HUD	HUD	ASHA		8,526,654	OPR	RENT SUBSIDIES		
HUD	HUD	ASHA		508,279	CAP	REHAB 1 PROJECT		
HUD	HUD	ASHA		4,036,039	OPR	H A OPERATIONS		
HUD	HUD	ASHA		13,830,000	CAP	REPLACE. WILLOW PARK*		$27,799,162
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		6,313,200	CAP	DEVELOP NEW HOUSING		
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		22,700	CAP	DEVELOP NEW HOUSING		
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		510,546	CAP	REHAN 22 PROJECTS		
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		191,120	OPR	OPERATING SUBSIDY	7,037,566	
HUD	HUD	BARANOF ISLAND H A/C		14,700	OPR	H A OPERATIONS		
HUD	HUD	BARANOF ISLAND H A/C		922,000	CAP	DEVELOP NEW HOUSING	936,700	
HUD	CDBG	BEAVER VILLAGE		350,000	CAP	HOUSING REHAB	350,000	
HUD	HUD	BER.NG STRAITS REG. H A		5,961,600	CAP	DEVELOP NEW HOUSING		
HUD	HUD	BERING STRAITS REG. H A		456,568	CAP	DEVELOPMENT FUNDS		
HUD	HUD	BERING STRAITS REG. H A		210,334	OPR	H A OPERATIONS		
HUD	HUD	BERING STRAITS REG. H A		849,212	CAP	REHAB 8 PROJECTS	7,477,714	
MCKINNEY	FEMA	BETHEL		5,000	OPR	EMERG FOOD & SHELTER	5,000	
MCKINNEY	HHS	BRISTOL BAY	INDIAN ALLOCATION	2,265	OPR	ECS - HOMELESS		
HUD	HUD	BRISTOL BAY H A		54,340	OPR	H A OPERATIONS		
HUD	HUD	BRISTOL BAY H A		293,160	CAP	DEVELOPMENT FUNDS		
HUD	HUD	BRISTOL BAY H A		7,172,159	CAP	DEVELOP NEW HOUSING	7,521,924	
MCKINNEY	HHS	COOK INLET	INDIAN ALLOCATION	6,302	OPR	ECS - HOMELESS		
HUD	HUD	COOK INLET H A		706,476	OPR	H A OPERATIONS	712,778	

FEDERAL FUNDING IN ALASKA
RURAL/URBAN DISTRIBUTION BY FISCAL YEAR

FUNDING SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	1988/1989 AWARD	OPERATING/ CAPITAL	PURPOSE	RURAL	URBAN
HUD	HUD	COPPER RIVER H A		286,994	OPR	H A OPERATIONS		
HUD	HUD	COPPER RIVER H A		435,450	CAP	DEVELOPMENT FUNDS		
HUD	HUD	COPPER RIVER H A		20,730	CAP	REHAB 1 PROJECT	743,174	
MCKINNEY	HHS	FAIRBANKS	INDIAN ALLOCATION	1,000	OPR	ECS - HOMELESS		
MCKINNEY	FEMA	FAIRBANKS N.S.B.		77,425	OPR	EMERGENCY FOOD AND SHELTER		78,425
HUD/ESG	ESG	FAIRBANKS N.S.B.	FAIRBANKS N.S.B.	15,634	CAP	EMERGENCY SHELTER		15,634
HUD	HUD	INTERIOR REGION H A		59,690	OPR	H A OPERATIONS		
HUD	HUD	INTERIOR REGION H A		311,478	CAP	REHAB 3 PROJECTS		
HUD	HUD	INTERIOR REGION H A		3,627,000	CAP	DEVELOP NEW HOUSING		
HUD	HUD	INTERIOR REGION H A		277,130	CAP	DEVELOPMENT FUNDS	4,275,298	
HUD/ESG	HUD	JUNEAU		29,613	CAP	EMERGENCY SHELTER		29,613
HUD/ESG	HUD	KENAI		4,770	CAP	EMERGENCY SHELTER	4,770	
MCKINNEY	FEMA	KENAI PENINSULA BOROUGH		49,565	OPR	EMERG. FOOD & SHELTER	49,565	
MCKINNEY	HHS	KODIAK	INDIAN ALLOCATION	1,001	OPR	ECS - HOMELESS		
HUD	HUD	KODIAK ISLAND H A		680,446	CAP	REHAB 3 PROJECTS		
HUD	HUD	KODIAK ISLAND H A		137,450	OPR	H A OPERATIONS		
MCKINNEY	FEMA	KODIAK ISLAND BOROUGH		4,907	OPR	EMERG. FOOD & SHELTER	823,804	
HUD/ESG	HUD	KOTZEBUE		11,023	CAP	EMERGENCY SHELTER	11,023	
MCKINNEY	HHS	LARSEN BAY	INDIAN ALLOCATION	500	OPR	ECS - HOMELESS	500	
MCKINNEY	FEMA	MAT-SU		48,039	OPR	EMERG. FOOD & SHELTER	48,039	
HUD	HUD	METLAKATLA H A		127,814	OPR	H A OPERATIONS	127,814	
HUD/ESG	HUD	MUNI. OF ANCHORAGE		5,100	CAP	EMERGENCY SHELTER		5,100
MCKINNEY	HUD	MUNI. OF ANCHORAGE		4,000	CAP	EMERGENCY SHELTER GRANTS		
MCKINNEY	HHS	MUNI. OF ANCHORAGE	CLITHEROE CENTER	1,046,589	OPR	ALCOHOL DRUG ABUSE TREATMENT		
MCKINNEY	FEMA	MUNI. OF ANCHORAGE		95,700	OPR	EMERGENCY FOOD AND SHELTER		
HUD	ESGP	MUNI. OF ANCHORAGE		4,000	CAP	EMERGENCY SHELTER		
HUD	RRP	MUNI. OF ANCHORAGE		156,700	CAP	RENTAL REHAB		
HUD	HUD	MUNI. OF ANCHORAGE		729,950	CAP	HOUSING REHAB		

FEDERAL FUNDING IN ALASKA
RURAL/URBAN DISTRIBUTION BY FISCAL YEAR

FUNDING SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	1988/1989 AWARD	OPERATING/ CAPITAL	PURPOSE	RURAL	URBAN
HUD	CDBG	MUNI. OF ANCHORAGE		128,000	CAP	RUNAWAY SHELTER		2,164,939
MCKINNEY	FEMA	NOME/KOTZEBUE		2,000	OPR	EMERG. FOOD & SHELTER	2,000	
HUD	HUD	NORTH PACIFIC RIM H A		1,844,000	CAP	DEVELOP NEW HOUSING		
HUD	HUD	NORTH PACIFIC RIM H A		188,506	OPR	H A OPERATIONS		
HUD	HUD	NORTH PACIFIC RIM H A		19,384	CAP	DEVELOPMENT FUNDS	2,051,890	
HUD	HUD	NORTHWEST INUPIAT H A		3,103,778	CAP	DEVELOPMENT FUNDS		
HUD	HUD	NORTHWEST INUPIAT H A		409,300	OPR	H A OPERATIONS		
HUD	HUD	NORTHWEST INUPIAT H A		2,344,000	CAP	DEVELOP NEW HOUSING		
HUD	HUD	NORTHWEST INUPIAT H A		319,575	CAP	REHAB 3 PROJECTS	6,176,653	
MCKINNEY	HHS	NORTH PACIFIC RIM	INDIAN ALLOCATION	1,000	OPR	ECS - HOMELESS	1,000	
HUD	CDEBG	PETERSBURG		350,000	CAP	HOUSING REHAB	350,000	
HUD	CDBG	RUBY		124,768	CAP	HOUSING REHAB	124,768	
		STATE OF ALASKA		2,500,000	CAP	WEATHERIZATION	2,500,000	
HUD	ESPG	STATE OF ALASKA		5,000	CAP	EMERGENCY SHELTER		
MCKINNEY	EDUC	STATE OF ALASKA	DEPT. OF EDUCATION	50,000	OPR	HOMELESS YOUTH ED.		
MCKINNEY	EDUC	STATE OF ALASKA		75,000	OPR	ADUL ED. LITERACY		
MCKINNEY	HHS	STATE OF ALASKA		59,178	OPR	ECS - HOMELESS		
MCKINNEY	HUD	STATE OF ALASKA		5,000	CAP	EMERG. SHELTER GRANTS		
HUD	HUD	STATE OF ALASKA		81,000	CAP	RENTAL REHAB		275,178
MCKINNEY	FEMA	S.E. ALASKA COUNTY		5,000	OPR	EMERG. FOOD & SHELTER	45,000	
MCKINNEY	HHS	TANANA	INDIAN ALLOCATION	3,784	OPR	ECS - HOMELESS	3,784	
HUD	CDBG	TCC/VENETIE		350,000	CAP	HOUSING REHAB	350,000	
MCKINNEY	HHS	TLINGIT HAIDA	INDIAN ALLOCATION	5,711	OPR	ECS - HOMELESS		
HUD	HUD	TLINGIT-HAIDA H A		1,185,525	CAP	REHAB 15 PROJECTS		
HUD	HUD	TLINGIT-HAIDA H A		3,739,800	CAP	DEVELOP NEW HOUSING		
HUD	HUD	TLINGIT-HAIDA H A		75,000	CAP	DEVELOPMENT FUNDS		
HUD	HUD	TLINGIT-HAIDA H A		638,598	OPR	H A OPERATIONS	5,644,634	
MCKINNEY	FEMA	VALDEZ-CORDOVA		6,000	OPR	EMERG. FOOD & SHELTER	6,000	

FEDERAL FUNDING IN ALASKA
RURAL/URBAN DISTRIBUTION BY FISCAL YEAR

FUNDING SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	1988/1989 AWARD	OPERATING/ CAPITAL	PURPOSE	RURAL	URBAN
HUD	HUD	VARIOUS PROJECTS		8,542,156	OPR	RENT SUBSIDIES		8,542,156
		TOTAL 1988 APPROPRIATION		$87,944,507			$49,034,300	$38,910,207
HUD	HUD	ALEUTIAN H A		$165,531	OPR	H A OPERATIONS		
HUD	HUD	ALEUTIAN H A		1,170,889	CAP	DEVELOP NEW HOUSING		
HUD	HUD	ALEUTIAN H A		1,228,175	CAP	REHAB 4 PROJECTS	$2,564,595	
HUD	HUD	ARCTIC SLOPE H A		333,918	OPR	H A OPERATIONS		
HUD	HUD	ARCTIC SLOPE H A		2,212,800	CAP	DEVELOP NEW HOUSING	2,546,718	
HUD	HUD	ASHA		8,642,951	OPR	RENT SUBSIDIES		
HUD	HUD	ASHA		6,915,000	CAP	REPLACE BIRCH PARK*		
HUD	HUD	ASHA		1,489,150	CAP	REHAB 2 PROJECTS		
HUD	HUD	ASHA		4,209,971	OPR	H A OPERATIONS		
HUD	HUD	ASHA		1,369,781	OPR	RENT SUBSIDIES		$22,626,853
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		450,000	CAP	REHAB 2 PROJECTS		
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		185,510	OPR	H A OPERATIONS		
HUD	HUD	ASSOC VILLAGE COUNCIL H A		3,203,000	CAP	DEVELOP NEW HOUSING		
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		717,782	CAP	DEVELOPMENT FUNDS	4,556,292	
HUD	HUD	BARANOF ISLAND H A		30,755	OPR	H A OPERATIONS	30,755	
HUD	HUD	BERING STRAITS H A		135,797	OPR	H A OPERATIONS		
HUD	HUD	BERING STRAITS H A		5,540,000	CAP	DEVELOP NEW HOUSING		
HUD	HUD	BERING STRAITS H A		538,626	CAP	DEVELOPMENT FUNDS		
HUD	HUD	BERING STRAITS H A		1,547,022	CAP	REHAB 9 PROJECTS	7,761,445	
HUD	HUD	BRISTOL BAY H A		261,063	CAP	DEVELOPMENT FUNDS		
HUD	HUD	BRISTOL BAY H A		195,684	OPR	H A OPERATIONS	456,747	
HUD	CDBG	CIRCLE		124,000	CAP	ELECTRIFICATION	124,000	

FEDERAL FUNDING IN ALASKA
RURAL/URBAN DISTRIBUTION BY FISCAL YEAR

FUNDING SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	1988/1989 AWARD	OPERATING/ CAPITAL	PURPOSE	RURAL	URBAN
HUD	HUD	COOK INLET H A		630,996	OPR	H A OPERATIONS		
HUD	HUD	COOK INLET H A		170,634	CAP	REHAB 1 PROJECT		
HUD	HUD	COOK INLET H A		73,509	CAP	DEVELOPMENT FUNDS		
HUD	HUD	COOK INLET H A		1,659,852	CAP	DEVELOP NEW HOUSING	2,534,991	
HUD	HUD	COPPER RIVER H A		310,880	OPR	H A OPERATIONS		
HUD	HUD	COPPER RIVER H A		71,500	CAP	REHAB 2 PROJECTS	382,380	
HUD	CDBG	GRAYLING		350,000	CAP	HOUSING REHAB	350,000	
HUD	HUD	INTERIOR REGION H A		447,577	CAP	REHAB 3 PROJECTS		
HUD	HUD	INTERIOR REGION H A		113,100	OPR	H A OPERATIONS	560,677	
HUD	CDBG	KLAWOCK		350,000	CAP	HOUSING REHAB	350,000	
HUD	HUD	KODIAK ISLAND H A		482,336	CAP	REHAB 2 PROJECTS		
HUD	HUD	KODIAK ISLAND H A		238,019	OPR	H A OPERATIONS	720,355	
HUD	HUD	METLAKATLA H A		214,231	OPR	H A OPERATIONS	214,231	
HUD	ESGP	MUN. OF ANCH.		26,000	CAP	EMERGENCY SHELTER		
HUD	CDBG	MUNI. OF ANCHORAGE		96,000	CAP	BR. FRANCIS SHELTER		
HUD	CDBG	MUNI. OF ANCHORAGE		275,000	CAP	HOUSING REHAB		
HUD	RRP	MUNI. OF ANCHORAGE		178,000	CAP	RENTAL REHAB		575,000
HUD	HUD	NORTH PACIFIC RIM H A		167,352	OPR	H A OPERATIONS		
HUD	HUD	NORTH PACIFIC RIM H A		60,921	CAP	REHAB 2 PROJECTS	228,273	
HUD	HUD	NORTHWEST INUPIAT H A		290,265	OPR	H A OPERATIONS		
HUD	HUD	NORTHWEST INUPIAT H A		1,052,425	CAP	DEVELOPMENT FUNDS		
HUD	HUD	NORTHWEST INUPIAT H A		4,524,000	CAP	DEVELOP NEW HOUSING		
HUD	HUD	NORTHWEST INUPIAT H A		332,500	CAP	REHAB 1 PROJECT	6,199,190	
		STATE OF ALASKA		2,300,000	CAP	WEATHERIZATION	2,300,000	
HUD	ESGP	STATE OF ALASKA		25,000	CAP	EMERGENCY SHELTER		
HUD	HUD	STATE OF ALASKA		60,000	CAP	RENTAL REHAB		85,000
HUD	HUD	TLINGIT-HAIDA H A		606,915	OPR	H A OPERTIONS	606,915	
HUD	CDBG	TOGIAK		348,545	CAP	SENIOR CENTER	348,545	

FEDERAL FUNDING IN ALASKA
RURAL/URBAN DISTRIBUTION BY FISCAL YEAR

FUNDING SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	1988/1989 AWARD	OPERATING/ CAPITAL	PURPOSE	RURAL	URBAN
HUD	HUD	VARIOUS PROJECTS		8,204,268	OPR	RENT SUBSIDIES		8,204,268
		TOTAL 1989 APPROPRIATION		$64,327,230			$32,836,109	$31,491,121

LEGEND:

FEMA - Federal Emergency Management Agency
CDBG - Community Development Block Grant
ESGP - Emergency Shelter Grants Program
RRP - Rental Rehabilitation Program
HHS - Department of Health and Human Services
HUD - Department of Housing and Urban Development
EDUC - Department of Education
ECS - Emergency Community Services
HA - Housing Authority
* - Purchase of scattered site units to replace public housing units which will be demolished.

Alaska Housing Market Council
December 1989

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

02–576(2/77)

Dear Governor Cowper and Members of the Legislature:

I am pleased to present policy recommendations on behalf of the Alaska Housing Market Council. These recommendations have been formulated over a year and a half period, through a committee process involving consumers, housing professionals, banking representatives, legislators and public housing officials. The committee was established by the Alaska Housing Market Council and was specifically designed to provide the broadest representation of individuals impacted by housing issues across our state.

We have found that nothing impacts individuals more than the requirement for basic shelter. We have also found that no industry other than the oil industry has had as dramatic, or such a roller coaster effect, on the Alaskan economy as real estate.

The committee endeavored to receive the broadest possible amount of public testimony in the process of developing these recommendations. The committee held public hearings on a regular basis, teleconferencing and meeting in both rural and urban locations.

We have heard and seen the enormous need for new housing construction in rural Alaska that meets acceptable standards for safety, decency, sanitation and energy efficiency. We have learned about the continuing need for affordable housing units to meet our low-income population's requirements. We have also looked at the needs of special housing populations for emergency, transitional and long term housing. The growing senior Alaskan population will require a variety of housing forms and related care facilities. We have also examined economic factors that limit our state and believe that those needs must be addressed in a realistic and prudent manner.

The committee spent much time discussing the Alaskan real estate market and inconsistencies in that market throughout various regions. As part of the market discussion, we thoroughly examined the role of our state housing institutions and duplicate services within those entities. Central to these policy recommendations is the need to provide coordinated housing functions within state government. Financial constraints could be most effectively overcome through efficient housing delivery. The recommendations of the AHMC provide models for that central coordination, and specific suggestions that address our housing needs for the next decade.

We welcome your review of these suggestions and the opportunity to provide additional assistance to you for formulating solutions to these issues.

Sincerely,

Cynthia Parker, Chair
Alaska Housing Market Council

HOUSING POLICY DEVELOPMENT SUBCOMMITTEE MEMBERS

LOW-INCOME, AFFORDABLE, AND SENIOR HOUSING

Chair Paul Carr, Real Estate Planner, Carr-Gottstein Properties
Vice-Chair Carol Jackson, Resource Development Analyst, Alaska State Housing Authority
Bob Arwezon, Licensed Real Estate Broker
Howard Bess, President, Alaska Housing Ministries
Bryan Borjesson, Owner, Borjesson Engineering
Representative Johnny Ellis, Legislator, District 12-B
Velma Ellyson, Project Director, Homer Seniors Inc.
Kelly Gunnels, Assistant Vice President, Denali State Bank
Leo Kaye, Member of Mat-Su Senior Citizens' Advisory Board
Kathy Keck, Staff Attorney, Alaska Legal Services Corporation
Cynthia Parker, Executive Director, Anchorage Neighborhood Housing Services
Ray Price/Jo Ann Goyne/Jessie Bartlett, Executive Director/Deputy Director/Case Manager Supervisor, Alaska State Housing Authority
Representative C. E. Swackhammer, Legislator, District 5-B

RURAL AND URBAN HOUSING MARKETS

Chair William Swain, Co-Owner and Chair of the Board of Jack White Company
Vice-Chair Mike Shuler, Executive Director of Bristol Bay Housing Authority
Rick Barrier, General Partner, Malaspina Properties
Tom Behan/Mitzi Barker, Executive Director/Special Projects Assistant, Alaska Housing Finance Corporation
Senator Johne Binkley, Legislator, District M
Rob Gamel, Residential Projects Director, Carr-Gottstein Properties
John Guinn, Executive Director, Alaska Village Council Presidents' Regional Housing Authority
Mike Harper, Director, Rural Development Division, Department of Community and Regional Affairs
Sam Helms, Retired Fairbanks General Contractor
Lee Husky, Professor of Economics and Chair of the Department of Economics, University of Alaska, Anchorage
Deborah Ingman, Owner of Appraisal Associates of Juneau
Caren Mathis, Special Assistant, Department of Commerce and Economic Development
Kay Murphy, Vice President of Mortgage Production, Key Bank of Alaska
Representative Steve Rieger, Legislator, District 8-B

TRANSITIONAL AND LONG TERM HOUSING FOR SPECIAL NEEDS

Chair Barbara Miklos, Executive Director, Council on Domestic Violence and Sexual Assault
Vice-Chair Gale Cipra, Past Vice-President of Mortgage Production, Key Bank of Alaska
Nancy Adams, Executive Director, Juneau Alliance for the Mentally Ill
Fred Ali, Executive Director, Covenant House Alaska
Sharon Araji, Professor of Sociology, University of Alaska, Anchorage
Representative Kay Brown, Legislator, District 12-A
Stan Hoofard/Barbara Chmiel, Rehabilitation Coordinator /Rehabilitation Financial Analyst, Municipality of Anchorage
Gary Mandzik, Residential Resource Coordinator, Division of Mental Health and Developmental Disabilities, Department of Health and Social Services
Senator Pat Pourchot, Legislator, District H-A
Mary Wolcoff, Former Executive Director, Association for Stranded Rural Alaskans

STATE HOUSING POLICY FOR THE 1990'S

The Housing Policy Development Committee
Alaska Housing Market Council
January, 1990

Glenda Straube, Executive Director
Heather Arnett, Staff to Committee
Peggy Stewart, Research Analyst
Kathleen Metcalfe, Researcher

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Executive Summary

One of the overriding goals of the Alaska Housing Market Council has been to develop a statewide housing policy. In December of 1988, the Alaska Housing Market Council appointed a thirty-seven member Housing Policy Development Committee. This committee has been comprised of housing professionals, consumers, banking representatives, legislators and public housing and housing finance officials.

During the 1989 legislative session, the Legislature confirmed their support for a housing policy by approving a resolution mandating that state agencies work together to draft a state housing policy. Governor Cowper approved the resolution, which became Legislative Resolve 55.

The Housing Policy Development Committee was divided into three subcommittees: Rural and Urban Housing Markets Subcommittee; Low-income, Affordable and Senior Housing Subcommittee; and the Transitional and Long Term Housing for Special Needs Subcommittee.

The subcommittees and the full Housing Policy Development Committee met monthly, often twice a month, in communities across the state. They heard hours of testimony from the public and private sector on every aspect of housing. They reviewed research on the present, and past, housing industry in Alaska, examined the federal housing picture, and looked at how other states have met their housing needs.

As a result of the committee's work and the accumulation of statistical housing data, the following major findings came to light:

- Housing programs in Alaska are not consolidated and are spread among 13 different state agencies, offices, and divisions. The result is that there is no coordinated state housing policy which would allow clear direction for housing programs. Housing regulations, from agency to agency, are sometimes in conflict. Statistical data on housing needs in the state is limited and, as a result, housing programs are designed with little quantitative information regarding the real housing needs of Alaskans.
- Low-income and rural housing needs in the state are critical and have not been met with existing housing resources. Almost 23 percent of Alaskans are considered to be low-income residents.
- Federal housing money to the state is dwindling — over the past year by $22 million.
- Many states are taking a much more active role in housing than Alaska. Those states have adopted an overall state housing policy and have coordinated housing programs. Some have set up "housing trust funds" to support housing needs. They have developed innovative housing "partnerships" with the private and public sector to fill in gaps unmet by federal housing programs.

As a result of these and other findings, the committee approved a mission statement and drafted a series of 13 policy statements:

MISSION STATEMENT

Safe, sound, sanitary and energy efficient living conditions should be available to all citizens of the state.

SUMMARY OF STATE HOUSING POLICY STATEMENTS

It is the policy of the State of Alaska. . .

- *to adopt and execute a state housing policy and facilitate coordination of housing services. (page 9)*
- *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. (page 9)*

- *to encourage communities to take an active role in housing and land use issues, recognizing that local control is preferable to central control, because local governments can best balance the needs of the public with the private determination of supply and demand. (page 31)*
- *to improve the availability, accessibility and affordability of housing for people with limited, low or no incomes. (page 12)*
- *to improve the availability, accessibility and affordability of emergency, transitional and long-term housing for the homeless and others with special needs. (page 18)*
- *in the allocation of state housing resources, to give first funding priority to the state's most urgent housing needs. (page 12)*
- *to encourage and assist the citizens of the state in homeownership opportunities in a fiscally responsible manner. (page 24)*
- *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. (page 28)*
- *to minimize direct involvement of state government in the secondary mortgage market, with the primary exception of accessing capital markets in order to finance the state's housing needs. (page 24)*
- *to promote the availability of quality, affordable rental housing. (page 12)*
- *to recognize that Senior Alaskans should have access to appropriate and 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. (page 22)*
- *to develop and maintain stable sources of capital and revenue to support housing needs in the state. (page 24)*
- *that housing in the state should meet specific quality standards. (page 29)*

Some of the recommended action plans which accompany the thirteen policy statements are listed below:

- **Establish a Housing Commission and, ultimately, a Department of Housing (page 9)**

  To overcome the fragmentation of existing programs and to ensure continued involvement in housing issues, the committee recommends that a Housing Commission be established - with a plan to develop a Department of Housing in the state over the next several years. The Department will consolidate all of the state's housing functions.

- **Increase Low-income and Rural Housing 10% Per Year (page 16)**

  The state should commit to increasing the rural and low-income housing stock at a rate of at least 10% per year through 1996, and the state should identify how the total need can be met.

- **Eliminate State Mortgage Loan Subsidies (page 26)**

  The Legislature should eliminate the mortgage loan subsidies, except to meet rural and low-income housing needs.

- **Develop housing assistance program for rural, low-income residents (page 16)**

  The state should examine the feasibility of developing a program for subsidizing rent or mortgage payments for rural, low-income Alaskans who do not have enough income to participate in one of the housing assistance programs.

- **Expand Membership of AHFC and ASHA Boards (page 15)**

  The boards of AHFC and ASHA should be expanded and should include a majority of public members.

- **Loan to Non-profit Housing Providers (page 5)**

To better meet the state's housing needs, state agencies involved in housing finance should have the legal, regulatory and procedural ability to provide financing to non-profit housing sponsors.

- **Donate Foreclosed Properties for Low-income, Rural and Special Needs Housing (page 17)**

  State agencies should examine and evaluate their portfolios of non-insured "REO" properties (including mobile homes) to determine which properties could be donated for low-income, rural, and special needs housing.

- **Provide Supportive Care Services When Providing Housing for Special Needs (page 20)**

  It is essential that a continuum of supportive care services be in place so that emergency, transitional and long term housing, for the homeless and others with special needs, will be effective.

- **Implement a "Continuum of Care" Housing Program for Seniors (page 23)**

  The State of Alaska should adequately fund necessary supportive services which allow seniors to remain independent for as long as possible.

- **Apply for Federal Medicaid Waiver to Fund Supportive Services (page 23)**

  The State should consider applying for federal Medicaid waivers for home-based supportive services. If approved, the waiver would require the federal government to match the state's contribution to supportive services

- **Adopt Building Codes (page 29)**

  The state should adopt building codes, allowing for regional differences and amendments.

- **Adopt More Stringent Contractor Licensing Requirements (page 30)**

  The Legislature should pass SB72, or other appropriate legislation, to strengthen residential contractor licensing requirements.

- **Establish a State Licensing or Certification Program for Real Estate Appraisers (page 30)**

  In accordance with federal guidelines, the state should establish a state licensing or certification program for real estate appraisers.

The History of State Housing and Mortgage Loan Programs

Summary

The history of the state's involvement in providing housing and mortgage loan programs has been long and varied. The Territorial Legislature recognized the government's need to develop and manage housing; thus the Alaska Housing Authority (later known as ASHA) was created in 1945. Shortly thereafter, the Alaska World War II Veterans Board was created. One of its missions was to provide funds for veterans seeking residential mortgage loans.

It wasn't until the early 1970's that the State of Alaska expanded its role and entered the secondary mortgage market by creating the Alaska Housing Finance Corporation (AHFC). Its purpose was to purchase federally insured mortgage loans for low-to-moderate income borrowers.

The Department of Community and Regional Affairs (DCRA) entered the housing business, in 1980, when the Legislature created the Nonconforming Housing Loan Program; its funds were divided in a 80/20 split between rural and urban Alaska. It was the state's first real commitment to home ownership for rural Alaskans.

In the same year, the Legislature made significant changes in the operations of AHFC. The most major of those changes was to remove the income limits and provide an interest subsidy. This created a new constituency for AHFC to serve.

Meanwhile, in the early 80's, the Permanent Fund Corporation and the Alaska Industrial Development Authority began to play a small, but important, role in the state's residential mortgage loan market. And the Division of Investments, in the Department of Commerce and Economic Development, began its role as a mortgage loan servicer.

Throughout this time ASHA continued to provide low-income and senior housing throughout the state. ASHA has recently set a new agenda to actively provide better opportunities for its low-income clients to improve their standard of living.

Despite the dramatic effects of Alaska's declining economy, both AHFC and DCRA have continued their commitment to providing affordable housing in Alaska. With decreasing revenues, however, Governor Cowper and the Legislature are seriously evaluating the future of both agencies and are trying to determine the best use of our financial resources. We may soon witness changes in the way the state faces housing issues and in how we determine: who we will serve with dwindling resources; what role state agencies will play in delivery of those services; and to what extent we are willing to commit to solving housing issues in Alaska.

1945-1949

The Territorial Legislature initiated Alaska's long history of involvement in housing by creating the Alaska Housing Authority in March of 1945. The Authority's primary function was to help alleviate the serious post-war housing shortage. The Authority was responsible for construction and management of veterans, low-income rental, and defense housing.

In 1946, the Territorial Legislature established a $100,000 revolving fund to accommodate Veterans of World War II who were enrolled in educational institutions in Alaska. A fifty person dormitory, for veterans, was built at the University of Alaska in Fairbanks.

Since the economics of Alaska were different from most states, the Authority

submitted legislation to Congress which would address those differences. The legislation was approved in 1949 and included an initial appropriation of $15,000,000 and was called the "Alaska Housing Act".

The initial concept of the Alaska Housing Act was to recognize the limited home financing available in Alaska, the high construction costs, and the absence of a construction industry. The purpose of the Act was to encourage the development of an adequate building industry and to meet the ever increasing need for home construction.

In April of 1946, the Territorial Legislature set up another source for housing funds: the Alaska World War II Veterans Board. The Commissioner of the Board was responsible for the Veterans Revolving Fund, which generated money for residential mortgage loans. After statehood, responsibility for the Fund was transferred to the Division of Veterans Affairs in the Alaska Department of Commerce.

1950-1959

A low-rent housing program was initiated, by the Alaska Housing Authority in 1950, and units were completed in Anchorage, Juneau, Ketchikan and Fairbanks by 1953. During the 1960's, construction of additional low-rent housing took place in Anchorage, Cordova, Juneau, Ketchikan, Sitka, Valdez, Wrangell, Petersburg, and Kodiak.

In 1957, funds were appropriated to approximately 40 villages, cities, and boroughs to assist in developing comprehensive plans. These plans analyzed existing conditions in each area and made predictions and recommendations for the future. As a result, a statewide housing study was completed which assisted the state in identifying housing needs and the methods for overcoming substandard housing. In 1959, the Alaska State Housing Authority (ASHA) was codified to continue its public housing work. Under new state laws, ASHA acted as a public authority in issuing bonds for the construction of public facilities. ASHA also supported private developers and non-profit organizations through the issuance of multi-family bonds.

1960-1969

ASHA was granted $180,000 by the Federal Government, in 1963, to conduct low-income housing demonstration projects in remote native villages. One project was the relocation of an entire village to a new site on the Yukon River. The Authority administered the grant and provided materials and technical assistance to the village for the construction of twenty-three new homes, using the federal Mutual-Help Program.

In early 1964, the Governor requested that ASHA conduct a survey of the needs of the State for office and service type buildings and employee housing. The report formed the basis for the introduction and passage of legislation in 1965, which empowered ASHA to issue bonds to finance the construction and acquisition of public buildings for lease to the State of Alaska. State Lease Revenue Bonds totaling $106 million have been sold, during ASHA's tenure, and a substantial number of buildings were leased to the State. At the expiration of these leases, title to the buildings will be transferred to the State of Alaska.

The Remote and Village Housing Program was authorized in 1966 with state appropriations equal to 10% of the federal appropriation.

During 1967, ASHA was involved in several state building projects, including the construction of state employee housing in Valdez at a cost of $5 million.

1970-1979

In the early 1970's, the Alaska Housing Finance Corporation (AHFC) was created, for the purpose of purchasing federally insured mortgage loans for low-to-moderate income borrowers. From its inception until the mid-1970's, AHFC was administered by the Executive Director of ASHA and both organizations shared a common Board of Directors.

In 1975, new legislation established a state Mortgage Insurance Fund, which allowed AHFC to purchase loans not federally insured; as a result, the Alaska Housing Finance Corporation increased their portfolio.

Meanwhile, between 1972 and 1974, ASHA was building twenty houses in Yakutat and eighty-one additional houses in Anaktuvik Pass, Kaktovik, Deering, Noatak, Shaktoolik, Koyuk, Tanacross, Galena, English Bay, Ouzinkie, King Cove, and Sand Point. These were all built under the Turnkey Construction Bond Program.

In 1974, ASHA entered into an agreement with the State of Alaska for construction of a 98 unit low-rent apartment building in Juneau, known as Marine View Apartments. In 1975, development and completion of 25 low-rent units took place in Douglas.

Between 1976 and 1980, elderly housing units were built by ASHA across the state: 96-unit Golden Towers in Fairbanks; 120-unit Chugach View in Anchorage; 42-unit Mountain View in Juneau; 50-unit Sea View in Ketchikan; 30-unit elderly housing in Seward; 17 units of family housing in Anchorage; and 22 units of elderly housing in Cordova.

1980-1989

The 1980's were marked by a dramatic increase in the state's involvement in providing subsidized, or low interest, mortgage loans to Alaskans.

The Housing Assistance Division, of the Department of Community and Regional Affairs (DCRA), was created by the 1980 Alaska State Legislature to administer the Nonconforming Housing Loan Program. Loan funds were to be distributed on a statewide basis with emphasis on rural Alaska. 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 Housing Loan Program at a rate of $40 million and directed the Division to divide such funds between rural and urban Alaska at an 80/20 split. Interest rates on DCRA's loans were established to be 1% lower than the interest rates received by AHFC on their taxable bonds.

In 1980, significant statutory changes were made in the operations of the Alaska Housing Finance Corporation: income limits were removed; loan limits were increased; mobile home and rural loan purchases were authorized; and a subsidy of 10% interest rates were established on the first $90,000 of a mortgage loan (one percent less for veterans).

The legislature assisted AHFC in implementing these changes by authorizing more than $500 million in appropriations. The net effect was that AHFC's volume surged and they began purchasing a large majority of all mortgage loans made in the state.

In 1981, the Permanent Fund Corporation was mandated by the Legislature to make investments in Alaska, where the risks and returns were the same or comparable with other investment opportunities. Residential mortgage loans fit this profile and so the corporation began their in-state mortgage loan program. These loans were made at market rates and included no subsidies.

The Permanent Fund Corporation bought new loans only during a two year period - due to lack of demand. The corporation presently holds only 192 Alaskan residential mortgage loans, $30.3 million, in their portfolio.

During the early 1980's, there was little mortgage loan activity at the Department of Commerce and Economic Development (DCED). The Division of Veterans Affairs was consolidated with the Division of Business Loans and went through numerous other changes until it was transferred to the renamed Alaska State Department of Military and Veterans Affairs in 1984. No new veterans mortgage loans were issued since 1982.

However, the Division of Investments, at DCED, continues to service 23 loans originally purchased by the Veterans Mortgage Loan Fund and 1,342 Veterans Residential Mortgage Loans for the Alaska Industrial Development and Export Authority (AIDEA).

AIDEA's role in mortgage loans was expanded when it was given authority by the Legislature, in 1982, to participate in a residential mortgage loan program - in order to meet an increasing demand for multi-family dwellings. In 1985, the demand for these loans decreased and no new loans were issued after that time.

By 1987, the program itself was terminated. Currently, there are six multi-family residential mortgage loans in AIDEA's portfolio, totalling approximately $3 million.

Earlier in the decade, major changes were taking place at the Department of Community and Regional Affairs. In 1982, the Housing Assistance Loan Fund (HALF) was created in the Housing Assistance Division. It combined the Nonconforming Loan Fund and AHFC's Rural Mortgage Purchase Programs. An FY82 appropriation, to the newly created HALF, was in the amount of $45 million.

The 1983 Legislature gave HALF another $45 million and a new program called the Homeownership Assistance Fund. The object of this program was to make home ownership a reality for low-income families, by subsidizing a portion of the interest payment on the loan.

The authority for making nonconforming loans in urban areas was transferred, in 1985, from the Housing Assistance Division of DCED to the Alaska Housing Finance Corporation.

Meanwhile, throughout the 1980's, the Alaska State Housing Authority continued to dedicate itself to providing housing for Alaskans. In 1983, ASHA completed 20 units of elderly housing in Juneau, as well as the Anchorage Senior Citizen Center, which was totally destroyed by fire in May of 1982 when it was half way through its construction. In 1985, 20 units of senior citizen housing in Sitka and a 40-unit senior citizen housing facility in Fairbanks opened.

Changes continued at the Alaska Housing Finance Corporation. The voters of Alaska renewed their commitment to veterans housing, in 1983, when they adopted the Veterans Mortgage Program. This program allowed AHFC to purchase loans with tax-exempt bonds for qualifying veterans.

That same year, AHFC became the third largest issuer of taxable bonds in the U. S. corporate bond market.

In fiscal year 1984, an agreement was signed with the Federal National Mortgage Association (Fannie Mae) to swap Alaskan mortgages for Mortgage-Backed Securities. State Guaranteed Veterans Mortgage Bonds were restructured to extend the bond maturity to 30 or 35 years.

During 1985, the Corporation became an issuer of Government National Mortgage Association (GNMA) mortgage certificates, as a means of securing Veterans Administration guaranteed loans. In 1986, AHFC loans were approved by the Federal Housing Administration, qualifying AHFC loans for FHA insurance.

The Alaska State Building Authority (ASBA), formerly known as ASHA, renewed its role as a public finance vehicle for state operated facilities and expanded its services as a public housing authority operation throughout Alaska in 1986.

A 120 unit senior housing project, known as Chugach View, was completed and occupied by late 1987. During the same year, ASHA prepaid $13.2 million in outstanding notes payable to the State of Alaska and reduced its outstanding indebtedness from $18.5 million to $5.3 million. ASBA also weathered the default of four FHA-insured multi-family projects originally bonded in 1983, allowing all bond holders to be paid at par value.

During FY87, ASBA committed time and resources to obtaining multi-million dollar grants, from both the federal and state governments, for asbestos removal and demolition of a substandard, low-income housing project in Anchorage known as Willow Park. Federal funds were authorized for the purchase of scattered housing - to relocate Willow Park renters. Asbestos removal followed the relocation process and demolition began in the summer of 1989.

Also this year, the name of the Alaska State Building Authority was changed back to its previous name, the Alaska State Housing Authority (ASHA), to better reflect its focus on providing low-income and senior housing in Alaska.

Looking for sources of revenue, the Legislature appropriated $70 million from DCRA's Housing Assistance Loan Fund to the General Fund of the State Treasury in 1986. The 1987 Legislature appropriated $2.5 million from the General Fund to the Revolving Loan Fund, enabling the Housing Assistance Division to maintain available funding for the housing loan demand in rural Alaska.

In March 1987, Governor Cowper signed an Administrative Order merging the Division of Community Development and the Housing Assistance Division into the Rural Development Division. This merger helped coordinate energy conservation programs by bringing the energy and housing sections together to work side by side.

Today, DCRA continues its policy of working, with rural Alaskans, to develop appropriate programs which can help people continue to live and work in their own communities. As of September 30, 1989, there were 1,566 residential mortgage loans ($154.4 million) in their portfolio.

During the mid to late 1980's, it was clear that Alaska Housing Finance Corporation suddenly found itself in a new role, due to dramatic changes in the state's economy. With increasing foreclosures, AHFC became a major property holder.

In response to larger delinquency rates and foreclosures, the Home Owners' Assistance Program (HOAP) was created in 1988 to help thousands of Alaskan home owners. It gave them the opportunity to make their house payments more affordable and, in some instances, avoid foreclosure.

During fiscal year 1988, AHFC signed a new contract with the Federal Home Loan Mortgage Corporation (Freddie Mac) for $200 million - which allowed them to continue to provide affordable loans to Alaskans. As of September 30, 1989, there were 42,793 residential mortgage loans ($3.5 billion) in their portfolio.

The Alaska Housing Finance Corporation also focused its efforts on establishing programs for repossessed mobile homes and other foreclosed properties, making their loans assumable, and expanding their Refinance Program to include refinancing of non-AHFC loans.

The Legislature's Housing Finance Task Force has recently commissioned, with funding from AHFC, a report on the financial status of AHFC. This report, with a completion date of late January 1990, will analyze the effects of several future options for AHFC: keeping programs as they are; slowly removing the interest rate subsidy; and removing the full subsidy at one time. It seems inevitable that both Governor Cowper and the Legislature will be addressing program changes at the Alaska Housing Finance Corporation this session.

Policy Statements and Recommended Action Plans

COORDINATED AND REGIONALIZED POLICIES

- IT IS THE POLICY OF THE STATE OF ALASKA TO ADOPT AND EXECUTE A STATE HOUSING POLICY AND FACILITATE COORDINATION OF HOUSING SERVICES.

- 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.

BACKGROUND

Housing is a major economic reality in Alaska, and it is the most fragmented area of service delivery and policy in the state. Alaska's housing needs are very complex, and the delivery of services is very fractionalized. Demand for housing programs and service delivery are as wide and varied as the agencies that provide them. Resources to meet the demand are limited and the state can ill afford to waste them. A centralized, coordinated housing policy can bring housing groups together, and formulate and coordinate a cohesive housing policy that addresses a wide range of housing needs and problems. The Housing Policy Development Committee recognizes the problems in the delivery of housing services. The existing structure of scattered housing agencies throughout the state has not facilitated interagency dialogue, let alone coordination, about housing needs and resources. The Committee also recognizes the wide diversity between regions of the state and the importance of regionally appropriate housing programs.

They strongly believe that public input has been the catalyst that has moved housing issues to the forefront in the work the Alaska Housing Market Council has done. It is vital that a Commission that would keep housing issues at the forefront, and facilitate housing policy development, be established - with the ultimate goal of the creation of a Department of Housing. A centralized agency to conduct housing policy is essential.

FINDINGS:

1. In all of the states which are recognized nationally as model housing states, there exists a department, division or council which is directly responsible for oversight of housing issues.

2. In Alaska, housing resources and programs are scattered throughout 13 different state agencies, offices and divisions. In addition, 13 regional Indian Housing Authorities address rural housing needs, and organized local governments administer a variety of housing programs.

3. There is no clear, consistent, non-conflicting direction for the state's housing programs nor is there an effective mechanism for avoiding conflicting regulations or duplicated programs.

4. The 1988 Rural Housing Needs Assessment Study, commissioned by the Department of Community and Regional Affairs, is one of the few examples, in Alaska's housing history, of a state housing agency or division methodically determining what needs have been left unmet. Most housing programs have been implemented in an information void.

RECOMMENDED ACTION PLANS

1. A continued mechanism, or centralized housing organization, is needed to overcome the fragmentation of existing programs and to ensure continuing public involvement in housing issues. A Housing Commission should be established - with a plan to develop a Department of Housing in the state over the next several years. The De-

partment would consolidate all of the state's housing functions under one organization.

The Committee also considered the following options for a centralized housing agency. A detailed analysis of all options is presented in the Appendix.

a. *Establish a Special Assistant in the Governor's Office with housing issues as the sole area of responsibility.*

b. *Merge the Boards of Directors of ASHA and AHFC into a State Housing Board with the authority to administer all housing agencies and state housing programs.*

2. A legislative mandate should be effected which specifies the relationship of the Housing Commission to the Alaska Housing Finance Corporation, the Alaska State Housing Authority and other state agencies with housing responsibilities, and which provides the Commission with the power to develop and implement state housing policy.

3. The Commission's composition should reflect regional representation and should include public members and representatives from the following: the housing and real estate industry; special needs groups; and rural areas. Representatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity only.



Split-level home in Anchorage.



Home in Kwethluk, Alaska

LOW-INCOME, RURAL AND AFFORDABLE HOUSING

- 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.

- 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.

- IT IS THE POLICY OF THE STATE OF ALASKA TO PROMOTE THE AVAILABILITY OF QUALITY, AFFORDABLE RENTAL HOUSING.

TABLE I
LOW-INCOME GUIDELINES

Family Size	ASHA Very Low Inc.	Income 70% LLSIL*	Poverty Guidelines
1	$17,450	$ 7,483	$ 7,480
2	$19,650	$10,950	$10,030
3	$22,450	$15,030	$12,580
4	$24,950	$18,560	$15,130
5	$26,950	$21,900	$17,680
6	$28,950	$25,610	$20,230
7	$30,950	$29,320	$22,780
8	$32,950	$33,030	$25,330

*LLSIL - Lower Living Standard Income Level

Sources: Alaska State Housing Authority
Federal Register, Vol 54, No. 63, April 4, 1989
Federal Register, Vol 54, No. 31, Feb. 16, 1989

BACKGROUND:

The state's most urgent housing needs have been identified as low-income and rural as of the time of this report.

There are a variety of programs within the State of Alaska which provide services to people with limited or low-income. The Alaska guidelines determining low-income are aligned with the national guidelines, with an additional 25% cost of living adjustment.

Rural Alaska has dramatically poor housing conditions in terms of space per resident and state of repair according to the 1988 Rural Housing Needs Assessment Study. Many of the areas are ineligible for rental subsidies under HUD regulations because they are not on a cash based economy. Home ownership opportunities are limited due to lack of housing supply and difficulty with obtaining financing.

Affordable rental housing is a problem for a large section of Alaska's population. Although the median family income in Alaska for all households is $46,000, the median family income for rental families is only $29,800. 34% of Alaskans are unable to afford rent on a 1-bedroom unit based on HUD fair market rents of $489. 40% of Alaskans are unable to afford rent on 2-Bedroom units with a $576 fair market rent according to a study by Cushing N. Dolbeare, "Out of Reach—Why Everyday People Can't Find Affordable Housing."

4. The Commission should report directly to the Governor.

5. The Commission should provide information on housing opportunities to the public and oversee state agency information services.

6. The Commission should be charged with state agency housing program review, coordination and oversight. It should clarify the roles of the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the Department of Community and Regional Affairs in the housing market.

7. The Commission should review and recommend revisions to state and federal housing policy and programs to ensure that Rural Alaska housing programs are culturally, environmentally and economically appropriate.

8. The Commission should be charged with writing a long term housing plan for the state and updating the plan periodically. State agencies, to include the Alaska Housing Finance Corporation, the Alaska State Housing Authority, the Department of Community and Regional Affairs, the Department of Health and Social Services, and the Department of Public Safety should develop statewide service plans in conjunction with each other and the state housing plan, to insure coordination and efficiency of service delivery.

9. The Commission should conduct periodic statewide housing needs assessments on housing and financing availability.

10. The Commission should direct state agencies to review housing regulations under their jurisdiction, compare them to other agency regulations and recommend revision, where appropriate, to eliminate conflict and duplication.

11. The Commission should be charged with reviewing the use of, and disposition of, state agency-owned foreclosed properties and shall provide information to interested parties regarding available properties. The Commission should encourage AHFC, banks and secondary institutions to donate foreclosed properties for use as transitional and long term special needs facilities, low-income housing and senior housing where appropriate.

12. The Commission should actively facilitate the creation of housing partnerships and provide advice and technical assistance on the development of those partnerships.

13. State agency regulations pertaining to housing and construction standards should be analyzed by a task force of industry and government for regional flexibility, and resulting recommendations should be forwarded to the Housing Commission. In addition, an agency appeals process should be implemented.

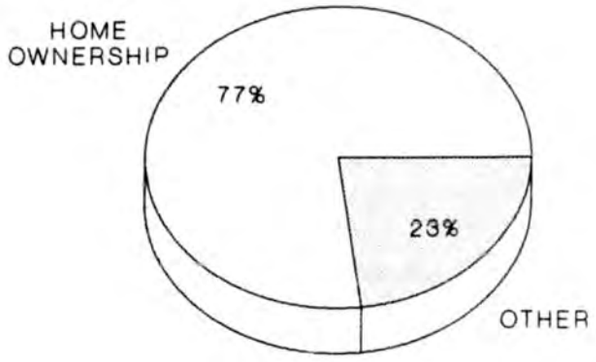
14. By January 1, 1991, AHFC & DCRA should explore, develop, and implement programs responsive to regional housing conditions, to include non-insured or co-insured loans for areas of the state which are not being served by private and public secondary investors and/or insurers. These new loan programs should be consistent with prudent lending standards.

15. The boards of AHFC and ASHA should be expanded and should include a majority of public members.

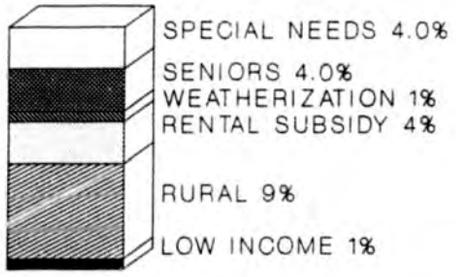
16. By June 30, 1990, the Alaska State Legislature should create a standing or special committee on housing in both the State House and State Senate.

WHERE HOUSING FUNDS ARE ALLOCATED

Fiscal Years 1988/1989



TOTAL FUNDS
(State & Federal)



OTHER HOUSING FUNDS
(Excluding Home Ownership)

Alaska Housing Market Council
December, 1989

FINDINGS:

(Note: Whenever available, statewide and regional statistics are used in the findings. In some instances, Anchorage statistics were the only ones available and are included to add more description to the scope of the problem).

1. There are approximately 182,000 households statewide. 32.7%, or 59,412, of those households are low-income. An additional 20.8%, or 37,847, families are considered moderate income.

TABLE II
FAMILY INCOMES

Low-income Families in Alaska:	
Statewide Population	536,800
Total Households	181,955
Median Family Income	$46,000
Low-income (50% of Median Family Income)	$23,000
Number of Low-income Families	59,412
Percentage of Low-income Families	32.7%
Moderate Income Families in Alaska:	
Moderate Income (80% of Median Family Income	$36,800
Number of Families	37,847
Percentage of Moderate Income Families	20.8%

2. The incomes of families vary significantly between the urban and rural areas of the state. Median family incomes in urban areas range between $41,600 and $62,200. Median family incomes in rural areas are as low as $22,210. 42% of the rural population live in areas with median family incomes ranging between $22,200 and $35,000.

3. Of the 59,412 low-income families statewide, we were able to identify only 11,691 or 19.6% , which were served by ASHA, with rent subsidies or low rent units, or were served by the 13 regional housing authorities, the Rural Development Division of DCRA, or AHFC with home ownership opportunities.

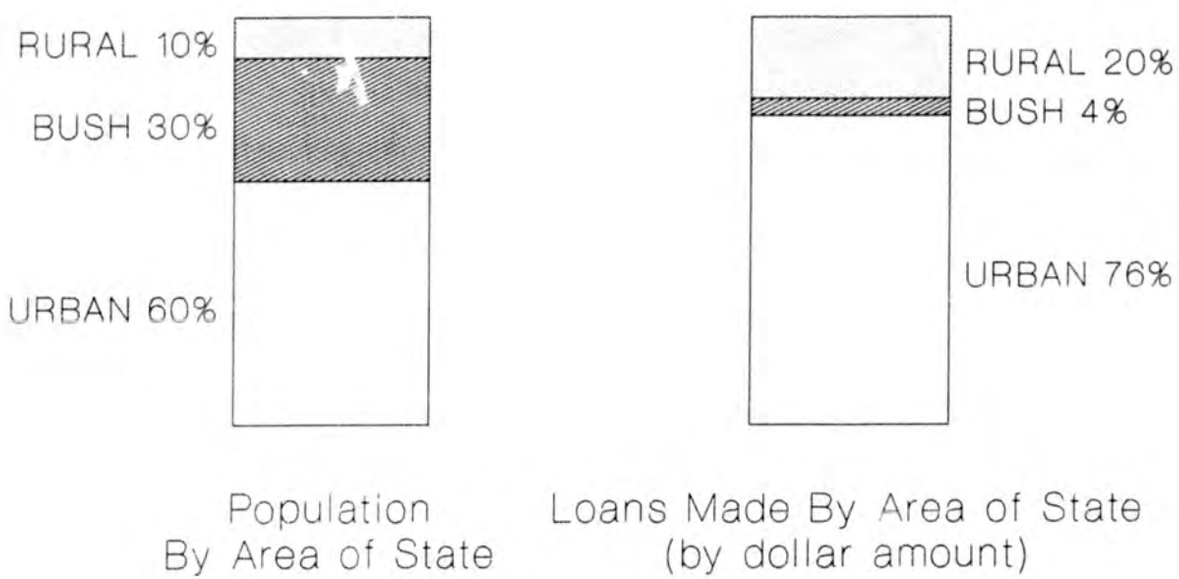
TABLE III
LOW-INCOME HOUSEHOLDS SERVED

Low-income Households	
Statewide	59,412
Known Households Served Statewide	
ASHA Rent Subsidy	1,884
ASHA Low Rent Units	1,328
ASHA Section 8 Mgmt Units	285
Regional Housing Authority Home Ownership	3,586
Regional Housing Authority Low Rent	630
DCRA Loans to Incomes < $20,000	32
AHFC Loans to Incomes < $20,000	3,946
Total Households	11,691
Percentage of Low-income Households Served	19.6%

4. The 1988 Rural Housing Needs Assessment Study identified a need for 6,740 houses at a cost of $781,813,000 to meet the need for immediate replacement and for displaced third/fourth generations. An additional 15,088 houses require construction of an addition to relieve overcrowding and 4,100 homes need replacement at a total cost of $491,717,000.

5. AHFC's loan program was originally designed to help meet the housing needs of the low-income people in our state. As AHFC's role expanded, the State funded the Rural Development Division at DCRA and charged them with providing financial support for residential housing in rural Alaska. Even when the 99% of DCRA's $158 million loan portfolio, in bush and rural areas, is combined with AHFC's total loan portfolio of $3.5 Billion, only 27% of total (both AHFC and DCRA) loans went to rural and bush area

AREAS SERVED BY AHFC/HAD LOANS



Population By Area of State

Loans Made By Area of State (by dollar amount)

Areas served by mortgage loans based on current 1989 agency portfolios.

Alaska Housing Market Council
December, 1989

	NUMBER OF LOANS	
URBAN LOANS	32,406 LOANS	73%
RURAL LOANS	9,960 LOANS	22%
BUSH LOANS	1,948 LOANS	5%
TOTAL LOANS	44,314 LOANS	100%

6. There is a lack of comprehensive information, on a statewide basis, on the extent of low-income and rural needs and how they are being met. Meanwhile state policy and programs are being developed and implemented in an information vacuum.

RECOMMENDED ACTION PLANS:

1. Currently, the most urgent housing needs in the state are for rural and low-income residents. Those needs should be given funding priority.

   a. The state should commit to increasing the rural and low-income housing stock at a rate of at least 10% per year through 1996, and the state should identify how the total need can be met.

Rural - A community in the first, second or fourth judicial district which has a population between 1,000 and 4,500 and is connected by road or rail to Anchorage or Fairbanks

Bush - A community in the second, third or fourth 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 first judicial district which has a population which is less than 1,000.

7. According to the "Municipality of Anchorage 1987 Population Survey," in the entire Anchorage population occupying multi-family housing, renters account for about 69.5% of the households. Altogether there were an estimated 34,583 occupied multi-family housing units in Anchorage in 1987.

8. According to the "Municipality of Anchorage 1987 Population Survey," the average income in renter-occupied housing in Anchorage is $28,802; the average income in owner occupied housing in Anchorage is $55,553. Low-income in the Anchorage area is defined in the range of $22,450 to $24,950 for a family of three.

9. In the 1980 census, there were 131,463 households statewide. 54,804 or 41% of those were renter households. The median family income for renter households was $17,491 as compared to a median family income for owner occupied households of $32,344. The same relationship is still seen in the "Municipality of Anchorage 1987 Population Survey."

   b. DCRA, AHFC, and ASHA should provide a five-year plan (due January 1, 1991) which identifies and addresses how low-income and rural housing needs can be met in the state. The five-year plan should include specific programs to be implemented no later than June 1, 1991. The Housing Commission should coordinate this effort.

   c. By June 1, 1991, the state should examine the feasibility of developing a program for subsidizing rent or mortgage payments for rural/low-income Alaskans who lack adequate affordable housing but do not have enough income to participate in one of the existing rural housing assistance programs.

   d. AHFC and DCRA should work together to determine the percentage of rural/non-conforming loans

SPECIAL NEEDS HOUSING

IT IS THE POLICY OF THE STATE OF ALASKA TO IMPROVE THE AVAILABILITY, ACCESSIBILITY AND AFFORDABILITY OF EMERGENCY, TRANSITIONAL AND LONG TERM HOUSING FOR THE HOMELESS AND OTHERS WITH SPECIAL NEEDS.

BACKGROUND:

Another severe, and urgent need, in the state is housing for th homeless and housing for Alaskans with spe ial needs. There are three components of housing needed: emergency housing; transitional housing that includes some services for those in need, prior to them moving into an independent living situation; and long term housing for those with special needs.

Special needs housing is unique because an individual or family may utilize this type of housing at any time on the housing continuum: on an emergency basis, on a transitional basis, or over a long period of time; sometimes they may need all three types of housing.

FINDINGS:

1. An established need for 6,808 beds for emergency housing, transitional housing and long-term housing, has been identified in the state. Public, private and state agencies are currently providing 3,066 beds. An unmet need for 3,967 additional beds has been established. The largest gaps are in transitional and long term housing.
2. According to the "1989 State Comprehensive Homeless Assistance Plan," 85% of the state's homeless population in need of long term shelter assistance are chronic substance abusers. 40% of those in need of long term housing are chronically mentally or physically disabled.
3. In 1988, during the highest-volume months of January and Febru-y, the Brother Francis Emergency Shelter in Anchorage provided beds for approximately 250 persons per night. In 1989, the shelter assisted that many people in November alone, and they believe it is likely those numbers will climb even higher in the months of January and February, 1990.



Maryette Kanabak and children at Clare House shelter in Anchorage.

that should be offered in AHFC bond sales. Those funds will flow to DCRA for their mortgage loan programs.

2. A function of the Alaska Housing Commission should be to collect and maintain comprehensive information on housing needs statewide and keep track of the most urgent housing needs in the state. When state funds are designated to meet housing needs, the Commission should identify which areas of the state and which target populations are most in need of housing resources.

3. By January 1, 1992, the State of Alaska should become actively involved in providing technical assistance and/or programs to private developers and non-profits for the planning and development of units which are affordable to low-income Alaskans. This should be through the Housing Commission and/or through programs established by AHFC, DCRA and ASHA.

4. By January 1, 1991, state agencies should examine and evaluate their portfolios of non-insured REO properties (including mobile homes) to determine which properties are appropriate to provide housing opportunities for low- income, rural and special needs populations. Such evaluation shall include assessment of structural integrity, availability of necessary utilities, and economic feasibility factors. The agencies should present their short and long term policies for disposition of these properties to the Commission for consideration.

Note: As of November 1989, AHFC had 1287 units (including mobile homes) from its REO inventory on the market with a sales price of $30,000 or less.

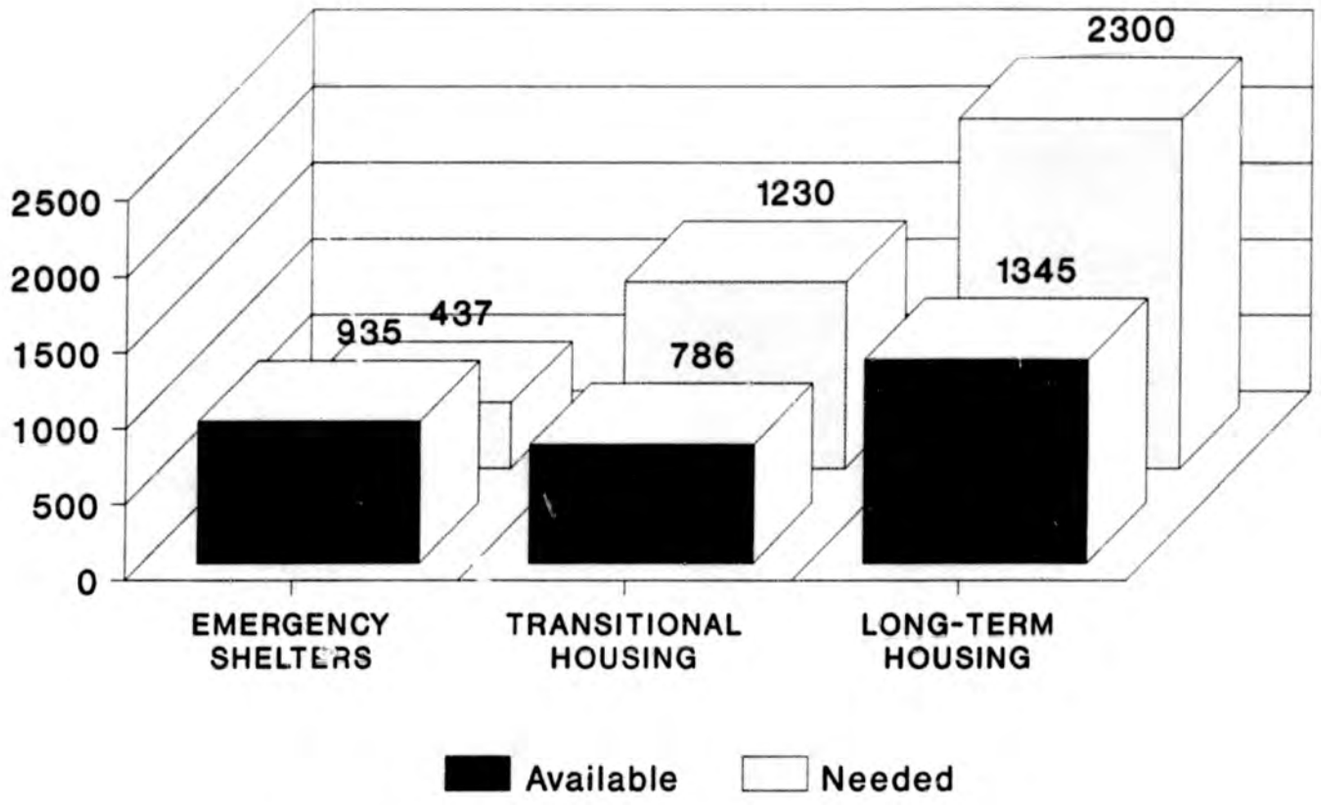
5. By June 1, 1991, state agencies involved in housing finance should have the legal ability to provide financing to non-profit housing sponsors. DCRA, AIDEA, AHFC and ASHA should identify existing statutory, regulatory, policy and procedural barriers to such programs and initiate steps to eliminate these barriers through legislative, regulatory or internal processes, as appropriate.

6. Through the Alaska Housing Commission or other approved body, the state should encourage the development of housing partnerships in the state and authorize pre-development financing for certain rental projects (such as feasibility studies).

7. The state should examine the feasibility of converting appropriate foreclosed housing to rental units. This includes changes to AHFC policy to allow them to donate foreclosed properties to non-profit organizations, to be improved and rehabilitated by the non-profit group.

8. AHFC & DCRA lending practices should be expanded to allow mortgage loans for non-profit organizations, including housing authorities, so that those developers have the means to create affordable rental housing.

HOUSING NEEDS
SPECIAL NEEDS GROUPS



Alaska Housing Market Council
December 1989

4. Each year, the Department of Corrections releases 2,300 - 2,500 people. It is estimated that 10-15% of that population is mentally ill. With no structured halfway houses to go to, that population has no other place to go but the street.

RECOMMENDED ACTION PLANS

1. Accessible Housing

   Buildings for persons with special needs should be handicapped accessible and should be renovated, or built, in accordance with the "Uniform Federal Accessibility Standards," produced by the Department of Transportation and Public Facilities.

2. Supportive Care Services

   It is essential that a continuum of supportive care services be in place for emergency, transitional and long term housing for the homeless and others with special needs in order for those housing programs to be successful. Those services include, but are not limited to, case management and medical and rehabilitative assistance.

3. Housing Needs

   Listed below are some, but not all, of the groups identified in the state as needing various types of special needs housing:

a. AIDS patients.
b. The chronically ill.
c. Homeless men and women, with or without children.
d. Victims of domestic violence and their children, victims of elder abuse and victims of sexual abuse.
e. Substance abusers.
f. Pregnant youth and women.
g. Homeless youth.
h. Persons experiencing a physical disability or disabilities.
i. The mentally ill.
j. Persons in transition from the Alaska Psychiatric Institute, the Corrections system (particularly the mentally ill) and Alaska Youth Initiative graduates.
k. Persons with more than one diagnosis. For example, the mentally ill person with a substance abuse problem.
l. The developmentally disabled.
m. Emotionally disturbed children.
n. Rural Alaskans who come to regional centers for educational, medical or other reasons.
o. Rural Alaskans, particularly youth, who move permanently to a larger community.
p. The neurologically impaired and those with head injuries and brain trauma.

4. Rural Alaskans

   The need for emergency, transitional and long term housing for special needs is critical in Rural Alaska. With Rural Alaska's severe housing shortage, there is almost no housing available to be used for special needs. As a result, it is recommended that the state give priority to developing special needs housing opportunities in Rural Alaska.

5. Funding Issues

   a. The State of Alaska, through the proposed Housing Commission, should review and prioritize the need for emergency, transitional and long term housing for special needs, so that available resources and funding can be allocated accordingly.

   b. By June 1, 1991, the role of the State of Alaska, through (but not limited to) the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs, should be expanded to allow mortgage loans to non-profits for emergency, transitional and long term housing for those with special needs. This should be a cooperative effort.

   c. If needed, Alaska's congressional delegation should be contacted about the differences among HUD program requirements, which makes it difficult for housing providers to utilize HUD programs.

   d. Continued funding should be provided for the state's Institutional Discharge Project, which provides supportive housing programs for persons leaving the Alaska Psychiatric Institute, the Department of Corrections and Alaska Youth Initiative graduates.

   e. The state should consider applying for federal Medicaid option waivers to obtain additional funding for programs such as home-based supportive services. By obtaining such a waiver, the state and federal government would each pay half of such programs.

   f. Division of Family and Youth Services regulations should be changed so that housing services for non-state custodial teens can be funded or some form of financial assistance can be provided for programs assisting these teens.

SENIOR HOUSING

IT IS THE POLICY OF THE STATE OF ALASKA TO RECOGNIZE THAT SENIOR ALASKANS SHOULD HAVE ACCESS TO APPROPRIATE AND 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.

BACKGROUND:

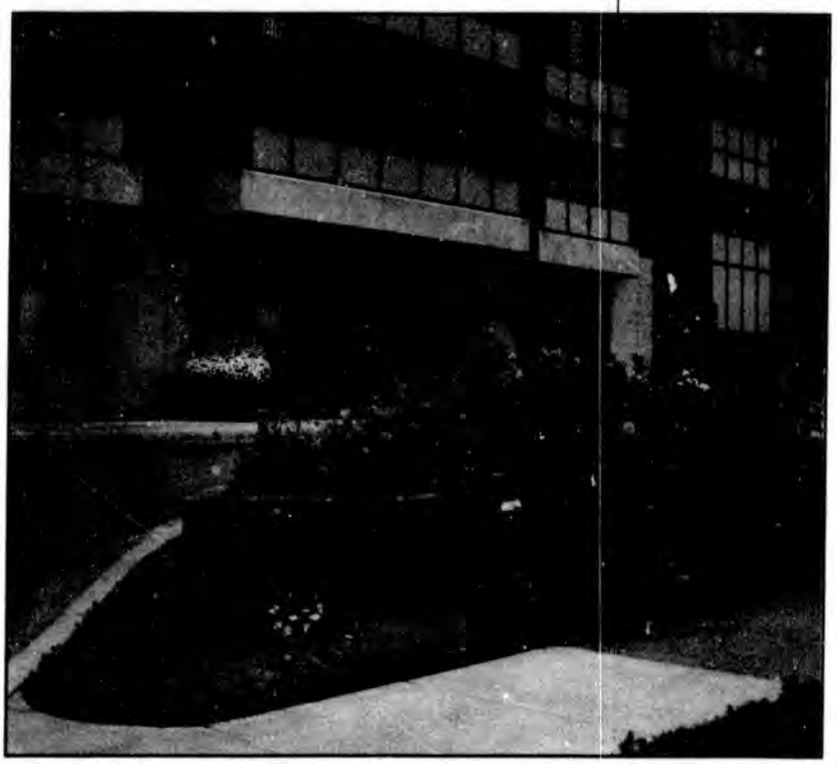
It is becoming more and more difficult for Senior Alaskans to obtain affordable and appropriate housing in the state. The State's Pioneer Homes are one option, but the waiting list, particularly for rooms in the nursing sections, is long.

Housing in one of Alaska's long-term care facilities can be extremely expensive and, as a result, many Alaskans who have been here for years, choose to leave the state to retire.

Supportive services, such as homemaker and nursing assistance, are in short supply. If available at a reasonable cost, those services would help many seniors remain in their homes for longer periods of time.

FINDINGS:

1. Housing costs at the state's six Pioneer Homes will rise by up to 52 percent by January 1, 1990. Residential rates will rise from $425 to $525 per month. Nursing rates will rise from $525 to $800 per month.
2. Obtaining a room in the state's Pioneer Homes is not always easy. In November of 1989, 267 Alaskans were waiting for a place in the Pioneer Homes. 171 of those persons were waiting for a room in the nursing section.
3. Other options for nursing care in the state are limited. A 1989 Division of Medical Assistance report stated that, of 621 nursing beds statewide, 119 of those beds were vacant. Costs for those beds are extremely high. At one Anchorage long term care cen-



Anchorage Pioneer Home

HOUSING FINANCE

IT IS THE POLICY OF THE STATE OF ALASKA TO ENCOURAGE AND ASSIST THE CITIZENS OF THE STATE IN HOME OWNERSHIP OPPORTUNITIES IN A FISCALLY RESPONSIBLE MANNER.

IT IS THE POLICY OF THE STATE OF ALASKA TO MINIMIZE DIRECT INVOLVEMENT OF STATE GOVERNMENT IN THE SECONDARY MORTGAGE MARKET, WITH THE PRIMARY EXCEPTION OF ACCESSING CAPITAL MARKETS IN ORDER TO FINANCE THE STATE'S HOUSING NEEDS.

IT IS THE POLICY OF THE STATE OF ALASKA TO DEVELOP AND MAINTAIN STABLE SOURCES OF CAPITAL AND REVENUE TO SUPPORT HOUSING NEEDS IN THE STATE.

BACKGROUND:

During the early 1980's, the programs of the Alaska Housing Finance Corporation experienced fundamental changes: income limits were removed; loan limits were increased; mobile homes were financed; and the Home Ownership Assistance Program (HOF) was created. These changes precipitated AHFC's gain of the lion's share of the mortgage loan market.

Additionally, in 1980, the Housing Assistance Division (later named the Rural Development Division) of the Department of Community and Regional Affairs was created to administer the Nonconforming Housing Loan Program, with an emphasis on funding rural housing.

The state's loan portfolios have continued to show a higher rate of delinquency than non-state portfolios. There has been conjecture by some professionals that the state tried to be all things to all people and that we could have been more prudent in our lending standards; yet there has been no factual documentation to prove this point.

However, the Committee did determine that the State of Alaska can no longer afford to subsidize mortgage loan rates, without some income limitations, and that the state's participation in the mortgage loan market should carefully follow prudent lending standards. At the same time, they recognize that AHFC's access to capital markets oftentimes allows AHFC to obtain reasonable rates, regardless of whether we decide to subsidize those rates.

It is hoped that, as the State of Alaska removes its competitive (subsidized) edge in the mortgage loan market, other outside sources of capital and revenue will become more of a force in the Alaskan market.

FINDINGS:

1. As of July 1989, the Alaska Housing Finance Corporation held a loan portfolio of $3.5 Billion and a total of 42,774 outstanding loans. The Department of Community & Regional Affairs held a loan portfolio of $152 Million and a total of 1,540 outstanding loans.

2. The state's share in the residential mortgage loan market has held steady, over the last three years, at 62-63% of the total market.

3. On June 30 of 1987, 58% of the statewide portfolio of foreclosed properties (REOs) belonged to agencies or departments of the State of Alaska. By the same month in 1989, that share of the REO market had increased to 71%.

4. From 1987 though 1989, the average delinquency rate for state financed, residential mortgage loans remained consistently higher than that of non-state financed loans.

5. Approximately 26% of total AHFC and DCRA outstanding loans are in the non-urbanareas of the state. Of that 26%, approximately 4.5% of them are in the bush areas of the state.

6. Approximately 17.5% of total AHFC and DCRA current outstanding loans were made to people with incomes of less than $30,000, at the time the initial loan was made. Data is not available on current incomes of borrowers.

7. According to a national study of loans, originated from 1975 to 1987 and insured by private mortgage insurance companies, a mortgage loan with only a 5% down payment is more than twice as likely to default

ter, the cost for a nursing bed is $7,000 per month.

4. Some state regulations regarding the construction of senior housing contain so many requirements, that it is cost-prohibitive to build this type of housing.

RECOMMENDED ACTION PLANS:

1. Regulations governing the construction of senior housing must be reviewed and made more flexible where appropriate. State agency housing regulations should be changed so that two categories of housing are created: medical and assisted living models. Medical models should be further developed into "intermediate care" and "long term care." Assisted living models should be developed to include models which are distinguished by nutrition needs, housekeeping needs, personal care needs, transportation needs and other non-medical needs.

2. The state should implement a "continuum of care" housing program for seniors, and should adequately fund necessary supportive services, which allow seniors to remain independent for as long as possible.

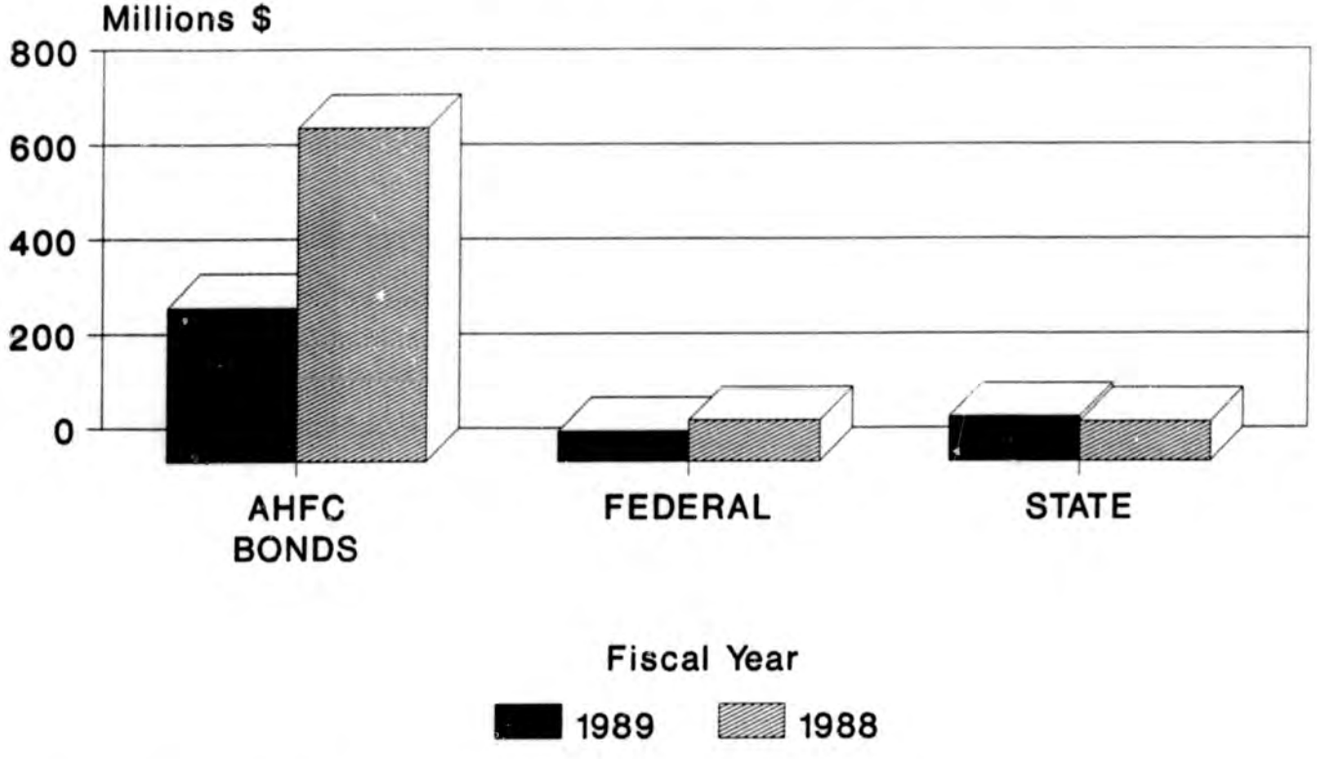
   a. A case management system, which matches seniors with appropriate services, should be approved by the state and implemented by the Older Alaskans Commission.

   b. State and other funded supportive services, such as homemaker assistance, home health care and home-delivered meals should be funded at the current state funding levels and expanded when needed. A mechanism should be in place so that seniors, with the ability to pay, could be charged for supportive services.

   c. Financial assistance and training for home repair and maintenance should be increased.

   d. The state should consider applying for federal Medicaid waivers for home-based supportive services. If approved, the waiver would require the federal government to match the state's contribution to supportive services.

TOTAL STATE AND FEDERAL HOUSING FUNDS
(With AHFC Bond Funds)
FISCAL YEARS 1988/1989



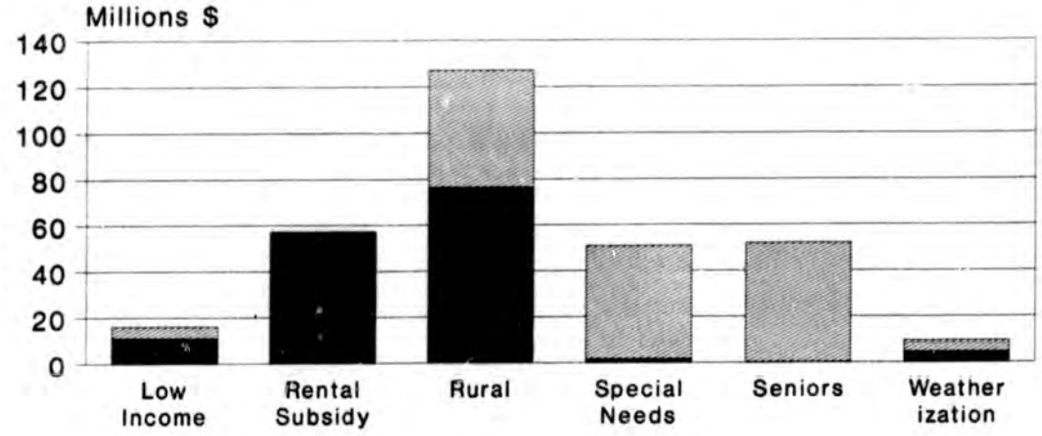
Alaska Housing Market Council
December 1989

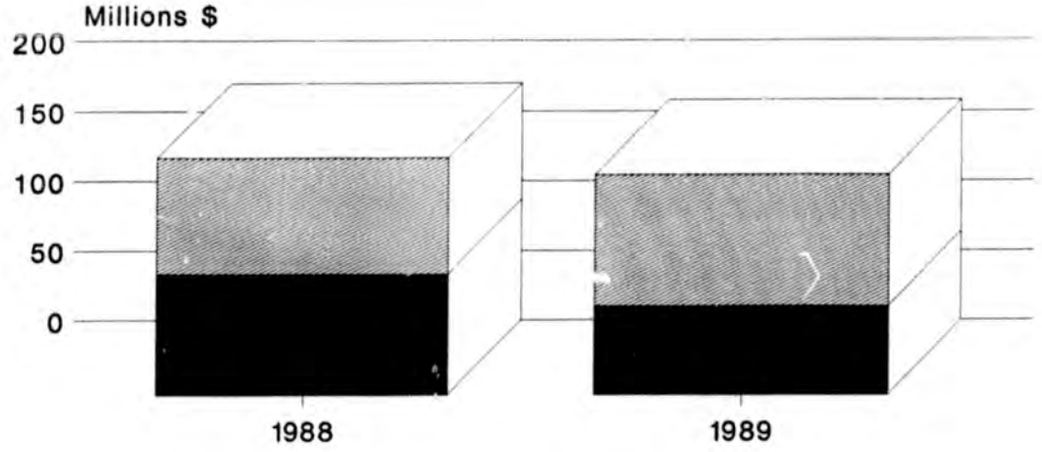
as a mortgage loan with a 10% down payment. When the study looked at default experience by income level, they found little difference. The loan to value ratio is the primary indicator of default risk. Source: Mortgage Banking , August 1989, "Housing The Rank and File."

RECOMMENDED ACTION PLANS:

1. State agencies with mortgage lending programs should follow prudent industry lending standards and reasonable down payments should be required.
2. The state should encourage participation in a homeowner counseling and education program to work in partnership with new federal housing mandates - which direct states involved in low-income home ownership programs to offer homeowner counseling services.
3. There should be greater disclosure to borrowers concerning the sale of their mortgage loan servicing to another institution. The State of Alaska should adopt greater servicer penalties. Clearer recourse should occur in the case of misapplication of mortgage payments, or failure to pay taxes or insurance on a timely basis.
4. In an effort to help solve the hesitancy of private mortgage insurers and investors to underwrite mortgage loans in Alaska, the state should develop a plan for encouraging participation in the state by private insurers and investors. State agencies should establish programs which allow them to enter into co-insurance agreements, when necessary, to provide mortgage insurance for state-financed mortgage loans.
5. The state should continue to direct economic assistance for rural housing and low to moderate-income housing programs.
6. By March 15, 1990, the Alaska State Legislature should eliminate the mortgage loan subsidy of the Department of Community and Regional Affairs and the Alaska Housing Finance Corporation, except to meet rural and low-income housing needs. However, state agencies can obtain lower interest rates than the private sector via the bond market or through direct federal funds. Lower, unsubsidized interest rates obtained in this manner should be passed through to the public.
7. The state should participate in the issuance of tax-exempt bonds, as well as taxable forms of financing, to provide the best market rate for the financing of low to moderate-income, rural and senior housing.
8. The state should encourage the usage of 501c3 bonds by non-profit corporations as a means to create affordable and special needs housing. State agencies with the ability to issue tax-exempt bonds should establish a process which encourages the issuance of such bonds for non-profit corporations.
9. By June 30, 1990, the Alaska State Legislature and the Governor should allocate funds for start-up and operational costs for Neighborhood Housing Services in the state. This fund should be matched by Neighborhood Housing Services of America and Neighborhood Reinvestment Corporation of America, on a four-to-one match.
10. The state should review the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (Savings & Loan bailout bill) for use as an additional source of housing funds.

TOTAL STATE AND FEDERAL HOUSING FUNDS
(State Bond Funds Not Included)
Fiscal Years 1988/1989





Funding Source

Federal State

Alaska Housing Market Council
December 1989

HOUSING PARTNERSHIPS

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.

BACKGROUND:

Federal funding for low-income, affordable housing in the state has been declining as the federal government exits from the affordable housing business. Across the country, communities are looking at innovative housing finance programs to provide housing for low-income people.

An important player in the financing and delivery of low-income and affordable housing are non-profit corporations. Widely accepted in many states, they often team up with other critical players, such as private-sector developers. The non-profit organizations are often more skilled at obtaining neighborhood support and can better deal with issues like zoning permits.



Turnagain Circle Project
Anchorage Neighborhood Housing Services

FINDINGS:

1. Total federal funds appropriated for Alaska dropped from $87.9 million in 1988 to $64 million in 1989, with further decreases anticipated for 1990.
2. State appropriations for housing increased from $83.4 million to $93.7 million between 1988 and 1989. However, the increase still left an unmet gap of approximately $13 million in declining federal housing funds.
3. Some jurisdictions in the country, such as Boston, New York City and Chicago, have active and sophisticated non-profit groups with experience in developing housing and in working out partnerships with the government and the private sector, according to a recent article published in Governing, November 1988.

RECOMMENDED ACTION PLANS

1. By June 1, 1991, the Housing Commission should encourage the development of housing partnerships in the state. The commission should provide information by publishing a document, with a variety of partnership options including the creation of benevolent loan funds (consisting of private donations, private and public financing).

HOUSING QUALITY STANDARDS

IT IS THE POLICY OF THE STATE OF ALASKA THAT HOUSING IN THE STATE SHOULD MEET SPECIFIC QUALITY STANDARDS.

BACKGROUND:

In Alaska, the state has adopted only those sections of the Uniform Building Code (UBC) that deal with life safety; neither the technical information or structural requirements have been adopted.

Some local communities, such as Anchorage, Fairbanks, Juneau, Dillingham, and Kenai have adopted the UBC in its entirety, along with the Uniform Plumbing and Mechanical Codes. In other parts of the state, particularly rural areas, there are no structural building codes in place.

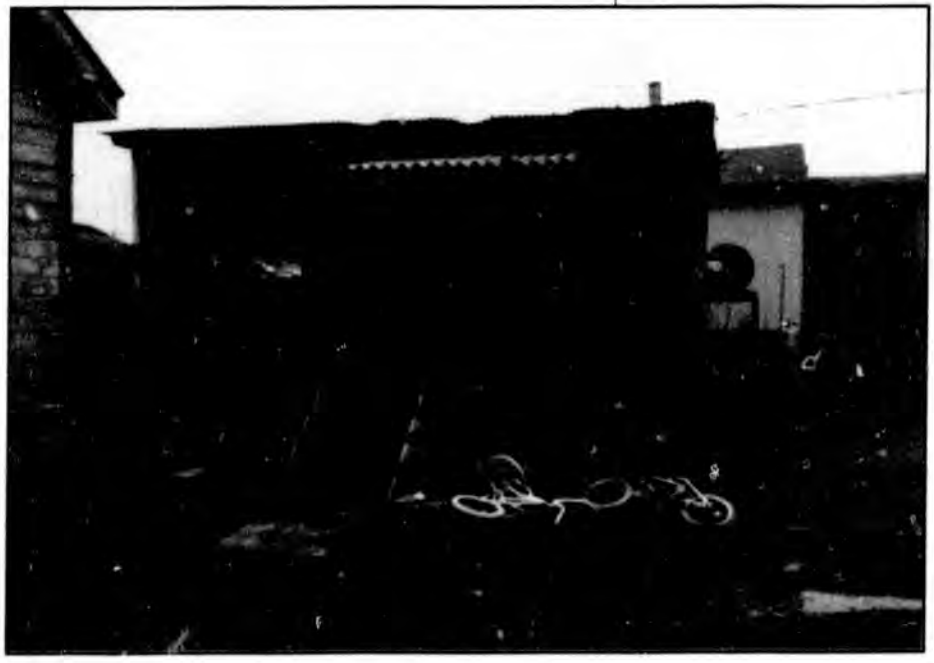
In the Bush, the lack of standards is compounded by the fact that some of the housing provided by the federal government has been built to "Lower 48," not Alaskan housing standards.

FINDINGS:

1. The 1988 DCRA Rural Housing Needs Assessment states that 6,740 homes in the Bush are so substandard that they should be immediately replaced.
2. The same study points out that 36% of rural homes can not maintain an inside temperature of 70 degrees during the winter.
3. Rural families spend up to 37% of their income to heat and light their homes.
4. Recently passed federal legislation mandates that by July 1, 1991, commercial banks, savings and loans, and credit unions with federal insurance use only state certified real estate appraisers. Alaska has no such state licensing or certification program for real estate appraisers.

RECOMMENDED ACTION PLANS:

1. The state should adopt building codes and allow for regional differences and amendments.



Home in Kwethluk, Alaska

2. The state should adopt more stringent contractor licensing requirements. By June 30, 1990, the Alaska State Legislature should pass Senate Bill 72, or other appropriate legislation, to strengthen residential contractor licensing requirements. Those requirements should include continuing education.

3. In accordance with federal guidelines, the state should establish a state licensing or certification program for real estate appraisers by January 1, 1991.

5. State agencies should not fund the financing of existing substandard housing, with the following exception: If the existing structure currently has a state financed mortgage and meets standards #1-4 of the committee's definition of "substandard," the size requirement will be waived.

6. The state should continue to support the Home Weatherization program, which is primarily funded by the federal government.

Committee's Definition of Substandard:

1. Dilapidated: Where dilapidated means a housing unit that does not provide safe and adequate shelter and endangers the health, safety, or well being of its occupants.
2. A unit that has plumbing that does not conform to the typical community standards of the area it is located in.
3. A unit that does not have adequate or safe electrical service if electricity is available in the community and there is access to it.
4. A unit that cannot maintain an indoor air temperature of 70 degrees Fahrenheit.
5. A building that has less than 600 square feet of living space with 200 square feet per resident.

4. The state should actively lobby for, and support the financing of, affordable housing in rural areas under federal programs such as HUD's Mutual Help program, the BIA's Housing Improvement Program and the Department of Energy's Home Energy Program. However, the structure and management of these programs should be closely reviewed by the federal government and revised, where necessary.

7. The Alaska State Legislature should enact legislation to restore clear legal authority for the implementation of appropriate minimum thermal standards, based on regional differences, for newly constructed state-financed housing.

LOCAL HOUSING POLICY/LAND USE

IT IS THE POLICY OF THE STATE OF ALASKA TO ENCOURAGE COMMUNITIES TO TAKE AN ACTIVE ROLE IN HOUSING AND LAND USE ISSUES, RECOGNIZING THAT LOCAL CONTROL IS PREFERABLE TO CENTRAL CONTROL, BECAUSE LOCAL GOVERNMENTS CAN BEST BALANCE THE NEEDS OF THE PUBLIC WITH THE PRIVATE DETERMINATION OF SUPPLY AND DEMAND.

BACKGROUND:

Many of Alaska's villages and cities are separated not only by vast land areas, but also by geographic, economic and cultural differences as well. As a result, local governments in Alaska often have a more "independent" focus than in many other parts of the country.

With federal housing appropriations to states being reduced on an annual basis, local governments and states across the country are taking a more active role in housing.

Many local governments are using their bonding ability to support housing needs in their communities.

FINDINGS:

1. Local communities are the most knowledgeable on housing and land use issues in their area and local governments are the best qualified entity to accurately plan for how needs should be met.
2. Land use decisions in many Alaskan communities have become extremely complicated because these communities are dealing with private lands, regional Native corporation lands and Native village corporation lands.
3. In the past year, federal housing dollars to Alaska have been reduced by $23.9 million dollars.
4. Very few Alaska communities do comprehensive housing plans as part of their long range planning process, often a result of limited resources for data collection and comprehensive housing planning. A sampling of 12 organized local governments in the state showed that only three included a housing plan as part of their comprehensive land use plan.
5. The U.S. Congress recently passed amendments to the federal Fair Housing Act. As a result of these amendments many local government-imposed restrictions, on the development of group homes or other housing for people with disabilities, will be a violation of federal law. These include restrictions contained in state and local laws, such as special use-permit requirements, dispersion rules and limitations on the number of residents in group homes.

RECOMMENDED ACTION PLANS:

1. Local governments should include a housing plan, listing how housing needs can be met, as part of their comprehensive planning process.
2. With community input and involvement, municipal governments should be encouraged to facilitate establishment of group housing. Zoning laws which prohibit group homes should be revised to be consistent with anti-discriminatory statutes (including the amendments to the Fair Housing Act). Integration of transitional housing residents into communities should be encouraged.

HOUSING POLICY DEVELOPMENT COMMITTEE MEETING SCHEDULE

Full Committee

December 7, 1988	Anchorage
April 21, 1989	Anchorage
June 23-24, 1989	Fairbanks
July 27, 1989	Homer (Teleconference)
September 8-9, 1989	Anchorage
October 13, 1989	Anchorage (Teleconference)
November 3, 1989	Anchorage (Teleconference)
November 17, 1989	Anchorage (Teleconference)
December 8, 1989	Anchorage (Teleconference)



Housing Policy Development Committee meeting in Fairbanks

Transitional and Long Term Housing for Special Needs Subcommittee

December 7, 1988 ..... Anchorage
January 13-14, 1989 ..... Anchorage
April 7-8, 1989 ..... Juneau
April 20, 1989 ..... Anchorage
June 23-24, 1989 ..... Fairbanks
September 8-9, 1989 ..... Anchorage
October 24, 1989 ..... Anchorage
November 28, 1989 ..... Anchorage

Low-income, Affordable and Senior Housing Subcommittee

December 7, 1988 ..... Anchorage
January 13-14, 1989 ..... Anchorage
February 23-24, 1989 ..... Anchorage
March 30-31, 1989 ..... Juneau
April 20, 1989 ..... Anchorage
June 23-24, 1989 ..... Fairbanks
July 14, 1989 ..... Anchorage
September 8-9, 1989 ..... Anchorage

Rural and Urban Housing Markets Subcommittee

December 7, 1988 ..... Anchorage
January 20-21, 1989 ..... Anchorage
February 24-25, 1989 ..... Anchorage
March 30-31, 1989 ..... Juneau
April 20, 1989 ..... Anchorage
June 23-24, 1989 ..... Fairbanks
September 8-9, 1989 ..... Anchorage

Special Meeting of the Subcommittee Chairs

August 25, 1989 ..... Bethel

Public Hearings

Public testimony taken at all full committee meetings and at selected subcommittee meetings.

Statewide public testimony received at all teleconferenced meetings.

Additional teleconferenced public hearing held during the evening of December 7, 1989.

Public Participation

The following members of the public either attended or gave public testimony at the meetings (in person or via teleconference network):

Colleen Patrick-Riley
Rose Munafo
Marbeth Johns
Jerry Grover
Dr. Marilyn Scott
Jeanine Kennedy
Suzanne Goodrich
Sheila Selkregg O'Malley
Amos Heacock
Nancy Thompson Heacock
Velma Schaffner
Lorena Neece
Bill Heumann
Greg Pease
John Egan
Norman William
Roy Isturis
Judith Holden
Mary Matthews
Patricia Walsh
Hal Kummerow
Dottie Englund
Harvey Bowers
Nathan Wright
Karen King
Bob Shuttlesworth
Bonnie Shuttlesworth
Drena McIntyre
Alise Peck
Terry Hoke
Rosalee Walker
Kit Ballentine
Don Foss
H. Prent Gazaway
Jean Smith
Jacquelyn Canoose
John McCool
Bryon Coney
Lorena Showers
Linda Stanton
Bill Varner
Tim Meyers
Richard Kinney
Jetta Whittaker
Nita Greenwell-Madsen
Mary Collins
Pat Malone
Dennis Burns
Terry Baily
Dr. Chuck Logsdon
Judy Calhoun
Mary Raymond
Mary Guinn
Kaye Rogers
Hazel Heath
Margaret Pate
Evelyn Sprague
Florence Ross
Janet Wiltrout
Clifford Jenson
Hayden Ellyson
Edna Kahn
John Stephan
Enid Jones
Marilyn Kirkhan
Karen Stephens
Susan Benedetti
Florence Orr
Catherine Davis
Theresa Maser
Marie MacKenzie
Mark Guy
Loree Wiltse
Virginia Carter
Charles McKee
Herbert Wilborg
James Fisher
Connie Sipe
Marie Darlin
Paul Fuhs
Pat McGee
Gary McGee
Jim Snyder
Christine Manion
Colleen Craig
Eldon Young
Gil Lulay
Dr. Dennis Scholl
Chuck Gasta
Don Sherwood
Hank Hodge
Kathleen Grahan

Appendix I

BIOGRAPHIES OF COMMITTEE MEMBERS

Nancy Adams

Executive Director of the Juneau Alliance for the Mentally Ill; past housing project coordinator for the Division of Mental Health, Department of Health and Social Services; Masters of Social Work from the University of California, Fresno. Has worked for the mentally ill in California, Montana, and Alaska since 1971.

Fred Ali

Executive Director of Covenant House Alaska since 1988; Bachelors of Arts in History and Political Science from Santa Clara University and a Masters in Education from the University of Michigan; past experience: founder and director of rural training program; deputy director of the State's Employment and Training Division; president of a community college; vice chancellor of Student Affairs at the University of Alaska, Anchorage; and seventeen year Alaskan resident.

Sharon Araji

Professor of Sociology, University of Alaska Anchorage; Ph.D. in Sociology from Washington State University in 1978; former faculty member at the University of Idaho, Washington State University and the University of Rhode Island; former recipient of several Institute of Mental Health (NIMH) Post Doctoral Fellowships; and currently involved in research that focuses on problems that families are experiencing as a result of the Exxon Valdez Oil Spill.

Bob Arwezon

Licensed Real Estate Broker and salesperson for 22 years; Bachelor of Arts in Economics, with a minor in Education from Bowdoin College in Maine; currently treasurer of the Alaska Association of Realtors; past president, director, and secretary of the Anchorage Board of Realtors; served for several years on real estate, legislative and government affairs committees; served on the Council's 1988 Housing Task Force; and resident of Alaska for 27 years.

Mitzi Barker (substitute for Tom Behan)

Special Projects Assistant to the executive director, Alaska Housing Finance Corporation; B. S. in Urban and Regional Government from Willamette University in Oregon and M. S. in Urban Planning from the University of Mississippi; prior experience: self-employed housing consultant; regional supervisor (Anchorage and Kenai) for the Alaska State Housing Authority; and fifteen years experience in research and policy analysis of housing issues.

Rick Barrier

General Partner in Malaspina Properties and a partner with them for eight years; Bachelor of Science from Yale University and a Master in Business Administration from Stanford University; president of Alaska Technology - business consultants and builders; active in real estate investments; president of the Alaska Trailer Court Association; and former member of the Council's Housing Task Force.

Jessie M. Bartlett (Substitute for Ray Price)

Case Manager Supervisor for the Alaska State Housing Authority; Bachelor of Arts in Sociology, with a minor in Business Education from Bethune-Cookman College, Daytona Beach, Florida; previously mortgage loan officer at Alaska Pacific Mortgage; past board member for Alaska Children's Services; member of the Alaska Professional Mortgage Women; participant in several campaign fund raising efforts. Works part-time at Hope Cottages as a program technician.

Tom Behan

Alaska Housing Finance Corporation's Executive Director since February 1989; Bachelor's Degree in Business Administration

from the University of Texas, El Paso and graduate of the Pacific Coast Banking School, University of Washington; extensive background in banking, mortgage real estate and lending; previously general partner and former manager of the Alaska Club; and active in Anchorage business and civic activities. Member of the Alaska Housing Market Council.

Howard Bess

Currently President of Alaska Housing Ministries; Masters in Divinity from Garret Theological Seminary; pastor of Church of the Covenant in Palmer; previously pastor of American Baptist Church for seven years and president of Gatela Ministries in California. Twenty years experience in housing.

Senator Johne Binkley

Elected to the State Senate in 1987 and is presently Co-Chair of the Senate Finance Committee; served on Governor's Interim Commission on Children and Youth, the Senate Special Committee on Suicide Prevention and the Senate Special Committee on School Performance; received degrees from University of Alaska, Fairbanks and Western Michigan University; past member of the State House of Representatives, the Bethel City Council, and the Alaska Municipal League Board of Directors.

Bryan Borjesson

Over 30 years of general and specialty construction experience in Alaska, including engineering design, construction management and company ownership; Bachelor of Arts in Civil Engineering and a Master in Civil Engineering, University of Alaska, Fairbanks; past president, Alaska Society of Professional Engineers; past vice president, International Conference of Building Officials; member, American Society of Civil Engineers; and Alaska resident for over 30 years.

Representative Kay Brown

Elected in 1986 to Alaska House of Representatives, member of House Finance Committee; Bachelor's in Journalism from Baylor University; employed as analyst for PlanGraphics; named by Savvy Magazine as one of country's outstanding executives in 1985; former employee of state Department of Natural Resources: director of Division of Oil & Gas and deputy director of Division of Minerals & Energy Management; and worked as reporter for United Press Int'l., Anchorage Times, and The Charlotte Observer.

Paul A. Carr

Real Estate Planner with Carr Gottstein Properties; graduate of Montana State University in 1968 and Master in Public Administration applicant at the University of Alaska; past experience: planner for State of Alaska, platting officer for Anchorage Area Borough Planning Department, community development specialist with State of Montana, private consultant for Capital Site Planning Committee, and past member of Municipality of Anchorage Planning and Zoning Commission and Platting Board.

Barbara Chmiel

Currently a Rehabilitation Financial Specialist for the Municipality of Anchorage - staff ranked #1 in Region 10 under the rental rehab program; working towards BA in psychology/behavioral sciences; served as support staff for the Anchorage Handicapped Commission; board member of the Community Housing Resource Board; Iditarod Trail Committee volunteer from 1986 to 1988; member of the Anchorage Commission on the Handicapped; and a 35 year Alaskan resident.

Gale Cipra

Past Vice-President and Manager of Mortgage Production Department at Key Bank of Alaska; Associate of Arts from Indian River Community College and 1985 graduate of Mortgage Bankers Association, School of Mortgage Banking; senior loan officer, Alaska Housing Finance Corporation; mortgage branch coordinator, National Bank of Alaska; served on several Anchorage Neighborhood Housing Service committees; served on board

of directors and as vice-president (1988/89), Alaska Mortgage Bankers Association.

Representative Johnny Ellis

Elected in 1986 to AK. State House of Representatives, serves as Chair of the Health, Education and Social Services Committee and member of the Judiciary Committee; attended the University of Alaska, Anchorage and received a Bachelor of Science degree from Claremont College, California; past experience: legislative aide to the House Majority Leader in 1985 and 1986; researcher/writer for a marketing firm; has served on numerous state and local commissions and committees since coming to Alaska in 1975.

Velma Ellyson

Project Director for Homer Seniors Inc. since 1987; Bachelor of Science in Home Economics from West Virginia University and Masters in Administration from Bowie State College; course work at John Hopkins, University of Maryland. Past experience includes: twenty years in the field of education administration; owner-operator of seafood processing plant on the Homer Spit; currently serves on Homer Planning Commission and former president of Kachemak Bay Visitors Association.

Rob Gamel

Residential Projects Director for the Southport Company, a division of Carr-Gottstein Properties; Bachelor degree in Economics from Alaska Methodist University; active in the home building industry since 1973; former president of the Alaska State Home Builders Association, currently its legislative affairs chairman; former president of the Building Industry Association of Anchorage; past chair of Governor Sheffield's Statewide Task Force on Housing; born and raised in Alaska.

Jo Ann Goyne (Substitute for Ray Price)

Deputy Director of the Alaska State Housing Authority; twenty years in private sector property asset management; certified property asset management consultant for state and federal governments; serves as Alaska representative on the National Committee of Severely Distressed Public Housing; past president and current member of the Alaska Chapter of the National Institute of Real Estate Management.

John Guinn

Executive Director for Alaska Village Council Presidents' (AVCP) Regional Housing Authority; past experience: deputy director of AVCP Regional Housing Authority; president of Guinn Lumber Company; past president of the Yukon-Kuskokwim Delta Mayors' Conference; mayor of Bethel, Alaska; served on Bethel City Council; carpenter with Carpenters' Local 1281; served in the United States Marine Corps; recipient of the Purple Heart Medal with honorable discharge in 1967; and commercial fisherman.

Kelly Gunnels

Assistant Vice President and Manager of the Mortgage Lending Division and Supervisor of Loan Production and Servicing Departments for Denali State Bank - since the bank was formed in 1976; three year member of Alaska State Board of Financial Women International; member of Advisory Board of Energy Rated Homes of Alaska. Fifteen year resident of Alaska.

Michael Harper

Director of Rural Development Division, Department of Community & Regional Affairs; Bachelor's of Business Administration from University of Georgia; serves on board of directors for Tundra Times Newspaper, Commonwealth North, and Doyon Ltd.; past vice president & loan officer for United Bank of Alaska; served as deputy commissioner of Department of Community & Regional Affairs and administrative assistant to the governor; planner & deputy director for RuralCAP.

Sam Helms

Retired Fairbanks general contractor and businessperson; active in state and local gov-

ernment affairs for over thirty years; public member of the Alaska Housing Market Council; Co-chair of the Alaska Laborers Retirees Association; member of the City of Fairbanks Public Utilities Board; and a thirty-six year Fairbanks resident.

Stan Hoofard

Rehabilitation Coordinator for the Municipality of Anchorage; previously a general contractor in the Anchorage Area; serves on the board of directors for Kid Corps; volunteer consultant on accessibility issues for the State of Alaska/Vocational Rehabilitation; and Alaska resident for twelve years.

Lee Huskey

Professor of Economics and Chair of the Department of Economics, University of Alaska Anchorage; Ph.d. and Master of Arts in Economics from Washington State University; past experience includes economist in the Planning Department, Municipality of Anchorage; member of American Economic Association, Western Economics Association; member, Anchorage Municipality, Economic Information Task Force; and member, Anchorage Community Development Block Grant Committee.

Deborah Ingman

Owner of Appraisal Associates of Juneau; designated as certified review appraiser - responsible for 13 Southeast Alaska communities; appraisal education obtained from American Institute of Real Estate Appraisers and Society of Real Estate Appraisers; past member of Southeastern Housing Task Force with the Alaska Housing Market Council, past president of Juneau Association of Professional Mortgage Women and on current board of directors; and resident of Juneau for the past 6 years.

Carol Jackson

Resource Development Analyst for Alaska State Housing Authority; business management courses from Alaska Pacific University; previously employed as president of First Alaska Management Services, Inc. - the first housing consumer counseling agency funded by HUD in the State of Alaska; licensed real estate agent; past experiences include: property management and underwriter project review specialist with Alaska Housing Finance Corporation; and resident of Alaska for 27 years.

Leo Kaye

Litter Patrol Supervisor for Mat-Su Parks & Recreation; Bachelor of Science from Ithaca College and a Masters in Education from Oregon State College; serves on the Senior Citizens' Advisory Board; previously special assistant to Mat-Su Borough Manager; served as executive director of the Alaska Lung Association for 13 years; served as executive director to the TB & Lung Associations of Colorado, New York, and New Jersey for a combination of 21 years; served on many boards and councils.

Kathy Keck

Currently Staff Attorney for Alaska Legal Services Corporation (ALSC) in Fairbanks; Bachelor of Arts from the University of Washington, graduating Magna Cum Laude and Phi Beta Kappa; received Juris Doctorate from Yale Law School; previous staff attorney and supervising attorney in the Bethel office of ALSC; past experience: Environmental Litigation Program—Nuclear Waste Policy Project, Environmental Law Association; Yale Law Women's Association Restraining Order Project; and the Indian Law Forum.

Gary Mandzik

Residential Resource Coordinator with the Division of Mental Health and Developmental Disabilities, State of Alaska; Bachelor Degree from University of New York and Masters Degree in Counseling from the University of Southern Connecticut; member of the National Coalition for the Homeless; worked with the Division of Family & Youth Services in the Adult Services Unit; and supervised the Nome/Kotzebue Division of Family & Youth Services office. Nine year resident of Alaska.

Caren Mathis

Special Asst. to Commissioner of Dept. of Commerce & Economic Development; BA in Journalism from Colorado State U. and Master's in City Planning from MA. Institute of Technology; prior experience: project consultant to Cook Inlet Region, Inc.; mgr., Planning Services Division of Tryck, Nyman & Hayes; and past consultant to Municipality of Anchorage. Board member of AK. Council of Camp Fire and Alaska Planning Association; previously on MOA Platting Board, and Zoning Board of Examiners & Appeals.

Barbara Miklos

Executive Director of AK. Council on Domestic Violence and Sexual Assault; BS in Education from NE Missouri State U. and Masters in Health Admin. from University of Colorado; member of Governor's Task Force on Youth; chair, Mental Health Advisory Committee; member of Social Services Advisory Board for City & Borough of Juneau; past chair, Governor's Child Sexual Abuse Working Group; former health systems specialist, Mt. Edgecumbe Hospital; health planning coordinator, SE Alaska Health Systems Agency.

Kay Murphy

Vice President of Mortgage Production at Key Bank; employed in banking industry since 1974; completed the School of Mortgage Banking (Northwestern University) in 1984; served as mortgage operations supervisor at Alaska Housing Finance Corporation from 1978 to 1984; has been active in the Alaska Mortgage Bankers Association and served as its president in 1987; former member of the Council's Housing Task Force; and Alaska resident for 19 years.

Cynthia Parker

Executive Director for Anchorage Neighborhood Housing Services; Bachelor of Science in Political Science and Planning with post graduate studies in Business Administration; extensive background in housing and property management; presently the chair of the Alaska Housing Market Council and former member of the Council's Housing Task Force; previously the manager for the Portland Housing Authority; past chair of the Anchorage Platting Authority; and has been a resident of Alaska for 9 years.

Ray Price

Executive Director of the Alaska State Housing Authority; prior experience includes: special staff assistant to Governor Cowper, manager of Anchorage Heritage Land Bank, and deputy director of the Housing Assistance Division for the Department of Community & Regional Affairs; member of the Alaska Housing Market Council; past president of the Anchorage Chapter of Blacks in Government and a youth football coach since coming to Alaska 11 years ago.

Pat Pourchot

Elected to Alaska State Senate in 1988, Chair of Senate State Affairs; State Representative (1985-1988); BA from University of Wisconsin and Masters in Public Administration, Harvard University; fourteen years experience in resource management and policy making in such capacities as resource manager, NANA Development Corp; admin. asst., State Senate Resources Committee; land manager, Alaska Federation of Natives and legal assistant for former U.S. Senator Mike Gravel.

Steven Rieger

Elected to House of Representative in 1984; Bachelor of Science from Harvard University and a Masters in Business Administration from Harvard Graduate School of Business; business consultant and financial manager; formerly worked for management consulting firm, investment bank, and major ocean shipping company; member of the Anchorage Chamber of Commerce, World Affairs Council and Iditarod Trail Committee; previously served on National Ski Patrol.

Mike Shuler

Executive Director of the Bristol Bay Housing Authority in Dillingham. (No additional information was received).

C.E. "Swack" Swackhammer

Elected to State House of Representatives in 1986; currently serves on House Finance Committee, Public Safety & Law Committee, House Fiscal Policy Subcommittee, House Ethics Committee and Housing Finance Task Force; Alaska State Trooper for 20 years; member of AK. Association of Chiefs of Police board of directors, Alaska Peace Officers Association, Rotary International-Soldotna, International Association of Chiefs of Police and past member of Governor's Advisory Board on Drug Abuse.

William Swain

Co-owner and Chair of the Board of Jack White Company; Bachelor of Arts degree from the University of Minnesota; past experience: director of marketing and assistant to chairman at local bank; vice president of a television production firm located in Los Angeles, California; licensed real estate agent and formed real estate business with Bennett Williams, known as Swain - Williams Inc.; active in community affairs and charities; member of Board of Trustees for Humana Hospital. Resident of Alaska since 1969.

Mary Wolcoff

Former Executive Director of the Association for Stranded Rural Alaskans and adjunct faculty member at the University of Alaska, specializing in human services/cultural issues; volunteer experience: missionette state director, Alaska Native Education Council; Minority Education Concerns Committee; and Native Education Committee.

Appendix II

ANALYSIS OF COORDINATED HOUSING POLICY STATEMENT

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.

OPTIONS FOR IMPLEMENTATION

There is a national movement towards state centralization and authority in the development and execution of state housing policies and programs. The federal Housing and Urban Development legislation is up for re-authorization soon, and several bills addressing housing policy on the national level have been, or will be, introduced in Congress. Eric Ostrovsky of the Governor's Washington D.C. office thinks that it is very likely that housing policy directions will change by early 1990 with passage of either S. 565 or a House bill. Whether or not these bills include intent to mandate coordination and distribution of federal funds through the Governors' Offices of each state remains to be seen, but discussions on this subject are occurring.

Surveys of other states show several of them moving in the direction of establishing centralization and coordination of housing issues. Fifteen states have an agency, either a department, division or council which is directly responsible for oversight of housing issues. Massachusetts, Washington and New Jersey are recognized as model states, and have very visible, progressive housing programs and development. They have centralized agencies/divisions within a Department of Community Affairs/Development with the DCA Commissioner heading the various housing Boards. They also have a vehicle for interagency coordination.

The Housing Policy Development Committee recognizes that a continued mechanism or centralized housing agency is needed to overcome the fragmentation of existing programs and to ensure continuing public involvement in housing issues. The Committee weighed each of the options presented below and recommends that a Housing Commission be established, for now, with a plan to develop a Department of Housing in the state over the next several years. The Department will consolidate all of the state's housing functions.

OPTION 1 - ALASKA HOUSING COMMISSION.

Create an Alaska Housing Commission which reports directly to the Governor. Member composition shall reflect regional representation and shall include public members and representatives from housing and real estate industries, special needs groups, and rural areas. Representatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity. (9 members)

Number of members:	1 Regional representative from 4 judicial districts representing housing/ mortgage loan industries
	1 representative of special needs groups
	1 representative for rural areas
	1 additional public member
	Commissioner, Commerce & Economic Development
	Commissioner, Community & Regional Affairs
Advisory members:	Alaska State Housing Authority
	Alaska Housing Finance Corporation
	Department of Community and Regional Affairs

Staffing:

Executive Director
Secretary/Receptionist
Administrative Officer
Research Analyst/Planner
Information Officer/Technical Advisor

Responsibilities:

Develop and implement statewide housing policy.
Plan and develop a Department of Housing.
State agency housing program review, coordination, oversight.
Writing/updating long term housing plan.
Conduct periodic statewide housing needs assessments.
Review use and disposition of state agency-owned foreclosed properties.
Facilitate the creation of housing partnerships, providing technical assistance.
Review of housing regulations between state agencies, recommending revision where appropriate.

A legislative mandate should be effected which specifies the authority of the Housing Commission in relationship to the Alaska Housing Finance Corporation, the Alaska State Housing Authority and other state agencies with housing responsibilities. The mandate should provide the Commission with the power to implement state housing policy.

Pros:

Housing resources and programs are scattered throughout 13 different state agencies, offices and divisions. A Housing Commission, given the authority to cross departmental lines and bring housing groups together, can formulate and coordinate a cohesive statewide housing policy that addresses a wide range of housing needs and problems.

Important to have Commission within Governor's Office rather than within a Department so it can function in an impartial role.

Cons:

The Commission could be viewed as another unnecessary layer of bureaucracy and another complication in the tangle of housing programs.

OPTION 2 - DEPARTMENT OF HOUSING.

Create a Department of Housing with all housing agencies placed within that department. An interagency coordinating Committee could be formed with membership from each of the 12 agencies/programs involved in housing.

The Commissioner of the Department of Housing would chair the Boards of Directors of ASHA and AHFC.

Staffing:

Commissioner, Department of Housing
Executive Secretary
Information Officer
Division of Administrative Services
Division of Rural Housing Services
Alaska Housing Finance Corporation staff
Alaska State Housing Authority staff

Responsibilities:	Direct all housing programs within the state. Coordinate interagency housing activities. Establish and implement statewide housing policy. Same statewide responsibilities as listed for Housing Commission.
Pros:	This option provides the most visible commitment to state housing issues and the most effective entity to focus attention on the issues and problems. Housing concerns and policies would be represented at cabinet level, with more political clout to effect a coordinated statewide housing policy. Ability to better consolidate resources. Department could be created with stipulation of no increase in operating costs.
Cons:	Very difficult to get a new department created within state government.

OPTION 3 STATE HOUSING BOARD.

Merge the Boards of Directors of the Alaska State Housing Authority and Alaska Housing Finance Corporation into a State Housing Board with the authority to administer all housing agencies and state housing programs. Housing agencies will be placed under one department: either the Department of Community & Regional Affairs or the Department of Commerce & Economic Development. The State Housing Board will be responsible for statewide coordination of all state housing prog. ams and for setting state housing policy.

Number of Members:	9-member Board of Director, appointed by Governor Commissioner of Community & Regional Affairs serves as Chair 1 regional representative from 4 judicial districts representing housing/ mortgage loan industry 1 representative of special needs groups 1 representative for rural areas 2 public members

ASHA and AHFC will maintain their independent status. The Executive Directors of both agencies will serve at the pleasure of the State Housing Board. AHFC and ASHA will each have a 5-member sub-board responsible for agency operations. The Commissioner of Community & Regional Affairs will chair the State Housing Board and both of the sub-boards. Membership on AHFC and ASHA Sub-Boards will each consist of the Commissioner of Community & Regional Affairs, 2 different members of the State Housing Board, and 2 members appointed by the Governor.

An Interagency Coordinating Committee could be formed with membership from each of the 12 agencies, offices and divisions involved in hou- ng

Responsibilities:	Statewide coordination of all housing programs. Setting state housing policy. Writing/updating long-term housing plan. Same statewide responsibilities as listed above for Housing Commission.
Staffing:	Executive Director, State Housing Board Secretary/Receptionist Administrative Officer Research Analyst/Planner Information Officer/Technical Advisor

Pros: This option is the most consistent with model housing organizations in other states. It would be an effective way to ensure that policies and goals are implemented through consistent regulations and non-duplicated programs.

Consolidating housing agencies under one board has greater likelihood of success in implementing statewide housing policies. The proposed State Housing Board can provide clear, consistent, non-conflicting direction for the state's housing programs.

This option would satisfy the potential federal mandate for coordination and distribution of federal funds at the state level.

Under this option ASHA and AHFC Boards retain their independent status within state government. Retaining this independent status is important because of concerns about the bond covenants of both agencies and ASHA's contractual arrangements with HUD.

Cons: The mission and purpose of ASHA and AHFC are very different. The demands on their separate boards of directors are already significant. To combine the two boards and add statewide responsibility in addition may be too much for board members to handle.

OPTION 4 SPECIAL ASSISTANT FOR HOUSING.

Establish a Special Assistant for Housing position within the Office of the Governor. Position will be responsible for advising the Governor on housing policy.

The Special Assistant would direct an Interagency Coordinating Committee comprised of directors of the 12 housing agencies, offices, and divisions. The Committee would meet on a regular basis (monthly, bi-weekly) to discuss housing programs, problems, and policy.

Responsibilities: Formulating statewide housing policy.
Coordinating housing programs consistent with a statewide housing policy.

Staffing: Special Assistant for Housing
Secretary

Pros: This option would be a minimum level of commitment for a statewide housing policy and for coordination of state housing programs. Administrative costs would be minimal.

Cons: Many of the statewide action plans identified by the HPDC would not get addressed, i.e. a long-term housing plan, statewide housing needs assessments, creating of housing partnerships, etc.

Least effective mechanism to implement centralized, coordinated statewide housing programs/policies.

There is no mechanism for public input under this option.

CURRENT HOUSING BOARDS/COUNCILS

There are currently 12 agencies, offices and divisions within State government which are involved in providing or regulating housing services within Alaska.

ALASKA HOUSING MARKET COUNCIL

Advises the Governor and the Legislature on housing policies directed towards the stabilization of the housing market. It also provides direct services to the public in the form of the mortgage and housing information and referral hotline, provides a forum for public input regarding housing issues, coordinates interagency housing policies, and conducts research on issues affecting housing and mortgage loans. (The Council will sunset on March 12, 1990.)

Membership:
Department of Community and Regional Affairs
Department of Commerce and Economic Development
Alaska Housing Finance Corporation
Alaska State Housing Authority
Alaska Permanent Fund Corporation
Alaska Industrial Development & Export Authority
Office of the Governor
Public Members (5)

Committees:
Housing Policy Development Committee (37 members)
HPDC divided into working task forces in 5 major areas to develop policy recommendations for full Committee review and adoption.

Staffing:
Executive Director
4 staff members

Meetings:
Council meets monthly. Meetings usually held in Anchorage and teleconferenced to Fairbanks, Juneau. Subcommittee meetings and Committee meetings held monthly and usually teleconferenced.

Members do not receive a stipend for attendance at meetings. Members are reimbursed for travel expenses at rates set by the state.

ALASKA STATE HOUSING AUTHORITY

Provides low to moderate income housing under state and federal housing programs. Issues bonds for housing and public facilities as requested.

ASHA has been in existence since before statehood. They are an independent agency within the state and contract directly with HUD for the housing funds they receive and the housing programs they provide. ASHA deals with low to moderate income housing needs - primarily in the urban areas. Thirteen regional housing authorities operate as Indian Housing Authorities and deal with low to moderate housing needs in the rural/village areas; these authorities are independent and do not report to ASHA.

Membership:
4 public members appointed by Governor,
currently all members are from Anchorage and membership represents rural/native, business/real estate, minority, social services, and state government.
Commissioner of Commerce & Economic Development

Staffing:	Executive Director Division Directors Clerical
Meetings:	4 times per year; 12 days maximum In 1989, Board met on quarterly basis: 2 meetings in Anchorage, 1 in Sitka, 1 in Juneau. Board members are paid $80 per diem for each meeting they attend. Members are reimbursed for travel expenses at rates set by the state.

ALASKA HOUSING FINANCE CORPORATION

Board of Directors is responsible for the management of AHFC assets and the business of the corporation; adoption, amendment and repeal of bylaws and regulations governing the manner in which all AHFC powers are exercised; review of proposed legislation and participation in lobbying efforts during legislative session; review and approval of key policy decisions which will affect AHFC borrowers; prescription of duties and compensation of corporation personnel; and review and approval of corporation budget.

Membership:	Commissioner, Department of Revenue Commissioner, Commerce & Economic Development State Government Executive appointed by Governor, currently Commissioner, Department of Labor Public members (2), currently from Anchorage
Committees:	Special committees established as needed.
Staffing:	Executive Director Executive Director's Secretary Division Directors
Meetings:	Not less than once every 3 months. Normally meet 12 times per year; 16 days maximum. Usually transact meetings by teleconference with Anchorage, Juneau and Fairbanks. Meetings last from 3 to 6 hours. Must give public notice, 24 hours or more in advance. Members are paid $100 for each public member, for each day spent on official business. Travel expenses are reimbursed at rate set by state.

ALTERNATIVES FOR IMPLEMENTATION OF HOUSING COORDINATION

COST ANALYSIS (in thousands)

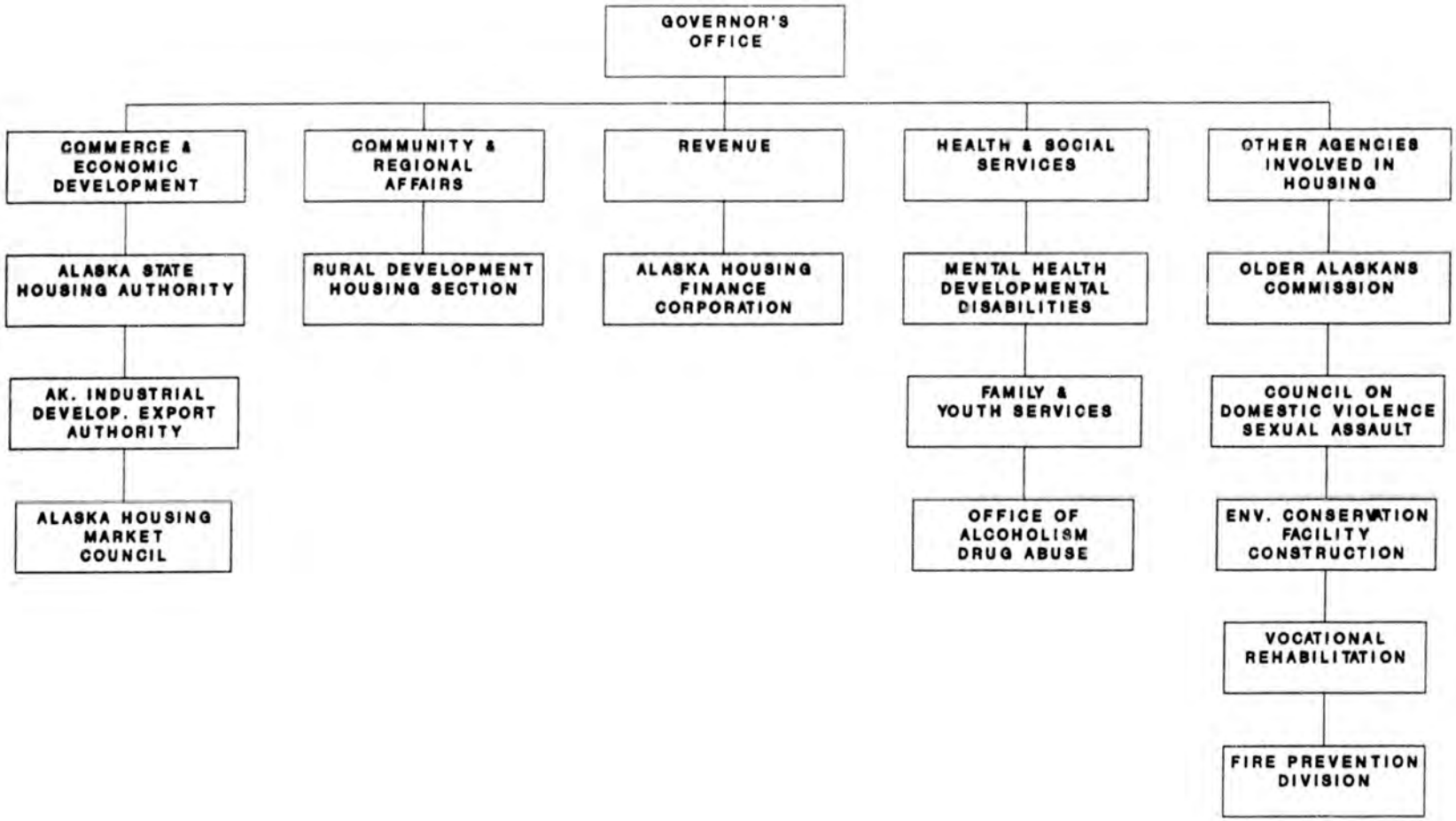
BUDGET CATEGORY	SPECIAL ASSISTANT		HOUSING COMMISSION		STATE HOUSING BOARD		HOUSING DEPT.
	TOTAL COST	ALTERNATE COST ①	TOTAL COST	ALTERNATE COST ①	TOTAL COST	ALTERNATE COST ①	TOTAL COST
OPERATING EXPENDITURES							
Personal Services	$110.7	$0.0	$239.4	$104.3	$262.6	$169.6	$400.9
Travel							
Staff Travel	6.0	6.0	14.5	6.9	14.5	10.3	28.0
Board Travel/Stipend			12.8	12.8	12.8	12.8	0.0
Per Diem							
Contractual							
Professional Services			8.7	3.9	8.7	3.9	
Communication	11.1	6.9	27.8	26.6	27.8	26.6	23.2
Advertising	2.5	0.0	14.4	7.4	13.0	10.0	9.5
Printing	2.0	2.0	16.1	4.0	18.1	10.1	14.6
Postage	4.2	1.8	8.3	7.8	7.1	6.6	5.7
Rent	4.8	0.0	19.4	0.0	18.9	0.9	22.8
Equipt. Rent, etc.			7.3	0.0	7.3	0.0	7.3
Supplies							
Office	3.8	1.0	6.3	3.8	6.3	3.8	11.0
Data Processing			1.0	1.0	1.0	0.5	2.0
TOTAL OPERATING EXP.	$145.1	$17.7	$376.0	$178.5	$398.1	$255.1	$525.0
NON-OPERATING EXP.			15.0	②	15.0	②	15.0
TOTAL BOARD COST	$145.1	$17.7	$391.0	$178.5	$413.1	$255.1	$540.0

NOTE: IF THE FEDERAL, AFFORDABLE HOUSING ACT PASSES, COSTS FOR EACH ALTERNATIVE WILL INCREASE BY $58.3 WITH THE ADDITION OF A GRANTS OFFICER TO REVIEW AND DISTRIBUTE FEDERAL FUNDS

① THESE ARE THE COSTS INCURRED WHEN EXISTING RESOURCES ARE USED. ALTERNATE COSTS FOR A DEPARTMENT OF HOUSING WERE NOT AVAILABLE AT IME OF REPORT.

② THERE WOULD BE NO ADDITIONAL COST IF THE PRESENT INVENTORY OF THE AHMC WERE USED.

STATE OF ALASKA
AGENCIES WITH HOUSING RESPONSIBILITIES



December 1989

ALASKA HOUSING COMMISSION

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
1.	PROVIDE PUBLIC INFORMATION ON HOUSING OPPORTUNITIES	-RESOURCE PERSON ON-STAFF TO ANSWER PUBLIC INQUIRIES	INFORMATION OFFICER/ TECHNICAL ADVISER	47.7	AHFC/ASHA STAFF	0.0
		-PRODUCE NEWSLETTER/BROCHURE		3.6	AGENCIES PRODUCE	0.0
2.	OVERSEE STATE AGENCY INFORMATION SERVICES	-REVIEW INFORMATION PRIOR TO PUBLICATION	INFORMATION OFFICER/ TECHNICAL ADVISOR		COMMISSION EX. DIR. ASSUMES THIS ROLE	
3.	PROVIDE INFORMATION TO INTERESTED PARTIES, RE: FORECLOSED PROPERTIES	-RESOURCE PERSON ON STAFF TO ANSWER PUBLIC INQUIRIES -CURRENT DATA BASE ON-LINE FOR INQUIRY	INFORMATION OFFICER RESEARCH ANALYST		AHFC STAFF	
4.	FACILITATE THE CREATION OF HOUSING PARTNERSHIPS	-RESEARCH CREATIVE HOUSING PARTNERSHIPS IN OTHER STATES -IDENTIFY COMMUNITIES WHERE CREATION OF HOUSING PARTNERSHIPS NEEDED/FEASIBLE -DOCUMENT HOUSING PARTNERSHIP POSSIBILITIES -IDENTIFY SOURCES OF PRE-DEVELOPMENT FINANCING AND ENCOURAGE/LOBBY FOR AGENCY MORTGAGE LOANS TO NON-PROFITS -DISTRIBUTE INFORMATION TO COMMUNITIES/AGENCIES -OFFER ASSISTANCE/CONSULTATION IN PARTNERSHIP DEVELOPMENT	INFORMATION OFFICER/ TECHNICAL ADVISER EXECUTIVE DIRECTOR		NONE AVAILABLE OTHER THAN THIS ALTERNATIVE	

ALASKA HOUSING COMMISSION

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
5.	PROVIDE ADVICE AND TECHNICAL ASSISTANCE ON DEVELOPMENT OF HOUSING PARTNERSHIPS	-RESOURCE PERSON ON STAFF AVAILABLE TO CONSULT WITH COMMUNITIES/AGENCIES ON HOUSING PARTNERSHIP OPPORTUNITIES/STRUCTURE	INFORMATION OFFICER/ TECHNICAL ADVISER	3.4	NONE AVAILABLE UNDER THIS ALTERNATIVE	0.0
		-DEVELOP AND CONDUCT COMMUNITY WORKSHOPS ON HOUSING PARTNERSHIPS		5.9		0.0
		-PRODUCE HANDBOOK ON HOUSING PARTNERSHIPS		1.8		0.0
6.	WRITE/UPDATE LONG-RANGE STATE HOUSING PLAN	-DOCUMENT EXISTING HOUSING CONDITIONS/ CONCERNS/PROBLEMS STATEWIDE -DEVELOP LONG-RANGE HOUSING STRATEGIES CONSISTENT WITH STATE HOUSING POLICY -PREPARE DRAFT AND FINAL LONG-RANGE HOUSING PLAN -DEVELOP PROCESS FOR ON-GOING REVIEW AND ANNUAL UPDATE OF PLAN	RESEARCH ANALYST/ PLANNER	47.7	INTERAGENCY COORD. COMMITTEE/COMMISSION EXECUTIVE DIRECTOR	0.0
				6.2		0.0
7.	REVIEW OTHER AGENCY PLANS FOR CONFORMANCE WITH STATE HOUSING PLAN	-COORDINATE THE DEVELOPMENT OF STATEWIDE SERVICE PLANS WITH AHFC, ASHA, DCRA, DH&SS DIVISIONS, OTHER STATE AGENCIES AND OFFICES WITH HOUSING PROGRAMS/SERVICES	RESEARCH ANALYST/ PLANNER		INTERAGENCY COORD. COMMITTEE	

ALASKA HOUSING COMMISSION

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		-COORDINATE DEVELOPMENT OF SHORT AND LONG-TERM BUSINESS AND REGIONAL STRATEGIC PLANS WITH AHFC, DCRA & ASHA				
8.	PROVIDE STATE AGENCY HOUSING PROGRAM REVIEW, COORDINATION AND OVERSIGHT	-ESTABLISH PROCESS FOR REVIEW AND APPROVAL OF HOUSING OR MORTGAGE LOAN REGULATIONS -IDENTIFY AND CLARIFY ROLES OF AHFC, ASHA AND DCRA IN THE HOUSING MARKET	EXECUTIVE DIRECTOR HOUSING COMMISSION		EXECUTIVE DIRECTOR/ INTERAGENCY COMM.	
9.	REVIEW AND APPROVE ALL NEW OR AMENDED HOUSING AND MORTGAGE LOAN REGULATIONS	-REVIEW ALL PROPOSED AND EXISTING PROGRAMS OF STATE HOUSING AGENCIES/OFFICES AND IDENTIFY AREAS REQUIRING COORDINATION/COOPERATION			INTERAGENCY COORD. COMMITTEE	
10.	CONDUCT PERIODIC STATEWIDE HOUSING NEEDS ASSESSMENT ON HOUSING AND FINANCING AVAILABILITY	-CREATE DATA BASE ON HOUSING NEEDS BY REGION -CREATE DATA BASE ON STATE, FEDERAL AND LOCAL FINANCING PROGRAMS AVAILABLE -SOLICIT UPDATED INFORMATION ON A QUARTERLY OR SEMI-ANNUAL BASIS -UPDATE DATA BASE ON ON-GOING BASIS	RESEARCH ANALYST/ PLANNER	15.0	ISER OR UNIV. OF ALASKA	
11.	MAINTAIN COMPREHENSIVE INFORMATION ON HOUSING NEEDS STATEWIDE, TRACKING MOST URGENT HOUSING NEEDS	-ESTABLISH CRITERIA FOR DETERMINING MOST URGENT HOUSING NEEDS CONSISTENT WITH STATE HOUSING POLICY	RESEARCH ANALYST/ PLANNER		INTERAGENCY COORD. COMMITTEE	

ALASKA HOUSING COMMISSION

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
12.	IDENTIFY WHICH AREAS OF STATE AND WHICH TARGET POPULATIONS MOST IN NEED OF STATE HOUSING RESOURCES	-APPLY CRITERIA TO DATA BASE TO IDENTIFY MOST URGENT NEEDS AND TARGET POPULATIONS MOST IN NEED OF HOUSING RESOURCES -REVIEW STATE BUDGET REQUESTS FOR HOUSING FUNDS -PREPARE RECOMMENDATIONS FOR GOVERNOR AND LEGISLATURE FOR PRIORITY FUNDING OF MOST URGENT HOUSING NEEDS -TESTIFY AT LEGISLATIVE HEARINGS ON FUNDING	EXECUTIVE DIRECTOR/ HOUSING COMMISSION		ISER OR UNIV. OF ALASKA	
13.	REVIEW USE AND DISPOSITION OF STATE AGENCY-OWNED FORECLOSED PROPERTIES	-IDENTIFY INVENTORY OF OREOS AND THEIR DISPOSITION -ESTABLISH REPORTING SYSTEM FOR UPDATED INFORMATION ON OREO INVENTORY -ESTABLISH POLICY WITH STATE AGENCIES ON DISPOSAL OF OREOS FOR URGENT HOUSING NEEDS	RESEARCH ANALYST/ PLANNER EXECUTIVE DIRECTOR/ HOUSING COMMISSION		AHFC STAFF	
14.	IF AFFORDABLE HOUSING ACT PASSES, REVIEW AND DISTRIBUTE FEDERAL FUNDS AND DESIGNATE RECIPIENTS THROUGHOUT STATE	-SET UP CLEARINGHOUSE FOR ALL GRANTS FOR FEDERAL HOUSING FUNDS -DEVELOP FUNDING PLAN/ALLOCATION OF FEDERAL FUNDS BASED ON STATE HOUSING POLICY, LONG-RANGE HOUSING PLAN, MOST URGENT HOUSING NEEDS, AVAILABLE FUNDS	GRANTS ADMINISTRATOR	50.9 *	COVERED BY GRANT FUNDS	0.0

ALASKA HOUSING COMMISSION

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		-DESIGNATE RECIPIENTS AND AGENCY TO ADMINISTER FUNDS -MAINTAIN DATA BASE OF ALL FEDERAL HOUSING FUNDS AWARDED IN ALASKA				
15.	ADMINISTRATIVE DUTIES					
		-MAINTAIN OFFICE SPACE, EQUIP, ETC.		52.4	SHARE AGENCY SPACE, EQUIP	27.4
		-DIRECT COMMISSION ACTIVITIES	EXECUTIVE DIRECTOR	73.6		73.6
		-STAFF SUPPORT OF HOUSING COMMISSION MEETINGS	SECRETARY	30.6		30.7
		-ADMIN SUPPORT OF HOUSING COMMISSION	ADMIN. OFFICER	39.7		0
		-TECHNICAL SUPPORT OF HOUSING COMMISSION		25.3	USE AGENCY CONF. SPACE	21.1
		-TRAVEL FOR COMMISSION MEETINGS		12.8		12.8
		-PUBLICATION OF ANNUAL REPORT		2.1		2.1
		-BOOKKEEPING, ANNUAL AUDIT		8.7	AGENCY ACCTG. SERVICES	3.9
		-STAFF TRAVEL		14.5	REDUCED STAFF, LESS TRAVE	6.9
			TOTAL COSTS	391.0		178.5

*FUNDING FOR THIS POSITION IS QUESTIONABLE UNDER AFFORDABLE HOUSING ACT; POSSIBILITY OF USING GRANT FUNDS TO COVER POSITION NEEDS TO BE EXPLORED.

STATE HOUSING BOARD

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
1.	ADMINISTER ALL HOUSING AGENCIES AND STATE HOUSING PROGRAMS	-STAFF STATE HOUSING BOARD -OVERALL ADMINISTRATIVE RESPONSIBILITY FOR AHFC, ASHA, RURAL HOUSING, INTERAGENCY COORDINATING COMMITTEE	EXECUTIVE DIRECTOR	86.5		86.5
2.	PROVIDE PUBLIC INFORMATION ON HOUSING OPPORTUNITIES	-RESOURCE PERSON ON STAFF TO ANSWER PUBLIC INQUIRIES	INFORMATION OFFICER	50.9	AHFC/ASHA STAFF	0.0
		-PRODUCE NEWSLETTER/BROCHURE		3.6	AGENCIES PRODUCE	0.0
3.	OVERSEE STATE AGENCY INFORMATION SERVICES	-REVIEW INFORMATION PRIOR TO PUBLICATION	INFORMATION OFFICER			
4.	PROVIDE INFORMATION TO INTERESTED PARTIES, RE: FORECLOSED PROPERTIES	-RESOURCE PERSON ON STAFF TO ANSWER PUBLIC INQUIRIES -CURRENT DATA BASE ON LINE FOR INQUIRY	INFORMATION OFFICER RESEARCH ANALYST		AHFC STAFF	
5.	FACILITATE THE CREATION OF HOUSING PARTNERSHIPS; PROVIDE ADVICE AND TECHNICAL ASSISTANCE ON DEVELOPMENT OF HOUSING PARTNERSHIPS	-RESEARCH CREATIVE HOUSING PARTNERSHIPS IN OTHER STATES -IDENTIFY COMMUNITIES WHERE CREATION OF HOUSING PARTNERSHIPS NEEDED/FEASIBLE -DOCUMENT HOUSING PARTNERSHIP POSSIBILITIES	INFORMATION OFFICER		MUST HAVE INFORMATION OFFICER/TECHNICAL ADVISOR POSITION TO ACCOMPLISH THIS ACTION PLAN.	50.9

STATE HOUSING BOARD

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		-IDENTIFY SOURCES OF PRE-DEVELOPMENT FINANCING AND ENCOURAGE/LOBBY FOR AGENCY MORTGAGE LOANS TO NON-PROFITS -DISTRIBUTE INFORMATION TO COMMUNITIES/AGENCIES -OFFER ASSISTANCE/CONSULTATION IN PARTNERSHIP DEVELOPMENT	EXECUTIVE DIRECTOR			
		-RESOURCE PERSON ON STAFF AVAILABLE TO CONSULT WITH COMMUNITIES/AGENCIES ON HOUSING PARTNERSHIP OPPORTUNITIES/STRUCTURE	INFORMATION OFFICER	3.4		3.4
		-DEVELOP AND CONDUCT COMMUNITY WORKSHOPS ON HOUSING PARTNERSHIPS		5.9		5.9
		-PRODUCE HANDBOOK ON HOUSING PARTNERSHIPS		1.8		1.8
6.	WRITE/UPDATE LONG-RANGE STATE HOUSING PLAN	-DOCUMENT EXISTING HOUSING CONDITIONS/ CONCERNS/PROBLEMS STATEWIDE -DEVELOP LONG-RANGE HOUSING STRATEGIES CONSISTENT WITH STATE HOUSING POLICY	RESEARCH ANALYST/ PLANNER	50.9	HOUSING AGENGIES/DIVISION USE EXISTING STAFF TO WRITE PLANS CONSISTENT W/ STATE HOUSING POLICY	0.0
		-PREPARE DRAFT AND FINAL LONG-RANGE HOUSING PLAN		6.2		0.0
		-DEVELOP PROCESS FOR ONGOING REVIEW AND ANNUAL UPDATE OF PLAN				

STATE HOUSING BOARD

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
7.	REVIEW OTHER AGENCY PLANS FOR CONFORMANCE WITH STATE HOUSING PLAN	-COORDINATE THE DEVELOPMENT OF STATEWIDE SERVICE PLANS WITH AHFC, ASHA, DCRA, DHSS DIVISIONS, OTHER STATE AGENCIES AND OFFICES WITH HOUSING PROGRAMS/SERVICES -COORDINATE DEVELOPMENT OF SHORT AND LONG-TERM BUSINESS AND REGIONAL STRATEGIC PLANS WITH AHFC, DCRA AND ASHA	RESEARCH ANALYST/ PLANNER		INTERAGENCY COORD COMMITTEE	
8.	PROVIDE STATE AGENCY HOUSING PROGRAM REVIEW, COORDINATION AND OVERSIGHT	-ESTABLISH PROCESS FOR REVIEW AND APPROVAL OF HOUSING OR MORTGAGE LOAN REGULATIONS -IDENTIFY AND CLARIFY ROLES OF AHFC, ASHA AND DCRA IN THE HOUSING MARKET	EXECUTIVE DIRECTOR HOUSING BOARD		EXECUTIVE DIRECTOR/ INTERAGENCY COMM.	
9.	REVIEW AND APPROVE ALL NEW OR AMENDED HOUSING AND MORTGAGE LOAN REGULATIONS	-REVIEW ALL PROPOSED AND EXISTING PROGRAMS OF AHFC, ASHA, AND DCRA AND IDENTIFY AREAS REQUIRING COORDINATION/COOPERATION			INTERAGENCY COORD. COMMITTEE	
10.	CONDUCT PERIODIC STATEWIDE HOUSING NEEDS ASSESSMENT ON HOUSING AND FINANCING AVAILABILITY	-CREATE DATA BASE ON HOUSING NEEDS BY REGION -CREATE DATA BASE ON AVAILABLE STATE, FEDERAL AND LOCAL FINANCING PROGRAMS -SOLICIT UPDATED INFORMATION ON A QUARTERLY OR SEMI-ANNUAL BASIS	RESEARCH ANALYST/ PLANNER	15.0	ISER OR UNIV. OF ALASKA	

STATE HOUSING BOARD

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		-UPDATE DATA BASE ON ONGOING BASIS				
11.	MAINTAIN COMPREHENSIVE INFORMATION ON HOUSING NEEDS STATEWIDE, TRACKING MOST URGENT HOUSING NEEDS	-ESTABLISH CRITERIA FOR DETERMINING MOST URGENT HOUSING NEEDS CONSISTENT WITH STATE HOUSING POLICY	RESEARCH ANALYST/ PLANNER		INTERAGENCY COORD. COMMITTEE	
12.	IDENTIFY WHICH AREAS OF STATE AND WHICH TARGET POPULATIONS MOST IN NEED OF STATE HOUSING RESOURCES	-APPLY CRITERIA TO DATA BASE TO IDENTIFY MOST URGENT NEEDS AND TARGET POPULATIONS MOST IN NEED OF HOUSING RESOURCES			ISER OR UNIV. OF ALASKA	
		-REVIEW STATE BUDGET REQUESTS FOR HOUSING FUNDS				
		-PREPARE RECOMMENDATIONS FOR GOVERNOR AND LEGISLATURE FOR PRIORITY FUNDING OF MOST URGENT HOUSING NEEDS	EXECUTIVE DIRECTOR/ HOUSING COMMISSION			
		-TESTIFY AT LEGISLATIVE HEARINGS ON FUNDING				
13.	REVIEW USE AND DISPOSITION OF STATE AGENCY-OWNED FORECLOSED PROPERTIES	-IDENTIFY INVENTORY OF OREOS AND THEIR DISPOSITION	RESEARCH ANALYST/ PLANNER		AHFC STAFF	
		-ESTABLISH REPORTING SYSTEM FOR UPDATED INFORMATION ON OREO INVENTORY				
		-ESTABLISH POLICY WITH STATE AGENCIES ON DISPOSAL OF OREOS FOR URGENT HOUSING NEEDS	EXECUTIVE DIRECTOR/ HOUSING COMMISSION			

STATE HOUSING BOARD

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
14.	IF AFFORDABLE HOUSING ACT PASSES, REVIEW AND DISTRIBUTE FEDERAL FUNDS AND DESIGNATE RECIPIENTS	-SET UP CLEARINGHOUSE FOR ALL GRANTS FOR FEDERAL HOUSING FUNDS -DEVELOP FUNDING PLAN/ALLOCATION OF FEDERAL FUNDS BASED ON STATE HOUSING POLICY, LONG-RANGE HOUSING PLAN, MOST URGENT HOUSING NEEDS, AVAILABLE FUNDS -DESIGNATE RECIPIENTS AND AGENCY TO ADMINISTER FUNDS -MAINTAIN DATA BASE OF ALL FEDERAL HOUSING FUNDS AWARDED IN ALASKA	GRANTS ADMINISTRATOR	50.9 *	COVERED BY GRANT FUNDS	0.0
15.	ADMINISTRATIVE DUTIES	-MAINTAIN OFFICE SPACE, EQUIP., ETC.		55.1	SHARE AGENCY SPACE, EQUIP	25.6
		-STAFF SUPPORT OF HOUSING BOARD MEETINGS	SECRETARY	32.1		32.1
		-ADMIN. SUPPORT OF HOUSING BOARD	ADMIN. OFFICER	42.1	DUTIES ABSORBED AGENCY	0
		-TECHNICAL SUPPORT OF HOUSING BOARD		24.9	USE AGENCY CONF. SPACE	23.2
		-TRAVEL FOR BOARD MEETINGS		12.8		12.8
		-PUBLICATION OF ANNUAL REPORT		2.1		2.1
		-BOOKKEEPING, ANNUAL AUDIT		8.7	AGENCY ACCTG. SERVICES	3.5
		-STAFF TRAVEL		11.1	REDUCED STAFF, LESS TRAVE	6.9
			TOTAL COSTS	413.1		255.1

*COVERED BY GRANT FUNDS, NOT INCLUDED IN OPERATING COST TOTAL.

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1618 SCOMM 60. HOUSING FINANCE TASK FORCE, 1989

SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
1.	PROVIDE PUBLIC INFORMATION ON HOUSING OPPORTUNITIES	-RESOURCE PERSON ON-STAFF TO ANSWER PUBLIC INQUIRIES	NOT AVAILABLE UNDER THIS ALTERNATIVE		AHFC/ASHA STAFF	0.0
		-PRODUCE NEWSLETTER/BROCHURE			AGENCIES PRODUCE	0.0
2.	OVERSEE STATE AGENCY INFORMATION SERVICES	-REVIEW PUBLISHED INFORMATION	NOT AVAILABLE UNDER THIS ALTERNATIVE		COMMISSION EX. DIR.	
3.	PROVIDE INFORMATION TO INTERESTED PARTIES RE: FORECLOSED PROPERTIES	-RESOURCE PERSON ON STAFF TO ANSWER PUBLIC INQUIRIES	NOT AVAILABLE UNDER THIS ALTERNATIVE		AHFC STAFF	
		-CURRENT DATA BASE ON-LINE FOR INQUIRY				
4.	FACILITATE THE CREATION OF HOUSING PARTNERSHIPS; PROVIDE ADVICE AND TECHNICAL ASSISTANCE ON DEVELOPMENT OF HOUSING PARTNERSHIPS	-RESEARCH CREATIVE HOUSING PARTNERSHIPS IN OTHER STATES	NOT AVAILABLE UNDER THIS ALTERNATIVE			
		-IDENTIFY COMMUNITIES WHERE CREATION OF HOUSING PARTNERSHIPS NEEDED/FEASIBLE				
		-DOCUMENT HOUSING PARTNERSHIP POSSIBILITIES				
		-IDENTIFY SOURCES OF PRE-DEVELOPMENT FINANCING AND ENCOURAGE/LOBBY FOR AGENCY MORTGAGE LOANS TO NON-PROFITS				
		-DISTRIBUTE INFORMATION TO COMMUNITIES/AGENCIES				
		-OFFER ASSISTANCE/CONSULTATION IN PARTNERSHIP DEVELOPMENT				

SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		-RESOURCE PERSON ON STAFF AVAILABLE TO CONSULT WITH COMMUNITIES/AGENCIES ON HOUSING PARTNERSHIP OPPORTUNITIES/STRUCTURE	NOT AVAILABLE UNDER THIS ALTERNATIVE	0.0		0.0
		-DEVELOP AND CONDUCT COMMUNITY WORKSHOPS ON HOUSING PARTNERSHIPS		0.0		0.0
		-PRODUCE HANDBOOK ON HOUSING PARTNERSHIPS		0.0		0.0
5.	WRITE/UPDATE LONG-RANGE STATE HOUSING PLAN	-DOCUMENT EXISTING HOUSING CONDITIONS/ CONCERNS/PROBLEMS STATEWIDE -DEVELOP LONG-RANGE HOUSING STRATEGIES CONSISTENT WITH STATE HOUSING POLICY	NOT AVAILABLE UNDER THIS ALTERNATIVE	0.0		0.0
		-PREPARE DRAFT AND FINAL LONG-RANGE HOUSING PLAN -DEVELOP PROCESS FOR ON-GOING REVIEW AND ANNUAL UPDATE OF PLAN		0.0		0.0
6.	REVIEW OTHER AGENCY PLANS FOR CONFORMANCE WITH STATE HOUSING PLAN	-COORDINATE THE DEVELOPMENT OF STATEWIDE SERVICE PLANS WITH AHFC, ASHA, DCRA, DIV. OF ALCOHOLISM & DRUG ABUSE, DIV. OF MENTAL HEALTH & DEVELOP. DISABILITIES, COUNCIL ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT.	NOT AVAILABLE UNDER THIS ALTERNATIVE		INTERAGENCY COORD. COMMITTEE	

SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		-COORDINATE DEVELOPMENT OF SHORT AND LONG-TERM BUSINESS AND REGIONAL STRATEGIC PLANS WITH AHFC, DCRA AND ASHA.				
7.	PROVIDE STATE AGENCY HOUSING PROGRAM REVIEW, COORDINATION AND OVERSIGHT	-ESTABLISH PROCESS FOR REVIEW AND APPROVAL OF HOUSING OR MORTGAGE LOAN REGULATIONS -IDENTIFY AND CLARIFY ROLES OF AHFC, ASHA AND DCRA IN THE HOUSING MARKET	NOT AVAILABLE UNDER THIS ALTERNATIVE			
8.	REVIEW AND APPROVE ALL NEW OR AMENDED HOUSING AND MORTGAGE LOAN REGULATIONS	-REVIEW ALL PROPOSED AND EXISTING PROGRAMS OF AHFC, ASHA, AND DCRA AND IDENTIFY AREAS REQUIRING COORDINATION/COOPERATION				
9.	CONDUCT PERIOD STATEWIDE HOUSING NEEDS ASSESSMENT ON HOUSING AND FINANCING AVAILABILITY	-CREATE DATA BASE ON HOUSING NEEDS BY REGION. -CREATE DATA BASE ON STATE, FEDERAL AND LOCAL FINANCING PROGRAMS AVAILABLE -SOLICIT UPDATED INFORMATION ON A QUARTERLY OR SEMI-ANNUAL BASIS -UPDATE DATA BASE ON ON-GOING BASIS	NOT AVAILABLE UNDER THIS ALTERNATIVE	0.0		
10.	MAINTAIN COMPREHENSIVE INFORMATION ON HOUSING NEED STATEWIDE, TRACKING MOST URGENT HOUSING NEEDS	-ESTABLISH CRITERIA FOR DETERMINING MOST URGENT HOUSING NEEDS CONSISTENT WITH STATE HOUSING POLICY	NOT AVAILABLE UNDER THIS ALTERNATIVE			

SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
11.	IDENTIFY WHICH AREAS OF STATE AND WHICH TARGET POPULATIONS MOST IN NEED OF STATE HOUSING RESOURCES	-APPLY CRITERIA TO DATA BASE TO IDENTIFY MOST URGENT NEEDS AND TARGET POPULATIONS MOST IN NEED OF HOUSING RESOURCES -REVIEW STATE BUDGET REQUESTS FOR HOUSING FUNDS. -PREPARE RECOMMENDATIONS FOR GOVERNOR AND LEGISLATURE FOR PRIORITY FUNDING OF MOST URGENT HOUSING NEEDS -TESTIFY AT LEGISLATIVE HEARINGS ON FUNDING	SPECIAL ASSITANT/ INTERAGENCY COORD. COMMITTEE			
12.	REVIEW USE AND DISPOSITION OF STATE AGENCY-OWNED FORECLOSED PROPERTIES	-IDENTIFY INVENTORY OF OREOS AND THEIR DISPOSITION -ESTABLISH REPORTING SYSTEM FOR UPDATED INFORMATION ON OREO INVENTORY -ESTABLISH POLICY WITH STATE AGENCIES ON DISPOSAL OF OREOS FOR URGENT HOUSING NEEDS	NOT AVAILABLE UNDER THIS ALTERNATIVE		AHFC STAFF	
		-REVIEW AND DISCUSSION OF PUBLIC PURPOSE USE OF OREO INVENTORY.	INTERAGENCY COORD. COMMITTEE			
13.	IF AFFORDABLE HOUSING ACT PASSES, REVIEW AND DISTRIBUTE FEDERAL FUNDS AND DESIGNATE RECIPIENTS THROUGHOUT STATE	-SET UP CLEARINGHOUSE FOR ALL GRANTS FOR FEDERAL HOUSING FUNDS -DEVELOP FUNDING PLAN/ALLOCATION OF FEDERAL FUNDS BASED ON STATE HOUSING POLICY, LONG-RANGE HOUSING PLAN, MOST URGENT	NOT AVAILABLE UNDER THIS ALTERNATIVE	0.0	COVERED BY GRANT FUNDS	0.0

SPECIAL ASSISTANT - HOUSING

NO.	RESPONSIBILITY	ACTIVITY/PRODUCT	STAFF/RESOURCES	COST	ALTERNATIVE RESOURCE	REVISED COST
		HOUSING NEEDS, AVAILABLE FUNDS -DESIGNATE RECIPIENTS AND AGENCY TO ADMINISTER FUNDS -MAINTAIN DATA BASE OF ALL FEDERAL HOUSING FUNDS AWARDED IN ALASKA				
14.	ADMINISTRATIVE DUTIES	-MAINTAIN OFFICE SPACE, EQUIP., ETC.		21.2	SHARE AGENCY SPACE, EQUIP	4.4
		-DIRECT COMMITTEE ACTIVITIES	SPECIAL ASSISTANT	78.5		0.0
		-STAFF SUPPORT OF COORD. COMMITTEE MTGS.	SECRETARY	32.1		0.0
		-TECHNICAL SUPPORT OF INTERAGENCY COMMITTEE		7.3		7.3
		-STAFF TRAVEL		6.0		6.0
			TOTAL COSTS	145.1		17.7

*FUNDING FOR THIS POSITION IS QUESTIONABLE UNDER AFFORDABLE HOUSING ACT; POSSIBILITY OF USING GRANT FUNDS TO COVER POSITION NEEDS TO BE EXPLORED.

Appendix III

TOTAL STATE AND FEDERAL FUNDS APPROPRIATED IN ALASKA
For Fiscal Years 1988 and 1989 (In Thousands)

PURPOSE	LOW INCOME	RURAL	RENTAL	HOME OWNERSHIP	SPECIAL NEEDS	SENIORS	WEATHERIZATION	TOTALS
Federal:								
MCKINNEY					$1,217.6			
DEVELOP HOUSING		$57,876.0						
EMERGENCY SHELTER					549.5			
H A OPERATIONS	$8,246.0	6,936.3						
HOMELESS YOUTH					50.0			
HOUSING REHAB	1,005.0	1,874.8						
REHAB PROJECTS	1,997.4	9,837.9						
RENT SUBSIDIES			$36,659.7					
RENTAL UNITS			20,745.0					
RUNAWAY SHELTER					128.0			
SENIOR CENTER						348.5		
WEATHERIZATION							4,800.0	
TOTAL FEDERAL	11,248.4	76,525.0	57,404.7	0.0	1,945.1	348.5	4,800.0	$152,271.7
State:								
MORTGAGE LOANS		47,874.0		1,042,978.6				
SUPPLEM. HOUSING		7,000.0						
PIONEER HOMES						51,854.0		
MENTAL HEALTH					19,684.4			
WEATHERIZATION							4,700.0	
RECIPIENT GRANTS					29,412.9			
WILLOW PARK GRAN	4,900.0							
TOTAL STATE	4,900.0	54,874.0	0.0	1,042,978.6	49,097.3	51,854.0	4,700.0	$1,208,403.9
TOTAL COMBINED	$16,148.4	$131,399.0	$57,404.7	$1,042,978.6	$51,042.4	$52,202.5	$9,500.0	$1,360,675.6
% OF TOTAL	1.19%	9.66%	4.22%	76.65%	3.75%	3.84%	0.70%	100.00%

Alaska Housing Market Council
December 1989

STATE FUNDS APPROPRIATED FOR HOUSING IN ALASKA
For Fiscal Years 1988, 1989 and 1990 To Date

AGENCY	SOURCE: GENERAL FUNDS OR BONDS	AMOUNT	TYPE OF FUNDS: CAP/OPR	YEAR	PURPOSE	SUBTOTALS
				1988		
AHFC	GEN. FUND	$5,924,100	OPR	88	LOAN ADMINISTRATION	
AHFC	BONDS	$705,154,107	LOAN	88	LOANS ORIGINATED	$711,078,207
RURAL LOAN FUND	GEN FUND	22,683,850	LOAN	88	RURAL HOUSING LOANS	
SUPPLEMENTAL HOUSING	GEN. FUND	3,500,000	CAP	88	RURAL HOUSING	
RURAL LOAN FUND	GEN FUND	2,134,716	OPR	88	RURAL HOUSING	$28,318,566
PIONEER HOMES	GEN. FUND	900,000	CAP	88	SENIOR HOUSING	
PIONEER HOMES	GEN. FUND	22,983,000	OPR	88	SENIOR HOUSING	$23,883,000
MENTAL HEALTH	GEN. FUND	700,000	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	432,000	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	197,700	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,303,050	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	641,000	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,784,850	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	23,820	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	886,100	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	401,625	OPR	88	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,872,000	OPR	88	SPECIAL NEEDS HOUSING	$8,242,145

STATE FUNDS APPROPRIATED FOR HOUSING IN ALASKA
For Fiscal Years 1988, 1989 and 1990 To Date

AGENCY	SOURCE: GENERAL FUNDS OR BONDS	AMOUNT	TYPE OF FUNDS: CAP/OPR	YEAR	PURPOSE	SUBTOTALS
WEATHERIZATION	GEN. FUND	350,000	CAP	88	WEATHERIZATION PROJECTS	
WEATHERIZATION	OIL OVERCHARGE	2,000,000	CAP	88	WEATHERIZATION PROJECTS	
						$2,350,000
NAMED RECIPIENT GRANTS	GEN. FUND	14,653,375		88	STATE GRANTS	$14,653,375
TOTAL 1988 GENERAL FUNDS		$83,371,1[illegible]				
TOTAL 1988 BONDS		$705,154,107			TOTAL 1988 FUNDS	$788,525,293
				1989		
AHFC	GEN FUND	$5,723,700	OPR	89	LOAN ADMINISTRATION	
AHFC	BONDS	$326,176,703	LOAN	89	LOANS ORIGINATED	
						$331,900,403
RURAL LOAN FUND	GEN FUND	20,165,700	LOAN	89	LOANS ORIGINATED	
RURAL LOAN FUND	GEN FUND	2,889,700	OPR	89	RURAL HOUSING	
SUPPLEMENTAL HOUSING	GEN. FUND	3,500,000	CAP	89	RURAL HOUSING	
						$26,555,400
PIONEER HOMES	GEN. FUND	24,761,000	OPR	89	SENIOR HOUSING	
ASHA	GEN FUND	2,430,000	CAP	89	SENIOR HOUSING	
PIONEER HOMES	GEN. FUND	780,000	CAP	89	SENIOR HOUSING	
						$27,971,000

STATE FUNDS APPROPRIATED FOR HOUSING IN ALASKA
For Fiscal Years 1988, 1989 and 1990 To Date

AGENCY	SOURCE: GENERAL FUNDS OR BONDS	AMOUNT	TYPE OF FUNDS: CAP/OPR	YEAR	PURPOSE	SUBTOTALS
MENTAL HEALTH	GEN. FUND	401,625	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	23,820	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	197,700	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,784,850	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,872,000	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,303,050	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,174,800	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	641,000	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	886,100	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	432,000	OPR	89	SPECIAL NEEDS HOUSING	
MENTAL HEALTH	GEN. FUND	1,700,000	CAP	88-89	SPECIAL NEEDS HOUSING	
ASHA	GEN. FUND	1,025,271	CAP	89	SPECIAL NEEDS HOUSING	
						$11,442,216
ASHA	AHFC & GEN. FUN	4,900,000		89	ASBESTOS ABATE. & REMOVAL	$4,900,000
WEATHERIZATION	OIL OVERCHARGE	2,000,000	CAP	89	WEATHERIZATION PROJECTS	
WEATHERIZATION	GEN. FUND	350,000	CAP	89	WEATHERIZATION PROJECTS	
						$2,350,000
NAMED RECIPIENT GRANTS		14,759,533		89	STATE GRANTS	$14,759,533
TOTAL 1989 GENERAL FUNDS		$93,701,849				
TOTAL 1989 BONDS		$326,176,703			TOTAL 1989 FUNDS	$419,878,552
TOTAL ALL FUNDS 1988/1989		$1,208,403,845				$1,208,403,845

STATE FUNDS APPROPRIATED FOR HOUSING IN ALASKA
For Fiscal Years 1988, 1989 and 1990 To Date

AGENCY	SOURCE: GENERAL FUNDS OR BONDS	AMOUNT	TYPE OF FUNDS: CAP/OPR	YEAR	PURPOSE	SUBTOTALS
				1990		
PIONEER HOMES	GEN. FUND	$25,000,000	OPR	90	SENIOR HOUSING	
PIONEER HOMES	GEN. FUND	500,000	CAP	90	SENIOR HOUSING	$25,500,000
AHFC	GEN. FUND	10,527,600	OPR	90	LOAN ADMINISTRATION	$10,527,600
SUPPLEMENTAL HOUSING	GEN. FUND	3,500,000	CAP	90	RURAL HOUSING	$3,500,000
WEATHERIZATION	OIL OVERCHARGE	0	CAP	90	WEATHERIZATION PROJECTS	
WEATHERIZATION	GEN. FUND	400,000	CAP	90	WEATHERIZATION PROJECTS	$400,000
TOTAL 1990 APPROPRIATION KNOWN TO DATE		$39,927,600				

Alaska Housing Market Council
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FEDERAL HOUSING FUNDS APPROPRIATED FOR ALASKA

SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	AWARD	OPERATING/ CAPITAL $	PURPOSE
1988 APPROPRIATED						
HUD	HUD	ALEUTIAN H. A.		$1,032,252	CAP	REHAB 5 PROJECTS
HUD	HUD	ARCTIC SLOPE REG. H. A.		137,500	CAP	REHAB 1 PROJECT
HUD	HUD	ASHA		508,279	CAP	REHAB 1 PROJECT
HUD	HUD	ASHA		13,830,000	CAP	REPLACE WILLOW PARK*
HUD	HUD	ASSOC. VILLAGE COUNCIL H. A.		22,700	CAP	DEVELOP NEW HOUSING
HUD	HUD	ASSOC. VILLAGE COUNCIL H. A.		6,313,200	CAP	DEVELOP NEW HOUSING
HUD	HUD	ASSOC. VILLAGE COUNCIL H. A.		510,546	CAP	REHAB 22 PROJECTS
HUD	HUD	BARANOF ISLAND H A/C		922,000	CAP	DEVELOP NEW HOUSING
HUD	CDBG	BEAVER VILLAGE		350,000	CAP	HOUSING REHAB
HUD	HUD	BERING STRAITS REG. H.A.		5,961,600	CAP	DEVELOP NEW HOUSING
HUD	HUD	BERING STRAITS REG. H.A.		456,568	CAP	DEVELOPMENT FUNDS
HUD	HUD	BERING STRAITS REG. H.A.		849,212	CAP	REHAB 8 PROJECTS
HUD	HUD	BRISTOL BAY H.A.		7,172,159	CAP	DEVELOP NEW HOUSING
HUD	HUD	BRISTOL BAY H.A.		293,160	CAP	DEVELOPMENT FUNDS
HUD	HUD	COPPER RIVER H A		20,730	CAP	REHAB 1 PROJECT
HUD	HUD	COPPER RIVER H A		435,450	CAP	DEVELOPMENT FUNDS
HUD/ESG	CDBG	FAIRBANKS N.S.B.		15,634	CAP	EMERGENCY SHELTER
HUD	HUD	INTERIOR REGION H A		277,130	CAP	DEVELOPMENT FUNDS
HUD	HUD	INTERIOR REGION H A		311,478	CAP	REHAB 3 PROJECTS
HUD	HUD	INTERIOR REGION H A		3,627,000	CAP	DEVELOP NEW HOUSING
HUD/ESG	CDBG	JUNEAU		29,613	CAP	EMERGENCY SHELTER
HUD/ESG	CDBG	KENAI		4,770	CAP	EMERGENCY SHELTER
HUD	HUD	KODIAK ISLAND H A		680,446	CAP	REHAB 3 PROJECTS
HUD/ESG	CDBG	KOTZEBUE		11,023	CAP	EMERGENCY SHELTER
MCKINNEY ACT	HUD	MOA		4,000	CAP	EMERGENCY SHELTER GRANTS
HUD/ESG	CDBG	MOA		5,100	CAP	EMERGENCY SHELTER
HUD	ESGP	MUN OF ANCHORAGE		4,000	CAP	EMERGENCY SHELTER
HUD	RRP	MUN OF ANCHORAGE		156,700	CAP	RENTAL REHAB
HUD	HUD	MUN OF ANCHORAGE		729,950	CAP	HOUSING REHAB
HUD	CDBG	MUN OF ANCHORAGE		128,000	CAP	RUNAWAY SHELTER
HUD	HUD	NORTH PACIFIC RIM H A		19,384	CAP	DEVELOPMENT FUNDS
HUD	HUD	NORTH PACIFIC RIM H A		1,844,000	CAP	DEVELOP NEW HOUSING
HUD	HUD	NORTHWEST INUPIAT H A		3,103,778	CAP	DEVELOPMENT FUNDS
HUD	HUD	NORTHWEST INUPIAT H A		2,344,000	CAP	DEVELOP NEW HOUSING
HUD	HUD	NORTHWEST INUPIAT H A		319,575	CAP	REHAB 3 PROJECTS
HUD	CDBG	PETERSBURG		350,000	CAP	HOUSING REHAB
HUD	CDBG	RUBY		124,768	CAP	HOUSING REHAB
HUD	HUD	STATE OF ALASKA		81,000	CAP	RENTAL REHAB
HUD	ESPG	STATE OF ALASKA		5,000	CAP	EMERGENCY SHELTER
HUD/ESG		STATE OF ALASKA		2,500,000	CAP	WEATHERIZATION
MCKINNEY ACT	HUD	STATE OF ALASKA		5,000	CAP	EMERGENCY SHELTER GRANTS
HUD	CDBG	TCC/VENETIE		350,000	CAP	HOUSING REHAB

FEDERAL HOUSING FUNDS APPROPRIATED FOR ALASKA

SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	AWARD	OPERATING/ CAPITAL $	PURPOSE
HUD	HUD	TLINGIT-HAIDA H A		75,000	CAP	DEVELOPMENT FUNDS
HUD	HUD	TLINGIT-HAIDA H A		3,739,800	CAP	DEVELOP NEW HOUSING
HUD	HUD	TLINGIT-HAIDA H A		1,185,525	CAP	REHAB 15 PROJECTS
		SUBTOTAL 1988 CAPITAL APPROPRIATIONS		$60,847,030		
HUD	HUD	ALEUTIAN H.A.		$179,070	OPR	H A OPERATIONS
HUD	HUD	ARCTIC SLOPE REG. H. A.		304,080	OPR	H A OPERATIONS
HUD	HUD	ASHA		4,036,039	OPR	H A OPERATIONS
HUD	HUD	ASHA		8,526,654	OPR	RENT SUBSIDIES
HUD	HUD	ASHA		898,190	OPR	RENT SUBSIDIES
HUD	HUD	ASSOC. VILLAGE COUNCIL H. A.		191,120	OPR	OPERATING SUBSIDY
HUD	HUD	BARANOF ISLAND H A/C		14,700	OPR	H A OPERATIONS
HUD	HUD	BERING STRAITS REG. H.A.		210,334	OPR	H A OPERATIONS
MCKINNEY ACT	FEMA	BETHEL		5,000	OPR	EMERG. FOOD & SHELTER
MCKINNEY ACT	HHS	BRISTOL BAY	INDIAN ALLOCATION	2,265	OPR	ECS - HOMELESS
HUD	HUD	BRISTOL BAY H.A.		54,340	OPR	H A OPERATIONS
MCKINNEY ACT	HHS	COOK INLET	INDIAN ALLOCATION	6,302	OPR	ECS - HOMELESS
HUD	HUD	COOK INLET H A		706,476	OPR	H A OPERATIONS
HUD	HUD	COPPER RIVER H A		286,994	OPR	H A OPERATIONS
MCKINNEY ACT	HHS	FAIRBANKS	INDIAN ALLOCATION	1,000	OPR	ECS - HOMELESS
MCKINNEY ACT	FEMA	FAIRBANKS N. S. B.		77,425	OPR	EMERG. FOOD & SHELTER
HUD	HUD	INTERIOR REGION H A		59,690	OPR	H A OPERATIONS
MCKINNEY ACT	FEMA	KENAI PENINSULA BOR.		49,565	OPR	EMERG. FOOD & SHELTER
MCKINNEY ACT	HHS	KODIAK	INDIAN ALLOCATION	1,001	OPR	ECS - HOMELESS
HUD	HUD	KODIAK ISLAND H A		137,450	OPR	H A OPERATIONS
MCKINNEY ACT	FEMA	KODIAK ISL. BO.		4,907	OPR	EMERG. FOOD & SHELTER
MCKINNEY ACT	HHS	LARSEN BAY	INDIAN ALLOCATION	500	OPR	ECS - HOMELESS
MCKINNEY ACT	FEMA	MAT-SU		48,039	OPR	EMERG. FOOD & SHELTER
HUD	HUD	METLAKATLA H A		127,814	OPR	H A OPERATIONS
MCKINNEY ACT	HHS	MOA	CLITHEROE CENTER	1,046,589	OPR	ALCOHOL/DRUG ABUSE TREAT.
MCKINNEY ACT	FEMA	MOA		95,700	OPR	EMERG. FOOD & SHELTER
MCKINNEY ACT	FEMA	NOME/KOTZEBUE		2,000	OPR	EMERG. FOOD & SHELTER
HUD	HUD	NORTH PACIFIC RIM H A		188,506	OPR	H A OPERATIONS
HUD	HUD	NORTHWEST INUPIAT H A		409,300	OPR	H A OPERATIONS
MCKINNEY ACT	HHS	NO. PACIFIC RIM	INDIAN ALLOCATION	1,000	OPR	ECS - HOMELESS
MCKINNEY ACT	EDUC	STATE OF ALASKA		75,000	OPR	ADULT ED. LITERACY
MCKINNEY ACT	HHS	STATE OF ALASKA		59,178	OPR	ECS - HOMELESS
MCKINNEY ACT	EDUC	STATE OF ALASKA	DEPT. OF EDUCATION	50,000	OPR	HOMELESS YOUTH EDUC.
MCKINNEY ACT	FEMA	S.E. ALASKA COUNTY		45,000	OPR	EMERG. FOOD & SHELTER
MCKINNEY ACT	HHS	TANANA	INDIAN ALLOCATION	3,784	OPR	ECS - HOMELESS
MCKINNEY ACT	HHS	TLINGIT HAIDA	INDIAN ALLOCATION	5,711	OPR	ECS - HOMELESS
HUD	HUD	TLINGIT-HAIDA H A		638,598	OPR	H A OPERATIONS
MCKINNEY ACT	FEMA	VALDEZ-CORDOVA		6,000	OPR	EMERG. FOOD & SHELTER

FEDERAL HOUSING FUNDS APPROPRIATED FOR ALASKA

SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	AWARD	OPERATING/ CAPITAL $	PURPOSE
HUD	HUD	VARIOUS PROJECTS		8,542,156	OPR	RENT SUBSIDIES
		SUBTOTAL 1988 OPERATING APPROPRIATIONS		$27,097,477		
		TOTAL 88 APPROPRIATIONS		$87,944,507		
1989 APPROPRIATED						
HUD	HUD	ALEUT AN H A		$1,170,889	CAP	DEVELOP NEW HOUSING
HUD	HUD	ALEUTIAN H A		1,228,175	CAP	REHAB 4 PROJECTS
HUD	HUD	ARCTIC SLOPE H A		2,212,800	CAP	DEVELOP NEW HOUSING
HUD	HUD	ASHA		6,915,000	CAP	REPLACE BIRCH PARK*
HUD	HUD	ASHA		1,489,150	CAP	REHAB 2 PROJECTS
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		450,000	CAP	REHAB 2 PROJECTS
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		3,203,000	CAP	DEVELOP NEW HOUSING
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		717,782	CAP	DEVELOPMENT FUNDS
HUD	HUD	BERING STRAITS H A		538,626	CAP	DEVELOPMENT FUNDS
HUD	HUD	BERING STRAITS H A		1,547,022	CAP	REHAB 9 PROJECTS
HUD	HUD	BERING STRAITS H A		5,540,000	CAP	DEVELOP NEW HOUSING
HUD	HUD	BRISTOL BAY H A		261,063	CAP	DEVELOPMENT FUNDS
HUD	CDBG	CIRCLE		124,000	CAP	ELECTRIFICATION
HUD	HUD	COOK INLET H A		1,659,852	CAP	DEVELOP NEW HOUSING
HUD	HUD	COOK INLET H A		170,634	CAP	REHAB 1 PROJECT
HUD	HUD	COOK INLET H A		73,509	CAP	DEVELOPMENT FUNDS
HUD	HUD	COOPER RIVER H A		71,500	CAP	REHAB 2 PROJECTS
HUD	CDBG	GRAYLING		350,000	CAP	HOUSING REHAB
HUD	HUD	INTERIOR REGION H A		447,577	CAP	REHAB 3 PROJECTS
HUD	CDBG	KLAWOCK		350,000	CAP	HOUSING REHAB
HUD	HUD	KODIAK ISLAND H A		482,336	CAP	REHAB 2 PROJECTS
HUD	RRP	MUN. OF ANCH.		178,000	CAP	RENTAL REHAB
HUD	CDBG	MUN. OF ANCH.		96,000	CAP	BR. FRANCIS SHELTER
HUD	ESGP	MUN. OF ANCH.		26,000	CAP	EMERGENCY SHELTER
HUD	CDBG	MUN. OF ANCH.		275,000	CAP	HOUSING REHAB
HUD	HUD	NORTH PACIFIC RIM H A		60,921	CAP	REHAB 2 PROJECTS
HUD	HUD	NORTHWEST INUPIAT H A		1,052,425	CAP	DEVELOPMENT FUNDS
HUD	HUD	NORTHWEST INUPIAT H A		332,500	CAP	REHAB 1 PROJECT
HUD	HUD	NORTHWEST INUPIAT H A		4,524,000	CAP	DEVELOP NEW HOUSING
HUD	ESGP	STATE OF ALASKA		25,000	CAP	EMERGENCY SHELTER
		STATE OF ALASKA		2,300,000	CAP	WEATHERIZATION
HUD	HUD	STATE OF ALASKA		60,000	CAP	RENTAL REHAB
HUD	CDBG	TOGIAK		348,545	CAP	SENIOR CENTER
		SUBTOTAL 1989 CAPITAL APPROPRIATIONS		$38,281,306		

FEDERAL HOUSING FUNDS APPROPRIATED FOR ALASKA

SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	AWARD	OPERATING/ CAPITAL $	PURPOSE
HUD	HUD	ALEUTIAN H A		$165,531	OPR	H A OPERATIONS
HUD	HUD	ARCTIC SLOPE H A		333,918	OPR	H A OPERATIONS
HUD	HUD	ASHA		4,209,971	OPR	H A OPERATIONS
HUD	HUD	ASHA		8,642,951	OPR	RENT SUBSIDIES
HUD	HUD	ASHA		1,369,781	OPR	RENT SUBSIDIES
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		185,510	OPR	H A OPERATIONS
HUD	HUD	BARANOF ISLAND H A		30,755	OPR	H A OPERATIONS
HUD	HUD	BERING STRAITS H A		135,797	OPR	H A OPERATIONS
HUD	HUD	BRISTOL BAY H A		195,684	OPR	H A OPERATIONS
HUD	HUD	COOK INLET H A		630,996	OPR	H A OPERATIONS
HUD	HUD	COOPER RIVER H A		310,880	OPR	H A OPERATIONS
HUD	HUD	INTERIOR REGION H A		113,100	OPR	H A OPERATIONS
HUD	HUD	KODIAK ISLAND H A		238,019	OPR	H A OPERATIONS
HUD	HUD	METLAKATLA H A		214,231	OPR	H A OPERATIONS
HUD	HUD	NORTH PACIFIC RIM H A		167,352	OPR	H A OPERATIONS
HUD	HUD	NORTHWEST INUPIAT H A		290,265	OPR	H A OPERATIONS
HUD	HUD	TLINGIT-HAIDA H A		606,915	OPR	H A OPERTIONS
HUD	HUD	VARIOUS PROJECTS		8,204,268	OPR	RENT SUBSIDIES
		SUBTOTAL 1989 OPERATING APPROPRIATIONS		$26,045,924		
		TOTAL 1989 APPROPRIATIONS		$64,327,230		

LEGEND:

FEMA - Federal Emergency Management Agency
CDBG - Community Development Block Grant
ESGP - Emergency Shelter Grants Program
RRP - Rental Rehabilitation Program
HHS - Department of Health and Human Services
HUD - Department of Housing and Urban Development
EDUC - Department of Education
ECS - Emergency Community Services
H A - Housing Authority
* - Purchase of scattered site units to replace public housing units which will be demolished

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FEDERAL FUNDING IN ALASKA
RURAL/URBAN DISTRIBUTION BY FISCAL YEAR

FUNDING SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	1988/1989 AWARD	OPERATING/ CAPITAL	PURPOSE	RURAL	URBAN
HUD	HUD	ALEUTIAN H A		$1,032,252	CAP	REHAB 5 PROJECTS		
HUD	HUD	ALEUTIAN H A		179,070	OPR	H A OPERATIONS	$1,211,322	
HUD	HUD	ARCTIC SLOPE REG. H A		137,500	CAP	REHAB 1 PROJECT		
HUD	HUD	ARCTIC SLOPE REG. H A		304,080	OPR	H. A. OPERATIONS	441,580	
HUD	HUD	ASHA		898,190	OPR	RENT SUBSIDIES		
HUD	HUD	ASHA		8,526,654	OPR	RENT SUBSIDIES		
HUD	HUD	ASHA		508,279	CAP	REHAB 1 PROJECT		
HUD	HUD	ASHA		4,036,039	OPR	H A OPERATIONS		
HUD	HUD	ASHA		13,830,000	CAP	REPLACE. WILLOW PARK*		$27,799,162
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		6,313,200	CAP	DEVELOP NEW HOUSING		
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		22,700	CAP	DEVELOP NEW HOUSING		
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		510,546	CAP	REHAB 22 PROJECTS		
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		191,120	OPR	OPERATING SUBSIDY	7,037,566	
HUD	HUD	BARANOF ISLAND H A/C		14,700	OPR	H A OPERATIONS		
HUD	HUD	BARANOF ISLAND H A/C		922,000	CAP	DEVELOP NEW HOUSING	936,700	
HUD	CDBG	BEAVER VILLAGE		350,000	CAP	HOUSING REHAB	350,000	
HUD	HUD	BERING STRAITS REG. H A		5,961,600	CAP	DEVELOP NEW HOUSING		
HUD	HUD	BERING STRAITS REG. H A		456,568	CAP	DEVELOPMENT FUNDS		
HUD	HUD	BERING STRAITS REG. H A		210,334	OPR	H A OPERATIONS		
HUD	HUD	BERING STRAITS REG. H A		849,212	CAP	REHAB 8 PROJECTS	7,477,714	
MCKINNEY	FEMA	BETHEL		5,000	OPR	EMERG. FOOD & SHELTER	5,000	
MCKINNEY	HHS	BRISTOL BAY	INDIAN ALLOCATION	2,265	OPR	ECS - HOMELESS		
HUD	HUD	BRISTOL BAY H A		54,340	OPR	H A OPERATIONS		
HUD	HUD	BRISTOL BAY H A		293,160	CAP	DEVELOPMENT FUNDS		
HUD	HUD	BRISTOL BAY H A		7,172,159	CAP	DEVELOP NEW HOUSING	7,521,924	
MCKINNEY	HHS	COOK INLET	INDIAN ALLOCATION	6,302	OPR	ECS - HOMELESS		
HUD	HUD	COOK INLET H A		706,476	OPR	H A OPERATIONS	712,778	

FEDERAL FUNDING IN ALASKA
RURAL/URBAN DISTRIBUTION BY FISCAL YEAR

FUNDING SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	1988/1989 AWARD	OPERATING/ CAPITAL	PURPOSE	RURAL	URBAN
HUD	HUD	COPPER RIVER H A		286,994	OPR	H A OPERATIONS		
HUD	HUD	COPPER RIVER H A		435,450	CAP	DEVELOPMENT FUNDS		
HUD	HUD	COPPER RIVER H A		20,730	CAP	REHAB 1 PROJECT	743,174	
MCKINNEY	HHS	FAIRBANKS	INDIAN ALLOCATION	1,000	OPR	ECS - HOMELESS		
MCKINNEY	FEMA	FAIRBANKS N.S.B.		77,425	OPR	EMERGENCY FOOD AND SHELTER		78,425
HUD/ESG	ESG	FAIRBANKS N.S.B.	FAIRBANKS N.S.B.	15,634	CAP	EMERGENCY SHELTER		15,634
HUD	HUD	INTERIOR REGION H A		59,690	OPR	H A OPERATIONS		
HUD	HUD	INTERIOR REGION H A		311,478	CAP	REHAB 3 PROJECTS		
HUD	HUD	INTERIOR REGION H A		3,627,000	CAP	DEVELOP NEW HOUSING		
HUD	HUD	INTERIOR REGION H A		277,130	CAP	DEVELOPMENT FUNDS	4,275,298	
HUD/ESG	HUD	JUNEAU		29,613	CAP	EMERGENCY SHELTER		29,613
HUD/ESG	HUD	KENAI		4,770	CAP	EMERGENCY SHELTER	4,770	
MCKINNEY	FEMA	KENAI PENINSULA BOROUGH		49,565	OPR	EMERG. FOOD & SHELTER	49,565	
MCKINNEY	HHS	KODIAK	INDIAN ALLOCATION	1,001	OPR	ECS - HOMELESS		
HUD	HUD	KODIAK ISLAND H A		680,446	CAP	REHAB 3 PROJECTS		
HUD	HUD	KODIAK ISLAND H A		137,450	OPR	H A OPERATIONS		
MCKINNEY	FEMA	KODIAK ISLAND BOROUGH		4,907	OPR	EMERG. FOOD & SHELTER	823,804	
HUD/ESG	HUD	KOTZEBUE		11,023	CAP	EMERGENCY SHELTER	11,023	
MCKINNEY	HHS	LARSEN BAY	INDIAN ALLOCATION	500	OPR	ECS - HOMELESS	500	
MCKINNEY	FEMA	MAT-SU		48,039	OPR	EMERG. FOOD & SHELTER	48,039	
HUD	HUD	METLAKATLA H A		127,814	OPR	H A OPERATIONS	127,814	
HUD/ESG	HUD	MUNI. OF ANCHORAGE		5,100	CAP	EMERGENCY SHELTER		5,100
MCKINNEY	HUD	MUNI. OF ANCHORAGE		4,000	CAP	EMERGENCY SHELTER GRANTS		
MCKINNEY	HHS	MUNI. OF ANCHORAGE	CLITHEROE CENTER	1,046,589	OPR	ALCOHOL DRUG ABUSE TREATMENT		
MCKINNEY	FEMA	MUNI. OF ANCHORAGE		95,700	OPR	EMERGENCY FOOD AND SHELTER		
HUD	ESGP	MUNI. OF ANCHORAGE		4,000	CAP	EMERGENCY SHELTER		
HUD	RRP	MUNI. OF ANCHORAGE		156,700	CAP	RENTAL REHAB		
HUD	HUD	MUNI. OF ANCHORAGE		729,950	CAP	HOUSING REHAB		

FEDERAL FUNDING IN ALASKA
RURAL/URBAN DISTRIBUTION BY FISCAL YEAR

FUNDING SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	1988/1989 AWARD	OPERATING/ CAPITAL	PURPOSE	RURAL	URBAN
HUD	CDBG	MUNI. OF ANCHORAGE		128,000	CAP	RUNAWAY SHELTER		2,164,939
MCKINNEY	FEMA	NOME/KOTZEBUE		2,000	OPR	EMERG. FOOD & SHELTER	2,000	
HUD	HUD	NORTH PACIFIC RIM H A		1,844,000	CAP	DEVELOP NEW HOUSING		
HUD	HUD	NORTH PACIFIC RIM H A		188,506	OPR	H A OPERATIONS		
HUD	HUD	NORTH PACIFIC RIM H A		19,384	CAP	DEVELOPMENT FUNDS	2,051,890	
HUD	HUD	NORTHWEST INUPIAT H A		3,103,778	CAP	DEVELOPMENT FUNDS		
HUD	HUD	NORTHWEST INUPIAT H A		409,300	OPR	H A OPERATIONS		
HUD	HUD	NORTHWEST INUPIAT H A		2,344,000	CAP	DEVELOP NEW HOUSING		
HUD	HUD	NORTHWEST INUPIAT H A		319,575	CAP	REHAB 3 PROJECTS	6,176,653	
MCKINNEY	HHS	NORTH PACIFIC RIM	INDIAN ALLOCATION	1,000	OPR	ECS - HOMELESS	1,000	
HUD	CDBG	PETERSBURG		350,000	CAP	HOUSING REHAB	350,000	
HUD	CDBG	RUBY		124,768	CAP	HOUSING REHAB	124,768	
		STATE OF ALASKA		2,500,000	CAP	WEATHERIZATION	2,500,000	
HUD	ESPG	STATE OF ALASKA		5,000	CAP	EMERGENCY SHELTER		
MCKINNEY	EDUC	STATE OF ALASKA	DEPT. OF EDUCATION	50,000	OPR	HOMELESS YOUTH ED.		
MCKINNEY	EDUC	STATE OF ALASKA		75,000	OPR	ADULT ED. LITERACY		
MCKINNEY	HHS	STATE OF ALASKA		59,178	OPR	ECS - HOMELESS		
MCKINNEY	HUD	STATE OF ALASKA		5,000	CAP	EMERG. SHELTER GRANTS		
HUD	HUD	STATE OF ALASKA		81,000	CAP	RENTAL REHAB		275,178
MCKINNEY	FEMA	S.E. ALASKA COUNTY		45,000	OPR	EMERG. FOOD & SHELTER	45,000	
MCKINNEY	HHS	TANANA	INDIAN ALLOCATION	3,784	OPR	ECS - HOMELESS	3,784	
HUD	CDBG	TCC/VENETIE		350,000	CAP	HOUSING REHAB	350,000	
MCKINNEY	HHS	TLINGIT HAIDA	INDIAN ALLOCATION	5,711	OPR	ECS - HOMELESS		
HUD	HUD	TLINGIT-HAIDA H A		1,185,525	CAP	REHAB 15 PROJECTS		
HUD	HUD	TLINGIT-HAIDA H A		3,739,800	CAP	DEVELOP NEW HOUSING		
HUD	HUD	TLINGIT-HAIDA H A		75,000	CAP	DEVELOPMENT FUNDS		
HUD	HUD	TLINGIT-HAIDA H A		638,598	OPR	H A OPERATIONS	5,644,634	
MCKINNEY	FEMA	VALDEZ-CORDOVA		6,000	OPR	EMERG. FOOD & SHELTER	6,000	

FEDERAL FUNDING IN ALASKA
RURAL/URBAN DISTRIBUTION BY FISCAL YEAR

FUNDING SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	1988/1989 AWARD	OPERATING/ CAPITAL	PURPOSE	RURAL	URBAN
HUD	HUD	VARIOUS PROJECTS		8,542,156	OPR	RENT SUBSIDIES		8,542,156
		TOTAL 1988 APPROPRIATION		$87,944,507			$49,034,300	$38,910,207
HUD	HUD	ALEUTIAN H A		$165,531	OPR	H A OPERATIONS		
HUD	HUD	ALEUTIAN H A		1,170,889	CAP	DEVELOP NEW HOUSING		
HUD	HUD	ALEUTIAN H A		1,228,175	CAP	REHAB 4 PROJECTS	$2,564,595	
HUD	HUD	ARCTIC SLOPE H A		333,918	OPR	H A OPERATIONS		
HUD	HUD	ARCTIC SLOPE H A		2,212,800	CAP	DEVELOP NEW HOUSING	2,546,718	
HUD	HUD	ASHA		8,642,951	OPR	RENT SUBSIDIES		
HUD	HUD	ASHA		6,915,000	CAP	REPLACE BIRCH PARK*		
HUD	HUD	ASHA		1,489,150	CAP	REHAB 2 PROJECTS		
HUD	HUD	ASHA		4,209,971	OPR	H A OPERATIONS		
HUD	HUD	ASHA		1,369,781	OPR	RENT SUBSIDIES		$22,626,853
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		450,000	CAP	REHAB 2 PROJECTS		
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		185,510	OPR	H A OPERATIONS		
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		3,203,000	CAP	DEVELOP NEW HOUSING		
HUD	HUD	ASSOC. VILLAGE COUNCIL H A		717,782	CAP	DEVELOPMENT FUNDS	4,556,292	
HUD	HUD	BARANOF ISLAND H A		30,755	OPR	H A OPERATIONS	30,755	
HUD	HUD	BERING STRAITS H A		135,797	OPR	H A OPERATIONS		
HUD	HUD	BERING STRAITS H A		5,540,000	CAP	DEVELOP NEW HOUSING		
HUD	HUD	BERING STRAITS H A		538,626	CAP	DEVELOPMENT FUNDS		
HUD	HUD	BERING STRAITS H A		1,547,022	CAP	REHAB 9 PROJECTS	7,761,445	
HUD	HUD	BRISTOL BAY H A		261,063	CAP	DEVELOPMENT FUNDS		
HUD	HUD	BRISTOL BAY H A		195,684	OPR	H A OPERATIONS	456,747	
HUD	CDBG	CIRCLE		124,000	CAP	ELECTRIFICATION	124,000	

FEDERAL FUNDING IN ALASKA
RURAL/URBAN DISTRIBUTION BY FISCAL YEAR

FUNDING SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	1988/1989 AWARD	OPERATING/ CAPITAL	PURPOSE	RURAL	URBAN
HUD	HUD	COOK INLET H A		630,996	OPR	H A OPERATIONS		
HUD	HUD	COOK INLET H A		170,634	CAP	REHAB 1 PROJECT		
HUD	HUD	COOK INLET H A		73,509	CAP	DEVELOPMENT FUNDS		
HUD	HUD	COOK INLET H A		1,659,852	CAP	DEVELOP NEW HOUSING	2,534,991	
HUD	HUD	COPPER RIVER H A		310,880	OPR	H A OPERATIONS		
HUD	HUD	COPPER RIVER H A		71,500	CAP	REHAB 2 PROJECTS	382,380	
HUD	CDBG	GRAYLING		350,000	CAP	HOUSING REHAB	350,000	
HUD	HUD	INTERIOR REGION H A		447,577	CAP	REHAB 3 PROJECTS		
HUD	HUD	INTERIOR REGION H A		113,100	OPR	H A OPERATIONS	560,677	
HUD	CDBG	KLAWOCK		350,000	CAP	HOUSING REHAB	350,000	
HUD	HUD	KODIAK ISLAND H A		482,336	CAP	REHAB 2 PROJECTS		
HUD	HUD	KODIAK ISLAND H A		238,019	OPR	H A OPERATIONS	720,355	
HUD	HUD	METLAKATLA H A		214,231	OPR	H A OPERATIONS	214,231	
HUD	ESGP	MUN. OF ANCH.		26,000	CAP	EMERGENCY SHELTER		
HUD	CDBG	MUNI. OF ANCHORAGE		96,000	CAP	BR. FRANCIS SHELTER		
HUD	CDBG	MUNI. OF ANCHORAGE		275,000	CAP	HOUSING REHAB		
HUD	RRP	MUNI. OF ANCHORAGE		178,000	CAP	RENTAL REHAB		575,000
HUD	HUD	NORTH PACIFIC RIM H A		167,352	OPR	H A OPERATIONS		
HUD	HUD	NORTH PACIFIC RIM H A		60,921	CAP	REHAB 2 PROJECTS	228,273	
HUD	HUD	NORTHWEST INUPIAT H A		290,265	OPR	H A OPERATIONS		
HUD	HUD	NORTHWEST INUPIAT H A		1,052,425	CAP	DEVELOPMENT FUNDS		
HUD	HUD	NORTHWEST INUPIAT H A		4,524,000	CAP	DEVELOP NEW HOUSING		
HUD	HUD	NORTHWEST INUPIAT H A		332,500	CAP	REHAB 1 PROJECT	6,199,190	
		STATE OF ALASKA		2,300,000	CAP	WEATHERIZATION	2,300,000	
HUD	ESGP	STATE OF ALASKA		25,000	CAP	EMERGENCY SHELTER		
HUD	HUD	STATE OF ALASKA		60,000	CAP	RENTAL REHAB		85,000
HUD	HUD	TLINGIT-HAIDA H A		606,915	OPR	H A OPERTIONS	606,915	
HUD	CDBG	TOGIAK		348,545	CAP	SENIOR CENTER	348,545	

FEDERAL FUNDING IN ALASKA
RURAL/URBAN DISTRIBUTION BY FISCAL YEAR

FUNDING SOURCE	AGENCY	AWARDED TO	PASS THROUGH RECIPIENT	1988/1989 AWARD	OPERATING/ CAPITAL	PURPOSE	RURAL	URBAN
HUD	HUD	VARIOUS PROJECTS		8,204,268	OPR	RENT SUBSIDIES		8,204,268
		TOTAL 1989 APPROPRIATION		$64,327,230			$32,836,109	$31,491,121

LEGEND:

FEMA - Federal Emergency Management Agency
CDBG - Community Development Block Grant
ESGP - Emergency Shelter Grants Program
RRP - Rental Rehabilitation Program
HHS - Department of Health and Human Services
HUD - Department of Housing and Urban Development
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* - Purchase of scattered site units to replace public housing units which will be demolished.

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LOW INCOME LEVELS BY AREA OF STATE

AREA	MEDIAN FAMILY INCOME		LOW INCOME	VERY LOW INCOME	ASHA VERY LOW INCOME	HUD (3-Person Family) LOW	VERY LOW	POVERTY
STATEWIDE	$46,000		$36,800	$23,000		$21,470	$15,030	$12,580
ANCHORAGE	49,900		39,920	24,950	$22,450			
FAIRBANKS	41,600		33,280	20,800	19,400			
JUNEAU	62,200		49,760	31,100	28,000			
SITKA	57,200		45,760	28,600	25,750			
KETCHIKAN	54,000		43,200	27,000	24,300			
AHTNA	49,400	Valdez/Cordova	39,520	24,700				
ALEUT	34,900	Aleutians	27,920	17,450				
ARCTIC SLOPE	56,100	North Slope	44,880	28,050				
BERING STRAITS	28,700	Nome	22,960	14,350	19,950	Nome		
BRISTOL BAY	66,200	Bristol Bay	52,960	33,100				
	35,100	Dillingham	28,080	17,550				
CALISTA	25,500	Bethel	20,400	12,750	19,950	Bethel		
	22,200	Wade Hampton	17,760	11,100				
CHUGACH	49,400	Valdez-cordova	39,520	24,700	22,250	Valdez		
COOK INLET	42,300	Kenai	33,840	21,150	19,400	Kenai		
	40,100	Mat-Su	32,080	20,050	19,400	Mat-Su		
DOYON	23,900	S.E. Fairbanks	19,120	11,950				
	25,300	Yukon Koyukuk	20,240	12,650				
KONIAG	49,100	Kodiak Isl.	39,280	24,550	22,100	Kodiak		
NANA	30,800	N.W. Arctic	24,640	15,400				
SEALASKA	40,600	Haines	32,480	20,300	22,250	Cordova		
	40,700	Prince Wales	32,560	20,350	21,800	Petersburg		
	41,100	Skagway	32,880	20,550	21,800	Wrangell		
	48,500	Wrangell	38,800	24,250				

LOW INCOME: 80% of MEDIAN INCOME

VERY LOW INCOME: 50% OF MEDIAN INCOME

Source: Alaska State Housing Authority ? Department of Labor

ESTIMATED LOW AND MODERATE INCOME
HOUSEHOLDS ON A STATEWIDE BASIS

LOCATION		POPULATION ESTIMATES **	POPULATION ESTIMATES *DOL/1987	NUMBER OF HOUSEHOLDS **	MEDIAN FAMILY INCOME *DOL/1989	% LOW INCOME HOUSEHOLDS	# LOW INCOME HOUSEHOLDS	% MODERATE INCOME HOUSEHOLDS	# MODERATE INCOME HOUSEHOLDS
ANCHORAGE		202744	231492	75393	$49,900	29.8%	22,467	20.8%	15,682
FAIRBANKS		73540	73164	25813	41,600	29.8%	7,692	20.8%	5,369
JUNEAU		29946	25369	11091	62,200	29.8%	3,305	20.8%	2,307
SITKA		8102	8416	2440	57,200	29.8%	727	20.8%	508
KETCHIKAN		7601	12432	2815	54,000	29.8%	839	20.8%	586
VALDEZ/CORDOVA	AHTNA	3034	8831	1167	49,400	29.8%	348	20.8%	243
	CHUGACH	8916		2630	49,400	29.8%	784	20.8%	547
ALEUTIANS	ALEUT	3783	9420	1401	34,900	50.0%	701	20.8%	291
NORTH SLOPE	ARCTIC SLOPE	5389	5927	1225	56,100	29.8%	365	20.8%	255
NOME	BERING STRAITS	7770	7774	1646	28,700	50.0%	823	20.8%	342
BRISTOL BAY	BRISTOL BAY	7033	1402	420	66,200	29.8%	125	20.8%	87
DILLINGHAM			5836	1750	35,100	50.0%	875	20.8%	364
BETHEL	CALISTA	18473	13345	4078	25,500	50.0%	2,039	20.8%	848
WADE HAMPTON			5599		22,200	50.0%	0	20.8%	0
KENAI	COOK INLET	73142	39170	24060	42,300	29.8%	7,170	20.8%	5,004
MAT-SU			37027		40,100	29.8%	0	20.8%	0
S.E. FAIRBANKS	DOYON	47849	6423	15688	23,900	50.0%	7,844	20.8%	3,263
YUKON KOYUKUK			9384		25,300	50.0%	0	20.8%	0
KODIAK ISL.	KONIAG	11221	13658	3134	49,100	29.8%	934	20.8%	652
N.W. ARCTIC	NANA	5790	5962	1129	30,800	50.0%	565	20.8%	235
HAINES	SEALASKA	22479	1850	6075	40,600	29.8%	1,810	20.8%	1,264
PRINCE WALES			4964		40,700	29.8%	0	20.8%	0

ESTIMATED LOW AND MODERATE INCOME
HOUSEHOLDS ON A STATEWIDE BASIS

LOCATION	POPULATION ESTIMATES **	POPULATION ESTIMATES *DOL/1987	NUMBER OF HOUSEHOLDS **	MEDIAN FAMILY INCOME *DOL/1989	% LOW INCOME HOUSEHOLDS	# LOW INCOME HOUSEHOLDS	% MODERATE INCOME HOUSEHOLDS	# MODERATE INCOME HOUSEHOLDS
SKAGWAY		3684		41,100	29.8%	0	20.8%	0
WRANGELL		6671		48,500	29.8%	0	20.8%	0
TOTAL STATE OF ALASKA	536,812	537,800	181,955	$46,000	32.7%	59,412		37,847

Moderate Income: 80% of Median Family Income
Low Income: 50% of Median Family Income

*DOL = Department of Labor

**Source: Population estimates and number of households for rural areas are from 1988 Rural Needs Assessment Study. Population estimates and number of households for urban areas from community statistics.

Assumptions: Juneau and Ketchikan did not have household statistics available. Applied average number of residents per household of other urban communities of 2.7 to arrive at # of households.

To determine the percentage of low and moderate income households in urban and higher income areas, the same percentage breakout as found in Anchorage was applied. Anchorage is the only area of the state which had population distribution by income level.

For rural areas with median family income levels lower than $35,000, we used a 50% figure for calculating number of low income households.

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LOW INCOME HOUSING RESOURCES IN ALASKA

AGENCY	TYPE OF RESOURCE	QUANTITY RENTAL	QUANTITY OWNERSHIP
ASHA	LOW RENT UNITS	1,328	
ASHA	SECTION 8 MGMT UNITS	285	
ASHA	SECTION 8 CERTIFICATES	1,884	
NORTH PACIFIC RIM	MUTUAL HELP		136
	LOW RENT	24	
NW INUPIAT	MUTUAL HELP		298
	LOW RENT	43	
COPPER RIVER	MUTUAL HELP		62
	LOW RENT	44	
BARANOF ISLAND	MUTUAL HELP		40
	LOW RENT	10	
METLAKATLA	MUTUAL HELP		44
	LOW RENT	40	
AVCP	MUTUAL HELP		1,004
	LOW RENT	43	
ALEUTIAN	MUTUAL HELP		238
	LOW RENT	14	
INTERIOR	MUTUAL HELP		43
ARCTIC SLOPE	MUTUAL HELP		353
	LOW RENT	71	
KODIAK ISLAND	MUTUAL HELP		
	LOW RENT	48	
COOK INLET	MUTUAL HELP		213
	LOW RENT	172	
BRISTOL BAY	MUTUAL HELP		300
	LOW RENT	34	

LOW INCOME HOUSING RESOURCES IN ALASKA

AGENCY	TYPE OF RESOURCE	QUANTITY RENTAL	QUANTITY OWNERSHIP
TLINGIT-HAIDA	MUTUAL HELP		568
	LOW RENT	67	
BERINGS STRAITS	MUTUAL HELP		287
	LOW RENT	20	
NUMBER OF UNITS		4,127	3,586

Source: Staff of housing authorities

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HOUSING SPECIAL NEEDS ASSESSMENT*

	NUMBER OF BEDS NEEDED/AVAILABLE STATEWIDE									
	EMERGENCY SHELTER			TRANSITIONAL HOUSING			LONG-TERM HOUSING			
SPECIAL NEEDS GROUP	NEEDED	AVAILABLE	UNMET NEED	NEEDED	AVAILABLE	UNMET NEED	NEEDED	AVAILABLE	UNMET NEED	COMMENTS/RESOURCE
AIDS PATIENTS	Under-reported		Unknown	15	0	15	5	0	5	Need nursing homes, hospice beds, etc.
CHRONICALLY ILL										
DEVELOPMENT. DISABLED BARRIER FREE HOUSING				245	145	100	300		300	Div. Mental Health Letter Oct. 5, 1989. Updated w/info. from Governor's Council on
EMOTIONALLY DISTURBED CHILDREN	Acute Care 36	12	24	28	8	20	Family Treatment Home 55	12	43	Gifted/Handicapped. Booth Home/Div. Mental Health
EX-OFFENDERS				315	265	50				1989 CHAP, Additional inform. from Department of Corrections
EX-OFFENDERS/MENTALLY ILL**				200		200	High Need Unquantif.	0		personal interviews.

HOUSING SPECIAL NEEDS ASSESSMENT*

	NUMBER OF BEDS NEEDED/AVAILABLE STATEWIDE									
	EMERGENCY SHELTER			TRANSITIONAL HOUSING			LONG-TERM HOUSING			
SPECIAL NEEDS GROUP	NEEDED	AVAILABLE	UNMET NEED	NEEDED	AVAILABLE	UNMET NEED	NEEDED	AVAILABLE	UNMET NEED	COMMENTS/RESOURCE
HOMELESS										
FAMILIES W/CHILDREN	364	274	90	15	0	15				1989 CHAP
WOMEN W/CHILDREN	73	61	12	12	0	12				1989 ANCHORAGE CHAP
MEN W/CHILDREN	2	0	2							
ADULTS	347	347	0							
ELDERLY	12	12	0							
MENTALLY ILL										Division Mental Health
(Severly)	60	56	4	530	43	487	1512	298	1214	1989 Anchorage CHAP
DUAL DIAGNOSIS	6	1	5	10	4	6	25	5	20	
MENTALLY DISABLED										
(Higher Functioning)	180		180				395	80	315	1989 CHAP Oct. 5 Mental Health Letter
NEUROLOGIC. IMPAIRED										
PHYSICALLY HANDICAP.	70	0	70				65		65	

HOUSING SPECIAL NEEDS ASSESSMENT*

	NUMBER OF BEDS NEEDED/AVAILABLE STATEWIDE									
	EMERGENCY SHELTER			TRANSITIONAL HOUSING			LONG-TERM HOUSING			
SPECIAL NEEDS GROUP	NEEDED	AVAILABLE	UNMET NEED	NEEDED	AVAILABLE	UNMET NEED	NEEDED	AVAILABLE	UNMET NEED	COMMENTS/RESOURCE
PREGNANT WOMEN				12	5	7	4	0	4	Clare House
PREGNANT TEENS							8	2	6	Booth Home
RURAL ALASKANS FAMILIES ADULTS				95		95				
	Homeless						Pioneer Home Waiting List			
SENIORS	50	15	35				535	267	268	Senior Housing Report Jan/1989
							Private			1989 CHAP
							502	621	0	
SUBSTANCE ABUSERS	Large Need	22		150	85	65	120	60	60	Office of Alcoholism
	Unquantif.									1989 CHAP
Deinstitutionaliz.				350	200	150				

HOUSING SPECIAL NEEDS ASSESSMENT*

	NUMBER OF BEDS NEEDED/AVAILABLE STATEWIDE									
	EMERGENCY SHELTER			TRANSITIONAL HOUSING			LONG-TERM HOUSING			
SPECIAL NEEDS GROUP	NEEDED	AVAILABLE	UNMET NEED	NEEDED	AVAILABLE	UNMET NEED	NEEDED	AVAILABLE	UNMET NEED	COMMENTS/RESOURCE
VICTIMS DOMESTIC VIOLENCE	78	63	15		12	0				1989 CHAP, Anchorage CHAP
YOUTH/RUNAWAYS	High Need Unquantif.	72		27	19	8	Unquantif.	0		1989 CHAP, Covenant House Governor's Interim Commission Children & Youth
TOTAL BEDS ALL SPECIAL NEEDS GROUPS	1,278	935	437	2,004	786	1,230	3,526	1,345	2,300	

*This is not a complete statistical analysis, but is a result of review of agency data and interviews with agency staff. Individual category data, and not the overall totals, should be especially noted. Data was not always available to determine overall housing needs, what is currently avaiwhat is the unmet need.

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**This applies to felons only.

CHAP - Comprehensive Homeless Assistance Plan

STATE OF ALASKA DEMOGRAPHICS (BY URBAN AND BUSH/RURAL AREAS)

DESCRIPTION	ALASKA	URBAN PROFILES						COMPOSITE URBAN PROFILE	COMPOSITE BUSH/RURAL PROFILE	BUSH PROFILE	RURAL PROFILE
			ANCHORAGE	FAIRBANKS BOROUGH	JUNEAU	SITKA	KETCHIKAN				
1990 FORECAST POPULATION									220,617		
YEAR	1987		1988	1988	1988	1988	1988				
POPULATION	537,800		202,744	73,540	29,946	8,102	7,601	321,933	214,879	159,096	55,783
PERCENT POPULATION								59.86%	39.96%	29.58%	10.37%
AGE											
0-24	228,901	(0-17)	62,110		9,405	3,353	4,727				
25-34	123,434	(18-39)	87,288		5,655	1,812	2,558				
35-44	91,505	(40-64)	47,500		5,010	1,415	2,170				
45-64	74,767	(65+)	5,905		4,066	1,363	2,195				
65+	19,193										
MEDIAN AGE	28.3		28.6	27.6	31.1	29.9	31.0				
MEN	28.2		28	27.6	30.7	29.4	31.2				
WOMEN	28.4		29	27.6	31.4	30.4	30.8				
RACE											
NON-NATIVE	398,101		191,346	69,658	27,304	6,279	6,134	300,721	96,392		
PERCENTAGE	74.02%		94.4%	94.7%	91.2%	77.5%	80.7%	93.4%	44.9%		
NATIVE	139,699		11,398	3,882	2,642	1,823	1,467	21,212	118,487		
PERCENTAGE	25.98%		5.6%	5.3%	8.8%	22.5%	19.3%	6.6%	55.1%		

STATE OF ALASKA DEMOGRAPHICS (BY URBAN AND BUSH/RURAL AREAS)

DESCRIPTION	ALASKA	URBAN PROFILES					COMPOSITE URBAN PROFILE	COMPOSITE BUSH/RURAL PROFILE	BUSH PROFILE	RURAL PROFILE
		ANCHORAGE	FAIRBANKS BOROUGH	JUNEAU	SITKA	KETCHIKAN				
SEX										
MALE	279,907	103,197					169,823	110,084		
PERCENTAGE	52.0%	50.9%	52.0%	49.0%	49.0%	47.0%	52.8%	51.2%		
FEMALE	257,893	99,547					153,098	104,795		
PERCENTAGE	48.0%	49.1%	48.0%	51.0%	51.0%	53.0%	47.6%	48.8%		
INCOME										
PER CAPITA PERSONAL INCOME	$18,461	$21,102	$16,780	$21,949	$18,129	$21,944				
FAMILY MEDIAN INCOME	$46,000	$49,900	$41,600	$62,200	$57,200	$54,000				
AVG. MONTHLY INCOME	$2,310	$2,382	$2,236	$2,339	$2,045	$2,178				
HOUSEHOLD INCOME										
Less than $5,000		4.4%	3,335							
$ 5,000- $9,999		5.3%	4,025							
$10,000-$14,999		5.2%	3,917							
$15,000-$19,999		7.1%	5,378							
$20,000-$29,999		15.5%	11,688							
$30,000-$39,999		13.0%	9,815							
$40,000-$49,000		12.8%	9,632							
$50,000-$59,000		9.7%	7,333							
$60,000-$69,999		8.6%	6,468							
$70,000-$79,999		5.6%	4,211							

STATE OF ALASKA DEMOGRAPHICS (BY URBAN AND BUSH/RURAL AREAS)

DESCRIPTION	ALASKA	URBAN PROFILES: ANCHORAGE	FAIRBANKS BOROUGH	JUNEAU	SITKA	KETCHIKAN	COMPOSITE URBAN PROFILE	COMPOSITE BUSH/RURAL PROFILE	BUSH PROFILE	RURAL PROFILE
$80,000-$89,999		3.5% 2,614								
$90,000-$99,999		2.8% 2,115								
$100,000-$109,999		2.4% 1,834								
$110,000-$119,999		1.0% 749								
$120,000 or more		3.0% 2,272								
HOUSEHOLDS TOTAL	181,949	75,393	25,813	11,091	2,440	2,815	117,552	64,397		
AVG. SQ. FT. PER HOUSEHOLD		1,635	N/A	N/A	N/A	N/A		1,162		
AVG. # RESIDENTS PER HOUSEHOLD		2.72	2.7	2.7	2.8	2.7		3.7		
AVG. SQ. FT. PER RESIDENT		600	N/A	N/A	N/A	N/A		311		

DATA WAS COLLECTED FROM THE FOLLOWING SOURCES: DEPARTMENT OF LABOR, DCRA'S 1988 RURAL NEEDS ASSESSMENT STUDY, AND FROM INDIVIDUAL COMMUNITIES. IN MOST CASES, THE NUMBERS FROM EACH SOURCE DID NOT MATCH THE OTHERS, BUT WERE CONSIDERED CLOSE ENOUGH TO BE RELIABLE FOR PURPOSES OF CREATING A COMPOSITE, DEMOGRAPHIC PICTURE OF ALASKA.

RURAL: A community in the first, second, third or fourth judicial district which has a population between 1000 and 4500 and is connectd by road or rail to Anchorage or Fairbanks.

BUSH: A community in the second, third or fourth judicial district which has a population which is less than 4500 and is not connected by road or rail to Anchorage or Fairbanks; or a community in the first judicial district which has a population which isless than 1000.

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		REGIONAL PROFILES														
DESCRIPTION	ALASKA	AHTNA	ALEUT	ARCTIC SLOPE	BERING STRAITS	BRISTOL BAY	CALISTA	CHUGACH	COOK INLET	DOYON	KONIAG	NANA	SEALASKA	COMPOSITE BUSH/RURAL PROFILE	BUSH PROFILE	RURAL PROFILE
1990 FORECAST																
POPULATION		3,121	3,458	5,543	7,992	7,234	19,000	9,170	75,229	49,214	11,541	5,995	23,120	220,617		
YEAR	1987	1985	1985	1985	1985	1985	1985	1985	1985	1985	1985	1985	1985			
POPULATION	537,800	3,034	3,783	5,389	7,770	7,033	18,473	8,916	73,142	47,849	11,221	5,790	22,479	214,879	159,096	55,783
PERCENT POPULATION		0.6%	0.7%	1.0%	1.4%	1.3%	3.4%	1.7%	13.6%	8.9%	2.1%	1.1%	4.2%	39.96%	29.58%	10.37%
AGE																
0-24	228,901															
25-34	123,434															
35-44	91,505															
45-64	74,767															
65+	19,193															
MEDIAN AGE	28.3															
MEN	28.2	17.9	24.0	20.7	20.1	26.2	21.0	29.1	28.6	28.9	20.1	22.1	25.3			
WOMEN	28.4	28.0	27.2	21.9	15.1	26.5	18.6	21.4	26.9	27.4	17.5	27.1	23.4			
RACE																
NON-NATIVE	398,101	300	1,892	593	124	781	259	4,387	66,852	8,039	2,850	921	9,396	96,392		
PERCENTAGE	74.02%	9.9%	50.0%	11.0%	1.6%	11.1%	1.4%	49.2%	91.4%	16.8%	25.4%	15.9%	41.8%	44.9%		
NATIVE	139,699	2,734	1,892	4,796	7,646	6,252	18,214	4,529	6,290	39,810	8,371	4,869	13,083	118,487		
PERCENTAGE	25.98%	90.1%	50.0%	89.0%	98.4%	88.9%	98.6%	50.8%	8.6%	83.2%	74.6%	84.1%	58.2%	55.1%		

		REGIONAL PROFILES												COMPOSITE		
DESCRIPTION	ALASKA	AHTNA	ALEUT	ARCTIC SLOPE	BERING STRAITS	BRISTOL BAY	CALISTA	CHUGACH	COOK INLET	DOYON	KONIAG	NANA	SEALASKA	BUSH/RURAL PROFILE	BUSH PROFILE	RURAL PROFILE
SEX																
MALE	279,907	1,594	1,982	2,721	3,986	4,111	9,920	4,267	36,739	24,355	5,825	3,344	11,240	110,084		
PERCENTAGE	52.0%	52.5%	52.4%	50.5%	51.3%	58.5%	53.7%	47.9%	50.2%	50.9%	51.9%	57.8%	50.0%	51.2%		
FEMALE	257,893	1,440	1,801	2,668	3,784	2,922	8,553	4,649	36,403	23,494	5,396	2,446	11,240	104,795		
PERCENTAGE	48.0%	47.5%	47.6%	49.5%	48.7%	41.5%	46.3%	52.1%	49.8%	49.1%	48.1%	42.2%	50.0%	48.8%		
INCOME																
PER CAPITA																
PERSONAL INCOME	$18,461	$20,672	$17,309	$19,861	$13,886	$23,772	$11,466	$20,672	$15,306	$11,634	$16,190	$12,273	$26,505			
						$14,657	$9,075		$13,408	$11,788			$13,440			
FAMILY MEDIAN																
INCOME	$46,000	$49,400	$34,900	$56,100	$28,700	$66,200	$25,500	$49,400	$42,300	$23,900	$49,100	$30,800	$40,600			
						$35,100	$22,200		$40,100	$25,300			$40,700			
AVG. MONTHLY		$2,417	$2,310	$4,053	$2,024	$1,970	$1,727	$2 417	$2,245	$1,890	$1,807	$2,122	$2,373			
INCOME	$2,310		$2,140			$1,850	$1,452		$1,902	$2,082			$2,089			
													$1,807			
HOUSEHOLD INCOME																
Less than $5,000																
$ 5,000- $9,999																
$10,000-$14,999																
$15,000-$19,999																
$20,000-$29,999																
$30,000-$39,999																
$40,000-$49,000																
$50,000-$59,000																
$60,000-$69,999																
$70,000-$79,999																

DESCRIPTION	ALASKA	REGIONAL PROFILES												COMPOSITE BUSH/RURAL PROFILE	BUSH PROFILE	RURAL PROFILE
		AHTNA	ALEUT	ARCTIC SLOPE	BERING STRAITS	BRISTOL BAY	CALISTA	CHUGACH	COOK INLET	DOYON	KONIAG	NANA	SEALASKA			
$80,000-$89,999																
$90,000-$99,999																
$100,000-$109,999																
$110,000-$119,999																
$120,000 or more																
HOUSEHOLDS TOTAL	181,949	1,167	1,401	1,225	1,646	2,164	4,078	2,630	24,060	15,688	3,134	1,129	6,075	64,397		
AVG. SQ. FT. PER HOUSEHOLD		801	1,411	1,229	650	1,303	661	1,996	1,885	686	982	731	1,509	1,162		
AVG. # RESIDENTS PER HOUSEHOLD		2.6	2.7	4.4	4.7	3.3	4.5	3.4	3.1	3.1	3.6	5.3	3.7	3.7		
AVG. SQ. FT. PER RESIDENT		312	517	281	137	401	146	589	616	223	271	138	408	311		

DATA WAS COLLECTED FROM THE FOLLOWING SOURCES: DEPARTMENT OF LABOR, DCRA'S 1988 RURAL NEEDS ASSESSMENT STUDY, AND FROM INDIVIDUAL COMMUNITIES. IN MOST CASES, THE NUMBERS FROM EACH SOURCE DID NOT MATCH THE OTHERS, BUT WERE CONSIDERED CLOSE ENOUGH TO BE RELIABLE FOR PURPOSES OF CREATING A COMPOSITE, DEMOGRAPHIC PICTURE OF ALASKA.

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HOUSEHOLD INCOME ANALYSIS STATEWIDE AND IN ANCHORAGE

ANCHORAGE 1987 POPULATION			STATEWIDE 1980 CENSUS							
			OWNER OCCUPIED			RENTER OCCUPIED		TOTAL HOUSEHOLDS	
INCOME LEVEL	PERCENT	HOUSEHOLDS	INCOME LEVEL	PERCENT	HOUSEHOLDS	PERCENT	HOUSEHOLDS	PERCENT	HOUSEHOLDS
Less than $5,000	4.4%	3,335	<$5,000	6.72%	5,149	11.19%	6,133	8.58%	11,282
$5,000 to $9,999	5.3%	4,025	$5,000-$10,000	6.61%	5,065	14.56%	7,981	9.92%	13,046
$10,000-$14,999	5.2%	3,917	$10,000-$12,500	3.88%	2,978	9.08%	4,975	6.05%	7,953
$15,000-$19,999	7.1%	5,378	$12,500-$15,000	3.05%	2,337	6.91%	3,786	4.66%	6,123
$20,000-$29,999	15.5%	11,688	$15,000-$20,000	7.25%	5,557	15.10%	8,275	10.52%	13,832
$30,000-$39,999	13.0%	9,815	$20,000-$25,000	8.64%	6,621	11.24%	6,158	9.72%	12,779
$40,000-$49,000	12.8%	9,632	$25,000-$35,000	18.58%	14,241	15.05%	8,248	17.11%	22,489
$50,000-$59,999	9.7%	7,333	$35,000-$50,000	22.88%	17,540	10.93%	5,989	17.90%	23,529
$60,000-$69,999	8.6%	6,468	>$50,000	22.40%	17,171	5.95%	3,259	15.54%	20,430
$70,000-$79,999	5.6%	4,211							
$80,000-$89,999	3.5%	2,614							
$90,000-$99,999	2.8%	2,115							
$100,000-$109,999	2.4%	1,834							
$110,000-$119,999	1.0%	749							
$120,000 or more	3.0%	2,272							
TOTAL HOUSEHOLDS	99.99%	75,386		100.00%	76,659	100.00%	54,804	100.00%	131,463
MEDIAN FAMILY INC.		$49,900			$32,344		$17,491		
MEAN FAMILY INCOME		$44,784			$35,704		$21,232		

HOUSEHOLD INCOME ANALYSIS STATEWIDE AND IN ANCHORAGE

ANCHORAGE 1987 POPULATION			STATEWIDE 1980 CENSUS					
			OWNER OCCUPIED			RENTER OCCUPIED		TOTAL HOUSEHOLDS
INCOME LEVEL	PERCENT	HOUSEHOLDS	INCOME LEVEL	PERCENT	HOUSEHOLDS	PERCENT	HOUSEHOLDS	PERCENT HOUSEHOLDS
AVERAGE INCOME BY HOUSEHOLD TYPE:								
FAMILY	$49,561							
OWNER-OCCUPIED	$55,553							
RENTER-OCCUPIED	$28,802							
TOTAL HOUSEHOLDS:								
<$15,000 INCOME	14.96%	11,277	<$15,000 INCOME	20.26%	15,529	41.74%	22,875	29.21% 38,404
<$20,000 INCOME	22.09%	16,655	<$20,000 INCOME	27.51%	21,086	56.84%	31.150	39.73% 52,236
<$30,000 INCOME	37.60%	28,343	<$25,000 INCOME	36%	27,707	68.08%	37,308	49.45% 65,015

Source: Anchorage Indicators, A Socioeconomic Review
Source: 1980 Census of Housing

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ANALYSIS OF AGENCY MORTGAGE LOANS BY LOCATION

CITY	# LOANS AHFC	AVERAGE LOAN AMT.	PRINCIPAL BALANCES	# LOANS DCRA	AVERAGE LOAN AMT.	PRINCIPAL BALANCES	RURAL #LOANS	RURAL $ LOANS	BUSH # LOANS	BUSH $ LOANS	URBAN # LOANS	URBAN $ LOANS
AMBLER				1	$19,321	$19,321			1	$19,321		
ANCHOR POINT	44	$62,011	$2,728,480	2	76 537	153,074			46	2,881,554		
ANCHORAGE	19,937	85,243	1,699,480,541	6	57,776	346,654					19,943	$1,699,827,195
ANDERSON	2	104,006	208,012						2	208,012		
ANGOON				1	106,250	106,250			1	106,250		
ANIAK	3	79,780	239,341	18	84,184	1,515,310			21	1,754,651		
AUKE BAY	31	68,619	2,127,182								31	$2,127,182
BARROW	32	78,765	2,520,482	9	213,148	1,918,332			41	4,438,814		
BELUGA RIVER				2	83,947	167,893			2	167,893		
BETHEL	173	69,122	11,958,165	158	102,948	16,265,727			331	28,223,892		
BETTLES FIELD	1	30,729	30,729						1	30,729		
BIG LAKE	32	78,870	2,523,836						32	2,523,836		
CANTWELL	2	57,668	115,335						2	115,335		
CENTRAL	1	82,227	82,227	1	58,081	58,081			2	140,308		
CHEVAK				2	25,096	50,192			2	50,192		
CHINIAK				6	79,855	479,132			6	479,132		
CHITNA	2	24,555	49,110						2	49,110		
CHUGIAK	792	93,556	74,096,628								792	$74,096,628
CLAM GULCH	4	81,797	327,186						4	327,186		
COOPER LANDING	7	70,084	490,588						7	490,588		
COPPER CENTER	18	45,886	825,951						18	825,951		
CORDOVA	149	62,704	9,342,866	47	92,553	4,350,008	[illegible]	$13,692,874				
CRAIG	9	48,335	435,019	43	83,356	3,584,315			52	4,019,334		
DELTA JUNCTION	163	70,476	11,487,557	1	73,167	73,167	164	11,560,724				
DILLINGHAM	32	65,028	2,080,898	84	115,308	9,685,884			116	11,766,782		
DOUGLAS	171	75,136	12,848,317								171	$12,848,317

ANALYSIS OF AGENCY MORTGAGE LOANS BY LOCATION

CITY	# LOANS AHFC	AVERAGE LOAN AMT.	PRINCIPAL BALANCES	# LOANS DCRA	AVERAGE LOAN AMT.	PRINCIPAL BALANCES	RURAL #LOANS	RURAL $ LOANS	BUSH # LOANS	BUSH $ LOANS	URBAN # LOANS	URBAN $ LOANS
EAGLE				2	48,660	97,319	2	97,319				
EAGLE RIVER	2,552	100,693	256,967,547								2,552	$256,967,547
ELFIN COVE	1	44,326	44,326	1	72,623	72,623			2	116,949		
ELIM				1	137,647	137,647			1	137,647		
EMMONAK				3	48,792	146,376			3	146,376		
ESTER	13	76,062	988,812						13	988,812		
FAIRBANKS	4,964	75,790	376,219,589	4	45,262	181,046					4,968	$376,400,635
FORT YUKON	2	32,333	64,665	6	42,834	257,005			8	321,670		
FUNTER BAY				1	76,522	76,522			1	76,522		
GAKONA	3	100,935	302,805						3	302,805		
GALENA	6	42,806	256,837	19	68,933	1,309,729			25	1,566,566		
GIRDWOOD	103	86,495	8,908,983								103	$8,908,983
GLENALLEN	39	62,952	2,455,109						39	2,455,109		
GUSTAVUS				3	54,155	162,466			3	162,466		
HAINES	86	54,504	4,687,366	31	85,917	2,663,436	117	7,350,802				
HALIBUT COVE				1	129,776	129,776			1	129,776		
HEALY	31	94,289	2,922,962						31	2,922,962		
HOLLIS				3	35,095	105,285			3	105,285		
HOMER	400	75,560	30,223,891				400	30,223,891				
HOONAH	10	40,040	400,395	10	54,767	547,673			20	948,068		
HOPE	1	56,233	56,233						1	56,233		
HOUSTON	18	63,630	1,145,340						18	1,145,340		
HYDABURG	1	18,402	18,402						1	18,402		
ILIAMNA				4	131,774	527,097			4	527,097		
INDIAN	9	86,537	778,835						9	778,835		
JUNEAU	2,891	81,223	234,814,328								2,891	$234,814,328
KAKE	3	49,547	148,640	1	64,224	64,224			4	212,864		

ANALYSIS OF AGENCY MORTGAGE LOANS BY LOCATION

CITY	# LOANS AHFC	AVERAGE LOAN AMT.	PRINCIPAL BALANCES	# LOANS DCRA	AVERAGE LOAN AMT.	PRINCIPAL BALANCES	RURAL #LOANS	RURAL $ LOANS	BUSH # LOANS	BUSH $ LOANS	URBAN # LOANS	URBAN $ LOANS
KASIGLUK				4	57,923	231,692			4	231,692		
KASILOF	50	78,705	3,935,227						50	3,935,227		
KENAI	925	72,045	66,641,396				925	66,641,396				
KETCHIKAN	1,069	76,970	82,281,260								1,069	$82,281,260
KIANA				2	33,046	66,092			2	66,092		
KING COVE	2	50,787	101,574	1	88,436	88,436			3	190,010		
KING SALMON	5	89,648	448,238	16	172,825	2,765,201			21	3,213,439		
KLAWOK				8	129,486	1,035,885			8	1,035,885		
KODIAK D.G.	7	111,947	783,629	1	95,000	95,000	8	878,629				
KODIAK	617	73,534	45,370,564	282	112,085	31,607,969	899	76,978,533				
KOTZEBUE	47	80,452	3,781,265	102	139,158	14,194,098			149	17,975,363		
KUPREANOF				3	56,770	170,310			3	170,310		
LAKE MINCHUMINA				1	28,090	28,090			1	28,090		
LARSEN BAY				1	39,381	39,381			1	39,381		
LITTLE DIOMEDE				1	22,658	22,658			1	22,658		
MANLEY HOT SPR.	5	37,703	188,515	1	24,508	24,508			6	213,023		
MANOKOTAK	1	60,525	60,525	2	32,131	64,261			3	124,786		
MCGRATH	3	56,503	169,510	15	66,881	1,003,211			18	1,172,721		
MEKORYUK				5	71,442	357,212			5	357,212		
METLAKATLA	4	55,016	220,065	14	63,144	884,010			18	1,104,075		
MEYERS CHUK				1	22,533	22,533			1	22,533		
MOOSE PASS	5	73,671	368,354						5	368,354		
MOUNTAIN VILLAGE	1	52,156	52,156						1	52,156		
NAKNEK	3	54,837	164,512	13	102,528	1,332,863			16	1,497,375		
NENANA	38	55,107	2,094,080						38	2,094,080		
NEWHALEN				1	54,041	54,041			1	54,041		
NIKISKI	143	87,516	12,514,763				143	12,514,763				

ANALYSIS OF AGENCY MORTGAGE LOANS BY LOCATION

CITY	# LOANS AHFC	AVERAGE LOAN AMT.	PRINCIPAL BALANCES	# LOANS DCRA	AVERAGE LOAN AMT.	PRINCIPAL BALANCES	RURAL #LOANS	RURAL $ LOANS	BUSH # LOANS	BUSH $ LOANS	URBAN # LOANS	URBAN $ LOANS
NINILCHIK	22	66,077	1,453,700						22	1,453,700		
NOME	52	93,178	4,845,279	233	104,206	24,279,979			285	29,125,258		
NORTH POLE	1,023	86,049	88,027,975	2	26,968	53,935	1025	88,081,910				
NUNAPITCHUK	1	31,602	31,602	1	68,465	68,465			2	100,067		
OUZINKIE	2	30,859	61,717						2	61,717		
PALMER	1,022	75,109	76,761,155				1022	76,761,155				
PEDRO BAY				1	92,592	2,592			1	92,592		
PELICAN				14	54,960	769,444			14	769,444		
PETERSBURG	104	5[illegible],222	5,639,037	160	86,090	13,774,414	264	19,413,451				
PORT ALEXANDER				3	32,055	96,164			3	96,164		
PORT ARMSTRONG				1	24,109	24,109			1	24,109		
PORT LIONS				2	32,387	64,774			2	64,774		
RUBY				1	17,246	17,246			1	17,246		
RUSSIAN MISSION	1	86,476	86,476						1	86,476		
SAND POINT	15	57,577	863,648	4	210,123	840,491			19	1,704,139		
SAVOONGA				2	31,356	62,711			2	62,711		
SELAWICK				2	43,383	[illegible]5,765			2	86,765		
SELDOVIA	7	32,762	229,337	15	69,310	1,039,653			22	1,268,990		
SEWARD	175	66,296	11,601,832				175	11,601,832				
SHISHMAREF				1	97,111	97,111			1	97,111		
SITKA	676	80,755	54,590,642								676	$54,590,642
SKAGWAY	26	44,810	1,165,061	13	53,919	700,948			39	1,866,009		
SKWETNA	3	94,722	284,166	1	57,824	57,824			4	341,990		
SOLDOTNA	888	75,257	66,828,399				888	66,828,399				
ST. MARY'S	6	146,137	876,822	4	92,408	369,630			10	1,246,452		
ST. MICHAEL'S	1	37,417	37,417						1	37,417		
ST. PAUL IS.	1	17,711	17,711	1	17,475	17,475			2	35,186		

ANALYSIS OF AGENCY MORTGAGE LOANS BY LOCATION

CITY	# LOANS AHFC	AVERAGE LOAN AMT.	PRINCIPAL BALANCES	# LOANS DCRA	AVERAGE LOAN AMT.	PRINCIPAL BALANCES	RURAL #LOANS	RURAL $ LOANS	BUSH # LOANS	BUSH $ LOANS	URBAN # LOANS	URBAN $ LOANS
STEBBINS				2	121,101	242,202			2	242,202		
STERLING	129	73,557	9,488,807				129	9,488,807				
SUTTON	15	54,547	818,209						15	818,209		
TALKEETNA	15	44,075	661,132						15	661,132		
TANANA	2	44,880	89,760	3	40,083	120,248			5	210,008		
TATITLEK	4	86,082	344,327						4	344,327		
TENAKEE	1	31,177	31,177	2	51,693	103,386			3	134,563		
THORNE BAY				13	65,571	852,418			13	852,418		
TOGIAK				1	28,585	28,585			1	28,585		
TOK	24	51,571	1,237,696						24	1,237,696		
TRAPPER CREEK	5	56,878	284,392						5	284,392		
TUTKA BAY				1	122,354	122,354			1	122,354		
UNALAKLEET				7	128,693	900,850			7	900,850		
UNALASKA	10	98,545	985,453	23	105,394	2,424,065			33	3,409,518		
USIBELLI	5	71,062	355,312						5	355,312		
VALDEZ	353	73,729	26,026,480				353	26,026,480				
VOZNESENKA				1	57,586	57,586			1	57,586		
WARD COVE	4	58,622	234,489						4	234,489		
WASHINGTON D.C.	1	191,796	191,796								1	$191,796
WASILLA	2,411	76,243	183,821,310	1	27,728	27,728	2412	183,849,038				
WILLOW	48	65,434	3,140,822						48	3,140,822		
WOODINVILLE WA	1	5,000	5,000								1	$5,000
WRANGELL	41	49,439	2,027,001	76	72,962	5,545,082	117	7,572,083				
YAKUTAT	17	51,829	881,094	4	68,026	272,105			21	1,153,199		
Totals	42,774	$82,260	3,518,605,381	1,540	$99,058	$152,549,354	9,239	$709,562,086	1,877	$158,533,136	33,198	$2,803,059,513

ANALYSIS OF AGENCY MORTGAGE LOANS BY LOCATION

CITY	# LOANS AHFC	AVERAGE LOAN AMT.	PRINCIPAL BALANCES	# LOANS DCRA	AVERAGE LOAN AMT.	PRINCIPAL BALANCES	RURAL #LOANS	$ LOANS	BUSH # LOANS	BUSH $ LOANS	URBAN # LOANS	$ LOANS
PERCENTAGE OF TOTAL							20.85%	19.33%	4.24%	4.32%	74.92%	76.35

URBAN: Municipality of Anchorage, Fairbanks North Star Borough, City of Juneau, City of Sitka, City of Ketchikan

RURAL: A community in the first, second, third or fourth judicial district which has a population between 1000 and 4500 and is connected by road or rail to Anchorage or Fairbanks.

BUSH: A community in the second, third or fourth judicial district which has a population which is less than 4500 and is not connected by road or rail to Anchorage or Fairbanks; or a community in the first judicial district which has a population which is less than 1000.

Alaska Housing Market Council
January, 1990

STATE OF ALASKA
MORTGAGE FINANCE PROGRAMS

DESCRIPTION	DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS (As of June 30, 1989)	DESCRIPTION	ALASKA HOUSING FINANCE CORPORATION (As of July 31, 1989)			
LOANS OUTSTANDING:	$158,414,062	LOANS OUTSTANDING:	$3,523,896,965			
		NUMBER OF ACTIVE LOANS BY CURRENT PRINCIPAL:	Excluding Mobile Homes	Average Principal	Mobile Homes Only	Average Principal
		<$30,000	1,606	$21,308	1,839	$18,163
		$30,000-$50,000	4,809	$40,811		
		$50,000-$70,000	7,717	$60,411	186	$58,404
		>$70,000	26,564	$103,426		
AVG. LOAN AMOUNT:	$102,866	FY89 AVG. LOAN AMOUNT	$96,935			
		AVG. LOAN/VALUE RATIO	91.31%			
LOAN PORTFOLIO:		TOTAL LOAN PORTFOLIO	$3,523,896,965			
TOTAL	$158,414,062					
OWNERS	130,881,687					
NON-OWNERS	19,867,400					
RESOLD REO	748,150					
NON-CONFORMING	6,916,825					
NO. OF BORROWERS:		NO. OF BORROWERS:	42,785			
TOTAL	1,466					
OWNER OCCUPIED	1,358					

STATE OF ALASKA
MORTGAGE FINANCE PROGRAMS

DESCRIPTION	DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS (As of June 30, 1989)		DESCRIPTION	ALASKA HOUSING FINANCE CORPORATION (As of July 31, 1989)					
NON OWNER OCC.	74								
RESOLD REO	13								
NONCONFORMING	95								
AVERAGE AGE OF BORROWERS:	36		AVERAGE AGE OF BORROWERS:	36					
AVERAGE AGE OF CO-BORROWER:	33								
	Number of Loans	Avg. Loan Amount		Excluding Mobile Homes	Average* Principal	Avg. Income	Mobile Homes Only	Avg.** Principal	Avg. Income
INCOME:			INCOME:						
<$10,000	2	$16,548	<$10,000	2,596	$55,175	NA	523	$14,943	NA
$10,000-$20,000	30	$26,172	$10,000-$20,000	696	54,110	$16,764	131	17,679	$17,388
$20,000-$30,000	150	$35,429	$20,000-$30,000	4,213	62,551	25,716	739	24,085	25,068
$30,000-$40,000	289	$44,990	$30,000-$40,000	6,936	73,720	35,148	754	31,184	34,404
$40,000-$50,000	305	$54,753	$40,000-$50,000	7,443	86,009	44,904	645	34,970	44,472
$50,000-$60,000	262	$64,628	$50,000-$60,000	5,823	96,485	54,600	171	38,016	54,336
$60,000-$70,000	171	$110,236	$60,000+	12,322	102,668	124,176			
$70,000+	257								
			AVG. MONTHLY INCOME:	$4,501					

STATE OF ALASKA
MORTGAGE FINANCE PROGRAMS

DESCRIPTION	DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS (As of June 30, 1989)		
DELINQUENCIES BY NUMBERS:	Amount	% Total	% Type
TOTAL	101	6.6%	
OWNER (1358)	78	5.1%	5.74%
NON-OWNER (74)	17	1.1%	22.97%
NONCONFORMING (95)	6	.4%	6.32%
DELINQUENCY BY DOLLAR AMOUNT:	Principle:	Delinquent:	
TOTAL	$151,818,217	$15,573,079	
OWNER	126,323,380	8,110,307	5.32%
NON-OWNER	19,291,525	7,086,137	4.65%
NONCONFORMING	6,203,312	376,635	0.25%

DESCRIPTION	ALASKA HOUSING FINANCE CORPORATION (As of July 31, 1989)		
DELINQUENCIES BY NUMBERS:	Amount	% Type	
TOTAL	4,574	10.69%	
MOBILE HOMES	589	20.62%	
LESS MOB. HOM.	3,985	9.98%	
DELINQUENCIES BY DOLLAR AMOUNT:	Amount	% Type	
TOTAL	$364,075,687	10.35%	
MOBILE HOMES	$15,835,277	20.28%	
LESS MOB. HOMES	$348,240,410	10.12%	
REO INVENTORY BY AREA:	Value	Number	Average Value
ANCHORAGE	$180,392,962	3,218	$56,057
MAT-SU	34,258,358	581	58,964
KENAI PENINSULA	10,043,242	166	60,501
OTHER S. CENTRAL	2,242,959	26	86,268
FAIRBANKS	31,234,340	462	67,607
OTHER NORTH	1,586,501	25	63,460
JUNEAU	7,748,097	127	61,009

STATE OF ALASKA
MORTGAGE FINANCE PROGRAMS

DESCRIPTION	DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS (As of June 30, 1989)	DESCRIPTION	ALASKA HOUSING FINANCE CORPORATION (As of July 31, 1989)			
		SITKA	532,345	7	76,049	
		KETCHIKAN	522,588	8	65,324	
		OTHER S.E.	50,083	1	50,083	
		TOTAL	$268,611,475	4,621		
		REO INVENTORY BY STRUCTURE TYPE:	Value	Number	% Type	% of Total Value
		SINGLE FAMILY	$228,002,646	2,541	9.01%	6.48%
		ZERO LOT LINE	32,602,739	359	14.13%	0.93%
		CONDOS	41,269,384	568	15.72%	1.17%
		DUPLEX	16,573,673	153	10.89%	0.47%
		PLANNED UNIT	18,979,407	192	12.63%	0.54%
		TRI-PLEX	621,617	3	7.75%	0.02%
		FOUR-PLEX	2,536,047	13	18.45%	0.07%
		FIVE-PLEX	951,971	2	33.80%	0.03%
		MOBILE HOME I	1,228,289	14	18.42%	0.03%
		MOBILE HOME II	15,835,277	589	20.28%	0.45%
		OTHER	5,474,634	140	6.56%	0.16%
		TOTAL	364,075,684	4,574		10.35%

* Current loan balances, rather than original loan amounts.
** Includes $70 million DCRA loans sold to AHFC

Alaska Housing Market Council
December 1989

AHFC REO INVENTORY
SUMMARY OF ACTIVE REO LOANS UNDER $30,000

TYPE	LIST PRICE RANGE	NO. OF UNITS	TOTAL VALUE
CONDOMINIUM	$10 TO $9,999	277	$4,603,400
	$10,000 TO $19,999	266	6,780,700
	$20,000 TO $29,999	275	9,825,650
CONDO 0-LOT LINE	$10,000 TO $19,999	1	26,000
DUPLEX	$10,000 TO $19,999	1	25,000
	$20,000 TO $29,999	2	62,000
MOBILE HOME-FIXED	$10 TO $9,999	1	19,000
FOUNDATION	$10,000 TO $19,000	4	101,450
MOBILE HOME-	$10 TO $9,999	391	4,141,650
MOVABLE	$10,000 TO $19,999	49	1,161,500
	$20,000 TO $29,999	20	669,300
TOTAL ALL PROPERTIES		1287	$27,415,650
TOTAL CONDOMINIUMS		819	$21,235,750
TOTAL DUPLEX		3	$87,000
TOTAL MOBILE HOMES		465	$6,092,900

Alaska Housing Market Council
December 1989

Bibliography

The following is a list of basic sources used in writing this report. A list of specific references for all facts cited is available on request.

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