

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1595 SCOMM 60 HOUSING FINANCE TASK FORCE, 1989 163

Alaska Housing Market Council

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.

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 afford a monthly mortgage payment, they are frequently unable to 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 and must acknowledge and accept the program.

Ms. Gunnels does not believe that homeowners will walk away from mortgage payments if they have not provided a large down payment. She does think some homeowner counseling prior to purchase of home is important.

Mr. Arwezon said that AHFC's three biggest delinquency programs have been the zero down program, the HOF program and the home program. He added that giving potential homeowners assistance for downpayments is not necessarily the answer.

Ms. Parker recommended that only families that meet underwriting criteria and receive homeowner counseling should qualify for downpayment and closing cost assistance.

Ms. Gunnels agreed and suggested that possibly the mortgage should re-pay the downpayment assistance.

Ms. Ellyson asked if water, sewer and electric service should be part of the assistance package?

Ms. Parker did not think that utilities should be part of the package.

It was determined that staff should obtain HOF delinquency rates and profiles from Alaskan banks for the next subcommittee meeting.

The subcommittee hopes to determine if the delinquency rate is related to an initial deep subsidy. Also, they hope to determine if the delinquency rate is higher with condominium owner or single family home owners. Staff will also attempt to determine 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 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. *when economically feasible*
 - b. Encourage and assist in the creation of group living situations.
 - i. Bed and board
 - ii. Congregate home/apartments
 - iii. Adult foster homes

Mortgage Loan Availability:

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, forbearance 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

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

RURAL DEVELOPMENT DIVISION

STEVE COWPER, GOVERNOR

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:

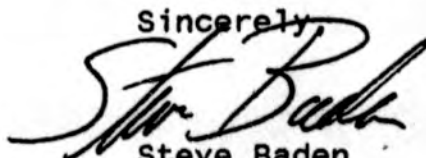
Our Office of Energy Conservation Programs has \$800,000 that we are planning to use to promote the purchase of energy conservation products for homes. Because of problems involved with loan programs handled by the State in the past, we are interested in developing a program that will use private sector 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

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%;
* 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.

LEGISLATIVE FLASH!

INCOME LIMITS ALASKA STATE BUILDING AUTHORITY
 VERY LOW-INCOME LIMITS
 FEBRUARY 27, 1989
 NUMBER OF PERSONS IN HOUSEHOLDS

<u>Location</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8+</u>
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 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 Assistance in the future.

This information includes basic program policy. For additional information, call 563-1901. Applications are available at 624 W. International Airport Rd.

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 8 EXISTING WAITING LIST

BDRM (S)

0	32
1	1
2	148
3	162
4	29

Anchorage

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

<u>Market Area</u>	<u>Bedroom Size</u>	<u>Fair Market Rent</u>
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

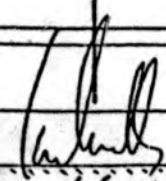
Date: May 31, 1989

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%

S8E/S8EV
10-87


 PROJECT OFFICE MANAGER

Lu Dudley

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

$$\begin{array}{rcl} & \text{CO} & = 102\% \\ \text{CO} + \text{SH} & = & 111\% \end{array}$$

S8E/S8EV
10-87

22 _____

 _____ Lu Dudley

 PROJECT OFFICE MANAGER

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

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

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

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.

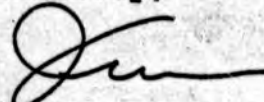
Mr. Thomas Behan
June 8, 1989
Page 2

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,



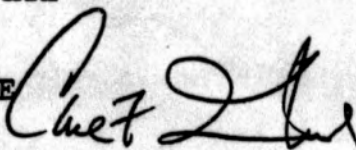
Jim Duncan
Senator

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.

M E M O R A N D U M

TO: Rep. C.E. Swackhammer
FROM: Carl F. Nickel *Carl*
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)

Status of all bonds capitalizing the loans

Identify bonds and sources

Liquidity of the bonds

Availability of bonding in future

Options re: management of loan programs

Centralized loan management

Streamlining

Internal restructuring

Reorganization/Privatization

Economics of reorg./priv.

Privatize some aspects/components

Salability of each program

PHASE - OUT

residual

management

eventual output

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. Swackhammer
FROM: Carl F. Nickel *Carl*
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.

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.

- 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)	3.9	(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.

MEMORANDUM

TO: Rep. C.E. Swackhammer
FROM: Carl F. Nickel *Chel*
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



House of Representatives

SOLDOTNA

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

JUNEAU

BOX V
JUNEAU, ALASKA 99811
(907) 465-7889

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



House of Representatives

SOLDOTNA

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

JUNEAU

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

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 additional 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



House of Representatives

SOLDOTNA

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

JUNEAU

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

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 Halloran 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 staff in Juneau.

Sincerely,

Rep. C.E. Swackhammer

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



House of Representatives

SOLDOTNA

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

JUNEAU

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

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 additional 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



House of Representatives

SOLDOTNA

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

JUNEAU

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

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 additional 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



House of Representatives

SOLDOTNA

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

JUNEAU

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

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



House of Representatives

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SOLDOTNA, ALASKA 99699
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BOX V
JUNEAU, ALASKA 99811
(907) 465-2689

MEMORANDUM

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

MEMORANDUM

TO: Rep. C.E. Swackhammer
FROM: Carl F. Nickel *Carl*
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 additional ancillary costs, I'm drawing a blank on added costs.

MEMORANDUM

TO: REP. C.E. SWACKHAMMER
FROM: CARL F. NICKEL *Carl*
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

Page Two Budget Costs, continued.

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, let's 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



House of Representatives

SOLDOTNA

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

JUNEAU

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

August 9, 1989

Bert Wagon, Exec. Director
A.I.D.E.A.
1577 C St. Suite 304
Anchorage, AK 99501

Dear Director Wagon;

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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(907) 465-2639

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 Arnett
Housing Policy Development Committee Aide

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.

MEMORANDUM

TO: Rep. C.E. Swackhammer
FROM: Carl F. Nickel *Carl*
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
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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



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

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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.

SOLDOTNA

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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 nominated and unanimously approved as an additional, ex officio, member of the HFTF.

ISSUES DISCUSSED

STAFFING;

It was the general consensus 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 consensus 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 impairing 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 "trailer 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 consensus 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 subsidy 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 marketability of AHFC?)

It was the consensus 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 consistent 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 whatever 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 \$ 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 then 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 essence 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 understandably 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 interrupt 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 Corporation 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 in 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 perform 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 interruption 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 foreclosures 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.



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MEMORANDUM

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?

Senate Resolution 28
Task Force
Page Two (2)

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

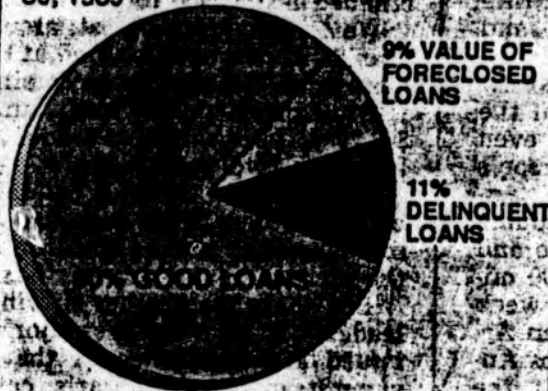
Flood of foreclosures leads to huge dispute between housing agency, mortgage insurer

By GEORGE FROST
Daily News reporter

JULY 30, 1989

AHFC's BAD LOAN PROBLEM

Loans, defaults and foreclosures as percentage of loans and foreclosures on April 30, 1989



Source: Alaska Housing Finance Corporation

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 greatly exaggerated the insurance problem and is at fault in managing its programs.

Shortsighted policies, sloppy bungled sales programs and impenses in the management and AHFC's giant inventory of foreclosures are not insurable claims, according to Ster, an insurance troubleshooter from the Houston real estate firm last year to head MGIC operations in Alaska.

Ster says the company won't subsidize mistakes.

If Alaska would act rationally in dealing of loan insurance claims sales, he says, he would be down in shadow of perceive the to be."

Tom Behan took over as director at 1 million AHFC months ago there are no

in the system. The agency, banks service its mortgage loans, and brokers it hires to manage and closed homes all share some blame.

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

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

After months of negotiations shouting and charges of bad faith, amiable relationship between and the agency has fizzled. Behan is pouring over the fine print in contracts. The AHFC board authorized its attorneys to draw up and administrative complaints against MGIC.

"They (AHFC directors) want to them, but they gave me the waiting while we try to work thing," said Behan.

If no reasonable progress has been made by Sept. 1, AHFC will sue, says man Bob Mintz. "The message is going to be serious about enforcing insurance rights," he said.

The fight could not have come time for Behan and a greenhorn senior aides. The agency is under considerable turmoil while doubling and attempting to transform its cautious bond financier into the thirteenth of used homes.

Alaska Housing, a legislative after year for liquidation and savings accounts, faces daunting that may hasten a final decision.

If AHFC can't collect tens of millions of dollars of insurance claims, it may lose the \$459 million of reserves.

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.

ance housing. Behan insisted that AHFC can't need a legislative bailout.

At least four insurance "pools" — million-dollar buckets of MGIC insurance they used to pay off claims on foreclosed homes — are running dry, exposing AHFC to direct losses of about \$9 million within a few years.

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

AHFC's financial difficulties could prompt bond-rating companies to downgrade its creditworthiness, costing millions of additional dollars because it must pay a higher percentage rate to borrow money on Wall Street. Much of these costs would be passed along to future home buyers.

Although both sides have tried to keep their differences private, the sheer size and complexity 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 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 debt. Agency bond issues are rated on a scale from A — the best — to D, which

basically is 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 up to 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 have more than \$3.7 billion in bonds.

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

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

Almost all homes financed through AHFC bond sales are protected by individual insurance policies. The homeowner pays for a 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.

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

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August 16, 1989

Mr. Tom Behan
Executive Director
Alaska Housing Finance Corporation
P.O. Box 101020
Anchorage, AK 99510

Dear Tom:

As a follow-up to our August 9 conversation, I am sending you a copy of the Mortgage Program Report presented to the Board of Trustees at the June, 1989 meeting. In our conversation, we discussed Alaska Housing Finance Corporation's purchase of our 198 loans at par or market value. At the end of July, 1989, the loan portfolio balance was \$31,500,000.

With few exceptions, the mortgages are for homes located in Alaska's urban areas. The portfolio includes single and multi-family dwellings, condominiums, and zero-lot lines. Loans were written with an agreement that the homes would be owner occupied, but that stipulation has not been monitored. Approximately three-quarters of the loans are covered by mortgage insurance. The average home loan has a \$160,000 principal balance and most of the loans are over four years old.

The mortgage program began in 1981 and over 80% of our loans were purchased in the first five years of the program. Most have a 30 year term. Few new loans have been purchased in the past two years -- those were either new loans on REOs we sold, or new loans on previous commitments.

Originally, only fixed-rate mortgages were acquired, but in the mid-80's the decision was made to purchase only adjustable-rate loans. The ARMs have an annual cap of 2% and a lifetime cap of 6%. In the past few years we have honored numerous requests to modify loans from the original high fixed rates to ARMs.

Rates are adjusted annually, on either March 1 or September 1. New rates are based on the Federal Home Loan Bank Board's District 1 index for previously occupied homes. The rate for the September 1, 1989 adjustment is 10.75%.

Mr. Tom Behan
August 16, 1989
Page 2

Currently, fourteen banks and mortgage companies service mortgages. National Bank of Alaska provides service for our loans. Fifteen loans are serviced by eight institutions; 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 these, several are in the modification process, one is in judicial foreclosure, and others are in non-judicial foreclosure.

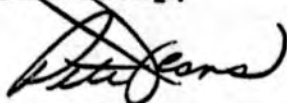
I see several options we could discuss in regard to servicing loans that go into foreclosure after your purchase of the portfolio:

- 1) AHFC could market all foreclosed properties at any loss or gain on the sale, eliminating any loss from the Permanent Fund in the Alaska-housing market.
- 2) The Permanent Fund may buy back foreclosed properties the first year after your purchase and provide financing to new buyers, possibly continuing the housing industry on an extremely small scale.
- 3) For a one-year period, the Permanent Fund could buy the foreclosures and sell them back to AHFC at book value, allowing the Permanent Fund to recognize its losses and at the same time, staying out of the housing market.

I suggest that we meet with you to review this information and answer any questions you might have. If you plan to visit Juneau in the near future, we could meet here and you would have the opportunity to review a sampling of files in the portfolio. Several members of our staff will be in Anchorage on September 26. If this would be a more-convenient time for you, we would meet with you then. We would also be happy to present this information to your board and respond to their questions.

If there is any further information we could send to you for your consideration of this offer, please do not hesitate to contact me or Llewellyn Lutchansky, the manager of the mortgage portfolio.

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 think that I am attempting to meddle. Several years ago I was actively involved in developing goals and objectives for an educational model for prisons. I ended up teaching the concepts of developing goals and objectives.

At the time, we dealt in philosophies, goals and objectives. When time passed, the verbiage changed to missions, etc. Now we have a lot of policies and action plans. Time has not changed me; I continue to think in the earlier terms. That is partially why I made the comments at the past teleconference about No. 3 being a philosophy (you guys called it a mission statement). So, I will bear with me, I would like to just share my thoughts. I will place it in the "for what it's worth" category.

PHILOSOPHY

It is the philosophy of the State of Alaska that safe and sanitary living conditions should be available to all citizens of the state.

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 needs, standards and requirements within the state. (#2)

Minimize direct state involvement in the housing market, with the exception of accessing capital markets and providing information. (#9)

Encourage local/regional involvement in land use issues with the goal of circumventing private enterprise. (#3)

GOAL NO. 2

To assure uniform consideration of housing needs, it is the goal of the State of Alaska to facilitate the coordination of housing 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 transitional 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.

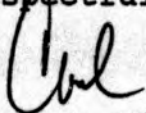
Annually, the State Housing Commission shall list, by priority, all housing needs.

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



House of Representatives

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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
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature



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MEMORANDUM

TO: Membership, Housing Finance Task Force
FROM: Rep. C.E. Swackhammer *Swack* 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.