

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672
1607 SCOMM 60 HOUSING FINANCE TASK FORCE, 1989

ALASKA HOUSING FINANCE CORPORATION
SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Summary of Mortgage demand and Proposed Bond Financing

Fiscal year ending June 30, 1992
(in millions)

	Mortgage Loan Funds Available	Program Repayments and Earnings	Bond Proceeds	Overcollateralization Transfer				Estimated Mtg. Demand 12 months Ending 06/30/92	Mortgage Loan Funds Available 06/30/92
				Sales Cost	Reserve Account	MLF	Subsidy Allocation		
Bonded Programs									
HOAP									0.00
Tax-exempt-HMB	160.55							50.00	110.55
Taxable	407.00	117.15	250.00	2.50	12.50	42.50	3.31	300.00	529.96
Veterans-VMP	58.80		25.00	0.44		3.75	(3.31)	30.00	53.80
Condo Stabilization	0.00								0.00
Recycling Programs(IMBs)									
LIFE	9.00		10.00	0.20		3.20		10.00	12.00
Non-conforming						5.00		5.00	0.00
Direct Funded Programs									
Mobile						5.00		5.00	0.00
Second						2.00		2.00	0.00
Other Uses of Funds									
Exchange Program Expenses						3.00		3.00	0.00
Condo Stabilization Expenses						10.00		10.00	0.00
Operating Budget increase									
	635.35	117.15	285.00	3.14	12.50	74.45	0.00	415.00	706.31

** Absorbed by non-trusted accounts

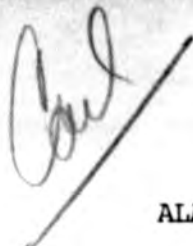
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				Sales Cost	Reserve Account	MLF	Subsidy Allocation		
Bonded Programs									
HOAP									0.00
Tax-exempt-HMB	110.55							50.00	60.55
Taxable	529.96	110.31	100.00	1.00	5.00	17.00	0.00	300.00	461.27
Veterans-VMP	53.80		25.00	0.44		3.75		30.00	52.11
Condo Stabilization	0.00								0.00
Recycling Programs(IMBs)									
LIFE	12.00							9.00	3.00
Non-conforming						5.00		5.00	0.00
Direct Funded Programs									
Mobile						5.00		5.00	0.00
Second						2.00		2.00	0.00
Other Uses of Funds									
Exchange Program Expenses						3.00		3.00	0.00
Condo Stabilization Expenses						10.00		10.00	0.00
Operating Budget increase									
	706.31	110.31	125.00	1.44	5.00	45.75	0.00	414.00	576.93

** Absorbed by non-trusted accounts



ALASKA HOUSING FINANCE CORPORATION
NOTICE OF PUBLIC HEARING

BULK SALES

NOTICE IS HEREBY GIVEN that the Alaska Housing Finance Corporation will hold public hearings to accept comments on emergency regulations with respect to bulk sales of the Corporation's real estate-owned properties. The hearing is scheduled to be held at the following:

September 6, 1989

6:00 - 7:00 p.m.

Alaska Housing Finance Corporation
520 East 34th Street
1st Floor Conference Room
Anchorage, Alaska 99503

The public is invited to attend and present oral and/or written statements or arguments relevant to the regulations. Copies of the proposed changes may be obtained by contacting the Alaska Housing Finance Corporation at 520 East 34th Street, Anchorage, Alaska 99503, (907)561-1900, ext. 326.

The Board of Directors of the Alaska Housing Finance Corporation will consider all relevant information presented at the hearings before it takes final action on the proposed changes. The Corporation may continue or postpone the hearing set forth above to times and places which it determines. Any amendment to the proposed changes which are adopted after the hearings may vary in content from the summaries presented in the notice if subject matter of the amendment remains the same.

DATED: Anchorage, AK August 11, 1989

BY ORDER OF THE BOARD OF DIRECTORS
/s/ Robert Mintz, Chairman

NOTICE OF ADOPTION OF
EMERGENCY REGULATIONS
OF THE ALASKA HOUSING FINANCE CORPORATION
IN CONNECTION WITH
BULK SALES

Pursuant to AS 18.56.088, the Board of Directors of the Alaska Housing Finance Corporation makes the following findings:

The immediate adoption of Regulations with respect to Bulk Sales submitted to and made part of the records of this meeting is necessary for the immediate preservation of the orderly disposal of the Corporation's foreclosed properties. The emergency that gives rise to the necessity for these Regulations is as follows:

- a. Several pending bulk sale offers; and
- b. to stop asset wasting associated with empty units.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Alaska Housing Finance Corporation that the Emergency Regulations with respect to the Bulk Sales submitted to and made part of the records of this meeting are hereby approved as Emergency Regulations of the Corporation.

This Resolution shall take effect immediately.

DATED this 28th day of July, 1989.

Alaska Housing Finance Corporation
/s/Robert Mintz
Chairman

Copies of the Regulations may be obtained at AHFC, 520 East 34th Avenue, 3rd Floor, Anchorage, Alaska.



520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

NEWS RELEASE

For Immediate Release
January 12, 1990

For More Information Contact:
Margaret Nelson
564-9321

AHFC ANNOUNCES PROFIT FOR FIRST QUARTER FISCAL YEAR 1990

The Alaska Housing Finance Corporation posted a \$4.9 million profit for First Quarter of Fiscal Year 1990 which ended September 30, 1989. The profit represents a sharp turn around from the posting of a \$124 million loss for the last fiscal year which ended June 30, 1989.

"The profit is the result of a focused effort last year to identify the Corporation's loss exposure and set up sufficient fund reserves to cover them," said AHFC Chief Executive Officer Thomas Behan in announcing the profit today. These loss reserves totalled \$139 million at the beginning of the quarter. After adjustments to reflect potential additional losses, realized losses on units sold, and property holding costs the reserves amounted to \$143 million at September 30, 1989.

While cautious about using first quarter results to project where the Corporation will end this fiscal year, Behan is optimistic this year will be profitable.

Behan states that a revamping of the property marketing system resulting in the Alaskan Home Properties division and a solid team of dedicated staff as factors contributing to AHFC's first quarter profit and future profit potential.

"Earlier this week we saw evidence of a strengthening economy with the lower incidences of mortgage loan delinquencies and foreclosures and stabilizing values in the housing market," Behan said. "Combined with the direction we've set with home sales we hope to end this year in the black."



DEC 21 1989

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

MONTHLY BRIEFING*
(Compiled 12/12/89)

	October 1989	September 1989	October 1988
Delinquency - All loans less mobile homes	10.53%	11.94%**	14.75%
Delinquency - Mobile homes	17.67%	19.18%	22.46%
Foreclosed Inventory			
Single Family and Duplex	1,984	2,026	1,971
Condo	1,560	1,727	1,787
Multi-plex	38	39	28
TOTAL	3,592	3,802	3,794
Mobile Homes	586	609	775
Total Active Loans	42,740	42,777	42,753
Number of foreclosures for month	195	180	307
Number of sales for month	333	250	161

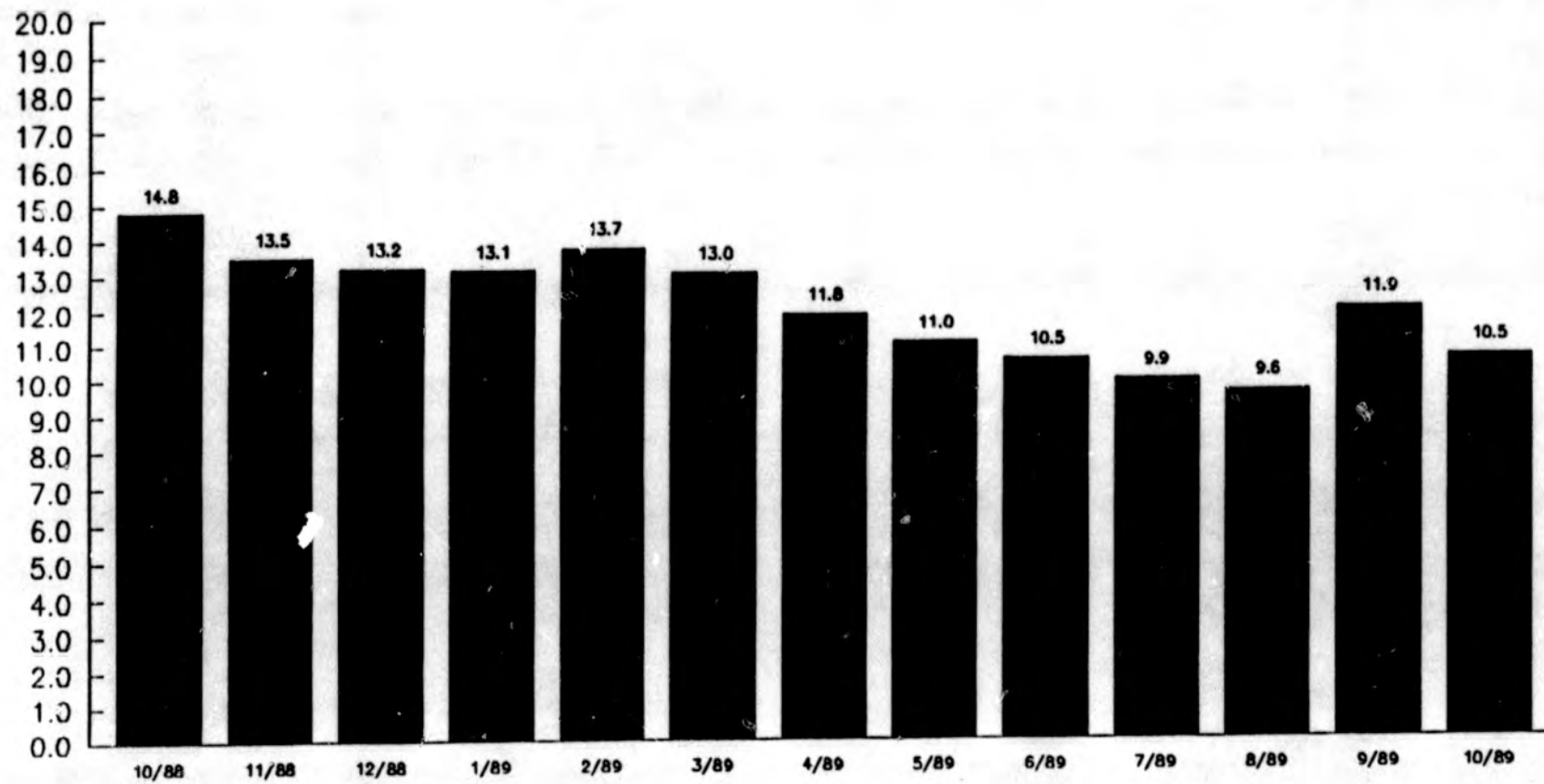
*All numbers reflect statewide loans and inventory.

**This number is inflated approximately 2% due to a lender servicing problem which has been recognized.

For more information contact: Margaret Nelson at 561-1900

ALASKA HOUSING FINANCE CORPORATION
TOTAL DELINQUENCIES
TABLE I

PERCENT



ALL DELNS



**VISITORS & COURIERS: OUR NEW LOBBY AND MAILROOM IS
LOCATED ON THE FIRST FLOOR. PLEASE CHECK IN.**



520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

FOR IMMEDIATE RELEASE
February 1, 1990

For More Information Contact:
Margaret Nelson 564-9321

**ALASKA HOUSING FINANCE CORPORATION OPENS
OFFICE OF CONSUMER RELATIONS**

The Alaska Housing Finance Corporation has opened an Office of Consumer Relations to answer mortgage questions and assist mortgagors and home buyers in working with the Corporation or its sales division, Alaskan Home Properties, Thomas Behan, AHFC's Chief Executive Officer/Executive Director announced today.

Heading the office is Wayne Mundy, Consumer Relations Officer.

Last fall the AHFC Board of Directors and management felt the need to have a consumer advocate available at AHFC.

The purpose of the office is to facilitate better communications between the public and the various departments at the Corporation, Mundy said. Often, this can be accomplished by simply referring the public to AHFC personnel who can best answer the questions.

"It is our intent to provide the important link from the inquiring public to staff responding to the public's needs," Mundy said. "The Consumer Relations Office also may be able to address mortgage problems not related to AHFC.

"If we do not have the answers we will research the issues and inform the caller on how to proceed," Mundy said.

Mundy has considerable experience in the real estate industry. He served as the Review Appraiser for AHFC for the past five years and has extensive experience in the real estate industry having previously held positions at the Department of Community & Regional Affairs as loan manager, Department of Natural Resources as natural resource manager, Division of Lands as staff appraiser and various positions at local banks and title companies.

Also serving in AHFC's Consumer Relations Office is Brenda Glaze. Glaze previously worked at the Alaska Housing Market Council as hotline coordinator for two years and has held positions in the internal audit department at Alaska USA Federal Credit Union and the mortgage loan production department at National Bank of Alaska.

"We're pleased to offer this service to Alaskans," Behan said. "All mortgagors should feel free to call with their questions or concerns."

The Office of Consumer Relations is located at 520 East 34th Street, Suite 300, in Anchorage. The phone numbers are 564-9317 if calling from Anchorage, or toll free from outside Anchorage, 800-478-AHFC.

-END-

Note: Wayne Mundy is available for interviews or comments. Please call 564-9316.



Carl

520 East 34th St.
Anchorage, AK 99503
907/561-1900
P.O. Box 101020
Anchorage, AK 99510

NEWS RELEASE

For Immediate Release
January 10, 1990

For More Information Contact:
Margaret Nelson
564-9321

LEADING HOUSING INDICATORS FAVORABLE

Home sales are up, foreclosures and delinquencies are down and foreclosed inventory is decreasing for the Alaska Housing Finance Corporation, signaling positive trends for the real estate industry as a whole.

"We're excited about the positive statistics," AHFC's Chief Executive Officer Tom Behan said today in announcing the figures. "1989 was truly a turn-around year for the housing industry and the state of Alaska as a whole. There is evidence in the marketplace that the recession Alaska has been experiencing is coming to an end."

Specifically:

- *The delinquency rate, or rate of past due loans, reached a low of 8.54 percent in November of 1989. It has not been that low since January of 1986 and is down from a high of 17 percent in July of 1987. (December figures will not be available until after the first of February.)

- *AHFC, through it's Alaskan Home Properties division, sold 2,667 properties in calendar year 1989, some 600 units more than in 1988. The increase is primarily attributed to increased sales in the condominium market.

- *Foreclosed inventory is continuing a slow, steady decline. As of November 30, 1989, it totalled 4,082 including 591 mobile homes. That's down approximately 500 properties from a year ago.

- *The rate of foreclosure also continues to slow. AHFC foreclosed on 3,019 properties in 1989 as opposed to 3,836 properties in 1988.

"We're very pleased about these housing indicators," Behan said. "And we're happy to see that they are moving in the right direction."

For the future, Behan hopes to see AHFC delinquencies and foreclosures continue in their downward trends.

Sales have continually increased in 1989 and are primarily due to increasing sales of AHFC's foreclosed condominiums. Condo sales increased from 344 in 1988 to 1,071 in 1989, more than a 200 percent increase.

Homeowners and investors have begun purchasing condos because of the excellent prices and the opportunities to realize a meaningful return on investments, Behan said.

-30-

Attachments: Monthly Briefing (1/8/90)
Total Delinquencies (1/9/90)
Year End Comparison

MONTHLY BRIEFING*
(Compiled 01/08/90)

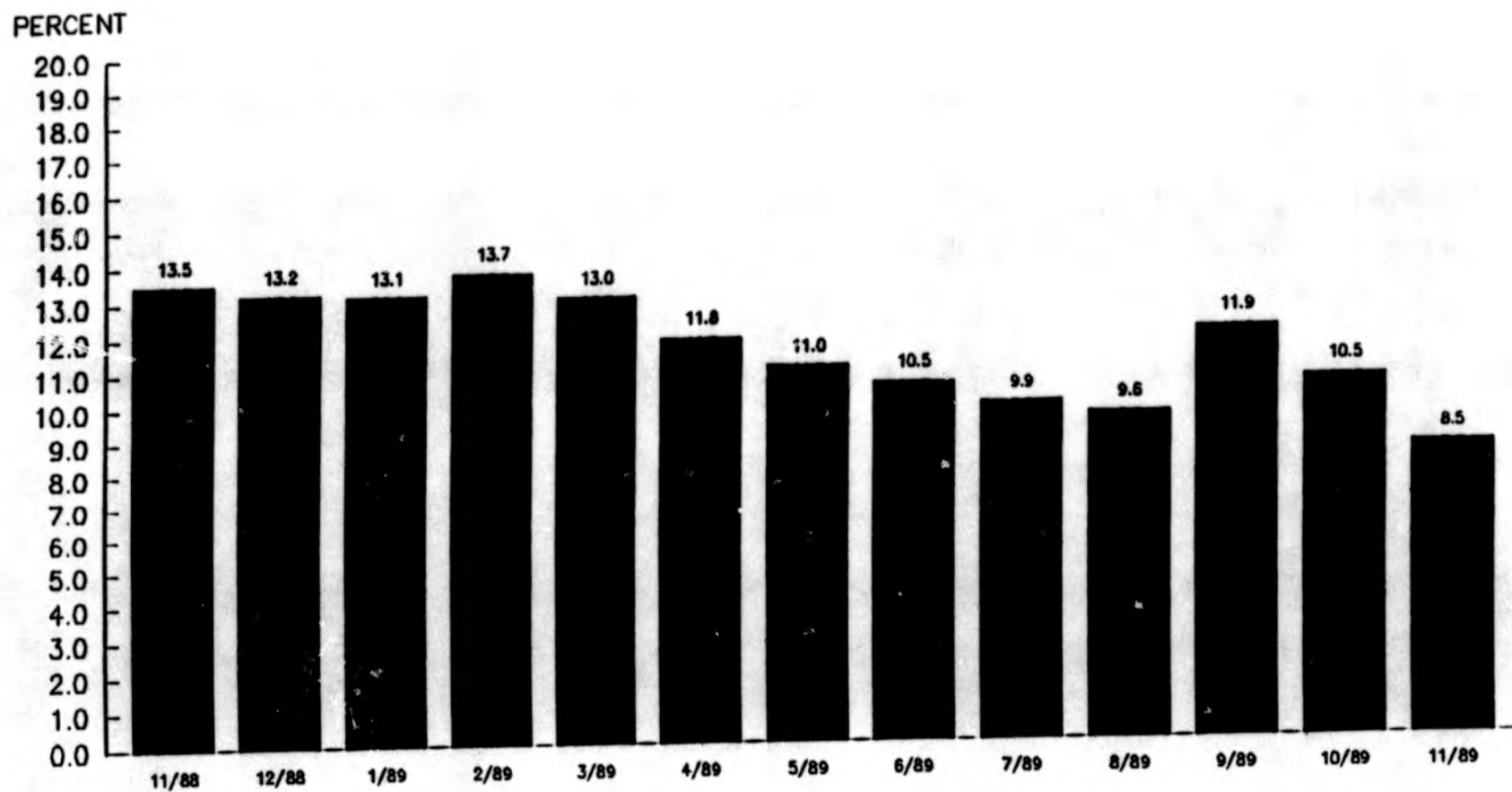
	November 1989	October 1989	November 1988
Delinquency - All loans less mobile homes	8.54%	10.53%**	13.50%
Delinquency - Mobile homes	16.98%	17.67%	21.22%
Foreclosed Inventory			
Single Family and Duplex	2,019	1,984	1,977
Condo	1,423	1,560	1,802
Multi-plex	39	38	29
Other	10	10	8
TOTAL	3,491	3,592	3,816
Mobile Homes	591	586	751
Total Active Loans	42,636	42,740	42,273
Number of foreclosures for month	215	195	321
Number of sales for month	230	333	196
Number of loans purchased for month	247	Not Available	Not Available

All numbers reflect statewide loans and inventory.

**This number is inflated approximately 2% due to a lender servicing problem which has been recognized.

For more information contact: Margaret Nelson at 561-1900

ALASKA HOUSING FINANCE CORPORATION
TOTAL DELINQUENCIES



ALLDELNS

1/9/90



520 East 34th St.
Anchorage, AK 99503
(907) 561-1900
P.O. Box 101020
Anchorage, AK 99510

Year End Comparison
(as of 12/31 each year unless otherwise noted)

	1989	1988
Sales		
Condo	1071	344
Duplex	59	47
Mobile Home	537	875
Single Family	1177	939
3-4 plex	11	4
Total	2,855*	2,209
Foreclosures		
Total	3,019	3,836
Inventory (as of November 30 each year)		
Total	4,082	4,567
Delinquency (as of November 30 each year)		
	8.54%	13.50%
Active Loans (as of November 30 of year)		
	42,636	42,273

* Due to closings late in December this number will increase based upon receipt of settlement proceeds.



A handwritten signature in dark ink, appearing to read "Carl", is written over a horizontal line.

520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

NOTICE OF MEETING
ALASKA HOUSING FINANCE CORPORATION
REGULAR MEETING

NOTICE IS HEREBY GIVEN that the Alaska Housing Finance Corporation will hold a Regular Meeting of the Board of Directors:

January 16, 1990

10:00 a.m.

Alaska Housing Finance Corporation
520 E. 34th Avenue, Suite #104
Anchorage, AK 99503

for the purposes of: A) Consumer Relations Officer's Report; B) Public Dissemination of New Listings C) By-Laws; D) Amendment to Personnel Rules; E) Geographic Inventory Report; F) HOAP III Update; G) Update on New Broker/Contractor System; H) Update on Fairbank's Office Activity; I) PMI Update; J) MGIC Update; and K) Any other matters to properly come before the Board.

The meeting will be conducted by electronic media pursuant to AS 18.56.040(b), and it is anticipated that one or more members of the Board will participate in the meeting by utilizing telephonic communications (conference telephone) at the following locations:

Treasury Conference Room
Department of Revenue
11th Floor, State Office Building
Juneau, AK 99811

Legislative Information Office
119 N. Cushman Street, Suite 101
Fairbanks, AK 99701

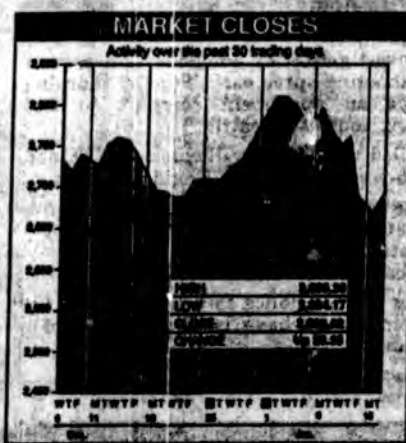
THE PUBLIC is invited to attend the meeting. Pertinent reference materials, if used, will be made available to those members of the public who wish to participate in the meeting.

DATED: January 8, 1990

Anchorage, Alaska
BY ORDER OF THE BOARD OF DIRECTORS
/s/ Robert Mintz, Chairman

BUSINESS

THE MARKETPLACE



Stock market rebounds

NEW YORK — The stock market pulled out of its recent slide

MARKET IN BRIEF

NYSE issues consolidated trading January 16, 1990

Volume in shares

217,797,810

Issues traded

1,998

Up

811

Unchanged

484

Down

723

NYSE Index

2,692.62

Up 1.08

S&P Composite

340.75

Up 3.75

Dow Jones Industrials

2,692.62

Up 23.18

The Associated Press

Inventories, sales up
WASHINGTON — Business sales and inventories both rose in November, the government said Tuesday, but economists noted that

Tuesday with an afternoon rally spearheaded by blue-chip issues. The Dow Jones average of 30 industrials, down 91.30 points in the two previous sessions, rebounded 23.26 to 2,692.62. Bond prices fell, pushing interest rates higher. The Treasury's closely watched 30-year bond tumbled about 1/4 point, or \$5 for every \$1,000 in face value. The bond's yield, which rises when its price declines, jumped to 8.24 percent from 8.17 percent late Friday.

Report urges AHFC changes

Discarding state subsidy will improve agency, firm says

By **GEORGE FROST**
Daily News reporter

The Alaska Housing Finance Corp. should eliminate subsidized interest rates for homebuyers, and gradually restrict its mortgage-loan programs to low- and moderate-income Alaskans, according to an accounting firm's draft report prepared for

a legislative task force.

More than 46,000 homebuyers have obtained low-cost mortgage loans since 1980, when lawmakers decided that AHFC loans should be cheaper than market rates.

An Alaska Housing loan delivers a subsidy worth an average of \$100 every month when a

homeowner sits down to write a check for the mortgage payment. The state subsidy, in effect, boosts a homebuyer's purchasing power by about \$11,000 for an average home financed by the corporation.

But that popular program is too expensive to continue, said the accounting firm of Ernst and

Young in a report released Tuesday to the Alaska Housing Finance Task Force, a legislative group studying how to put the troubled state-owned corporation on a firmer foundation.

Elimination of mortgage subsidies was a major recommendation.

Please see Page C-7, AHFC

Bankruptcy effects reach nationwide

The Associated Press

NEW YORK — Campeau Corp. is keeping its coast-to-coast department store empire running, but the bankruptcy reorganization of its shattered finances could have far-reaching consequences beyond its stores.

Experts say the financial imbroglio eventually could endanger jobs of some of the 100,000 employees at Campeau's 258 stores around the country, lessen the immediate trend toward price-cutting competition among department stores, and prompt investors to be more critical of proposed retailer buyouts.

"This is a once in a lifetime kind of thing for all of us in this business," said one 30-year veteran of the retail trade, who asked not to be named. "The ramifications are so widespread. The domino effects are remarkable and difficult to conceive."

By seeking bankruptcy court shelter from creditors on Monday, Campeau's Federated Department Stores Inc. and Allied Stores Corp. can continue operating, covering payrolls and meeting suppliers' bills while restructuring their debts.

The fate of the store chains depends on

Citizen Watch Co. of America	223.5	Sony	450.5
Avanti Linens	125.5	Henredon Furniture	234.0
Bonaventure USA/E.K. & Co.	57.5	Hart Schaffner & Marx	181.1
Tru-Skitch	75.5	L.A. Gear	175.2
Puritan Sportswear	75.5	Jockey International	140.0

ALLIED STORES

\$100.0

First Boston

\$428.8



Johnson

with First National Bank of Anchorage. He will be responsible for overall administration of the branch, including staffing, lending, operations and new business. He began his career with the bank in 1988 as a management trainee in the Kodiak branch.

□ Terry Irwin, senior land surveyor with Peratrovich, Nottingham & Drage Inc., has obtained his professional land surveyors license from the state of Washington. Irwin has 10 years experience in the field in Alaska, Montana, Colorado, Wyoming and North Dakota. Irwin's experience also includes project management, construction inspection and engineering design.

BUSINESS NOTEBOOK

ACIB sets 2 events

The Alaska Center for International Business will conduct two seminars, "Doing Business in Vladivostok" and "Doing Business In Japan," this week in Anchorage. Both classes are scheduled for today and cost \$25 each. The first will be held from 1 to 3:30 p.m., and the second is set for 6:30 to 9:30 p.m. Call 561-2322.

Science foundation director to speak

John Sibert, executive director of the Alaska Science & Technology Foundation, will speak to the Resource Development Council Thursday. He will discuss the foundation in an address titled "A Look Ahead." The breakfast meeting starts at 7 a.m. in the Northern Lights Inn. Call 276-0700.

Oil/gas lease program is subject

Bill Van Dyke and Richard Kornbrath, both with the Alaska Division of Oil and Gas, will discuss "The Agenda for Reinstating the State's Oil and Gas Leasing Program" at a meeting of the Alaska State Chamber of Commerce Friday. The chamber meets for lunch at noon in National Bank of Alaska's C Street and Northern Lights Branch. Call 278-2722.

The appeals court ruled, for example, on a statement by a federal judge that the federal government had no right to the land in the South Pass-Green Mountain area of Wyoming.

The Bush administration said the appeals court permitted a whole new challenge

ministration position are the Mountain States Legal Foundation, the American Farm Bureau Federation, the National Cattlemen's Association and the American Mining Congress.

The case is *Lujan vs. National Wildlife Federation*, 92-440.

fishing on Monday.

In 1989, Kodiak fishermen caught 6.5 million pounds of bald crab. Biologists predicted a harvest of 4.4 million. Bering Sea vessels took 17 million pounds of bald crab, outpacing the state's projection of 13.5 million. They harvested about eight times as much opilio crab.

cents per pound and the lower quality a dime less, said Ken Gelman, a state shellfish biologist in Dutch Harbor. He said said 114 vessels were registered for the Tanner crab fishery in the Bering Sea and six for the Aleutian Islands fishery. Many are ships that both catch and process crab.

AHFC Accounting firm rejects idea of selling agency

Continued from Page C-6

tion of the firm, which was paid \$214,000 to plot the financial effects of various policy options ranging from reducing AHFC programs to selling the corporation to a private mortgage company.

Ernst and Young rejected the idea of selling AHFC. They said the state could not get enough for AHFC to recover its \$1 billion investment, and a sale may be unconstitutional. But the accountants did suggest AHFC consider subcontracting its sales of thousands of foreclosed homes to a private company.

The accountants also suggested that AHFC:

- Expand its board of directors and include representatives from private real estate and banking companies.

- Be freed from budget oversight by the state.

- Pay dividends to the state when its finances are good, but not now.

Tom Behan, AHFC's chief executive, would not comment in detail about the report. The ideas are worth studying, he said. But he unreservedly endorsed the proposals for greater AHFC autonomy and private-sector membership on the board.

Some legislators for years have tried to figure some way to extract the state's investment out of AHFC.

The state has given AHFC about \$800 million to back up its sale of bonds on Wall Street, where it gets cash to make loans at interest rates below the market rate.

By eliminating the subsidy on future loans, AHFC would save \$43 million to \$91 million over five years — money the state could get back as dividends, the consultants said. Another \$45 million could be saved by restricting mortgage lending to low-income buyers, who can be loaned money from lower-cost, tax-exempt bond sales. The state should not compete with private mortgage bankers to lend money on expensive homes, they said.

According to Ernst and Young, AHFC needs almost every penny of the \$819 million in reserves and investment to preserve its credit rating and make a profit. So the legislature should keep its hands off.

AHFC's generous mortgage deals are a real estate equivalent of the Alaska Permanent Fund dividends — designed to spread some of the state's oil wealth

through the economy.

But critics say the subsidies pumped in too much money, prompting a housing binge that destabilized the market and led to its collapse in the late 1980s. As a result of that crash AHFC was stuck with thousands of foreclosed homes, and last year it lost a record \$124 million of public funds. Legislators have been arguing about the program almost since its inception.

The Ernst and Young report was supposed to lay the groundwork for a major legislative overhaul of AHFC, but instead it kicked off familiar disagreements among members of the task force.

Sen. Rick Halford, R-Chugiak, said the study should give impetus to a bill he introduced last year to ratchet down the subsidy from a maximum of three percentage points to one point. Halford has backed similar legislation for years. He agreed with the consultants that now is the best

time to cut the subsidy because market rates are close to the 10 percent level, above which the subsidy kicks in. So doing away with the subsidy now won't have a big impact on home sales, and gradually will encourage private companies to take over more of the mortgage business.

Sens. Pat Rodey and Mike Szymanski, both Anchorage Democrats, said they want to proceed a lot more cautiously. Rodey said he's concerned about Wall Street's reaction to abrupt changes, but he agreed the subsidy should gradually be eliminated for upper-income home buyers.

Szymanski said he wants to use AHFC bonding power to help provide housing for senior citizens, and he thinks the subsidy will be needed for lower-income homebuyers. Both Democrats said they are opposed to putting private industry representatives on AHFC's board because of potential conflicts of interest.

The Anchorage School District

Requests Proposals For The Lease of

20,000 to 60,000

Square Feet of

Office Space for Its

Administrative Offices

Interested parties may obtain the Request For Proposals at 4600 DeBarr Road, 3rd Floor. Offers are due by 1:30 P.M.,



Vic Fischer
Director of Soviet Relations
University of Alaska

"The Soviet Union
and Eastern Europe -
Quo Vacis?"



See a specialist at Jack White Company.

Connie Bates is a residential real estate specialist. Having worked in our Eagle River office since it opened in 1983, she has sold many homes to Eagle River families.

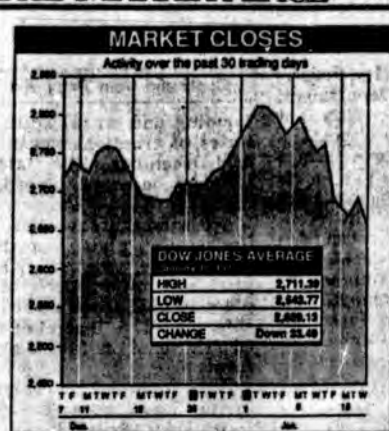
Connie has extensive experience working with relocating corporate executives and their families, she's the person to call when you are looking for FANNIE MAE properties in Eagle River and she has solid experience working with builders and contractors if you're in the market for new construction.



Connie Bates
Residential Specialist

BUSINESS

THE MARKETPLACE



The Associated Press

Dow average tumbles

NEW YORK — Stock prices fell to an eight-week low Wednesday

under a barrage of late selling attributed to disappointing economic and earnings news. The Dow Jones average of 30 industrials dropped 33.49 to 2,656.13, its lowest close since it stood at 2,656.78 on Nov. 22. Bond prices finished mixed following Tuesday's sharp selloff. Prices of shorter-term issues rose slightly while longer-term bonds slipped. The Treasury's closely watched 30-year bond declined 1/8 point, or \$1.25 for every \$1,000 in face value.

First National profits up
First National Bank of Anchorage posted profits of \$17 million last year, up 4.6 percent from a year earlier, said D.H. Cuddy, bank

First National profits up

First National Bank of Anchorage posted profits of \$17 million last year, up 4.6 percent from a year earlier, said D.H. Cuddy, bank

AHFC subsidy faces extinction

By LARRY PERSILY
The Associated Press

JUNEAU — Lawmakers appear ready to accept a legislative task force recommendation that the Alaska Housing Finance Corp. eliminate its subsidized loan rates. The question is how and when.

The subsidy threatens the state home-loan agency's financial future and stifles competition in the Alaska mortgage-

loan market, the task force said in a draft report this week.

Legislation to reduce the potential subsidy from a maximum of 3 percent down to 1 percent has been sitting in a Senate committee since March, but that will change this session, Senate President Tim Kelly said Wednesday.

"I think the Senate will take a position that it's time to gradually do away with the AHFC

subsidy," said Kelly, R-Anchorage.

Rep. C.E. Swackhammer, D-Soldotna and chairman of the Housing Finance Task Force, said he favors elimination of the subsidy, but hasn't decided if it should be all at once or gradually.

Despite the popularity of the program, the public may be ready to accept that AHFC cannot afford to continue sharing

the cost of home loans, Swackhammer said.

"The public is telling us that we can't expect the state to be everything to everyone," he said.

With declining state oil revenues, it would be irresponsible to continue the subsidies much longer, said Rep. Ron Larson, D-Palmer and co-chairman of

Please see Page E-5, AHFC

Oil output falls in state; imports rise

The Associated Press

WASHINGTON — Alaska oil production dipped in 1989 and domestic oil production took the steepest yearly fall in history, while petroleum imports rose to a 10-year high, the industry said Wednesday.

The American Petroleum Institute, the trade association of the major oil companies, said Alaska oil production, which had increased almost every year since the start of production from the huge Prudhoe Bay field in 1977, fell by 140,000 barrels per day in 1989.

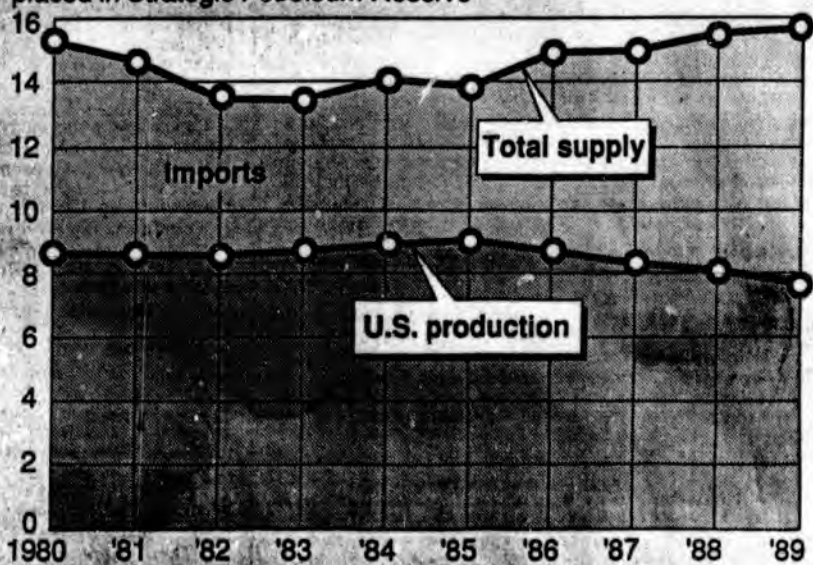
The report said the Alaska decline was exaggerated by maintenance work and traffic restrictions following the Exxon Valdez oil tanker spill last March, and that the "underlying decline trend" in Alaska was about 100,000 barrels per day.

In its year-end report, the petroleum institute said U.S. crude oil production averaged 7.6 million barrels a day in 1989. That was the lowest in 28 years and a decline of 553,000 barrels per day, or 6.8 percent, from the 1988 total.

The figures confirm a continued decline of the domestic oil industry and are expected to add heat to a debate in Congress this year over whether exploration and production companies should get new tax breaks to

U.S. crude oil supply

In millions of barrels of crude oil per day; excluding crude oil placed in Strategic Petroleum Reserve



Knight-Ridder/Tribune News

That was the second-highest level on record. Oil imports rose to 7.9 million barrels a day last year, up 8.2 percent from 1988 and nearly 60 percent above the 1985 level, when

grow to 21 percent of the total. Total imports accounted for 46 percent of oil consumed in the United States last year. That was the second-highest ever, after the

in, allowing better water circulation. Oil companies have complained that will cost tens of millions of dollars. Last month, BP asked the corps to modify an existing permit governing use of West Dock to allow the company to drill two new wells that would help outline the Point McIntyre field. Federal

a decision on it and how to mitigate adverse impacts of the causeway.

"Only you can decide if the existing uncertainties warrant the expenditures that you are contemplating," Kakel said on a letter.

Kakel said he would give BP 30 days to accept the permit conditions.

Endicott moves into 6th place

The Endicott oil field in the Beaufort Sea has surpassed production from a Texas field to become the nation's sixth largest field, said BP Exploration (Alaska) Inc.

BP, which operates the

field, said Endicott averaged 97,933 barrels of crude oil last year, surpassing the East Texas field, which produced 96,594. The oil company attributed the numbers to the Oil & Gas Journal and Texas Mid-Continental Oil & Gas Association.

AHFC: Lawmakers ready to eliminate loan subsidy

Continued from Page E-4

the House Finance Committee.

Interest rates and housing prices are much lower now than during the boom years of the early 1980s, and it would be a good time to drop state subsidies without hurting the market, Larson said.

The task force report said the combination of low interest rates and low housing prices offers "a unique window of opportunity" to eliminate the subsidy without disrupting the market.

State law requires AHFC to subsidize its loans up to 3 percent below its cost of borrowing money, but no subsidy is offered if the agency's cost of money is at or below 10 percent.

Although low interest rates have allowed AHFC to avoid subsidies on most new loans for about a year, exist-

"I think the choice is that we eliminate the subsidy or the subsidy eliminates AHFC."

— Sen. Rick Halford

ing loans cost the agency about \$90 a month for each one-point subsidy on a \$90,000 mortgage, said Margaret Nelson, AHFC spokeswoman.

The report said subsidies on thousands of loans eventually will drain AHFC's reserves.

Gov. Steve Cowper's legislative committee has introduced a four-year phase-out of the subsidy program, but the governor has yet to introduce legislation to make the change.

"I think the choice is that we eliminate the subsidy or the subsidy eliminates

AHFC," said Sen. Rick Halford. The Chugiak Republican is sponsor of year-old Senate Bill 200, which would reduce the subsidy.

A House bill to deal with the issue will be introduced by Jan. 31, Swackhammer said.

Halford five years ago introduced legislation to phase out AHFC's subsidized loan program gradually, along with all other state loan subsidies. The bill died in committee.

Lawmakers last session set up the Housing Finance Task Force to review and recommend changes in AHFC's program.

The task force found that AHFC's program had advanced about \$3.5 billion in home loans totaling \$3.5 billion, Nelson said. The corporation holds about two-thirds of the home loans in Alaska.

Since the Legislature started the subsidized loan

program in 1980, lawmakers have poured more than \$800 million of state money into AHFC's bank account to help cover for the subsidies.

Although AHFC has not needed any extra state money since 1984, the task force said continuation of subsidies for new loans would seriously weaken the agency and would require more state cash to keep it afloat.

"The subsidy should be either reduced or totally eliminated over time," said Tom Behan, AHFC executive director.

Elimination of loan subsidies possibly would allow AHFC to start repaying the state treasury some of the money it has advanced in the program, the report said.

Although lawmakers may agree with the recommendation to start recovering money from AHFC, there will be no attempt to raid the home-loan agency to cover the operating costs of state government, Kelly said.



Helmer

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and Robert Jett were ap Petro Products Inc., a lo delivers gasoline, diesel Petrovich was named ge is office manager, and Jo account representative.



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NEXT WEEK JANUARY 26: THE MILITARY IN ALASKA IN THE Waning Cold War Years, William M. Arkin, Director, Information Unit, Greenpeace, Washington, D.C.

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PRESS RELEASE

For Immediate Release: 3/1/90

Anchorage, Alaska -- The State of Alaska and the Alaska Housing Finance Corporation (AHFC) today filed suit for more than \$25 million in damages, plus additional punitive damages in an unspecified amount, from a group of insurance companies accused of refusing -- "systematically and without justification" -- to pay valid claims arising out of the collapse of the residential real estate market in Alaska in recent years. The suit also alleges that the insurance companies' improper insurance handling practices will cost Alaska tax payers over \$25 million more unless restrained by a court. The defendants include the Mortgage Guaranty Insurance Corporation (MGIC) and a group of Swiss, Swedish, West German and other companies headed by the European General Reinsurance Company of Zurich.

According to Thomas Behan, the Executive Director of AHFC, the agency has been trying unsuccessfully for some time to convince the insurers to pay the claims in full. "We finally concluded that filing this action was the only way to protect the rights of the people of Alaska," Behan said.

The suit filed today arises out of "mortgage insurance" that AHFC purchased from the insurance companies during the 1980's. Under these policies, the insurers agreed to pay certain losses

that AHFC might suffer if the homeowners defaulted on their obligations to pay interest and principal. Beginning about 1985, the decline in the world price of oil and other factors pushed the Alaska economy into a severe recession, resulting in a dramatic rise in the number of defaults on residential loans insured under AHFC policies.

According to the complaint, the insurance companies adopted "an array of improper practices" as a pretext for their refusal to pay AHFC's valid claims in over 1,500 instances to date. Among more than a dozen claims practices attacked as illegal are the imposition of arbitrary deadlines contrary to the terms of the policies; the attempt to establish arbitrary notice requirements not provided for in the policies; and the refusal to reimburse AHFC for amounts advanced to improve or restore properties, even though these expenditures reduced the level of losses. As the severity of the economic downturn increased, and with it the volume and amount of claims, the insurance companies responded by increasing both the percentage and the average dollar amount of their claim denials. In addition to monetary relief the suit seeks to enjoin the insurance companies from continuing the improper claims denial practices.

The 63 page complaint alleges that five years ago the insurance companies assumed the obligations of mortgage insurance policies written by AHFC's previous insurer, now known as

Wisconsin Mortgage Assurance Corporation (WMAC) and are responsible for the improper claims denial practices that have been occurring. According to the complaint, the assumption of liability occurred as the result of a Wisconsin court proceeding on February 28, 1985, initiated by the Wisconsin Insurance Commissioner which placed WMAC in liquidation in order to extract nearly three quarters of a billion dollars of WMAC's contingency reserves to benefit stockholders and creditors of WMAC's bankrupt parent, Baldwin United Corporation. The interlocking agreements that transferred assets and liabilities among WMAC and the defendants have unlawfully jeopardized unsuspecting policyholders like AHFC unless the insurance companies are required to stand behind WMAC's mortgage insurance policies, the complaint says.

AHFC provides subsidies that permit private lenders to make mortgage loans to Alaska citizens at below-market interest rates. Since its inception, the agency has issued over \$7 billion in bonds to support these programs, and had directly or indirectly financed almost 74,000 homes for the residents of Alaska.

The complaint was filed in the Superior Court for the State of Alaska, Third Judicial District, by co-counsel for the State and AHFC, Alaska Attorney General Douglas B. Baily, Michael W.

Price of the Anchorage firm of Groh, Eggers & Price, and Stephen H. Sachs, of the Washington, D.C. law firm of Wilmer, Cutler & Pickering.

For further information contact:

Thomas Behan, Executive Director of AHFC, (907) 561-1900

Michael W. Price, Groh, Eggers & Price, (907) 272-6474

Stephen H. Sachs, Wilmer, Cutler & Pickering, (202) 663-6049

*Press Briefing 5pm AHFC Offices
March 1*

AHFC Proposed Recommendations

DISCUSSION

AHFC has received \$1.03 billion in direct state appropriations since 1981. It's total assets, \$5.8 billion, are second only to the Permanent Fund. AHFC holds a total of 44,815 mortgage loans throughout the state so any policy decision affects a tremendous number of people.

If AHFC continues to proceed with "business as usual" it is headed for insolvency. Loan receipts do not equal operations and debt service. The corporation is living off it's earnings on investments. In a five year liquidity projection liquid assets are reduced by 30%.

Changes must take place to prevent the AHFC situation from worsening. Because of the size of the corporation and it's dominance in the already precarious housing market any changes to the corporation must be well thought out and implemented carefully over a three to five year period.

A third party must be brought in to perform a professional business valuation on the Corp. as well as an analysis of the segments of the corp. and the profitability of each. Legislative staff as well as AHFC personnel must be involved to identify options and develop a long term plan that effectively refocuses AHFC on it's original purpose of providing mortgage funds to low and moderate income people. AHFC must reduce it's presence in the housing market allowing for a more diverse supply of capital from the private sector to service the mortgage demand.

House Finance Subcommittee on State Loan Programs
Notes 3/29/89: AHFC

AHFC

Objectives:

- obtain return on capital invested in AHFC
- reduce state real estate subsidy
- allow for more diversified sources of mortgage funding

Options:

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

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

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

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

House Finance Subcommittee on State Loan Programs
Notes 3/29/89: AHFC

Implications:

AHFC, the state, and the Alaska real estate market will be affected by each of the options outlined above. The implications promise to be complex and far-reaching because of the depth and breadth of AHFC's involvement in the Alaska real estate market.

In order to determine the short-term and long-term implications of options for change, an intensive review of AHFC operations will be necessary. Expert assistance from the mortgage banking and investment banking communities as well as from federal mortgage program specialists will be required.

Restructure, downsizing, and phase out will require statutory revisions and have legal implications with regard to the bond market.

The privatization option presents a particular challenge because of the magnitude of AHFC assets and liabilities. With assets of \$5.8 billion and liabilities of \$4 billion only the Permanent Fund is larger. Transfer to private ownership will require long-term effort including:

1. Market review

- obtain free advice from knowledgeable sources
 - previous AHFC underwriters
 - AHFC bond counsel and/or financial advisor
 - other experienced consultants
- engage consultant to perform market review
 - up to \$50,000 for report on options
 - market only, not specific to AHFC
 - analysis of comparable transactions

2. AHFC Valuation

- engage investment banking or securities firm
- estimated cost \$500,000 to \$2.5 million
- estimated timeframe 18 months
- determine sale price of AHFC
- analyze profitability of programs and operations
- identify potential buyers
- strategies for sale
 - public stock offering
 - separate sale of segments/certain assets
 - sale of entire entity
 - merger (FannieMae etc.)
 - other
- full time staff support required to manage contract and facilitate interested parties involvement

AHFC OVERVIEW AND RECOMMENDATION

RECOMMENDATION

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

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

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

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

AHFC OVERVIEW AND RECOMMENDATIONS

INTERIM BUDGET

June 1989 through December 1989 (7 months)

Personal services:

Staff 2 positions @ \$10,000 per month	\$70,000
--	----------

Contractual:

Expert assistance in mortgage banking, investment banking and federal mortgage programs	150,000
---	---------

Communications:

Telephone and fax @ \$250 per month	1,750
-------------------------------------	-------

Travel:

7 Trips @ \$500 avg. per trip	3500
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Supplies:

Office supplies, postage, etc.	1050
--------------------------------	------

Other:

Contingency @ 1% of total non-contractual	700
---	-----

Total	\$227,000
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**STAFFING ANALYSIS
OF
ALASKA HOUSING FINANCE CORPORATION**

Report No. 04-19

**November, 1988
Division of Audit and Management Services**

OMB

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DIVISION OF AUDIT & MANAGEMENT SERVICES

STEVE COWPER, GOVERNOR

P.O. BOX AM
JUNEAU, ALASKA 99811-0199
PHONE: (907) 465-3568

November 14, 1988

The Honorable Steve Cowper
Governor
P.O. Box A
Juneau, Alaska 99811

Dear Governor Cowper:

This report reviews the staffing level needed by Alaska Housing Finance Corporation (AHFC), in order to manage the continuing effects of the recession on Alaska's housing market and the corporation.

It recommends that AHFC add 67 positions, to handle its foreclosed properties and to implement new work out programs for Alaskan borrowers.

The Audit Committee has reviewed and approved this report.

Sincerely,



John L. Lucas
Director

Enclosure

EXECUTIVE SUMMARY

The following report summarizes our review of Alaska Housing Finance Corporation's (AHFC) staffing needs, completed at the request of AHFC's Board of Directors. We found two primary staffing problems.

Inadequate Staffing Levels

The first problem is that the permanent staffing level in several divisions is inadequate. This is most true for the Property Disposition and Insurance Claims divisions, which directly handle the rapidly growing inventory of Real Estate Owned (REO) properties.

However, it is also true for other divisions, including the Office of the Executive Director, where greater depth and breadth in management is needed.

Why Spend More Money on Staffing?

AHFC has lost an estimated \$9 million in reimbursable REO expenses because of inadequate insurance claims monitoring systems. This includes an estimated \$8.6 million in reimbursable expenses because staff was not in place to monitor systems for filing timely Notices of Delinquency to the pool insurance company. It also includes an estimated \$45,000 in interest claims each month which AHFC's largest pool insurance company denies because the foreclosed properties are not put on the market quickly enough.

It does not include primary mortgage insurance payment reductions on foreclosures which are not accomplished in a timely manner. It also does not include disputed insurance claims which AHFC could partially recover. AHFC submits approximately \$875,000 each month in pool insurance claims for REO repair expenses. These claims are usually reduced by an estimated 24 percent, for various reasons. AHFC is usually unable to dispute the changes with the insurance companies, since staff cannot effectively monitor repair and maintenance work.

The average current work load for property disposition specialists is two to three times industry standards.

Prudent management requires that adequate resources are used to manage assets, both human and financial. AHFC's loan portfolios total more than \$4 billion, and the State is obligated to provide adequate resources to protect those assets.

AHFC's budget is funded by the proceeds of its operations; therefore no General Fund monies would be needed for this expansion. Further, we believe the savings achieved by adding the proposed staff will more than compensate for the cost.

AHFC's programs and policies effect the lives of virtually every Alaskan resident, renter and home owner alike. To date AHFC has relied on its contractors to work directly with borrowers and implement the state's lending programs. During this difficult economic period the state must be aware of the effect of its programs on Alaskans. Unless AHFC can interact with borrowers in trouble, the state cannot know the true effect of its policies on people's lives.

Need for Greater Public Administration Perspective

The second problem is that the management team lacks adequate public administration representation. Senior management is comprised mostly of technical experts recruited for a financing institution. As long as AHFC remains a public corporation under the umbrella of state government, it will have its dual mission of fiscal responsibility and public policy administration. AHFC's management team now needs more balance.

Conclusions

AHFC manages billions of dollars of state assets and debt, through programs which affect all Alaskans. During the past two years it has changed from a financing institution only, to both a financing institution and an institutional seller. Management should employ adequate numbers of qualified staff to effectively manage all of its portfolios and programs in the public interest. We recognize that changes in Alaska's economic conditions will affect AHFC's staffing needs, and management should be prepared to respond to those changes appropriately.

AHFC can add the needed public perspective partly by filling the recommended additional senior level positions with individuals having public administration experience. This should complement, not compromise, the strong financing experience in AHFC's management.

Recommendations

To address the concerns, we recommend that management immediately revise its staffing plan to convert 21 of 25 existing temporary positions to permanent positions, and immediately add another 46 positions, for a total of 67 new permanent positions. This brings AHFC's authorized staffing level to 147, although we expect this number to continue changing as AHFC responds to need. Our recommendation is based on projections of current trends, and does not predict economic changes.

Recommended New Permanent Positions

EXECUTIVE OFFICE	
Deputy Director	1
Ombudsman	1
Internal Auditor	1
SERVICING OPERATIONS	
Property Disposition	26
Foreclosure	3
FINANCE	
Special Assistant/Management Information Project	1
Property Insurance Claims	17
Accounting Operations	2
Data Processing	5
ADMINISTRATION	
Personnel	1
Support	7
MORTGAGE OPERATIONS	
Special Projects	2
	67 Positions

Most of the positions are created because of AHFC's new role as an institutional seller. A total of 69 positions would work directly with REO disposition tasks.

The Deputy Director and Ombudsman positions are intended to address the public administration concerns and must have adequate authority. In addition, the position of Deputy Director will provide needed depth in management, and be responsible for day-to-day operations. This includes coordination of program implementation, ensuring adequate communication and cooperation between departments. This will free up the Executive Director for program development and negotiations with other institutions.

Our report includes a sample organizational structure (Attachment 1) which we think will work; it is meant to illustrate our projection of required numbers and distribution. Clearly each division knows its detailed work requirements which dictate refinements.

Other Staffing Issues

We developed this plan after interviewing AHFC staff and personnel from other interested organizations. During our review we encountered several related issues, including training needs, the need for current, written program and procedure manuals, and the question of an AHFC physical presence in the Matanuska Valley, Southeast Alaska, and Fairbanks. Our comments on these issues are included on page 20 of this report.

Agency Position

In its FY 89 budget revision request and its FY 90 budget, which were prepared during the same time period as this review, AHFC requests a staffing increase of 74 positions, compared to our recommendation for 67 positions.

AHFC's request includes certain positions which we did not identify. For example, it adds two positions for self insurance risk management tasks which we did not include; four new positions in the underwriting division, as opposed to our two; seven in data processing compared to our five; and four for management information services compared to our one.

These examples are somewhat offset by some areas where we recommended more positions for a specific task than AHFC requested in its RP.

There are also minor differences in our proposed structures. We recommend that the three audit positions be grouped together to provide maximum benefit, while AHFC separates the Internal Auditor from the Seller/Service-Broker auditors. We think this separation can lead to rigid perceptions of duties and responsibilities by the auditors. The same rationale applies to our recommendation that the Property Disposition property inspectors work with the Mortgage Operation's Appraiser. We also recommend that AHFC move its loan purchasing and shipping functions from Servicing to Mortgage Operations, in order to group like functions together, making the purpose of each department more clear. AHFC's request did not suggest these changes.

However, we consider these differences to be relatively minor, which should be addressed by management. One of the first duties of the new deputy director should be to review the corporation's organizational structure in light of the recommendations, to ensure that the corporation's structure most efficiently accomplishes its mission.

The most important message of this report is that AHFC should increase its staff to a level adequate to manage the workload and provide service to the public. We support the authorization of positions to accomplish that. Because AHFC is judged annually on its financial performance in the same way a private corporation is judged, AHFC management will reduce staffing as soon as workloads decrease and positions become unnecessary.

PURPOSE AND SCOPE

The purpose of this review was to assess the staffing needs of the Alaska Housing Finance Corporation (AHFC).

The scope was limited to assessing staffing level changes needed to respond to the growing number of foreclosures and Real Estate Owned (REO) units from October 1988 to December 1989.

Our review did not include an evaluation of existing individual staff performance or qualifications.

For projection purposes, this report assumes that foreclosures continue at current rates during 1989. The report does not include temporary staffing needs for special one-time projects. The staffing estimates are in terms of numbers of positions only. Except for senior management positions we did not identify the specific responsibilities for each position.

INTRODUCTION

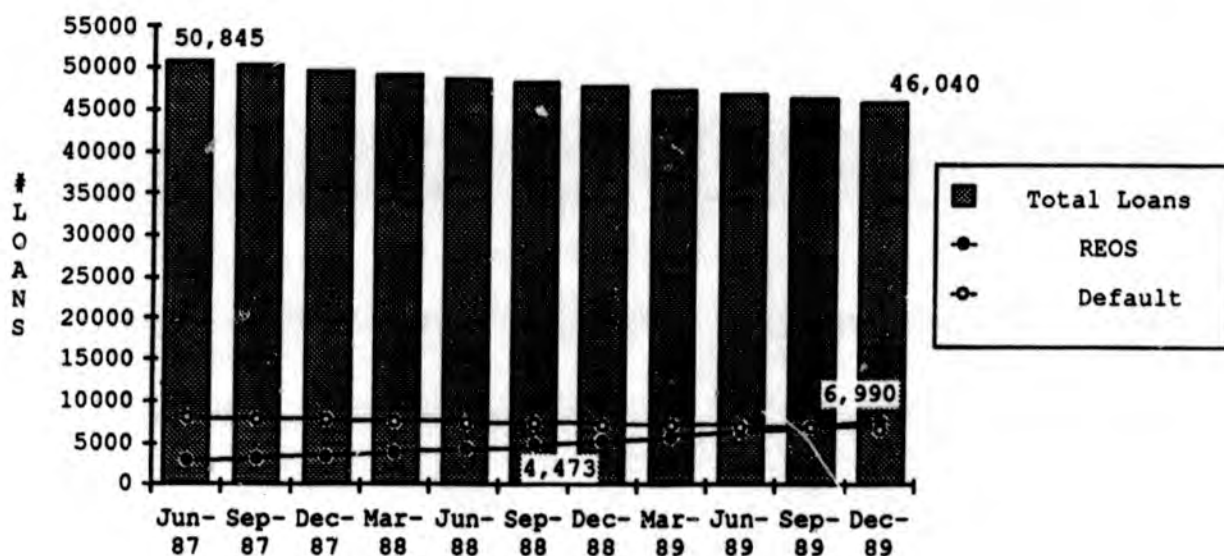
The legislature created Alaska Housing Finance Corporation in 1971 to provide affordable financing for low to moderate income Alaskan home buyers. Today it is the largest housing finance institution in Alaska as well as the largest institutional seller. AHFC seeks to retain its ability to obtain financing for Alaskan housing needs, by preserving its financial position.

AHFC is a public corporation and government instrumentality within the Department of Revenue. It is governed by a Board of Directors comprised of the Commissioner of Revenue, the Commissioner of Commerce and Economic Development, and three other members who are appointed by the Governor. One of these three must be the head of another department within the Executive Branch of state government, and the other two are public members.

At the end of fiscal year 1988, AHFC had over \$3.7 billion in loan balances outstanding, with 45,000 borrowers. The outstanding balances on its 4,473 REOs totalled another \$254 million.

Although AHFC's default rate is decreasing slightly, the REO rate is increasing. This means an increasing number of loans in default go into foreclosure and become REO. As the following graph illustrates, if defaults and foreclosures continue at the current rate, AHFC's REO inventory will be almost 7,000 just one year from now.

AHFC Active Loans, REOS and Defaults
Projected Through 12/89 from Actual Rate to 9/30/88



AHFC can help to change these trends with work-out programs to reduce the number delinquencies and the percentage of loans in default which go into foreclosure; and to dispose of its REOs more quickly. It can also minimize its losses by efficient application of its multi-layered insurance coverage.

To accomplish this AHFC requires adequate staff. The staffing structure proposed in this report is based primarily on the projected REO inventory of 6,990 on September 30, 1989. If the corporation begins immediately, it can hire and train its new staff over a period of several months.

FINDINGS AND RECOMMENDATIONS

RECOMMENDATION:

AHFC should immediately revise its staffing plan to convert 21 temporary positions to permanent positions and add 46 additional positions to its five departments, as shown below. Management should analyze its staffing needs quarterly in relation to REO inventory growth or decrease, and adjust accordingly.

RECOMMENDED STAFFING CHANGES *

<u>DEPARTMENT</u>	<u>CURRENT</u> <u>PERMANENT</u>	<u>ADD</u>	<u>TRANSFER</u>	<u>RECOMMENDED</u> <u>PERMANENT</u>
Executive Director	3	3	+ 3	9
Administration	10	8	0	18
Mortgage Operations	11	2	+ 7	14
Servicing/REO Mgmt	34	29	- 10	59
Finance	22	25	0	47
TOTAL	80	67		147

* (See Attachment 2 for Detail)

AHFC is unable to meet the demands placed on it by the real estate market because it is understaffed.

Currently AHFC has 80 full time authorized positions, three of which are vacant. It is supplementing its staff with 25 temporary employees, to bring its payroll list to 102.

In 1985 AHFC hired one person to start a special credits division to handle tasks resulting from delinquencies and foreclosures. AHFC's records showed approximately 500 Real Estate Owned properties in 1985. By the end of fiscal year 1986 that number was over 1680, increasing to 4,475 by September 30, 1988.

Permanent AHFC staff positions assigned to manage its REO management functions has increased from 12 in 1986 to 21 today. AHFC has been supplementing this by temporary accounting, data processing, and clerical positions.

Staffing Level Criteria

For the purpose of this analysis, we accepted AHFC's basic staffing levels for non-REO functions. Further, although one might expect underwriting functions to decrease during the housing recession, we expect additional activity produced by workout programs and special projects.

Also, even though defaults are decreasing slightly, we are recommending the addition of two staff to the foreclosure division. This division was not staffed at a level commensurate with current needs. Therefore no reductions in any departments are recommended at this time. Management will adjust to respond to market needs in the future.

Other specific additions, such as the Ombudsman's position, respond directly to unmet needs, and not necessarily to work loads.

We based our REO management staffing level on 300 properties per property disposition specialist and two support and supervisory personnel per specialist.

This three person "team" is consistent with property management standards of two support staff per manager position. Most companies do not also handle foreclosures, so industry standards are not completely comparable to AHFC. For that reason we did not count the foreclosure technicians and senior management positions in the REO staffing levels.

Three hundred properties per specialist is the high end of the industry workload standards, which range from 125 to 300 properties for each property disposition specialist. We chose the high range because AHFC staff neither broker the properties nor perform a complete property management function, as some of the comparison groups do. Further, by using the high range we compensated for specialists who will manage larger numbers of condominiums and mobile homes. We classed the Property Disposition Specialists closer to Asset Managers in the real estate industry than to Property Managers.

The property disposition "teams" of three include the following employees:

<u>NUMBER EMPLOYEES</u>		<u>DIVISION</u>
Current	Proposed	
13	38	Property Disposition
0	1	Administration
2	0	Servicing
0	1	Mortgage Operations
<u>6</u>	<u>30</u>	Finance
21*	69	Company-wide

* currently supplemented by 15 temporary positions.

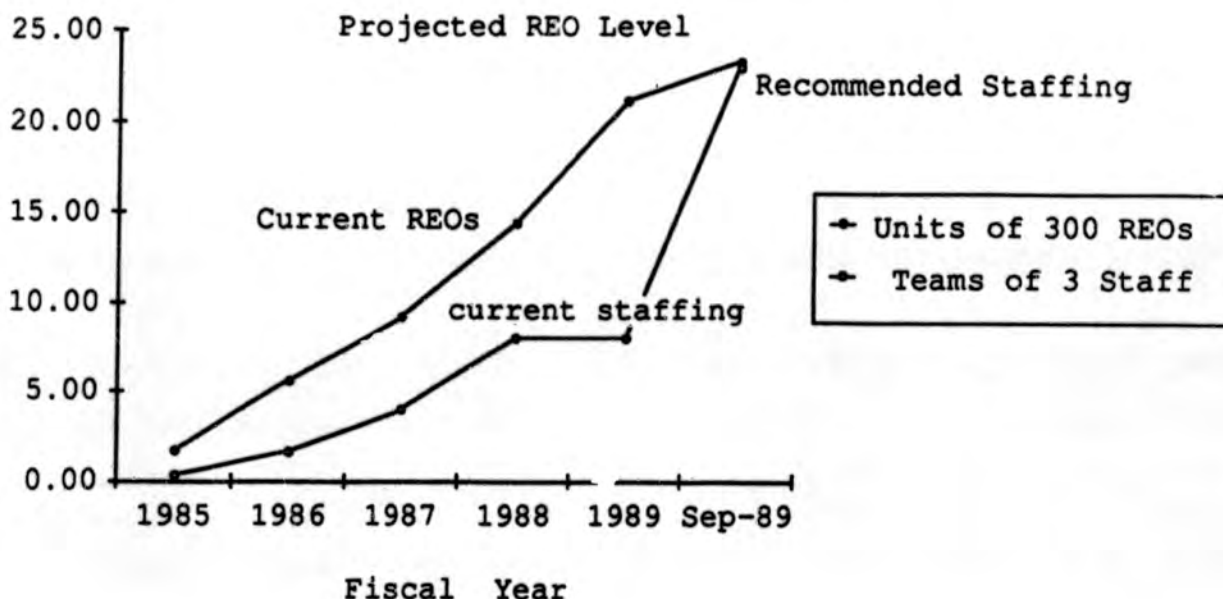
REO Inventory Projections

The staffing needs for REO acquisition and disposition functions are based on 6,990 REO units by September, 1989 (see growth curve graph, page 5). This number is a projection of fiscal year 1988 growth rates of REO inventory (see below) and does not consider unexpected changes in the economy and the housing market. A regression analysis was used to determine the growth curve.

<u>ACTUAL</u>		<u>PROJECTED</u>	
Quarter End	# REOs	Quarter End	# REOs
June 1987	2,777	Dec. 1988	5,225
Sep. 1987	3,216	Mar 1989	5,758
Dec. 1987	3,687	June 1989	6,344
Mar. 1988	4,170	Sep. 1989	6,990
June 1988	4,324	Dec. 1989	7,702
Sep. 1988	4,473		

Management must analyze the REO inventory growth rate quarterly to respond immediately to growth or decreases in REOs. Otherwise the corporation will continually be behind the growth curve. The graph on the following page illustrates staffing needs.

**AHFC REO/STAFF RATIOS
1987-1989 (Projected)**



Why Is AHFC Understaffed Now?

AHFC's role has changed. It was established to provide affordable home financing to Alaskan borrowers. It did not plan to own a significant number of properties. Like other financing institutions in Alaska, AHFC could not predict the extent of the housing recession. AHFC therefore did not restructure its organization to meet anticipated market changes. Instead, it has used a "band-aid" method of management, adding temporary personnel as needed and borrowing between departments, sometimes to the detriment of other department(s).

What Happens When Staff Is Not Added?

Without immediate staffing, AHFC will continue to lose insurance reimbursements because of inadequate monitoring of contractors and billings. The corporation will continue to be slow to respond in most property management and sales processes, resulting in lost sales and longer holding time of REOs. Information needed by management will not be available.

For example, the corporation has lost an estimated \$8.6 million in reimbursable expenses because staff was not in place to monitor systems for filing timely Notices of Delinquency. AHFC's largest pool insurance company rejects an estimated \$45,000 in interest claims each month because the foreclosed properties haven't been put on the market quickly enough. Primary mortgage insurance payments are reduced when foreclosures are not accomplished in a timely manner.

AHFC submits an estimated \$875,000 each month in pool insurance claims for REO repair expenses. The insurance companies reduce these claims by an estimated 24 percent, for various reasons. AHFC is usually unable to dispute the changes, since staff cannot effectively monitor repair and maintenance work.

When staff is behind the productivity curve it is unable to creatively manage and seek cost effective, workable solutions.

If positions are not added, AHFC will have to continue with temporary employees and contracting. Temporary employees tend to move on to permanent positions, either within the corporation or elsewhere. Loyalty and job proficiency are not necessarily developed, which is important because these temporary positions are responsible for paying out literally millions of dollars each month.

Contracting services over which the corporation does not first have control increases the potential loss.

Conclusions

The State of Alaska must ensure that AHFC has adequate resources available to manage the corporation's \$4 billion portfolios. Without enough trained personnel to do its job, AHFC may contribute to the frustrations of Alaska citizens already devastated by the market, and increase its loan and operating losses.

The State of Alaska should not be reluctant to add AHFC staff just because economic improvements might decrease its staffing needs. When that happens the economy should be able to absorb the staff members AHFC will lay off. AHFC has the luxury of hiring during depressed times and cutting back during good times. This helps ensure that AHFC will recruit exceptionally qualified personnel for these positions.

Management should of course watch closely for changes in the growth of delinquencies and foreclosures and begin as early as possible to respond to changes.

STAFFING PLAN

The following describes staffing recommendations by department, as illustrated on the proposed organizational chart (Attachment 1). It is intended as a guideline; the Deputy Director (new position) will review operations closely and make adjustments to the structure as necessary.

The plan is predicated on the assumptions that AHFC wants to provide good service to its borrowers, implement state housing policy, and preserve its financial strength.

OFFICE OF THE EXECUTIVE DIRECTOR

The Office of the Executive Director is now staffed by the Executive Director and two special assistants. The corporation needs three new executive department positions: a Deputy Director to ensure depth in management, and to oversee the day-to-day operations; an Ombudsman to handle borrower relations; and an Internal Auditor to ensure adequate corporate controls.

AHFC has two missions. It must prudently manage the finances of the corporation as well as implement the state's housing policies through its programs. Although these two missions are sometimes in conflict, the dynamic tension created by this conflict should result in a balance.

During the housing recession, the corporation has operated primarily from the perspective of a private financing institution in order to minimize its losses and preserve its ability to raise funds for Alaska's markets.

Receiving little praise for its financial performance, AHFC instead is criticized for "having no heart". Further, the aftermath of the market problems will pose additional problems AHFC is not yet prepared to address. Senior management should now include a greater public administration perspective.

Deputy Director

A Deputy Director is needed to ensure consistent, stable day-to-day operations, as well as depth in management. This is especially important during turbulent times when the Executive Director must concentrate on contact with insurance companies, other financial institutions, the AHFC board of directors, the legislature, and the public at large. A deputy can oversee operations, coordinate management reporting functions, and facilitate smooth implementation of new workout and financing programs developed to address the many needs created by recent market behavior.

The Executive Director's two staff assistants have no line authority. The Executive Director works with and is advised by the management team to develop programs responsive to the current economic climate. Actual program implementation needs hands on coordination between departments, which requires more time than the Executive Director can afford.

There is frustration on the board and department manager levels about access to useful information and management reports. The deputy director position can free up other senior management personnel to work on the management information system, and coordinate interdepartmental efforts.

The Deputy Director should report directly to the Executive Director, have public administration experience, and be given full authority for day-to day operations.

Special Assistants

This report recommends no changes to the two existing Special Assistant positions. These people work directly with the Executive Director in special research, project development, and public information capacities. Management should assess the need for these positions frequently.

Ombudsman

AHFC should immediately hire an Ombudsman, or troubleshooter, to work directly with borrowers who are unable to reach acceptable agreements through their banks and AHFC's normal procedures. The Ombudsman should report directly to the Executive Director to ensure that adequate authority, both in-house and in the eyes of the public, is attached to the position.

At present, one clerical position within Special Credits works directly with borrowers. Borrowers are frequently frustrated because the only person they can contact at AHFC has no authority. This position should move to the Ombudsman's office as assistant.

Audit

AHFC should hire an Internal Auditor, fill its vacant Auditor position, retrieve its current Auditor from the Mortgage department and move the new three person Audit Division to the Office of the Executive Director.

New programs and unmonitored systems warrant the addition of an Internal Audit function within AHFC. This suggestion was supported by the corporation's financial auditors and mentioned

by several staff members. In order for the Internal Audit to function properly, it should report directly to the Executive Director.

Although AHFC's current structure includes two approved audit positions, one is vacant and the person filling the other position is working on a special project in the Underwriting Division. The staffing plan proposed last year called for three audit positions, and our review indicates that AHFC needs the three positions to perform internal audit functions and Seller/Service and Broker audits. To date five of the 39 Seller/Service have been audited, and no Broker audits have been started.

AHFC's performance criteria stipulated 24 audits would be completed during 1989. To accomplish this the division must be staffed.

ADMINISTRATION

The Administrative division is staffed by ten permanent employees and three temporary positions. We are recommending converting two temporary positions and adding six new positions for a total of 18 support positions. AHFC should consider making this a Department, especially in light of additional future contracting assignments. Our recommendation includes the following changes:

Personnel Officer

AHFC's present structure places personnel administration with the Administrative Officer. Adding positions will result in a staff of 147. A Personnel Officer, positioned at a level equivalent to a Personnel Assistant position in the state's classified service, should be added within the Department of Administration to assist managers in recruiting, hiring, training, and personnel administrative matters.

The Personnel office should work with the Administrative Officer to update the personnel rules and salary schedules, including position classifications for management positions as well as new positions.

Secretarial Pool

Three new positions should be created in the secretarial pool. One would be shared by the Deputy Director, Ombudsman, and Personnel Officer. The second would be assigned to Servicing/Operations because of its increasing staff. The third position is created by converting the current temporary receptionist position to permanent status.

Purchasing

This plan supports converting the temporary purchasing assistant to permanent. However, the Administrative Officer should review the job descriptions and classifications of these positions to ensure they will adequately meet AHFC's purchasing needs as it expands.

Records Retention

AHFC should fill the vacant records retention clerk position and hire an additional three clerks for this unit. Currently a file conversion project is underway which will greatly improve AHFC's filing system. However, it is a difficult and cumbersome task and requires additional manpower to accomplish within a reasonable length of time. Also, if adequately staffed, the records retention division will reduce the file clerk requirements of other departments. Our plan reflects that efficiency.

MORTGAGE OPERATIONS

The Mortgage department is currently staffed by 11 permanent positions and five temporary employees who are processing the HOAP applications. This is the underwriting department of AHFC, which reviews and approves loan applications. The proposed plan would add two positions and transfer seven from the Servicing Department for a total of 20 positions in Mortgage Operations.

Current permanent staffing is adequate for steady, relatively low levels of application processing. Because the underwriting division should be working with the Property Disposition and Special Credits divisions to develop financing alternatives to address today's problems, we recommend two additional professional positions be added to this division. These positions should deal with special projects and new programs.

We also recommend transferring the Loan Purchasing/Shipping Division of six personnel from Servicing to Mortgage Operations. Among other tasks, this division performs the data entry functions to enter the loan into the system, ships loans, and assists in loan reports. By moving these positions to the Mortgage Operations Department, AHFC can better monitor the data input and reporting on mortgages.

We also recommend that the Property Inspector, from the Property Disposition division, report instead to the Appraiser. This would not change the duties of the position. However, the Appraiser often assists Property Disposition, and by grouping the two similar functions together, AHFC should be able to increase their effectiveness.

We do not recommend converting the five temporary HOAP positions to permanent status. However, this department must add staff from time to time as new programs are developed. It is important to plan staffing for special projects to avoid disruption of other AHFC functions.

REO-SPECIFIC DIVISIONS

The remaining positions are in the Finance and Servicing Operations Departments, which provide the most hands-on REO management.

Sixty-nine of the total proposed 147 staff are needed to directly manage the 6,990 properties we project AHFC will own by September 30, 1989. (See Staffing Table, Attachment 2, for detail).

At the rate of one specialist per 300 REO units, AHFC should have 23 property disposition specialists by September 30, 1989. This level should enable the staff to adequately monitor the marketing and management of its REO inventory. It will also allow the corporation to be more flexible in defining the scope of its REO management duties and the duties of listing brokers and seller/servicers.

At the rate of two support staff for each specialist, this staffing level requires 46 support positions. The Department of Finance provides 29 of those positions, Mortgage Operations one, and Administration one. Four are allocated to Property Disposition management positions, and the remaining eleven are allocated to its Assistant and clerical functions.

SERVICING OPERATIONS (Foreclosure/REO Management)

This is a relatively new department, which was formerly part of the Division of Finance. It has 34 permanent positions, which we recommend be increased to 54. This would be accomplished by adding 34 new positions and transferring ten to other departments.

Currently this department's responsibilities include foreclosure functions, borrower counseling, loan shipping, mortgage file data entry, Seller/Servicer audits, and REO management.

Property Disposition (REO Management)

This division oversees the marketing and sales of AHFC's REO inventory. Currently AHFC is using designated real estate brokers to list the properties for sale, and its staff to oversee the brokers. Today each property disposition specialist handles an average of 700 properties.

We recommend that the Property Disposition Division add 26 positions, for a total of 38 employees. This would include the managing officer, three property disposition managers, and 23 Property Disposition Specialists. Our plan provides five Property Disposition Assistants, three file clerks, two closing specialists, and one clerk II. Our primary concern in this division is numbers of specialists; the division will want to configure its support staff accordingly.

We recommend that the specialists be assigned by types of properties; for instance, all mobile homes would be assigned to designated specialists who would be grouped together in one unit. We did not assign exact numbers of positions to categories of properties, since that will change as the REO inventory changes, and division management should make staffing adjustments as needed.

Property Inspector

To achieve leveraged effects resulting from positions performing similar functions working together, we recommend that the Property Inspector position report to the Appraiser's office in the Mortgage Department.

This can also be one way to link the two departments, which will be increasingly important as AHFC develops creative programs for REO financing.

Servicing

Loan Purchasing/Shipping

This division ensures that new mortgages are entered into the system, ships loans, and assists in monthly loan reports. We recommend that this division of six personnel move to Mortgage Operations. This will enable the Special Credits division to concentrate on its foreclosure tasks and Seller/Servicer relationships.

Special Credits/Foreclosure

This division works with the Seller/Servicers, focusing primarily on foreclosures. Although it has added several new positions in recent months, we recommend that three permanent positions be added now for a total of 13 positions. The new staff is needed to improve AHFC's Seller/Servicer monitoring functions, improve its Notice of Delinquency and foreclosure processing times, and develop written guidelines for foreclosure processes.

These improvements should reduce the amount of AHFC insurance claims denied because foreclosure functions are not accomplished in a timely manner, and improve service to the public. Two positions are Special Credits technician positions, and the third converts the temporary FNMA file clerk to a permanent position.

Special Credits Clerk II - Borrower Counselor

The Borrower Counselor in the Special Credits division should move to the Ombudsman office in the Executive division. This will provide authority needed for the function to effectively assist borrowers. Currently the Special Credits division views itself as a collections department and a Seller/Service liaison. There is no inclination to work directly with borrowers, and the counselor position does not receive necessary support to assist borrowers.

Audit

We recommend that the two positions in this division move to the Office of the Executive Director, as discussed above.

DEPARTMENT OF FINANCE

The Department of Finance currently has 22 positions, including the Director, two assistants, and the nine person staff in Accounting Operations. We recommend adding an additional special assistant to the Finance Director to provide resources for improving the management information system.

Our plan also adds 25 accounting positions. Two of these are in Accounting Operations, and are needed to accommodate the corporation's growth. The remaining positions are needed for REO management, as described below.

Property Insurance Claims Processing

We recommend adding 17 permanent positions to this division, which is currently staffed by five permanent employees and 13 temporary positions. This division pays all REO insurance reimbursable expenses, including bills from contractors for repair work, reimbursements to brokers for property management and utility costs, and reimbursements to Seller/Service providers for foreclosure and maintenance costs.

The division has been operating with temporary employees who are not fully trained, making decisions about what bills to pay and what bills not to pay. These small bills add up to over a million dollars a month, and deserve adequate attention.

The division does not have a computerized claims filing and monitoring system and cannot quantify the amount of insurance claims denied for specific reasons. This is an example of essential management information not available because of staffing shortfalls.

The division previously committed to implementing a system for direct payment of REO utility bills which was to be in place one year ago. This system would greatly reduce the number of claims transactions processed, reduce the management costs for contractors, and reduce the potential for error. Four of our recommended positions are to implement this project. We recommend that the division make this a priority and set a March 1, 1989 target implementation date.

Data Processing

AHFC currently has three temporary programmers in addition to its four person Data Processing staff. Both the hardware and the staff are overloaded, and we recommend five additional positions.

Board and management are frustrated over delays in developing needed management reports. Information is not always useful because of gaps in the data, and decisions are being made with incomplete information. This can be expensive.

As the corporation changes and expands, managers need different information. A systems analyst should be hired to work with managers in designing reports responsive to their needs.

Currently the user tends to work directly with the programmer, resulting in duplicate reports and information not useful for management.

The proposed five staff positions for Data Processing include the current three temporary programmer positions, a systems analyst, and an additional programmer. It is intended that the additional staff will enable Property Disposition management reports to be updated and revised.

OTHER STAFF-RELATED ISSUES

During our review a few additional issues were raised repeatedly, which we will mention here.

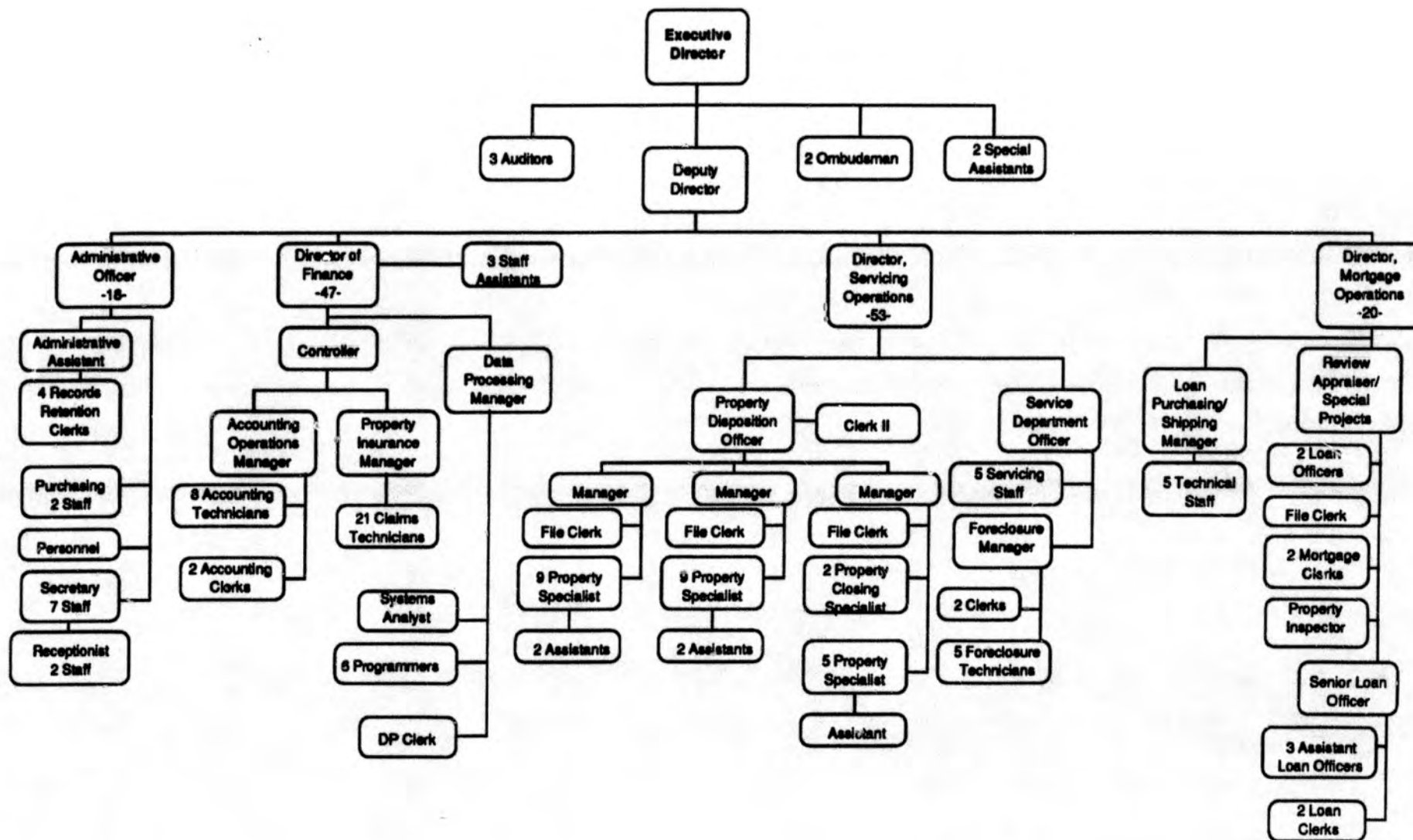
The board and staff is greatly concerned that adequate training be provided for all levels of employees, both new and continuing. It should be noted that the AHFC staff currently has a large number of new employees, which, together with the recommended additions, will create a large training need. AHFC should budget and plan to meet this need.

Written manuals and procedures for all divisions need to be updated.

Although the numbers of AHFC properties in Fairbanks, Southeast Alaska and the Matanuska Valley do not warrant the expense of opening offices there, AHFC should budget adequate travel funds to ensure its presence in those communities. AHFC staff should be familiar with the properties, and be accessible to local brokers.

**Alaska Housing Finance Corporation
Proposed Organizational Chart**

-147- Positions



October 1988

	CURRENT(1) TOTAL	EXISTING(2) PERMANENT	ADDED(3) NEW	TRANSFERS	PROPOSED TOTAL	Direct REO & Foreclosure
EXECUTIVE DIRECTOR	3	3	3	3	9	
Executive Director	1	1	0	0	1	
Special Assis.	2	2	0	0	2	
Deputy Director	0	0	1	0	1	
Ombudsman	0	0	1	1 (4)	2	
Audit	0	0	1	2 (5)	3	
ADMINISTRATION	13	10	8	0	18	1
Admin Officer	1	1	0	0	1	
Admin Assistant	2	1	0	0	1	
Records Reten. Clerks	1	1	3	0	4	
Secretary Pool	7	6	3	0	9	1
Purchasing	2	1	1	0	2	
Personnel	0	0	1	0	1	
MORTGAGE OPERATIONS	16	11	2	7	20	1
Director	1	1	0	0	1	
Purchasing/Shipping	1	0	0	6 (6)	6	
Review Appraiser/Proj.	1	1	0	0	1	
Loan Off/Projects	1	1	1	0	2	
Mortgage Clerk	2	2	0	0	2	
File Clerk	1	1	0	0	1	
Property Inspector	0	0	0	1 (7)	1	1
Sr. Loan Off. Underwriting/Purch	1	1	0	0	1	
Assis. Loan Officers	3	3	0	0	3	
Loan Clerk	6	1	1	0	2	
SERVICING OPERATIONS	35	34	29	-10	53	52
Director	1	1	0	0	1	1
REO Disposition	13	13	26	-1	38	38
Officer	1	1	0	0	1	1
Managers	1	1	2	0	3	3
Specialists	7	7	16	0	23	23
Assistants	0	0	5	0	5	5
Prop. Closing Spec.	2	2	0	0	2	2
Clerk II	1	1	0	0	1	1
File Clerks	0	0	3	0	3	3
Property Inspector	1	1	0	-1 (7)	0	0
Servicing Department	21	20	3	-9	14	13
Servicing Officer	1	1	0	0	1	1
Purchasing/Shipping	6	6	0	-6	0	0
Manager	1	1	0	-1 (6)	0	
Technical Staff	5	5	0	-5	0	
Special Credits/Foreclosures	12	11	3	-1	13	12
Manager	1	1	0	0	1	12
Technicians	6	6	2	0	8	
Clerk II	1	1	1	0	2	
File Clerk	3	2	0	0	2	
Borrower Counselor	1	1	0	-1 (4)	0	
Auditor	2	2	0	-2 (5)	0	0
FINANCE	38	22	25	0	47	29
Director	1	1	0	0	1	
Staff Assistants	2	2	1	0	3	
Data Processing	7	4	5	0	9	3
Manager	1	1	0	0	1	
Programmers	5	2	4	0	6	1
Systems Analyst	0	0	1	0	1	1
DP Clerk	1	1	0	0	1	1
Accounting	28	15	19	0	34	24
Controller	1	1	0	0	1	0
Accounting Operations	9	9	2	0	11	2
Manager	1	1	0	0	1	
Accounting Technicians	6	6	2	0	8	2
Accounting Clerks	2	2	0	0	2	
Property Insurance	18	5	17	0	22	22
Manager	1	1	0	0	1	1
Claims Processors and File Clerks	17	4	17	0	21	21
TOTALS	105	80	67		147	83 (8)

- (1) Includes permanent authorized positions (80) and temporary positions (25).
- (2) Permanent authorized positions only.
- (3) Includes both new positions and temporary positions converted to permanent status.
- (4) The Borrower Counselor position from Servicing moves to the Ombudsman's Office as Assistant.
- (5) Audit Division moves from Servicing to the Executive department.
- (6) Loan Purchasing/Shipping Division moves to Mortgage Operations.
- (7) Property Inspector moves from Property Disposition to Appraiser's office.
- (8) Includes 69 REO management positions and 16 foreclosure positions.

HOME OWNERSHIP ASSISTANCE PROGRAMAlaska Housing Finance Corporation (AHFC)

AHFC is both an independent public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

This program is to provide mortgage subsidies to people of low and moderate income.

Method

Borrowers apply to private financial institutions, which examine their ability to pay debt service at a reduced rate of interest. AHFC pays the difference between the interest rate that borrowers would normally pay to AHFC under the Special Mortgage Loan Purchase Program or the Mobile Home Loan Purchase Program and the lower rate to which this program qualifies them.

Eligibility

- The borrower must meet the general eligibility requirements of the AHFC Special Mortgage Loan Purchase Program or Mobile Home Loan Purchase Program.
- The borrower must have a gross income of less than \$25,650 if single; the ceiling goes up by \$1,000 for each additional family member, up to a total of seven.
- The borrower may own assets totaling no more than 2 times his or her income limit under the program; this limit is raised for those over 65 years of age to 3 times the income limit.
- The mortgage must be a conventional one; in other words, FHA-insured and VA guarantee loans are not permitted.

Terms

Maximum Amount: \$76,000, for \$80,000 maximum purchase price
Payments: 25% of monthly income, or payments computed at a
6% interest rate, whichever is more
Down Payment: 5%

HOUSING

Maximum Term: 16 years for loans made through Special Mortgage Loan Purchase Program; 20 years or the remaining economic life of the property, whichever is less, for mobile home loans

Interest Rate: 6.0% minimum; calculated according to income

Funding, FY 81-83

	FY 81	FY 82	FY 83
General Fund	\$2,500,000	\$43,000,000	\$45,000,000
Mortgages	\$50,000,000	\$0	\$0
Interest on Mortgages	2,317,000*	4,282,000	
Interest on Investments	737,000*	5,565,000	
TOTAL	\$55,554,000	\$52,847,000	

*These figures are for the last seven months of FY 81, not for the entire fiscal year.

Lending Activity, FY 81-82

Fiscal Year	# of Loans Approved	\$ Amount of Loans Approved
FY 81	262	\$16,301,250
FY 82	888	\$55,015,100

NOTE: Loans subsidized through the Home Ownership Assistance program are made by the Special Mortgage Loan Purchase Program and the Mobile Home Loan Purchase Program, and are counted with the activity under those programs as well.

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another department head from the executive branch.

Franklin Roppel, Chair

Lance Parrish, Vice Chair

Richard Lyon
Commissioner, Department of Commerce and Economic Development

Robert Heath
Commissioner, Department of Revenue

(one vacancy)

Administrative Staff

Michael S. Lynch, Executive Director -
Alaska Housing Finance Corporation
276-5599

Office: 235 E. 8th Avenue
Anchorage

Mailing
Address: P.O. Box 1020
Anchorage, Alaska 99510

MOBILE HOME LOAN PURCHASE PROGRAMAlaska Housing Finance Corporation (AHFC)

AHFC is an independent public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

This program is to provide low-cost financing for mobile homes in Alaska.

Method

Borrowers apply to private lending institutions, which sell their mortgages to AHFC.

Eligibility

- Eligible mobile homes must contain at least 600 square feet of living area.
- No refinancing is permitted.
- The mortgaged mobile home must be occupied by its owner.

Terms

Maximum Amount:	<u>\$72,500</u>
Down Payment:	<u>5%</u>
Maximum Term:	<u>20 years</u> , or the remaining economic life of the mobile home, whichever is less
Interest Rate:	<u>Variable*</u>
Fees:	Commitment fee (refundable): <u>.75%</u>
	Servicing fee (paid by AHFC): <u>1%</u>

*In 1981, the legislature changed the interest rate from the fixed 10.0% (9.0% for veterans) to one that is tied to the cost of funds. When interest rates go up sharply, the "Rogers' ratchet" formula keeps the mortgage rate no more than seven percentage points below the cost of funds. Once the cost begins to go down, the mortgage rate falls when the spread narrows to three percentage points. At this writing, the interest rate on the first \$90,000 is 10.125%.

HOUSING

Funding, FY 81-83

	FY 81	FY 82	FY 83
General Fund	\$12,500,000	\$18,000,000*	\$45,000,000*

*The legislature appropriated \$18 million and \$45 million in FY 81 and FY 82 to the Home Ownership Assistance program to fund mobile home loans; the interest from these loans was used to subsidize mortgages in the Home Ownership Assistance program.

Lending Activity, FY 81-82

Fiscal Year	# of Loans Approved	\$ Amount of Loans Approved
FY 81	198	\$4,651,050
FY 82	1,556	\$42,852,100

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another principal department head.

Franklin Roppel, Chair

Lance Parrish, Vice Chair

Richard Lyon
Commissioner, Department of Commerce and Economic Development

Robert Heath
Commissioner, Department of Revenue

(one vacancy)

Administrative Staff

Michael S. Lynch, Executive Director
Alaska Housing Finance Corporation
276-5599

Office: 235 E. 8th Avenue
Anchorage

Mailing
Address: P.O. Box 1020
Anchorage, Alaska 99510

MORTGAGE BOND SUBSIDY TAX ACT LOAN PROGRAMAlaska Housing Finance Corporation

AHFC is a public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

This program is a response to the federal Mortgage Bond Subsidy Tax Act of 1980 which substantially restricts the use of tax-exempt bonds for financing single-family and duplex housing. The Act allows AHFC to issue tax-exempt bonds totaling up to \$200 million each year, and specifies eligibility requirements, as outlined below.

Method

As in other AHFC programs, borrowers apply to private lending institutions, which sell the mortgages to AHFC. AHFC sells tax-exempt bonds to finance the program.

Eligibility

- The borrower must have not owned a home for three years prior to application.
- The purchase price may not exceed 90% of the average purchase price in the area. [According to AHFC's figures (August 1982), the average purchase prices in Alaska are \$82,474 for an existing single-family residence, \$101,370 for new construction, and \$96,646 for existing duplexes.]
- Except when the borrower has constructed or rehabilitated the dwelling himself or herself, or the dwelling is in an area with few licensed contractors, the work must be done by a contractor who is licensed by the State.
- The housing unit must be occupied by the borrower.
- Assumption is allowed only when the buyer meets the above eligibility requirements.

HOUSING

Types of Loans

- Single-family unit
- Duplex

Terms

Maximum Amount: Varies: less than 90% of the average area purchase price
Down Payment: 5.0%
Maximum Term: 30 years
Interest Rate: 10.0% for first \$90,000; cost of funds for amount in excess of \$90,000
9.0% for eligible veterans on first \$90,000

Funding, FY 82-83

This program is funded solely through the sale of tax-exempt bonds which are not legal obligations of the State.

Lending Activity, FY 81-82

All loans made under this program would be counted under the applicable program of AHFC, e.g., Special Mortgage Loan Purchase Program.

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another department head from the executive branch.

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Administrative Staff

Michael S. Lynch, Executive Director
Alaska Housing Finance Corporation
276-5599

Office: 235 E. 8th Avenue
Anchorage

Mailing
Address: P.O. Box 1020
Anchorage, Alaska 99510

SECONDS MORTGAGE LOAN PROGRAMAlaska Housing Finance Corporation (AHFC)

AHFC is a public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

This program is to provide low-interest loans for home improvement or rehabilitation in order to make dwellings more habitable, and to finance second mortgages to allow home purchases.

Method

Borrowers apply to private financial institutions, which sell the second mortgages to AHFC. AHFC issues bonds to pay for the mortgages; some of the bonds sold for home improvement loans are tax-exempt, while the remaining second mortgage bonds are all taxable.

Eligibility

- The mortgaged housing must be occupied by its owner.
- Single-family dwellings and duplexes are eligible for home improvement and rehabilitation loans.
- Allowed expenditures of the home improvement funds are alterations, repairs and improvements which protect, enhance or improve the basic habitability or energy efficiency of the property. For tax-exempt proceeds, recreational improvements are not eligible.
- Except in areas of the state where licensed contractors are scarce, or when the borrower has done her or his own work, all home improvements and new construction must be done by a contractor who is licensed by the State.
- Home improvements must be completed before AHFC will provide financing. AHFC requires appraisals before and after the work.

TermsHome Improvement and Home Purchase Seconds (Taxable)

Maximum Amount: Outstanding first mortgage balance plus second mortgage may not exceed \$160,500 (\$205,200 for a duplex)

Maximum Term: \$ 0 - \$ 6,499 5 years
 6,500 - 12,499 10 years
 12,500 - 15 years

Down Payment: 10.0% for home purchase seconds

Interest Rate: Amount of second mortgage which is under \$90,000, when combined with balance of first mortgage, is at the rate used for the Special Mortgage Loan Purchase Program; amount over \$90,000 is at AHFC's cost of funds

Home Improvement Loans (Tax-Exempt)

Maximum Amount: \$15,000; or less, if the combined first and second mortgages will total more than \$160,500 (\$205,200 for a duplex)

Maximum Term: \$ 0 - \$ 6,499 5 years
 6,500 - 12,499 10 years
 12,500 - 15 years

Down Payment: 10.0%

Interest Rate: Variable; lower than the cost of tax-exempt funds

Funding, FY 82

	FY 82
Interest on Mortgages	\$ 6,000
Interest on Investments	1,286,000
TOTAL	\$1,292,000

Board of Directors

AHFC is governed by a five-member board of directors, including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another department head from the executive branch.

Frank Roppel, Chair

Lance Parrish, Vice Chair

Richard Lyon

Commissioner, Department of Commerce and Economic Development

Robert Heath

Commissioner, Department of Revenue

(one vacancy)

Administrative Staff

Michael S. Lynch, Executive Director
Alaska Housing Finance Corporation
276-5599

Office: 235 E. 8th Avenue
Anchorage

Mailing

Address: P.O. Box 1020
Anchorage, Alaska 99510

SPECIAL MORTGAGE LOAN PURCHASE PROGRAM

Alaska Housing Finance Corporation (AHFC)

AHFC is an independent public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975, 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

The Special Mortgage Loan Purchase Program is intended to assist in the acquisition and development of land and in the construction, rehabilitation, and refinancing of housing for people of lower income, as well as for all Alaskans. The Special Mortgage Loan Purchase Program is AHFC's principal financing program, accounting for approximately 90 percent of the agency's lending activities.

Method

Borrowers apply to participating primary lending institutions, which sell the mortgages to AHFC, retaining a servicing and origination fee. AHFC sells secured, mostly taxable bonds on the national market and uses the proceeds to buy the home mortgages. The electorate in 1982 voted to allow AHFC to sell tax-exempt bonds to buy veterans' mortgages.

Eligibility

- The mortgaged dwelling, or one unit of a duplex, must be occupied by the borrower.
- There is no limit on the income of the borrower.

Types of Loans

- Single-family dwelling (conventional, FHA, and VA)
- Owner-occupied duplex (conventional, FHA, and VA)

Terms

Single-family dwelling - conventional

Maximum Amount: \$160,500
Down Payment: 5.0%

HOUSING

Maximum Term: 16 years
Interest Rate: Variable*
Fee: .5%

Single-family dwelling - FHA-insured

Maximum Amount: \$101,250
Down Payment: 5.0%
Maximum Term: 16 years
Interest Rate: Variable*
Fee: .5%

Single-family dwelling - VA guaranty

Maximum Amount: \$110,000
Down Payment: VA guaranty plus down payment must equal 25.0% of the value
Maximum Term: 16 years
Interest Rate: Variable*
Fee: .5%

Duplex - conventional

Maximum Amount: \$205,200
Down Payment: 5%
Maximum Term: 16 years
Interest Rate: Variable*
Fee: .5%

Duplex - FHA-insured

Maximum Amount: \$114,000
Down Payment: FHA requirement
Maximum Term: 16 years
Interest Rate: Variable*
Fee: .5%

*In 1981, the legislature changed the interest rate for this program from the fixed 10.0% (9.0% for veterans) to one that is tied to the cost of funds. When interest rates go up sharply, the "Rogers' ratchet" formula keeps the mortgage rate no more than seven percentage points below the cost of funds. Once the cost begins to go down, the mortgage rate falls when the spread narrows to three percentage points. At this writing, the interest rate on the first \$90,000 is 10.125%.

HOUSING

Duplex - VA guaranty

Maximum Amount: \$110,000
 Down Payment: VA guaranty plus down payment must equal 25.0% of the value
 Maximum Term: 16 years
 Interest Rate: Variable*
 Fee: .5%

Funding, FY 81-83

	FY 81	FY 82	FY 83
General Fund	\$238,000,000	\$222,000,000	\$105,000,000
Mortgages	236,000,000	0	0
TOTAL	\$574,000,000	\$222,000,000	\$105,000,000

Lending Activity, FY 81-82

Fiscal Year	# of Loans Approved	\$ Amount of Loans Approved
FY 81	2,403	\$227,412,950
FY 82	8,210	\$753,215,400

*In 1981, the legislature changed the interest rate for this program from the fixed 10.0% (9.0% for veterans) to one that is tied to the cost of funds. When interest rates go up sharply, the "Rogers' ratchet" formula keeps the mortgage rate no more than seven percentage points below the cost of funds. Once the cost begins to go down, the mortgage rate falls when the spread narrows to three percentage points. At this writing, the interest rate on the first \$90,000 is 10.125%.

HOUSING

Board of Directors

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Frank Roppel, Chair

Lance Parrish, Vice Chair

Richard Lyon

Commissioner, Department of Commerce and Economic Development

Robert Heath

Commissioner, Department of Revenue

(one vacancy)

Administrative Staff

Michael S. Lynch, Executive Director
Alaska Housing Finance Corporation
276-5599

Office: 235 E. 8th Avenue
Anchorage

Mailing

Address: Box 1020
Anchorage, Alaska 99510

TRI-PLEX AND FOUR-PLEX MORTGAGE LOAN PROGRAM

Alaska Housing Finance Corporation (AHFC)

AHFC is an independent public corporation and an instrumentality within the Department of Revenue.

AS 18.56.010 - AS 18.56.210: enacted in 1971; amended in 1972, 1974, 1975 1976, 1977, 1978, 1980, 1981 and 1982

Purpose

The program is to allow the purchase of owner-occupied tri-plex and four-plex residences.

Method

Borrowers apply to private lending institutions, which sell the mortgages to AHFC. AHFC uses the funds derived from the prepayment of housing loans to finance the tri-plexes and four-plexes.

Eligibility

•Tri-plexes and four-plexes must be occupied by their owners.

Terms

Maximum Amount: \$247,650 for a tri-plex
\$307,950 for a four-plex
Maximum Term: 16 years
Interest Rate: Variable; equal to the rate used for the Special Mortgage Loan Purchase Program

Funding, FY 83

This program will be funded from the interest on mortgage prepayments.

Lending Activity

This program has been inactive to date.

Board of Directors

AHFC is governed by a five-member board of directors including two members appointed by the governor for two-year terms, the commissioners of the Department of Revenue and the Department of Commerce and Economic Development, and another principal department head.

HOUSING

Frank Roppel, Chair

Lance Parrish, Vice Chair

Richard Lyon

Commissioner, Department of Commerce and Economic Development

Robert Heath

Commissioner, Department of Revenue

(one vacancy)

Administrative Staff

Michael S. Lynch, Executive Director
Alaska Housing Finance Corporation
276-5599

Office: 235 E. 8th Avenue
Anchorage

Mailing
Address: P.O. Box 1020
Anchorage, Alaska 99510

HOUSING ASSISTANCE LOAN FUND

Department of Community and Regional Affairs, Division of Housing Assistance

AS 44.47.380 - 44.47.560: enacted in 1980; amended in 1981 and 1982

Purpose

This fund was created to provide funding for mortgages, building materials, renovations and improvements for nonconforming and rural housing.

Method

Borrowers apply to regional offices of the Department of Community and Regional Affairs, Division of Housing Assistance, to private lending institutions, or to regional housing authorities; regional authorities sell the mortgages to the Division. Eighty percent of the funds for nonconforming housing are loaned in rural areas. Of the funds used for rural housing, aside from nonconforming housing funds, no more than twenty percent may be used for housing that is not owner-occupied.

Eligibility

- A loan for nonconforming housing must be for housing which is devoid of any health or safety hazards to the occupants.
- The borrower may be required to purchase fire insurance for nonconforming housing before the Department will agree to buy the loan.
- A nonconforming housing loan or a rural owner-occupied housing loan may be only for a single-family dwelling or a duplex.
- A loan for rural non-owner-occupied housing may be for a single-family residence or a multi-family residence with up to eight living units; it may finance new purchase, new construction or substantial rehabilitation.
- A borrower holding another subsidized State housing loan may borrow only for repairs, improvements or expansion, not to purchase or construct housing.
- Loans for rural housing must be for houses in cities or service areas of fewer than 4,500 population, and, if in the second, third, or fourth judicial district, without access by road or rail to Anchorage or Fairbanks.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

HOUSING ASSISTANCE LOAN FUND

Department of Community and Regional Affairs, Division of Housing Assistance

AS 44.47.380 - 44.47.560: enacted in 1980; amended in 1981 and 1982

Purpose

This fund was created to provide funding for mortgages, building materials, renovations and improvements for nonconforming and rural housing.

Method

Borrowers apply to regional offices of the Department of Community and Regional Affairs, Division of Housing Assistance, to private lending institutions, or to regional housing authorities; regional authorities sell the mortgages to the Division. Eighty percent of the funds for nonconforming housing are loaned in rural areas. Of the funds used for rural housing, aside from nonconforming housing funds, no more than twenty percent may be used for housing that is not owner-occupied.

Eligibility

- A loan for nonconforming housing must be for housing which is devoid of any health or safety hazards to the occupants.
- The borrower may be required to purchase fire insurance for nonconforming housing before the Department will agree to buy the loan.
- A nonconforming housing loan or a rural owner-occupied housing loan may be only for a single-family dwelling or a duplex.
- A loan for rural non-owner-occupied housing may be for a single-family residence or a multi-family residence with up to eight living units; it may finance new purchase, new construction or substantial rehabilitation.
- A borrower holding another subsidized State housing loan may borrow only for repairs, improvements or expansion, not to purchase or construct housing.
- Loans for rural housing must be for houses in cities or service areas of fewer than 4,500 population, and, if in the second, third, or fourth judicial district, without access by road or rail to Anchorage or Fairbanks.

HOUSING

Types of Loans

- Nonconforming housing
- Rural owner-occupied housing
- Rural non-owner-occupied housing
- Building Materials (nonconforming or rural)

Terms

Nonconforming housing

Maximum Amount: \$162,450 (\$207,750 for duplex) with a 95% loan-to-value ratio on a purchase and an 85% LTV for an owner-builder's new construction

Collateral: Deed of trust and evidence of conveyance

Maximum Term: 30 years, or 80% of the remaining physical life of the property

Interest Rate: Variable; same as prevailing rate for AHFC's Special Mortgage Loan Purchase Program
Veterans: 100 base points lower than prevailing AHFC rate

Fees: Variable; negotiated between DC&RA and private lender; may be higher for rural loans

Rural owner-occupied housing

Maximum Amount: \$162,400 (\$207,750 for a duplex) with a 95% loan-to-value ratio for a purchase and an 85% LTV for an owner-builder's new construction

Collateral: Deed of trust and evidence of conveyance

Down Payment: 5%

Maximum Term: 30 years, or 80% of the remaining physical life of the property

Interest Rate: 10.5% after January 1, 1983

Fees: Variable; negotiated between DC&RA and private lender

Rural non-owner-occupied housing

Maximum Amount: None set until new regulations are completed and in effect

Down Payment: 20%

Maximum Term: 30 years

Interest Rate: 10.5% after January 1, 1983

Fees: Variable; negotiated between DC&RA and private lender

Building Materials - nonconforming or rural housing

Maximum Amount: \$45,000; or 100% of the cost of the materials, whichever is less, not to exceed 80% of the value of the collateral

Maximum Term: 15 years

Interest Rate: Rural housing: 10.5%
Nonconforming housing: same as rate for AHFC's Special Mortgage Loan Purchase Program

Funding, FY 81-83

	FY 81	FY 82	FY 83
General Fund	\$21,455,000	\$40,000,000	\$45,000,000
Interest on Mortgages and Investments*	683,000	1,024,000	
TOTAL	\$22,138,000	\$41,024,000	

*These amounts are only for the two strictly rural programs, while they were part of AHFC. The FY 81 figures are only for the last seven months of the fiscal year, not for the entire year.

Lending Activity, FY 81-82

Fiscal Year	Nonconforming Housing		Rural Owner-Occupied		R. Non-Owner-Occupied	
	#	\$	#	\$	#	\$
FY 81	99	\$6,265,300	45	\$3,562,650	0	\$0
FY 82	338	20,942,225	238	\$21,267,300	26	\$4,146,750

HOUSING

Administrative Staff

Barbara Morse-Quinn, Director
Division of Housing Assistance
272-4585

Office: 2600 Denali Street, Suite 400
Anchorage

Mailing
Address: 2600 Denali Street, Suite 400
Anchorage, Alaska 99503

RELOCATION LOAN FUND

All State agencies

AS 34.60.135; enacted in 1971

Purpose

This program allows State agencies to make loans for the costs of planning and obtaining financing for the rehabilitation or construction of housing for displaced persons.

Method

Public bodies representing displaced people apply to the State agency involved in the administration of the federally assisted program that has caused the displacement. The agencies may make these loans directly.

Eligibility

- Borrowers must be nonprofit, limited dividend, or cooperative organizations, or public bodies.
- Loans must benefit people who have been displaced as the result of an activity undertaken by the State.

Terms

Maximum Amount: 80% of the reasonable costs
Maximum Term: Repayment must be upon completion of the housing project or sooner
Interest Rate: 0.0% for non-profit organizations
Variable for profit-making organizations

Funding

Loan funds would come out of agencies' budgets.

Lending Activity

This program has been inactive.

**Management Review of
Alaska Housing Finance Corporation's
Designated Broker Program**

Report No. 04 - 20

**January 1989
Division of Audit and Management Services**

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STATE OF ALASKA

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET DIVISION OF AUDIT & MANAGEMENT SERVICES

STEVE COWPER, GOVERNOR

P.O. BOX AM
JUNEAU, ALASKA 99811-0199
PHONE: (907) 465-3568

January 5, 1989

The Honorable Steve Cowper
Governor
Pouch A
Juneau, Alaska 99811

Dear Governor Cowper:

I am pleased to transmit this report on our Management Review of Alaska Housing Finance Corporation's (AHFC) Designated Broker Program, through which AHFC has marketed its Real Estate Owned (REO) properties. The report:

- o recommends that the AHFC Board of Directors review the corporation's policies for marketing its REOs and provide clear direction to the staff;
- o recommends that AHFC rebid its Designated Broker Program and notes several areas which should be addressed in the new program;
- o expresses our concern over inadequate controls for AHFC's property disposition activities and recommends staffing and accounting system changes;
- o recommends that AHFC obtain condominium management services through a separate solicitation process.

The report also provides aggregate information on AHFC's property disposition activities and designated brokers' performance through September 1988, and discusses certain market trends.

AHFC agrees with our recommendations, as indicated in their response which is included in the report. This report has been reviewed and approved by the Governor's Audit Committee.

Sincerely,



John L. Lucas, Director

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