

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1613 SCOMM 60: HOUSING FINANCE TASK FORCE, 1989

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graph TD
    GOV[GOVERNOR'S OFFICE] --> SEC[COMMERCE & ECONOMIC DEVELOPMENT]
    GOV --> CRA[COMMUNITY & REGIONAL AFFAIRS]
    GOV --> REV[REVENUE]
    GOV --> HSS[HEALTH & SOCIAL SERVICES]
    GOV --> SAH[SPECIAL ASSISTANT HOUSING]
    SEC --> ASHA[ALASKA STATE HOUSING AUTHORITY]
    ASHA --> AIDEA[AK. INDUSTRIAL DEVELOP. EXPORT AUTHORITY]
    CRA --> RDHS[RURAL DEVELOPMENT HOUSING SECTION]
    REV --> AHFC[ALASKA HOUSING FINANCE CORPORATION]
    HSS --> MHDD[MENTAL HEALTH DEVELOPMENTAL DISABILITIES]
    MHDD --> FYS[FAMILY & YOUTH SERVICES]
    FYS --> OADA[OFFICE OF ALCOHOLISM DRUG ABUSE]
    OADA --> IACC[INTERAGENCY COORDINATING COMMITTEE]
    OADA --> SAH
    OADA --> EFC[ENV. CONSERV. FACILITY CONSTRUCTION]
    EFC --> SAH
    EFC --> IACC
    EFC --> VR[VOCATIONAL REHAB]
    VR --> IACC
    VR --> FPD[FIRE PREVENTION DIVISION]
    FPD --> IACC
    FPD --> CDA[COUNCIL ON DOMESTIC VIOLENCE]
    CDA --> IACC
    CDA --> OAC[OLDER ALASKANS COMMISSION]
    OAC --> IACC
    OAC --> ASHA
    OAC --> RDHS
    OAC --> AHFC
    OAC --> MHDD
    OAC --> FYS
    OAC --> OADA
    OAC --> EFC
    OAC --> VR
    OAC --> FPD
    OAC --> CDA
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2

Responsibilities: Formulating statewide housing policy.
Coordinating housing programs consistent with
a statewide housing policy.

Staffing: Special Assistant for Housing
Secretary

Pros: This option would be a minimum level of
commitment for a statewide housing policy and
for coordination of state housing programs.

This option would probably have more
political support from the state housing
agencies.

Administrative costs would be minimal.

Cons: Many of the statewide action plans identified
by the HPDC would not get addressed, ie a
long-term housing plan, statewide housing
needs assessments, creating of housing
partnerships, etc.

Least effective mechanism to implement
centralized, coordinated statewide housing
programs/policies.

*yes
also very weak.*

OPTION 2 - ALASKA HOUSING COMMISSION. Create an Alaska Housing
Commission which reports directly to the Governor. Member
composition shall reflect regional representation and shall
include public members and representatives from housing and real
estate industry, special needs groups, and rural areas.
Representatives from state agencies with housing or mortgage loan
programs will serve in an advisory capacity. (9 members)

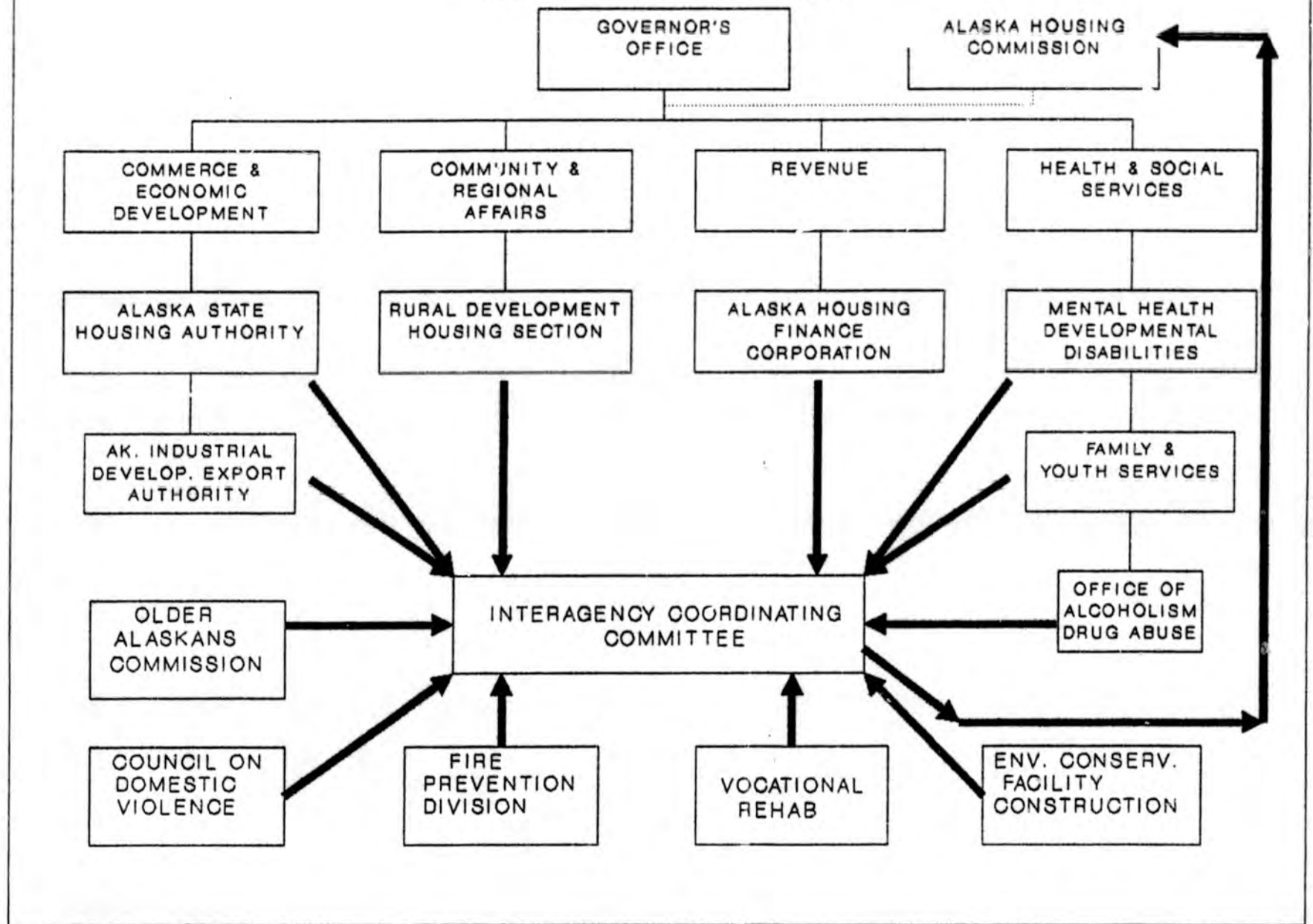
Number of members: 1 Regional representative from 4 judicial
districts representing housing/mortgage loan
industry
1 representative of special needs groups
1 representative for rural areas
1 Public members
Commissioner, Commerce & Economic Development
Commissioner, Community & Regional Affairs

Advisory members: Alaska State Housing Authority
Alaska Housing Finance Corporation
Department of Community and Regional Affairs

*With the problem we have politically with
the bush, regional concerns will fractionalize
this concept.*

Would address regional differences.

STATE OF ALASKA
ALASKA HOUSING COMMISSION



Staffing:

Executive Director
Secretary/Receptionist
Administrative Officer
Research Analyst/Planner
Information Officer/Technical Advisor
Grants Administrator*

Responsibilities:

Develop statewide housing policy.
State agency housing program review, coordination, oversight.
Writing/updating long term housing plan.
Conduct periodic statewide housing needs assessments.
Reviewing use and disposition of state agency-owned foreclosed properties.
Facilitate the creation of housing partnerships, providing technical assistance.
Direct review of housing regulations between state agencies.
If Affordable Housing Act passes, review and allocate distribution of federal housing funds.

will require representation of non state corporations.

Pros:

Housing resources and programs are scattered throughout 12 different state agencies, offices and divisions. A Housing Commission, if given the authority to cross departmental lines and bring housing groups together, can formulate and coordinate a cohesive statewide housing policy that addresses a wide range of housing needs and problems.

Needed!

Important to have Commission within Governor's Office rather than within a Department so it can function in an impartial role.

Cons:

The Commission would be working with a large number of agencies over which it would have no control. Two of those agencies have a separate, independent existence from the State. Without a legislative mandate which specifies the authority of the Commission over these agencies for follow-through on implementation, its effectiveness will be limited.

AAFC + ASHA

Cons (Cont'd):

*Review +
Concur
Rather than*

There is no precedent in state government for a board or council that has the power or ability to approve or deny regulations set by other boards or departments.

The Commission could be viewed as another unnecessary layer of bureaucracy and another complication in the tangle of housing programs.

*Not a Reality because
of Contracting & legal restrictions*

OPTION 3 - STATE HOUSING BOARD. Merge the Alaska State Housing Authority and Alaska Housing Finance Corporation Boards into a State Housing Board with the authority to administer all housing agencies and state housing programs. Housing agencies will be placed under one department, the Department of Community & Regional Affairs or Commerce & Economic Development. The State Housing Board will be responsible for statewide coordination of all state housing programs and for setting state housing policy.

ASHA and AHFC will maintain their independent status. The Executive Directors of both agencies will serve at the pleasure of the State Housing Board. AHFC and ASHA will each have a 5-member sub-board responsible for agency operations and policy setting. The Commissioner of Community & Regional Affairs will chair the State Housing Board and both of the sub-boards. Membership on AHFC and ASHA Boards will each consist of the Commissioner of Community & Regional Affairs, 2 different members of the State Housing Board, and 2 members appointed by the Governor.

An Interagency Coordinating Committee will be formed with membership from each of the 12 agencies, offices and divisions involved in housing.

Number of Members: 9-member Board of Director, appointed by Governor
Commissioner of Community & Regional Affairs serves as Chair.
1 regional representative from 4 judicial districts representing housing/mortgage loan industry.
1 representative of special needs groups
1 representative for rural areas
2 public members

Responsibilities: Statewide coordination of all housing programs.
 Setting state housing policy.
 Writing/updating long-term housing plan.
 Same statewide responsibilities as listed above for Housing Commission.

Staffing: Executive Director, State Housing Board
 Secretary/Receptionist
 Administrative Officer
 Research Analyst/Planner
 Information Officer/Technical Advisor

Pros: *OK!* This option is the most consistent with model housing organizations in other states. It would be an effective way to ensure that policies and goals are implemented through consistent regulations and unduplicated programs.

Consolidating housing agencies within one department has greater likelihood of success in implementing statewide housing policies. The proposed Superboard can provide clear, consistent, non-conflicting direction for the state's housing programs.

This option would satisfy the potential federal mandate for coordination and distribution of federal funds at the state level.

Under this option ASHA and AHFC Boards retain their independent status within state government. Retaining this independent status is important because concerns about the bond covenants of both agencies and ASHA's contractual arrangements with HUD.

Cons: This is a more radical approach and may be more difficult to get existing agencies to support.

The mission and purpose of ASHA and AHFC are very different. The demands on their separate Boards of Directors are already significant. To combine the two Boards and add statewide responsibility in addition may be too much for Board members to handle.

Alaska Housing Market Council

November 30, 1989

Dear Housing Policy Development Committee Member:

Enclosed is your final meeting packet for the HPDC meeting, scheduled December 8, 1989, from 9:00 a.m. to 5:00 p.m. at the Anchorage Legislative Information Office, 3111 'C' Street. We are asking all members to come to Anchorage for the meeting. However, you can attend by teleconference from your own community.

Please Note: There will not be a public comment period at this meeting, but a statewide public hearing on the HPDC recommendations is scheduled for Thursday, December 7 from 7:00 p.m. to 8:30 p.m. at the Anchorage Legislative Information Office and all other State Legislative Information Offices open during the Legislative interim. Staff will be there to take comments and will present a report to the committee the following day. Please attend if you can.

Enclosed find:

1. Meeting agenda.
2. Policy statements and action plans with bolded "SPAMO" changes and recommended revisions from the Transitional and Long Term Housing for Special Needs Subcommittee.
3. Policy Statement #1 - options for implementation.
4. Comments from interested parties.

At the meeting, the committee will approve a final recommendation for Policy Statement #1 (relating to a body to execute state housing policy) and Policy Statement #5 (special needs housing). The committee will also consider and approve recommendations to make the action plans more specific and attainable.

Please take some time to closely review the Policy Statements/Action Plans with SPAMO and Transitional Subcommittee revisions bolded. The SPAMO comments will be adopted by consent agenda, which means, that unless there are specific objections, all the SPAMO changes will be approved. If you do have concerns with a SPAMO recommendation, please contact me prior to the meeting.

Also, take a few minutes to review the comments we've received from the public and state agency representatives.

As this is our final meeting, it is essential that all HPDC members make every effort to attend. It is also important that committee members come prepared to finalize the recommendations. We cannot afford to spend a great deal of time on minor issues.

As always, please contact me if you won't be attending the December 8 meeting.

Sincerely,

A handwritten signature in cursive script that reads "Heather Arnett". The signature is written in dark ink and is positioned above the printed name.

Heather Arnett
HPDC Aide

Alaska Housing Market Council

ALASKA HOUSING MARKET COUNCIL Housing Policy Development Committee

Meeting of the Full Committee

AGENDA

December 8, 1989
9:00 a.m. to 5:00 p.m.
Legislative Information Office
Main Floor Conference Room
3111 'C' Street
Anchorage, Alaska

- I. Call to Order - Roll Call
- II. Approval of Agenda
- III. Approval of Minutes
- IV. Staff presentation on December 7 public hearing.
- V. Finalize Policy Statement #1 and Policy Statement #5.
- VI. Approve "SPAMO" recommendations.
- VII. Discuss structure of final report.
- VIII. Adjournment.

NOTE: Lunch will be at 12:00 p.m.

ALASKA HOUSING MARKET COUNCIL
HOUSING POLICY DEVELOPMENT COMMITTEE

POLICY STATEMENT #1

It is the policy of the State of Alaska to adopt and execute a state housing policy and facilitate coordination of housing services by establishing an Alaska Housing Commission.

OPTIONS FOR IMPLEMENTATION

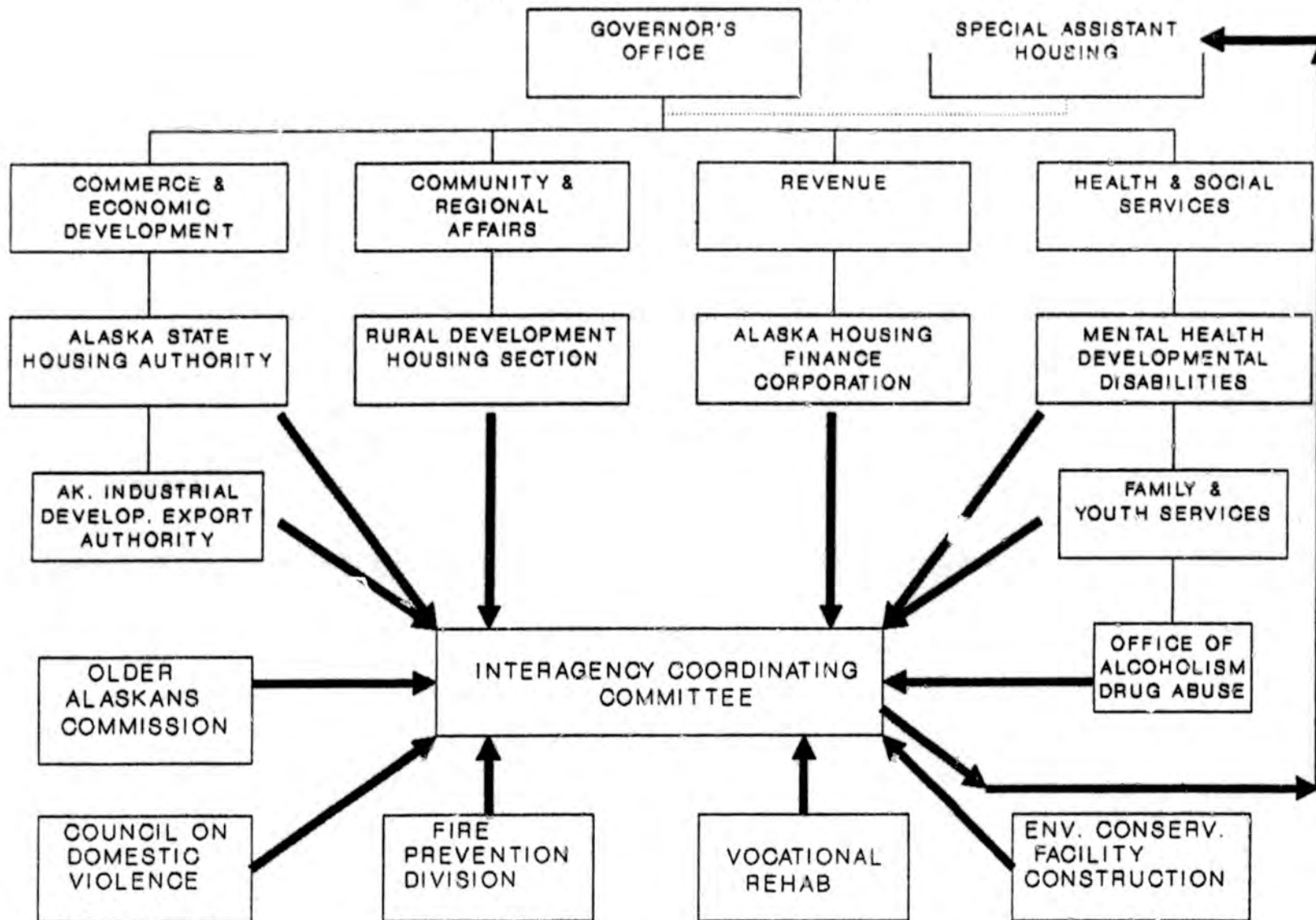
There is a national movement towards state centralization and authority in the development and execution of state housing policies and programs. The federal Housing and Urban Development legislation is up for re-authorization soon, and several bills addressing housing policy on the national level have been or will be introduced in Congress. Eric Ostrovsky of the Governor's Washington D.C. office thinks that it is very likely that housing policy directions will change by early 1990 with passage of either S. 565 or a House bill. Whether or not these bills include intent to mandate coordination and distribution of federal funds through the Governors' Offices of each state remains to be seen, but discussions on this subject are occurring.

Surveys of other states shows several of them moving in the direction of establishing centralization and coordination of housing issues. Fifteen states have an agency, either a department, division or council which is directly responsible for oversight of housing issues. Massachusetts, Washington and New Jersey are recognized as model states, and have very visible, progressive housing programs and development. They have centralized agencies/divisions within a Department of Community Affairs/Development, DCA Commissioner heads the various housing Boards, and they have a vehicle for interagency coordination.

OPTION 1 - SPECIAL ASSISTANT FOR HOUSING. Establish a Special Assistant for Housing position within the Office of the Governor. Position will be responsible for advising the Governor on housing policy.

The Special Assistant would direct an Interagency Coordinating Committee comprised of directors of the 12 housing agencies, offices, and divisions. The Committee would meet on a regular basis (monthly, bi-weekly) to discuss housing programs, problems, and policy.

STATE OF ALASKA
SPECIAL ASSISTANT - HOUSING



Responsibilities: Formulating statewide housing policy.
Coordinating housing programs consistent with a statewide housing policy.

Staffing: Special Assistant for Housing
Secretary

Pros: This option would be a minimum level of commitment for a statewide housing policy and for coordination of state housing programs.

This option would probably have more political support from the state housing agencies.

Administrative costs would be minimal.

Cons: Many of the statewide action plans identified by the HPDC would not get addressed, ie a long-term housing plan, statewide housing needs assessments, creating of housing partnerships, etc.

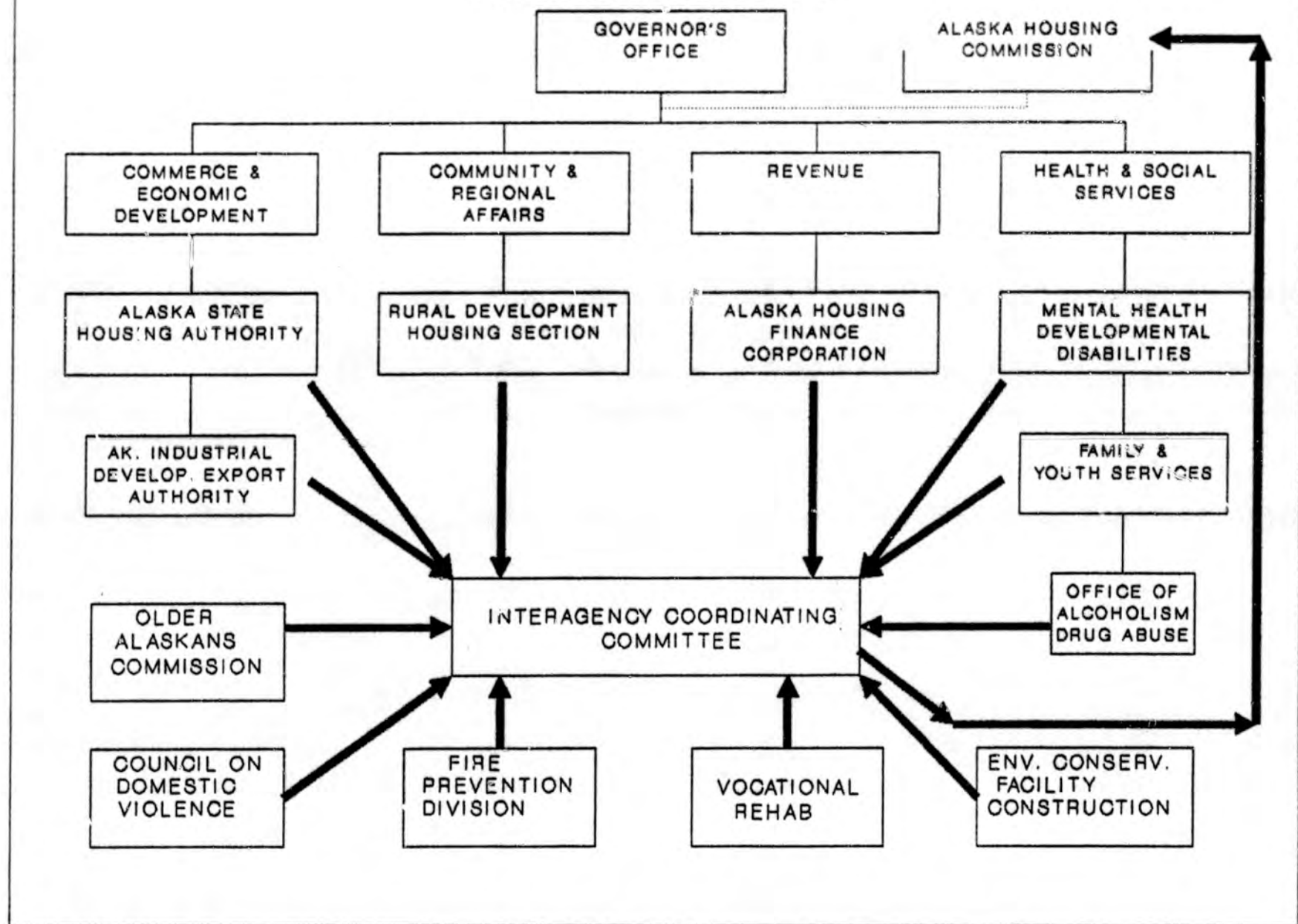
Least effective mechanism to implement centralized, coordinated statewide housing programs/policies.

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1 representative of special needs groups
1 representative for rural areas
1 Public members
Commissioner, Commerce & Economic Development
Commissioner, Community & Regional Affairs

Advisory members: Alaska State Housing Authority
Alaska Housing Finance Corporation
Department of Community and Regional Affairs

STATE OF ALASKA
ALASKA HOUSING COMMISSION



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Important to have Commission within Governor's Office rather than within a Department so it can function in an impartial role.

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Cons (Cont'd):

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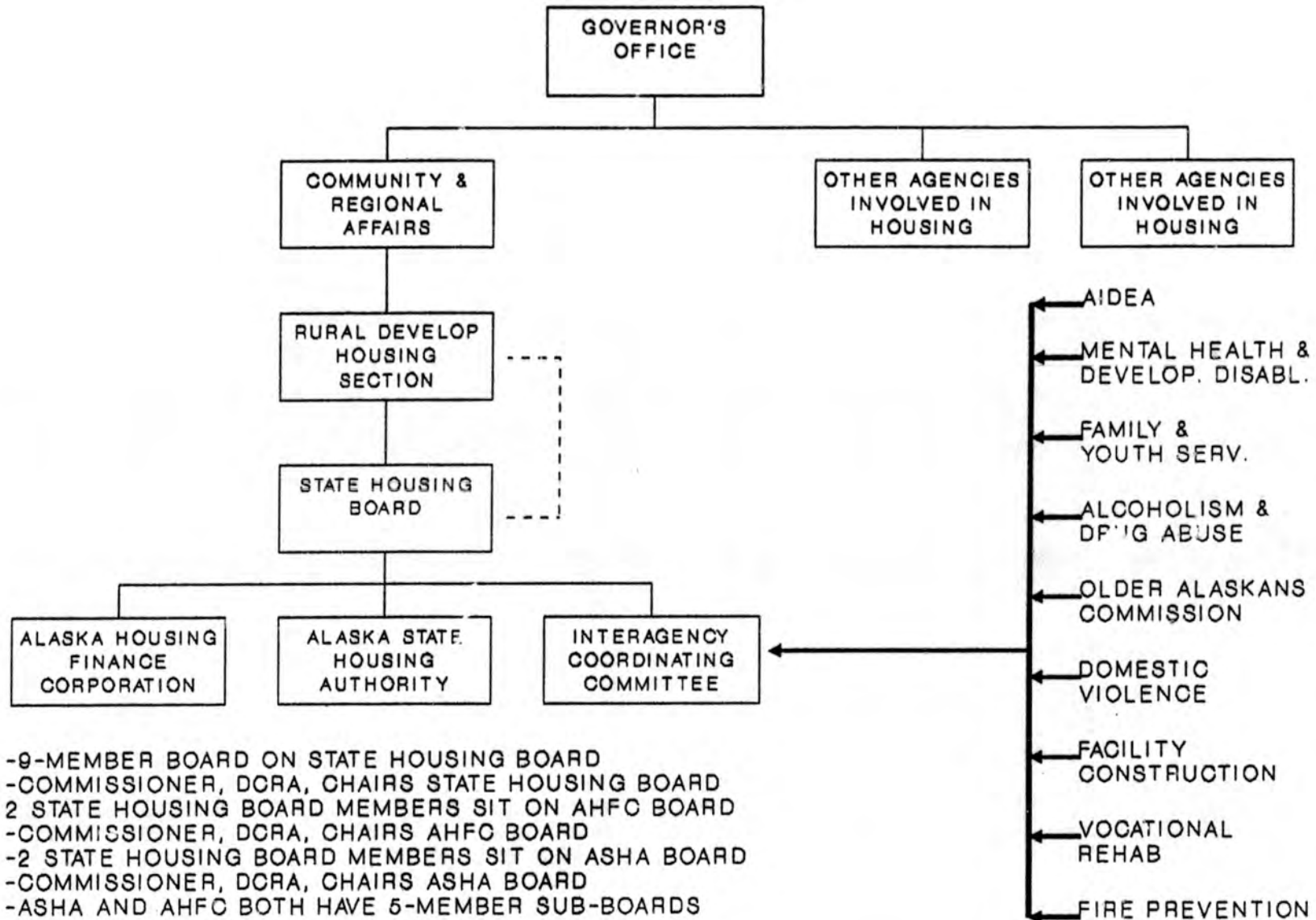
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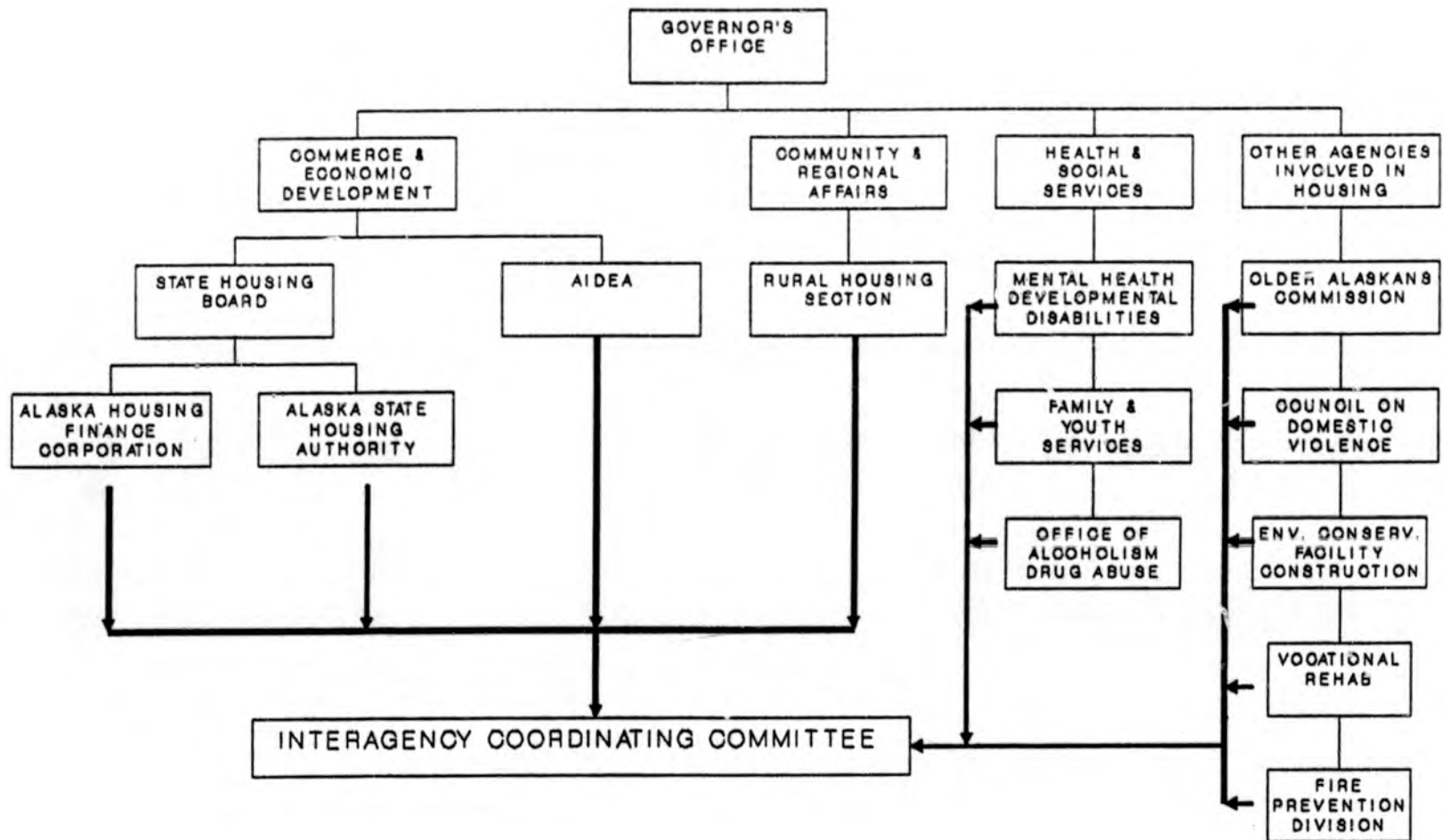
STATE OF ALASKA

STATE HOUSING BOARD/CONSOLIDATE AGENCIES



- 9-MEMBER BOARD ON STATE HOUSING BOARD
- COMMISSIONER, DCRA, CHAIRS STATE HOUSING BOARD
- 2 STATE HOUSING BOARD MEMBERS SIT ON AHFC BOARD
- COMMISSIONER, DCRA, CHAIRS AHFC BOARD
- 2 STATE HOUSING BOARD MEMBERS SIT ON ASHA BOARD
- COMMISSIONER, DCRA, CHAIRS ASHA BOARD
- ASHA AND AHFC BOTH HAVE 5-MEMBER SUB-BOARDS

STATE OF ALASKA
STATE HOUSING BOARD

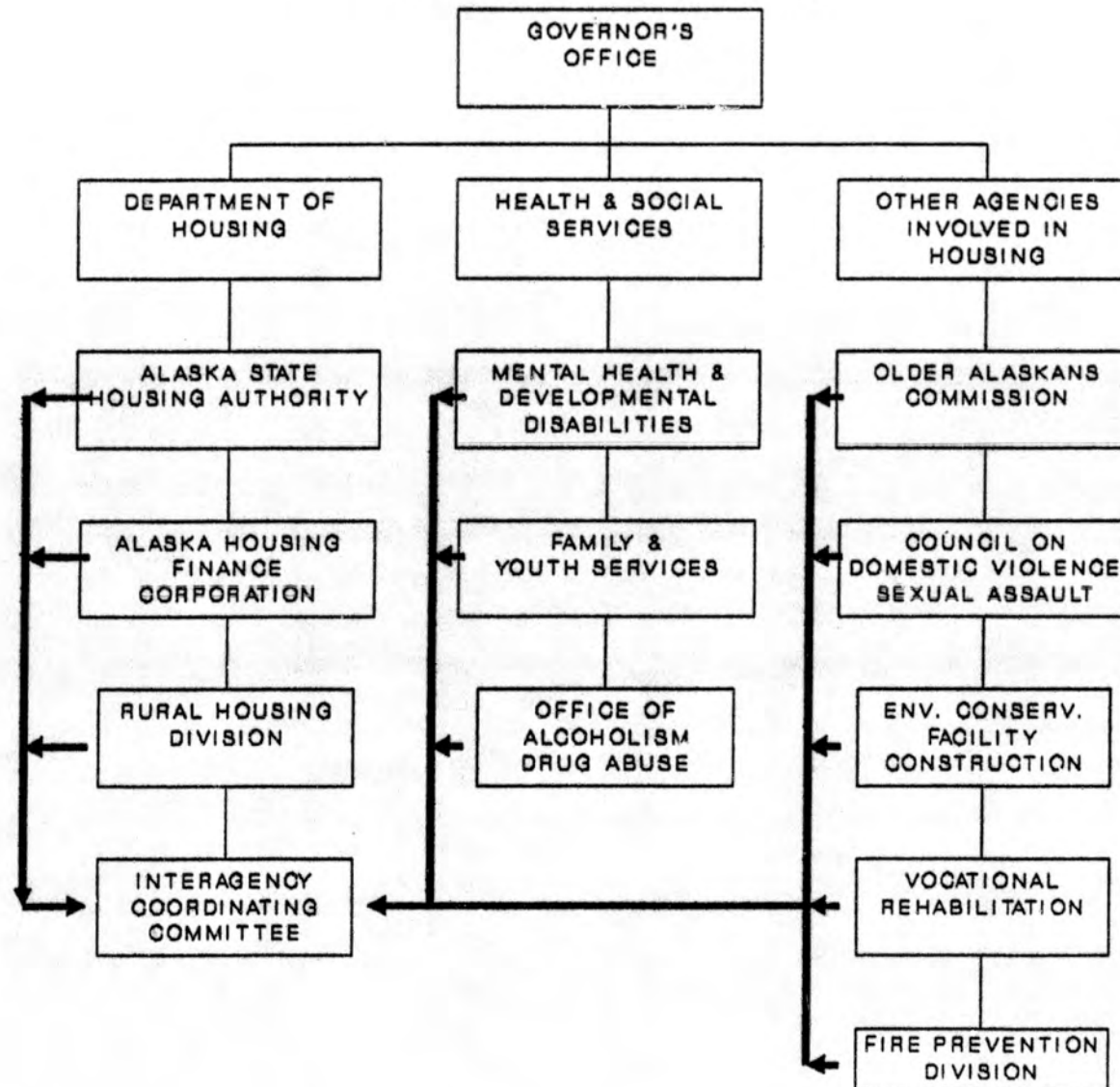


OPTION 4 - DEPARTMENT OF HOUSING. Create a Department of Housing with all housing agencies placed within that department. An interagency coordinating Committee would be formed with membership from each of the 12 agencies/programs involved in housing.

The Commissioner, Department of Housing would chair the Boards of Directors of ASHA and AHFC.

Staffing:	Commissioner, Department of Housing Executive Secretary Information Officer Division of Administrative Services Division of Rural Housing Services Alaska Housing Finance Corporation staff Alaska State Housing Authority staff
Responsibilities:	Direct all housing programs within the state. Coordinate interagency housing activities. Establish and implement statewide housing policy. Same statewide responsibilities as listed for Housing Commission.
Pros:	This option provides the most visible commitment to state housing issues. Housing concerns and policies would be represented at cabinet level with more political clout to effect a coordinated statewide housing policy. Ability to better consolidate resources.
Cons:	Very difficult to get a new department created within state government. Most expensive option because of staffing levels needed at a department level. Does not appear to be a broad enough mission to warrant a separate department.

STATE OF ALASKA
DEPARTMENT OF HOUSING



CURRENT HOUSING BOARDS/COUNCILS

There are currently 12 agencies, offices and divisions within State government which are involved in providing or regulating housing services within Alaska.

ALASKA HOUSING MARKET COUNCIL--Advises the Governor and the Legislature on housing policies directed towards the stabilization of the housing market. It also provides direct services to the public in the form of the mortgage and housing information and referral hotline, provides a forum for public input regarding housing issues, coordinates interagency housing policies, and conducts research on issues affecting housing and mortgage loans.

- Membership:** Department of Community and Regional Affairs
Department of Commerce and Economic Development
Alaska Housing Finance Corporation
Alaska State Housing Authority
Alaska Permanent Fund
Alaska Industrial Development & Export Authority
Office of the Governor
Mortgage Guaranty Insurance Corp.
Public Members (4)
- Committees:** Housing Policy Development Committee (37 members)
HPDC divided into working task forces in 5 major areas to develop policy recommendations for full Committee review and adoption.
- Staffing:** Executive Director
4 staff members
- Meetings:** Council meets monthly. Meetings usually held in Anchorage and teleconferenced to Fairbanks, Juneau. Subcommittee meetings and Committee meetings held monthly and usually teleconferenced.

1 meeting held in Anchorage with all Committee members present; teleconferenced to Fairbanks, Juneau, Kodiak.

Members do not receive a stipend or per diem for attendance at meetings. Members are reimbursed for travel expenses at rates set by the state.

ALASKA STATE HOUSING AUTHORITY - Provides low to moderate income housing under state and federal housing programs. Issues bonds for housing and public facilities as requested.

ASHA has been in existence since before statehood. They are an independent agency within the state and contract directly with HUD for the housing funds they receive and the housing programs they provide. ASHA deals with low to moderate income housing needs in the urban areas. Thirteen regional housing authorities operate as Indian Housing Authorities and deal with low to moderate housing needs in the rural/village areas.

Membership: 4 public members appointed by Governor, currently from Anchorage. Current membership represents rural/native, business/real estate, minority, social services, and state government.
Commissioner of Commerce & Economic Development

Staffing: Executive Director
Division Directors
Clerical

Meetings: 4 times per year; 12 days maximum
In 1989, Board met on quarterly basis. 2 meetings in Anchorage, 1 in Sitka, 1 in Juneau.

Board members are paid \$80 per diem for each meeting they attend. Members are reimbursed for travel expenses at rates set by the state.

ALASKA HOUSING FINANCE CORPORATION. Board of Directors are responsible for the management of AHFC assets and the business of the corporation; adoption, amendment and repeal of bylaws and regulations governing the manner in which all AHFC powers are exercised; review of proposed legislation and participation in lobbying efforts during legislative session; review and approval of key policy decisions which will affect AHFC borrowers; prescription of duties and compensation of corporation personnel; review and approval of corporation budget.

Membership: Commissioner, Department of Revenue
Commissioner, Commerce & Economic Development
State Government Executive appointed by Governor,
currently Commissioner, Department of Labor
Public members (2), currently from Anchorage

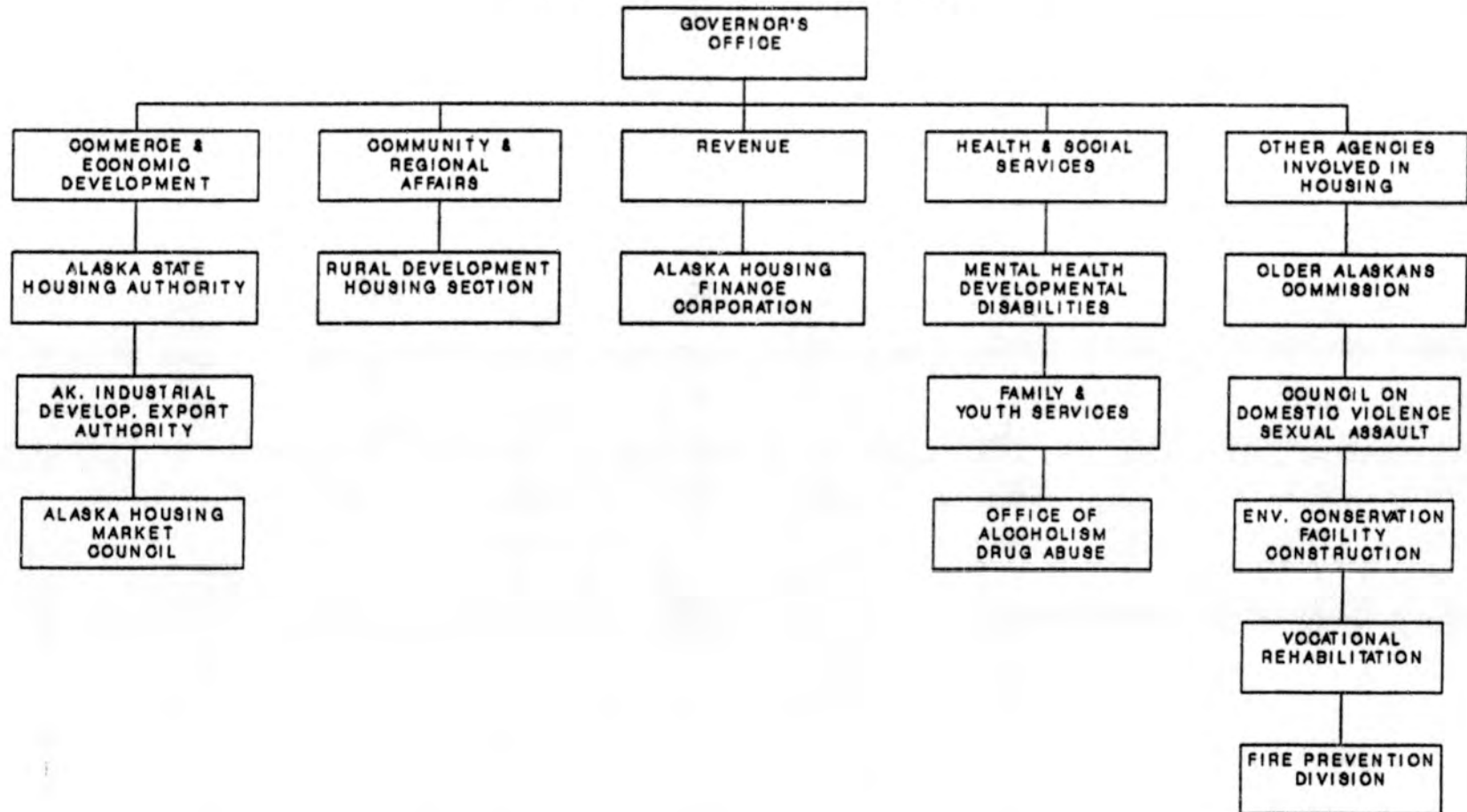
Committees: Special committees established as needed, ie
executive search.

Staffing: Executive Director
Executive Director's Secretary
Division Directors

Meetings: Not less than once every 3 months. Normally meet
12 times per year; 16 days maximum.
Usually transact meetings by teleconference with
Anchorage, Juneau and Fairbanks. Meetings last
from 3 to 6 hours.
Must give public notice, 24 hours or more in
advance.

Members are paid \$100 for each public member for
each day spent on official business. Travel
expenses are reimbursed at rate set by state.

STATE OF ALASKA
CURRENT HOUSING AGENCIES



Alaska Housing Market Council

December 20, 1989

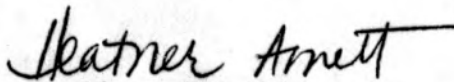
Dear Housing Policy Development Committee Member:

Enclosed find a draft of the HPDC recommendations, which were approved at the December 8 meeting.

Please review the recommendations for errors or omissions and contact me by Friday, December 29 with any changes. This will be the final draft of the document.

Thank you very much and have a wonderful holiday.

Sincerely,


Heather Arnett
HPDC Aide

ALASKA HOUSING MARKET COUNCIL
12/20/89

MISSION STATEMENT:

**SAFE, SOUND, SANITARY AND ENERGY EFFICIENT LIVING CONDITIONS
SHOULD BE AVAILABLE TO ALL CITIZENS OF THE STATE.**

FULL HOUSING POLICY DEVELOPMENT COMMITTEE

DRAFT ACTION PLANS

Policy Statement #1

It is the policy of the State of Alaska to adopt and execute a state housing policy and facilitate coordination of housing services.

Action Plan:

1. The committee recognizes that a continued mechanism or centralized housing agency is needed to overcome the fragmentation of existing programs and to ensure continuing public involvement in housing issues.
2. The committee recommends that a Housing Commission be established - with a plan to develop a Department of Housing in the state over the next several years. The Department will consolidate all of the state's housing functions.
3. A legislative mandate should be effected which specifies the relationship of the Housing Commission to the Alaska Housing Finance Corporation, the Alaska State Housing Authority and other state agencies with housing responsibilities, and provides the commission with the power to develop and implement state housing policy.
4. The Commission should report directly to the Governor.
5. The Commission's composition should reflect regional representation and should include public members and representative from the following: the housing and real estate industry; special needs groups; and rural areas. Representatives from state agencies with housing or mortgage loan programs will serve in an advisory capacity only.
6. The Commission should provide information on housing opportunities to the public and oversee state agency information services.

7. The Commission should be charged with state agency housing program review, coordination and oversight. It should clarify the roles of the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the Department of Community and Regional Affairs in the housing market.
8. The Commission should review and recommend revisions to state and federal housing policy and programs to ensure that Rural Alaska housing programs are culturally, environmentally and economically appropriate.
9. The Commission should be charged with writing a long term housing plan for the state and updating the plan periodically. State agencies, to include the Alaska Housing Finance Corporation, the Alaska State Housing Authority, the Department of Community and Regional Affairs, the Department of Health and Social Services, and the Department of Public Safety should develop statewide service plans, in conjunction with each other and the state housing plan, to insure coordination and efficiency of service delivery.
10. The Commission should conduct periodic statewide housing needs assessments on housing and financing availability.
11. The Commission should direct state agencies to review housing regulations under their jurisdiction, comparing them to other agency regulations and recommending revision, where appropriate, to eliminate conflict and duplication.
12. The Commission should be charged with reviewing the use of, and disposition of, state agency-owned foreclosed properties and should provide information to interested parties regarding available properties. The Commission should encourage AHFC, banks and secondary institutions to donate foreclosed properties for use as transitional and long term special needs facilities, low-income housing and senior housing where appropriate.
13. The Commission should actively facilitate the creation of housing partnerships and provide advice and technical assistance on the development of those partnerships.
14. The boards of AHFC and ASHA should be expanded and include a majority of public members.
15. By June 30, 1990, the Alaska State Legislature should create a standing or special committee on housing in both the State House and State Senate.

Policy Statement #2

It is the policy of the State of Alaska to recognize the significant differences in housing needs, standards and requirements across the state. As a result, state policies, programs, procedures, and regulations shall be regionalized to the greatest extent possible.

Action Plan:

1. State agency regulations pertaining to housing and construction standards should be analyzed by a task force of industry and government for regional flexibility, and resulting recommendations should be forwarded to the body executing state housing policy. In addition, an agency appeals process should be implemented.
2. By January 1, 1991, AHFC & DCRA should explore, develop, and implement programs adjusted to regional housing conditions, to include non-insured or co-insured loans for areas of the state which are not being served by private and public secondary investors and/or insurers. These new loan programs should be consistent with prudent lending standards.

Policy Statement #3

It is the policy of the State of Alaska to encourage communities to take an active role in housing and land use issues, recognizing that local control is preferable to central control, because local governments can best balance the needs of the public with the private determination of supply and demand.

Action Plan:

1. Local governments should include a housing plan, listing how housing needs can be met, as part of their comprehensive planning process.
2. With community input and involvement, municipal governments should be encouraged to facilitate establishment of transitional group housing. Zoning laws which prohibit group homes should be revised to be consistent with anti-discriminatory statutes (including the amendments to the Fair Housing Act), and integration of transitional housing residents into communities should be encouraged.

Policy Statement #4

It is the policy of the State of Alaska to improve the availability, accessibility and affordability of housing for people with limited, low or no incomes.

Action Plan:

1. The State of Alaska should become actively involved in providing technical assistance and/or programs to private developers and non-profits for planning and development of units which are affordable to low-income Alaskans. This should be through the body which will execute state housing policy or through programs established by AHFC, DCRA and ADHA by January, 1992.
2. By January 1, 1991, state agencies should examine and evaluate their portfolios of non-insured REO properties (including mobile homes) to determine which properties are appropriate to provide housing opportunities for low-income, rural and special needs populations. Such evaluation shall include assessment of structural integrity, availability of necessary utilities, and economic feasibility factors. The agencies should present their short and long term policies for disposition of these properties to the commission for consideration.
3. By June 1, 1991, state agencies involved in housing finance should have the legal ability to provide financing to non-profit housing sponsors. DCRA, AIDEA, AHFC and ASHA should identify existing statutory, regulatory, policy and procedural barriers to such programs and initiate steps to eliminate these barriers through legislative, regulatory or internal processes as appropriate.

Policy Statement #5

It is the policy of the State of Alaska to improve the availability, accessibility and affordability of emergency, transitional and long term housing for the homeless and others with special needs.

Action Plans:

1. Accessible Housing

Buildings for persons with special needs should be renovated or built in accordance with the "Uniform Federal Accessibility Standards," produced by the Department of Transportation.

2. Supportive Care Services

It is essential that a continuum of supportive care services be in place for emergency, transitional and long term housing for the homeless and others with special needs to be successful. Those services include, but aren't limited to, case management, and medical and rehabilitative assistance.

3. Housing Needs

The need for emergency, transitional and long term housing for the homeless and others with special needs is severe and urgent. This type of housing may be needed by the consumer at any given time, on an emergency basis, or as a transitional living situation prior to permanent housing; or long term housing with some supportive services may be needed. On the other hand, the housing consumer may move through the housing continuum and need all three types of housing. Listed below are some, but not all, of the groups identified as needing various types of special needs housing:

- a. AIDS patients.
- b. The chronically ill.
- c. Homeless men and women, with or without children.
- d. Victims of domestic violence and their children, victims of elder abuse and victims of sexual abuse.
- e. Substance abusers.
- f. Pregnant youth and women.
- g. Homeless youth.
- h. Persons experiencing a physical disability or disabilities.
- i. The mentally ill.
- j. Persons in transition from the Alaska Psychiatric Institute, the Corrections system (particularly the mentally ill) and Alaska Youth Initiative graduates.
- k. Persons with more than one diagnosis, for example the mentally ill with a substance abuse problem.
- l. The developmentally disabled.
- m. Emotionally disturbed children.
- n. Rural Alaskans who come to regional centers for educational, medical or other reasons.
- o. Rural Alaskans, particularly youth, who move permanently to a larger community.
- p. The neurologically impaired and those with head injuries and brain trauma.

4. Rural Alaskans

The need for emergency, transitional and long term housing for special needs is especially critical in Rural Alaska. With Rural Alaska's extreme housing shortage, there is

almost no housing available to be used for special needs. As a result, it is recommended that the state give priority to developing housing opportunities in Rural Alaska.

5. Funding Issues

- a. The State of Alaska, through the proposed Housing Commission or another agency, should review and prioritize the need for emergency, transitional and long term housing for special needs, so that available resources and funding can be allocated accordingly.
- b. By June 1, 1991, the role of the State of Alaska, through (but not limited to), the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs, should be expanded to allow mortgage loans to non-profits for emergency, transitional and long term housing for those with special needs. This should be a cooperative effort.
- c. If needed, Alaska's congressional delegation should be contacted about the differences among HUD program requirements, which makes it difficult for housing providers to utilize HUD programs.
- d. Continued funding should be provided for the state's Institutional Discharge Project, which provides supportive housing programs for persons leaving the Alaska Psychiatric Institute, the Department of Corrections and Alaska Youth Initiative Graduates.
- e. The state should consider applying for federal Medicaid option waivers to obtain additional funding for programs such as home-based supportive services. By obtaining such a waiver, the state and federal government would each pay half of the cost of such programs.
- f. Division of Family and Youth Services regulations should be changed so that housing services for non-state custodial teens can be funded or some form of financial assistance can be provided for programs assisting these teens.

Policy Statement #6

It is the policy of the State of Alaska, in the allocation of state housing resources, to give first funding priority to the state's most urgent housing needs.

Action Plan:

1. Currently, the most urgent housing needs in the state are for rural and low income residents. Those needs should be

given funding priority.

- a. The state should commit to increase the rural and low-income housing stock at a rate of at least 10% per year through 1996, and should identify how the total need can be met. DCRA, AHFC and ASHA shall provide a five-year plan (due January 1, 1991) which identifies and addresses how low-income and rural housing needs can be met in the state. The five-year plan should include specific programs to be implemented no later than June 1, 1991. The Housing Commission should coordinate this effort.
- b. By June 1, 1991, the state should examine the feasibility of developing a program for subsidizing rent or mortgage payments for rural, low-income Alaskans who lack adequate affordable housing but do not have enough income to participate in one of the existing rural housing assistance programs.
- c. AHFC and DCRA should work together to determine the percentage of rural, non-conforming loans that should be offered in AHFC bond sales. Those funds will flow to DCRA for their mortgage loan programs.
2. A function of an Alaska Housing Commission should be to maintain comprehensive information on housing needs statewide and keep track of the most urgent housing needs in the state. When state funds are designated to meet housing needs, the commission should identify which areas of the state and which target populations are most in need of housing resources.

Policy Statement #7

It is the policy of the State of Alaska to encourage and assist the citizens of the state in homeownership opportunities in a fiscally responsible manner.

Action Plan:

1. State agencies with mortgage lending programs should approve and follow prudent industry lending standards and reasonable downpayments should be required.
2. The state should encourage participation in a homeowner counseling and education program to work in partnership with new federal housing mandates, which direct states involved in low-income homeownership programs to offer homeowner counseling services.
3. There should be greater disclosure to borrowers concerning the sale of their mortgage loan servicing to another

institution. The State of Alaska should adopt greater servicer penalties and clearer consumer recourse should occur in the case of misapplication of mortgage payments, or failure of the servicer to pay taxes or insurance on a timely basis.

Policy Statement #8

It is the policy of the State of Alaska to encourage housing partnerships which include public, private and non-profit entities, in order to foster and develop low-income and affordable housing in the state.

Action Plan:

1. A housing commission should encourage the development of housing partnerships in the state. The commission shall provide information, by publishing a document with a variety of partnership options, including the creation of benevolent loan funds (consisting of private donations, private and public financing). This should occur by June 1, 1991.

Policy Statement #9

It is the policy of the State of Alaska to minimize direct involvement of state government in the secondary mortgage market, with the primary exception of accessing capital markets in order to finance the state's housing needs.

Action Plan:

1. In an effort to help solve the hesitancy of private mortgage insurers and investors to underwrite mortgage loans in Alaska, the state should develop a plan for encouraging participation in the state by private insurers and investors. State agencies should establish programs which allow them to enter into co-insurance agreements, when necessary, in order to provide mortgage insurance for state-financed mortgage loans.
2. The state should continue to direct economic assistance for rural housing and low to moderate-income housing programs.
3. By March 15, 1990, the Alaska State Legislature should eliminate the mortgage loan subsidy of the Department of Community and Regional Affairs and the Alaska Housing Finance Corporation, except to meet rural and low-income housing needs. However, state agencies can obtain lower interest rates than the private sector via the bond market or through direct federal funds. Lower unsubsidized interest rates obtained in this manner should be passed through to the public.

Policy Statement #10

It is the policy of the State of Alaska to promote the availability of quality, affordable rental housing.

Action Plan:

1. Through an Alaska Housing Commission, or other approved body, the state should encourage the development of housing partnerships in the state and authorize pre-development financing for certain rental projects.
2. The state should examine the feasibility of converting appropriate foreclosed housing to rental units. This could include changes to AHFC regulations to allow them to donate foreclosed properties to non-profits, to be improved and rehabilitated by the non-profit group.
3. AHFC & DCRA lending practices should be expanded to allow mortgage loans for non-profits, including housing authorities, so that those developers would have the means to create affordable rental housing.

Policy Statement #11

It is the policy of the State of Alaska to recognize that Senior Alaskans should have access to appropriate and affordable housing. The state should implement a housing program for seniors which emphasizes a continuum of care services. Supportive services should be available which allow seniors to live independently at their level of ability.

Action Plan:

1. Regulations governing the construction of senior housing must be reviewed and made more flexible where appropriate. State agency housing regulations should be changed so that two categories of housing are created; medical and assisted living models. Medical models should be further developed into "intermediate care" and "long term care." Assisted living models should be developed to include models which are distinguished by nutrition needs, housekeeping needs, personal care needs, transportation needs and other non-medical needs.
2. The state should implement a "continuum of care" housing program for seniors, and should adequately fund necessary supportive services, which allow seniors to remain independent for as long as possible.
 - a. A case management system, which matches seniors with

appropriate services, should be approved by the state and implemented by the Older Alaskans Commission.

- b. State and other funded supportive services, such as homemaker assistance, home health care and home-delivered meals should be funded at the current state funding levels and expanded when needed. A mechanism should be in place so that seniors with the ability to pay, could be charged for supportive services.
- c. Financial assistance and training for home repair and maintenance should be increased.
- d. The State should consider applying for federal Medicaid waivers for home-based supportive services. If approved, the waiver would require the federal government to match the state's contribution to supportive services.

Policy Statement #12

It is the policy of the State of Alaska to develop and maintain stable sources of capital and revenue to support housing needs in the state.

Action Plan:

- 1. The state should participate in the issuance of tax-exempt bonds, as well as taxable forms of financing, to provide the best market rate for the creation of low to moderate-income and senior housing.
- 2. The state should encourage the usage of 501c3 bonds by non-profit corporations as a means to create affordable and special needs housing. State agencies with the ability to issue tax-exempt bonds should establish a process which encourages the issuance of such bonds for non-profit corporations.
- 3. By June 30, 1990, the Alaska State Legislature and the Governor should allocate funds for start-up and operational costs for Neighborhood Housing Services in the state. This fund should be matched by Neighborhood Housing Services of America and Neighborhood Reinvestment Corporation of America, on a four to one match.
- 4. The state should review the Resolution Trust Corporation (created by the federal savings and loan legislation) for use as an additional source of housing funds.

Policy Statement #13

It is the policy of the State of Alaska that housing in the state should meet specific quality standards.

Action Plan:

1. The state should adopt building codes and allow for regional differences and amendments.
2. The state should adopt more stringent contractor licensing requirements. By June 30, 1990, the Alaska State Legislature should pass Senate Bill 72, or other appropriate legislation, to strengthen residential contractor licensing requirements. Those requirements should include continuing education.
3. In accordance with federal guidelines, the state should establish a state licensing or certification program for real estate appraisers by January 1, 1991.
4. The state should actively lobby for and support the financing of affordable housing in rural areas under federal programs such as HUD's Mutual Help program, the BIA's Housing Improvement Program and the Department of Energy's Home Energy Program. However, the structure and management of these programs should be closely reviewed by the federal government and revised, where necessary.
5. State agencies should not fund the financing of existing substandard housing, with the following exception:

If the existing structure currently has a state financed mortgage and meets standards #1-4 of the definition of "substandard"; the size requirement will be waived.
6. The state should continue to support the Home Weatherization program, which is primarily funded by the federal government.
7. The Alaska State Legislature should enact legislation to restore clear legal authority for the implementation of appropriate minimum thermal standards, based on regional differences, for newly constructed state-financed housing.

Housing Task Force Report

STABILIZATION OF THE HOUSING MARKET

**prepared for Governor Cowper and
the Alaska State Legislature
by the Housing Task Force of
the Alaska Housing Market Council**

March 1988

Executive Summary

Recommendations and suggested actions contained within this report have been grouped into the categories listed below. The order of categories does not necessarily reflect their order of importance. Within each category, there are recommendations which may be as equally important to stabilization as those contained within other categories.

A. REDUCE HOUSING SUPPLY.

Action: Direct AHFC to fund projects making use of institutionally owned housing for public purposes. These projects should be funded either from their reserve account or by use of their bonding ability.

Action: Identification of eligible properties statewide, for purposes of demolition, should be accomplished through cooperative efforts of the Alaska Housing Market Council and the largest investor in the market, the Alaska Housing Finance Corporation.

Action: Develop a mechanism to hold property off the market.

B. INCREASE DEMAND FOR HOUSING.

Action: All mortgage loan agencies should provide clear and consistent loan guidelines which are no more restrictive than those of the national, secondary investors and/or insurers.

Action: Where there is more than one institution involved in the approval process for offers and loan commitments, a system of delegation must be developed so that only one institution, such as AHFC, is authorized to make that approval.

Action: Investors should remove the down payment restrictions on assumptions through negotiations with bond holders and insurers, if necessary.

Action: The legislature should amend the statutes so that an Alaskan resident can obtain an additional mortgage loan while maintaining another loan financed through a state agency.

Action: AHFC should be directed to relax the current owner-occupancy ratios for condominiums.

Action: Trades of properties should be utilized, wherever feasible.

Action: The State of Alaska, through a public relations effort, should encourage other participants to enter the Alaska mortgage loan market.

Action: The legislature should amend the delinquency rate ceilings for state investors.

C. DECREASE DELINQUENCIES AND FORECLOSURES.

Action: Investors should provide more flexibility in, and the increased use of, modification, refinance, or forbearance plans.

Action: Legislation should be enacted requiring investors to provide an opportunity for borrowers to apply for assistance prior to the initiation of foreclosure proceedings, taking into

consideration the unique problems inherent in the effects of condominium foreclosures.

Action: Investors should set and enforce guidelines requiring seller/servicers to provide in-state personal contact for borrowers in distress.

Action: Funding should be provided to the Alaska Housing Market Council's Mortgage Information and Referral Hotline to provide a toll free number for residents outside of the Anchorage area.

Action: Investors and mortgage insurers should help fund for, and provide early referrals to, mortgage and credit counseling programs.

Action: Local and state government should encourage investors to maintain and repair abandoned and REO housing. They should also mitigate the impact of housing abandonments through community education and "neighborhood watch" type programs.

D. EDUCATE MARKET PLAYERS.

Action: The legislature should continue funding for the provision of information and education on housing and mortgage loan issues.

Action: The State of Alaska should provide complete and accurate information on the status of the state housing market through regular compilation and publication of relevant data.

Action: The public and private sector should prepare a public relations campaign to educate the public on housing issues.

The housing market in Alaska first showed signs of excess supply as early as the 1983 construction season when housing starts set an all time high. Construction in the low end of the market, for condominiums and zero lot lines (\$60,000 - \$90,000), led the market saturation.

There was little control exercised by lenders and investors on the type, number, or quality of units built. The inability or unwillingness to measure market demand disguised potential saturation, while a generally buoyant economy concealed the depth of the pending problem.

Home buyers, encouraged by annual appreciation on residential real estate in the 12-18% range, began to view homeownership as a high yield investment instead of a method for providing shelter. Alaska's traditionally high

wages and salaries gave comfort to both buyers and lenders that homeowners would always be able to make their monthly mortgage payments.

These attitudes and practices collided with the dramatic drop in the per barrel price of oil in early 1986. The immediate loss of one billion dollars by the State resulted in a dramatic decline in publicly funded construction, local government revenue sharing, mortgage loans, and a host of other mechanisms which had driven the Alaska economy for five years of record growth. Alaska entered an economic recession.

The housing market showed immediate signs of the recession. Delinquency rates mounted as homeowners struggled to keep up mortgage payments based on previous earnings. Lenders and investors tightened up the

	Number of Loans Outstanding	Unpaid Principal Balance [\$ in millions]	Number of Loans Delinquent or in Default	Unpaid Principal Balance [\$ in millions]	Delinquency Rate (a)	Number of REOs	Value of REOs [\$ in millions] (b)
AHFC (Active Loans)	45,859	\$3,905.5	6,981	\$597.1	15.2%	3,687	\$215.9
AHFC (Total Loans Owned) (c)	50,646	4,140.2	6,981	597.1	13.8%		
DCRA-HAD	1,376	140.1	82	12.4	6.0%	44	3.9
AK Permanent Fund	225	37.2	20	3.3	8.9%	24	2.8
AIDEA/Division of Invest.	1,518	64.9	116	5.9	7.6%	6	0.4
State Res. Energy Loans (d)	1,082	2.5	97	1.2	9.0%	n/a	n/a
AIDEA multi-family residential loans (e)	13	11.5	7	8.6	53.8%	0	0.0
Alaska Pension Funds (f)	NA	NA	NA	NA	NA	NA	NA
FNMA (g)	5,605	421.4	886	66.6	15.8%	498	43.4 (h)
FHLNC (i)	5,648	519.1	421	40.2 (j)	7.5%	79	25.1
FHA-Insured (k)	11,864	1,128.1	1,453	138.0 (l)	12.2%	948	90.0 (l)
VA-Guaranteed (m)	4,674	376.3	449 *	36.1 (n)	9.6%	391	23.4 (o)
Farmer's Home Admin.	1,270	75.1	104	7.8 (p)	8.2%	146	10.4 (q)
MGIC (r)	n/a	n/a	n/a	n/a	n/a	137	6.5 (s)
TOTALS	83,921	\$6,916.4	10,616	917.2	12.6%	5,960	\$421.8

- * Alaska Housing Market Council estimate n/a - Not applicable NA - Not available
- (a) - Determined by dividing "number of loans delinquent or in default" by "number of loans outstanding".
- (b) - Most entities determine this value to be the unpaid principal balance of the loans on the properties foreclosed.
- (c) - This figure reflects the total number of loans "owned". It includes active loans, REO loans, and loan insurance receivables.
- (d) - State Residential Energy Loans are not mortgage loans but reflect second or third mortgages.
- (e) - These loans are commercial loans, but affect residential markets. The delinquency rate is a better reflection of the commercial market than the residential market.
- (f) - No reliable estimates available.
- (g) - AHMC estimate of FNMA loans not held by AHFC on December 31, 1987 based on available information.
- (h) - FNMA estimate of market value. Based on 61% of original property appraisal.
- (i) - AHMC estimate of FHLNC loans not held by AHFC on December 31, 1987 based on available information.
- (j) - Figures based on average loan balance of \$95,500.
- (k) - AHMC estimate of FHA-insured loans not held by AHFC on December 31, 1987 based on available information.
- (l) - Based on average loan balance of \$95,000.
- (m) - AHFC estimate of VA-guaranteed loans not held by AHFC on December 31, 1987 based on available information. UPB is based on average outstanding loan balance.
- (n) - Based on average loan balance of \$80,500.
- (o) - VA estimate of market value. Based on average asking price of listed properties.
- (p) - Based on Farmers' Home Administration estimated average balance of \$75,000.
- (q) - Farmers' Home Administration estimate of market value.
- (r) - MGIC is a mortgage insurance company, they do not purchase loans. However, they do acquire property in settling insurance claims.
- (s) - MGIC estimate of market value. Based on 66% of acquisition value.

money supply and began to apply the most conservative interpretation to lending requirements.

The subsequent decline in population, combined with tighter lending policies, contributed to the reduction in housing demand. The level of prices fell as the surplus developed. Some homeowners saw the value of their homes drop by as much as 40% in just two years.

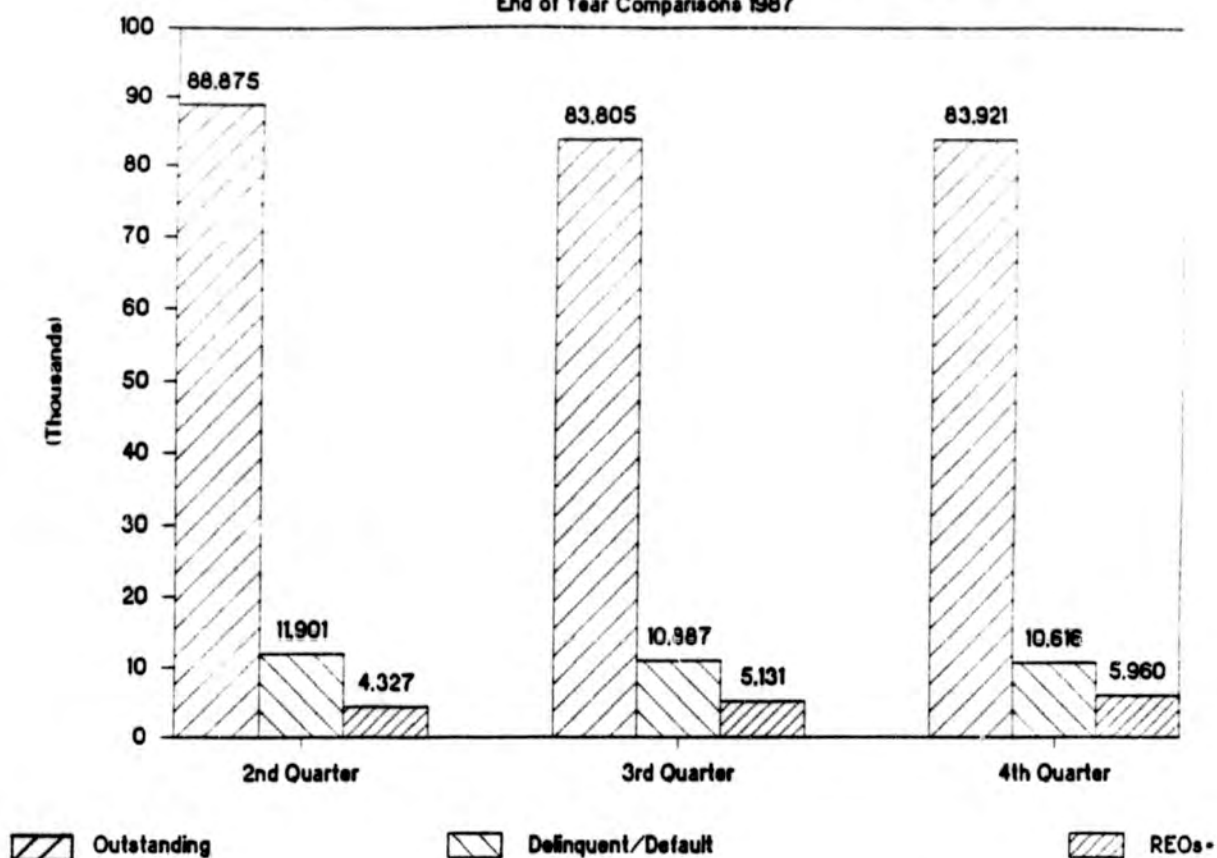
It is this series of events which led to the formation of the Alaska Housing Market Council by Governor Steve Cowper. In an effort to provide the public sector, private sector, and policy makers with direction in bringing positive change to the housing market, three regional task force groups were formed. These groups, representing Interior, Southeast, and Southcentral Alaska, consisted of knowledgeable individuals familiar with the housing market.

Recommendations contained within this report are oriented towards urban areas. The task forces recognized the differences between urban and rural areas; they felt that recommendations for rural areas would best be dealt with through the rural housing report funded by the 86-87 legislature. That report will be released by the Department of Community and Regional Affairs by the end of March, 1988.

The State of Alaska may need to approach these problems and solutions differently according to regions. There has been some discussion that a mistake of the past may have been the manner in which we treated all urban areas of the state the same. It makes no sense to establish a program for demolishing condominiums in areas of the state where there is no excess supply of condos. The criteria for consideration in diverse areas should center around the status of the market components in that region.

Residential Mortgage Loans in Alaska

End of Year Comparisons 1987



Source: Alaska Housing Market Council, Year End Residential Mortgage Loan Report, March 1988.

*Does not include private lending institutions.

It is essential to understand the interdependency of public and private interests in the housing market to be able to assimilate the recommendations contained in this report.

While some of the suggested actions may stand alone, these recommendations are presented as a package designed to achieve market stability.

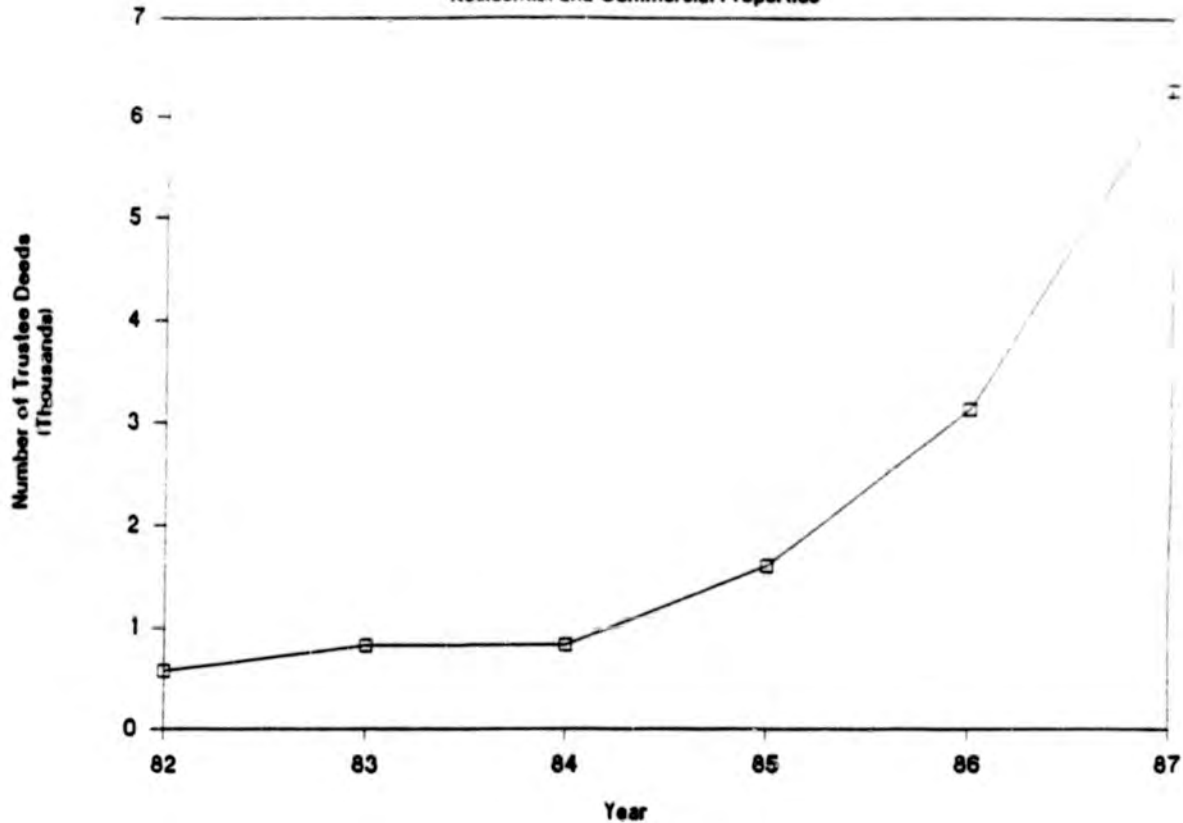
Many people who call for change may not be aware of the control outside interests may have upon the state's housing interests. Mortgage insurers from outside the state are an integral part of the mortgage industry in Alaska. It is these groups who are, at this time, taking the financial losses on residential real estate in Alaska. Oftentimes, bond holders and mortgage insurers must agree to changes in existing loans.

It's important, however, that a positive attitude prevail when considering recommendations and possible action plans. Oftentimes, when there are roadblocks such as contractual provisions which would make it difficult to achieve a solution, we find that negotiations and cooperation may be the keys to attaining that goal. The HOAP program, recently introduced by the Alaska Housing Finance Corporation (AHFC), is a good example of that. Many parties had to agree to changes: AHFC; the Federal National Mortgage Association (FNMA); the Mortgage Guaranty Insurance Corporation (MGIC); private mortgage insurers; and bond holders.

As there is no one cause for the current market condition, there is no one solution. All sectors of the Alaskan economy must share the responsibility for returning the housing market to a stable condition.

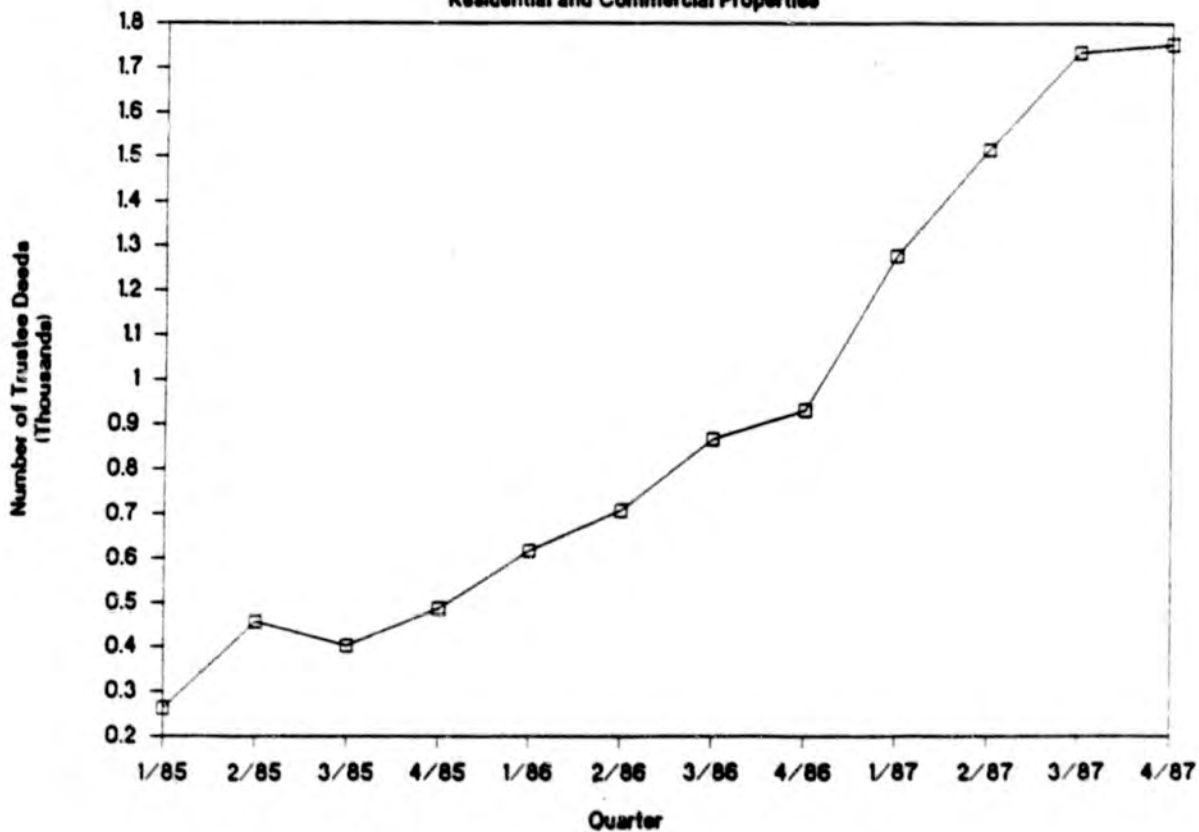
Foreclosures Statewide: 1982 - 1987

Residential and Commercial Properties



Foreclosures Statewide: 1985 - 1987

Residential and Commercial Properties



Source: Motznik Computer Services, Anchorage, Alaska.

Recommendations

A. REDUCE HOUSING SUPPLY

1. Make institutionally owned housing available for public interest use, such as student, elderly, low-income, developmentally disabled, mental health and transitional housing.

The housing most conducive to this use would be multi-family housing. Smaller projects could make use of tri-plexes and fourplexes, while condominiums might be converted for larger projects. Conversion, however, becomes a complex issue with the use of condominiums, as there are numerous private and institutional owners involved.

It should be stressed that the purpose behind this recommendation is to decrease supply on the private market for use in regards to the public good, while minimizing competition with private owners.

ACTION: Direct AHFC to fund these projects either from their reserve account or by use of their bonding ability.

2. Develop and initiate plans for the demolition of institutionally owned properties (REOs or OREOs) which are unsafe and/or substandard in quality.

Demolition of these REOs should be limited to types of housing in which an excess supply is predicted in the market for at least five years. The most likely buildings are particular condominium projects which are not presently in demand, where individual owners are anxious to vacate, and where the quality of construction does not meet present codes.

To accomplish this goal, it's incumbent upon the public and private sector to work with mortgage insurers in determining that financial losses taken today will be mitigated by future stabilization of the market.

ACTION: Identification of eligible properties statewide should be accomplished through cooperative efforts of the Alaska Housing Market Council and the largest investor in the market, the Alaska Housing Finance Corporation.

3. Develop a mechanism, where appropriate, to hold property off the market and reduce holding costs through the consolidation of properties into a consortium such as a "bridge bank" or Real Estate Investment Trust (REIT).

This concept was introduced during the time that the regional task forces had completed their meetings. Members of the combined task force chose not to recommend any particular mechanism.

This recommendation reflects the concern that there has been a lack of coordinated efforts in the management of these properties and that there is a critical need for an orderly release of residential REOs into the market.

To be successful, without creating a financial burden, this recommendation would need the extensive cooperation of mortgage insurers. It is also important that the financial costs of any of these plans would not rest entirely on the shoulders of the state.

ACTION: The action plan will differ depending upon the mechanism used. If the state were to become involved in the bridge bank, then enabling legislation, accompanied by a fiscal note, would be appropriate.

4. Any cooperative program, developed for the disposal and utilization of REOs, should provide a balanced approach in regards to both the rental and the sales market.

Numerous solutions to stabilization of the market have been offered by public and private interests;

some of those solutions may benefit one sector of the market while adversely affecting other sectors.

ACTION: Prior to creating or modifying housing policies or mortgage loan programs, the State of Alaska should perform a cost/benefit analysis in regards to both the rental and the sales market.

B. INCREASE DEMAND FOR HOUSING

1. All mortgage loan agencies, particularly Alaska Housing Finance Corporation (AHFC), should provide clear and consistent loan guidelines which are no more restrictive than those of the national, secondary investors and/or insurers.

Task force members recognize the need for agencies to conform to national guidelines, yet there is concern that this is not the opportune time to create more restrictive regulations than those which have been used in the past. With tighter restrictions, the market may stagnate from lack of activity.

Consistency is crucial in this market so that lenders, real estate professionals, purchasers and sellers may be reasonably certain that they will know whether or not a loan will be approved by

investors, such as AHFC. If there is no way to predict eligibility, then many months have been wasted by all parties involved. The purchaser may become disillusioned by the system and the sale is cancelled. This is a scenario which is not uncommon.

ACTION: AHFC, where practical, should seek affiliations with secondary investors with guidelines which are no more restrictive than those in the past. The staff of state agencies involved with mortgage loans should be directed to be consistent and clear with their loan guidelines. Management should be held accountable for inconsistencies in their programs.

2. All mortgage loan agencies, particularly AHFC, should take whatever action is necessary to provide for a more timely response to all routine business matters.

The process whereby offers to purchase REOs are approved is often delayed for an extensive time while all parties involved must "sign off" on the approvals. This is also the case, sometimes, in the approval for the loans to purchase the REOs. Improvements in this cumbersome system are being initiated, but sometimes at a slow pace.

One may find that the investor, the private mortgage insurer, and the pool insurer must all agree on just one offer. The ball is sometimes thrown back and forth between each one's court

until all parties involved have hammered out a mutually agreeable settlement.

ACTION: Where there is more than one institution involved in the approval process for offers and loan commitments, a system of delegation must be developed so that only one institution, such as AHFC, is authorized to make that approval.

3. Lenders and investors should remove restrictions to the straight assumption regulations which require down payments from otherwise qualified borrowers, when possible under existing contractual provisions.

There are many people whose homes are for sale and who, due to their inability to pay, will most likely lose that home through foreclosure should the home not sell. Meanwhile, there are potential borrowers who are well qualified to assume the monthly mortgage payments, but who do not have the necessary 5% or 10% down payment required by regulation. The public might be better served by approving the "no money down" loan of this potential borrower. The seller then is not a victim of foreclosure, the investor will receive reliable payments, the mortgage insurer has incurred little or no loss, and there is one less house in the burdensome REO portfolio of the investor.

ACTION: Investors should remove the down payment restrictions on assumptions. If existing contractual agreements prevent this, then the investor should attempt negotiations with either bond holders and/or insurers to affect change.

4. The number of loans an individual can receive from AHFC should be increased for a three year trial period.

Recognizing that this recommendation may be relevant and advisable in today's market but not necessarily in the future, the task force has placed a definite time period on this solution. It is not the intent of the task force that AHFC should subsidize interest rates of people seeking investment properties.

This should be used in situations, for example, where a family has outgrown their home or where they find themselves moving to another Alaskan community in order to find work. Those people should be allowed to rent their homes, until they sell, and still be permitted to purchase a home either in a different community or upgrade within the same community. This would stimulate the market and not be punitive, particularly to those who are forced to leave their community to support themselves or their families.

ACTION: The legislature should amend the statutes so that an Alaskan resident can obtain an additional mortgage loan while maintaining another loan financed through a state agency.

5. Investors should relax current owner-occupancy ratios for condominium mortgage loans.

Condominium owners find themselves caught in the vicious cycle of condo foreclosures. With each foreclosure, the owner occupancy ratio decreases. There are few condominium groups which then qualify for FHA or AHFC approval because they can no longer meet the owner occupancy minimums. The cycle begins when this makes it impossible for a condo owner to sell; subsequently, they lose their unit to foreclosure - bringing the ratios down further.

ACTION: AHFC should be directed to relax the current owner-occupancy ratios for condominiums. If contractual agreements prevent this, then AHFC should initiate negotiations to accomplish this goal.

6. Trades of property should be utilized wherever feasible.

This is a difficult and complex issue which, if effective, will require that AHFC take some direct

losses. To merely allow someone to trade up and add the negative equity from the first home onto the mortgage balance on the second home is a noble approach, but it's not likely that anyone will pursue this option nor can they afford to do so.

A proposal has been presented to the legislature whereby all parties involved would agree to absorb a portion of the financial loss which would result from a trade.

ACTION: The legislature should approve enabling legislation and direct AHFC to provide for a trade program where the owner, AHFC, and the mortgage insurer all absorb a portion of the financial loss created by a trade.

7. The entry of new lenders, investors and mortgage insurers into Alaska should be encouraged to increase financing options.

Without alternatives, it will become more and more difficult for the public to obtain mortgage loan financing which is not heavily restrictive.

ACTION: The State of Alaska, through a public relations effort, should encourage other

participants to enter the Alaska mortgage loan market.

8. Delinquency rate ceilings should be increased for loans through the Alaska Industrial Development Authority (AIDEA), the Public Employees Retirement System (PERS), and the Teacher Employees Retirement Systems (TERS).

AIDEA's 2% ceiling mandates that lending institutions with a delinquency rate exceeding 2% may not participate in AIDEA's loan program. There are very few lenders in the state who now qualify to work with AIDEA; even the more conservative lenders have exceeded the low rate of 2%.

ACTION: The legislature should amend the delinquency rate ceilings for state investors.

C. DECREASE DELINQUENCIES AND FORECLOSURES

1. Investors should provide more flexibility in, and the increased use of, modification, refinance, or forbearance plans.

This recommendation addresses not only the need for improvements in these plans, but also the need for changes in attitudes. This is not

restricted only to investors; seller/servicers and mortgage insurers also need to make a concerted effort to encourage use of these plans so that the

rising tide of foreclosures can be slowed.

ACTION: The state agencies providing mortgage loans should provide an example to the private sector through their attempts to keep people in their homes, if at all financially feasible.

2. Investors should be required to allow delinquent borrowers an opportunity to apply for a modification, refinance, or forbearance plan prior to any initiation of foreclosure proceeding, provided that the borrower has not abandoned his/her property.

It is crucial, at this time, that unnecessary foreclosures be halted. Some foreclosures need not occur if the homeowners involved have an opportunity to seek help before they are beyond any chance of being helped.

In the case of condominium owners, the investor should include delinquent association fees in any modification, refinance, or forbearance plan. Additionally, special timelines may need to be enforced on applications for condo owners, since other owners in the condo group are effected by prolonged foreclosure proceedings.

ACTION: Legislation should be enacted requiring investors to provide an opportunity for borrowers to apply for assistance prior to the initiation of foreclosure proceedings, taking into consideration the unique problems inherent in condominium foreclosures.

3. Seller/servicers should provide trained, consistent, and centralized staffing to assist borrowers in danger of default or delinquency. Said staff must be located within the state of Alaska.

All investors, including those out of state, should be encouraged to set clear guidelines regarding availability of personal contact for servicing agreements; they should enforce those guidelines.

Lack of consistency by seller/servicers creates a nightmare for borrowers. It's important that their staff be trained and constantly updated concerning changes in loan programs or modification/refinance/forbearance plans.

ACTION: Investors should set and enforce guidelines requiring seller/servicers to provide in-state personal contact for borrowers in distress.

4. The State of Alaska should expand the existing Mortgage and Information Referral Hotline, operated by the Alaska Housing Market Council (AHMC), outside of the Anchorage area-particularly to Juneau and Fairbanks.

Communities outside of Anchorage do not have equal access for help, considering the costs of an in-state long distance phone call. This recommendation would entail one of two approaches: either open small offices in these communities or provide funding for a Zenith line for the Hotline.

ACTION: Funding should be provided to AHMC to finance the costs of a Zenith number which can be accessed statewide.

5. Investors and mortgage insurers should encourage the development of statewide mortgage counseling programs and promote early referrals for borrower counseling.

Early counseling of borrowers can sometimes make the difference between foreclosure and someone staying in their home. Combining mortgage and credit counseling provides a holistic approach to a person's financial situation. It's important that counselors be permitted and encouraged to negotiate directly with investors on behalf of the borrowers.

ACTION: Investors and mortgage insurers should help fund, as well as provide early referrals to, mortgage and credit counseling programs.

6. The maintenance of abandoned and institutionally owned homes should be encouraged.

ACTION: Local and state government should encourage investors to maintain and repair abandoned and REO housing.

7. Local and state government should mitigate the impact of housing abandonments through community education and "neighborhood watch" type programs.

There are residual effects for neighborhoods when people abandon their homes. Deterioration of these abandoned homes can reduce the value of other homes in the area. The costs to the investor or mortgage insurer can be extensive for homes abandoned, particularly in the winter.

ACTION: See recommendation.

D. EDUCATE MARKET PLAYERS

1. The Alaska Housing Market Council (AHMC) should continue to provide information and education on housing and mortgage loan issues to the public and to state decision makers.

ACTION: The legislature should continue to fund Alaska Housing Market Council activities.

2. The State of Alaska should provide complete and accurate information on the status of the state housing market through regular compilation and publication of relevant data.

ACTION: See recommendation.

3. Lenders, investors and the State of Alaska should educate the public on the short and long-term effects of homeownership, particularly in regard to housing being viewed as a necessity rather than a "high yield" investment.

ACTION: The public and private sector should prepare a public relations campaign to educate the public on housing issues.

Task Force Meetings Summary

1987 Hearings

Dates	Location	Attendance	People Testifying
Nov. 17	Fairbanks	55	16
Dec. 10	Juneau	46	18

1987 Workshops

Alaskaland Civic Center
Fairbanks
November 21, 1987
(70 people attending)

Panelists:

William Beistline
President
Beistline Contruction

Audrey Foldoe
Associate Broker
ERA Meyeres Real Estate

Carrie Garner
Assistant Vice-President
Alaska State Bank

Myra Hollibough
Director
Consumer Credit Counseling

Taija Hoopes, Vice-President
Mortgage Loans
National Bank of Alaska

Barbara Johnson
Mortgage Loan Officer
Key Bank of Alaska

Centennial Hall
Juneau
December 12, 1987
(45 people attending)

Panelists:

Randy Crewse
Sales Associate
Century 21 Real Estate

Myra Hollibough
Director
Consumer Credit Counseling

Debra Ingman
President
Appraisal Assoc. of Juneau

Karen King, Vice President
Mortgage Loans
Alliance Bank

Amanda Richardson
Sales Associate
The Home Team

Frank Seiersen, Manager
Alaska USA Federal
Credit Union

Fairbanks (cont'd)

James Lentine
Vice President
Coldwell Banker Real Estate

Barbara Van Ness
Associate Broker
Remax Inc. of Fairbanks

Gary Roderick
Vice President
National Bank of Alaska

Peter Wielgos
Claims Specialist
Mortgage Guaranty Insurance
Corporation

Juneau (cont'd)

Joyce Tisch, Assist. Vice
President, Mortgage Loans
Alaska Federal Savings & Loan

Peter Wielgos
Claims Specialist
Mortgage Guaranty Insurance
Corporation

Task Force Meetings

Interior:	Southcentral:	Southeast:
1987		
October 22	November 12	October 26
November 5	November 24	November 5
November 19	December 7	November 19
December 3	December 22	December 8
December 17		
1988		
January 7	January 12	January 14
January 21		

Statewide Combined Task Force Meeting

On February 11, 1988, two members from each of the regional task forces met in Juneau, with the Executive Director of the Alaska Housing Market Council, to finalize recommendations.

Profiles of Task Force Members

Interior Housing Task Force

Joseph M. Beedle

Currently employed as Senior Vice President with Key Bank of Alaska with 14 years of banking experience; earned Bachelor's in Business Administration with honors from the University of Alaska-Fairbanks and post graduate work at University of Washington-School of Business; member of State Chamber of Commerce Board, Fairbanks Memorial Hospital Finance Committee, Fairbanks City Revenue Task Force, and the Alaska and American Bankers Assoc., and the American Institute of Banking; serves as advisory chair of Fairbanks Community Research Center, vice pres. of UA Alumni Board, and vice pres. of Tanana Valley United Way Board.

Erma Belz

Currently Fairbanks Project Coordinator for Foster Grandparent Program, Senior Companion Program, and retired Senior Volunteer Program; continues to serve as a senior advocate; resident since 1971; member of National Association of Foster Grandparents Program Directors, Borough Mayor's Council on Economic Policy, Arctic Alliance for People, Tanana Valley United Way Agency

Director Association, and Interior Alaska Elder Abuse Task Force; selected 1987 Member of the Year for the American Association of Retired Persons.

Lucy Carlo

Information unavailable.

Audrey Foldoe

Currently employed as Associate Broker and Sales Manager with ERA Meyeres Real Estate; 12 years experience in the real estate field; Alaskan resident for 32 years; previously partner in residential construction company; first female licensed carpenter in Alaska; president-elect of the Greater Fairbanks Board of Realtors, past chair and present board member of the Alaska Mechanical Contractors Ladies Auxiliary of Fairbanks; former chair and present member of the Fairbanks North Star Borough Planning Commission.

Nanci Jones

Employed with the Fairbanks North Star Borough as an Internal Auditor; previously with KMG Main Hurdman, a public accounting firm; graduate of the University of Alaska in Fairbanks with a Bachelor's Degree in Business

Administration; 15 year resident and homeowner for over 13 years; member of Internal Auditor Association, Alaska Society of Independent Accountants, Board of Foundation for Preschool Education; president-elect for Fairbanks Quota Club.

Dan Leland

Currently Vice-President at Alaska Title Guaranty Agency where he has been employed since 1979; seventeen years of title industry experience; holds an AA degree in Liberal Arts; charter member, current board member and past president of Interior Building Assoc.; past treasurer and vice president of Interior Mortgage Assoc.; member of Alaska Land Title Assoc., Education Committee of the Chamber of Commerce, Budget Committee of the United Way; currently Executive Board member with Council of Boy Scouts of America - Midnight Sun.

Brian Rogers

Currently employed as Vice President of Finance with the University of Alaska statewide system; 18 year resident and 15 years as a homeowner; Master's Degree in Public Administration from the Kennedy School of Government at Harvard University; former member of the Alaska House of Representatives for two terms; vice chair of Governor Cowper's budget transition team; has been active in numerous community organizations.

Josephine Violet

Presently the Project Office Manager for the Section 8 program with the Alaska State Building Authority (ASBA); helped facilitate the Birch Park renovation move; employed with ASBA for 5 years; experience with low-income housing and landlord-tenant issues; previously employed with the Fairbanks Daily News Miner in Classified Advertising where she dealt with real estate; 12 year resident.

Southcentral Housing Task Force

Bob Arvezon

Licensed Real Estate Salesperson and Associate Broker for 22 years; graduate of Bowdoin College, in Maine, with a Bachelor of Arts degree - major in Economics and minor in Education; resident of Alaska for 26 years; currently serves as the treasurer of the Alaska Association of Realtors; past president, director, and secretary of the Anchorage Board of Realtors; served many years on realtor legislative and political affair committees.

Rick Barrier

Currently the general partner in Malaspina Properties and a partner with them for seven years; President of Alaska Technology - business consultants and builders; active in real estate investments; holds a

Bachelor of Science Degree from Yale University and a Master's in Business Administration from Stanford University; 17 year resident of Alaska; president of the Alaska Trailer Court Association.

Fred Ferrara

Presently a Real Estate Appraiser and Consultant; has the largest firm statewide in appraisal and business consulting; independent appraiser for twenty-two years; active in Society of Real Estate Appraisers National Board of Governors; member of the Board of Directors Home Builders Association of Alaska; instructor with the University of Alaska for 13 years; lectures and instructs various seminars locally and nationally; holds a Bachelor of Arts Degree in Management from the University of Alaska.

Rob Gamel

Currently the Southport Project Director for Carr/Gottstein Properties; president of Alaska State Homebuilders Association; former president of Building Industry Association of Anchorage; chairman of Governor Sheffield's statewide task force on housing; active in home building industry for twelve years; holds a Bachelor of Science Degree from Alaska Methodist University in Economics; born and raised in Alaska.

Mike Hanley

Presently the Vice President of Corporate Banking with Rainier Bank Alaska; sixteen years of experience in banking; holds a Bachelor of Arts Degree from State University (New York) in Business Administration; member of Alaska Mortgage Bankers; member of Anchorage Neighborhood Housing Service and serves on their Lending Committee for Residential Housing and Commercial Loans.

Carol Jackson

Currently employed as President of First Alaska Management Services, Inc.- the first housing consumer counseling agency funded by HUD in the State of Alaska; a licensed real estate agent; previously a property manager for four years specializing in condo units; prior work as an Underwriter Project Review Specialist with Alaska Housing Finance Corporation; 27 year resident of Alaska Business Management Courses from Alaska Pacific University.

Ann Marie Lindboe

Presently a Loan Examiner for the Housing Assistance Division of the Department of Community and Regional Affairs; prior work in the mortgage area with a local lender for two years; holds a Bachelor of Science Degree in Business Administration, with a major in Business Management; member of Mortgage Bankers Association and Rotary Club serves on Education Committee.

Gil Lulay

Member and past president of Community Associations Institute, Alaska Chapter; first Alaskan candidate for the Professional Community Association Manager; licensed real estate agent; involved with managing 35 condo associations and advised on 65 condo associations; prior owner of a contracting business; prior work as a Federal Grants Manager, City of Portland; served on Advisory Committee for Downtown Plan; holds a Masters Degree and has a year of law school from Lewis and Clark Law School.

Ron Moore

Broker and Co-Owner of Freedom Realty with 10 years of real estate experience; past positions include president of Alaska Association of Realtors, member of National Association of Realtors, member of Kenai Builders Association and Real Estate Instructor for Alaska Association of Realtors; graduate of Kenai High School; cum laude graduate with a Bachelor of Arts Degree in Accounting from the University of Alaska; a Certified Commercial Investment Member; Alaska resident since 1952.

Kay Murphy

Presently Vice President of Real Estate Loan Administration in charge of Alaska Mortgage Production with Alliance Bank; 1987-88 President of Alaska Mortgage Bankers Association; member of Board of Directors

for AMBS since 1985;

previously worked for 6 years as a Mortgage Department Supervisor with Alaska Housing Finance Corporation; 4 years as an Assistant Cashier in charge of Mortgage Loan Production with First National Bank of Anchorage; one year of college at Oregon College of Education; 1984 graduate of the School of Mortgage Banking through the Mortgage Bankers Association of America; numerous mortgage banking seminars and correspondence courses; Alaska resident for 18 years.

Cynthia Parker

Currently Executive Director for Anchorage Neighborhood Housing Services managing residential and commercial loans; an extensive background in housing and property management; previously manager for Housing Authority in Portland, Oregon; holds a Bachelor of Science Degree in Political Science & Planning post graduate studies in Business Administration; member of Anchorage Planning & Zoning Commission; past chairperson of Anchorage Platting Authority; resident of Alaska for 8 years.

Leslie Bogda

Fourteen year resident and homeowner for over eight years; past Director of Valley Women's Resource Center for 3 years; holds a Bachelor of Social Work Degree from the University of Alaska.

Southeastern Housing Task Force

Mary A. Cook

Presently Finance Director for the Finance Department, City of Juneau for four years; recruited for the above position from Olympia, Washington with 15 years of finance experience; holds a Bachelor of Science Degree from Washington State University in Business Administration and Accounting; past executive board member of Government Finance Officers Association of the United States and Canada; past president of Washington Finance Office Association; served as liaison between state and national Organization of Government Finance Offices; received appointment from Mayor of Juneau to serve on AD Hoc committee of school funding.

Chris Foster

Broker and owner of The Home Team Realtor for 6 years; holds GRI designation; studied in Political Science at the University of Utah; currently president elect of Alaska Association of Realtor; chairperson of the Task Force for Alaska Real Estate Commission to propose recommendations to statute and regulations for change in 1985.

Deborah Ingman

A licenced realtor and owner of the Appraisal Associates of

Juneau for 5 years; holds the designation Certified Review Appraisers; appraisal education obtained from American Institute of Real Estate Appraisers and Society of Real Estate Appraisers; appraisals done in 17 communities in Southeast Alaska; approved through all lending institutions, relocation companies, FNMA, FDIC, DCRA and AHFC; president of the Association of Professional Mortgage Women.

Karen King

Currently supervisor of Mortgage Loans at Alliance Bank; 12 years of mortgage banking experience; has a direct indorsement as underwriter for HUD loans; member of Juneau Association of Professional Mortgage Women and National Association of Review Mortgage Underwriters; an active member of National Home Builders; Alaska resident for 18 years.

Jerry Reinwand

Information unavailable.

Frank Seiersen

Currently Southeast Area Manager with Alaska USA Federal Credit Union; prior vice president, Juneau Regional Office for Alaska Federal Savings for 4 years; 14 years in Washington Mortgage Lending; 7 years with Savings and Loan in California; studied in the

executive program and completed the Mortgage Banking and Savings and Loan courses at Stanford University; studied Petroleum Technology in Executive Development for two years at University of Washington; active in Juneau Chamber of Commerce; director of Alaska State Chamber; past port commissioner for the Port of Douglas County Washington; member of Rotary Club; resident of Alaska since 1982.

Joyce Tisch

Employed with Alaska Federal Savings and Loan as Assistant Vice President; prior vice president Real Estate Loan Officer for B. M. Behrends bank in Juneau for over a year; chief of loan processing with Veterans Administration for 6 years; 15 years with Idaho First National Bank and was the first female real estate officer in the State of Idaho; previous experience as a Bank Real Estate Auditor; several courses in business school; president for two years Mortgage Women; affiliate member of Mortgage Women in Idaho; past member Bankers Association in Idaho; a resident of Alaska since 1981.

Ron Wendte

An appraiser with Wendte Services; fifteen years of appraisal experience in Southeast Alaska, previously mortgage banker with Alaska Federal Savings and Loan; holds a Bachelor of Arts Degree from the University of Montana; graduate studies at the University of Alaska Juneau; past member of House Special Committee on loans and Alaska Board of Regents; past president of Ketchikan Chamber of Commerce and Rotary Club.

Joe Wilson

Currently the Executive Regional Director of Tlingit for 5 years; previously with the Central Council Tlingit Indian Tribes of Alaska for 11 years; graduate of Shelton Jackson Junior College in Sitka, Alaska; member board of directors of Alaska Association of Housing Authority; past chairman of Sea Alaska Corporation; past president and chairman and current director of Goldbelt Corporation; born and raised in Alaska.

Alaska Housing Market Council

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Real Estate Marketing Specialist
Mortgage Guaranty Insurance Corp.

Ad Hoc Member

Mike Harper
Director
Division of Housing Assistance

Dept. of Community and
and Regional Affairs

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Executive Director

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David Rose
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Alaska Permanent Fund Corp.

Tony Smith
Commissioner

Dept. of Commerce and
Economic Development

Bert Wagnon
Executive Director

Alaska Industrial
Development Authority

* Council Chair

(The Governor's office is in the process of appointing four
public members to the Council)

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Special thanks to the following consultants: Fiona Caitlund and
Gordon Smith.

1988

CONFERENCE PAPERS

**GOVERNOR'S
HOUSING
CONFERENCE**

SEPTEMBER 23, 1988

ANCHORAGE, ALASKA



**ALASKA HOUSING
MARKET COUNCIL**

Governor's Housing Conference

September 23, 1988

Anchorage, Alaska

CONFERENCE PAPERS

These papers were prepared in response to a call for papers issued by the Alaska Housing Market Council, an advisory group to the Governor and Legislature. The opinions expressed in these papers are the authors' and do not necessarily reflect the positions of AHMC.

**Alaska Housing Market Council
PO Box 240048
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(907) 563-3325**

Governor's Housing Conference
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CONFERENCE PAPERS

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**The Alaska Real Estate
Recession - 1984-1988
Lessons Learned**

**For
Alaska Housing Market Council
Written August 1988**

**by
G. Hayden Green
Professor/Real Estate and
Associate Dean
School of Business
University of Alaska Anchorage**

been suggested that this statement should have been modified slightly. A more appropriate comment could have been, "I am putting my banker's money where my mouth is."

One of the most popular seminars offered in the last decade to the general public by real estate experts was titled, "How to Buy Real Estate for Nothing Down." Hundreds of individuals in Alaska took these courses at considerable expense and many of these students had the distinction of being some of the first to go broke when the economy turned down. We Alaskans now have a better understanding of the concept of leverage and have added to our vocabulary the term "reverse leverage." The same forces that can make you wealthy in an inflationary cycle can render you poor with equal acceleration in a deflationary market. If the reader has questions about this concept, direct them to the author of the "buying real estate for nothing down" concept, Dr. Lowary. He too has filed bankruptcy in the Florida Federal Court and is today much wiser than before.

Prior to the real estate crash, bank loan processors, real estate agents and mortgage insurance companies often explained to buyers of real estate that mortgage insurance premiums paid by the buyer was protection for the bank in the event the buyer defaulted on the loan, which somehow ultimately protected the buyer, giving the buyer a false sense of security that he/she was protected in the event of a foreclosure. We now know that the mortgage insurers will demand extensive financial information from the mortgagor to justify the foreclosure action. If the mortgagor fails to succeed to the mortgage insurer's demands for some restitution they are often forced into bankruptcy. Mortgage insurers have also scrutinized the underwriting standards and contractual agreements between themselves and the lenders. Where building quality has been substandard or in cases where mortgagors were approved for loans for which they did not qualify, banks have become the mortgage insurers.

Alaskans have learned a lot about the foreclosure laws in the past four years. Prior to 1987, most real estate professionals understood that lenders had the right to foreclose either judicially or non-judicially. Everyone also knew that banks almost never resorted to judicial foreclosure and the risk of owning real estate was the possible loss of equity invested (if any existed) in the event of a default. We now know that you can be sued on the note and/or foreclosed upon judicially or non-judicially and that banks will go after your property, garnish your income, try to seize your retirement accounts and file judgments against your children's educational funds. It seems that, under the facade of the "friendly banker," the big bad wolf has been lurking all along.

CORRECTION

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

The Alaska Real Estate
Recession - 1984-1988
Lessons Learned

For
Alaska Housing Market Council
Written August 1988

by
G. Hayden Green
Professor/Real Estate and
Associate Dean
School of Business
University of Alaska Anchorage

THE ALASKA REAL ESTATE RECESSION: - 1984-1988
THE LESSONS LEARNED

by G. Hayden Green

Real estate text books have been around for over 100 years and many of the principles studied by contemporary students of real estate have survived the test of time. Students answer questions correctly about these principles on tests and professional real estate practitioners often respond with a condescending smile when queried about such concepts by amateur investors. Sometimes, however, the utter veracity of these concepts can only be firmly imbedded in the intellects by a swift and lethal blow to the wallet.

As in other fields of endeavor, it is a truism in real estate circles that experience is the best teacher. The higher the cost of the education, the greater the likelihood the student will remember it. This has been the philosophy of the Ivy League colleges for many years. Parents know that if they pay large sums sending their children to expensive schools, these children will have a greater opportunity for success, even if the children are only learning through osmosis. If this a priori assumption is correct, then many Alaskans are ready to sit for their doctoral exams.

The following text describes some of the principles and concepts that we Alaskans have a greater appreciation for in 1988 than we had in 1984. These principles have become so well understood by the present generation that the reader might question the necessity to restate them. Like the Ten Commandments these precepts are being recorded for our posterity. As Moses discovered, his generation and several generations to follow made the same mistakes many times over. Not even manna from heaven could enlighten the Israelites. It is, therefore, unreasonable to believe that oil from the ground will relieve the myopia of Alaskan real estate investors. We are destined to make some of the same mistakes again. Possibly, if we record these lessons enough times, future generations will profit from our painful and expensive experience induced education.

Probably the most classically erroneous statement uttered by an Anchorage real estate practitioner was in 1984 when a developer was quoted in the Anchorage Daily News as saying, " I believe the Alaska economy will continue to grow at this rate for the next 10 years and I am putting my money where my mouth is." One short year later this businessman filed for protection in the federal bankruptcy court. It has

been suggested that this statement should have been modified slightly. A more appropriate comment could have been, "I am putting my banker's money where my mouth is."

One of the most popular seminars offered in the last decade to the general public by real estate experts was titled, "How to Buy Real Estate for Nothing Down." Hundreds of individuals in Alaska took these courses at considerable expense and many of these students had the distinction of being some of the first to go broke when the economy turned down. We Alaskans now have a better understanding of the concept of leverage and have added to our vocabulary the term "reverse leverage." The same forces that can make you wealthy in an inflationary cycle can render you poor with equal acceleration in a deflationary market. If the reader has questions about this concept, direct them to the author of the "buying real estate for nothing down" concept, Dr. Lowary. He too has filed bankruptcy in the Florida Federal Court and is today much wiser than before.

Prior to the real estate crash, bank loan processors, real estate agents and mortgage insurance companies often explained to buyers of real estate that mortgage insurance premiums paid by the buyer was protection for the bank in the event the buyer defaulted on the loan, which somehow ultimately protected the buyer, giving the buyer a false sense of security that he/she was protected in the event of a foreclosure. We now know that the mortgage insurers will demand extensive financial information from the mortgagor to justify the foreclosure action. If the mortgagor fails to succeed to the mortgage insurer's demands for some restitution they are often forced into bankruptcy. Mortgage insurers have also scrutinized the underwriting standards and contractual agreements between themselves and the lenders. Where building quality has been substandard or in cases where mortgagors were approved for loans for which they did not qualify, banks have become the mortgage insurers.

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One of the most commonly heard phrases in Alaska in early 1985 was, "just send the keys to the bank." Then we learned that if you send enough keys to the banks soon there are no banks to which to send the keys. Alaskans have learned that, if you are going to default, it is best to default in the early stages of the recession. There are two types of real estate borrowers. (1) those who feel a strong moral obligation for their commitments and (2) those whose signatures mean nothing. The latter group quit making their payments to the banks at the first sign of trouble, milking rents from properties for as long as they could, and then giving the bank a deed-in-lieu of foreclosure while the experience of foreclosures was still a relatively new phenomenon. Individuals with a strong moral commitment for their obligations hung on long enough to see the banks change their policies and start suing mortgagors for every last drop of blood. Fortunately the latter class of mortgagors listed above now know or will soon know that debt relief is taxable income unless provided for through bankruptcy.

When times were good in the early 1980's, real estate agents often opted to take their commissions as partial assignments of deeds of trust to spread out their income and reduce their income tax obligations. When the market crashed, the brokerage community learned that a holder of a partial assignment of a deed of trust can not foreclose on their rights. Without a promissory note specifying to the contrary, the acceptance of the partial assignment in lieu of cash may relinquish the sellers obligation and brokers have learned that commissions can be lost long after they are earned.

"Where was the building inspector", is a question asked with considerable repetitiveness by members of the real estate industry in the past few years. Buyers of property, banks, and real estate agents have become the guarantors of substandard properties while the builders have moved on to apply their ineptness in other growth markets. We also now know that you can not hold the city responsible for incompetent building inspectors.

One of the many lessons learned in Anchorage during the last three years is that past prices do not always reflect future prices. Real estate is not always measured in linear dimensions. "Bvc I had an appraisal" is a frequently heard exclamation offered by real estate owners. To many an embittered investor, one of the most frustrating deficiencies of the appraisal for which he/she paid hundreds or even thousands of dollars in 1984, is why the appraisal did not mention the over built conditions in the market and the possible eventuality of a market crash. Even more perplexing is why the same appraisers that recommended the projects that led to a severely over built market are still