

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 8672

2181 HCRA HB 302

811



Service Agency	General Statement of Purpose	Program Titles Descriptions	1983 Appropriations/ Leverage (Millions of \$)	Current Interest Rates	No. of Units W/ FY '83 Funds	Comments
1. Housing Assistance Division; Community & Regional Affairs (HAD/DCRA)	<u>Loans:</u> Provides secondary market for mortgage loans in rural Alaska and all nonconforming properties statewide.	Loans are made from the Housing Assistance Fund (HALF) into three programs:  (a) Rural Owner - Occupied Housing Loans (ROO), 95% LTV, FHMA maximums.  (b) Rural Nonowner - Occupied Housing Loans (RNO), 80% LTV, 2-16 units, \$1.25M maximums.  (c) Nonconforming Loans (NC) - Urban & Rural, 95% LTV, FHMA maximums.	TOTAL HALF <u>\$44.5</u>  ROO \$29  RNO \$ 7  NC \$ 8.5	10.5 (annual fixed rate)  10.5 (annual fixed rate)  9.125-10.125 on first \$90,000 with balance at cost (per latest bond sale of AHFC)	322  75  18	60 new units also available in FY carry over
	<u>Grants:</u> (a) Provides state grants to 12 regional housing authorities to supplement HUD funded projects.  (b) Provides state grants for the development of senior citizen housing.	(a) Supplemental Housing Development Fund (SHDF) - Leverages up to 20% total HUD project cost for • water/sewer • on-site electrical • on-site roads on-site  (b) Senior Citizen Housing Development Fund (SCHDF) - \$10,000 per unit total project cost inclusive of all funding sources	\$ 7.3M - \$56M (state) (HUD)          \$10M/Leveraged amounts decided on a project-by-project basis.	N/A       N/A	419       114	913 units '82 for program total of 1,332 units       Since 1974 total of \$1.1M will consist of 7.5 units of Senior housing.



Service Agency	General Statement of Purpose	Program Titles Descriptions	1983 Appropriations/ Leverage (Millions of \$)	Current Interest Rates	No. of Units W/ FY '83 Funds	Comments
HUD	Low Income housing loans for Indian and low income public housing.	Mutual Help Home Ownership	\$20 (1)	5% - 8% (2)	343 (3)	(1) FY '82 funding no FY '83 appropriations this time.  (2) 5% (at construction); 8% term financing.  (3) FY '76-'81 total is 3.
BIA	Under the BIA Housing Improvement Grant Program, many houses are replaced with new units. This is done if unit is in bad shape or has burned down. Data includes only housing replacement to new units.	Housing Improvement Program	\$1.6 million FY '82 funding	N/A	49 (1)	(1) From Fiscal 1976 - 1978 \$10.06 million funded 59.

Service Agency	General Statement of Purpose	Program Titles Descriptions	1983 Appropriations/ Leverage (Millions of \$)	Current Interest Rates	No. of Units w/ FY '83 Funds	Comments
Alaska Industrial Development Authority (AIDA)	AIDA provides funds for multi-family housing through sale of tax-exempt bonds. (1)	<u>Multi-Family</u> 75% LTV 5 units or more 20% of units available to persons of low-to- moderate income. Restrictions on condo conversions.	\$211 will support \$751 in multi-family construction.	11%	2,000 units (2)	(1) Program ended Dec. 31, 1983, as a result of federal legis- lation.  (2) These will be rental units.
Alaska State Housing Authority (ASHA)	Finance, construct, and manage low-to-moderate income housing projects and programs in conjunction with federal Dept. of Housing and Urban Development (HUD), and to a limited degree, the state.	<u>Conventional Low Rent</u> Tenants who live in ASHA owned dwellings, pay maximum of 30% of monthly income for rent, subject to income limits.	\$5.5M	N/A Average Rent = \$159/month	1,095 (3)	(3) Rental units.

Service Agency	General Statement of Purpose	Program Titles Descriptions	1983 Appropriations/ Leverage (Millions of \$)	Current Interest Rates	No. of Units W/ FY '83 Funds	Comments
Alaska State Housing Authority (ASHA)	ASHA has four more programs providing 375 units. They are not programs with growth potential, so are not discussed here.	<p><u>Section 8 New** Construction</u></p> <p>ASHA finances develop- ment and management costs, HUD will pay rent subsidy.</p> <p><u>Section 8 Existing (4)</u></p> <p>Eligible participants find housing units in private market. ASHA pays rent subsidy.</p>	<p>\$1.7 State Grant (1)</p> <p>\$2.3 Federal Dollars (2)</p> <p>\$5.4 Federal 1982 funds</p>	<p>N/A</p> <p>N/A \$171 average rent paid</p>	<p>285 (3)</p> <p>78 in construc- tion phase for elderly.</p> <p>1,355 rental units</p>	<p>(1) These figures 1976 - 1979.</p> <p>(2) 1982 amount HUD.</p> <p>(3) Rental units</p> <p>** This program could be used the state to construct or with state and then use money for subsidy.</p> <p>(4) This program being phased by HUD.</p>

Service Agency	General Statement of Purpose	Program Titles Descriptions	1983 Appropriations/ Leverage (Millions of \$)	Current Interest Rates	No. of Units w/ FY '83 Funds	Comments
Regional Housing Authorities (RHAs)  14 agencies involved	Develop and operate home ownership projects and rental primarily for the benefit of natives, finan- cing them through sale of tax-exempt obligations.  Work with HUD and receive Federal and State Funds	Native Public Housing  For Ownership Program see HUD		N/A	416 (1)	(1) Rental units
Farmers Home Administration (FHA)	Provides adequate housing for persons of low-to- moderate income in rural area.	<u>Section 502 Program</u>  Provides direct loans for low-to-moderate income rural home buyers.  <u>Rural Rental Housing</u>  Provides loans for multiple family dwellings.	\$12.3 Federal funds FY 1982        \$2.4	1% - 3%        1%	176 Single-family        60 Rental units in three projects	

FUNDING DEMAND

Recommendation #5: The Task Force recommends meeting an FY'84 funding demand of \$1.244 Billion for statewide housing programs and presumes no absorption of currently funded federal programs. A further recommendation is to institute a 18 month funding cycle for all housing loan programs.

Narrative: The Task Force reviewed projected FY'84 departmental budgets for the five state agencies involved with housing programs. The chart below outlines the total projected demand and the current budget request of each agency. The chart also identifies where additional funds will be needed, as labeled in the column titled "Unappropriated Balance"

<u>FY84 (In Millions)</u>		
<u>Projected Demand</u>	<u>Projected General Fund Appropriations</u>	<u>Unappropriated Balance</u>
AHFC	\$1,100	\$250
CRA/HAD	50	50
Commerce/Energy Loans	11	11
AIDA	75	-0-
ASHA	8	8
	\$1,244	\$319
		\$850 (2)

(1) AIDA operates in the tax exempt bond markets and passes 100% of the costs of its funds to its borrowers. In 1982 the Legislature appropriated \$21 million to AIDA in order to be pledged as reserves for tax exempt bond sales. Therefore, AIDA will not request an additional general fund appropriation for FY84 to sell a projected \$75 million in bonds.

(2) The unappropriated balance of \$850 million for AHFC can be funded by the following means:

Unappropriated Balance (in millions)	\$850
General Obligation Bonds (Veterans) projected	\$300
Tax exempt bonds projected	100
Other earnings projected	50
	(450)
Subtotal	\$400
Amount funded through taxable bond sales and/or Permanent Fund investments	(400) (3)
Total Unfunded	-0-

(3) Most likely due to leveraging the general fund appropriation, the amount of additional borrowings will be close to \$500 million.

The Task Force recommends as further explained in recommendation #7 that the Permanent Fund be utilized as an investment vehicle to supply as much as \$500 million to the AHFF in FY84. This could save the AHFF millions of dollars of costs associated with marketing, advertising and underwriting massive bond sales as well as to bring home a portion of the Permanent Fund to Alaskans.

Further, the Task Force recommends a one time eighteen month appropriation to the AHFF. Subsequent sessions of the Legislature will only need to make a normal twelve month appropriation.

This will help create stability in the AHFF by eliminating the uncertainty that the public faces every spring. In recent years the capital budget has not been passed by the Legislature and signed by the Governor until May or June. This has caused considerable concern to the public by the fact that the entire existence of the various programs are up for renewed funding and possible restructuring, or even elimination by the Legislature or Governor.

## INTEREST RATES

Recommendation #6: The Governor should direct the AIFF to annually determine and publish the rates of interest to be charged on housing loan programs administered by any state agency. The Legislature shall have the power to adjust rates and vary features of the various loan programs administered by each agency through fund appropriations. The Task Force recommends an irrevocable rate schedule for all programs be published annually for the following calendar year. Further, the Task Force recommends the FY'84 Legislature seek maximum rates on the first \$90,000 at 10% for Conventional Financing, 9% for Veteran's Preference Financing. A 6% rate for HOF Programs and 5% rate for energy renovation programs is also recommended. In the event the Legislature does not see fit to establish a fixed rate annually, then the interest rate spread between the cost of funds and the mortgage rate made available to borrowers should be increased to 4% to reduce the impact of accelerating interest rates.

Narrative: The Task Force wrestled with the problem of establishing interest rates on the various loan programs administered or funded by state agencies. The obvious problem faced in this matter is the adverse affect on both the economy and the ability to acquire needed shelter by citizens of this state when rates accelerate or remain at high levels for a long period of time. High interest rates contributed significantly to the depressed housing conditions existing in the late 1970's and early 1980's. The Legislature adopted a means of controlling the amount of subsidy dollars that would be required in any given fiscal year by establishing a maximum spread of 3% between the cost of funds and the actual rate paid by the borrowers. This effectively assured that the required appropriations for covering the cost differential of interest could be controlled when using bonds to fund Alaska Housing Finance Corporation, but the effect on many individuals within the State of Alaska both home buyers and builders was disastrous when rates were moving upward. The Task Force was of the opinion that steps have to be taken to avoid the horrendous results of substantial increases in the mortgage interest rates during the middle of the construction season, particularly when it is impossible to obtain forward commitments for a sufficient time to protect the builder and the home buyer. In the last critical situation, the party most affected was the owner/builder who often was not able to qualify after the interest rate increase for the home he had built for his own occupancy. It is the position of the Task Force that the Governor should direct AIFF to annually determine and publish the rates of interest to be charged on housing loan programs administered by any

state agency. Appropriately, the Legislature shall have the power to adjust rates and vary features of the various loan programs on a fiscal basis. It is the position of the Task Force that steps should be taken to ascertain in advance the needs for mortgage financing and acquire those funds from whatever source at a cost that will meet the objectives and goals of the Legislature and provide housing to the home buyers at the lowest possible cost.

Further, the Task Force recommends that the fiscal year '64 Legislature set maximum rates on the first \$90,000 at 10% for conventional financing and 9% for veterans financing wherein taxable bond funds must be used. It is recommended that the rate established for the homeowners fund (HOF) loans be set at a minimum of 6% and escalated in accordance with the prescribed methods of establishing rates under the existing Alaska Housing Finance Corporation program. The Task Force also recommends the continuance of the 5% energy renovation loan programs as being beneficial to citizens throughout the state.

Administration of the interest rates is a critical question and represents one of the most important reasons why the State of Alaska is involved in funding of loans. Certainly, the only other factor more important than the interest rate is the availability of funds for housing. Obviously, in times of tight money and high interest rates, to obtain a compatible situation may be impossible without a tremendous expense to the State of Alaska. If the legislature is unable to reach an agreement based upon the fixed rates, then we would recommend that the spread be increased from the above mentioned 3% to 4% for funds obtained through the sale of bonds. This would reduce the impact of accelerating interest rates and still give a measure of protection to our citizens.

In addition, it is our position that the policy board of AHFF be given authority to reduce interest rates on loans made by the revolving loan fund from time to time should the situation require.

There are many other programs wherein funds are provided by the Federal Government to assist in providing shelter for low to moderate income peoples. The State of Alaska should continue through its various agencies to make use of all such programs that will effectively reduce the required participation by the State of Alaska in funding subsidies for home finance.

## PERMANENT FUND

Recommendation #7: Permanent Fund contributions to the AHFF should begin immediately with an FY'34 investment of not less than 3% of the body of the Fund, up to the current allowable maximum for real estate mortgages of 15%. The Task Force further recommends new legislation and/or a constitutional amendment be originated by the Governor to allow for real estate mortgage investment by the Permanent Fund of up to 25% of the corpus.

Narrative: The Task Force recommends that the Governor instruct the trustees of the Permanent Fund and the Alaska Housing Finance Fund to develop a plan whereby a portion of the principal of the Permanent Fund can be invested in mortgages or securities of AHFF. Initially, mortgages and/or securities of AHFC would probably represent the most marketable investments for the Permanent Fund. It is also possible that the AHFF could provide securities of AIDA for investment by the Permanent Fund.

The Permanent Fund is currently authorized to invest up to 15% of its principal in mortgages which, by regulation, are limited to variable rate mortgages. The Fund is, however, authorized to invest up to 50% in corporate stocks and debt securities under Alaska Statute 37.13.120 (g), (8). Alaska Statute 37.13.120 (g), (8) permits the investment of the Permanent Fund in "corporate debt securities which are rated AA or better by a national recognized rating service". AHFC is presently issuing bonds which receive an AA rating. In theory, the Permanent Fund could invest up to 50% of its assets in these marketable securities.

It is the recommendation of the Task Force that steps be taken immediately for the Permanent Fund to invest in mortgage originations of AHFC not less than 3% of its assets. It would be contemplated that in not more than 5 years, 15% of the assets of the Permanent Fund would be invested in mortgages in the state of Alaska.

In addition, it is the position of the Task Force that steps should be taken to introduce legislation to allow the Permanent Fund a much larger investment in Alaskan loans. We believe it is totally compatible with the purpose of the Permanent Fund to invest up to 25% of its assets in housing finance in Alaska.

In compliance with the desire of the majority of the Alaskan people to see the Permanent Fund invested in Alaska in home mortgages, it would be reasonable that these funds be invested at less than market rates if the circumstances so dictate. Initially, it would be

appropriate in order to encourage the immediate investment in Alaskan mortgages by the Permanent Fund that appropriations be made to AHFF to subsidize any differential between established market rates and those of the loans purchased through AHFF and originated by AHFC.

Finally, in view of declining oil revenues, it is apparent that the only means of establishing an on going revolving loan fund within the state of Alaska to bring stability to the housing finance industry and thereby provide adequate, affordable housing for all Alaskans, is the involvement of the Permanent Fund in the purchase of Alaskan mortgages. The Permanent Fund must become an investor in AHFF if the revolving loan fund is to be an assured success.

## DCRA HOF PROGRAM

Recommendation #8: The Task Force recommends legislation be introduced to create a Home Ownership Fund (HOF) Program within Community and Regional Affairs, Housing Assistance Division, for specific application in rural communities. Other legislation should be introduced to remove rural or urban distinctions from Nonconforming Loan Funds for FY'82 and thereafter as administered through this agency.

Narrative: The existing Home Ownership Fund Program administered by AHFC is not reaching into rural locations as extensively as it could. A parallel program should be created to be administered within DCRA/HAD. This deep subsidy program fills a large gap in reaching first time homebuyers. Many borrowers can meet monthly payments if they are not significantly increased from rental payments or mobile home mortgages. Meeting payments and accruing mortgage equity under the HOF program allows a homeowner to either achieve permanent ownership or finance more substantial investments at a later date. The Legislature should give authority to DCRA/HAD to adjust income criteria and maximum home values as required by circumstances.

The creation of this program should be done only in the context of an interest rate review for all housing programs. Currently, DCRA rates on rural programs for conventional financing are fixed by the Legislature. There does not exist a rural, veterans' preference rate. AHFC rates are currently tied to the most recent bond sale. Parity, therefore, does not exist and, depending upon the most recent market, rates may be weighted in favor of either rural or urban Alaska and may shift back and forth frequently during any given period of 90 days or more.

The Task Force recommends the Governor direct management of the AHFF, the Legislature and others involved in this discussion to affix reasonable rates of interest on all housing programs so as to achieve parity wherever housing services may be delivered in the State.

## DELEGATED UNDERWRITING

Recommendation #9: The Task Force encourages the Alaska Housing Finance Corporation to consider a program of delegated underwriting as described in a staff paper submitted to the Task Force. A recommendation is offered for the AHFC Board to prepare such a program after receiving suggestions from mortgage bankers, home builders, and other affected members of the public.

Narrative: The Task Force agreed that AHFC acting as a secondary mortgage market for mortgage lenders should immediately take steps to adopt regulations implementing delegated underwriting. The lending institutions making mortgage loans would then make the sole determination as to whether the borrower and property meet sound underwriting standards and the requirements of AHFC loan programs under which they will be ultimately funded. It was the position of the Task Force that this would be a very positive benefit by enabling the loan applicant to receive a commitment directly from the lending institution and allow for closing of the loan immediately, subsequent to approval. AHFC would not underwrite on a case-by-case basis, but would spot check loan originations by the mortgage lender. If non-compliance were found and the violation sufficiently flagrant, the mortgage lender would then be prohibited to continue to sell loans to AHFC. Any loans wherein fraud or serious malfeasance was evident would be repurchased by the mortgage lender.

It is understood that not all lending institutions would want to participate in this system and that AHFC must continue to underwrite loans for those institutions not able or willing to assume responsibility for their underwriting function. Further, from time to time, it will be necessary on a case-by-case basis to submit loans to AHFC for review and this should be permitted under the system of delegated underwriting adopted.

It is evident that a good system of delegated underwriting would not reduce the quality of loans ultimately sold to AHFC, but should reduce the dual expense of operating two underwriting offices, that of the lender and Alaska Housing Finance Corporation. Overall, it should be a much more efficient system, benefiting not only AHFC but also the mortgage lender and the public.

## REGIONAL INFORMATION OFFICES

Recommendation #10: The Task Force recommends regional housing information offices be opened in Fairbanks and Juneau as well as maintenance of rural field offices in Bethel, Nome, Kotzebue, and Dillingham within Community and Regional Affairs, Housing Assistance Division.

Narrative: Regional field offices can offer potential fund users located in or near that region more personalized service in distribution of housing information. Staff of AHFC to be located in field situations could disseminate information, track delayed applications or provide other housing services as instructed by the AHFC Board of Directors. DCRA staff in field services would continue to offer application processing and loan closing activities in addition to general information and education services whenever requested. Staffing in all locations by personnel completely familiar with loan processing procedures would be desirable.

The public can best be served by a regionalized office placed in visible street front locations in core areas of any given community. Community and Regional Affairs currently maintains regional offices in Anchorage, Fairbanks, Bethel, Dillingham, Kotzebue, and Nome.

The Fairbanks office serves the North Slope Borough, upper Yukon, and the Alaska highway system to Tok and Cantwell. It also offers service to McGrath and Fairbanks and vicinity. This office could be placed in close proximity to an AHFC Fairbanks office and relinquish its urban functions to AHFC staff while continuing to emphasize its primarily rural focus. Establishment of services to Southeast Alaska have long been contemplated by the Community and Regional Affairs Housing Assistance Division.

A minimal southeast office with one and a half positions for \$77,300 in Juneau is requested in the FY'84 operating budget of DCRA/HAD. Again, a consolidated housing information office with AHFC staff could be achieved and may be desirable.

Maintenance of the existing rural field offices in DCRA/HAD is recommended.

## TASK FORCE COMMENTS

Recommendation #11: The Task Force has identified the following housing related issues for further consideration and in need of in-depth investigation by another group charged with more specific responsibilities: forward commitments; reservation system for funding; shared appreciation mortgages; third party programs for participation, bridging sales and interest rate buy-downs; discount points; conventional and uniform underwriting standards; clear and concise lending and approval procedures; apportionment and restructuring of the various housing related boards; development of a housing interagency liason; masterplan for rental, low-income and special needs housing; develop incentive programs for low-income housing projects.

Narrative: When considering the primary issues of a housing program, participants were frequently reminded of numerous specific issues directly involved or closely related to public perceptions of housing.

Some of these "issue items" are mechanical. Some are administrative, and many others are conceptual. These items should be explored in detail and when found realistic and of public benefit be incorporated in the body of the housing program.

Employment of forward commitments and use of a Fund Reservation System are mechanical and during times of interest instability can be of benefit to consumers.

Third party participation vehicles also can benefit consumers in that more private investments can be attracted to worthwhile projects or in the case of guaranteed sales, equities be freed from existing homes to permit the purchase of new homes and, again, the burden is to private investment while the benefit is to the consumer.

Reintroduction of discount points may provide an optional method of avoiding interest rate increases and still provide for the consumers' ability to purchase or the developers' ability to initiate a multi-family project.

Use of conventional underwriting standards will permit a coherent lending policy that employs the same standards for rural or urban housing purchase. Buyers are evaluated on the basis of credit worthiness, commitment and ability to repay. The property is then evaluated as is common to the area.

Additional public benefit will also occur when present approval methods for multi-unit projects are standardized, and if the prerequisites are available to developers in clear, concise and consistent form.

Consistent with in-depth development of master plans for rental programs, low income and special needs categories is the creation of an Interagency Liaison. The very complex web of interrelated jurisdictions makes achievement of a housing plan difficult unless the various Federal, State, and local government units are working toward the same ends with mutual commitment.

Incentives for greater public-private cooperation can be devised to open the way for better housing development and redevelopment.

All of these "special" items and many others will enhance our ability to deliver a housing program. Each possesses a degree of complexity that requires in-depth, further investigation, and the Task Force recommends continuing the effort.

## PUBLICATIONS

Recommendation #12: The Task Force recommends publication and distribution of existing housing programs information in all public agency locations in Alaska.

Narrative: The publication and information distribution efforts of state housing agencies are found to be inadequate. Present materials may be located in various financial houses or agencies themselves, but do not appear to reach a large number of potential buyers, sellers, investors, or other fund users. Certain publications require more explanation than the reader may possess and should be more clearly marked with telephone numbers and addresses to assist the reader in obtaining further information. Outdated materials should be replaced at all distribution points as often as necessary. Mass mailings or distribution through targeted periodicals should occur at least once a year to inform the public of current interest rates, available terms and locations in their vicinity from which loan applications may be originated. This public information outreach effort should attempt to coordinate information on all existing housing programs and should be administered by the Department of Revenue on behalf of each housing agency.

Rural publications should be printed in languages indigenous to the region as well as in English. Desirable texts to be developed are those which are concise and simply stated. Industry jargon should be used only as necessary and the need for glossary development per publication should be reviewed.

## FURTHER INVESTIGATIONS

Recommendation #13: The Task Force concludes that a comprehensive report on housing issues must include an investigation of low and/or special incomes, elderly and disabled handicapped programs. It was also concluded that further investigation of these complex subjects was necessary. A special committee charged with publication of a Phase II Report has been created by the Task Force to accomplish this further investigation.

Narrative: In the charge to the Task Force, the Governor emphasized that the housing program should reach more of the population. Governor Sheffield went on to include that low income, elderly, handicapped and other special needs be considered and that the consideration reach rental as well as owned homes.

The Task Force recognizes that there are very complex underlying issues including some that would represent a departure from conventional development and funding practice. In spite of the complexities, the Task Force recommends that immediate steps be initiated to adopt these recommendations and to devise more creative forms of private investment participation in all special programs. Specific proposals include: a demonstration program to construct as many as 300 living units for low income and special needs citizens; a fund provided specifically to meet the needs of handicapped citizens of any income level. Too frequently handicapped citizens are restricted to their homes when simple adaptations could be retrofitted into their homes allowing greater mobility. Likewise, in the construction of new buildings in many respects this program would be similar to the energy conservation program now in effect. Several other provisions are also considered. They deal principally with the use and administration of funds as well as allowing a wider range of participants to compete for funding to develop the programs.

Public and private tax-exempt, nonprofit corporations might be more productive and recognizing non-traditional approaches to problem solving, they should be encouraged to participate.

An excellent model for this involvement is the Neighborhood Housing Service (NHS). NHS is a local arm of the Neighborhood Re-investment Corporation, a federally supported corporation. NHS pursues renovation of old or decaying housing, redevelopment of neighborhoods through new construction and a comprehensive use of various funds from a variety of public and private sources.

Another series of points is that low interest loans or incentive participation for investors be encouraged to provide rental housing. Traditionally, the vehicle is for low interest loans.

While the loan vehicle is most understood, incentive plans, third party investors and equity exchange programs might reduce reliance on government money and provide for expanded benefit while producing the housing stock. Whenever possible, the programs should be self-sustaining requiring a form of payback even if interest free. It is possible and practical that with specific executive direction and Legislative support that many innovative programs can be developed and operating in an immediate time frame.

The resources of the municipalities, private and public non-profit groups, the Regional Corporations, and private investors can be channeled to overcome many of the obstacles and permit the attainment of this very ideal goal.

## SUNSET PROVISIONS

Recommendation #14: The Task Force recommends extension of the sunset provision on tax-exempt revenue housing bonds known as the Uhlmann Act. The Governor and the Legislature are asked to convey this recommendation to our Congressional Delegation in Washington, D.C..

Narrative: The Task Force unanimously request that the Governor, by executive order, and the Legislature, by resolution, request that our congressional delegation immediately take steps to introduce legislation which will preempt the Sunset Provisions of the commonly referred to Uhlman Act which provides that tax-exempt revenue housing bonds may not be issued after December 31, 1983. It is critical for the future of AHFF to be able to issue tax-exempt revenue bonds for enhancement of housing finance and reduction of subsidies required by the State of Alaska.

SPECIFIC COMMENTS BY TASK FORCE MEMBERS

## SPECIFIC COMMENTS BY TASK FORCE MEMBERS

The Task Force members were polled as to their opinions of this report. The members approved the report generally as written with minor language modifications in certain areas. When points were voiced by members regarding specific concerns of theirs which were not necessarily those of the Task Force as a whole we agreed to summarize them below.

Comments by Andy Edge: Mr. Edge's main concern was that rural areas be provided with a lower interest rate for their programs within CRA/HAD than for comparable AHFC programs. The reasoning he gave was because construction costs are higher in rural areas, and the average income is lower.

Comments by Laurie Terrall: Ms. Terrall's main concern was that something should be done for those individuals who have an income slightly above the 6% HOF program limitations, and yet cannot afford to purchase a home at the substantially higher interest rates of other AHFC programs. Also, she wanted to see more stability within the HOF program. Apparently, new buyers are told that the program is subject to a 30 day notice of termination.

Comments by Frank Roppell: Mr. Roppell was in basic agreement with the Task Force recommendations. He did believe that the AHFF should be administered by and under the control of AHFC.

Comments by Commissioner Heath: Commissioner Heath was appointed after the Task Force had begun replacing Task Force member, Acting Commissioner of Revenue Joe Donahoe. Commissioner Heath did not have enough time to make a thorough review of this report. However, he had no major objections.

Comments by Richard Hall: Mr. Hall stated that "now is the time to establish a revolving loan fund." Mr. Hall believes the amount of dollars available will have to be prioritized into areas where the most need occurs, such as elderly and low income. Mr. Hall further stated, "AHFC already is in the process of providing \$450 million<sup>†</sup> in loans at less than market rates. If that is not enough, then an appropriation to a revolving fund or a subsidy concept for leverage purposes could be made."

<sup>†</sup>Apparently Mr. Hall was referring to the Congressionally legislated subsidy from the Federal Treasury of tax exempt bond sales of \$100 million for first time purchasers and \$300 million estimated for veterans. Also, AHFC expects a cash flow of approximately \$50 million from prior mortgage investments.

Comments by Dave Rose: Written comments were received by Mr. Rose, Executive Director of the Alaska Permanent Fund Corporation, offering his opinions to the Task Force's recommendations. Mr. Rose restated that as presently legislated, the Permanent Fund cannot make investments at less than market rates. However, he said, the "simultaneous sale of AHFC paper on the market and sale to the Fund of the same paper at the same price and time can save the management fee associated with the sale of bonds." This could result in a savings of one-half percent. He further stated that the Permanent Fund "should not duplicate or replace AHFC" and that "the Permanent Fund can be a purchaser of securities backed by mortgages, not mortgages themselves." Mr. Rose was also concerned that we not recommend the abolishment of the well recognized and highly regarded AHFC in favor of a new and unknown debt issuer, namely, the AHFF. Also, Mr. Rose did not concur and stated he "would not recommend to the Trustees that the fund invest up to 25 percent of its assets in housing mortgages."

Comments by Commissioner Lewis, Department of Community and Regional Affairs: Commissioner Lewis' main concern was that unless the AHFF was administered under the Department of Revenue as recommended in this report, that the portion of the revolving fund relating to rural loans be administered under CRA.

INTERESTED PARTICIPANTS

INTERESTED PARTICIPANTS

Those individuals listed below attended one or more of the meetings held by this Task Force or its subcommittees. The Task Force would like to thank them for their verbal and written contributions to the discussion of issues and for their interest in our work.

Ms. Mary Afcan

Mr. Willie Ratcliff

Mr. Clay McDowell

Rev. Howard Bess

Mr. Larry Dickerson

APPENDIX A

WORKING PAPERS AND MINUTES

## ALASKA PERMANENT FUND CORPORATION

BOULEVARD - SUITE 400 ALASKA 99511  
 TELEPHONE 907-459-2021

BOARD OF TRUSTEES:

GEORGE W. ROGERS, JR. - CHAIRMAN  
 THOMAS A. WILLIAMS - VICE CHAIRMAN  
 VOLSON I. CONDON  
 ARTHUR G. ESEF  
 BYRON I. MALLOTT  
 PETER R. MCCONNELL

RESIDENTIAL ADDRESS

MEMORANDUM

TO: Housing Task Force  
 Office of the Governor

DATE: December 27, 1982

FROM: David A. Rose  
 Executive Director  
 Alaska Permanent Fund Corporation

SUBJECT: Housing

The following investment categories are permissible under current statutory law. Each of them could be used to finance housing within the state to some extent. There are two major concerns: the availability of money and the cost of money. This memorandum addresses the availability of money.

The Permanent Fund is required by statutory law to obtain nationally competitive market rates of return on its investments, and these categories cannot therefore address the cost of money.

1. Residential Mortgages. The Alaska Permanent Fund Corporation may purchase first lien residential mortgages which include owner occupied one-to-four unit dwellings, if they carry private mortgage insurance and the loan to value ratios do not exceed 90 percent. Minimum insurance coverage is computed as follows:

## Loan to Value Ratio

0 - 59	None
70 - 89	10%
90	20%

By regulation the Fund is limited to adjustable rate residential mortgages only. Terms and conditions are identical to FNMA program #8.

2. Commercial Mortgages. The Alaska Permanent Fund Corporation may purchase first lien commercial mortgages, including multi-family dwellings in excess of four units, if they carry private mortgage insurance and the loan to value ratio does not exceed 75 percent. Minimum coverage is computed as follows:

## Loan to Value Ratio

0 - 49	None
50 - 60	10%
61 - 75	15%

The Permanent Fund Corporation is not limited to adjustable rate mortgages and may purchase fixed rate commercial mortgages.

3. Corporate Debt. The Alaska Permanent Fund Corporation may purchase mortgage-backed debt securities which are rated "AA" by Moody's and S & P. This provision theoretically includes:
  - a) AHFC bonds.
  - b) privately insured pool certificates issued by MGIC or similar institutions.
  
4. Federally Guaranteed Debt. The Alaska Permanent Fund Corporation may purchase the guaranteed portion of debt issued by the following agencies of the federal government:
  - a) SBA,
  - b) VA,
  - c) FmHA.
  
5. Equity Real Estate. The Alaska Permanent Fund Corporation may participate in the direct ownership of income-producing real estate, including apartment buildings, as long as:
  - a) the participation does not exceed 40 percent of the total equity, and
  - b) the manager has at least five years institutional real estate experience.

ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY  
MULTI-FAMILY HOUSING PROGRAM

The 1982 session of the Legislature enacted Chapter 113 which authorizes the Authority to provide financing for Multi-Family Housing. Funding for the program is provided by selling bonds and using the proceeds to purchase participations in qualifying projects from private lending institutions. The Legislature also appropriated \$29 million to the Authority as security, should any projects default. The \$29 million was reduced to \$21 million based upon an opinion from the Attorney General's office.

The enabling legislation was drafted in such a manner that the Authority receives none of the principal, interest or any access to the security fund unless there is secondary debt on the project and the project defaults. The Authority has assumed this is a drafting error and has proceeded to implement a Multi-Family Program while simultaneously preparing remedial legislation for consideration.

The Authority has implemented a Multi-Family Program which will be effective until December 31, 1983. As of December 15, 1982, \$37,994,150 of pre-applications for 1015 units have been approved. The number of pre-applications which will become actual multi-family units is impossible to determine but 50% could be a reasonable estimate. Geographically the units are spread as follows:

Anchorage	886 units	\$33,536,300
Juneau	76 units	2,435,000
Homer	22 units	595,000
Ketchikan	5 units	360,000
Nome	14 units	607,500
Wasilla	6 units	190,350
Palmer	6 units	220,000

The Authority has issued commitments on 262 units totaling \$8,775,000. These projects are currently in various stages of construction. The units for which commitments have been issued are geographically spread as follows:

Anchorage	252 units	\$8,505,000
Homer	10 units	270,000

Synopsis of Multi-Family Program

- A. Maximum allowable loan is 75% of appraised value.
- B. Interest rate is 11% (set by Board, effective through 12/31/82). Should the bond rate exceed 11% the differential will be made up by increasing the loan payment beginning in year 2. Staff will recommend to the Board that the 11% be continued for 1983.
- C. The full faith and credit of the Authority are pledged to the bond issue.

- D. The Authority pays the capital reserve fund contribution.
- E. Five units or more.
- F. 20% of units must be made available to persons of lower or moderate income.
- G. Restrictions on condo conversion.
- H. The Authority purchases 90% of loan, originating financial institution retains 10% of loan.
- I. U.S. Treasury regulations on tax-exempt bonds apply.

ALASKA HOUSING FINANCE CORPORATION  
Branch Office Analysis

Estimated Annual Operating Expenses

	<u>Fairbanks</u>	<u>Ketchikan</u>	<u>Juneau</u>	<u>Total</u>
<u>Personal Costs</u>				
Salaries (Note A)				
Assistant loan officer (17)	\$ 35,292			
Assistant public information officer(14)	28,548	\$ 25,740	\$ 25,740	
Secretary/receptionist(10)	21,984		20,076	
	<u>85,824</u>	<u>25,740</u>	<u>45,816</u>	
Benefits (29% of salary)	24,889	7,465	13,287	
	<u>110,713</u>	<u>33,205</u>	<u>59,103</u>	\$203,021
<u>Travel</u>				
One trip/month/office to Anchorage for each office	2,280	6,600	5,568	
Local travel	1,000	1,000	1,000	
	<u>3,280</u>	<u>7,600</u>	<u>6,568</u>	17,448
<u>Contractual</u>				
Telephone	7,200	7,200	7,200	
Office rent	19,200	17,000	20,400	
Equipment maintenance	600	600	600	
Courier service (daily to Anchorage)	2,600	2,600	2,600	
Other	1,000	1,000	1,000	
	<u>30,600</u>	<u>28,400</u>	<u>31,800</u>	90,800
Commodities	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>7,500</u>
Total Annual Operating Expenses	<u>\$147,093</u>	<u>\$71,705</u>	<u>\$99,971</u>	<u>\$318,759</u>

NOTE A: Assumes individual hired at indicated pay range and step A.

fr2

ALASKA HOUSING FINANCE CORPORATION  
Estimated Start-Up Costs

	<u>Fairbanks</u>	<u>Ketchikan</u>	<u>Juneau</u>	<u>Total</u>
<u>Furniture and Equipment</u>				
Desks	\$ 2,400	\$ 800	\$ 1,600	\$ 4,800
Fireproof legal file cabinets	1,200	1,200	1,200	3,600
Non-fireproof legal file cabinets	500	500	500	1,500
Typewriter--Memory	3,900	3,900	3,900	11,700
Credenzas	1,950	650	1,300	3,900
Supply Cabinet	250	250	250	750
Bookcase	200	200	200	600
Conference Table & Chairs	700	700	700	2,100
Reception area couch	700	700	700	2,100
Six guest chairs	1,200	1,200	1,200	3,600
Computer Terminal	5,000	5,000	5,000	15,000
Copier	3,000	3,000	3,000	9,000
Miscellaneous office supplies	500	500	500	1,500
	<u>21,500</u>	<u>18,600</u>	<u>20,050</u>	<u>60,150</u>
 <u>Travel</u>				
Two 2-day trips (interviewing)	920	1,100	928	2,948
One 2-day trip (office selection)	280	550	464	1,294
Training in Anchorage	1,100	790	704	2,594
	<u>2,300</u>	<u>2,440</u>	<u>2,096</u>	<u>6,836</u>
 <u>Data Processing Modifications (1)</u>				
Software modifications to allow remote access	1,666	1,667	1,667	5,000
Additional computer core	6,667	6,667	6,666	20,000
	<u>8,333</u>	<u>8,334</u>	<u>8,333</u>	<u>25,000</u>
TOTAL	<u>\$32,133</u>	<u>\$29,374</u>	<u>\$30,479</u>	<u>\$91,986</u>

(1) Costs incurred to upgrade computer system to handle remote terminals. Total costs will be incurred if any branch offices are established.

## MINUTES OF THE GOVERNOR'S TASK FORCE

December 21, 1982  
3601 C Street, Room 758  
Anchorage, Alaska 99503

---

The first meeting of the Governor's Housing Task Force convened shortly after 1:30 p.m. on December 21, 1982 at the Governor's Office, Frontier Building, in Anchorage.

An introduction was made by CHAIRMAN ROB GAMEL. Members of the task force, guests and observers then introduced themselves. Those present were:

MR. ROB GAMEL	MR. PETE SPIVEY
MR. JESS HALL	MS. LENNIE BOSTON
MR. CLARK GRUENING	MR. RAY PRICE
MR. RICHARD T. HALL	MR. JIM KELLY
MR. ANDY EDGE	MS. MARY AFCAN
MR. JESSIE ARRINGTON	MS. BARBARA MORSE-QUINN
MS. LAURIE TERRALL	MR. HARRY GOLDBAR
MR. DAVE RIBACCHI	MR. JOEL DIGANGHI
COMMISSIONER DICK LYON	MR. MARK CAMERON
COMMISSIONER JOE DONAHOE	MS. LUCILLE STEITZ

A short discussion of general purpose preceded GOVERNOR SHEFFIELD'S entrance. The Governor thanked those present for their participation and charged them with assisting him in the creation of a sound housing program, inclusive of new construction, multi-family and rental unit development. Other desirable criteria for a housing program mentioned by the Governor were self-perpetuity of funds and availability of housing for first time homebuyers on limited incomes. The group was asked to suggest ways to prevent costly, duplicative efforts of the public and private sectors, and to review outreach efforts, particularly in the Fairbanks region. GOVERNOR SHEFFIELD concluded his remarks and departed the meeting.

Extensive conversations as to the focus and purpose of the task force followed the Governor's remarks. This informal dialogue resulted in the creation of two subcommittees of the task force, which were:

The Subcommittee on Socio/Economic Considerations of Housing Policies; and  
The Subcommittee on Administration and Finance.

A core group was appointed to each subcommittee with others invited to participate in the group of their choice.

Further discussion then ensued regarding uses of the Permanent Fund, subsidies, bonding costs and a general review of the Governor's "Blueprint For Building Affordability Into Alaska's Housing Picture".

A general timetable was discussed with the conclusions that the January 3, 1983 deadline for a report could only bring a preliminary document to the Governor. February 1, 1983 was suggested as a more realistic goal for a final report.

A date for the next meeting was set for December 28, 1982 at 1:30 p.m. (AST) in the same location. Teleconfering with Juneau, Bethel and Fairbanks participants was suggested.

CHAIRMAN GNIEL adjourned the meeting at approximately 3:45 p.m. with each subcommittee convening immediately thereafter. Subcommittee chairmen were selected by each group with IIR. DAVE RIBACCHI chairing the Subcommittee on Socio/Economics and IIR. DICK HALL chairing the Subcommittee on Administration and Finance.

Respectfully submitted,

---

Rob Gamel  
Chairman

MINUTES OF THE GOVERNOR'S TASK FORCE ON HOUSING

January 3, 1983  
AHFC Board Room  
Anchorage, AK 99503

---

Present in Anchorage for the teleconference meeting were the following task force members:

MR. ROB GANEL, CHAIRMAN  
MR. JESS HALL  
MR. CHARLES HOVAN

MR. DAVE RIBACCHI  
MS. LAURIE TERRALL  
MR. DICK HALL

In Bethel: MR. ANDY EDGE

In Fairbanks: MR. JESS ARRINGTON

In Juneau:

MR. DAVE ROSE  
COMMISSIONER MARK LEWIS

MR. JOE DONAHOE

Anchorage task force and administration staff present:

MS. BARBARA MORSE-QUINN  
MR. ERIC WOHLFORTH  
MR. JOEL DIGAMINI

MR. HARRY GOLDBAR  
MR. RAY PRICE

Juneau administration staff members present:

MR. PETE BUSHRE

MR. JIM KELLY

The following members of the public also participated in this meeting: MS. LUCILLE STIETZ, MS. MARY AFCAN, MR. CLAY MCDOWELL and MR. WILLIE RATCLIFFE.

With MR. ROB GANEL chairing, the minutes from the previous meeting were read, and the two subcommittees reported. (MR. EDGE in Bethel and MR. ARRINGTON in Fairbanks both eventually dropped out of the teleconference due to poor audio. Notes were to be forwarded to them for their comments.)

The Subcommittee on Administration and Finance presented their findings:

Item 1. It was unanimously agreed that AHFC be authorized to develop a system of forward commitments for owners and builders.

Item 2. The task force recommended AHFC consider a program of delegated underwriting as described in a staff paper submitted to the Task Force. A recommendation is offered for the AHFC Board to prepare such a program after receiving suggestions from mortgage bankers, home builders, and other affected members of the public.

Item 3. The subcommittee recommended a revolving AHFC Fund and, if required, an amendment to the constitution authorizing the statute. MR. DONAHOE reported that MR. RON LORENSEN, the Deputy Attorney General, has a draft opinion stating the use of interest in this case is likely unconstitutional but it is defensible. MR. GANEL suggested adopting this suggestion with MR. HALL pointing out that the Legislators may want the option of allocating the interest. The Task Force adopted the subcommittee recommendations.

Item 4. The subcommittee recommends a revised FY84 18 month appropriation for subsidy purposes paid into the AHFC Fund. A long discussion ensued on this point, but no concurrence was reached. It was decided to table and redraft this point and submit it to the committee again. Four sub-points are to be considered:

1. 18 month appropriation
2. Appropriate to revolving and subsidy.
3. Interest rate question.
4. Prioritization.

MR. WILLIE RADCLIFFE spoke up to say he would like to see fee simple loans, the use of church groups to reach people currently unable to afford a home, and cutting out the heavy financing fees now being charged.

Item 5. The Task Force tabled any action on the subcommittees recommendation on prioritization.

Item 6. The Task Force agreed with this recommendation. It was recommended that the Trustees of the Permanent Fund and the Board of Alaska Housing Finance Corporation develop a plan whereby up to 15% of the principal of the Permanent Fund be invested in a combination of mortgages or securities of the Corporation. Currently, the Fund is authorized to invest up to 15% of its principal in variable rate mortgages. However, the Fund is authorized to invest up to 50% in corporate debt securities which are rated "AA" or better by a nationally recognized rating service. It was further recommended that the 15% investment of the Permanent Fund be accomplished over five years and that not less than three percent of the Permanent Fund be so invested during the first year.

Item 7. This item pertains to revolving funds for the Housing Assistance Division and eliminates the distinction between urban and rural from the Housing Assistance Fund Program. It also establishes A Home Ownership Fund (HOF) Program within the Housing Assistance Division. HIS MORSE-QUINN recommended that the third line be changed to eliminate rural and urban from the "nonconforming HAD loan fund and that the the HOF be under this division. In debate over this particular point, it was agreed that parity should be addressed, though it was pointed out that legislation had been aimed at making up for the higher construction costs in rural Alaska. MR. GANEL suggested they explore this further at a later time. However, he felt the committee should take a stand in support of extending the sunset provision for tax exempt bonds (Uhlman Act). MR. HALL supported this and recommended having the Governor send letters to get a resolution passed in our state legislatures. The Task Force agreed.

MR. RIBACCHI provided his first preliminary report for the Subcommittee on Socio/Economics.

Item 1. He pointed out that housing is a social/economic issue. A commonality of language doesn't exist and snags will result because of this. There are three types of housing: conventional, rental, and low income or special income. The subcommittee developed three time frames for action: immediate, intermediate (within ten months), and long-range (two or three to five years).

Item 2. The Subcommittee Report suggested that conventional loans be dealt with first because a commonality of language already exists and that the others be studied further. MR. RIBACCHI also suggested announcing AHFC meetings, teleconferences and follow-up. He also suggested information centers for the public with a variety of possibilities. For instance, there are many agencies in scattered towns throughout the state which could provide information to people without the expense of a staff for just this purpose. Item 3. The key problem is that it isn't clear what is to be dealt with or what's available in other programs. It was suggested that appointments and reappointments to AHFC executive staff be accomplished as soon as possible.

The Subcommittee Report suggested the following for intermediate action:

- A. Delegated underwriting was agreed upon by everyone.
- B. As a political issue, the AHFC restructuring should be defined and taken care of ASAP.
- C. There should be an intergovernment liaison thru existing departments.
- D. Planning and effecting a consolidation of state housing is suggested breaking it into more applicable programs.

Items 4 and 5. MR. CLAY MCDONELL was introduced by subcommittee member, Laurie Terrall, and pointed out that a crisis need for shelter exists for the handicapped. It was suggested that these items be given immediate action. The Phase I report of the Alaska Statewide Housing Needs Study is available and should be reviewed by Task Force members seeking further information on these subjects.

A subcommittee consisting of MRS. BARBARA MORSE-QUINN, MR. ROB GAMEL, MR. DICK HALL, Mr. Chuck Homan, and MR. DAVE RIBACCHI was appointed to draft a preliminary report to the Governor outlining the work thus far accomplished and identifying areas needing further research. (Phase I Report.)

An additional subcommittee was established to research and define goals for the low or special incomes, disabled and/or senior citizen needs. MRS. TERRALL, MR. RIBACCHI, MR. DICK PRYOR and an AHFC representative will form this subcommittee. (Phase II Report.)

The meeting was adjourned at approximately 3:45 p.m. AST.

Respectfully Submitted,

---

Rob Gamel  
Chairman

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

April 11, 1983

AUDIT DIVISION  
POUCH W  
JUNEAU, ALASKA 99811

File  
APR 7 1983

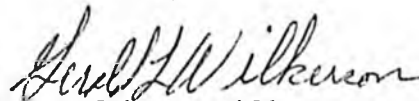
Representative B. Lacher  
Chairman  
House Community and Regional  
Affairs Standing Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Chairman Lacher:

At a recent meeting, the Legislative Budget and Audit Committee approved for release to the public the attached audit reports which may be of interest to your Committee.

If you have any questions on this report, please contact our office.

Sincerely,



Gerald L. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit

A REPORT ON THE  
DEPARTMENT OF COMMUNITY  
AND REGIONAL AFFAIRS  
HOUSING ASSISTANCE LOAN FUND

For the Fiscal Year Ended June 30, 1982

Audit Control Number

21-1099-83-R

Commissioner, Department of  
Community and Regional Affairs

Mark Lewis

Deputy Commissioner, Department  
of Community and Regional Affairs

Richard Aks

TABLE OF CONTENTS

	<u>Page</u>
Purpose of the Report .....	1
Organization and Function .....	3
Findings and Recommendations .....	5
Auditor's Opinion .....	9
Financial Statements:	
Balance Sheet .....	11
Statement of Revenues, Expenditures, and Changes in Fund Balance .....	12
Statement of Revenues - Budget and Actual .....	13
Statement of Expenditures and Encumbrances Compared with Appropriations for Operating Programs .....	14
Notes to the Financial Statements .....	15
Auditor's Opinion on Appendixes .....	17
Appendixes:	
A. Type of Loans and Terms .....	20
B. General Loan Information .....	21
C. Return on Investment/Cost Analysis .....	22
Agency Response:	
Department of Community & Regional Affairs. . . . .	23
Legislative Audit's Additional Comments . . . . .	39

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, an examination of the Department of Community and Regional Affairs, Housing Assistance Loan Fund was conducted to determine:

1. If the financial statements for the 1982 Fiscal Year are fairly presented.
2. The compliance by the Department of Community and Regional Affairs with applicable State statutes and regulations governing fiscal activities of the Fund.

(Intentionally left blank)

## ORGANIZATION AND FUNCTION

The Housing Assistance Loan Fund (HALF) was created in the Department of Community and Regional Affairs by AS 44.47.380. HALF is within the General Fund which consists of money appropriated to it by the Legislature. The Housing Assistance Division (HAD) administers the Fund which provides financing for originating, purchasing or participating in the purchase of the following types of loans:

1. Nonconforming and rural mortgage loans.
2. Loans made for building materials for nonconforming and rural housing.
3. Loans made for renovation or improvements to nonconforming and rural housing.
4. Loans made for the construction of owner-occupied nonconforming and rural housing other than loans to builders or contractors or loans that compensate an owner for his labor or services in constructing his own housing.
5. Loans made for the purchase or development of non-owner occupied housing in rural areas.

"Nonconforming housing" is defined at AS 44.47.560(4) as housing which does not conform to minimum building standards under any State or federal program that provides loans for housing purchases. "Rural housing" is defined at AS 44.47.560(6) as housing, whether or not it is nonconforming, that is located in a rural area of the State.

(Intentionally left blank)

## FINDINGS AND RECOMMENDATIONS

### Recommendation No. 1

HAD should assess the interest rate on mortgage loans in compliance with Alaska Statutes.

HAD is required by AS 44.47.410 to set interest rates on nonconforming mortgage loans equal to those rates established by the Alaska Housing Finance Corporation (AHFC) per their most recent issue of taxable bonds.

During Fiscal Year 1982, several office memos were issued to the staff and seller/servicers establishing the effective date of rate changes. Our review of 50 loan files disclosed that the Division was inconsistent in its assessment of interest rates. In some cases, the rates were assessed when the application was received and others, when the loans were committed. However, in both cases we noted that the applied rates were not equivalent to those of AHFC. Using the commitment date as a base, we found 32 loan files had incorrect interest rates. Additionally, 23 loan files had incorrect interest rates per the application date.

One of the purposes of the Housing Assistance Loan Program is to provide State financing for nonconforming housing equitable to that provided for conforming housing. This purpose is defeated when the interest rates are not properly assessed. HAD should establish a written policy defining when the interest rate for a loan is set, preferably at the date of loan commitment and ensure that applicable interest rates at that date are assessed.

### Recommendation No. 2

HAD should strengthen controls over mortgage loans.

It is the Division's policy to provide financing for mortgage loans up to 95% of the appraised value, or sales price whichever is less. Per our review of 59 loan files we noted that in 15 cases the borrower was given cash after settlement of all costs. Cash given to the borrowers ranged from \$601 to \$94,653. In most cases, the loan financed owner/builder constructed homes. These homes were financed at a percentage of the appraised value rather than total construction cost. Thus, the excess was given to the borrower.

Alaska Statute 44.47.380 prohibits HAD from originating, purchasing, or participating in the purchase of loans which compensate an owner for his labor or services in constructing his own home. This statute became effective July 28, 1981.

Seven of the fifteen loans were committed and closed after that date. HAD required the seller/servicer to provide a letter certifying construction costs equalled or exceeded the loan amount in order to ensure compliance with the new law. Five of the seven loan files contained the required signed letter from the seller/servicer. In a review of the seller/servicer's loan files we could find no documentation, i.e., invoices and receipts, to substantiate the statements in three of the five letters. Those three borrowers received \$5,073, \$36,765, and \$94,653 in cash, respectively, after all closing costs and outstanding debts related to the construction of the homes were paid.

All mortgage loans are purchased by HAD without recourse unless a misstatement of a material fact is disclosed within one year after the loan purchase date. If a misstatement of fact is discovered, the seller/servicer may be required to repurchase the loan for an amount equal to the unpaid principal balance plus accrued interest. We recommend HAD review loans made in Fiscal Year 1983 to determine if any additional borrowers were compensated for labor or services in the construction of their homes and then take appropriate action to ensure loans currently held by the Division include only those loans in compliance with law.

Additionally, in order to strengthen controls HAD should develop a standard certification letter to include the following:

- A. Statement of actual construction costs, along with detailed documentation if a borrower is receiving any cash from the loan purchase.
- B. Statement certifying that the amount is accurate and does not include costs representing the owner's labor and services.
- C. Signatures of the borrower and an authorized bank official.

### Recommendation No. 3

HAD should establish written guidelines to aid its staff in determining acceptable nonconforming characteristics.

In our prior audit of the Division we recommended the adoption of regulations and formal procedures to substantiate the nonconformity of home loans purchased. We found in our prior review that 47% of the files and property appraisals acceptable to ANFC. Also we found 55% of the files did not contain a statement from the seller/servicer describing the nonconforming feature and explaining why it is unacceptable under other conventional financing programs.

Our current review of loan files indicated that the problem still exists. Of 50 files reviewed we found 22 or 44% did not contain the written statement from the seller/servicer as required by 19 AAC 95.070(6). According to Division staff it is difficult for the seller/servicer to determine the nonconforming features due to the frequency of its variations.

Nonconforming housing is defined at AS 44.47.560(4) as housing which does not conform to minimum building standards under any State or federal housing program. Loan applications are judgementally analyzed by HAD loan examiners. No written guidelines have been established to ensure uniformity and consistency in each examiner's evaluation of acceptable nonconforming features.

Recommendation No. 4

HAD should improve its accounting system.

In our prior audit we noted that the Division had not established an accounting system or written policies and procedures to account for its loan activities. Although the Division has made significant progress in implementing this recommendation, the following exceptions were noted in our current review.

1. HAD does not reconcile its loan receipts and disbursements and other operating expenditures to the State accounting system (PBA).

The Division thought this function was performed by the Division of Administrative Services. However a review of the services provided by Administrative Services showed that the reconciliation of revenues and expenditures was not included. In order to ensure revenues and expenditures are properly budgeted and recorded in PBA, and fairly presented in the State's Annual Financial Report, HAD should, at a minimum, reconcile its records to PBA monthly.

2. Interest income is recorded net of service fees.

Principal and interest payments from mortgage loans purchased by HAD are collected and transmitted monthly to the Division by the seller/servicer at a fee not to exceed 1/2 of 1% of the interest collected. The fees are deducted by the seller/servicer prior to remitting the cash to HAD. An account has not been established by HAD to record service fee expenditures, thus interest income is improperly recorded net of the service fees. As a result, interest income for Fiscal Year 1982 is understated by \$61,773 and expenditures are understated by the same amount.

Alaska Statute 37.05.150 states that the State accounting system shall be in accordance with the generally accepted principals of governmental accounting and it shall provide records showing actual revenue and total expenditures. AS 37.05.170 states no payment may be made and no obligation incurred against any fund unless an appropriation or expenditure authorization has been made for the purposes of the expenditure. Therefore, HAD should include service fee charges in its operating budget and establish a system to properly account for the expenditures.

# STATE OF ALASKA

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

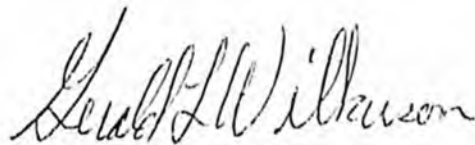
JUNEAU, ALASKA 99811

December 23, 1982

Members of the  
Legislative Budget and Audit Committee:

We have examined the Balance Sheet of the Housing Assistance Loan Fund as of June 30, 1982, and the related Statement of Revenues, Expenditures, and Changes in Fund Balance; Statement of Revenues - Budget and Actual; and the Statement of Expenditures and Encumbrances Compared with Appropriations for Operating Programs for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Housing Assistance Loan Fund as of June 30, 1982, and the results of operations and the changes in fund balance for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Gerald L. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit

(Intentionally left blank)

STATE OF ALASKA  
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
HOUSING ASSISTANCE LOAN FUND  
BALANCE SHEET  
June 30, 1982

Assets

Current Assets

Cash in Transit	\$ 126,897
Cash in Treasury	73,040,272
Accrued Interest Receivable	<u>166,846</u>

Total Current Assets 73,334,015

Loans Receivable

Mortgage Loans Receivable	21,644,150
Less: Allowance for Uncollectible Loans	<u>(223,702)</u>

Net Mortgage Loans Receivable 21,420,448

Loans in Progress 726,050

Total Loans Receivable (Long-Term) 22,146,498

Total Assets \$95,480,513

Liabilities and Fund Balance

Current Liabilities

Accounts Payable	\$ 96,812
Due to General Fund	<u>293,743</u>

Total Current Liabilities 390,555

Fund Balance

Reserve for Encumbrances	72,935
Title Loss Reserve	500,000
Reserve for Loans Receivable (Net)	22,146,498
Reserve for Loan Commitments	3,039,800
Available for Current Operations	<u>69,330,725</u>

Total Fund Balance 95,089,958

Total Liabilities and Fund Balance \$95,480,513

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA  
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
HOUSING ASSISTANCE LOAN FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
For the Fiscal Year Ended June 30, 1982

Sources of Funds

Revenues

<u>Interest Earned</u>	<u>\$ 1,201,548</u>
------------------------	---------------------

Other Financing Resources

Loan Appropriations from General Fund	85,000,000
Appropriation for Operating Loss Reserve	100,000
Operating Appropriation from General Fund	<u>1,050,600</u>

<u>Total Other Financing Resources</u>	<u>86,150,600</u>
--	-------------------

<u>Total Sources of Funds</u>	<u>87,442,148</u>
-------------------------------	-------------------

Uses of Funds

Expenditures

<u>Operating Expenditures</u>	<u>969,240</u>
-------------------------------	----------------

Other Uses

Transfer to General Fund	1,659,248
Loan Loss Expense	<u>223,702</u>

<u>Total Other Uses</u>	<u>1,882,950</u>
-------------------------	------------------

<u>Total Uses of Funds</u>	<u>2,852,190</u>
----------------------------	------------------

<u>Excess Sources of Funds over</u> <u>Uses of Funds</u>	<u>84,589,958</u>
---	-------------------

<u>Beginning Fund Balance July 1, 1981</u>	<u>10,500,000</u>
--	-------------------

<u>Ending Fund Balance June 30, 1982</u>	<u>\$95,089,958</u>
--	---------------------

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA  
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
HOUSING ASSISTANCE LOAN FUND  
STATEMENT OF REVENUES - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 1982

	<u>Final Revised Budget</u>	<u>Actual</u>	<u>Over or (Under) Budget</u>
<u>Unrestricted Revenues</u>			
<u>Interest Earned</u>	\$ -0-	\$1,291,548	\$1,291,548
<u>Total Housing Assistance Loan Fund</u>	<u>\$ -0-</u>	<u>\$1,291,548</u>	<u>\$1,291,548</u>

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA  
 DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
 HOUSING ASSISTANCE LOAN FUND  
 STATEMENT OF EXPENDITURES AND ENCUMBRANCES  
 COMPARED WITH APPROPRIATIONS FOR OPERATING PROGRAMS  
 For the Fiscal Year Ended June 30, 1982

	1981-1982 Budget Act Appropriations	Continuations, Supplementals and Revisions	Total Authorizations	Expenditures	Encumbrances at Close of Year	Unencumbered Balances	
						Continuing Programs	Lapsed
<u>Development</u>							
Nonconforming Housing	\$1,006,600	\$44,000	\$1,050,600	\$969,240	\$72,935	\$ -0-	\$8,425
<u>Total Housing Assistance Loan Fund</u>	<u>\$1,006,600</u>	<u>\$44,000</u>	<u>\$1,050,600</u>	<u>\$969,240</u>	<u>\$72,935</u>	<u>\$ -0-</u>	<u>\$8,425</u>

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA  
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
HOUSING ASSISTANCE LOAN FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 1982

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant policies of the State of Alaska applicable to the Department of Community and Regional Affairs, Housing Assistance Loan Fund:

- A. Fund Accounting. The State of Alaska maintains its accounting in accordance with the principles of fund accounting. A fund is a fiscal and accounting entity established by law to segregate and account for designated resources and activities. Housing Assistance Loan Fund activities are in the General Fund.
- B. Basis of Accounting. The Financial Statements for the General Fund are reported on the modified accrual basis of accounting. Modifications to the accrual basis are as follows:
1. Revenues susceptible to accrual (primarily reimbursable items and investment income) are reported on accrual basis. Revenues not susceptible to accrual are reported on cash basis.
  2. Expenditures are generally recognized on accrual basis. The following exceptions are considered expenditures when paid:
    - a. inventories of materials and supplies,
    - b. prepaid insurance and similar items,
    - c. accumulated unpaid annual and sick leave.
- C. Encumbrances. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they are neither expenditures nor liabilities.
- D. Budgetary Control. All money received is deposited in the State Treasury, and may not be expended without appropriation. An appropriation is an authorization to spend money and incur obligations. It is a legal limit as to purpose, time, and amount.

Appropriations are enacted by the Legislature and approved by the Governor. Expenditures are reported at the appropriation level to show compliance with the law.

# STATE OF ALASKA

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

JUNEAU, ALASKA 99811

December 23, 1982

Members of the  
Legislative Budget and Audit Committee:

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Appendixes A through C is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements; and, in our opinion, the information is fairly stated.



Gerald E. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit

(Intentionally left blank)

APPENDIXES

APPENDIX A

STATE OF ALASKA  
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
HOUSING ASSISTANCE LOAN FUND  
TYPE OF LOANS AND TERMS  
June 30, 1982

Loan Types and Terms

As specified by AS 44.47.380 and AS 44.47.410, the following types of loans are made:

<u>Type</u>	<u>Limit</u>	<u>Current Interest Rate</u>	<u>Terms</u>	<u>Purpose</u>
<b>Residential Mortgages</b>				
Urban Nonconforming Owner Occupied	\$160,500 - Single Family 205,200 - Duplex	Veterans - 11.375% on first \$90,000 16.590% on balance over \$90,000	30 years or remaining economic life, whichever is less	To originate, purchase, or participate in the purchase of loans for existing housing, or housing under construction or to be constructed.
		Non - Veterans - 12.375% on first \$90,000 16.590 on balance over \$90,000		
Rural Owner Occupied	Same as above	10.5%	30 years or 80% of remaining physical life	Same as above
Rural Non-Owner Occupied	\$800,000	10.5%	30 years	Same as above
Building Materials	\$45,000 or 80% of the appraised value of the work completed or 90% of the value of other property pledged as security	Same as for Residential Mortgages	15 years	To originate, purchase, or participate in the purchase of loans made for building materials for housing.
Renovations and Improvements	<u>1st Deed of Trust</u> \$136,425 - Single Family \$174,420 - Duplex	Same as for Residential Mortgages	30 years or 80% of remaining physical life	To originate, purchase, or participate in the purchase of loans made for renovation or improvements to existing housing with or without consolidation of existing loans on the subject property.
	<u>2nd Deed of Trust</u> \$25,000	Same as for Residential Mortgages	15 years	

APPENDIX B

STATE OF ALASKA  
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
HOUSING ASSISTANCE LOAN FUND  
GENERAL LOAN INFORMATION  
June 30, 1982

	<u>Number of Loans</u>	<u>\$ Amount of Loans</u>	<u>Percent of Number Loans Closed</u>	<u>Percent of \$ Amount Loans Closed</u>
<u>Total Loans Closed by Judicial District (Note 1)</u>				
First Judicial District	51	\$ 3,857,650	14.6%	17.6%
Second Judicial District	50	3,948,950	14.4%	18.0%
Third Judicial District	111	7,153,150	31.9%	32.7%
Fourth Judicial District	136	6,936,675	39.1%	31.7%
<u>Total by Judicial District</u>	<u>348</u>	<u>\$21,896,425</u>	<u>100.0%</u>	<u>100.0%</u>
<u>Loans Delinquent (Note 2)</u>				
First Judicial District	1	85,450	.4%	.4%
Second Judicial District	1	72,200	.3%	.3%
Third Judicial District	1	65,550	.3%	.3%
<u>Total Loans Delinquent</u>	<u>3</u>	<u>\$ 223,200</u>	<u>1.0%</u>	<u>1.0%</u>

Note 1: This includes all loans closed since inception of the program. Amount reported is original loan amount.

Note 2: Determined by loan payments overdue by more than 45 days at June 30, 1982. Amount reported is original loan amount rather than outstanding balance for comparison purposes.

APPENDIX C

STATE OF ALASKA  
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
HOUSING ASSISTANCE LOAN FUND  
RETURN ON INVESTMENTS/COST ANALYSIS  
For the Fiscal Year Ended June 30, 1982

<u>Rate of Return on Total Assets</u>	<u>1982</u>
Total Revenues per Statement of Revenues - Budget and Actual	\$ 1,291,548
Total Expenditures and Encumbrances per Statement of Expenditures and Encumbrances Compared with Appropriations	<u>1,042,175</u>
Excess of Revenues over Expenditures	<u>\$ 249,373</u>
Average Assets Less Cash in Treasury	<u>\$13,605,248</u>
Rate of Return (Note 1)	<u>2%</u>
 <u>Loans O/S per Employee Month</u>	
Total Number of Loans O/S	<u>345</u>
Total Number of Employee Months	<u>216</u>
Number of Loans O/S per Employee Month	<u>2</u>

Note 1: Rate of Return is defined as follows:

$$\frac{\text{Excess of Revenues over Expenditures}}{\text{Average Assets Less Cash in Treasury}}$$

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-4700

225 CORDOVA STREET - BLDG B  
ANCHORAGE, ALASKA 99501  
PHONE: (907) 264-2294

April 1, 1983

RECEIVED  
APR 05 1983

LEGISLATIVE  
AUDIT

Mr. Gerald L. Wilkerson  
Legislative Auditor  
Division of Legislative Audit  
Pouch W  
Juneau, Alaska 99811

Dear Mr. Wilkerson:

Re: "A Report on the Department of Community and Regional Affairs, Housing Assistance Loan Fund, For the Fiscal Year Ended June 30, 1982." Preliminary Audit Report (CONFIDENTIAL)

This letter comes in response to your communications of March 9 and 10, 1983 on the above referenced audit document.

- A. Recommendation No. 1  
HAD should assess the interest rate on mortgage loans in compliance with Alaska Statutes.

The department concurs with this recommendation. On December 28, 1982 a letter announcing an interest rate change for the Housing Assistance Loan Fund, Nonconforming Loan Program, was forwarded in response to Interim Letter No. 1 on your audit findings. Enclosed as Enclosure A-1 please find our interest rate notification letter of November 18, 1982 and our subsequent interest rate notification letter of March 11, 1983 (Enclosure A-2).

In addition to implementing a fixed date procedure for interest rate changes, enclosed you will also find our January 31, 1983 Request for Opinion of the Attorney General on this subject. (Enclosure A-3). Because of bond sale reserves at Alaska Housing Finance Corporation, taxable sales are frequently held well in advance of commitment issue. Unless the interest rates between sales rates are significantly different, funds from one sale are usually fully expended before funds from a subsequent sale are drawn. As this opinion request infers, AHFC announces interest rate changes as their funds dictate, with no particular formula in relation to the bond sale date. A verbal opinion from Assistant Attorney General John Rubini indicates

Mr. Gerald L. Wilkerson  
April 1, 1983  
Page 2

that our interest rate conversion dates should not predate those of AHFC, regardless of delay from date of sale. We anticipate issuing interest rate conversion notices within 48 hours of notification of rate change from AHFC.

B. Recommendation No. 2  
HAD should strengthen controls over mortgage loans.

The department concurs with this recommendation. Enclosed as Enclosure B-1 please find a form now being used by the Housing Assistance Division entitled "Certification of Costs for Owner/Builder New Construction." This form is to be executed by the borrowers and seller/servicer representative before loan purchase is finalized. It has been published in the new handbooks of the Housing Assistance Loan Program, along with several revised forms of the Division. This book is available for your review upon request.

In addition to implementing this form, the division has requested further certification on the part of the seller/servicers, as exemplified in the enclosed Seller/Servicer Letter of March 17, 1983. (Enclosure B-2).

To correct the audit exceptions on three specific files still in question, the division has contacted the two seller/servicers involved in these transactions and requested their review of these files.

The following information has been obtained to date:

Loan #02-343-00218 \$5,053 - No further information.

Loan #01-861-00454 \$30,765 -All documentation to account for costs in excess of \$67,000 has been received by seller/servicer and will be forwarded to division.

Loan #02-343-00213 \$94,653. Loan fully repaid. No longer held in division's portfolio.

A full written response on each review is anticipated prior to April 30, 1983.

Mr. Gerald L. Wilkerson  
April 1, 1983  
Page 3

C. Recommendation No. 3

HAD should establish written guidelines to aid its staff in determining acceptable nonconforming characteristics.

The department concurs in this recommendation. Enclosed as Enclosure C-1 is the written definition of nonconforming characteristics established by the division on February 4, 1983. This definition has been publicized by staff and is available to all borrowers or seller/servicers for their review.

In addition to finalizing this definition, the division has recently completed the publication of a Housing Assistance Loan Program handbook and brochures. The publications fully define our loan programs and are available for review in any of our Housing Assistance Division offices.

D. Recommendation No. 4

HAD should improve its accounting system.

(1) HAD does not reconcile its loan receipts and disbursements and other operating expenditures to the State accounting system (PBA).

The department concurs in this recommendation. The division has been working very hard in conjunction with the Division of Administrative Services staff to identify responsibilities, monitor actions and insure fiscal accountability for all loan fund expenditures with regard to reconciliation with PBA. Enclosure D-1 outlines the new reporting procedures which have now been implemented at HAD. Procedures for reconciliation of loan disbursements are now in place and are being performed on a monthly basis. We anticipate completion of reconciliation procedures for loan receipts and other operating expenditures for the April 30, 1983 PBA report.

(2) Interest income is recorded net of service fees.

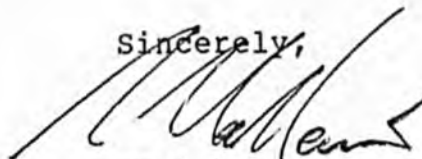
The department concurs in this recommendation. In consultation with the Department of Law, it has been determined a revised program request will be presented

Mr. Gerald L. Wilkerson  
April 1, 1983  
Page 4

before the Legislative Budget and Audit Committee to receive and expend a portion of the interest income for payment of service fees. In addition, the department will establish a system to properly account for the expenditures in accordance with AS 37.05.150.

Thank you for the opportunity to comment on this report. Please contact me or Barbara Morse-Quinn at 272-4585 should you have any questions regarding this correspondence. I hope this letter will sufficiently address all your concerns. We look forward to receiving the final audit report as soon as it becomes available.

Sincerely,



Mark Lewis  
Commissioner

cc: Barbara Morse-Quinn

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

HOUSING ASSISTANCE DIVISION

November 18, 1982

- REPLY TO:
- 2800 DEVALI SUITE 400  
ANCHORAGE, ALASKA 99503  
PHONE (907) 272-4555
- BOX 10041  
DILLINGHAM, ALASKA 99576  
PHONE (907) 842-2245
- GENERAL DELIVERY  
KOTzebue, ALASKA 99752  
PHONE (907) 442-3575
- P.O. BOX 348  
BETHEL, ALASKA 99559  
PHONE (907) 343-3864
- 1514 CUSHMAN ROOM 210  
FAIRBANKS, ALASKA 99701  
PHONE (907) 452-4458
- BOX 41  
NOVE, ALASKA 99762  
PHONE (907) 443-2655
- STATEWIDE TOLL FREE  
PHONE ZENETH 4565

To: ALL SELLER SERVICES

The Housing Assistance Division announces the reduction of interest rates for the Nonconforming Loan Program of the Housing Assistance Loan Fund. The new rates are attached. The authority for this reduction is found in AS 44.47.410 and AS 18.56.092(g).

As a reminder, all rural loan rates are fixed by the Legislature and are not adjusted with State Mortgage Bond sales.

Any loan commitment issued after November 17, 1982 for the Nonconforming Loan Program will be at the new rate.

Sincerely,

*Barbara Morse-Quinn*  
 Barbara Morse-Quinn  
 Director

Attachment

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

HOUSING ASSISTANCE DIVISION

Bill Sheffield, Governor

REPLY TO:

- 2600 DENALI, SUITE 400  
ANCHORAGE, ALASKA 99503  
PHONE: (907) 272-4585
  - BOX 10041  
DILLINGHAM, ALASKA 99576  
PHONE: (907) 842-2245
  - GENERAL DELIVERY  
KOTZEBUE, ALASKA 99752  
PHONE: (907) 442-3675
  - P.O. BOX 348  
BETHEL, ALASKA 99559  
PHONE: (907) 543-3864
  - 1514 CUSHMAN, ROOM 210  
FAIRBANKS, ALASKA 99701  
PHONE: (907) 452-4468
  - BOX 41  
NOME, ALASKA 99762  
PHONE: (907) 443-2655
- STATEWIDE TOLL FREE  
PHONE: ZENETH 4585

March 11, 1983

To: ALL SELLER/SERVICERS

The Housing Assistance Division announces the reduction of interest rates for the Nonconforming Loan Program of the Housing Assistance Loan Fund. The new rates are attached. The authority for this reduction is found in AS 44.47.410 and AS 18.56.098(g).

As a reminder, all rural loan rates are fixed by the legislature and are not adjusted with State Mortgage Bond sales.

Any loan commitment issued on or after March 14, 1983 for the Nonconforming Loan Program will be at the new rate.

Sincerely,

*Barbara Morse-Quinn*

Barbara Morse-Quinn  
Director

*by RJP*

Attachment

Enclosure A-2

P.O. Box 1020, Anchorage, Alaska 99510

TO: All Seller/Serviceirs

DATE: March 9, 1983  
(Memo #83-17)

FROM: LeRoy Rothe *LR*  
Mortgage Operations Director

Re: Interest Rate Change

Effective March 11, 1983, the following interest rate schedule shall apply to all mortgage loan requests received by Alaska Housing Finance Corporation (AHFC), with the exception of the Tax-Exempt Loan program, the Second Deed of Trust programs and the Veterans Mortgage Bond program. All applications received by AHFC on or after that date will be underwritten at these rates.

LR/1a

RECEIVED

MAR 11 1983

Dept. of Comm. & Reg. Affairs  
Housing Assistance Division

ALASKA HOUSING FINANCE CORPORATION

3/07/33

SERIES...S82-I

SCHEDULE FOR LOANS AT 10.000 ON THE FIRST 90,000.00 , 12.670 ON BALANCE

LOAN AMOUNT		INTEREST RATE	P & I FACTOR
FROM	TO		
90,000.00	92,200.00	10.000	.008776
92,250.00	95,800.00	10.125	.008869
96,850.00	101,950.00	10.250	.008962
102,000.00	107,650.00	10.375	.009055
107,700.00	114,050.00	10.500	.009148
114,100.00	121,250.00	10.625	.009241
121,300.00	129,400.00	10.750	.009335
129,450.00	138,700.00	10.875	.009429
138,750.00	149,500.00	11.000	.009523
149,550.00	162,100.00	11.125	.009618
162,150.00	177,050.00	11.250	.009713
177,100.00	195,000.00	11.375	.009808
195,050.00	217,000.00	11.500	.009903
217,050.00	244,600.00	11.625	.009998
244,650.00	280,250.00	11.750	.010094
280,300.00	328,050.00	11.875	.010190
328,100.00	395,550.00	12.000	.010286
395,600.00	400,000.00	12.125	.010382

ALASKA HOUSING FINANCE CORPORATION

3/07/83

SERIES...582-I

VA SCHEDULE

SCHEDULE FOR LOANS AT 9,000 ON THE FIRST 90,000.00 , 12,670 ON BALANCE

LOAN AMOUNT		INTEREST RATE	P & I FACTOR
FROM	TO		
90,000.00	91,000.00	9.000	.008047
91,650.00	94,850.00	9.125	.008136
94,900.00	98,400.00	9.250	.008227
98,450.00	102,200.00	9.375	.008318
102,250.00	106,300.00	9.500	.008409
106,350.00	110,750.00	9.625	.008500
110,800.00	115,500.00	9.750	.008592
115,650.00	120,900.00	9.875	.008684
120,950.00	126,700.00	10.000	.028776
126,750.00	133,050.00	10.125	.008869
133,100.00	140,150.00	10.250	.008962
140,200.00	147,950.00	10.375	.009055
148,000.00	156,750.00	10.500	.009148
156,800.00	166,650.00	10.625	.009241
166,700.00	177,350.00	10.750	.009335
177,900.00	190,650.00	10.875	.009429
190,700.00	205,500.00	11.000	.009523
205,550.00	222,600.00	11.125	.009618
222,850.00	243,350.00	11.250	.009713
243,400.00	268,000.00	11.375	.009808
268,050.00	298,250.00	11.500	.009903
298,300.00	336,200.00	11.625	.009998
336,250.00	335,200.00	11.750	.010094
335,250.00	400,000.00	11.875	.010190

# MEMORANDUM

State of Alaska  
Community and Regional Affairs

TO: The Honorable Norman Gorsuch  
Attorney General  
Department of Law  
Attn: John Rubini  
Asst. A.G.

DATE: January 31, 1983

FILE NO:

TELEPHONE NO: 272-4585

FROM: MARK LEWIS  
COMMISSIONER

SUBJECT: Request for Opinion  
Effective Date for Interest  
Rates under AS 44.47.410(a)

By:

Barbara Morse-Quinn, Director  
Housing Assistance Division  
Community and Regional Affairs

Alaska Statute 44.47.410(a) mandates that our urban interest rates are "equal to the interest rate, as determined under AS 18.56.098(a) from the proceeds of the most recent applicable issue of taxable bonds." On January 19, 1983, Alaska Housing Finance Corporation sold series I of taxable bonds. This sale resulted in a reduction of the interest rates from 10.125% to 10% on the first \$90,000 for non-veterans and from 9.125% to 9% on the first \$90,000 for qualified veterans. However, AHFC has not put these rates into effect for their programs until they have exhausted the funds from the series H sale of taxable bonds.

Our question to you is, do we adjust our rates on the date of the last sale of the taxable bonds which was January 19, 1983 or on the date AHFC makes the rates effective for their programs which they anticipate will be mid-February?

Enclosure A-3

CERTIFICATION OF COSTS FOR OWNER/BUILDER NEW CONSTRUCTION

We certify that we have spent the total proceeds of our loan from DCRA/HAD in the amount of \$ \_\_\_\_\_ for materials to construct our house or for labor which was contracted to be performed to complete the house. We further certify that we have not received any payment for our own labor or other services which we performed to complete the house.

Date: \_\_\_\_\_ Borrower \_\_\_\_\_

Date: \_\_\_\_\_ Borrower \_\_\_\_\_

State of Alaska  
\_\_\_\_\_ Judicial District

On this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_ before me, the undersigned a Notary Public in and for the state of Alaska, personally appeared \_\_\_\_\_ to me known and acknowledged to me that he executed the above certification freely and voluntarily for the uses and purposes therein mentioned.

Witness my hand and official seal the day and year in this certificate first above written.

\_\_\_\_\_  
Notary Public for Alaska

My Commission Expires: \_\_\_\_\_

\*\*\*\*\*

We certify that the above statement is true and that we have examined and placed copies in our file of the paid invoices which show the expenditures of the loan proceeds for materials and contracted labor. This documentation will be retained by us and available to the Division or its representatives upon request.

\_\_\_\_\_  
Seller/Service

BY: \_\_\_\_\_

Title: \_\_\_\_\_

Date \_\_\_\_\_

State of Alaska  
\_\_\_\_\_ Judicial District

On this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_ before me, the undersigned a Notary Public in and for the state of Alaska, personally appeared \_\_\_\_\_ to me known and acknowledged to me that he executed the above certification for \_\_\_\_\_ freely and voluntarily for the uses and purposes therein mentioned.

Witness my hand and official seal the day and year in this certificate first above written.

\_\_\_\_\_  
Notary Public for Alaska

My Commission Expires: \_\_\_\_\_

Enclosure C-1

7

# STATE OF ALASKA

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

### HOUSING ASSISTANCE DIVISION

March 17, 1983

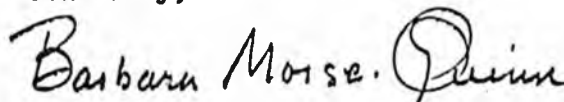
To: ALL SELLER/SERVICERS

In a recent review of our seller/servicer files we have observed a lack of documentation which authorizes designated personnel to act on behalf of an originating lender. This documentation is necessary when considering the signatures on commitment contracts or agreements which the lender may enter into on behalf of a borrower with this division.

Please provide by April 15, 1983 documentation which would designate the personnel authorized to enter into contracts or agreements, along with any exceptions or limits to this authority, on behalf of your institution. The documentation should contain the statement that the authorized officer's signature carries the full faith and credit of the lender, and is a binding agreement regardless of future personnel assignments within your institution.

Thank you for your cooperation and compliance with this request.

Sincerely,



Barbara Morse-Quinn  
Director

Bill Sheffield, Governor

REPLY TO:

- 2600 DENALI, SUITE 400  
ANCHORAGE, ALASKA 99503  
PHONE: (907) 272-4585
  - BOX 10041  
DILLINGHAM, ALASKA 99576  
PHONE: (907) 842-2245
  - GENERAL DELIVERY  
KOTZEBUE, ALASKA 99752  
PHONE: (907) 342-3675
  - P.O. BOX 348  
BETHEL, ALASKA 99559  
PHONE: (907) 543-3864
  - 1514 CUSHMAN, ROOM 210  
FAIRBANKS, ALASKA 99701  
PHONE: (907) 452-4468
  - BOX 41  
NOME, ALASKA 99762  
PHONE: (907) 443-2655
- STATEWIDE TOLL FREE  
PHONE: ZENETH 4585

NONCONFORMING DEFINED

Effective February 4, 1983

Nonconforming housing is housing which is structurally sound and presents no health or safety hazards to the occupants but because of outmoded construction practices, changes in current design, a lack of normal amenities common to the area of the structure or a lack of utilities common to the area of the structure cannot be financed through any other state or federal mortgage loan program.

It has been our experience that the following list are the prevalent types of nonconformities:

1. Untreated wood foundations.
2. Untreated piling foundations.
3. Crib foundations.
4. Lack of a foundation.
5. Variations in foundation systems.
6. Dwellings with less than 1 full bathroom.
7. Dwellings with room layouts which affect the privacy of the bath or bedrooms.
8. Dwellings with ceiling heights less than 8' in the living areas.
9. Dwellings with rooms in tandem.
10. Dwellings with gross living areas less than 600 square feet.
11. Disjointed structures.
12. Dwellings which do not enjoy the utilities (electric, water or wastewater) which are common for the immediate area in the which the dwelling is located, such as:
  - A. Private electric
  - B. Lack of electricity
  - C. Shallow wells
  - D. Cisterns
  - E. Surface water collection systems
  - F. Holding tanks for water
  - G. Sewage haul systems
  - H. Water haul systems
  - I. Graywater systems
  - J. Outhouses
13. Dwellings which rely upon space heaters or woodstoves and their sole source of heat.
14. Dwellings constructed around a mobile home frame.
15. Restricted Titles due to ANCSA

This list is not finite and can be expanded upon as more characteristics unacceptable to other mortgage lending programs become known to the Division.

Enclosure C-1

# MEMORANDUM

State of Alaska

Community & Regional Affairs

TO: Barbara Morse-Quinn, Director  
Ray Price, Deputy Director  
Housing Assistance Division

DATE: February 8, 1983

FILE NO:

TELEPHONE NO:

FROM: Remond Henderson, Internal Auditor *rh*  
Division of Administrative Services

SUBJECT:

Attached are a number of schedules which can be used in the reconciliation of HAD loan reports to the state PBA system. Although these schedules are designed to be used only in reconciling funds available per HAD reports to funds available per PBA, it is an example of formal reconciliation and communication procedures which must exist within HAD and between HAD and the Juneau Fiscal section. The attached schedules and/or related procedures may change once the conversion to an automated mortgage loan system has occurred, however, I recommend their implementation at this point in time. Under the present system each month a number of differences occur between loans encumbered by HAD and those encumbered by Fiscal. If the recommended procedures are not implemented, these differences will continue to occur each month and will result in a large difference at the time of conversion to the automated system. Identifying the cause of a large difference could be extremely time consuming. Therefore, a monthly reconciliation should be performed.

I have performed a reconciliation between HAD and PBA reports for the month of December noting a net difference of \$450,000. Although the net amount difference is immaterial it should be identified and corrected as soon as PBA reports are available, I will perform the reconciliation for the month of January and will identify the difference at that time. However, to insure the difference does not increase as a result of the routine procedures performed by HAD and the Fiscal section, I recommend the following:

1. Preparation of SCHEDULE I ( a summary schedule of loan activity by year of loan fund; ie; encumbrances, cancellations, increases, decreases).
2. Preparation of SCHEDULES II, III, and IV. These are schedules for each loan fund (by year) and provides the detail support for the summary schedule described in 1 above. In preparing schedules II, III, and IV a number of procedures must be followed by HAD and Fiscal. These procedures are discussed below:

Enclosure D-1

- a. HAD's Accounting Technician should continue to maintain the Loan Activity Log. All encumbrances, transfers, increases, adjustments, etc. should be entered in the log. In effect, the Loan Activity Log should reflect all activity which affects loan encumbrances.
- b. The Loan Closer should forward a copy of requests for warrants to the Accounting Technician in order for her to determine amounts requested are in agreement with amounts encumbered. If there is a difference, the Accounting Technician will enter the increase or decrease in the Loan Activity Log and applicable schedule. If an increase or decrease in a loan amount is known by the Loan Closer in advance, the Loan Closer should forward a document indicating the change to the Accounting Technician.
- c. The Loan Closer should forward a copy of all warrant cancellation requests to the Accounting Technician. (This has no effect on schedules II, III, or IV, however, effects the HAD reports prepared by the Accounting Technician.
- d. All items entered in the Activity Log (see [a] above) by the Accounting Technician should be entered in the Wang and on the applicable SCHEDULES, II, III, or IV. The Accounting Technician should establish a cut-off date at the end of each month. This will be important for reconciliation purposes. All activity input in the Wang (per activity log) in a particular month and included in HAD Loan Reports for that month should be entered on SCHEDULES II, III, or IV for the same month. For example, information entered in the Wang on January 5th and included in the December 31st (or January 1st) HAD Loan Reports should be included in the schedules for the month of December.

Schedules  
2/8/83  
Page 3

- e. The Accounting Technician should forward SCHEDULE's I, II, III, and IV to Fiscal on a routine basis, preferably weekly. The Fiscal section will complete the schedules and return them to HAD as documents are received by the Department of Administration. If an item submitted by HAD is indicated by Fiscal as not being recorded, it should appear on the reconciliation schedule (SCHEDULE's V, VI, and VII attached) at month end. This is an item which will be included in the HAD Loan Report for the current month, however, will not be reflected in the Current Year Authorization Balances report (PBA Report) for the month.
  - f. The Accounting Technician should review SCHEDULE's II, III, and IV as they are received from Fiscal for potential reconciling items. As described in [e] above, items not recorded by the Department of Administration will be reconciling items. Additionally, items recorded by the Department of Administration in the month following the month submitted by HAD will be reconciling items (i.e; included in December HAD Loan Report, however, recorded by the Department of Administration on January 10th).
3. Preparation of SCHEDULES V, VI and VII (the reconciliation schedules) on a monthly basis. These schedules are the basis of reconciling the Current Year Authorization Balances Report (PBA Report) to the HAD Loan Reports prepared at month end. A loan report should always be printed at month end. If the PBA Report has not been received by the 15th of the current month, please notify Fiscal.

Performance of the above procedures will be the first step in reconciling PBA reports to HAD reports. Should you have any questions regarding these procedures, please contact me. I will discuss these procedures with the Fiscal section immediately.

cc: Bob Rehfeld, Director  
Division of Administrative Services

Dan Kanouse, Administrative Officer  
Division of Administrative Services

# STATE OF ALASKA

AUDIT DIVISION  
POUCH W  
JUNEAU, ALASKA 99811

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

### Schedule I - VII

Copies of the reconciliation schedules I through VII were provided to the Division of Legislative Audit for review and are available upon request.

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.**