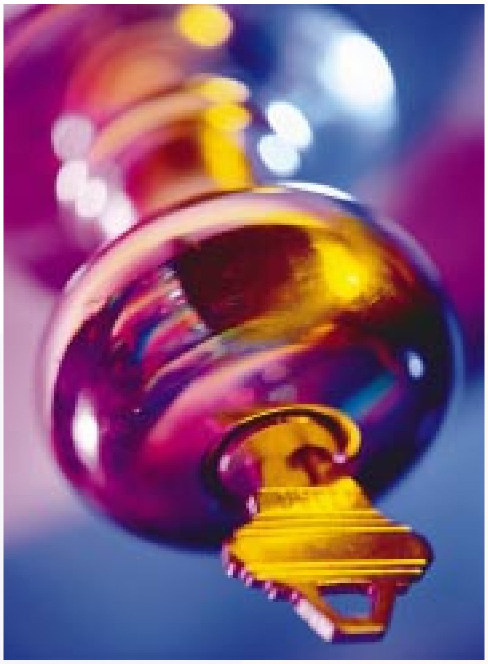

Turning the Key to the Future
and Opening Doors to
Endless Opportunities

Alaska Housing
FINANCE CORPORATION

TABLE OF CONTENTS

AHFC is the Key:

the key to affordable rental housing—to homeownership—to a stable economy—to warm, energy-efficient homes—to retirees remaining in Alaska—to low-cost maintenance of schools and other public buildings—to jobs—and to fewer Alaskans receiving welfare.

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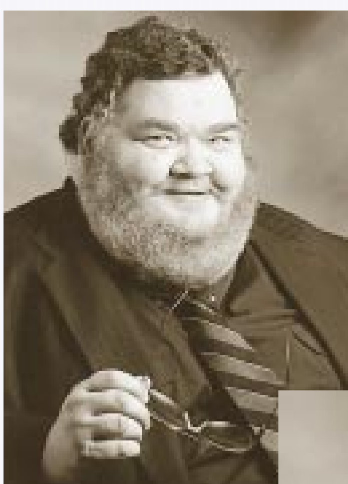

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Alaska Housing
FINANCE CORPORATION

The Honorable Tony Knowles
Governor of Alaska
Juneau, Alaska

Dear Governor Knowles:

The Alaska Housing Finance Corporation has completed another award-winning year of providing affordable housing opportunities for Alaskans. In addition to national awards for Significant Achievement, Merit, and Best Practices, AHFC—for the fourth consecutive year—attained 100 percent on HUD's Public Housing Management Assessment Program. This perfect score is only achieved through the team efforts of everyone in the Corporation. AHFC was one of the first housing finance agencies in the nation to incorporate the state's public housing operations under its umbrella and remains the only one with statewide jurisdiction for public housing.

The theme of this year's annual report is *AHFC is the Key*: the key to affordable rental housing—to homeownership—to a stable economy—to warm, energy-efficient homes—to retirees remaining in Alaska—to low-cost maintenance of schools and other public buildings—to jobs—and to fewer Alaskans receiving welfare.

Nearly 4000 Alaskans purchased homes through AHFC this year, of which 540 were under the Veterans Mortgage Program, and 2181 were first-time homebuyers—an increase of 150% over the previous year. Low interest rates were possible through our unsurpassed ability to issue tax-exempt bonds. And our bond ratings remained topnotch due to our strong financial position and quality management team. The Wall Street rating firm of Fitch recently affirmed our AAA bond ratings, citing "the quality of the security provisions, collateral, sufficiency of projected revenues and investment earnings to meet debt service requirements . . ."

Our AAA bond rating can mean the difference between an Alaskan family qualifying to purchase their own home or continuing to rent. These same bond ratings and low interest rates also ensure lower payments for the State of Alaska when repaying deferred-maintenance bonds.

Alaska's increasing employment in the service sector and decreasing jobs in the oil industry mean a growing need for programs that allow those at the lower end of the pay scale to purchase homes. AHFC has worked closely with the housing industry to make quality, affordable housing available to moderate-income Alaskans through the First-Time Home Buyer Program and the Interest-Rate Reduction for Low-Income Borrowers. These homebuyers are saving hundreds of thousands of dollars a year on rent or higher interest payments, which is then available to circulate throughout the economy as discretionary spending.

Through targeted programs, AHFC contributes daily to the stability of Alaska's economy. We look forward to continuing to work closely with you and the legislature, while serving Alaskans well into the next millennium.

Sincerely,

Daniel R. Fauske

Daniel R. Fauske
CEO/Executive Director

Sincerely,

Jewel Jones

Jewel Jones
Board Chair

Robert and Debra Walker purchased their duplex in Nome under AHFC's Veterans Mortgage Program. Debra takes a break with daughters Cassandra, Charise, and Chelsea.

Looking Through a Keyhole is Just a Peek at the Big Picture

First-time homebuyer and veterans loans—energy programs—weatherization assistance—rental housing assistance—grants—senior housing programs—multi-family loans. Looking at any one of AHFC's multitude of programs is like looking through a keyhole—you get just a peek at the big picture.

In June of 1992 when the Alaska legislature merged the functions of the Alaska Housing Finance Corporation, the Alaska State Housing Authority (ASHA), and the energy and housing programs of the Department of Community & Regional Affairs (DCRA), all of the housing and energy programs in Alaska were consolidated. Now, AHFC not only provides secondary financing for mortgage loans for Alaskans, but administers public housing and private-sector rental-assistance; multifamily, special-needs, and senior housing loan programs; homeless and family self-sufficiency programs; and home-energy and weatherization programs.

And there's no sign of that formidable seven-year itch. Not only has the management of AHFC's programs continued to improve, but the staff—lauded for its diversity—continues to develop new and innovative programs to meet the varied and ever-changing needs of Alaskans. This year, AHFC received the following national recognition:

- **One hundred percent score on HUD's 1999 Public Housing Management Assessment Program** (PHMAP) for the fourth consecutive year. The score measures performance in eight areas of management of the 1695 public housing units owned by AHFC.

- **Annual Award for Significant Achievement from the National Council of State Housing Agencies** for *Homeownership: Encouraging New Production,* recognizing the Rural Initiative Housing Pilot Program

- **Design award from the Pacific Northwest Regional Council and Award of Merit from the National Association of Housing & Redevelopment Officials** for landscaping improvements and playground equipment installed on a special surface at Etolin Heights in Wrangell

- **National Recognition Award from the U.S. Department of Energy** for outstanding contributions to the Weatherization Assistance Program

- **National Award of Merit for Project Design from the National Association of Housing & Redevelopment Officials** for the Cedar Park Affordable Housing Program in Juneau

- **1999 HUD Best Practice Award** for the Cedar Park Affordable Housing in Juneau

- **1999 HUD Best Practice Award** for the Supplemental Housing Development Grant Program

In cooperation with the Alaska Legislature and Governor Knowles, AHFC contributed $70.4 million toward state revenues and capital projects this past year. Highlights include:

- $16.5 million to Department of Environmental Conservation for water and sewer projects throughout the state and electronic access to property files

- $1.8 million toward joint housing programs with the Alaska Department of Health & Social Services for Mental Health Trust beneficiaries

- $1 million toward the debt-service payments for financing of $33 million for the University of Alaska to build student housing in Anchorage

- $900,000 to DHSS for Pioneers' Homes dementia units and health and safety repairs

- $41,463,900 in cash contributions to the State's treasury

AHFC has four basic operational divisions: Public Housing, Mortgage Operations, Planning & Program Development, and Research & Rural Development. Supporting the efforts of the four basic operational divisions are Administrative Services (which includes Asset Management/Supply, Information Systems, Procurement, Records, and Risk Management), Internal Audit, Budget, Corporate Communications, Finance/Accounting, and Personnel. This year, we addressed a number of ways to make us more efficient:

- Expanded our website to include more information and notices (programs, grants, jobs, workshops/classes, Y2K, etc.), applications (grants, jobs, etc.), and financials (balance sheets, bonds, etc.). The website received the highest possible rating (4*) from *MuniNet Guide & Review,* an independent research company intended to help government users stay abreast of new and/or improving Internet sites.

- Added 12 new unlimited-quantity contracts to stock the warehouse with supply items ordered on a recurring basis. This process assures faster delivery to the requesting department, reduces warehouse storage costs, and minimizes the number of purchase requisitions to process.

- Reduced documentation required and streamlined procedures for loan commitments and purchases

- Amended multi-family regulations to allow for whole-loan purchase of multi-family loans and equity extraction, provided the equity is used to improve or acquire multi-family properties

- Worked toward implementing electronic submission of loan files

The following are FY99 accomplishments not highlighted in other sections of this annual report:

- Received 1998 Award of Excellence from the Alaska Chapter Public Relations Society of America for Second Place Tie for 1997 Annual Report

- Hired and trained two administrative assistant I Section 3 trainees from public housing residents. Upon successful completion of the training, the trainee is equipped with the skills needed to apply for entry-level administrative positions. Over the past two years, trainee graduates have been hired to fill state, federal and private-sector positions.

- Provided property management for all AHFC-owned federally funded and subsidized housing in 14 locations across the state. Administered the Section 8 Voucher program in 11 locations statewide.

- Received a Service Coordination grant

- Selected for formula-funded PHDEP to continue for five years

- Originated 20 Small Building Material loans in eight rural communities, enabling residents to improve the quality of their housing with limited documentation and low loan fees

Matthew and Jennifer Bryner purchased their home in Petersburg under AHFC's Rural Loan Program.

Wayne and Gina Wilson of Kenai purchased their home through AHFC's rural loan program, with additional savings under the Energy-Efficiency Interest-Rate Reduction Program. Chad and Gerrica Moore give Uncle Wayne some tough competition at the video games.

- Financed seven multi-family projects in rural areas of the state totaling $2,761,000
- Conducted nearly 200 HomeChoice classes, five HomeOptions classes in very small rural communities, 16 builder workshops, 31 Realtor workshops, and 19 lender workshops, to ensure that consumers and members of the real estate finance industry are aware of the many programs AHFC has available. In total, 4,583 individuals attended these classes. Fifty percent of the people obtaining completion certificates (1,936) obtained AHFC commitments and received a waiver of up to $250 on their commitment fee. These loans totaled $217,133,390, and the borrowers received fee waivers totaling $484,000.
- Purchased 1,228 streamlined refinance loans, allowing borrowers to lower their mortgage payments with little documentation or cost
- Approved 18 new condominium/PUD projects for homeownership, making 286 affordable housing units available
- Closed eight loans under the Multi-Family Assistance Provider Interest-Rate Reduction Program for a total lending activity of $1,180,700
- Provided financing for six special needs properties totaling $6,112,000
- Provided first deed of trust for the AHELP and IRRLIB loan programs. Non-profit housing providers assist low-income homeowners with down-payment and closing-costs grants and/or interest-free loans. Secondary financing is provided by the non-profit.
- Provided $503 million for 3,889 Alaskans to purchase homes, an increase of 19%
- Contributed more than $8.7 million in servicing fees to Alaska lenders
- Maintained a delinquency rate of less than 4%
- Purchased 1,848 new First-Time Home Buyer loans totaling $189.3 million, an increase of 13%
- Provided lower mortgage rates to 1,239 low-income borrowers under the Interest-Rate Reduction for Low-Income Borrowers Program, a 30% increase
- Increased mortgage loan activity by 13.5% in the urban loan programs
- Purchased 874 rural loans, an increase of 37%
- Purchased 1,228 Streamlined Refinance Loans, with an average monthly savings of $207
- Purchased 76 multi-family loans totaling $33.1 million, a 67% increase
- Closed four senior housing loans in three communities, totaling $4.5 million for 97 units
- Completed planning and development of the Annual Action Plan for the Housing & Community Development Plan (HCD) and the Annual Performance Report (APR), bringing $7 million in HUD funds to Alaska
- Completed the spring and winter 1999 statewide surveys of homeless service providers. This information presents the most complete statistical profile of the homeless population in Alaska.

Bonnie Anderson and her son, Jeremey, are thankful for the upgrades to their home at Beringvue in Nome, an area that experiences cold and snow seven or eight months a year.

Affordable Rental Housing

Bonnie Anderson was born and raised in Nome, where she has seen numerous changes in the housing over the years. Beringvue, with its 33 single-family homes, was originally constructed in 1969. With Nome's harsh climate, by the 1990s, the homes were in dire need of replacement. After receiving approvals from HUD and the Alaska legislature to demolish and rebuild, a total reconstruction was completed in 1997. Just this year, rain gutters, door seals, and dryer vents were also completed. Anderson says the new home is a bit smaller than her previous home, "but 100 percent improvement. It was freezing cold in the old units."

- Prepared the Spring 1998 and Fall 1998 Alaska Housing Market Indicators reports, the most comprehensive profile of the Alaska housing market published. Information ranges from construction costs and rental-market surveys to loan and home-sale-price information.
- Held the following grant application periods:
  - ✧ One round of the Homeless Assistance Program funding cycle
  - ✧ Two rounds of the Grant Match Program for the USDA Housing Preservation Grant Program and the HUD Supportive Housing Program
  - ✧ Three rounds of the GOAL program for low-income rental housing development
  - ✧ One round of the Home Opportunity Program for developing low-income home ownership
  - ✧ One round of the Owner-Occupied Rehabilitation Program for weatherization of low-income single-family homes
  - ✧ One round of the Community Housing Development Organization (CHDO) operating assistance grant program
- Awarded 37 grants to 35 organizations for a total of $7.5 million
- Submitted five grant applications for various AHFC and public housing programs
- Provided program management and compliance monitoring for $47 million in grants
- Hosted the Neighborhood Reinvestment Training Institute, a training program for housing and community development for 100 people in March 1999
- Held workshops for 90 attendees in six statewide locations on the rental-housing-development process for the GOAL program
- Held Affordable Housing Investment Forums in Fairbanks and Juneau
- Provided more than 500 hours of technical assistance to current grantees, persons and organizations applying for funds, and public- and private-sector requests for statistical information on housing and the housing market
- Implemented a home-ownership-assistance component to the HOME program

Ongoing Maintenance–Not Deferred Maintenance–The Key to Safe, Quality Housing

When the State of Alaska compiled a list of more than $1 billion in deferred maintenance projects in 1997, AHFC was asked to step in to issue bonds to pay for the work. With our strong credit rating, AHFC has already issued $92,365,000 of the $224 million authorized on behalf of the State of Alaska.

But AHFC is determined not to end up in a similar situation of deferring its own maintenance. In 1995, AHFC developed a 10-year modernization and rehabilitation plan, and projects are under way statewide to upgrade the 1695 units AHFC owns in 14 communities across the state. In FY99, AHFC:

- Completed construction of 45 new multifamily units at Riverbend in Juneau
- Completed renovation of 48 senior units at Golden Towers in Fairbanks; continued work on the remaining 48 units
- Began construction on 30 replacement multi-family units at Spruce Park in Fairbanks
- Completed five senior/statewide renovation projects
- Started exterior renovation and completed design for interior renovation of 62 units at Mountain View/Mountain View Annex, a senior facility in Juneau

Renovation projects are under way in AHFC-owned properties throughout Alaska.

- Completed interior renovation of an eight-unit multi-family building at Schoenbar Park in Ketchikan
- Continued interior renovation of 19 multi-family units, the property manager's office, and accessible units at Etolin Heights in Wrangell
- Received approval from HUD for disposition and replacement of the seven substandard dwelling units in Valdez

Barkley Sagebrush of Interior Weatherization (IW) assesses a home for energy improvements. IW is one of five contractors statewide to perform weatherization for AHFC under the Low-Income Weatherization and HOME Programs.

Weatherization and Energy Programs:

In a state where winter temperatures often fall to –30°, -40°, or even –50°, one of the most rewarding services AHFC offers is helping seniors or low-income families stay warm while saving money on their heating bills.

This year, AHFC received a National Recognition Award from the U.S. Department of Energy for outstanding contributions to the Weatherization Assistance Program. Five contractors used $4 million in AHFC funds to improve 1130 homes in 73 such diverse communities as Metlakatla, Palmer, Wales, Soldotna, Wasilla, Anchorage, and Kwigillingok.

AHFC's efforts to improve the energy efficiency of Alaska's homes have proven to save money. But that's not all they have saved. A single mother in Eagle River was grateful that upgrades to her home may have saved more than just money on heat bills:

"The carbon monoxide test may have saved my life. It was off the scale. I had been having headaches and allergic reactions, as well as sleeping too long, for about two months, around the same time my heater began making knocking noises. This all cleared up after the old heater was removed (and replaced)."

AHFC is regarded as an "expert" when it comes to home-energy improvements and construction methods, and our goal is to share that expertise. This year, AHFC:

- Expanded online catalogue and responded to nearly 3500 requests for energy and construction information from users in 66 communities in Alaska and throughout the world

- Coordinated development and distribution of the "Alaska Log Building Construction Guide"

The Key to Warm Homes and Energy Savings

- Organized *Cold Comfort*, an international housing conference in Fairbanks in March, with 266 participants

- Developed and presented a variety of workshops to more than 400 attendees: “AHFC Energy & Loan Programs,” “What’s New in Energy-Efficient Building,” “Ice Damming,” “Grandma’s House: Building Science Basics,” and “Healthy Energy-Efficient Homes”

AHFC’s Energy-Efficiency Interest-Rate Reduction (EEIRR) Program has been nationally acclaimed since its inception in 1993. The loan program provides a lower interest rate to homeowners who build an energy-efficient new home or improve the energy efficiency of an existing home. The program has been instrumental in changing the way Alaskans view energy consumption. Most Alaskans are now aware of the potential comfort and savings if their home is built to 5* or 5*+ standards. Thousands of homes in Alaska’s housing stock now provide those benefits to their owners. In FY99, AHFC:

- Purchased 1,193 EEIRR loans totaling $187.6 million, an increase of 66% over the previous year
- Purchased 311 rural energy-efficient loans with an average interest rate subsidy of $10,127
- Implemented an interest-rate reduction for purchasers of existing energy-efficient housing

Since the EEIRR program began, AHFC has provided subsidies of $22 million to finance $491 million in loans for energy-efficient homes.

Stan and Terry Harrington’s Anchor Point home qualified for a lower interest rate through AHFC’s Energy-Efficiency Interest-Rate Reduction Program. Here they enjoy their deck with grandchildren, Kimber McLey and Heather Harrington.

Senior Housing—the Key to Keeping our Retirees in Alaska

Caroleen Waterfield is a second-generation Alaskan. After her parents arrived in 1935, her father worked as a commercial fisherman and later at the AJ Mine. They lived in Juneau—where Caroleen was born—then moved to Sitka. But when the war broke out, women and children were required to leave, so they moved to Idaho. After returning in 1948, Caroleen spent the next 50 years living throughout Alaska, mainly in the Southeast. She recently moved into the Ptarmigan View Apartments in Anchorage, after noticing their refurbishment while still under construction.

AHFC allocated $376,500 in 1998 Low-Income Housing Tax Credits and provided financing under the Multifamily, Congregate, and Special Needs Loan Program for the project. A total of $7,864,200 in 1999 tax credits was awarded to four projects in Naknek, Anchorage, and Juneau.

AHFC's senior housing office actively assists senior advocacy groups and housing developers in their quest to produce more senior housing in Alaska. This year, the Senior Housing Office:

- Worked to amend statutes to allow the financing of reverse annuity mortgages for senior citizens. Although AHFC does not have statutory authority to purchase reverse annuity mortgages, the senior housing office was instrumental in achieving statute amendments, which would allow Alaska lenders to originate these loans.

- Continued research into ways in which AHFC could create a loan program for financing accessibility improvements for persons with special needs

- Amended Senior Housing Revolving Loan Fund regulations to comply with revisions to the state statutes

- Co-sponsored the Alaska Commission on Aging's first annual Common Ground Conference and Senior Housing Fair

- Participated in the Legislative Long-Term Care Task Force

Caroleen Waterfield, an avid reader, lived with her daughter before moving into the Ptarmigan View Apartments in Anchorage. "They're really quite nice," the 50-year Alaskan said of the eight-unit, all-senior facility.

Homebuyer Education Classes, Partnerships, Pilot Programs:

The Key to Increasing Homeownership in Rural Alaska

You might be able to jumpstart your car without a key, but you must use the right key to jumpstart home-ownership in rural Alaska. And that key is outreach and education. Throughout most of the '90s, AHFC's rural-home-loan volume remained steady at 250-300 loans annually. Through increased outreach, that number doubled to 550 in FY98 and to 874 in FY99. Dollar volume in FY99 was $128.6 million compared to $40.1 million just two years earlier.

Keying Into the Needs of the Community

In May of 1998, AHFC kicked off what was to become a national-award-winning pilot program in Bethel and Aniak. The program provides less restrictive financing and lower interest rates, homeownership education, one-step construction lending, and a partnership with lenders. Bethel and Aniak were selected to participate as the initial pilot communities due to their availability of land and proposed housing projects already in the planning stages. AHFC has purchased nine loans totaling $1.5 million under the pilot program.

- Created Home**Options**, pre-homeownership classes for rural Alaskans to provide assistance in walking through the home-buying process. Conducted classes for 36 participants in five communities.

The increase in rural loans can also be attributed to partnerships with First National Bank of Anchorage, National Bank of Alaska, and 11 regional housing authorities statewide to provide information about AHFC's loan and grant programs to rural Alaskans.

Grants Make Federally Funded Construction Feasible

The need for new housing in rural Alaska continues to grow, while legislative approval of AHFC's matching funds continues to decline. In FY99, AHFC awarded $7,362,055 in 14 grants to regional housing authorities under the Supplemental Housing Development Grant Program. The funds leveraged an additional $36,810,275 in federal HUD funds to build 211 new homes in 14 communities from Elim to Valdez and from Chevak to Sitka. The AHFC funds will help with site preparation and water, sewer, and electrical distribution systems, access roads, and energy-efficient design features.

Nineteen Low-Income Renters to Become Homeowners

Public housing renters in Anchorage will soon become homeowners when AHFC sells 19 of its scattered-site housing units. Qualified purchasers will receive down-payment assistance through partner agencies and low-interest-rate loans.

AHFC offered a special Home**Choice** class for public housing residents, with information geared toward persons moving from public-housing assistance to home ownership. Eleven families completed the eight-hour class conducted over four consecutive weekends.

Paula Hensley watches as Priscilla, Alex, and Louis sled in front of their Beringvue home, one of 33 single-family rentals owned by AHFC in Nome.

The Bryners used AHFC's Rural Loan Program to finance their newly built home in Petersburg

Loan Program Statistics FY99

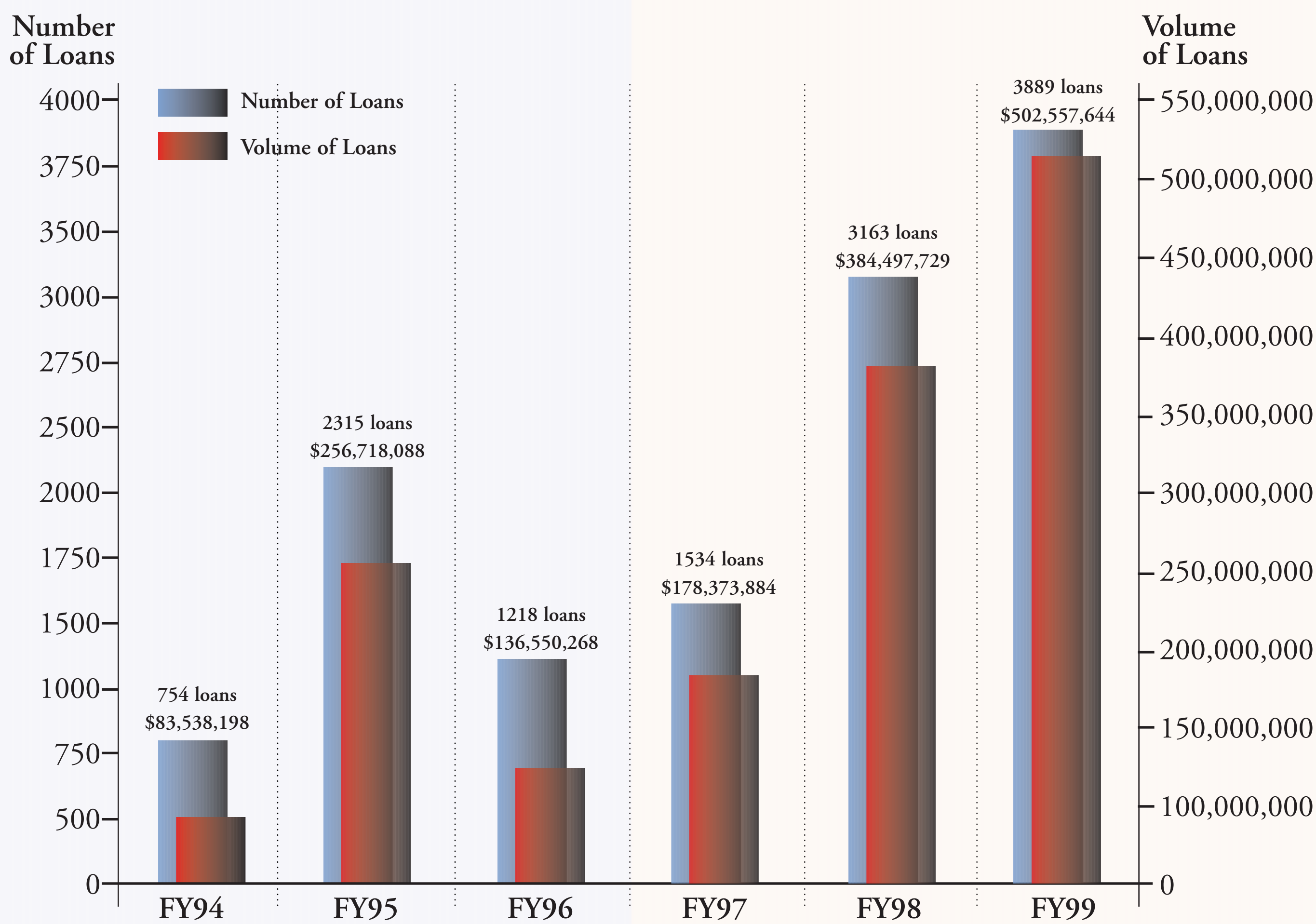
Programs	Number of Loans	Dollar Volume
First-Time Home Buyer	1848	$189,300,715
Streamline Refinance	1228	$102,998,470
Interest-Rate Reduction for Low-Income Borrowers	1239	$125,645,899
Energy-Efficiency Interest-Rate Reduction	1203	$188,874,723
Veterans Mortgage	540	$91,249,038
New Urban Loans (excludes refinances)	3015	$373,950,761
New Rural Loans (excludes refinances)	874	$128,606,683

Homeownership in Alaska increased from 60.9% in 1995, to 62.9% in 1996, and to 67.2%—its highest level ever—in 1997, before dropping slightly to 66.3% in 1998.

Borrower and Program Average Comparisons FY99

	All Programs	Taxable	Tax-Exempt	Veterans
Total Number of Loans	3,562	501	1835	508
Sales Price	$132,516	$159,927	$106,965	$180,241
Loan Amount	$125,416	$143,060	$102,394	$167,259
Loan-to-Value Ratio	92.11%	89.27%	94.19%	93.26%
Interest Rate	5.770%	6.536%	5.413%	6.139%
P&D Payment	$750	$921	$580	$1031
Monthly Income	$4558	$5518	$3207	$6619
Age of Borrower	37	39	33	48
Household Size	3	3	2	3

Total AHFC Loans Purchased (excluding refinances)



Terry Harrington with grandchildren, Kimber and Heather, on the deck of her energy-efficiant home in Anchor Point

AHFC EMPLOYEES
—the Key to Our Success

Phill Adams _ Sandra Amox _ Marilyn Ampy-Jackson _ Ross Anderson _ Roy Anderson _ Steve Anderson _ Marge Arnold _ Steve Ashman _ Sue Ayers _ Brian Baines _ Barbara Baker _ Nancy Barnacle _ Linda Barrows _ Toni Bell _ Ineke Benkers _ Tony Berdahl _ Cecelia Berlin _ Barbara Bitney _ John Bitney _ Martha Blanchett _ Cary Bolling _ Peter Bonadurer _ Genie Borgford _ Richard Boughton _ Vicki Bourque _ Kari Bowers _ Debbie Boyce _ Marilyn Brayton _ Robert Brean _ Nick Brewer _ Daniel Brown _ Edgar Brown _ Sue Buchholz _ Mike Buller _ Mimi Burbage _ Pamela Bush _ Donald Cain _ Mark Cameron _ Les Campbell _ Lucy Carlo _ Jenna Carp _ Marion Carter _ Nola Cedergreen _ Ed Chan _ Cera Choi _ Chris Christley _ Jim Clark _ Patrick Cochran _ Colin Coker _ Esther Combs _ Nancy Conn _ Jenny Coppola _ Ann Cothron _ Mike Courtney _ Gerry Cox _ Kimberly A. Coy _ Doc Crouse _ Grace Cuaresma _ Mike David _ Bernie Davis _ Daniel Davis, Jr. _ Steve DeBusk _ Drew Dekreon _ John DeMott _ Judith DeSpain _ Catherine Dickson _ Jeff Doll _ Sherrylee Dovolos _ Joe Dubler _ Luan Dudley _ Joyce Dunaway _ Kris Duncan _ Gloria Dunmore _ Pam Duran _ Steve Eastlake _ Sheila Edward _ Henry Elizarde _ Bradley Elmgren _ Gregory Evans _ Diane Faude _ Dan Fauske _ Gail Fesler _ David Finley _ Zarie Flemig _ Virgialee Florez _ Les Forbes _ Victor Forrester _ Susan Garrett _ James Generous _ Christie George _ David Gildersleeve _ Brenda Glaze _ John Glidden _ David Gonzales _ Martha Gore _ Paula Graber _ Debbie Grizzle _ Jim Gurke _ Bruce Gwalthney _ Jill Haag _ Peter Haines _ Betty Hall _ Sheryl Hall _ Lynn Hallford _ Linda Hamilton _ Paul Hansmeyer _ Cynthia Hanson _ Jeri Harris _ Judy Harris _ Kurt Hartman _ Steve Hatzis _ Melissa Haynes _ Amy Hiley _ Candace Hiner _ Linda Hobert _ Elaine Hodl _ Joan Hodson _ Eric Hoffman _ Elaine Hollier _ Shannon Hollier _ Marjorie Holt _ Laurie Holte _ Marilyn Holvoet _ Dan Horak _ Tammy Hunter-Greco _ Pam Huyck _ Deborah Inama _ Arturo Irizarry _ Posini Isaako _ Jessie Jackson _ Kimberly Jakeway _ Tammie James _ Judith Johnson _ Linda Johnson _ Myrna Johnston _ Anna Jolliff _ liljones _ Gay Jurgensen _ Phil Kaluza _ Paul Kapansky _ Bob Kelly _ Joseph Kilian _ Kwang Kim _ Michael Kincaid _ Terry Kincaid _ Jennifer Klein _ Gerri Koechling _ Daniel Kuntze _ La-Von Landis _ Terri Lane _ Maureen Lavoie _ Margaret Lawson _ Mike Lee _ Kathy Lepley _ James Lester _ Steve Lewis _ Wilda Libby _ Anne Liddelow _ Jeffrey Liddle _ Kelli Lindahl _ JoAnn Lipps _ Aleshia Lockhart _ Beverly Lopez _ David Maiden _ Beverli A. Marshall _ Bernie Massin _ Mary Ann Mattera _ Jo Anne Matthews _ Mary Matthews _ Brenda Matthews Moss _ Jim McCall _ Dave McDowell _ Mary McGuire _ Gwen McKee _ Julie McLean _ Elizabeth Melton _ Teeny Metcalfe _ Teresa Meyers _ Joyce Michaelson _ Andy Montoya _ Latoya Moore _ Jim Morris _ Bette Morrison _ Ronald Mosher _ Jim Murphy _ Kay Murphy _ Jimmie Nelson _ Timothy Nelson _ Janet Niemann _ James Nitchman _ Jeanie Nixa _ Alexander Oliphant _ Judy Ondeck _ Kyle Orr _ Manuel Ortega _ Darla Otto _ Linda Packard _ Cheryl Parker _ James Parson _ Cheryl Patterson _ Kevin Paylow _ Bill Pellman _ Victor Peralta _ Debra Petersen _ Michael Phelps _ Bob Pickett _ Harold “Hap” Pierce _ Monica Pirrotta _ Hess Poland _ Sally Poland _ Kassye Potter _ Ana Poulivaati _ Tony Price _ Jacklyn Radie _ John Randall _ Roy Range _ Dewey Ransom _ Terri Ready _ Anna Margaret Rear _ Carma Reed _ Greg Reed _ Sheila Reese _ James Rheault _ Donnis Richard _ Carol Richards _ Rosie Ricketts _ Sue Ridling _ Nadine Robertson _ Dena Roe _ Fay Romer _ Mark Romick _ Anita Rosett _ Ray Rouzan _ Patti Ruppert _ Holly Rutka _ Linda Sandison _ Jeniffer Santos _ Fina Schlosser _ Carol Schumacher _ Julie Schweizer _ Roxanne Schwindt _ Sandy Seay _ Brian Seim _ Willie Shepard _ Grant Shimanek _ Tom Siegrist _ Marie Sill _ David Silva _ Sherrie Simmonds _ Deborah Sims _ Amy Sjodin _ Herman Smith _ Melanie Smith _ Michelle Snook _ Konni Snyder _ Dreilin Sosa _ Cindi Sowder _ Cyndy Speight _ Jon Stachelrodt _ Bobbie Stallone _ Norma Stanford _ Cathy Stanley _ Linda Stanton _ Tammy Steele _ Debra Stevenson _ Lynn Stewart _ Rutha Stone _ Mike Sullivan _ Pola Takher _ Dolores Tamagni _ Gary Teague _ Brad Thomas _ Tracy Thornton _ Sheryl Tichenor _ Brenda Tomuro _ Kevin Tune _ Glen Turner _ Sandy Underwood _ Ray Utter _ Marlin Vanduisen _ Barbara Venarchick _ Rodney Vitt _ Karl Voiles _ Douglas Wade _ Mark Ward _ Reggie Ward _ Scott Waterman _ Ronald Wehrli _ Wes Weir _ Naomi Welty _ John Werner _ Harvey F. Wheaton _ Larry White _ Richard Whitehead _ James Wiedle _ Cal Williams _ Jacqueline Williams _ Vicki Williams _ Victoria Wilson _ Kelly Windom _ Duane Wise _ Yvonne Wolever _ Buncha Wongkritwit _ Gregory Wood _ James Wright _ Cherie Young _ Victoria Zajacz _

FINANCIAL SECTION

Alaska Housing
FINANCE CORPORATION

FINANCIAL HIGHLIGHTS

State Capital Project Bonds, 1999 Series A

In January 1999, the Corporation issued $92,365,000 in State Capital Project Bonds, 1999 Series A—the first of at least two issues to provide financing for capital projects throughout the State of Alaska (see ***AHFC Transfers Funds to the State of Alaska***). The ratings on the Bonds were based upon the Corporation's General Obligation, and debt service payments on the Bonds will be made from the General Account of the Revolving Fund.

Selection of Qualified Underwriters

AHFC solicited for Qualified Underwriters for its 'A' list (larger, single-family mortgage and general obligation bonds) and 'B' list (smaller, multi-family bonds) during FY99. Upon the recommendation of the Investment Advisory Committee, the Board approved the following for the 'A' list: A.G. Edwards & Sons, Inc; George K. Baum & Company; John Nuveen & Co, Inc.; Lehman Brothers; Merrill Lynch & Co.; and PaineWebber Incorporated. The IAC also recommended, and the Board approved, the following firms for our 'B' list: Key Capital Markets, Inc.; M.R. Beal & Company; and Newman and Associates, Inc.

Domestic Commercial Paper Program

Since 1986, AHFC has been an active issuer of Euro-Commercial Paper to provide short-term financing for various programs. In March 1999, the Corporation began replacing the ECP Program with a $150 million Domestic Commercial Paper Program aimed at lowering its cost of funds and providing a more liquid market in which to issue short-term paper.

AHFC Reports Earnings for Fiscal Year 1999

AHFC posted net earnings of $79,850,000 for FY99, down from the $95,916,000 achieved for the prior year. Lower net income was attributable to lower interest rates decreasing earnings on its short-term investment portfolio, and establishing loan loss reserves for new loans made during the year.

AHFC Transfers Funds to State of Alaska

The 1998 Legislature adopted legislation authorizing as much as $224 million in AHFC bonds to finance projects of the State and municipalities. The legislation states in the legislative intent that the sum of withdrawals for repayment of the bonds, for transfer to the general fund, and for expenditures on AHFC-funded capital projects should not exceed AHFC's net income for the preceding year. The legislative intent also states that AHFC anticipates that $103 million will be available in each fiscal year beginning with 1999 through 2005, for a total amount during the seven-year period of $721 million. The bond proceeds are allocated to agencies or municipalities in the total amount of $199,634,509 and are subject to specific legislative appropriation that also was adopted. Among the larger allocations are amounts for deferred maintenance at the University of Alaska Fairbanks, new schools, school maintenance projects, and harbors and armories. During FY 1999, the Corporation issued $92,365,000 in State Capital Project Bonds and reimbursed the State for $34,905,000 of those capital projects.

AHFC views passage of this legislation as a continuation to the year 2005 of the plan of the Legislature, stated in its legislative intent in 1995, to appropriate $103 million annually. It should be noted that the legislation is repealed 7/1/06, which is six months later than the permitted term of the bonds.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Alaska Housing Finance Corporation
Anchorage, Alaska

We have audited the accompanying combined balance sheets of Alaska Housing Finance Corporation as of June 30, 1999 and 1998, and the related combined statements of revenue and expenses, cash flows, and changes in equity for the years then ended. These financial statements are the responsibility of the management of Alaska Housing Finance Corporation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of Alaska Housing Finance Corporation as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The year 2000 supplementary information which follows the notes to the combined financial statements is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that Alaska Housing Finance Corporation is or will become year 2000 compliant, that Alaska Housing Finance Corporation's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Alaska Housing Finance Corporation does business are or will become year 2000 compliant.

Deloitte & Touche LLP

September 15, 1999

Deloitte Touche Tohmatsu

EXHIBIT A

COMBINED BALANCE SHEETS

June 30, 1999 and 1998 / (in thousands)

	1999	1998
ASSETS		
Cash	$10,859	$19,083
Investments	1,818,740	2,037,987
Mortgage loans and mortgage-backed securities, net	2,310,468	2,072,833
Mobile home loans, net	8,630	11,051
Notes receivable	32,914	29,362
Accrued interest receivable	24,302	21,424
Net investment in direct financing lease	39,519	37,434
Unamortized bond issuance costs	21,437	21,616
Due from other funds	70,653	64,956
Real estate and mobile homes owned	222	1,067
Property and equipment, net	103,594	99,544
Other assets	19,615	15,331
	$4,460,953	**$4,431,688**

	1999	1998
LIABILITIES AND FUND EQUITY		
Liabilities:		
Bonds and notes, net of discounts	$2,249,499	$2,287,193
Commercial paper	105,762	91,054
Securities sold under agreements to repurchase	178,177	117,682
Accrued interest payable	12,124	12,021
Due to other funds	70,653	64,956
Accrued expenses and other liabilities	56,703	37,327
Total liabilities	2,672,918	2,610,233
Commitments and Contingencies (Notes 11, 12, 14, 17, 18, 22)		
Fund equity:		
Contributed capital	618,068	731,338
Retained earnings	1,169,967	1,090,117
Total fund equity	1,788,035	1,821,455
	$4,460,953	**$4,431,688**

See accompanying notes to combined financial statements.

EXHIBIT B

COMBINED STATEMENTS OF REVENUES AND EXPENSES

Years Ended June 30, 1999 and 1998 / (in thousands)

	1999	1998
REVENUES		
Interest and Investment Income:		
Mortgages and loans	$164,034	$163,630
Investments	113,144	116,126
Net change in the fair value of investments	(5,298)	5,282
Insured real estate owned	147	212
	272,027	285,250
Rental and lease income	6,805	6,498
Other income	2,358	4,578
Externally funded program revenues	32,285	31,656
Total Revenues	**313,475**	**327,982**
EXPENSES		
Interest	138,165	142,112
Mortgage service fees	8,723	8,245
Operations and administration	28,351	26,238
Trustee fees, insurance and financing costs	10,047	6,674
Provision for loan losses	7,179	2,718
Write down and expenses associated with real estate and mobile homes owned	196	1,411
Grants and subsidies	31,199	35,395
Rental housing operating expenses	9,765	9,273
Total Expenses	**233,625**	**232,066**
Net Income	**$79,850**	**$95,916**

See accompanying notes to combined financial statements.

EXHIBIT C

COMBINED STATEMENTS OF CASH FLOWS

Years Ended June 30, 1999 and 1998 / (in thousands)

OPERATING ACTIVITIES	1999	1998
Net income	$79,850	$95,916
Removal of non-operating activity:		
Investment interest income	(107,584)	(111,128)
Net change in fair value of investments	5,297	(5,283)
Interest on bonds and other debt	135,185	136,860
Net operating income	112,748	116,365
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation expense	4,689	4,708
Net amortization of discounts and bond issuance costs	3,792	7,289
Acquisition of loans and notes receivable	(650,917)	(465,418)
Loan principal repayments and reduction in real estate and mobile homes owned	406,262	414,132
Decrease (increase) in mortgage and notes interest receivable	(1,441)	699
Increase (decrease) in other liabilities and assets	17,660	2,436
Increase (decrease) in allowance for loan losses, net of charge offs	3,241	2,853
Net expenses for (recovery of) real estate and mobile homes owned	954	755
Receipt of federal rent subsidies	13,917	13,818
Payment of federal rent subsidies	(13,910)	(13,700)
Net cash provided by Operating Activities	**(103,005)**	**83,937**

NONCAPITAL FINANCING ACTIVITIES		
Net proceeds from issuance of commercial paper and securities sold under agreements to repurchase	1,159,994	1,674,080
Net principal retirement of commercial paper and securities sold under agreements to repurchase	(1,084,918)	(1,832,264)
Interest payments on commercial paper and securities sold under agreements to repurchase	(10,662)	(17,381)
Net proceeds from sale of mortgage bonds	95,520	468,341
Bond issuance costs paid	(1,060)	(2,890)
Principal payment on mortgage bonds	(136,765)	(89,319)
Interest payments on mortgage bonds	(122,620)	(114,400)
Contributed capital repaid to State of Alaska	(116,514)	(96,106)
Net cash used in Noncapital Financing Activities	**(217,025)**	**(9,939)**

EXHIBIT C - continued

COMBINED STATEMENTS OF CASH FLOWS - continued

Years Ended June 30, 1999 and 1998 / (in thousands)

CAPITAL FINANCING ACTIVITIES	1999	1998
Capital asset purchases	(9,816)	(13,488)
Disposal of capital assets	1,077	143
Investment in direct financing lease	-	(35,434)
Principal payments on capital bonds and notes	(411)	(404)
Interest payments on capital bonds and notes	(300)	(318)
Contributed capital - federally funded	3,244	7,252
Net cash used in Capital Financing Activities	**(6,206)**	**(42,249)**

INVESTING ACTIVITIES		
Purchases of long-term investments	(7,772,380)	(7,200,194)
Maturities of long-term investments	7,986,330	7,069,399
Interest received from investments	104,062	108,157
Net cash provided by Investing Activities	**318,012**	**(22,638)**

Increase (decrease) in cash	(8,224)	9,111
Cash at beginning of year	19,083	9,972
Cash at end of period	**$10,859**	**$19,083**

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The Corporation had noncash activities as follows (in thousands):

Activity	**June 30, 1999**	**June 30, 1998**
Interfund asset transfers	$53,195	$31,036
Amortization of Investment in Direct Financing Lease	2,085	2,000
	$55,280	**$33,036**

See accompanying notes to combined financial statements.

EXHIBIT D

COMBINED STATEMENTS OF CHANGES IN EQUITY

Years Ended June 30, 1999 and 1998 / (in thousands)

	Total Equity	State Capital Contributions	Federal Capital Contributions	Retained Earnings
Balance, June 30, 1997	**$1,814,393**	**$732,808**	**$87,384**	**$994,201**
HUD debt payments	383	-	383	-
HUD modernization & development	6,869	-	6,869	-
Returned to State of Alaska	(96,106)	(96,106)	-	-
Net income	95,916	-	-	95,916
Balance, June 30, 1998	**1,821,455**	**636,702**	**94,636**	**1,090,117**
HUD debt payments	389	-	389	-
HUD modernization & development	2,855	-	2,855	-
Returned to State of Alaska	(116,514)	(116,514)	-	-
Net income	79,850	-	-	79,850
Balance, June 30, 1999	**$1,788,035**	**$520,188**	**$97,880**	**$1,169,967**

See accompanying notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 1999 and 1998

1 • AUTHORIZING LEGISLATION AND FUNDS

The Alaska Housing Finance Corporation (Corporation), a public corporation and government instrumentality of the State of Alaska, was created in 1971, and modified in 1992, by acts of the State of Alaska Legislature (Legislature) to assist in the financing, development and sale of dwelling units, operate the State's public housing, offer various home loan programs emphasizing housing for low- and moderate-income and rural residents, and administer energy efficiency and weatherization programs within Alaska.

Generally, the Corporation accomplishes its mortgage-related objectives by functioning as a secondary market for qualified real estate and mobile home loans originated by financial institutions. The Corporation is authorized, as approved by the Legislature, to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. Certain bonds issued to finance residences for qualified veterans are unconditionally guaranteed by the State of Alaska. No other obligations constitute a debt of the State.

The non-mortgage related programs of the Corporation are funded through various grant and program agreements with the federal government's departments of Housing and Urban Development (HUD), Energy (DOE), and Health and Human Services (HHS), as well as capital and operating subsidies from the Corporation's own funds.

2 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The financial activities of the Corporation, which are restricted by the Corporation's bond resolutions, requirements from the Legislature, HUD, DOE, and HHS program agreements, are recorded in various special purpose funds and accounts as specified in such instruments or necessitated by appropriation requirements. In general, financial activities and resulting account balances which are not so restricted are recorded in the General Account of the Revolving Fund. The Corporation's funds are considered to be proprietary funds for financial reporting purposes with revenues recognized when earned and expenses when incurred. As permitted by the Governmental Accounting Standards Board's (GASB) Statement Numbers 20 and 29, the Corporation applies all statements and interpretations of the Financial Accounting Standards Board (FASB) that apply to for-profit entities and which do not conflict with GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Unrestricted Activities

The General Account of the Revolving Fund consists entirely of the Corporation's unrestricted assets, liabilities, equity and results of operations.

Investments

All investments are stated at fair value. The Corporation does not participate in any external investment pools.

Loans

Mortgage loans are carried at their unpaid principal balances net of allowance for estimated loan losses. Under previous agreements, the Corporation exchanged mortgages for mortgage-backed securities (MBSs) with Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC) and issued mortgage certificates guaranteed by the Government National Mortgage Association (GNMA). MBSs received in exchange for mortgages and those issued by the Corporation under its MBS program are carried at the unpaid principal balance of the underlying mortgage loans, net of related allowances.

NOTES TO COMBINED FINANCIAL STATEMENTS

Real Estate and Mobile Homes Owned
Real estate and mobile homes owned consist principally of properties acquired through foreclosure or repossession and are carried at the lower of cost or estimated net realizable value.

Accrued Interest Receivable on Loans and Properties
Interest is accrued based upon the principal amount outstanding. Accrual of interest income is discontinued on loans when, in the opinion of management, collection of such interest becomes doubtful. When payment of interest is provided for pursuant to the terms of loan insurance or guarantees, accrual of interest on delinquent loans and real estate owned is continued.

Allowances for Estimated Loan Losses
The Corporation provides for possible losses on loans anticipated to be foreclosed upon. A potential loss is recorded when the net realizable value, or fair value, of the related collateral or security interest is estimated to be less than the Corporation's investment in the property less anticipated recoveries from private mortgage insurance, private credit insurance, and various other loan guarantees. In providing for losses, through a charge to operations, consideration is given to the costs of holding real estate, including interest costs. The loan portfolio, property holding periods and property holding costs are reviewed periodically. While management uses the best information available to make evaluations, future adjustments to the allowances may be necessary if there are significant changes in economic conditions or property disposal programs.

Amortization and Depreciation
Discount and issuance expenses on debt are deferred and amortized using the interest method over the life of the related bond issue, ranging from 30 to 40 years.

Depreciation and amortization of buildings, equipment, leasehold improvements and intangible assets are computed on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 5 to 25 years.

Bonds and Notes
The Corporation issues bonds and notes to provide capital for its mortgage programs, and other uses consistent with its mission. The bonds and notes are recorded at cost plus accreted interest, less discounts and deferred debt refunding expenses. Discounts are amortized using the effective interest method. Deferred debt refunding expenses are amortized over the shorter of the remaining life of the old debt, or the remaining life of the new debt.

Income Taxes
The Corporation is exempt from federal and state income taxes.

Reclassifications
Certain prior-year balances have been reclassified to conform to the current-year presentation.

3 • CASH

Cash consists of demand deposits, time deposits and uninvested trust account balances. A summary of the Corporation's cash follows (in thousands):

	June 30, 1999	June 30, 1998
Restricted	$6,015	$10,803
Unrestricted	4,844	8,280
Carrying amount	$10,859	$19,083
Bank balance	$11,982	$19,951

NOTES TO COMBINED FINANCIAL STATEMENTS

4 • INVESTMENTS

Custodial Credit Risk

The Corporation assumes levels of custodial credit risk for its cash, deposits with financial institutions, bank investment agreements and investments. Cash and bank investment agreements are categorized as: 1) insured by federal depository insurance or collateralized by securities held by third parties in the Corporation's name; 2) uninvested in trust and other accounts collateralized with securities held by bank trust departments, but not in the Corporation's name; and 3) uninsured and uncollateralized. Investments are categorized as: 1) insured, registered, or held by the Corporation or its agent in the Corporation's name; 2) uninsured and unregistered, held by the counter party's trust department or agent in the Corporation's name; and 3) uninsured and unregistered investments that are held by a counter party, or by its trust department or agent, but not in the Corporation's name.

The bank balance of the Corporation's cash, bank investment agreements, and investments is categorized below (in thousands):

	Category 1	Category 2	Category 3	June 30,1999	June 30,1998
Cash	$11,922	-	$60	$11,982	$19,951

	Category 1	Category 2	Category 3	June 30,1999	June 30,1998
Bank investment agreements	$315,998	-	$14,170	$330,168	$537,043
U.S. Treasury securities	74,958	31,059	-	106,017	49,848
Securities of U.S. Government agencies and Corporations	149,987	75,614	-	225,601	438,980
Asset-backed securities	124,131	-	-	124,131	38,501
Certificates of Deposit	27,310	-	-	27,310	-
Commercial paper & medium term notes	132,001	297,324	-	429,325	506,898
Subtotal	508,387	403,997	-	912,384	1,034,227
	$824,385	**$403,997**	**$14,170**	1,242,552	1,571,270
Investment agreements				354,294	288,502
Collateral for reverse repurchase agreements				178,840	118,011
Money market funds				43,054	60,204
Total investments				**$1,818,740**	**$2,037,987**

Investment Policies

Investments of trusted funds are made under terms of the indenture or agreement which applies to each pool of funds. Permitted investments may differ with each bond issue or other agreement. The Corporation's fiscal policies govern unrestricted funds and securities. The following are eligible for investment thereunder; however, individual indenture or agreement restrictions may not permit all of the following investments in any one pool of funds:

- Obligations of the United States or any agency or instrumentality thereof;
- Debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances of, and deposits with, any bank the short-term obligations of which have been rated at least "A-1" by S&P or "P-1" by Moody's;
- Deposits in and investments of a commercial bank or credit union which are fully insured by the FDIC or NCUA or that provide for the pledge of collateral maintained at a minimum level of 105%;
- Debt obligations, other than those that do not have a fixed par value or terms that do not promise a fixed dollar amount at maturity or call date, rated at least "AA" by S&P or "Aa" by Moody's;
- Repurchase Agreements (repos) with a corporation or other entity which has long-term debt ratings of at least "A" by S&P or "A" by Moody's or short-term ratings of at least "A-1" by S&P or "P-1" by Moody's and where the collateral is maintained at a minimum level of 102%;
- Money market funds which are rated at least "AAm" or "AAm-G" by S&P or "Aa" by Moody's;

- Investment agreements or guaranteed investment contracts with financial institutions having outstanding unsecured long-term obligations rated, or a claims paying or investment agreement rating, at least "AA" by S&P or "Aa" by Moody's;
- Floating rate notes issued by entities having outstanding unsecured long-term obligations rated "AA" by S&P or "Aa" by Moody's, and with interest rates subject to adjustment no less frequently than every 90 days, and a maximum maturity of three years or less;
- Adjustable rate funds, provided they are rated "AAAf" credit and "aaa" volatility by S&P and "Aaa" by Moody's;
- International Bank for Reconstruction & Development debt obligations rated "AAA" by S&P or "Aaa" by Moody's.

Investment Term

The fair value of debt security investments by contractual maturity is shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30,1999	June 30, 1998
Due in one year or less	$559,526	$1,068,716
Due after one year through five years	280,502	443,504
Due after five years through ten years	1,785	-
Due after ten years	976,927	525,767
	$1,818,740	**$2,037,987**

Realized Gains and Losses

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current period may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments included in the table below takes into account all changes in fair value (including purchases and sales) that occurred during the period. A summary of the gains and losses follows (in thousands):

	June 30, 1999	June 30, 1998
Net increase (decrease) in Fair Value	$(5,298)	$5,282
Ending unrealized gains	$9,660	$15,478
Net realized gains	$646	$425

5 • MORTGAGE LOANS AND MORTGAGE-BACKED SECURITIES

A summary of mortgage loans and mortgage-backed securities follows (in thousands):

	June 30, 1999	June 30, 1998
Mortgage Loans:		
Pool insured	$69,647	$91,714
Federally insured or guaranteed	934,514	725,130
Other	1,230,371	1,094,508
Mortgage-backed Securities issued by the Corporation:		
FNMA	41,549	65,878
GNMA	101,580	147,421
FHLMC	16,017	22,297
	2,393,678	2,146,948
Less:		
Allowance for loan losses	(83,210)	(74,115)
	$2,310,468	$2,072,833

NOTES TO COMBINED FINANCIAL STATEMENTS

Other supplemental loan information is summarized in the following table (in thousands):

	June 30, 1999	June 30, 1998
Delinquencies and Foreclosures:		
Loans delinquent 30 days or more	$72,278	$73,228
Foreclosures during period	2,890	4,242
Loans in foreclosure process	4,128	3,112
Mortgage-related commitments:		
To purchase mortgage loans	111,446	178,464
To issue federally secured MBSs	-	-
To repurchase loans upon foreclosure	122,499	179,653

6 • MOBILE HOME LOANS

A summary of mobile home loans follows (in thousands):

	June 30, 1999	June 30, 1998
Mobile home loans	$11,055	$15,365
Less reserve for mobile home loan losses	(2,425)	(4,314)
Net mobile home loans	$8,630	$11,051

7 • NOTES RECEIVABLE

A summary of notes receivable follows (in thousands):

	June 30, 1999	June 30, 1998
University of Alaska loans	$32,756	$29,197
Others (net of reserve)	158	165
Total Notes Receivable	$32,914	$29,362

During 1997, under an act of the 19th Alaska State Legislature, the Corporation entered into an agreement with the University of Alaska to loan the University a total of $33,000,000 for acquisition or construction of student housing facilities. The loan consists of a $30,000,000 assisted portion at a rate of 1.826% per annum, and a $3,000,000 unassisted portion at a rate of 6% per annum. The payments by the University will begin on August 1, 1999, and are scheduled thereafter February 1 and August 1 of each year through February 1, 2024, unless earlier repaid.

8 • INSURANCE AGREEMENTS

The Corporation has obtained private mortgage insurance, credit insurance or guarantees on certain mortgages and loans. The agreements protect the Corporation to varying degrees against losses arising from the disposition of the related collateral obtained through foreclosure or repossession, as well as the costs of obtaining title to, maintenance and liquidation of the collateral. The Corporation is exposed to losses on disposition in the event the insurers or guarantors are unable or refuse to meet their obligations under these agreements.

9 • INSURANCE PROGRAM FUNDS

The Corporation has three insurance funds for the purpose of insuring itself against losses which might occur as a result of mortgages purchased under the Rural Housing and various other programs. The insurance funds are held in trust by a commercial banking institution and are administered by the management of the Corporation. They are included in the General Account of the Revolving Fund in the accompanying financial statements.

In connection with the establishment of the Insured Mortgage Bond Program, the State Mortgage Insurance Fund (the SMIF) was created for the exclusive purpose of insuring certain acquired mortgages and the Corporation's interest in the related properties. Projected losses in the SMIF were recorded on the Statements of Revenues, Expenses, Transfers, and Retained Earnings as Insurance Fund Losses and represented projected losses on loans in the respective programs. In April, 1997, the Corporation issued the General Mortgage Revenue Bonds, 1997 Series A, that refunded all of the outstanding Insured Mortgage Bond Program Bonds. With the redemption of the Bonds, the SMIF was closed and the remaining assets were transferred back to the State of Alaska in FY 98 (see footnote #16).

10 • DIRECT FINANCING LEASE

In July, 1997, the Corporation purchased an office building in downtown Anchorage with its unrestricted assets for approximately $26 million. The building will be part of the Corporation's State Lease Building Program (the "Program") and has been leased to the State of Alaska for occupancy by its Departments and Agencies located in Anchorage. The Corporation intends to finance the purchase price plus expenses by issuing bonds under the Program, and the State has the option to purchase the building at the end of the lease for $1. It is anticipated that lease income will equal debt service on the bonds. The lease of the building to the State has been recorded as a direct financing lease. The following table lists the components of the net investment in direct financing lease and shows the future minimum payments under the lease for the next five years and thereafter (in thousands):

Fiscal Year Ending June 30	Future Minimum Payments Due
2000	$1,183
2001	3,549
2002	3,549
2003	3,549
2004	3,549
Thereafter	49,693
Gross Payments Due	65,072
Less: Unearned Revenue	(25,553)
Net investment in direct financing lease	**$39,519**

11 • PROPERTY AND EQUIPMENT

A summary of balances of fixed assets follows (in thousands):

	June 30, 1999	June 30, 1998
Buildings	$110,812	$116,092
Construction in Process	52,312	43,105
Land	12,503	12,503
Computers & Equipment	4,351	3,754
Vehicles	1,260	1,356
	181,238	176,810
Less:		
Accumulated depreciation	(77,644)	(77,266)
	$103,594	$99,544

The Corporation is obligated under contracts and other commitments to purchase and/or modernize certain fixed assets. The total commitment, including amounts to be funded by third parties, is shown below.

	June 30, 1999	June 30, 1998
Commitments	$7,492	$2,000

NOTES TO COMBINED FINANCIAL STATEMENTS

12 • BONDS AND NOTES PAYABLE

With the exception of the Veterans Mortgage Program Bonds, the Corporation's obligations are not a debt of the State and the State is not directly liable thereon. The Veterans Mortgage Program Bonds are backed by the full faith and credit of the State. All of the bonds and notes are secured, as described in the applicable agreements, by the revenues, monies, investments, mortgage loans and other assets in the funds and accounts established by the respective security agreements. A substantial portion of the assets of the Corporation is pledged to the outstanding obligations of the Corporation. Bonds and notes outstanding are as follows (in thousands):

	Original Amount	June 30,1999	June 30, 1998
Tax Exempt First-Time Homebuyer Bonds:			
Home Mortgage Bonds:			
• 1983 Second Series, 10.63%, due 2001-2010	$125,000	$ -	$97
Collateralized Home Mortgage Bonds (CHMB):			
• CHMB 1988 Series A, 7.4% to 7.5%, due 2003-2015	85,000	9,685	21,030
• CHMB 1989 Series B, 7.55% to 7.65%, due 1999-2024	148,000	12,635	19,835
• CHMB 1990 Series A, 5.7% to 7.05%, due 1999-2025	152,000	30,435	41,455
Mortgage Revenue Bonds:			
• 1996 Series A, 4.40% to 6.5%, due 1999-2027	159,871	113,471	144,226
• 1997 Series A, 4.15% to 6%, due 1999-2037	160,000	158,830	160,000
• 1998 Series A, 3.95% to 5.4%, due 1999-2035	70,000	69,790	70,000
Total Tax-Exempt First-Time Homebuyer Bonds	899,871	394,846	456,643
Accreted interest		2,526	1,616
Unamortized discount		(436)	(442)
Net Tax-Exempt First-Time Homebuyer Bonds		**396,936**	**457,817**
Veterans Mortgage Program Bonds			
Collateralized State Guaranteed Bonds:			
• Collateralized Bonds 1988 First Series, 7.5% to 8.10%, due 1999-2020	50,000	-	3,285
• Collateralized Bonds 1989 First Series, 6.5% to 7.45%, due 2002-2031	45,000	2,645	7,080
• Collateralized Bonds 1990 First Series, 6.875% to 7.50%, due 2003-2033	35,000	2,265	6,960
• Collateralized Bonds 1991 First Series, 6.75% to 7.30%, due 2004-2033	45,000	7,380	15,155
• Collateralized Bonds 1991 Second Series, 6.5% to 7.10%, due 2004-2034	60,000	15,430	25,330
• Collateralized Bonds 1992 First Series, 6.25% to 6.75%, due 2005-2034	45,000	31,615	36,100
• Collateralized Bonds 1993 First Series, 4.50% to 5.875%, due 1999-2035	65,000	40,440	45,455
• Collateralized Bonds 1994 First Series, 5.30% to 6.80%, due 1999-2036	130,000	109,380	120,545
• Collateralized Bonds 1995 First Series, 4.60% to 6.55%, due 1999-2037	30,000	22,420	27,035
• Collateralized Bonds 1997 First Series, 5.5%, due 1999-2039	100,000	99,660	100,000

NOTES TO COMBINED FINANCIAL STATEMENTS

	Original Amount	June 30,1999	June 30, 1998
• Collateralized Bonds 1998 First and Second Series, 4.0% to 5.5%, due 1999-2040	60,000	59,785	60,000
Total Veterans Mortgage Program Bonds	**665,000**	**391,020**	**446,945**
Unamortized discount		(2,246)	(2,477)
Net Veterans Mortgage Program Bonds		**388,774**	**444,468**
Other Bonds and Notes:			
Housing Development Bonds:			
• 1991 Series A, 6.2% to 7%, due 1999-2021	5,755	5,190	5,285
• 1992 Series A, 6.15% to 7%, due 2000-2022	9,370	8,220	8,425
• 1993 Series A, 4.25% to 5.625%, due 1999-2023	8,325	7,580	7,740
• 1993 Series B, 4.25% to 5.625%, due 1999-2023	4,890	4,495	4,580
• 1993 Series C, 4.35% to 5.7%, due 1999-2023	1,200	1,110	1,130
• 1993 Series D, 5.6% to 7.1%, due 1999-2023	4,675	4,380	4,445
• 1993 Series E, 5.6% to 7.1%, due 1999-2023	12,255	10,685	11,030
• 1997 Series A, 4.15% to 5.7%, due 1999-2029	6,510	6,425	6,510
• 1997 Series B, 4.25% to 5.8%, due 1999-2029	17,000	16,785	17,000
• 1997 Series C, 6.8% to 7.55%, due 1999-2029	23,895	23,690	23,895
General Mortgage Revenue Bonds:			
• 1991 Series A, Floating Rate, 3.45% at June 30, 1999, due 2026	120,000	120,000	120,000
• 1991 Series C, Floating Rate, 3.30% at June 30, 1999, due 2026	180,000	180,000	180,000
• 1997 Series A, 4.15% to 6.1%, due 1999-2037	434,911	432,871	434,911
General Housing Purpose Bonds:			
• 1992 Series A, 5.3% to 6.6%, due 1999-2023	200,000	52,905	57,930
• 1994 Series A, 4.00% to 5.4%, due 1999-2023	143,815	141,485	142,025
Government Purpose Bonds:			
• 1995 Series A, 4.5% to 5.875%, due 1999-2030	335,000	329,155	333,095
• 1997 Series A, Floating Rate, 3.55% at June 30, 1999, due 2027	33,000	33,000	33,000
State Capital Project Bonds:			
• 1999 Series A, 3.40% to 5.00%, due 1999-2005	92,365	86,710	-
Total Other Bonds and Notes	**1,632,966**	**1,464,686**	**1,391,001**
Accreted interest		1,480	785
Unamortized deferred debt refunding expense		(5,249)	(6,749)
Unamortized discount/premium		(4,076)	(7,488)
Net Other Bonds and Notes		**1,456,841**	**1,377,549**
Other Programs:			
Low Rent Program Notes:			
• Low Rent Project Note, Second Series, 3.875%, due 2000-2006	720	215	245
• Low Rent Project Note, Third Series, 3.625%, due 2000-2007	4,410	1,380	1,535
• Low Rent Project Note, Fourth Series, 4.375%, due 2000-2008	2,470	935	1,020
• Low Rent Project Note, Fifth Series, 6.0%, due 2000-2010	1,300	685	730
• FFB Note-AK-1-32, 11.898%, due 2013	1,191	813	844

NOTES TO COMBINED FINANCIAL STATEMENTS

	Original Amount	June 30,1999	June 30, 1998
• FFB Note-AK-1-40, 14.993%, due 2016	1,605	1,214	1,249
• FFB Note-AK-1-903, 11.861%, due 1999	83	8	16
Home Ownership Notes:			
• Mutual Help HUD Note, 5.625% to 8.000%	996	996	996
• Wrangell Project HUD Note, 1.00%- 3.00%, due 2007	1,141	702	724
Total Other Programs	13,916	6,948	7,359
	$3,211,753	**$2,249,499**	**$2,287,193**

Sinking Fund Payments

The minimum annual principal payments, including sinking-fund principal payments, related to all mortgage bonds and notes in the preceding schedule for the five years subsequent to June 30, 1999, and thereafter, are as follows (in thousands):

Year Ending June 30,	Amount
2000	$32,283
2001	34,720
2002	37,950
2003	40,325
2004	42,290
Thereafter	2,069,932
	$2,257,500

Redemption Provisions

The bonds and notes are generally subject to certain early-redemption provisions, both mandatory and at the option of the Corporation. The Corporation redeems debt, pursuant to the provisions of the related agreements which permit surplus revenues, resulting primarily from mortgage loan prepayments, to be used to retire the obligations at par.

In addition to surplus revenue redemptions, the Corporation refunds debt pursuant to redemption provisions in the related agreements. The accelerated amortization of related discounts and costs of issuance resulting from these surplus revenue redemptions is included in interest expense and financing costs. A summary of redemptions follows:

	Principal Redeemed			
	June 30, 1999	June 30, 1998	Accounting Gain/(Loss)	Economic Gain/(Loss)
Surplus Revenue Redemptions	$110,102	$81,409	-	-
Total Redemptions	**$110,102**	**$81,409**	-	-

NOTES TO COMBINED FINANCIAL STATEMENTS

Defeased Debt
From time to time, the Corporation effects an advanced refunding where bonds are issued, the proceeds of which are used to defease outstanding debt of the Corporation. The result is an in-substance defeasance whereby the Corporation purchases securities which are deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. A summary of the defeased debt follows (in thousands):

	June 30, 1999	June 30, 1998
General Housing Revenue Bonds,		
1992 Series A	$127,675	$127,675
	$127,675	**$127,675**

Conduit Debt
From time to time, the Corporation has issued debt to provide financial assistance to private-sector entities for the acquisition or construction of facilities deemed to be in the public interest. The bonds are secured by the properties financed and are payable solely from rents and payments received on the underlying mortgage loans. Neither the Corporation nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in the accompanying financial statements. A summary of the conduit bonds outstanding follows (in thousands):

	June 30, 1999	June 30, 1998
Alaska Vocational Technical Center:		
• Certificates of participation	$675	$1,255
Mortgage Revenue Refunding Bonds:		
• Chinook Apartments	2,195	2,235
• Coho Park Apartments	2,555	2,645
	$5,425	**$6,135**

HUD Forgiveness of Debt
The Corporation has incurred long-term debt in the form of notes payable to HUD, the proceeds of which were used to finance various Low Rent projects.

Amounts payable to HUD are represented as HUD Low Rent Project Notes. Certain amounts owed HUD are incrementally forgiven. The Corporation recognizes the principal forgiveness by HUD as increases to contributed capital, and the interest forgiven as an extraordinary item.

State Capital Project Bonds
The 1998 Legislature adopted legislation authorizing the Corporation to issue a maximum of $224 million in capital project bonds to finance housing and non-housing projects of the state and municipalities. During 1999, the Corporation issued $92,365,000 of capital project bonds. The sum of withdrawals for repayment of bonds, for transfer to the State's general fund and for corporate funded capital projects should not exceed the Corporation's net income for the preceding year. For fiscal year 1999, $34,905,000 was disbursed to various agencies and municipalities and $5,655,000 in bonds redeemed.

NOTES TO COMBINED FINANCIAL STATEMENTS

13 • COMMERCIAL PAPER

The Corporation has been issuing Euro Commercial Paper (ECP) since 1986. No individual issue may exceed nine months in duration. The maximum aggregate outstanding principal balance authorized by the Board of Directors is $150,000,000. On March 1, 1999, the Corporation adopted a domestic commercial paper program and has been issuing domestic commercial paper since. The ECP program is currently inactive. A summary of commercial paper follows (in thousands):

	June 30, 1999	June 30, 1998
Maturity amount	$106,000	$91,500
Less: Discounts	(238)	(446)
Balance outstanding	**$105,762**	**$91,054**
Yields issued during period:		
Lowest	4.8000%	5.6200%
Highest	5.7500%	5.9700%

14 • SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The Corporation borrows funds for general corporate purposes utilizing reverse repurchase agreements. Such agreements involve the transfer of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The Corporation invests proceeds from securities sold under agreements to repurchase in investments maturing on or before the maturity date of the related agreement to repurchase. The fair value of the securities underlying reverse repurchase agreements normally exceeds the proceeds received, providing respective dealers a margin against a decline in market value of the securities. If the dealers default on their obligations to return these securities to the Corporation, or provide securities or cash of equal value, the Corporation would suffer an economic loss equal to the difference between the par value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. A summary of securities sold under agreements to repurchase follows (in thousands):

	June 30, 1999	June 30, 1998
Maturity amount	$180,304	$118,505
Less: Discounts	(2,127)	(823)
	$178,177	**$117,682**

15 • UNUSED LETTERS OF CREDIT AND OTHER CREDIT ARRANGEMENTS

For certain bond issues, the Corporation has entered into credit arrangements with various financial institutions to provide funds necessary to satisfy debt service or unpaid bond principal obligations. Varying commitment fees are required, generally 1/4 to 1/2 of 1% per annum of the aggregate liability or commitment amount.

The Corporation had unused letters of credit and similar credit enhancement agreements in connection with amounts required for debt service or unpaid bond principal for certain bond issues as follows (in thousands):

	June 30, 1999	June 30, 1998
Liquidity facilities	$304,110	$304,110
Bond insurance	952,981	997,381
	$1,257,091	**$1,301,491**

NOTES TO COMBINED FINANCIAL STATEMENTS

Government Purpose Bonds, 1995 Series A are insured by surety bonds. The agreement unconditionally and irrevocably guarantee scheduled payments of principal and interest on the bonds.

Certain letter-of-credit agreements contain covenants restricting the amendment of terms and redemption of bonds or notes, and setting the minimum combined fund equity of the Corporation and minimum debt-service reserve-fund balances.

16 • YIELD RESTRICTION AND ARBITRAGE REBATE

Most mortgages purchased with the proceeds of tax-exempt bonds issued by the Corporation are subject to interest-rate yield restrictions of 1.125% to 1.500% over the yield of the bonds. These restrictions are in effect over the lives of the bonds. Most of the non-mortgage investments made under the Corporation's tax-exempt bond programs are subject to rebate provisions. The rebate provisions require that a calculation be performed every five years and upon full retirement of the bonds to determine the amount, if any, of excess yield earned and owed the Internal Revenue Service. Following is a summary of excess earnings recorded and paid (in thousands):

	June 30, 1999	June 30, 1998
Arbitrage Expense	$5,530	$1,090
Arbitrage Paid	$ -	$2,538

17 • STATE AUTHORIZATIONS AND COMMITMENTS

The Corporation uses its assets to fund certain housing and non-housing capital projects identified by the State. The aggregate amount expected to be funded by the Corporation was expressed by the following language of legislative intent included in the fiscal year 1996 capital appropriation bill, enacted in 1995:

"The Legislature intends to ensure the prudent management of the Alaska Housing Finance Corporation to protect its excellent debt rating by the nation's financial community and to preserve its valuable assets of the State. To accomplish its goal, the sum of withdrawals for transfer to the general fund and for expenditure on corporate funded capital projects should not exceed the Corporation's net income for the preceding fiscal year."

The projected amounts stated in the legislative intent language were based on the Corporation's financial operating plan and represent the total amount of anticipated State transfers and capital expenditures rather than projected "net income." A summary of State Authorizations follows (in thousands):

	Total State Authorizations	June 30, 1999 Disbursements To Date	Total Remaining Commitments
FY 1995	$24,030	$19,581	$4,449
FY 1996	128,140	115,391	12,749
FY 1997	100,448	87,749	12,699
FY 1998	132,014	101,222	30,792
FY 1999	103,000	61,955	41,045
FY 2000	103,638	-	103,638
Total	**$591,270**	**$385,898**	**$205,372**

NOTES TO COMBINED FINANCIAL STATEMENTS

State Capital Projects Bonding

The 1998 Legislature adopted legislation authorizing approximately $224 million in capital project bonds of the Corporation to finance projects of the State and municipalities. The legislation states the intention that the sum of withdrawals for repayment of bonds, for transfer to the State's general fund, and for corporate funded capital projects should not exceed the Corporation's net income for the preceding year. The bond proceeds are allocated to agencies and municipalities in the total amount of approximately $200 million and are subject to specific legislative appropriation which also was authorized. The Corporation views passage of this legislation as a continuation of the plan of the legislature, stated in its legislative intent in 1995, to authorize $103 million annually to the year 2006.

Transfers to the State of Alaska

Since the inception of the Corporation, the State has contributed a total of $1,069,523,000 to the Corporation. Beginning in fiscal year 1986, the Corporation began a series of plans to transfer funds to the State. Following is a summary of the different types of transfers (in thousands):

	June 30, 1999	June 30, 1998	Cumulative Prior Fiscal Years	Total Transfers to State
State Debt Repayment	$ -	$ -	$29,800	$29,800
Asset Purchases	-	-	252,300	252,300
Dividends	-	-	114,300	114,300
Direct Cash Transfers	24,020	70,000	327,000	421,020
Non-Housing Capital Projects	57,589	26,106	15,598	99,293
State Capital Project Bond Fund	34,905	-	-	34,905
Total	**$116,514**	**$96,106**	**$738,998**	**$951,618**

18 • GRANTS AND SUBSIDIES

The Corporation paid grants to third parties for the following programs (in thousands):

Program	June 30, 1999	June 30, 1998
General Account of the Revolving Fund:		
• Emergency Housing Assistance Grant	$5	$32
• Energy Housing Assistance for Disasters	-	112
• Homeless Assistance Program	194	120
• Housing Preservation Matching Grant	73	67
• Bering Sea Women's Group Renovation	153	-
• Indian HOME Grant Match	-	163
• Pioneer Homes Renovation & Repair	-	286
• Senior Citizens Housing	1,800	2,763
• Senior Special Needs Housing Grant	-	151
• Supplemental Housing	3,957	6,091
• Supportive Housing Grant Match	1,047	871
	7,229	10,656
Energy Programs:		
• Alaska Building Science Network	161	69
• Municipality of Anchorage	168	-
• Alaska Community Development Corp.	560	-
• Enhanced Weatherization	681	1,509
• Rural Community Action Program	175	-
• Tanana Chief's Conference	344	-

NOTES TO COMBINED FINANCIAL STATEMENTS

Program	June 30, 1999	June 30, 1998
• Low-Income Weatherization Assistance	4,119	5,998
• Others	100	68
	6,308	7,644
Section 8 Certificates and Vouchers	13,780	13,553
Other Housing Assistance Programs:		
• HOME Program	3,147	2,673
• Housing Opportunities for Persons with AIDS	426	521
• SAFAH	126	213
• Shelter Plus Care Program	131	125
• Others	52	10
	3,882	3,542
Total Grant Expenses	**$31,199**	**$35,395**
General Account of the Revolving Fund:		
• Village Safe Water Grants Program	$15,468	$6,667
• Bethel Seawall	62	1,665
• Pioneer Home Renovation	1,447	-
• University of Alaska	8,182	5,760
• DHSS Grants	410	369
• Mt. View Community Rec. Center	221	1,000
• Municipal Matching Grants	4,738	7,230
• Others	77	100
• FY 98 Legislative Appropriations	10,101	3,315
• FY 99 Legislative Appropriations	16,883	-
Total Contributed Capital Grants	**$57,589**	**$26,106**
Total Grants	**$88,788**	**$61,501**

In addition to grant payments made, the Corporation has advanced grant funds of $19,766,000 and committed to third parties an additional $24,016,000 in grant awards at June 30, 1999.

19 • OTHER PROGRAMS

Other programs include energy conservation and public-housing activities funded from a combination of corporate receipts and external sources.

Deferred Externally Funded Program Revenues

Deferred externally funded program revenues represent cash received from external funding sources in advance of qualifying expenditures. Revenues are recognized when qualifying expenditures in the respective programs are incurred. These deferred revenues totaled $1,017,000 and $2,548,000 at June 30, 1999 and June 30, 1998 respectively, and are included in accrued expenses and other liabilities.

Energy Conservation Programs

The Petroleum Violation Escrow Program (PVE) includes the activities funded from the State of Alaska's share of settlement proceeds received as a result of various lawsuits between the federal government and oil producers. The Corporation holds these funds in trust, to be used for qualifying energy conservation activities under the U.S. Department of Energy's oversight.

NOTES TO COMBINED FINANCIAL STATEMENTS

Cash-basis PVE trust-account activity follows (in thousands):

	June 30,1999	June 30,1998
Beginning account balance	$4,783	$4,390
Receipts from U.S. Department of Energy	98	99
Interest earned	254	294
Program expenses paid	(1,718)	-
Ending account balance	**$3,417**	**$4,783**
Amount due to Corporation for unreimbursed program expenses	**$313**	**$401**

The Corporation pays expenses incurred by various programs funded by the PVE. Allowable program expenses incurred follow (in thousands):

PVE Settlement Name	June 30, 1999	June 30,1998
Stripper	$1,630	$295
Warner	-	42
Total expenses	**$1,630**	**$337**

The Supplemental Housing and Senior Housing Programs are funded entirely by corporate funds.

The weatherization programs include the following programs and are funded by a combination of DOE grants, PVE funds, and corporate funds:
- Low-Income Weatherization Program
- Residential Energy Rehab Program (Enhanced Weatherization)

Other energy programs include the following programs and are funded by a combination of DOE grants, PVE funds, HHS grants, and corporate funds:
- State Energy Conservation Program
- Low-Income Home Energy Assistance Program (LIHEAP)
- Weatherization Assistance for Low-Income Persons (AKWarm Enhancement)

The following projects are or have been funded within the Petroleum Violation Escrow Program:
- Low-Income Weatherization Enhancement
- Energy Rated Homes of Alaska
- Business Energy Assistance
- Home Energy Rebates
- Home Energy Loan Program
- Warm Homes for Alaskans
- Alaska Craftsman Home Program

Housing Assistance Programs

Low Rent includes the following programs for various low-income housing facilities administered by the Corporation under contract with HUD:
- Modernization/Comprehensive Grant
- Low Rent Management

NOTES TO COMBINED FINANCIAL STATEMENTS

Home Ownership includes the following programs administered by the Corporation and funded by HUD:
- Mutual Help
- Turnkey III

Section 8 includes the following programs for tenant-based rental assistance administered by the Corporation under contract with HUD:
- Section 8 Certificate
- Section 8 Voucher
- Section 8 Moderate Rehabilitation

Section 8 New Construction consists of low-income housing facilities at various locations owned by the Corporation, for which the Corporation receives tenant-based rental assistance under contract with HUD.

A summarized balance sheet and statement of revenues, expenses and retained earnings for the Section 8 New programs as of June 30, 1999, follows (dollars in thousands):

	Chugach View	Golden Towers	Ptarmigan Park	Sunset View	Glacier View	Alpine Terrace	Total
Total assets	$5,013	$13,269	$1,053	$1,055	$981	$733	$22,104
Total liabilities	(2,168)	(197)	(40)	333	1,610	1,033	571
Total fund equity	7,181	13,466	1,093	722	(629)	(300)	21,533
Total revenues	1,598	974	282	294	366	388	3,902
Total expenses	1,382	948	293	708	530	563	4,424
Net income (loss)	216	26	(11)	(414)	(164)	(175)	(522)
Beginning retained earnings	1,636	3,498	324	(132)	(249)	(675)	4,402
Transfers	-	-	-	-	-	-	-
Ending retained earnings	1,852	3,524	313	(546)	(413)	(850)	3,880

Wrangell consists of the Wrangell 221(d)(3) housing facility owned by the Corporation for which the Corporation receives tenant-based rental assistance under contract with HUD.

Other Housing Assistance Programs include the following HUD, state and privately funded activities:
- HOME Investment Partnerships Program (HOME)
- Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)
- Gateway Literacy Program
- Drug Elimination Grant
- Shelter Plus Care Program
- Housing Opportunities for Persons with AIDS (HOPWA)
- HOME Technical Assistance
- Youth Sports Program
- Family Investment Center Grant
- Supportive Housing Technical Assistance
- Service Coordinator for Public Housing Agencies Grant

20 • PENSION PLAN

As of June 30 , 1999, all regular employees of the Corporation who work more than fifteen hours per week participate in the Alaska Public Employees' Retirement System (PERS). PERS is an agent multiple-employer, statewide defined benefit plan, administered by the State of Alaska. A publicly available financial report that includes financial statements and required supplementary information is issued annually by PERS. That report may be obtained by writing to State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0202.

Plan Description

Employees hired prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For employees hired after June 30, 1986, the normal and early retirement ages are 60 and 55, respectively. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service, 2.25% for the second ten years of service and 2.5% for all remaining years of service. All service earned prior to July 1, 1986 will be calculated using the 2% multiplier. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The system also provides death and disability benefits and major medical benefits.

Funding Policy

Under State law, covered employees are required to contribute 6.75% of their annual covered salary and the Corporation is required to contribute an actuarially determined rate; the current rate is 7.53% of annual covered payroll.

Annual Pension Cost

The Corporation's annual pension and post-retirement health cost shown below was equal to the required and actual contribution. The actuarial required contribution was computed as part of an actuarial valuation as of June 30, 1998. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 8.25% per year compounded annually and (b) projected salary increases of 5.5% a year for the first five years of employment and 4.5% per year thereafter, with distinction made between amounts for inflation (4.0%), merit (1.0%), and productivity (0.5%). The contribution rate for normal cost is determined using the projected unit credit actuarial funding method. The excess of assets over the actuarial accrued liability is amortized over 25 years. The percentage of pay method is used for amortization purposes.

Three-Year Trend Information for PERS

Year ended	Annual pension and postretirement health cost (APC)	Percentage of APC contributed	Net pension obligation
June 30, 1999	$1,010,000	100.00%	-
June 30, 1998	702,000	100.00%	-
June 30, 1997	1,322,000	100.00%	-

Required Supplementary Information—Schedule of Funding Progress for PERS (in thousands)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Excess of Assets over AAL (a)-(b)	Funded ratio (a)/(b)	Covered payroll ©	Excess as a percentage of Covered payroll ((a)-(b))/(c)
Pension:						
June 30, 1998	28,986	26,335	2,651	110%	12,329	22%
June 30, 1997	27,323	23,413	3,910	117%	11,928	33%
June 30, 1996	22,165	19,936	2,229	111%	11,789	19%
Post-retirement Health:						
June 30, 1998	10,763	9,779	984	110%	12,329	8%
June 30, 1997	10,184	8,726	1,458	117%	11,928	12%
June 30, 1996	8,542	7,683	859	111%	11,789	7%

21 • FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Corporation's financial instruments is estimated as follows (in thousands):

	June 30, 1999	
	Carrying Amount	**Fair Value**
Financial Assets:		
Cash and short-term investments	$1,829,599	$1,829,599
Mortgage loans, mortgage-backed securities, and mobile home loans, net	2,319,098	2,139,349
Accrued interest receivable	24,302	24,302
Net Investment in direct financing lease	39,519	39,519
Other assets	22,062	22,062
	$4,234,580	**$4,054,831**
Financial Liabilities:		
Mortgage bonds and notes, net of discounts	$2,249,499	$2,075,144
Commercial paper and reverse repurchase agreements	283,939	283,939
Accrued interest payable	12,124	12,124
Accrued expenses and other liabilities	7,655	7,655
	$2,553,217	**$2,378,862**

Off Balance Sheet Financial Instruments	**Contractual Amount**	**Estimated Fair Value**
Assets:		
Loan Commitments	$111,446	$418
Liabilities:		
Letters of credit and other credit arrangements	1,257,091	1,886

NOTES TO COMBINED FINANCIAL STATEMENTS

	June 30, 1998	
	Contractual Amount	Estimated Fair Value
Financial Assets:		
Cash and short-term investments	$2,057,070	$2,057,070
Mortgage loans, mortgage-backed securities, and mobile home loans, net	2,113,081	1,999,034
Accrued interest receivable	21,424	21,424
Lease receivable, net	35,434	35,434
Other assets	6,508	6,508
	$4,233,517	**$4,119,470**
Financial Liabilities:		
Mortgage bonds and notes, net of discounts	$2,287,193	$2,163,749
Commercial paper and reverse repurchase agreements	208,736	208,736
Accrued interest payable	12,021	12,021
Accrued expenses and other liabilities	5,039	5,039
	$2,512,989	**$2,389,545**

Off Balance Sheet Financial Instruments	**Contractual Amount**	**Estimated Fair Value**
Assets:		
Loan Commitments	$178,464	$669
Liabilities:		
Letters of credit and other credit arrangements	1,301,491	1,952

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Investments

For investments and securities, fair value equals the carrying amount and is based on market prices quoted by trustees and financial institutions, except for investment agreements for which fair values were not readily determinable and are included at cost.

Accrued Interest Receivable and Claims Receivable

For those short-term instruments, the carrying amount is a reasonable estimate of fair value. Claims receivable are presented net of estimated uncollectible reserves, and include only the balance billed to mortgage insurance companies at period end.

Mortgage Loans, Mortgage-backed Securities, and Mobile Home Loans

Fair value of the Corporation's loans was estimated based on a discounting to present value of estimated future cash flows. The calculated present value amounts were then reduced by adjusted loan loss reserves.

NOTES TO COMBINED FINANCIAL STATEMENTS

Other Assets
For those other assets which are financial instruments, fair value was estimated by either: 1) discounting to present value, estimated future cash flows; or 2) for short-term instruments, considering the carrying amount to approximate fair value.

Mortgage Bonds and Notes Payable
Fair value of the Corporation's long-term debt was estimated by analyzing debt issues with similar characteristics, such as coupon rate, remaining years to maturity, bond rating, and whether the issue was taxable or tax exempt. Future debt service was then discounted to present value utilizing factors obtained from independent financial advisors.

Commercial Paper and Reverse Repurchase Agreements, Accrued Interest Payable, and Accrued Expenses and Other Liabilities
For those short-term instruments, the carrying amount was considered a reasonable estimate of fair value.

Loan Commitments
The fair value is estimated using fees currently charged for loan commitments.

Letter of Credit and Other Credit Arrangements
The fair value is estimated using fees paid by the Corporation.

22 • OTHER COMMITMENTS AND CONTINGENCIES

Medical Self-Insurance
During the Fiscal Year ended June 30, 1998, the Corporation began a program of self-insurance for employee medical benefits. Costs are billed directly to the Corporation by an Administrative Services Provider that processes all of the claims from the employees and their dependents. The Corporation has purchased a stop-loss policy that limits its liability to $50,000 per employee per year. The Corporation has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of $582,000.

Litigation
The Corporation, in the normal course of its activities, is involved in various claims and pending litigation, the outcome of which is not presently determinable. In the opinion of management, the disposition of these matters is not presently expected to have a material adverse effect on the Corporation's financial statements.

Contingent Liabilities
The Corporation participates in several federally assisted programs. These programs are subject to program compliance audits and adjustment by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, would become a liability of the General Account of the Revolving Fund. In management's opinion, disallowances, if any, will be immaterial.

Subsequent Event
Senate Bill No. 113
The Senate Finance Committee introduced Senate Bill No. 113 on March 19, 1999, "An Act making activities of the Alaska Housing Finance Corporation subject to the Executive Budget Act, relating to appropriations to the Alaska Housing Finance Corporation; relating to bonds and bond anticipation notes issued by the Alaska Housing Finance Corporation; and providing for an effective date." This bill would impose additional oversight and control of the Corporation by the Alaska Legislature, particularly relating to the authorization, issuance and repayment of specific debt issues. It would also require much of the Corporation's revenues, earnings and collections to be appropriated to it by the Alaska Legislature prior to becoming available for use, including application to the repayment of general obligation debt of the Corporation.

NOTES TO COMBINED FINANCIAL STATEMENTS

The Corporation has taken a strong position against this bill. As of the end of the regular session, Senate Bill No. 113 had not been referred out of the Senate Finance Committee. Since this year was the first session of the twenty-first legislature, the bill remains open and can be considered next year during the second session without need for re-introduction.

It is unclear what effect the bill would have on the continuing operations of the Corporation were it to become law in the form it was introduced. It is possible, however, that the Corporation's access to capital markets where credit is extended primarily on the basis of AHFC's general obligation, and operation of corresponding lending programs, could be interrupted indefinitely or made permanently unavailable.

23 • HUD ACTUAL DEVELOPMENT COST CERTIFICATES

As required by HUD, we present the following certificates as part of our financial reporting package. These certify the total amount of financial assistance provided by HUD under the Development Programs AK06P001061 and AK06P001057. These funds were expended during the fiscal years ended June 30, 1993, 1994, 1995, 1996, 1997, 1998, and 1999. Funds received were used to effect major rehabilitation of existing public housing and for construction of new public housing facilities.

HUD-54727
March 1968

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
LOW-RENT PUBLIC HOUSING

ACTUAL DEVELOPMENT COST CERTIFICATE

Alaska Housing Finance Corporation
(Name of Local Authority)

Annual Contributions Contract No. SF-210 Project No. AK06P001057

The Local Authority hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of the Development Cost (herein called the "Actual Development Cost") of the Project is $ 13,814,310.41, which amount is shown in detail on the attached Statement of Actual Development Cost;
2. That all development work in connection with the Project has been completed;
3. That the entire Development Cost or liabilities therefor incurred by the Local Authority have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such Project on file in any public office where the same should be filed in order to be valid against such Project; and
5. That the time in which such liens could be filed has expired.

Daniel R. Fauske
Daniel R. Fauske
Chief Executive Officer\ Executive Director
(Title)

3.8.99
(Date)

FOR HUD USE ONLY:

Recommended ______________________ ____________ (Date)

Approved ______________________ ____________ (Date)

227377-P HUD-Wash., D.C. HUD-52427

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NOTES TO COMBINED FINANCIAL STATEMENTS

HUD-54727
March 1968

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
LOW-RENT PUBLIC HOUSING

ACTUAL DEVELOPMENT COST CERTIFICATE

Alaska Housing Finance Corporation
(Name of Local Authority)

Annual Contributions Contract No. SF-210 Project No. AK06P001061

The Local Authority hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of the Development Cost (herein called the "Actual Development Cost") of the Project is $ 5,564,050.00, which amount is shown in detail on the attached Statement of Actual Development Cost;
2. That all development work in connection with the Project has been completed;
3. That the entire Development Cost or liabilities therefor incurred by the Local Authority have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such Project on file in any public office where the same should be filed in order to be valid against such Project; and
5. That the time in which such liens could be filed has expired.

Daniel R. Fauske
Daniel R. Fauske
Chief Executive Officer\Executive Director
(Title)

2-5-99
(Date)

FOR HUD USE ONLY:

Recommended ____________________ (Date) ________

Approved ____________________ (Date) ________

227377-P HUD-Wash., D.C. HUD-52427

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REQUIRED SUPPLEMENTARY INFORMATION

YEAR 2000 ISSUES AND CONSEQUENCES

The "Year 2000 problem" ("Y2K") arose because many computer programs use only the last two digits to designate the year. When the year 2000 begins, they may read "00" as 1900, and create inaccurate calculations and operations. Year 2000 issues are generally divided into three categories: Mechanical, Internal, and External.

Mechanical

These include mechanical processes that will not function because of "imbedded chips" that may malfunction with the change in year from 1999 to 2000. Any such failures will have an immaterial impact on the Corporation's operations.

Internal

The Corporation's internal systems include personal computers and their software, mid-range computers (both IBM AS/400 and RS6000) and their software, the network hardware and software that connects them, and the peripherals attached to all of the above including printers and modems.

The personal computers and their software have been tested and are either currently compliant or will be before September 30, 1999.

The AS/400 hardware and operating system is compliant, and the application software will be tested and substantially compliant before September 30, 1999. This system was generated in-house and is the system that accounts for all of the mortgage loan activity and related reporting.

The RS6000 hardware and operating system is compliant. However, the application software that maintains a general ledger, payroll, accounts payable, procurement, inventory control, budget and tenant accounting modules was purchased from a third-party vendor. The Corporation intends to upgrade to a version of the software by October 31, 1999 that has been certified year 2000 compliant by the vendor.

External

Like all entities, the Corporation relies upon third parties to provide the goods and services that keeps it running on a day-to-day basis. These include, but are not limited to, electricity, natural gas, telephone, trust and banking services, as well as other miscellaneous supplies and services. To the extent any or all of these utilities, supplies or services are unavailable due to a third-party vendor's year 2000 problems, the operations of the Corporation may be adversely affected, including but not limited to: payments to employees, vendors and bondholders; mortgage loan payment processing (including transfer of same into the appropriate trust accounts); operations of our Public Housing Division; and the ability to maintain the Corporate offices.