together, we will shape the face of alaska

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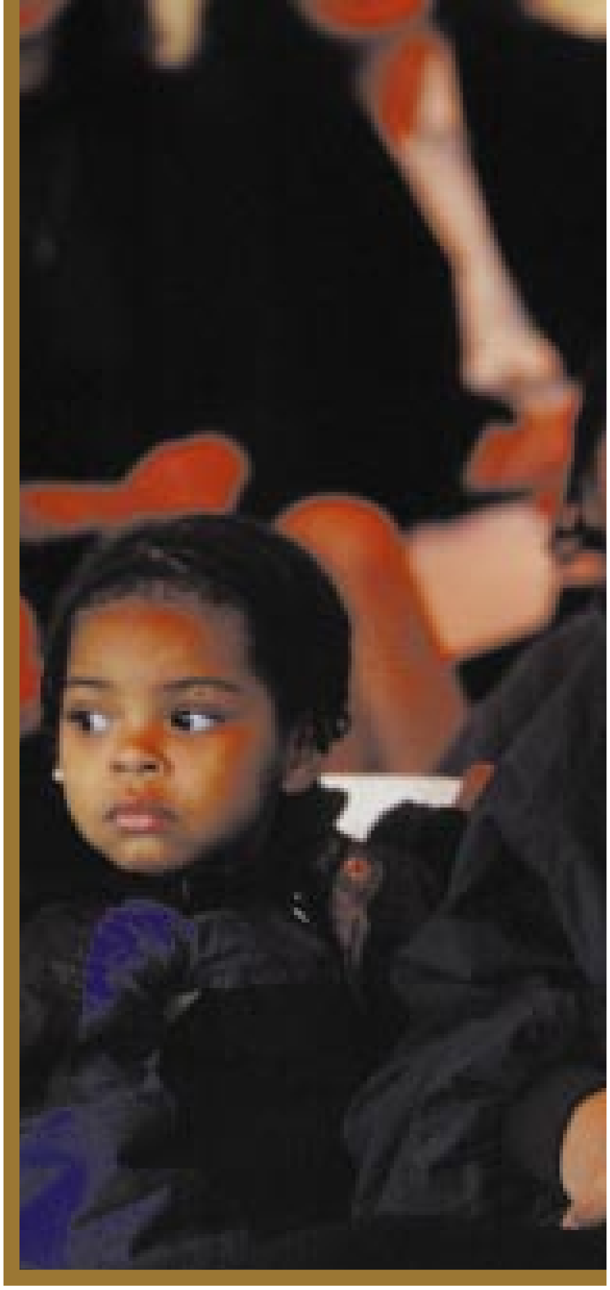

each year ahfc brings smiles to thousands of alaskans through loan, grant, rental, weatherization, and bond programs

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letter to governor

Alaska Housing Finance Corporation

The Honorable Tony Knowles
Governor of Alaska
Juneau, Alaska

Dear Governor Knowles:

As we begin the 21st century and the new millennium, we are reminded of the diversity of our state, both in terms of culture and economics. The U.S. Census Bureau recently completed its 10-year census, reinforcing our growing cultural diversity. Estimates show that nearly 25% of Alaskans are non-white, compared to 17.5% for the entire U.S. And since we are all Alaskans, AHFC is working to provide a decent, safe, and sanitary place to live for all Alaskans.

With half of Alaska's population living in rural areas of the state—often in overcrowded conditions lacking proper sanitation—AHFC considers it a priority to address the need for more than 6,500 additional homes. We recently expanded our Rural Housing Initiative Program from a pilot program available only in Bethel and Aniak to a program open to all very small Alaskan communities (those with populations under 1,400 not connected by road or rail to Anchorage or Fairbanks).

When AHFC was created in 1971, our mandate was to provide housing opportunities for low- and moderate-income Alaskans. Then in 1980, with interest rates skyrocketing and home financing virtually nonexistent, the Alaska legislature expanded AHFC's mission to include all Alaskans without regard to income. As interest rates fell and other financing options became more prevalent, AHFC's programs again became targeted to a smaller percentage of the population, and our market share had fallen to 4% by 1993. Now, Alaska's changing demographics and rising interest rates make AHFC's programs a necessity for a broader range of the population. With new and revised programs, AHFC achieved a market share of 48% in the first half of 2000.

Although housing is AHFC's primary mission, our diversity now includes ensuring that schools are maintained for the next generation of Alaskans. Alaska recently became the first state in the nation to issue bonds—through a nonprofit corporation created by AHFC for this purpose—using anticipated revenues from a settlement with the four major tobacco companies. Proceeds from the bonds will provide $93 million for the construction of public schools statewide.

The tax-cap initiative, which threatened to curtail services and set in motion a recession, was soundly defeated, demonstrating that Alaskans recognize how important government services are to the economy and to their well-being. AHFC provides many of those services. Last year, while assisting nearly 4,300 Alaskans become home owners, AHFC helped create more than 4,500 construction and renovation jobs, reinvested $103.6 million in the state through capital projects and debt-service payments for capital-project bonds, posted net earnings of $82 million, and invested $11.6 million in AHFC's capital projects.

But rather than dwell on the past, we must look toward the future: That day when no child is homeless; when every family has a place to call home. So whether it's through our home ownership programs—such as the Kwethluk program highlighted later in this report—or rental programs, such as our HUD-assisted voucher or multi-family loan programs, AHFC is working to achieve that goal.

Together, we'll shape the face of Alaska.

Sincerely,

Jewel Jones
Board Chair

Sincerely,

Daniel R. Fauske
CEO/Executive Director

accomplishments

AHFC is a self-supporting public corporation with a myriad of home-loan, rental, and energy-saving programs. FY00 was a successful year—one that saw continued growth in our loan portfolio, expanded loan programs, and the issuance of $883,435,000 in bonds for single- and multi-family home loans and capital and maintenance projects for the State.

Although housing is AHFC's primary mission, our diversity allows us to assist in other ways, including ensuring that schools are maintained for the next generation of Alaskans. Through AHFC's expertise and excellent bond ratings, Alaska has embarked on a new adventure. Following the passage of HB 281 during the 2000 legislative session, the AHFC Board formed a subsidiary known as the Northern Tobacco Securitization Corporation (NTSC). Through the NTSC, Alaska became the first state in the nation to issue bonds using anticipated revenues from a settlement with the four major tobacco companies. Proceeds from the bonds will provide $93 million for the construction of public schools statewide.

AHFC is nationally acclaimed for our innovation and practices. This year, we received the following recognition:

- **HUD Secretary's commendation** in recognition as a High Performer. AHFC received 100 percent for the previous four consecutive years on the Public Housing Management Assessment Program, now known as the Public Housing Assessment System (PHAS). The score measures performance in management and physical assessment of the 1,728 public housing units owned by AHFC. The High Performer designation comes with a 3%–5% capital grant bonus, extra points in national funding competitions, less paperwork, and alternate-year physical inspections.

- **Standard & Poor's highest rating of "strong"** for AHFC's Public Housing Division, based in part on the following three factors:

  - Excellent public housing provision within a large geographic area

  - Strong asset management and excellent housing-operations practices, resulting in high-quality public housing

Pamela Winn and her son, Anthony, enjoy the new landscaping and exterior renovation at Ptarmigan Park in Anchorage, where the Winns rent a HUD-subsidized unit. Pamela works in a civilian position at Elmendorf Air Force Base and Anthony is a 9th grader at West High School.

- High-quality housing stock that meets the demands of a harsh climate

- **1999 HUD Best Practices Award** for the Riverbend Affordable Housing in Juneau

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

- **2000 HUD Best Practices Award** for the HOME Opportunity Program

- **HUD's John J. Gunther Blue Ribbon Best Practices Award** for the Supplemental Housing Development Grant Program

- **1999 Award of Excellence** from the Alaska Chapter Public Relations Society of America for Third Place for 1998 Annual Report

- **2000 Award of Excellence** from the Alaska Chapter Public Relations Society of America for tie for Third Place for 1999 Annual Report

In cooperation with the Alaska Legislature and Governor Knowles, AHFC contributed $103.6 million toward state revenues and capital projects. Highlights include:

- $30 million to Department of Environmental Conservation for water and sewer projects throughout the state

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

- $50 million in debt-service payments for State deferred maintenance projects

AHFC's four basic operational divisions have worked closely to achieve our successes. This year, we addressed a number of ways to make us better prepared for emergencies and more efficient:

- Successfully prepared for Y2K, including upgrading of software/hardware, extensive reprogramming of internally maintained public housing and loan software, and preparation of staff and AHFC-owned properties

- Drafted AHFC's Emergency Operations Guide, formed Emergency Teams for all AHFC locations, and provided 93 employees with three-day disaster preparedness training

- Continued to expand our 4*-rated web site to make more information available electronically to the public; continued moving toward electronic distribution of most reports/publications to eliminate the costs associated with printing and postage

- Developed an Intranet to facilitate more effective communications among AHFC personnel, with the Public Housing Division utilizing it to ensure that all field offices have access to up-to-date forms

- Continued with cost-saving efforts to renew and add new Blanket Purchase Agreements for unlimited-quantity contracts for office and maintenance supply items

- Reduced documentation required and procedures for loan commitments and purchases; implemented Program Compliance Underwriting

- Worked toward implementing electronic submission of loan files

The following are FY00 accomplishments not highlighted in others sections of the annual report:

- Developed a Results-Oriented Missions & Measures budget

- Provided opportunities for Section 3 hires in the Reception/Mailroom, Summer Student Hire program, and at the Gateway Learning Center to provide them with the skills needed to apply for other entry-level positions. After the six-month training period, trainees were often hired for jobs elsewhere within AHFC, or in state, federal and private-sector positions.

- Applied for and received an increase to 110% in the Section 8 Certificate and Voucher administrative fee

- Successfully applied to HUD to become the contract administrator for 24 Section 8 Project-Based contracts throughout Alaska

- Provided a loan for $6.75 million to Alaska Pacific University for housing and student-activity-center renovations

- Approved a $38.8 million loan to a local developer, Aurora Military Housing LLC, to build and own 780 units of military housing on Elmendorf Air Force Base

- Completed the planning and development of the Annual Action Plan for the Housing & Community Development Plan and the Annual Performance Report, bringing $7 million in HUD funds to Alaska; completed the spring and winter 2000 statewide surveys of homeless service providers; prepared the *Spring 2000 and Fall 2000 Alaska Housing Market Indicators* reports, comprehensive information about housing in Alaska, including construction-cost and rental-market surveys

- Completed the Five-Year and Annual Update for the Public Housing Agency Plan

Held one round for each of the following grants:

- Homeless Assistance Program
- Grant Match Program for the USDA Housing Preservation Grant Program
- Grant Match Program for the HUD Supportive Housing Program
- GOAL program for low-income rental housing development (Low-Income Housing Tax Credit, Senior Citizens Housing Development Fund, and HOME funding) which added a home ownership development component and pre-development for senior housing
- Home Opportunity Program for developing low-income home ownership
- Owner Occupied Rehabilitation Program for weatherization of low-income single-family homes
- Community Housing Development Organization (CHDO) operating assistance grant program
- Special Needs Housing Grant Program with $1.7 million in funding
- Awarded 52 grants for a total of $14.8 million
- Submitted seven grant applications for various AHFC and public housing programs
- Provided program management and compliance monitoring for more than $30 million in grants
- Secured HUD Service Coordination grants and was selected for formula-funded PHDEP to continue for five years
- Established test sites in three different soils conditions of a rigid-frame foundation system being used in Canada, which may solve the differential-settlement problems that continue to plague Alaska's housing

These potential home buyers in Anchorage were among the 5,400 participants in the 214 *Home**Choice*** seminars held in 28 locations statewide

becoming a reality

Alaska continues to make strides in home ownership. In 1984, our home ownership rate was 57.6%, compared to 64.5% for the entire U.S. After jumping to 61.5% in just two years, we saw the numbers plummet during our recession, landing at 55.4% in 1993. By 1997, that figure had soared to 67.2%, before stabilizing at 66.4% in 1999, just under the U.S. rate of 67.7%.

"I am no longer in need of housing assistance. I have purchased a home for my children and I in the Wasilla area. I am very appreciative for all the courteousness and assistance that your agency has provided. I purchased my new home with the help of Alaska Housing Finance Corporation. Again, I thank each of you from the bottom of my heart. Not one of you will be forgotten."

—Former public housing tenant

american dream

But without AHFC's programs, it would be virtually impossible for most Alaskan's to buy their first home. It now takes an Alaskan family more than 1.5 household incomes to achieve home ownership, compared to 1.22 just seven years ago. Despite Alaska's high per-capita income for many years, we fell to 34th nationwide in 1999 with the smallest increase of all the states. This, combined with Alaska's continued growth in the service sector, mergers and buyouts decreasing jobs in the high-paying banking and oil industries, steadily increasing average home sales prices, and a recent rise in interest rates, has seen demand for AHFC's programs increase among a wider cross-section of the population.

Since its inception, AHFC's tax-exempt First-Time Home Buyer Program has helped more than 15,000 Alaskans become home buyers. This year, AHFC developed a taxable First-Time Home Buyer Program, eliminating the income and acquisition-cost restrictions of the tax-exempt program and opening up home ownership opportunities to a new realm of higher-income first-time home buyers.

To help make home ownership affordable for even more Alaskans, last year AHFC provided $153 million to lower mortgage rates for 1,530 low-income borrowers under the Interest-Rate Reduction for Low-Income Borrowers Program, a 24% increase.

Buying a home is the greatest financial commitment most people make in their lifetimes, but the process can be arduous. Since our first class in 1994, AHFC has provided home-buyer counseling to 14,723 potential home buyers in the rewards and responsibilities associated with home ownership and mortgage finance. This past year, AHFC:

- Conducted 214 *Home**Choice*** workshops in 28 communities with 5,446 certificates issued, an increase of 40%; 2,535 of these later purchased homes and received a commitment fee waiver of up to $250
- Developed and taught 41 classes for 1,319 home buyers, home builders, housing agencies, subcontractors, lenders, real estate agents, and general audiences on AHFC loan and energy programs

John and Audrey Webster may not be your typical 34-year-old first-time home buyers, but they were just as thrilled when the final paperwork was completed.

"This was only made possible because we attended your eight-hour training class," said John Webster. "Because of you, it is with great joy we are able to say, 'Yes, there is a life after renting the same house for 36 years!'"

The 38-year Alaskans purchased their first home after learning that their landlord was to sell the home they had been renting all those years. Although they considered buying that home, instead they found a new home under construction in Palmer. With AHFC's First-Time Home Buyer Program and the Energy-Efficiency Interest-Rate Reduction, they qualified for a below-market interest rate.

John Webster retired in 1990 after 27 years with the Post Office, and Audrey taught school following their move to Alaska from South Dakota in 1962. "We came here because my husband loved to hunt and fish, and Alaska was calling."

If home ownership is calling you, it's never too late. AHFC offers special loan programs for first-time home buyers and free pre-home ownership classes—known as *HomeChoice*—throughout the state. Visit our web site, www.ahfc.state.ak.us, for a list of dates and locations.

The majority of AHFC's loans are for home buyers purchasing their first home. Last year, AHFC:

- Provided $229 million to finance 2,205 homes under the Tax-Exempt First-Time Home Buyer Program, an increase of 21%
- Implemented the Taxable First-Time Home Buyer Program to eliminate restrictions on income and acquisition costs; purchased 285 loans, totaling $42.4 million, under this program
- Provided $561 million for 4,295 Alaskans to purchase homes, an increase of 12%
- Increased 1–4 residential loan activity by 20% in the urban loan programs
- Contributed more than $9.7 million in servicing fees to Alaskan lenders
- Maintained an overall delinquency rate of less than 3.8%; REO inventory at less than five

The Websters recently bought their first home, located in Palmer, Alaska, under AHFC's First-Time Home Buyer Program and the Energy-Efficiency Interest-Rate Reduction

special programs

through partnerships

Assistance Provider Program Promotes Independence

Brian Giani will soon be returning to his hometown—close to his parents, two brothers and pets. Thanks to a special AHFC loan program, Brian's father is building a home in Wasilla to provide suitable long-term care for Brian and another disabled person needing assistance with every-day living. For the past six years, Brian, 24, had been forced to live in Anchorage, because the services required to keep him alive had not been available in the Mat-Su Valley. His family visits him as often as possible, but the 110-mile round trip make it very difficult for them to be as involved in his life as they would like. Unfortunately, Brian has been unable to spend any time at his parents' home because of the extensive equipment and support he requires from his mental and physical disabilities.

Hope Community Resources, Inc., recently opened an office in the Valley, and with the low interest rate from AHFC's Assistance Provider loan, Brian will soon be living in a beautiful, fully wheelchair accessible home, with paved streets and streetlights, making it possible for him to cruise around and meet his neighbors.

Brian Giana makes friends easily and loves to watch sports. Soon he will move to Wasilla—near his family and pets—thanks to an AHFC Assistance Provider loan. Brian and his mother, Linda, check on the progress of his new home.

AHFC continues to provide funding and form partnerships with State agencies to make housing more available for people with special needs. Last year, AHFC:

- Closed 13 Assistance Provider Interest Rate Reduction Loans, a 62% increase
- Provided $250,000 to the Department of Health & Social Services for housing modifications for people with special needs
- Increased commitment to housing for special-needs populations by expanding the role of AHFC's Senior Housing Office to help special needs groups and developers increase accessible housing throughout Alaska, primarily through AHFC's loan and grant programs
- Maintained an ongoing partnership with Southcentral Counseling in Anchorage to provide Section 8 vouchers to 20 dually diagnosed individuals
- Established partnerships with disability agencies and the Alaska Mental Health Trust Authority in an application for 75 vouchers for people with disabilities
- Received funding for 310 new vouchers with approximately 50 set aside for people with disabilities or families receiving a Medicaid waiver
- Received HUD grant to provide housing support and assistance to low-income Alaskans with HIV/AIDS
- Purchased/closed 76 Multi-Family Loans in 14 communities totaling $54.5 million, a 57% increase, thus providing 1,468 units of affordable rental housing for seniors, low-income families, and other special-needs populations
- Provided $6.2 million in funds under the Loans to Sponsors Program, a 300% increase
- Held workshops in Fairbanks, Bethel, Anchorage, Mat-Su, and Ketchikan on the rental-housing-development process for the GOAL program, with 90 people in attendance
- Held two Affordable Housing Investment Forums in Mat-Su and Ketchikan to bring the private-sector development community together with non-profits to form partnerships
- Provided more than 200 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
- Helped develop the community-based Affordable Housing Partnership in Fairbanks

Angela Jiminez (shown with daughters Priscilla, Kiara, and Thamya) purchased her previously rent-subsidized home from AHFC under its First-Time Home Buyer Program with an interest-rate reduction for low-income borrowers.

Jiminez and her family had been renting an AHFC-owned, HUD-subsidized home in Anchorage for about three years when she learned of AHFC's plan to sell it, along with 18 others. Since current tenants were given the first opportunity to purchase homes under the HUD 5h Home Ownership Program, she jumped at the chance and quickly signed up for the required *Home**Choice*** housing seminar. A partnership with the Municipality of Anchorage's AnCHOR Program helped with the down payment. Using AHFC's First-Time Home Buyer Program, along with the Interest-Rate Reduction for Low-Income Borrowers, Jiminez qualified for a below-market-rate loan.

Jiminez and her daughters had to move twice within a few months while AHFC completed a major renovation of the 30-year-old home. But when asked if it was worth it, you'll hear a resounding, "Yes."

AHFC has sold the first five homes under the HUD program, and renovations on the next five homes were recently completed using sale proceeds from the first five. Additional new home owners should be moving in by early 2001. Consumer Credit Counseling of Alaska (CCC) has a contract with AHFC to do what they do best—help people work through their credit or debt issues and qualify for home ownership. With 396 families currently on the waitlist to purchase a home, they won't all be able to buy one of the 19 homes AHFC plans to sell. However, after working with CCC, many will find that they have the ability to step out into the private-sector market—something they could only imagine a year ago.

the dream for a better life comes true

Angela Jiminez was seeking a better life for her three daughters when they moved to Alaska in 1995. After leaving New York due to the overcrowded schools, they arrived in Anchorage "homeless, jobless, and on welfare," according to Jiminez. Now, while working for a CPA, she is one year from completing her accounting degree at UAA and has become a home owner.

energy improvements

provide warmth; save money

Having grown up in Unalakleet on the central Alaska coast of the Bering Sea, Allen and Jobina Ivanoff knew that when they built their house, it would need to be energy efficient. Now, having moved into their dream home with its 5 Star Plus rating, he says it actually uses "quite a bit less fuel than houses much smaller."

The family of four had been living in an older house they had rebuilt; but Ivanoff says their new home—even at twice the size—is easier to heat. Maintenance supervisor for Arctic Transportation Services, Ivanoff did most of the construction work himself.

With an AHFC Owner-Occupied Rural Loan through National Bank of Alaska, along with a reduction for energy efficiency, the Ivanoffs qualified for a below-market interest rate. In FY00, AHFC:

- Encouraged 1,345 home buyers to make their homes more energy friendly to qualify for our Energy-Efficiency Interest-Rate Reduction Program (EEIRR), a 12% increase over the previous year
- Expanded the EEIRR to include previously owned energy-efficient homes

AHFC offers lower interest rates for energy-efficient homes statewide and special loan programs for Alaskans in small communities. Allen, Mitchell, Jackie, and Jobina Ivanoff took advantage of both for their new energy-efficient home in Unalakleet.

Promoting energy upgrades through lower interest rates is just one of the ways that AHFC encourages energy efficiency. Our Low-Income and Enhanced Weatherization Assistance Program provides grants to non-profits to make cost-effective home energy improvements for low-income families through funds from AHFC and grants from the U.S. Department of Energy and the U.S Department of Health & Social Services.

This year, the legislature cut AHFC funding for the weatherization program by 75%, reducing the number of homes served by more than 500 during the steepest rise in energy costs in a generation. AHFC:

"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)."

— Single mother

- Established 12 direct subcontracts for weatherization work
- Weatherized 941 homes for 2,853 Alaskans, including 193 elderly, 232 disabled, and 358 children under 6
- Assisted in creating 156 weatherization jobs statewide
- Continued to provide technical assistance to communities and tribal organizations in every aspect of construction management and building techniques for the north
- Administered a variety of grants and contracts to ensure healthy, safe and efficient building practices in both residential and commercial buildings
- Closed seven Small Building Material Loans in four communities, enabling residents to improve the quality of their housing with limited documentation and low loan fees

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

- Conducted 18 classes for Realtors, builders, and lenders with 161 participants in five communities
- Sponsored in part the Energy Northwest weatherization conference with its largest crowd ever
- Provided a grant to the Alaska Building Science Network to train individuals and builders in northern building science
- Trained 405 persons in the application of computerized home energy ratings and 118 builders in energy-efficient residential construction
- Responded to 3,632 information requests from 2,979 users in 67 communities in Alaska and throughout the world on energy efficiency and conservation, renewable or alternative energy sources, and appropriate building technologies for Alaska's environment and terrain. AHFC's Resource Information Center (RIC) utilizes a 5,000-volume library, 300 videos, 6,000 periodicals, a computerized database, and online Internet resources.
- Published nationally acclaimed technical manuals, including *Grant Recipient Construction Manual* (for Rural Community Buildings); *The Alaska Housing Manual*; and *The Log Home Construction Guide.*
- Taught eight workshops with 285 attendees statewide on log home construction.

I live in Wasilla. Recently, I took advantage of your low-income weatherization program. I am a single working mother from Florida. I can't tell you what a joy it is to finally be warm in my own home. I just felt compelled to share with you how unbelievably blessed I feel to have benefited from your program.
—Karen Punturo

rural alaska

homes for small communities

Esther Ozawa and her 12- and 15-year old daughters had been on the Baranof Island Housing Authority (BIHA) waiting list for 10 years. Ozawa said that prior to moving into their new home on February 1, they owned a mobile home, so "this three-bedroom home was a big, big step. It was so exciting," said Ozawa. "Our home was the first one built by a youth group as sort of a training exercise."

BIHA had strong community support and collaborated with the Sitka School District, the Southeast Alaska Guidance Association (SAGA), and the University of Alaska Southeast for a training program for the students to construct the house.

AHFC provided $542,844 to BIHA to build 18 Mutual Help home ownership homes off Indian River Road in Sitka, including Ozawa's. The majority of the funds were used for access roads to the homes, with the remaining funds going for energy-efficiency design features.

AHFC's Supplemental Housing Development Grant funds provide 20% matching grants to Regional Housing Authorities for projects funded by HUD. Since HUD funding is not adequate for the high cost of constructing homes in remote Alaska, AHFC funds are used for infrastructure development and energy-efficiency construction and materials.

To promote the construction of much-needed housing in rural Alaska and to support Governor's Knowles' campaign to eliminate the honey bucket, this year AHFC:

- Awarded $6 million in grants for construction of 222 houses in 27 communities statewide, including Kwigillingok, Koyuk, Chignik Lagoon, Rampart, Nanwalek, and Hoonah, leveraging $30 million in federal funds
- Assisted in creating 510 local jobs statewide
- Provided $87,000 matching grant to the Native Health Board to help the Alaska Rural Sanitation Task Force bring long-term improvements to the substandard water, sewer, solid waste, and related environment health condition in rural Alaska villages
- Provided $175,000 grant to the Association of Alaska Housing Authorities, along with office space, to continue its goal of securing funding for the development of programs tailored to Alaska
- Financed 15 homes for $2.9 million under the Rural Initiative Housing Pilot Program, designed to lower obstacles to home ownership in rural Alaska; expanded the program from a pilot program available only in Bethel and Aniak to a permanent program available in all very small communities
- Received one of 79 HUD technical assistance grants, which AHFC will use to help communities address their housing and community-development needs

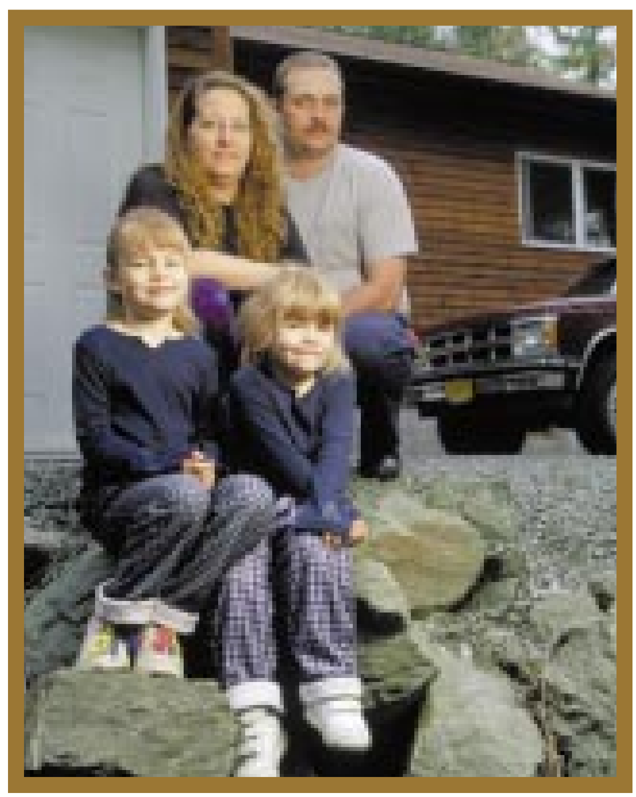
Esther Ozawa and her daughter Krista show their patriotism with the American flag waving on the porch of their new home in Sitka. AHFC provided matching grant funds to the Baranof Island Housing Authority to build roads to the new homeownership project.

"I thank God every time I pull in my driveway," says Pamala Chandler about their new home just outside the city limits of Ketchikan. She says that she and her husband Brent had been looking for a home to buy since the military sent him to Southeast Alaska in 1993. "We lived in Juneau, then Petersburg, and just never could find something we could afford. This time the planets and stars were aligned."

They attended one of AHFC's *Home**Choice*** housing seminars, then found their dream home under construction. With a few modifications, it met the Five Star energy requirements, so the Chandlers were able to combine AHFC's rural program with additional reductions for energy efficiency and low-income borrowers to achieve an interest rate well below market rates.

Now with two daughters born in Alaska and their dream home a reality, Pamala says hopefully, "We're never leaving the state."

The Chandlers, Brent and Pamala, with daughters, Kyrie and Ryanna, combined AHFC's rural loan program with interest-rate reductions for energy efficiency and low-income borrowers to buy their dream home near Ketchikan.

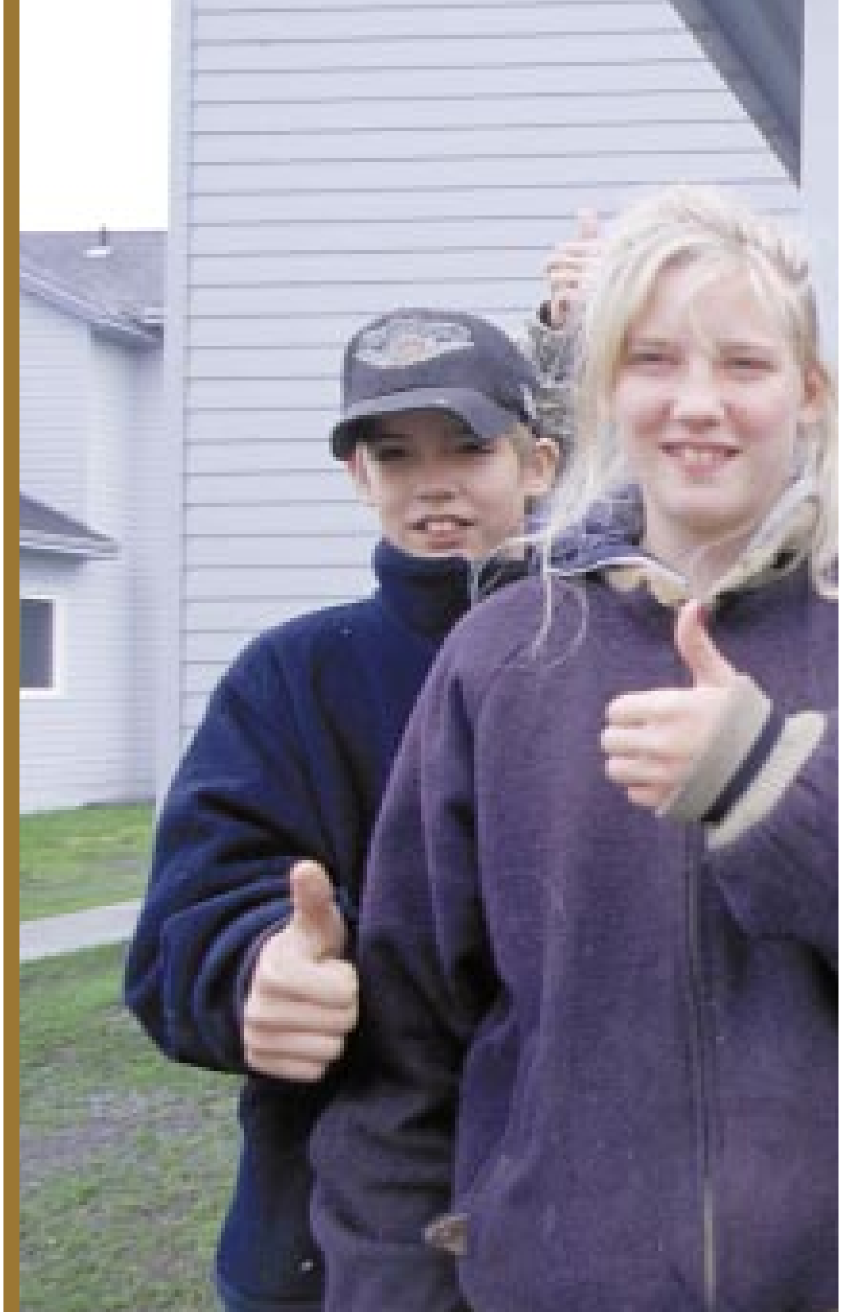


The seven-member Jackson family (Pam, Martha, and Alberta are shown above) moved into their new home in Kwethluk in December of '99.

The Jacksons' 1999 Christmas present couldn't quite fit under their tree; in fact, the tree could actually fit inside it. The family of seven moved into their new home in Kwethluk on December 18—the best gift they could have received.

"After our house burned down three or four years ago," said Martha Jackson, "we stayed with in-laws for four months and then rented a very small place. We were just lucky we were one of the candidates." Martha and Ira Jackson and their five children were among the first of 51 families to qualify for new single-family homes and duplexes in 21 rural villages under the Housing for Self-Determination Program. Even with both working—Martha for the Kwethluk Clinic and Ira at the school—their income fell below 80 percent of the area median, the maximum for the program.

The loan was made possible through AHFC and First National Bank of Anchorage in partnership with a variety of state and federal agencies/programs, including Native American Housing Assistance and Self-Determination Act (NAHASDA), Federal Home Loan Bank of Seattle, U.S. Department of Agriculture's Rural Development (RD), and U.S. Department of Housing & Urban Development (HUD).



housing for alaskans

When AHFC completed construction of the 30 replacement units at Spruce Park in Fairbanks, the community gathered to celebrate. Mayor Jim Hayes spoke about how much things had changed since the Alaska State Housing Authority first built the original rental housing in 1973, and how supportive the neighborhood was of AHFC and the new housing. "It's a step up for the community and a step up for the people that live in them," he said.

Others on hand to celebrate (shown above) were the Swinsons, John and Angela, and their children, Kimberly and Trevor; and Tawauna Manley, a single, working mother of Nyla and Jelahny. The Swinsons both work; but with low-wage jobs, housing was hard to find; and the family had been living in a campground since moving to Alaska in early summer.

endless opportunities

AHFC operates public housing and rental assistance programs throughout Alaska. Special programs assist tenants in becoming self-sufficient. Last year, AHFC:

- Administered the federal Housing Choice Voucher Program (formerly known as the Section 8 Certificate and Voucher Programs) in 11 communities, with rental subsidies to 2,590 renters in the private sector, an increase of nearly 30%, and annual payments to landlords of $13.7 million.

- Operated more than 1,700 AHFC-owned public housing rental units for low- and very low-income families, seniors, and disabled in 14 communities across the state

- Graduated 22 families from the Family Self-Sufficiency Program. During the last reporting period, 115 people became employed, 59 children were provided child care, 1,204 participated in employment training and counseling, 133 attended computer training classes, 108 attended entrepreneurship training, 17 received GEDs, and 61 attended a post-secondary education program through UAA

- Received a set-aside from HUD of 652 Welfare to Work vouchers targeted to families where housing is determined critical for them to get or keep a job. With half of the vouchers leased up by June 30, AHFC received accolades from HUD for reaching the highest lease-up of the “set-aside” sites.

- Increased service coordination in senior/disabled housing to six developments in three cities: Anchorage, Fairbanks and Juneau, using contracts with not-for-profit agencies

- Continued to fund after-school programs at multiple family complexes in Anchorage, Fairbanks, and Juneau through five contracts with not-for-profit agencies

- Renewed two adult literacy programs in Anchorage and Fairbanks

upgrades improve quality of life; decrease maintenance costs

When the State of Alaska documented more than $1 billion in deferred maintenance projects in 1997, AHFC was authorized to use its strong credit rating to issue up to $220 million in bonds to pay for 102 of these projects. As of FY00, AHFC had issued $200 million in bonds and disbursed just over $75 million toward the projects as they progressed.

But AHFC is determined not to defer maintenance for our own properties. Five years ago, we developed a 10-year modernization and rehabilitation plan, and projects are ongoing to renovate or replace the 1,728 units we own in 14 communities statewide. In FY00, AHFC:

- Completed renovation of 96 senior units at Golden Towers, Fairbanks; interior renovation of 24 multi-family units at Schoenbar Park, Ketchikan; and modernization of 20 multi-family units at Etolin Heights, Wrangell

- Completed renovation of 10 Fairmount houses in Anchorage for sale to first-time home buyers

- Completed site improvement at Eyak Manor, Cordova, and erosion controls at Cedar Park, Juneau

- Completed 36 additional senior/statewide maintenance and renovation projects

- Completed site assessments at Paxton Manor, Sitka; Geneva Woods, Juneau; and Vista View, Petersburg

- Completed six additional Comprehensive Grant Program modernization projects

- Continued extensive renovations to many of the 150 New Willows single-family units, Anchorage; and exterior and interior renovation of 62 senior units at Mountain View/Mountain View Annex, Juneau

- Began replacement of seven units at Valdez Arms; extensive renovation of 47 multi-family units at Park View Manor, Anchorage; renovations to 16 family units at Eyak Manor, Cordova; construction of a multipurpose building at Riverbend, Juneau; and extensive renovation of 40 senior units at Southall Manor, Fairbanks

- Completed construction of 15 multi-family duplexes and continued construction on the multipurpose building and maintenance shop at Spruce Park, Fairbanks

Maintenance staff keep AHFC's public housing properties shipshape, while major projects to upgrade housing are managed by AHFC's construction department. Roy Anderson, Maintenance Mechanic, paints a unit at Paxton Manor in Sitka.

loan programs

statistics fy00

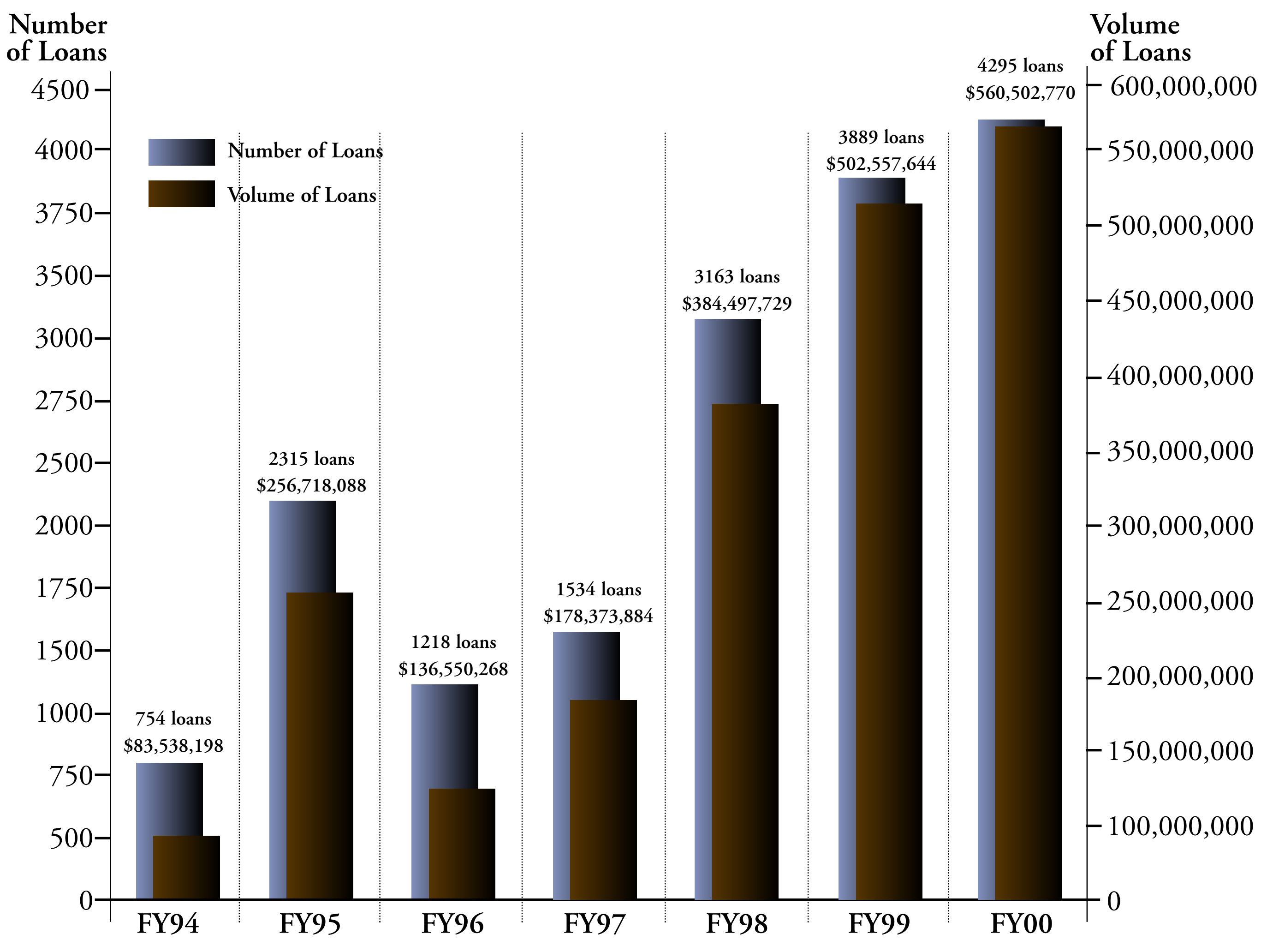
Programs	Number of Loans	Dollar Volume
Tax-Exempt First-Time Home Buyer	2205	$229,261,718
Taxable First-Time Home Buyer	285	$42,189,150
Streamline Refinance	53	$3,744,780
Interest-Rate Reduction for Low-Income Borrowers	1530	$153,266,553
Energy-Efficiency Interest-Rate Reduction	1345	$216,341,447
Veterans Mortgage	496	$85,877,200
New Urban Loans (excludes refinances)	3581	$450,111,170
New Rural Loans (excludes refinances)	714	$110,391,600

These 15 new duplexes owned by AHFC at Spruce Park in Fairbanks replaced buildings built in 1973.

borrower & program average comparisons fy00

	All Programs	Taxable excluding TFTHB	Tax-Exempt First-Time Home Buyer	Taxable First-Time Home Buyer	Veterans
Total Number of Loans	3,867	449	2163	279	468
Sales Price	$136,592	$168,611	$110,139	$158,959	$188,078
Loan Amount	$125,683	$147,766	$103,617	$147,741	$171,286
Loan-to-Value Ratio	91.72%	89.75%	92.59%	92.60%	92.47%
Interest Rate	6.395%	7.395%	5.92%	7.323%	6.671%
P&D Payment	$804	$1033	$621	$1025	$1115
Monthly Income	$4452	$5462	$3250	$4915	$6867
Age of Borrower	37	37	34	35	49
Household Size	3	3	2	3	3

total ahfc loans purchased (excluding refinances)



ahfc employees

Phill Adams • Sandra Amox • Ross Anderson • Roy Anderson • Steve Anderson • Marge Arnold • Steve Ashman • Sue Ayers Karen Babnew • Brian Baines • Barbara Baker • Nancy Barnacle • Linda Barrows • Toni Bell • Vince Benjamin • Ineke Benkers Leslie Benson • Tony Berdahl • Barry Billings • Barbara Bitney • John Bitney • Martha Blanchett • Cary Bolling Peter Bonadurer • Genie Borgford • Richard Boughton • Vicki Bourque • Kari Bowers • Debbie Boyce • Bob Brean • Nick Brewer • Danny Brown • Edgar Brown • Sue Buchholz • Mike Buller • Mimi Burbage • Willy Burnett • Toni Butler Donald Cain • Mark Cameron • Les Campbell • Lucy Carlo • Jenna Carp • Marion Carter • Nola Cedergreen • Ed Chan Cera Choi • Naomi Christensen • Chris Christley • Jim Clark • Patrick Cochran • Colin Coker • Malina Colon Esther Combs • Grace Concepcion • Nancy Conn • Jenny Coppola • Ann Cothron • Mike Courtney • Gerry Cox Kim Coy • Doc Crouse • Mike David • Bernard Davis • Danny Davis • Sarah De Jesus • Steve DeBusk • Linda Demientieff John DeMott • Judith DeSpain • Marlon Dimatulac • Jeff Doll • Diane Dompeling • Sherrylee Dovolos • Joe Dubler Luan Dudley • Kris Duncan • Gloria Dunmore • Pam Duran • Steve Eastlake • Sheila Edward • Henry Elizarde Brad Elmgren • Dianna Erwin • Gregory Evans • Diane Faude • Martin Faulkner • Dan Fauske • Gail Fesler • David Finley Zarie Flemig • Virgialee Florez • Les Forbes • Victor Forrester • Roxanne Frank • Karen Fredericks • Laura Galliher Susan Garrett • Christie George • Dave Gildersleeve • Brenda Glaze • John Glidden • David Gonzales • Paula Graber Debbie Grizzle • Marc Grober • Jim Gurke • Bruce Gwalthney • Jill Haag • Peter Haines • Betty Hall • Sheryl Hall Lynn Hallford • Linda Hamilton • Amber Hansen • Paul Hansmeyer • Cynthia Hanson • Jeri Harris • Judy Harris Kurt Hartman • Steve Hatzis • Eric Havelock • Jean Henderlong • Amy Hiley • Candace Hiner • Linda Hobert Elaine Hodl • Joan Hodson • Eric Hoffman • Elaine Hollier • Shannon Hollier • Marjorie Holt • Laurie Holte Marilyn Holvoet • Tammy Hunter-Greco • Pam Huyck • Deborah Inama • Arturo Irizarry • Gary Isaacson • Jessie Jackson Kim Jakeway • Tammie James • Denise Jewell • Judy Johnson • Myrna Johnston • Anna Jolliff • liljones • Gay Jurgensen Phil Kaluza • Paul Kapansky • Bob Kelly • Shelly Kice • Joseph Kilian • Kacey Kim • Michael Kincaid • Terry Kincaid Jennifer Klein • Marci Knight • Gerri Koechling • Daniel Kuntze • La-Von Landis • Maureen Lavoie • Margaret Lawson Kathy Lepley • James Lester • Steve Lewis • Wilda Libby • Anne Liddelow • Jeff Liddle • Kelli Lindahl • JoAnn Lipps Aleshia Lockhart • Beverly Lopez • David Maiden • Diane March • Anna Margaret Rear • Monica Martinez • Bernie Massin Cindy Matthias • Mary Ann Mattera • Jo Anne Matthews • Mary Matthews • Jim McCall • Dave McDowell Peggy McGuire • Gwen McKee • Julie McLean • Teeny Metcalfe • Teresa Meyers • Joyce Michaelson • Andy Montoya Latoya Moore • Ken More • Ilene Morin • Jim Morris • Bette Morrison • Ronald Mosher • Jim Murphy • Jimmie Nelson Timothy Nelson • Janet Niemann • James Nitchman • Jeanie Nixa • Alexander Oliphant • Eva O'Malley • Judy Ondeck Kyle Orr • Linda Packard • Sandra Palmer • Cheryl Parker • James Parson • Cheryl Patterson • Bill Pellman Victor Peralta • Debra Petersen • Michael Phelps • Suzanne Phillips • Bob Pickett • Harold "Hap" Pierce • Monica Pirrotta Hess Poland • Sally Poland • Kassye Potter • Ana Poulivaati • Jacklyn Radie • John Randall • Roy Range • Dewey (Raymond) Ransom • Terri Ready • Anna Margaret Rear • Carma Reed • Greg Reed • Sheila Reese • James Rheault • Donnis Richard Carol Richards • Rosie Ricketts • Nadine Robertson • Laura Robinson • Fay Romer • Mark Romick • Anita Rosett Ray Rouzan • Patti Ruppert • Holly Rutka • Jeniffer Santos • Fina Schlosser • Carol Schumacher • Roxanne Schwindt Brian Seim • Terry Shepard • Tom Siegrist • Dave Silva • Sherrie Simmonds • Debbie 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 • Pamela Stantorf • Tammy Steele • Rutha Stone • Mike Sullivan Pola Takher • Dolores Tamagni • Scott Taylor • Gary Teague • Brad Thomas • Tracy Thornton • Sheryl Tichenor Brenda Tomuro • Kevin Tune • Glen Turner • Ray Utter • Richard VanCamp • Marlin Vanduisen • Barbara Venarchick Rodney Vitt • Karl Voiles • Douglas Wade • Mark Ward • Reggie Ward • Scott Waterman • Ron Wehrli • Wes Weir Naomi Welty • Harvey Wheaton • Larry White • Richard Whitehead • James Wiedle • Cal Williams • Vicki Williams Victoria Wilson • Kelly Windom • Duane Wise • Buncha Wongkritwit • Greg Wood • James Wright • Cherie Young Vickie Zajacz

Alaska Housing

FINANCIAL 2000 SECTION

FINANCIAL HIGHLIGHTS

Summary of Long-Term Debt Issuance

AHFC issued a total of $883,435,000 of long-term debt during FY2000 to continue its various ongoing lending programs and fund projects of the State. The following summarizes these transactions:

Title of Issue	Ratings: S&P/ Moodys / Fitch	Date Issued	Program/Project Funded	Tax Status
$302,700,000 General Mortgage Revenue Bonds, 1999 Series A	(MBIA Insured) AAA/Aaa/AAA	9/28/99	Various Single-Family	TaxExempt Non-AMT
$110,000,000 Collateralized Bonds, 1999 First Series, (VMP)				
$63,905,000 Subseries A-2	AAA/Aaa/AAA	10/28/99	Veterans Mortgage Prog.	Tax Exempt AMT
$46,095,000 Subseries A-1	AAA/Aaa/AAA	10/28/99	Veterans Mortgage Prog.	Tax Exempt Non-AMT
$200,000,000 Mortgage Revenue Bonds				
$188,560,000 1999 Series A-2	AAA/Aaa/AAA	11/17/99	Various Single-Family	Tax Exempt AMT
$11,440,000 1999 Series A-1	AAA/Aaa/AAA	11/17/99	Various Single-Family	TaxExempt
$56,755,000 Housing Development Bonds	(MBIA Insured)			
$5,080,000 1999 Series B	AAA/Aaa/AAA	12/9/99	Multi-Family Projects	Tax Exempt AMT
$1,675,000 1999 Series A	AAA/Aaa/AAA	12/9/99	Multi-Family Projects	Tax Exempt Non-AMT
$50,000,000 1999 Series C	AAA/Aaa/AAA	12/9/99	Multi-Family Projects	Tax Exempt Non-AMT (Gov. Purpose)
$103,980,000 State Capital Project Bonds, 1999 Series B	(MBIA Insured) AAA/Aaa/AAA	12/14/99	State Capital Projects	Tax Exempt Non-AMT (Gov. Purpose)
$40,000,000 State Building Lease Bonds, Series 1999	(MBIA Insured) AAA/Aaa/AAA	12/15/99	Atwood Office Building	Tax Exempt Non-AMT (Gov. Purpose)
$70,000,000 Collateralized Bonds, 2000 First Series, (VMP)				
$13,525,000 Subseries A-2	AAA/Aaa/AAA	6/14/00	Veterans Mortgage Prog.	Tax Exempt AMT
$56,475,000 Subseries A-1	AAA/Aaa/AAA	6/14/00	Veterans Mortgage Prog.	Tax Exempt Non-AMT

AHFC Reports Earnings for Fiscal Year 2000
AHFC posted net earnings of $81,802,000 for FY00, up from $79,850,000 for the prior year.

Domestic Commercial Paper Program
Since 1986, AHFC had 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 Domestic Commercial Paper Program aimed at lowering its cost of funds and providing a more liquid market in which to issue short-term paper. As of June 30, 2000, $127.5 million was outstanding under the Commercial Paper Notes Program. The Corporation's Euro-Commercial Paper Program has no outstanding balance.

State Capital Project Bonds, 1999 Series B
In December1999, the Corporation issued $103,980,000 in State Capital Project Bonds, 1999 Series B—the second of 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.

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 legislative intent states 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 fiscal years 1999 through 2005. The bond proceeds are allocated to agencies or municipalities in the total amount of $199,634,509 and are subject to specific legislative appropriation.

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.

The 2000 Legislation
The 2000 Act extends to the year 2008 the Legislature's intent to continue annual transfers of funds from the Corporation to the State's general fund and (i) authorizes the Corporation to issue $77 million in Corporation general obligation debt for state capital projects, (ii) authorizes the Corporation (or a subsidiary of the Corporation) to purchase 40% of the State of Alaska's right to receive proceeds derived from a tobacco settlement, and (iii) authorizes the Corporation (or a subsidiary of the Corporation) to issue bonds secured by the tobacco settlement payments to finance $93 million of school construction projects.

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Deloitte & Touche

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, 2000 and 1999, and the related combined statements of revenues and expenses, cash flows, and changes in equity for the years then ended. These financial statements are the responsibility of Alaska Housing Finance Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined 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, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 15, 2000

Deloitte
Touche
Tohmatsu

ALASKA HOUSING FINANCE CORPORATION

A Component Unit of the State of Alaska

COMBINED BALANCE SHEETS

June 30, 2000 and 1999 (in thousands)

ASSETS	2000	1999
Cash	$8,520	$10,859
Investments	1,786,242	1,818,740
Mortgage loans and mortgage-backed securities, net	2,672,732	2,310,468
Mobile home loans, net	6,149	8,630
Notes receivable	32,124	32,914
Accrued interest receivable	25,180	24,302
Net investment in direct financing lease	40,528	39,519
Unamortized bond issuance costs	25,097	21,437
Due from other funds	96,982	70,653
Real estate and mobile homes owned	652	222
Property and equipment at cost, net	90,264	103,594
Other assets	23,335	19,615
	$4,807,805	**$4,460,953**

LIABILITIES AND FUND EQUITY		
Liabilities:		
Bonds and notes, net of discounts	$2,699,419	$2,249,499
Commercial paper	126,680	105,762
Securities sold under agreements to repurchase	87,497	178,177
Accrued interest payable	15,376	12,124
Due to other funds	96,982	70,653
Accrued expenses and other liabilities	29,496	56,703
Total liabilities	3,055,450	2,672,918
Commitments and Contingencies (Notes 11, 12, 14, 17, 18, 23)		
Fund equity:		
Contributed capital	500,586	618,068
Retained earnings	1,251,769	1,169,967
Total fund equity	1,752,355	1,788,035
	$4,807,805	**$4,460,953**

See accompanying notes to combined financial statements.

COMBINED STATEMENTS OF REVENUES & EXPENSES

Years Ended June 30, 2000 and 1999 (in thousands)

REVENUES	2000	1999
Interest and Investment Income:		
Mortgages and loans	$180,656	$164,034
Investments	111,936	113,144
Net change in the fair value of investments	(3,562)	(5,298)
Insured real estate owned	65	147
	289,095	272,027
Rental and lease income	7,003	6,805
Other income	1,097	2,358
Externally funded program revenues	34,091	32,285
Total Revenues	**331,286**	**313,475**
EXPENSES		
Interest	159,672	138,165
Mortgage service fees	9,844	8,723
Operations and administration	30,282	28,351
Trustee fees, insurance and financing costs	3,732	10,047
Provision for loan losses	8,017	7,179
Write down and expenses associated with real estate and mobile homes owned	93	196
Grants and subsidies	32,171	31,199
Rental housing operating expenses	9,954	9,765
Total Expenses	**253,765**	**233,625**
Net income before cumulative effect of accounting change	77,521	79,850
Cumulative effect of accounting change (Note 22)	4,281	-
Net Income	**$81,802**	**$79,850**

See accompanying notes to combined financial statements.

ALASKA
HOUSING FINANCE
CORPORATION

A Component Unit of the State of Alaska

COMBINED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2000 and 1999 (in thousands)

OPERATING ACTIVITIES	2000	1999
Net income before cumulative effect of accounting change	$77,521	$79,850
Removal of non-operating activity:		
Investment interest income	(107,214)	(107,584)
Net change in fair value of investments	3,562	5,297
Interest on bonds and other debt	157,214	135,185
Net operating income	131,083	112,748
Adjustments to reconcile net operating income to net cash used by operating activities:		
Depreciation expense	5,684	4,689
Net amortization of discounts and bond issuance costs	3,801	3,792
Acquisition of loans and notes receivable	(631,628)	(650,917)
Loan principal repayments and reduction in real estate and mobile homes owned	265,520	406,262
Increase in mortgage and notes interest receivable	(1,163)	(1,441)
Increase (decrease) in other liabilities and assets	(30,903)	17,660
Increase in allowance for loan losses, net of charge offs	7,681	3,241
Net expenses for (recovery of) real estate and mobile homes owned	(1,008)	954
Receipt of federal rent subsidies	13,874	13,917
Payment of federal rent subsidies	(13,897)	(13,910)
NET CASH USED BY OPERATING ACTIVITIES	**(250,956)**	**(103,005)**

NONCAPITAL FINANCING ACTIVITIES		
Net proceeds from issuance of commercial paper and securities sold under agreements to repurchase	1,574,928	1,159,994
Net principal retirement of commercial paper and securities sold under agreements to repurchase	(1,644,653)	(1,084,918)
Interest payments on commercial paper and securities sold under agreements to repurchase	(14,609)	(10,662)
Net proceeds from sale of mortgage bonds	881,082	95,520
Bond issuance costs paid	(6,575)	(1,060)
Principal payment on mortgage bonds	(428,315)	(136,765)
Interest payments on mortgage bonds	(137,651)	(122,620)
Contributed capital repaid to State of Alaska	(102,022)	(116,514)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**122,185**	**(217,025)**

COMBINED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2000 and 1999 (in thousands)

CAPITAL FINANCING ACTIVITIES	2000	1999
Capital asset purchases	(11,621)	(9,816)
Disposal of capital assets	-	1,077
Direct financing lease payments	1,000	-
Principal payments on capital bonds and notes	(23)	(411)
Interest payments on capital bonds and notes	(5)	(300)
Contributed capital - federally funded	2,846	3,244
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	**(7,803)**	**(6,206)**

INVESTING ACTIVITIES		
Purchases of investments	(8,874,566)	(7,772,380)
Maturities of investments	8,903,494	7,986,330
Interest received from investments	105,307	104,062
NET CASH PROVIDED BY INVESTING ACTIVITIES	**134,235**	**318,012**

Decrease in cash	(2,339)	(8,224)
Cash at beginning of year	10,859	19,083
CASH AT END OF PERIOD	**$8,520**	**$10,859**

Noncash Investing, Capital and Financing Activities

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

Activity	June 30, 2000	June 30, 1999
Interfund asset transfers	$340,313	$53,195
Amortization of Investment in Direct Financing Lease	1,095	2,085
Removal of capitalized soft costs	23,548	-
HUD debt reclassified	5,242	-

See accompanying notes to combined financial statements.

COMBINED STATEMENTS OF CHANGES IN EQUITY

Years Ended June 30, 2000 and 1999 (in thousands)

	Total Equity	State Capital Contributions	Federal Capital Contributions	Retained Earnings
Balance, July 1, 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**
HUD debt reclassified	5,242	-	5,242	-
HUD modernization & development	2,846	-	2,846	-
Removal of capitalized soft costs	(23,548)	-	(23,548)	-
Returned to State of Alaska	(102,022)	(102,022)	-	-
Net income	81,802	-	-	81,802
Balance, June 30, 2000	**$1,752,355**	**$418,166**	**$82,420**	**$1,251,769**

See accompanying notes to combined financial statements.

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.

SFAS 133

In June 1998, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, which is effective for all fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Under SFAS 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Corporation intends to adopt SFAS 133 effective July 1, 2000. Management does not expect the adoption of SFAS 133 to have a significant impact on the financial position or results of operations of the Corporation because the Corporation does not have significant derivative activity.

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.

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 3 to 25 years. The capitalization floor was changed from $1,000 to $5,000 effective July 1, 1999.

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 and premiums, less discounts and deferred debt refunding expenses. Discounts and premiums 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 un-invested trust account balances. A summary of the Corporation's cash follows (in thousands):

	June 30, 2000	June 30,1999
Restricted	$2,108	$6,015
Unrestricted	6,412	4,844
Carrying amount	$8,520	$10,859
Bank balance	$9,443	$11,982

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) un-invested in trust and other accounts collateralized with securities held by bank trust departments, but not in the Corporation's name; and 3) uninsured and un-collateralized. 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, 2000	June 30, 1999
Cash	$9,443	-	-	$9,443	$11,982

	Category 1	Category 2	Category 3	June 30, 2000	June 30, 1999
Bank investment agreements	$ -	$171,393	$117,474	$288,867	$330,168
U.S. Treasury securities	58,202	22,206	-	80,408	106,017
Securities of U.S. Government agencies and Corporations	287,177	60,029	-	347,206	225,601
Asset-backed securities	73,134	22,523	-	95,657	124,131
Certificates of Deposit	-	15,110	-	15,110	27,310
Commercial paper & medium term notes	197,105	213,283	-	410,388	429,325
Subtotal	615,618	333,151	-	948,769	912,384
	$615,618	**$504,544**	**$117,474**	1,237,636	1,242,552
Investment agreements				350,886	354,294
Collateral for reverse repurchase agreements				87,497	178,840
Money market funds				110,223	43,054
Total investments				**$1,786,242**	**$1,818,740**

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 "AAA" 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, 2000	June 30, 1999
Due in one year or less	$1,425,804	$559,526
Due after one year through five years	327,079	280,502
Due after five years through ten years	1,303	1,785
Due after ten years	32,056	976,927
	$1,786,242	**$1,818,740**

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, 2000	June 30, 1999
Net decrease in Fair Value	($3,562)	$(5,298)
Ending unrealized gains	$7,187	$9,672
Net realized gains (losses)	$1,077	$508

5 • MORTGAGE LOANS AND MORTGAGE-BACKED SECURITIES

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

	June 30, 2000	June 30, 1999
Mortgage Loans:		
Pool insured	$58,593	$69,647
Federally insured or guaranteed	1,134,777	934,514
Other	1,443,454	1,230,371
Mortgage-backed Securities issued by the Corporation:		
FNMA	30,122	41,549
GNMA	85,352	101,580
FHLMC	12,556	16,017
	2,764,854	2,393,678
Less:		
Allowance for loan losses	(92,122)	(83,210)
	$2,672,732	**$2,310,468**

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

	June 30, 2000	June 30, 1999
Delinquencies and Foreclosures:		
Loans delinquent 30 days or more	$85,143	$72,278
Foreclosures during period	3,103	2,890
Loans in foreclosure process	7,157	4,128
Mortgage-related commitments:		
To purchase mortgage loans	105,500	111,446
To repurchase loans upon foreclosure	99,158	122,499

6 • MOBILE HOME LOANS

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

	June 30, 2000	June 30, 1999
Mobile home loans	$7,626	$11,055
Less reserve for mobile home loan losses	(1,477)	(2,425)
Net mobile home loans	$6,149	$8,630

7 • NOTES RECEIVABLE

A summary of notes receivable follows (in thousands):

	June 30, 2000	June 30, 1999
University of Alaska loans	$31,989	$32,756
Others (net of reserve)	135	158
Total Notes Receivable	$32,124	$32,914

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 began 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 #17).

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 State has the option to purchase the building at the end of the lease for $1. In December 1999, the Corporation issued the State Building Lease Bonds, 1999 series in the amount of $40,000,000 to finance the purchase. 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):

Period Ending June 30	Future Minimum Payments Due
2001	$3,549
2002	3,549
2003	3,549
2004	3,549
2005	3,549
Thereafter	46,143
Gross Payments Due	63,888
Less: Unearned Revenue	(23,360)
Net investment in direct financing lease	**$40,528**

11 • PROPERTY AND EQUIPMENT

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

	June 30, 2000	June 30, 1999
Buildings	$119,521	$110,812
Construction in Process	28,200	52,312
Land	12,493	12,503
Computers & Equipment	2,540	4,351
Vehicles	1,422	1,260
	164,176	181,238
Less:		
Accumulated depreciation	(73,912)	(77,644)
	$90,264	**$103,594**

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 (in thousands).

	June 30, 2000	June 30, 1999
Commitments	$4,356	$7,492

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 are pledged to the outstanding obligations of the Corporation. Bonds and notes outstanding are as follows (in thousands):

	Original Amount	June 30, 2000	June 30, 1999
Tax-Exempt First-Time Home Buyer Bonds:			
Collateralized Home Mortgage Bonds (CHMB):			
• CHMB 1988 Series A, 7.4% to 7.5%, due 2003-2015	$85,000	$5,890	$9,685
• CHMB 1989 Series B, 7.55% to 7.65%, due 2000-2024	148,000	10,215	12,635
• CHMB 1990 Series A, 5.7% to 7.05%, due 2000-2025	152,000	24,075	30,435
Mortgage Revenue Bonds:			
• 1996 Series A, 4.40% to 6.5%, due 2000-2027	159,871	97,771	113,471
• 1997 Series A, 4.15% to 6%, due 2000-2037	160,000	152,600	158,830
• 1998 Series A, 3.95% to 5.4%, due 2000-2035	70,000	66,405	69,790
• 1999 Series A1 & 2, 4.5% to 6.25%, due 2001-2035	200,000	200,000	-
Total Tax-Exempt First-Time HomeBuyer Bonds	974,871	556,956	394,846
Accreted interest		3,859	2,526
Unamortized discount		(556)	(436)
Net Tax-Exempt First-Time Home Buyer Bonds		**560,259**	**396,936**
Veterans Mortgage Program Bonds			
Collateralized State Guaranteed Bonds:			
• Collateralized Bonds 1989 First Series, 6.5% to 7.45%, due 2002-2031	45,000	1,525	2,645
• Collateralized Bonds 1990 First Series, 6.875% to 7.50%, due 2003-2033	35,000	1,310	2,265
• Collateralized Bonds 1991 First Series, 6.75% to 7.30%, due 2004-2033	45,000	4,630	7,380
• Collateralized Bonds 1991 Second Series, 6.5% to 7.10%, due 2004-2034	60,000	11,775	15,430
• Collateralized Bonds 1992 First Series, 6.25% to 6.75%, due 2005-2034	45,000	19,395	31,615
• Collateralized Bonds 1993 First Series, 4.50% to 5.875%, due 2000-2035	65,000	28,320	40,440
• Collateralized Bonds 1994 First Series, 5.30% to 6.80%, due 2000-2036	130,000	89,350	109,380
• Collateralized Bonds 1995 First Series, 4.60% to 6.55%, due 2000-2037	30,000	18,815	22,420
• Collateralized Bonds 1997 First Series, 5.5%, due 2000-2039	100,000	91,370	99,660
• Collateralized Bonds 1998 First and Second Series, 4.0% to 5.5%, due 2000-2040	60,000	58,660	59,785
• Collateralized Bonds 1999 First Series, 4.3% to 6.25%, due 2001-2039	110,000	110,000	-
• Collateralized Bonds 2000 First Series, 4.75% to 6.45%, due 2001-2039	70,000	70,000	-
Total Veterans Mortgage Program Bonds	**795,000**	**505,150**	**391,020**
Unamortized discount		(2,008)	(2,246)
Net Veterans Mortgage Program Bonds		**503,142**	**388,774**

	Original Amount	June 30, 2000	June 30, 1999
Other Bonds and Notes:			
Housing Development Bonds:			
• 1991 Series A, 6.2% to 7%, due 2000-2021	5,755	5,090	5,190
• 1992 Series A, 6.15% to 7%, due 2000-2022	9,370	8,000	8,220
• 1993 Series A, 4.25% to 5.625%, due 2000-2023	8,325	7,415	7,580
• 1993 Series B, 4.25% to 5.625%, due 2000-2023	4,890	4,405	4,495
• 1993 Series C, 4.35% to 5.7%, due 2000-2023	1,200	1,090	1,110
• 1993 Series D, 5.6% to 7.1%, due 2000-2023	4,675	4,310	4,380
• 1993 Series E, 5.6% to 7.1%, due 2000-2023	12,255	10,320	10,685
• 1997 Series A, 4.15% to 5.7%, due 2000-2029	6,510	6,335	6,425
• 1997 Series B, 4.25% to 5.8%, due 2000-2029	17,000	16,560	16,785
• 1997 Series C, 6.8% to 7.55%, due 2000-2029	23,895	23,470	23,690
• 1999 Series A, 4.1% to 6.3%, due 2000-2029	1,675	1,675	-
• 1999 Series B, 4.20% to 6.37%, due 2000-2029	5,080	5,080	-
• 1999 Series C, 4.10% to 6.20%, due 2000-2029	50,000	50,000	-
General Mortgage Revenue Bonds:			
• 1991 Series A, Floating Rate, 5.75% at Sept 30, 1999, due 2026	120,000	-	120,000
• 1991 Series C, Floating Rate, 3.95% at Sept 30, 1999, due 2026	180,000	-	180,000
• 1997 Series A, 4.15% to 6.1%, due 2000-2037	434,911	430,751	432,871
• 1999 Series A, 4.25% to 6.05%, due 2001-2049	302,700	302,700	-
General Housing Purpose Bonds:			
• 1992 Series A, 5.3% to 6.6%, due 2000-2023	200,000	49,590	52,905
• 1994 Series A, 4.00% to 5.4%, due 2000-2023	143,815	140,925	141,485
Government Purpose Bonds:			
• 1995 Series A, 4.5% to 5.875%, due 2000-2030	335,000	325,040	329,155
• 1997 Series A, Floating Rate, 4.85% at June 30, 2000, due 2027	33,000	33,000	33,000
State Capital Project Bonds			
• 1999 Series A, 3.4% to 5.0%, due 2000-2005	92,365	74,905	86,710
• 1999 Series B, 4.0% to 5.5%, due 2000-2005	103,980	103,980	-
State Building Lease Bonds			
• 1999 Series, 4.25% to 5.8%, due 2000-2017	40,000	38,925	-
Total Other Bonds and Notes	**2,136,401**	**1,643,566**	**1,464,686**
Accreted interest		2,217	1,480
Unamortized deferred debt refunding expense		(6,235)	(5,249)
Unamortized discount/premium		(5,205)	(4,076)
Net Other Bonds and Notes		1,634,343	1,456,841
Other Programs:			
Low Rent Program Notes:			
• Low Rent Project Note, Second Series, 3.875%, due 2000-2006	720	-	215
• Low Rent Project Note, Third Series, 3.625%, due 2000-2007	4,410	-	1,380
• Low Rent Project Note, Fourth Series, 4.375%, due 2000-2008	2,470	-	935
• Low Rent Project Note, Fifth Series, 6.0%, due 2000-2010	1,300	-	685
• FFB Note-AK-1-32, 11.898%, due 2013	1,191	-	813
• FFB Note-AK-1-40, 14.993%, due 2016	1,605	-	1,214
• FFB Note-AK-1-903, 11.861%, due 1999	83	-	8
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	679	702
Total Other Programs	13,916	1,675	6,948
	$3,920,188	**$2,699,419**	**$2,249,499**

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, 2000, and thereafter, are as follows (in thousands):

Year Ending June 30,	Amount
2001	$49,750
2002	56,880
2003	64,135
2004	64,685
2005	68,475
Thereafter	2,403,422
	$2,707,347

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. The accelerated amortization of related discounts and costs of issuance resulting from these surplus revenue redemptions is included in interest expense and financing costs.

In addition to surplus revenue redemptions, the Corporation refunds debt pursuant to redemption provisions in the related agreements. On September 28, 1999, the Corporation issued $302,700,000 of General Mortgage Revenue Bonds, 1999 Series A to refund a total of $300,000,000 outstanding General Mortgage Revenue Bonds, 1991 Series A and Series C. The net proceeds were used to redeem all outstanding bonds of the GMRB 1991 Series A & C. A summary of redemptions and refunding follows (in thousands):

	Principal Redemptions			
	June 30, 2000	June 30, 1999	Accounting Gain/(Loss)*	Economic Gain/(Loss)**
Surplus Revenue Redemptions	$94,860	$110,102	$ -	$ -
Refunding:				
General Mortgage Revenue Bonds 1991 Series A & C	300,000	-	(2,557)	1,234
Total Redemptions	**$394,860**	**$110,102**	**$(2,557)**	**$1,234**

*The accounting loss is measured as the difference between the reacquisition price and the net carrying amount of the old debt including its cost of issuance. The loss has been deferred and will be amortized over the remaining life of the old debt and included in interest expense.

**The economic gain is calculated as the difference between the present value of the debt service requirements of the new debt and the present value of the debt service requirements of the refunded debt, discounted at the effective interest rate of 6.048%.

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, 2000	June 30, 1999
General Housing Revenue Bonds, 1992 Series A	$120,980	$120,980
	$120,980	**$120,980**

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, 2000	June 30, 1999
Alaska Vocational Technical Center:		
• Certificates of participation	$675	$675
Mortgage Revenue Refunding Bonds:		
• Chinook Apartments	2,155	2,195
• Coho Park Apartments	2,460	2,555
	$5,290	**$5,425**

Reclassification of HUD Notes

To provide for the development and modernization of low-rent housing units, the Corporation issued Low Rent Project Notes and FFB Notes upon request of HUD. The notes are payable by HUD and secured through its annual contribution contract payments. These notes do not constitute a debt of AHFC and accordingly, at July 1, 1999, the balance of such debt in the amount of $5,250,000 were reclassified from bonds and notes payable to contributed capital.

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.

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, 2000	June 30, 1999
Maturity amount	$127,500	$106,000
Less: Discounts	(820)	(238)
Balance outstanding	$126,680	$105,762
Yields issued during period:		
Lowes	6.1500%	4.8000%
Highest	6.7200%	5.7500%

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, 2000	June 30, 1999
Maturity amount	$88,298	$180,304
Less: Discounts	(801)	(2,127)
	$87,497	**$178,177**

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, 2000	June 30, 1999
Liquidity facility	$ -	$304,110
Bond insurance	1,222,517	952,981
	$1,222,517	$1,257,091

The Corporation also has reestablished in August 1999 a $150,000,000 Credit Agreement that is not related to a specific bond issue. At June 30, 2000, no draw downs had been made on the Credit Agreement.

Government Purpose Bonds, 1995 Series A are insured by surety bonds. The agreement unconditionally and irrevocably guarantees 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, 2000	June 30, 1999
Arbitrage Expense	$(783)	$5,530
Arbitrage Paid	$4,559	$ -

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, 2000 Disbursements To Date	Total Remaining Commitments
FY 1995	$24,030	$21,656	$2,374
FY 1996	128,140	122,683	5,457
FY 1997	100,448	90,232	10,216
FY 1998	132,014	113,167	18,847
FY 1999	103,000	82,220	20,780
FY 2000	103,638	59,966	43,672
FY 2001	103,000	-	103,000
Total	**$694,270**	**$489,924**	**$204,346**

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, 2000	June 30, 1999	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	32,000	24,020	397,000	453,020
Non-Housing Capital Projects	29,767	57,589	41,704	129,060
State Capital Project Bond Fund	40,255	34,905	-	75,160
Total	**$102,022**	**$116,514**	**$835,104**	**$1,053,640**

18 • GRANTS AND SUBSIDIES

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

Program	June 30, 2000	June 30, 1999
General Account of the Revolving Fund:		
•Emergency Housing Assistance Grant	$ -	$5
•Homeless Assistance Program	468	194
•Housing Preservation Matching Grant	152	73
•Bering Sea Women's Group Renovation	-	153
•Senior Citizens Housing	883	1,800
•Supplemental Housing	5,454	3,957
•Supportive Housing Grant Match	631	1,047
	7,588	7,229
Energy Programs:		
•Alaska Building Science Network	107	161
•Municipality of Anchorage	118	168

•Alaska Community Development Corp.	343	560
•Enhanced Weatherization	432	681
•Rural Community Action Program	650	175
•Tanana Chief's Conference	180	344
•Low-Income Weatherization Assistance	3,764	4,119
•Others	38	100
	5,632	6,308
Section 8 Certificates and Vouchers	13,633	13,780
Other Housing Assistance Programs:		
•HOME Program	4,467	3,147
•Housing Opportunities for Persons with AIDS	225	426
•SAFAH	179	126
•Shelter Plus Care Program	143	131
•Others	304	52
	5,318	3,882
Total Grant Expenses	**$32,171**	**$31,199**
General Account of the Revolving Fund:		
•Village Safe Water Grants Program	$17,095	$15,468
•Pioneer Home Renovation	166	1,447
•University of Alaska	1,158	8,182
•DHSS Grants	321	410
•Municipal Matching Grants	6,259	4,738
•Others	260	360
•FY 98 Legislative Appropriations	2,975	10,101
•FY 99 Legislative Appropriations	1,435	16,883
•FY 00 Legislative Appropriations	98	-
Total Contributed Capital Grants	**$29,767**	**$57,589**
Total Grants	**$61,938**	**$88,788**

In addition to grant payments made, the Corporation has advanced grant funds of $14,190,000 and committed to third parties a sum of $13,933,000 in grant awards at June 30, 2000.

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 $0 and $1,017,000 at June 30, 2000 and 1999 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.

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

	June 30, 2000	June 30, 1999
Beginning account balance	$3,417	$4,783
Receipts from U.S. Department of Energy	77	98
Interest earned	163	254
Program expenses paid	(1,776)	(1,718)
Ending account balance	$1,881	$3,417
Amount due to Corporation for unreimbursed program expenses	**$125**	**$313**

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

PVE Settlement Name	June 30, 2000	June 30, 1999
Stripper	$1,588	$1,630

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

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 and for year ended June 30, 2000 follow (dollars in thousands):

	Chugach View	Golden Towers	Ptarmigan Park	Sunset View	Glacier View	Alpine Terrace	Total
Total assets	$5,236	$15,812	$973	$1,055	$966	$622	$24,664
Total liabilities	(2,417)	(227)	(15)	326	1,588	1,084	339
Total fund equity	7,653	16,039	988	729	(622)	(462)	24,325
Total revenues	1,671	1,270	284	297	374	392	4,288
Total expenses	1,373	932	392	346	473	676	4,192
Net income (loss)	298	338	(108)	(49)	(99)	(284)	96
Beginning retained earnings	1,852	3,524	313	(546)	(413)	(850)	3,880
Transfers	(131)	-	(17)	-	-	-	(148)
Ending retained earnings	2,019	3,862	188	(595)	(512)	(1,134)	3,828

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 Self-Sufficiency Program (FSS)
- Family Investment Center Grant
- Supportive Housing Technical Assistance
- Service Coordinator for Public Housing Agencies Grant

20 • PENSION PLAN

As of June 30, 2000, 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 1/4% for the second ten years of service and 2 1/2% 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 3/4% of their annual covered salary and the Corporation is required to contribute an actuarially determined rate; the current rate is 6.01% 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, 1999. 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 a rolling 25 years. The percentage of pay method is used for amortization purposes.

Three-Year Trend Information for PERS

Year ended	Annual pension and post-retirement health cost (APC)	Percentage of APC contributed	Net pension obligation
June 30, 2000	$830,000	100.00%	-
June 30, 1999	1,010,000	100.00%	-
June 30, 1998	702,000	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 (c)	Excess as a percentage of Covered payroll ((a)-(b))/(c)
Pension:						
June 30, 1999	30,462	19,060	11,402	160%	12,789	89%
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%
Post-retirement Health:						
June 30, 1999	12,349	7,727	4,622	160%	12,789	36%
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%

21 • FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	June 30, 2000	
	Carrying Amount	Estimated Fair Value
Financial Assets:		
Cash and short-term investments	$1,794,762	$1,794,762
Mortgage loans, mortgage-backed securities, and mobile home loans, net	2,678,881	2,415,879
Notes Receivable	32,124	32,124
Accrued interest receivable	25,180	25,180
Net Investment in direct financing lease	40,528	40,528
Other assets	9,800	9,800
	$4,581,275	$4,318,273
Financial Liabilities:		
Bonds and notes, net of discounts	$2,699,419	$2,434,401
Commercial paper and securities sold under agreements to repurchase	214,177	214,177
Accrued interest payable	15,376	15,376
Accrued expenses and other liabilities	3,981	3,981
	$2,932,953	$2,667,935

Off Balance Sheet Financial Instruments	Contractual Amount	Estimated Fair Value
Assets:		
Loan Commitments	$105,500	$396
Liabilities:		
Letters of credit and other credit arrangements	1,222,517	1,834

	June 30, 1999	
	Carrying Amount	Estimated 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
Notes Receivable	32,914	32,914
Accrued interest receivable	24,302	24,302
Net Investment in direct financing lease	39,519	39,519
Other assets	8,238	8,238
	$4,253,670	**$4,073,921**
Financial Liabilities:		
Bonds and notes, net of discounts	$2,249,499	$2,075,144
Commercial paper and securities sold under agreements to repurchase	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

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 Short-Term 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

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.

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.

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 Securities Sold Under Agreements to Repurchase, 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 • CUMULATIVE EFFECT OF ACCOUNTING CHANGE

Prior to fiscal year 2000, the Corporation capitalized all costs associated with the purchase or improvements in the form of construction and modernization of public housing buildings in accordance with Generally Accepted Accounting Principles (GAAP). New information from HUD explaining the type of costs associated with modernization and development of buildings has led to a change in industry practice of capitalizing hard costs and expending soft costs. HUD has concluded that the modernization and development costs such as management improvements, administrative, other costs defined as "Soft Costs" do not provide additional service potential and will not be allocated over the life of the building but expended as incurred. In the fourth quarter of FY2000, the Corporation removed all "soft costs" that had been capitalized over the prior periods and the corresponding accumulated depreciation. The net effect of the accounting change is shown as cumulative effect of prior year's amount in the Statement of Revenues and Expenses.

	Prior Years	FY 2000	Total
Total Soft Costs removed	$(26,120)	$(2,067)	$(28,187)
Total Accumulated Depreciation removed	6,853	708	7,561
Total Net Fixed Assets removed	(19,267)	(1,359)	(20,626)
Decrease of Contributed Capital	(23,548)	(1,225)	(24,773)
Cumulative Effect on Net Income	4,281	-	4,281

23 • 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 $713,000 and $582,000 as of June 30, 2000 and 1999, respectively.

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, disallowance, if any, will be immaterial.

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. No further hearings were held on this bill. Senate Bill No. 113 expired with the adjournment of the Legislature on May 3, 2000.

House Bill No. 281

This bill passed the 2000 Legislature and was signed into law by the Governor on June 8, 2000. House Bill No. 281 is an "Act relating to the financing of construction of facilities for schools, University of Alaska, port and harbors." Included in the bill are sections that extend the Series Transfer Plan from 2006 through 2008, authorize $77 million in Alaska Housing Finance Corporation general obligation debt for state capital projects, authorize the Corporation (or a subsidiary of the Corporation) to purchase 40% of the State of Alaska's right to receive proceeds derived from the settlement of 'State of Alaska v. Philip Morris' (the Tobacco Settlement Proceeds) and authorize the Corporation (or a subsidiary of the Corporation) to issue bonds secured by the Tobacco Settlement Proceeds to finance $93 million of school construction projects. On August 30, 2000, the board of directors of the Corporation approved a resolution to create a subsidiary that will purchase the Tobacco Settlement Proceeds and issue bonds to fund the school projects. The subsidiary is named as "Northern Tobacco Securitization Corporation."

24 • 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 AK06P001705. These funds were expended during the fiscal years ended June 30, 1996, 1997, 1998, 1999 and 2000. Funds received were used to effect major rehabilitation of existing public housing and for construction of new public housing facilities.

ALASKA

HOUSING FINANCE

CORPORATION

A Component Unit
of the State of Alaska

Actual Modernization Cost Certificate

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0044 (exp. 10/31/99)
OMB Approval No. 2577-0157 (exp. 12/31/99)

Comprehensive Improvement Assistance Program (CIAP)
Comprehensive Grant Program (CGP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each housing authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal closeout. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

HA Name	Modernization Project Number
ALASKA HOUSING FINANCE CORPORATION	AK06P001705

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

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A.	Original Funds Approved	$ 3,009,194.00
B.	Funds Disbursed	$ 3,009,194.00
C.	Funds Expended (Actual Modernization Cost)	$ 3,009,194.00
D.	Amount to be Recaptured (A–C)	$ 0.00
E.	Excess of Funds Disbursed (B–C)	$ 0.00

2. That all modernization work in connection with the Modernization Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
5. That the time in which such liens could be filed has expired.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.
Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Signature of Executive Director & Date

X

For HUD Use Only

The Cost Certificate is approved for audit.

Approved for Audit (Director, Office of Public Housing / ONAP Administrator) | Date

X 1/24/2000

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official) | Date

X

Approved: (Director, Office of Public Housing / ONAP Administrator) | Date

X

form HUD-53001 (10/96)

REQUIRED SUPPLEMENTARY INFORMATION

ALASKA

HOUSING FINANCE

CORPORATION

A Component Unit
of the State of Alaska

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