2007
ANNUAL REPORT



IT FEELS GOOD TO BE HOME

Alaska Housing
FINANCE CORPORATION

MISSION STATEMENT

TO PROVIDE ALASKANS ACCESS TO SAFE, QUALITY, AFFORDABLE HOUSING.

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The Honorable Sarah Palin
Governor, State of Alaska
Juneau, Alaska

Dear Governor Palin:

We are pleased to report that FY2007 was a year of stable, continued growth for Alaska Housing Finance Corporation (AHFC).

Among the Corporation's notable activities this past year was the issuance of $780 million of long-term debt, the proceeds of which are used to loan Alaskans funds to purchase or refinance their homes. All loans the Corporation makes are fixed-rate, 15- and 30-year, level-debt mortgages.

These bond transactions were structured with interest rates that allow the Corporation to earn a positive return over the next 30 years, while offering attractive rates to our borrowers. With the excess revenues the Corporation earns, we are able to fund our subsidized mortgage programs that provide qualified Alaskans lower interest-rate mortgages, rental assistance, and weatherization. AHFC will earn the maximum allowed by tax law, pass 75 percent on to the State general fund, and still be able to finance programs for low- and moderate-income borrowers.

In recognition of the Corporation's successful history, its strong management team, and net assets exceeding $1.7 billion, AHFC's AA credit rating remains among the best in the nation.

Last year AHFC provided $566 million for 2,808 Alaskans to purchase homes. This is a 39 percent increase over the previous year's $407 million. More than half of these Alaska borrowers qualified for low interest-rate mortgages under the Tax-Exempt First-Time Home Buyer Program.

In May 2006, Congress made a long-needed change to the federal tax law regulating states' veterans' home mortgage programs. The change enabled us to offer all qualified veterans lower interest-rate mortgages and not restrict the benefit to just those who served prior to 1977, as the old rule required. More than 400 Alaska veterans took advantage of the new opportunity and received low interest-rate mortgages under the program. This is almost 10 times the number who qualified in FY2006.

In partnership with the federal Denali Commission, AHFC awarded more than $9 million for 62 housing units for rent to teachers in a number of rural communities. The program, initiated in 2004, is designed to assist school districts, local governments, and tribal governments in building multi-family housing units to rent to teachers, health care workers, and public safety personnel. To date, the focus has been on teachers. Communities report the new housing helps them in recruiting and retaining teachers.

In FY2007, AHFC managed 1,700 low-income and senior housing units owned by the Corporation and administered 4,100 Housing Choice Vouchers that assist qualified Alaskans pay for rent in the private sector. We also funded $30 million in grants and federal tax credits under the GOAL program for 12 rental housing projects to provide a total of 303 new units for low-income families in Alaska.

With high oil prices placing an additional financial burden on many Alaska households, AHFC increased focus on our statewide weatherization program and on the free public workshops and seminars that teach homeowners how to increase the energy efficiency of their homes.

Investor concern caused by the national sub-prime scare has been diminished by informed investors who realize AHFC has never participated in those riskier loan products and markets. As a consequence, we have witnessed a "flight to quality" in the housing sector, with our bonds being the quality.

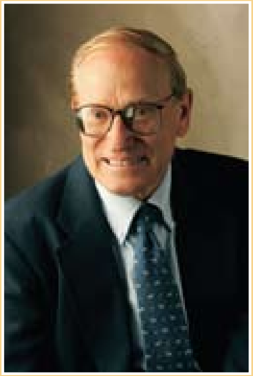
AHFC continues to use innovative financing techniques to keep our interest rates as low as possible. We believe that a sophisticated corporation like AHFC, which understands capital market risk, is better suited to take those risks than are first-time homebuyers. For this reason, we will continue to offer only fixed-rate, long-term mortgage products to our Alaska borrowers.

Daniel R. Fauske

Franklin C. Roppel

AHFC BOARD OF DIRECTORS AND CEO

AHFC's seven-member board of directors is comprised of the commissioners of the Departments of Revenue; Commerce, Community & Economic Development; and Health & Social Services, as well as four members of the public appointed by the governor to serve two-year terms.



Franklin C. Roppel, Chair

Mr. Roppel was appointed to the board in July 2003 as a member with expertise or experience in the provision of senior- or low-income housing. He was recently elected to his fourth term as board chair. Mr. Roppel served previously on the Alaska State Housing Authority board from 1974–1977 and on the AHFC board from 1975–1987. He retired from Alaska Pulp Corporation in 2001 and formerly worked for Sealaska Timber Corporation.

N. Claiborne "Clai" Porter, AIA

Mr. Porter was appointed to the board in May 2005 as a member with expertise or experience in residential energy-efficient home building or weatherization. He is president of NCP Design/Build Ltd. in Anchorage and has over 30 years' residential design and home building experience in Alaska. Previously he served as president of the Anchorage Homebuilders Association, president of the Alaska Homebuilding Association, and board chair of the Cold Climate Housing Research Center.

Bert Sharp, Vice-Chair

Mr. Sharp was appointed to the board in July 2004 as a member with expertise or experience in finances or real estate. Mr. Sharp, from Fairbanks, served 10 years in the Alaska Legislature, six of those in the Senate. He also worked as chief financial officer for Golden Valley Electric Association for 30 years and co-chaired the Senate Finance committee for AHFC budgets during his tenure in the Legislature. Mr. Sharp serves on the board's audit committee.

Marty Shuravloff

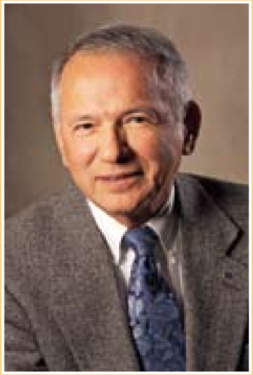
Mr. Shuravloff was appointed to the board in February 2000 as a member who is a rural resident of the state or who has experience with a regional housing authority. He is the executive director of the Kodiak Island Housing Authority. Mr. Shuravloff serves on the board's audit committee.

The Honorable Patrick Galvin

Mr. Galvin was appointed Commissioner of the Department of Revenue in December 2006. Prior to his appointment, he served as a Petroleum Land Manager for the Alaska Department of Natural Resources, Division of Oil & Gas. His responsibilities included managing the oil and gas leasing and licensing programs, lease administration, and oil and gas permitting for the division. He holds a Bachelor's degree in Visual Arts and Quantitative Economics from the University of California, San Diego, a Law Degree from the University of San Diego, and an MBA from San Diego State University.

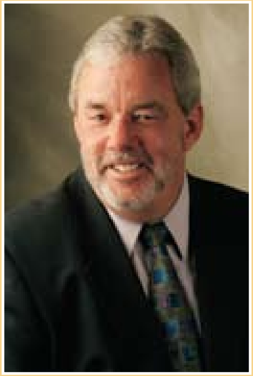
The Honorable Karleen Jackson

Ms. Jackson was appointed Commissioner of the Department of Health & Social Services in October 2005 and reappointed in December 2006. From February 2003 to September 2005, she served as DHSS deputy commissioner. Her career in Alaska includes executive director of Catholic Social Services in Anchorage from 1991 to 2003. She holds a Doctorate in Human Services from the Fielding Institute. Her book, "Family Homelessness: More Than Simply a Lack of Housing," was published in 2000 as part of the Garland Studies series on Children of Poverty.



The Honorable Emil Notti

Mr. Notti was appointed Commissioner of the Department of Commerce, Community & Economic Development in December 2006. He is an engineer, prominent Alaska Native leader and Alaska public servant. Mr. Notti graduated from Northrop University with a dual degree in aeronautical and electrical engineering. His extensive background includes first president of the Alaska Federation of Natives during which he was an instrumental player in establishing the state's Native corporations; past president of Doyon Limited; former Commissioner of the Department of Community & Regional Affairs under Governor Sheffield; 30-year board member with the National Bank of Alaska; and Veteran of the United States Navy. Mr. Notti holds an Honorary Doctorate degree from the Alaska Methodist University.



Daniel R. Fauske, CEO/ Executive Director

Mr. Fauske became the CEO/Executive Director in March 1995. He has served on the Governor's Jobs Cabinet, Rural Sanitation Committee, Fannie Mae's National Housing Impact Advisory Council, the Millennial Housing Commission, the UAA School of Nursing Board, and the Fiscal Policy Council. He served on the board of directors for the Federal Home Loan Bank of Seattle, the National Community Renaissance, and is chair of the Governor's Council on Homelessness. Prior to his career at AHFC, Mr. Fauske worked for the North Slope Borough, serving as the Borough's Chief Financial Officer and Chief Administrative Officer.

FIRST-TIME HOMEBUYERS

In spite of continued low interest rates, it would be impossible for most Alaskans to buy their first home without programs offered by AHFC. According to the Alaska Affordability Index, a measure of the number of wage earners necessary to afford an average home, housing became less affordable during the first half of 2007 than it was one year ago. High average selling prices, higher interest rates, and modest increases in income are key factors across Alaska. It now takes an average Alaska family 1.59 incomes to achieve homeownership, up from 1.44 one year ago. This indicates that housing is the least affordable since it was first tracked in 1992.

Alaska, which boasted the highest per-capita income of any state in 1980, ranked 8th in 1990, and by 2000, had fallen to 15th. It now stands at 14th. This overall drop in earnings, combined with steadily increasing average home sales prices, has made AHFC's programs in demand by a wide cross-section of the population.

The average sales price of an existing single-family home in Alaska increased 78.4 percent from $145,000 to $258,732 between 1994 and 2006, according to a survey conducted for AHFC by the State of Alaska Department of Labor & Workforce Development. Through its diverse loan programs, AHFC helped 49,406 Alaskans become homeowners during that period. Last year, AHFC purchased 1,814 new First-Time Home Buyer loans totaling $333.4 million.

▲ **THE KIMBERS BOUGHT THEIR HOME IN SITKA USING AHFC'S FIRST-TIME HOMEBUYER PROGRAM.**

▲ WAYNE STOUT OF TOK FINANCED HIS HOME USING AHFC'S RURAL OWNER-OCCUPIED LOAN PROGRAM.

LOWER INTEREST RATES HELP RURAL ALASKANS

Wayne and Michelle Stout financed their home near Tok a few years ago using AHFC's Rural Owner-Occupied Loan Program. The program provides lower interest rates, which help offset the higher cost of housing in rural Alaska. Stout, a construction worker, and his wife moved to Alaska in 1981 from the Columbia River area of the Pacific Northwest.

In FY07, AHFC provided $85.6 million to finance 425 rural loans.

WATER COMES TO A RURAL HOME

Dr. Danita and Tim Koehler, and their four children, are what many envision as a typical Alaska family. Their log-cabin home, on the road system 45 miles east of Delta Junction, is located on the Johnson River. The three home-schooled boys dote on their younger sister. The family has horses and a sled dog team, the oldest son hunts moose with his father. For several years, the Koehlers had no running water until they used AHFC's Small Building Material Loan (SBML) Program to remedy that situation.

"Our home is a log cabin, and we added on a basement and a concrete floor to put in a water holding tank," said Dr. Koehler. "Now we have a water system for our home with a 12-volt system to pump the water. We were able to put the five-gallon water buckets in the hay barn and keep them there."

The SBML provides up to $20,000 to Alaskans living in small communities to purchase building materials, exclusive of luxury items such as hot tubs, and pay for freight or third-party labor costs. The project may include repair or renovations that improve the livability of the home, energy-efficient upgrades, or the addition of living space. "We couldn't have established a sanitary water system without this loan," added Koehler. "It helped us get out of the 19th century."

▲ RUNNING WATER BECAME A REALITY IN THE DELTA JUNCTION HOME OF THE KOEHLER FAMILY USING AHFC SMALL BUILDING MATERIAL LOAN PROGRAM.

▲ PENNY BUNDY AND "MISS B" AT HOME IN JUNEAU.

▲ VETERAN TIM BUNDY STANDS IN FRONT OF HIS UNFINISHED DETACHED GARAGE. THE BUNDYS FINANCED THEIR HOME USING AHFC'S VETERANS MORTGAGE PROGRAM WITH AN ENERGY-EFFICIENCY RATE REDUCTION.

VETERANS MORTGAGE PROGRAM

"AHFC helped finance a good home for a good dog," said Tim Bundy. One of three dogs owned by the Bundys, Miss B, an American Eskimo breed, was a rescue dog. "We had to have a home before we could adopt the dog, and AHFC made that happen," he quipped.

The Bundy's energy-efficient home was originally built in 2002 by Juneau-Douglas High School students. "It was to teach them the skills. They did a good job and went through all the AHFC inspections. But the program ran out of money so they're not doing it anymore," said Tim.

The couple credits AHFC with many positive events in their lives, including their marriage. "If it wasn't for Alaska Housing, we wouldn't have met. She hooked me up with you [AHFC]," said Tim. "In fact, I married the mortgage officer so she'll make sure we make the payments," he laughed. Penny then explained that she has worked as a loan officer since moving to Alaska in 1975.

"I've owned several homes throughout the years thanks to AHFC," Tim said.

Penny added, "And I've made many Alaska Housing loans."

They spent five years in Maryland because of Tim's job as a certified industrial hygienist, working on bioterrorism for the U.S. Department of State. But they wanted to "come home to Alaska." Other than the time in Maryland, Tim said he's been here for years. "I was there when the first oil went through the pipeline."

The Bundy's home was financed using AHFC's Veterans Mortgage Program (VMP) with an even lower interest rate because of the home's energy efficiency.

Last year, AHFC provided $114.7 million to finance 419 homes under the VMP.

MORE THAN A WORKSHOP, HOMECHOICE IS AN INVESTMENT IN THE FUTURE

Buying a home can seem overwhelming, so AHFC offers free eight-hour seminars and makes them even more attractive by waiving the $250 commitment fee if a participant purchases a home using one of AHFC's programs within two years. Last year, AHFC conducted 179 HomeChoice workshops in 31 communities, with 3,076 certificates issued; 1,181 obtained commitment-fee waivers saving up to $295,000. The Learning Channel promoted the workshops nationally in a 30-minute television show, "My First Home."

In FY07, AHFC:

- Provided $565.7 million for 2,808 Alaskans to purchase homes, up from $407 million the previous year.
- Maintained a delinquency rate of less than 3.8 percent, compared to nearly 5.0 percent nationally; homeownership rate remained stable at 67.2 percent compared to 68.8 percent for the entire U.S.
- Provided zero percent loans of $625,000 each to Habitat for Humanity Anchorage, Anchorage Neighborhood Housing Services, and Fairbanks Neighborhood Housing Services, Inc. under the Loans to Sponsors Program for down-payment and closing-cost assistance programs for under-served markets.
- Assisted seven new homeowners under the Homeownership Voucher Program, which allows qualified clients to use their voucher assistance for mortgage payments.
- Provided $1.5 million in the Home Opportunity Program (HOP) for developing low-income homeownership.
- Provided $34.8 million to lower mortgage interest rates for 276 Alaskans under the Interest-Rate Reduction for Low-Income Borrowers option.
- Provided $12.4 million for zero-down-payment loans to 63 Alaskans in 32 communities under the Teachers' & Nurses' Housing Loan Program. A total of 346 teachers and nurses in 32 communities have used the program since it began in 2003.
- Participated on the multi-agency, Predatory Lending Task Force, in continued development of "Don't Borrow Trouble" – an educational endeavor to highlight potential unscrupulous lending practices.
- Contributed more than $13 million in servicing fees to Alaska lenders.
- Provided $450,000 to two non-profits to develop 18 units of self-help homeownership housing.

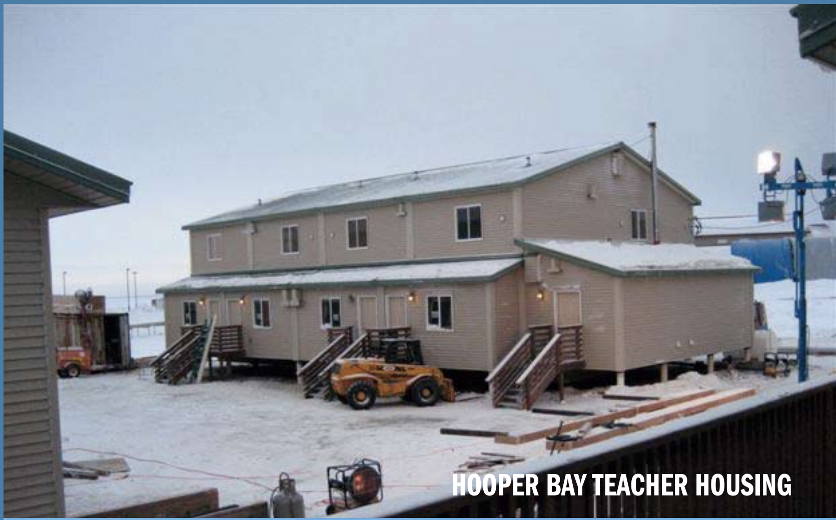
HOUSING FOR TEACHERS, NURSES, AND PUBLIC SAFETY OFFICERS

Lack of available, decent, safe, and affordable housing has been identified as a primary reason remote rural communities have a difficult time recruiting and retaining good teachers. In 2004, AHFC introduced a program to help rural communities with the construction and rehabilitation of professional housing. The program provides long-term loan financing and grants from AHFC's annual earnings to help in the development and rehabilitation of affordable housing for teachers, health professionals, or public safety officials. The program is having a positive impact on rural school districts. More teachers are accepting job offers and renewing their contracts to stay in communities where this housing is available.

- Over the past four years, AHFC, in partnership with the Denali Commission, has awarded $29 million for the rehabilitation, acquisition, or new construction of 170 units of rental housing for teachers, health professionals, and public safety officials in rural Alaska.

- In FY07, AHFC held one funding round of the Teacher, Health Professional, and Public Safety Housing Program with $9.2 million authorization to develop 12 projects with 62 units throughout rural Alaska.

- The program won First Place from the National Council of State Housing Agencies (NCSHA) for the 2007 Annual Award for Program Excellence: Rental Housing–Encouraging New Production, recognizing AHFC's (in partnership with the Denali Commission) Teachers, Nurses, and Public Safety Housing Program.


HOOPER BAY TEACHER HOUSING


TOGIAK TEACHER HOUSING

AHFC Teacher, Health Professional, and Public Safety Housing Grant Program

Units Built or Rehabilitated by Location

GLADYS COLLINS, A 24-YEAR ALASKAN, CARES FOR HER FLOWERS AT AHFC-OWNED WILLIWA MANOR SENIOR HOUSING IN WASILLA.

In July, Gladys Collins joined other Williwa Manor residents, community leaders, and AHFC partners for a rededication ceremony. The event celebrated the culmination of a major renovation of the 32-unit property, originally built in the mid-'80s.

Gladys flew to Alaska 24 years ago with an 8-week-old grandson and an 18-month-old granddaughter while the children's parents drove the Alaska Highway. She said she hadn't been around babies for 30 years. "I was scared to death." Now the grandchildren are grown, and she enjoys her extended family, including three children living in Palmer, Wasilla, and Anchorage, eight grandchildren and a great granddaughter.

After living with her family for a few years, she moved into Williwa Manor, where she's lived for 12 years. Gladys keeps active with a variety of handicrafts, including lap quilts, knitting, crocheting, sewing, and decorating "pet rocks." Painting rocks for yard decorations apparently raises some eyebrows among her neighbors. "We've been gathering rocks before the snow falls. People think I'm crazy," she quips.

This year, AHFC:

- Provided rental assistance to 5,800 families through the Housing Choice Vouchers for rentals in the private sector and AHFC-owned public housing.
- Contributed $25 million to private landlords for rental assistance for Alaskans who earn less than 50 percent of the median income.
- Completed renovation work for 32 units of senior/disabled housing in Wasilla.
- Completed the first of two phases for renovation of 48 family housing units at Alpine Terrace in Anchorage.
- Completed Phase III of renovations on 24 units in Anchorage, which included converting the final duplex into a five-bedroom, single-family dwelling.
- Installed major access and security-system upgrades at Chugach Manor and Chugach View in Anchorage and Seaview Terrace in Ketchikan.

DOROTHY GOULD OF JUNEAU IS A GRADUATE OF THE FSS PROGRAM.

FOREST HILLS IN PALMER WAS FINANCED USING AHFC'S MULTIFAMILY HOUSING PROGRAM.

FSS PROGRAM PROVIDES INCENTIVES AND MEANS FOR SELF-SUFFICIENCY

Dorothy Gould is one of 24 participants graduating from the Family Self-Sufficiency (FSS) program this year. This voluntary program is designed to promote economic self-sufficiency among families receiving rental assistance. The program combines housing assistance with education, job training, and support services to help residents find full-time employment. The program was expanded to Fairbanks and now operates in four communities, with continued funding received from HUD for the FSS Coordinator.

This year, AHFC:

- Received continued funding for an FSS Coordinator from the U.S. Department of Housing & Urban Development.
- Graduated 24 participants from the Family Self-Sufficiency program.
- Expanded the program to Fairbanks, to operate in a total of four communities.

MULTI-FAMILY PROGRAMS INCREASE ALASKA'S AFFORDABLE RENTAL HOUSING

As rents rise, AHFC's Multi-Family, Special Needs & Congregate Housing and Loan Purchase Programs help expand the housing market to make rental housing more affordable. Since 1994, AHFC has provided $689.7 million in low-interest loans, many combined with grants and tax credits, to assist developers in building and/or upgrading 14,368 units of rental housing in 42 communities throughout the state.

This year, AHFC:

- Purchased/originated 41 multi-family loans totaling $20.9 million.

A LITTLE HELP MAKES A BIG DIFFERENCE

These five 5★ energy-rated homes in White Mountain (right) were constructed for Bering Straits Regional Housing Authority at a plant in Port MacKenzie, 38 miles southwest of Wasilla and three miles across Cook Inlet from the Port of Anchorage. They were barged to Nome, where they sat for a year, because the water level at the destination site was too low.

Once the homes reached White Mountain, the local construction crew, some of whom were involved in the manufacturing at the plant, set the houses on their pads. Their unique foundations consist of reinforced concrete beams with a concave design to accommodate an oblong fuel tank that holds several hundred gallons of oil. The foundation is a clear-span structural system that prevents damage from settling and frost heaves. The adjustable corner posts can easily be leveled, and the large footings resist settling and offer economical below-frost installation with no excavation required.

AHFC's Supplemental Housing Development Grant Program provides funds to regional housing authorities to make HUD-funded rental and homeownership projects feasible. AHFC contributed $400,000 toward this project.

This year, AHFC:

- Provided $7.67 million to leverage $38.3 million in federal funds. The 11 grants to eight regional housing authorities are facilitating the new construction or rehabilitation of 772 houses to provide safe, decent, affordable housing for residents in rural and urban Alaska. The funds are being used for energy-efficiency-design features, onsite water-and-sewer systems, access roads, and electrical distribution.

Since inception, AHFC has:

- Contributed nearly $108 million to augment $588.3 million in federal funds to build 9,800 rentals and homeownership homes in more than 250 communities.

LOANS, GRANTS, AND TAX CREDITS MAKE STRIDES IN AFFORDABLE HOUSING MARKET

Through the power of partnerships, AHFC is able to expand its resources and programs. From tapping into the financial resources of federal and private grants or low-income housing tax credits to providing low-interest-rate loans to developers and nonprofits for multifamily and senior housing, we thank and commend our many state, federal, and private partners.

THE FOUNDATIONS UNDERSCORE THE UNIQUENESS OF THIS HOUSING IN WHITE MOUNTAIN, MADE POSSIBLE WITH AN AHFC SUPPLEMENTAL HOUSING GRANT.

ALAN ROBOLAR, SENIOR PROJECT MANAGER FOR F-E CONTRACTING, INC., (LEFT) RECEIVES CONTRACTOR OF EXCELLENCE PLAQUE FROM RAY ROUZAN, AHFC CONSTRUCTION COORDINATOR. THE FIRM WAS RECOGNIZED FOR EXCELLENCE AS CONTRACTOR FOR THE WILLIWA MANOR RENOVATION.

This year, to make housing more affordable for Alaskans, AHFC:

- Used AHFC funds and $2.9 million from the Denali Commission to award $30 million in grants and federal tax credits to build and/or rehabilitate 303 rental housing units under the Low-Income Housing Tax Credit Program, Senior Citizens Housing Development Fund, and HOME Program. Since 1987, AHFC has helped develop 3,699 units of affordable rental housing throughout Alaska.
- Improved the organization capacity of several non-profit housing organizations under the Community Housing Development Organization (CHDO) operating assistance grant program ($110,000).
- Funded 18 units of supportive housing for persons with mental illness and developmental disabilities under the Special Needs Housing Grant Program, a joint venture with AHFC ($1.2 million in capital funding) and the Alaska Mental Health Trust Authority ($300,000 operating assistance).
- Submitted six grant applications for various AHFC and public housing programs and was awarded $942,895 in federal awards (Shelter Plus Care, HUD Technical Assistance Program).
- Provided grant management for 157 grants with $34 million in grant payments.

"It feels good to be warm while saving resources"

ENERGY-EFFICIENT HOME LOANS

From their home in Douglas, David Dierdorff and Madeleine Lefebvre (see inside cover photo) have a view of their boat moored at the harbor. He loves the location and being able to walk everywhere in Douglas, especially to the harbor, the local pizza parlor, and the post office. He says the house is rural enough that every year they have deer in the yard, but so far no bears.

A former legislative attorney, David worked for the Oregon legislature before moving to Alaska in 1982, where he joined Alaska Legislative Affairs. He lived on a boat in Juneau for nine years, with Madeleine joining him the last year. But a boat was not her idea of a permanent home, and she eventually convinced him to move to something a little more traditional.

Formerly of Quebec, Madeleine (right) first came to Alaska in 1968. Between moving back to Canada, returning to Alaska in 1981, and moving to Oregon where she completed her degree, she spent most of her career at the University of Alaska Southeast. Currently, she is corporate underwriting coordinator for KTOO public radio in Juneau.

After their wedding in '95 David retired and they moved to Oregon for eight years. Since returning to Alaska, he continues to enjoy retirement with sailing, working on set design and construction for Perseverance Theatre, coordinating a church program, and visiting 10 grandchildren in Washington.

David and Madeleine began construction on their energy-efficient home in 2005 and moved into it in 2006. "We put in a very efficient hot-water-heating system. It's so small compared to old furnaces," said David. He hired a contractor for the construction, but was on the site every day. According to David, all the financing worked out well. "We worked with Wells Fargo, which helped with the construction loan, and AHFC provided the long-term financing. Everything went smoothly, and we were obviously very happy with AHFC's rates." They received a reduced interest rate using AHFC's energy-efficiency interest-rate reduction feature.

▸ TANANA CHIEFS CONFERENCE WEATHERIZED SIMON FRANCIS' HOME IN FT. YUKON WITH A GRANT FROM AHFC.

LOW-INCOME WEATHERIZATION

Alaska's weatherization program, funded by grants from the Department of Energy and AHFC, is designed to bring homes up to energy standards so occupants can conserve energy and use less fuel. AHFC provides grants to private contractors who refurbish homes throughout the state. On average, approximately 600 homes are serviced in cities and rural communities annually.

About half the homes are occupied by senior citizens or disabled Alaskans, eight out of 10 are owner-occupied, and 50 percent have children under six years old. A majority of the clients attend education training that focus on long-term maintenance efforts as well as the beneficial effect of weatherization that is well maintained.

Studies have shown that heating systems for rural housing are improved an average of five to 10 percent. The average energy savings for urban or road-connected homes is in the range of 10 to 25 percent; or, for every dollar spent, more than $2.40 in energy savings over the life of the home, an amount that is rising as fuel costs increase.

One of AHFC's grantees, Alaska Community Development Corporation, in a joint venture with Tlingit-Haida Regional Housing Authority, weatherized and rehabilitated this priority house in Wrangell (right), bringing the house into a healthy, safe, efficient state. Often, the limited resources of the Weatherization Program are used to provide advanced technical training to local crews and to focus on those measures which will truly target energy consumption, while other programs take care of structural and health-and-safety needs.

Tanana Chiefs Conference completed this home in Ft. Yukon (above) owned by Simon Francis, one of the elders. Weatherization work included air sealing, insulating the floor, and installing new windows and doors. The old barrel stove was replaced by a new energy-efficient wood stove. Mr. Francis said he puts two blocks of wood in his stove at night and wakes up in the morning to a nice warm house, a big change from his previous woodstove. The 83-year-old elder, who helped with the weatherization, said he was very happy with this work that made his house truly livable again.

▴ AHFC FUNDS HELPED WITH THE WEATHERIZATION AND REHABILITATION OF THIS HOME IN WRANGELL.

SIMON FRANCIS' HOME IN FT. YUKON WAS WEATHERIZED WITH AHFC FUNDS.

AHFC PROVIDED $500,000 FOR THE COLD CLIMATE HOUSING RESEARCH CENTER IN FAIRBANKS IN 2007.

AHFC SUPPORTS COLD CLIMATE HOUSING RESEARCH CENTER

The Cold Climate Housing Research Center (CCHRC) located in Fairbanks is a joint effort among Alaska Housing Finance Corporation, the Alaska State Homebuilders, and the University of Alaska.

CCHRC's 15,000-square-foot facility provides a forum for practical, science-based research for improved homebuilding and to find solutions to problems that plague many Alaska homes, such as air flow and pollution, mold and mildew, heating inefficiencies, fire, and other safety dangers.

In FY07, AHFC:

- Provided $127 million for 576 Energy-Efficiency Interest-Rate Reduction loans.
- Completed energy audits at 16 properties with 678 units throughout the state, including a life-cycle cost analysis of proposed conversion of one property to inexpensive hydro-electric power.
- Completed replacement of all windows in Birch Park I & II in Fairbanks.
- Provided grants under the Low-Income Weatherization Program and the Owner-Occupied Rehabilitation Program (ORP) to weatherize 709 homes statewide.

SINCE 1986, AHFC HAS CONTRIBUTED MORE THAN $1.5 BILLION TO ALASKA'S STATE BUDGET REVENUES THROUGH CASH TRANSFERS, CAPITAL PROJECTS, AND DEBT SERVICE PAYMENTS AFTER PAYING ALL OF AHFC'S OPERATING AND CAPITAL EXPENDITURES. AHFC'S ASSETS NOW TOTAL $4.9 BILLION.

Homeownership

- Provided $565.7 million for 2,808 Alaskans to purchase homes. This is an increase of 39 percent from $407 million the previous year.
- Purchased 1,814 new First-Time Home Buyer loans totaling $333.4 million.
- Maintained a delinquency rate of less than 3.8 percent, compared to nearly 5.0 percent nationally; homeownership rate remained stable at 67.2 percent compared to 68.8 percent for the national average.
- Provided zero-percent loans totaling $1.88 million to three non-profits under the Loans to Sponsors Program for down-payment and closing-cost assistance programs in under-served markets.
- Assisted seven new homeowners under the Homeownership Voucher Program, which allows qualified clients to use their rental voucher assistance for mortgage payments.
- Provided $1.5 million to assist 35 Alaskans become homeowners under the Home Opportunity Program (HOP) for developing low-income homeownership.
- Provided funding to two non-profit organizations ($450,000) to build 18 single-family homes under the USDA Self-Help Housing program.

AHFC EMPLOYEES MICHAEL PHELPS (LEFT) AND ROBERT LANCASTER (NOT SHOWN) OF JUNEAU RECENTLY RETURNED FROM A 15-MONTH DEPLOYMENT TO KUWAIT WITH THE NATIONAL GUARD. AHFC THANKS MIKE, ROBERT, AND ALL MEMBERS OF THE ARMED FORCES FOR THEIR SERVICE TO OUR COUNTRY.

RENTAL HOUSING

- Managed 1,700 low-income and senior units owned by AHFC and 4,100 Housing Choice Vouchers for rentals in the private sector.
- Purchased/originated 41 multi-family housing loans totaling $20.9 million.
- Awarded $9.1 million in AHFC and Denali Commission grants for 18 projects with 62 units of teacher housing to be developed throughout rural Alaska. More than 168 units have been developed since the Teachers, Nurses, and Public Safety Officers program started in 2004.
- Provided grants of $7.67 million under the Supplemental Housing Development Grant Program to leverage $38.3 million in federal funds.
- Funded 12 affordable housing rental projects, producing 303 units with $30 million in grants and federal tax credits under the GOAL program. These projects are targeted toward low-income families in Alaska.

WEATHERIZATION AND ENERGY

- Provided grants for contractors to weatherize 690 homes statewide.
- Provided weatherization under the Owner-Occupied Rehabilitation Program (ORP) for 42 units of low-income single-family homes.

STATEWIDE PLANNING AND RESEARCH

- Surveyed the assisted-living industry in Anchorage, Eagle River, and Mat-Su to update need and trends within the industry.
- Completed the planning and development of the Annual Action Plan for the Housing & Community Development Plan (HCD); the Annual Performance Report (APR), bringing $7 million in HUD funds to Alaska; and the Annual Update for the Public Housing Agency Plan.
- Conducted the Winter and Summer 2007 statewide surveys of homeless service providers, the results of which support more than $3 million in federal grant applications each year.
- Compiled all housing market data for the Fall 2006 and Spring 2007 Alaska Housing Market Indicators, a comprehensive profile of the Alaska housing market and construction costs.

PROGRAM DEVELOPMENT AND MANAGEMENT

- Continued management of a three-year, $799,581 Aging & Disability Resource Center (ADRC) Grant from the Centers for Medicare Services and Administration on Aging. In FY07, the program operated in five separate locations across Alaska, providing a wide range of information and referral services through Independent Living Centers.

- Produced the required "Stop-Loss" package to mitigate the impending reduction in public housing funding.

- Reduced homelessness in Alaska by awarding $1.45 million under the Homeless Assistance Program, leveraged $2.4 million in federal funds with $1 million under the Grant Match Program for the HUD Supportive Housing Program, and worked with the Governor's office to re-institute and expand the role of the Governor's Council on Homelessness. More than 8,400 people benefit from these programs.

- Improved the organization capacity of several non-profit housing organizations under the Community Housing Development Organization (CHDO) operating assistance grant program ($110,000).

- Funded 18 units of supportive housing for persons with mental illness and developmental disabilities under the Special Needs Housing Grant Program. This program is a joint venture with AHFC ($1.2 million in capital funding) and the Alaska Mental Health Trust Authority ($300,000 operating assistance).

- Submitted six grant applications for various AHFC and public housing programs and was awarded $942,895 in federal awards (Shelter Plus Care, HUD Technical Assistance Program).

- Provided grant management for 157 grants with $34 million in grant payments.

AWARDS AND RECOGNITION

- First Place from the National Council of State Housing Agencies (NCSHA) for the 2007 Annual Award for Program Excellence: Rental Housing–Encouraging New Production, recognizing AHFC's (in partnership with the Denali Commission) Teachers, Nurses, and Public Safety Housing Program.

- Arnold J. Martin Memorial Award for outstanding support of HOPE's mission by HOPE Community Resources, Inc.

- Membership in the 2007 Affiliate Honor Society from the Valley Board of Realtors awarded to Jim McCall, Maude Morse, and Carol Richards, honoring industry professionals who give back to the industry.

- 2006 Communications Contest Award from the Alaska Press Women for First Place for 2005 Annual Report (for materials published or broadcast in 2006).

- First Place from the National Federation of Press Women at its annual awards in Richmond, Virginia, for 2005 Annual Report (for materials published or broadcast in 2006).

- Mat-Su Board of Realtors recognized AHFC as an outstanding participating affiliate.

TRAINING/EDUCATION

- Research Information Center (RIC) Library responded to 8,372 requests from 54 Alaska communities.

- Awarded $1,000 scholarships to 10 Public Housing and Housing Choice Voucher program clients to attend higher education or vocational schools.

- Assisted in production of “Outside Insulation Technique” video and video compilation of Triodetic foundations in Alaska.

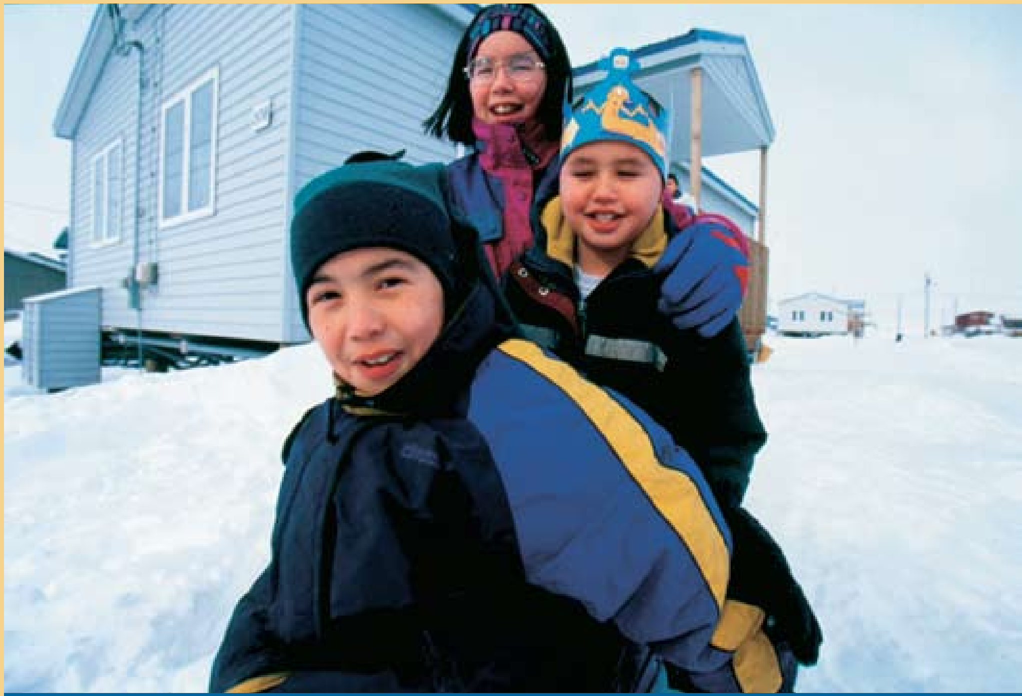
- Conducted 179 HomeChoice workshops in 31 communities, with 3,076 certificates issued; GOAL workshops for 75 people in four communities on rental housing development; six classes for real estate professionals and builders; two multi-family lender training workshops; and five technical workshops on Fair Housing, Inspection Standards for HUD programs, and eligibility rules for low-income housing programs.

- Participated on the multi-agency, Predatory Lending Task Force, in continued development of “Don’t Borrow Trouble” – an educational endeavor to highlight potential unscrupulous lending practices.

- Appeared in a premier 30-minute television show, “My First Home,” broadcast nationwide on The Learning Channel.

- Provided more than 3,000 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.

- Sponsored the annual meeting of the Alaska Coalition on Housing & Homelessness, and the first International Circumpolar Housing Conference “Sustainable Northern Shelter.”



AHFC AWARDED $1,000 SCHOLARSHIPS TO 10 PUBLIC HOUSING AND HOUSING CHOICE VOUCHER PROGRAM CLIENTS TO ATTEND HIGHER EDUCATION OR VOCATIONAL SCHOOLS.

BORROWER AND SINGLE-FAMILY PROGRAM AVERAGE COMPARISON[2] FY07

	ALL PROGRAMS	TAX-EXEMPT FIRST-TIME HOME BUYER	TAXABLE FIRST-TIME HOME BUYER	TAXABLE [1]	VETERANS	RURAL HOUSING
Total Number of Loans	2, 642	1,527	251	111	414	339
Total Dollar Volumes	$563,655,721	$286,630,228	$57,552,458	$26,749,202	$116,135,013	$76,618,820
Sales Price	$213,344	$187,708	$229,173	$240,984	$280,519	$226,014
Loan Amount	$199,969	$178,300	$216,876	$193,265	$273,235	$197,778
Loan-to-Value Ratio	94.02%	94.76%	95.14%	82.54%	98.19%	88.51%
Interest Rate	5.793%	5.610%	6.283%	6.37%	5.925%	5.793%
P & I Payment	$1,184	$1,031	$1,349	$1,237	$1,628	$1,195
Monthly Income	$5,574	$4,478	$6,715	$6,301	$7,729	$6,797
Age of Borrower	35	32	34	43	38	40
Household Size	2	2	2	2	3	3

[1] Excludes Taxable First-Time Home Buyer loans [2] Excludes owner/builder, purchase renovation, non-conforming and refinance loans

FEATURES USED IN CONJUNCTION WITH ABOVE PROGRAMS	LOANS	FUNDS
Interest-Rate Reduction for Low-Income Borrowers	276	$34,844,189
Energy-Efficiency Interest-Rate Reduction	576	$127,309,743
Teacher/Nurse Loan Option	63	$12,461,955
Streamline Refinance	5	$812,271

MULTI-FAMILY PROJECTS

FISCAL YEAR	NUMBER OF PROJECTS	UNITS	DOLLAR VOLUME
1992	6	592	$15,355,700
1993	2	41	$1,705,000
1994	12	522	$13,501,336
1995	6	246	$15,763,350
1996	16	800	$73,012,335
1997	21	460	$9,939,780
1998	29	532	$17,519,540
1999	79	1,097	$34,705,731
2000	76	1,468	$54,156,876
2001	117	2,976	$103,847,605
2002	94	1,375	$58,477,200
2003	62	979	$47,363,301
2004	63	1,593	$87,297,150
2005	54	890	$43,052,750
2006	36	543	$32,621,750
2007	29	254	$14,839,300
Totals	702	14,368	$623,158,704

HOME FUND PROJECTS

FISCAL YEAR	NUMBER OF PROJECTS	UNITS	DOLLAR VOLUME
1992	1	1	$57,677
1993	0	0	0
1994	3	36	$820,636
1995	0	0	0
1996	6	109	$3,286,884
1997	5	152	$2,571,906
1998	3	76	$1,953,585
1999	4	50	$1,931,692
2000	4	69	$406,250
2001	6	53	$1,664,314
2002	4	46	$1,677,475
2003	5	65	$2,058,971
2004	3	55	$1,950,000
2005	4	28	$1,676,335
2006	3	46	$1,335,697
2007	5	83	$2,146,111
Totals	56	869	$23,537,533

LOW-INCOME HOUSING TAX CREDIT PROJECTS

FISCAL YEAR	NUMBER OF PROJECTS	UNITS	ALLOCATION
1987	1	22	$623,070
1988	0	0	0
1989	2	107	$2,109,370
1990	1	16	$544,980
1991	1	23	$715,750
1992	2	39	$1,625,940
1993	2	55	$1,543,690
1994	6	297	$20,275,210
1995	1	87	$7,836,510
1996	7	238	$21,397,510
1997	4	120	$5,680,930
1998	6	195	$11,053,950
1999	4	61	$6,748,600
2000	7	610	$14,439,705
2001	6	165	$20,830,370
2002	7	205	$23,203,550
2003	6	143	$19,927,920
2004	6	164	$23,211,450
2005	5	128	$21,250,000
2006	4	213	$21,900,000
2007	4	163	$19,556,930
Totals	82	3,051	$244,475,435

SENIOR CITIZEN HOUSING DEVELOPMENT FUND PROJECTS

FISCAL YEAR	NUMBER OF PROJECTS	UNITS	SCHDF FUNDS
1994	5	126	$2,197,671
1995	0	0	0
1996	1	13	$773,150
1997	2	40	$1,484,807
1998	5	127	$3,046,239
1999	1	8	$156,250
2000	1	26	$675,000
2001	3	39	$2,030,521
2002	2	13	$2,651,000
2003	4	77	$2,109,460
2004	0	0	0
2005	3	62	$1,275,000
2006	4	32	$3,460,074 [1]
2007	5	96	$5,366,546 [2]
Totals	36	659	$25,225,718

[1] Includes $1,960,074 in Denali Commission funds
[2] Includes $2,866,546 in Denali Commission funds

Mercedita Acheson · Phill Adams · Penny Allen · Sandra Amox · Nancy Anderson · Ross Anderson · Roy Anderson · Steve Anderson · Griselda Andujar · Debra Athan · Sue Ayers · Kelvin Bailey · Brian Baines · Nancy Barnacle · Faith Barnes · Linda Barrows · Stuart Barrows · Kristian Beckner · Toni Bell · Vince Benjamin · Ineke Benkers · Tony Berdahl · Brian Blackwell · Martha Blanchett · Permelia Boatman · Cary Bolling · Peter Bonadurer · Genie Borgford · Kari Bowers · Debbie Boyce · Kimberly Branch · Bob Brean · Nick Brewer · Danny Brown · Kelley Brown · Linda Bueltmann · Lucy Brown · Tiffany Brown · Mike Buller · Diane Buls · Mimi Burbage · Bryan Butcher · Toni Butler · Doreen Calahan · Les Campbell · Lucy Carlo · Mark Carlson · Marion Carter · Nola Cedergreen · Ed Chan · Cera Choi · Naomi Christensen · Deron Clark · Inge Clark · Patrick Cochran · Colin Coker · Debra Cole · Esther Combs · Jenny Coppola · Juan Corral · Ann Cothron · Gerry Cox · Lindsey Cox · Kim Coy · Doc Crouse · Robert Dalton · Mike David · Bernard Davis · Maria DeBaun · Steve DeBusk · Martin Delfino · John DeMott · Gerry Deta · Marlon Dimatulac · Jeff Doll · Christopher Doucette · Sherrylee Dovolos · Joe Dubler · Kris Duncan · Gloria Dunmore · Pam Duran · Wayne Eacker · Sheila Edward · Dianna Erwin · Anica Estes · Gregory Evans · Linda Faro · Diana L. Faude · Diane E. Faude · Martin Faulkner · Dan Fauske · Robert H. Ferguson III · Les Forbes · Melissa Ford · Victor Forrester · Kay Fountain · Dennis Fradley · Susan Garrett · Margaret Gaspar · Christie George · Brenda Glaze · Joseph Gleaton · David Gonzales · Lita Goodall · F. Tere Gordon · Paula Graber · Renee Griffin · Debbie Grizzle · Jim Gurke · Peter Haines · Betty Hall · Sheryl Hall · Lona Hammer · Jennifer Hamsley · Cynthia Hanson · Elizabeth Harrington · Carrie Harris · Jeri Harris · Thomas Harris · Eric A. Havelock · Christopher Haynes · Roger Helmer · Amy Hiley · Candace Hiner · Linda Hobert · Elaine Hodl · Dawn Hoebermann · Eric Hoffman · Elaine Hollier · Marjorie Holt · Laurie Holte · Marilyn Holvoet · Felicia Hopkins · Tammy Hunter-Greco · Deborah Inama · Kyle Inman · Arturo Irizarry · Gary Isaacson · Jessie Jackson · Tammie James · Shelly Jehlen · Harvey Jennings · Margaret Jetton · Anna Jolliff · liljones · Paul Kapansky · David Karras · Bob Kelly · Joseph Kilian · Kelli Killian · Terry Kincaid · Judy King · Larry King · Robert Koerperich · Julie Kozlowski · Daniel Kuntze · Robert Lancaster · Maureen Lavoie · Kathy Lepley · James Lester · Steve Lewis · Tanya Lewis · Wilda Libby · Beverly Lopez · Tommy Macon · David Maiden · Debra Manzo · Diane March · Mark K. Martenson · Charles Martin · Joseph Martin · Theresa Martin · Brian D. Massey · Bernie Massin · Willy J. Mathias · Jim McCall · Joanne McClure · Dave McDowell · Peggy McGuire · Jay McInerney · Jodee McNutt · Carol McPherron · Elaine M. Mello · Klaus Menn · Teeny Metcalfe · David Michaelson · Kyle Miller · Lisa Mingo · Glenn Molyneux · Andy Montoya · Paul Moore · Ken More · Jim Morris · Bette Morrison · Maude Morse · Alan Musy · Michelle Myers · Charlotte Nasise · Joel Nava · Jimmie Nelson · Timothy Nelson · Janet Niemann · James Nitchman · Jeanie Nixa · Jason Norris · Regina O'Keefe · Christopher Ochap · Stanley Olchowski · Stacy Olsen · Judy Ondeck · Beverly Ovitt · Sandra Palmer · Robyn Parmelee · Victor Peralta · Michael Phelps · Bob Pickett · Harold "Hap" Pierce · Hess Poland · Channah Polis · Ana Poulivaati · Tiffany Price · Susan Ramsdell · Roy Range · Dewey (Raymond) Ransom · Teresa Ready · Greg Reed · Ken Reeves · Sarah Remaklus · Thomas Remaklus · David Remme · James Rheault · Donnis Richard · Carol Richards · Catherine Richter · Julie Riley · Marietta Roberts · Mark Romick · Jamison Rousculp · Ray Rouzan · Patti Ruppert · Timothy Russell · Holly Rutka · Robenett Sagalkin · Grant Salisbury · Linda Samuelson · Marsland Sanders · Jeniffer Santos · Karen Savage · Fina Schlosser · Brian Seim · Nina Sexton · Robert Sherry · Karen Shull · Ernest Siegrist · Lacy Simmler · Sherrie Simmonds · Susan Simonds-McHone · Debbie Sims · Colette Slover · Jill Smart · Herman Smith · Melanie Smith · Vickie Snelgrove · Michelle Snook · Konni Snyder · Cindi Sowder · James Spalding · Cyndy Speight · Cynthia Spezialy · Sally Staley · Pamela Stantorf · Dennis Starr · Tammy Steele · Michele Stewart · Rutha Stone-Stallworth · Michael Strand · Mike Sullivan · Jose Sumabat · Derenty Tabios · Robbie Tabios · Pola Takher · Gary Teague · R. Kevin Tune · Glen Turner · Ray Utter · Patricia M. Verdugo · Rodney Vitt · Douglas Wade · Robert Waetjen · Jacob Walker · Scott Waterman · Anna Wedemeier · Wes Weir · David White · Deidre White · James Wiedle · Esther Williams · Virgialee Williams · Kathleen Wills · Victoria Wilson · Kelly Windom · Greg Wood · James Wright · Laurie Wright · Ed Wrobel · Deborah Zenger ·

IN MEMORY:
JUDY LAVONDA HARRIS
March 3, 1962 - August 30, 2007

A butterfly lights beside us
Like a sunbeam
And for a brief moment
Its glory and beauty
Belong to our world
But then
It flies on again
And though we wish it could have stayed
We feel so blessed to have seen it.

– Author Unknown

AHFC issued a total of $780.9 million of long-term debt during FY2007 to continue its various ongoing lending programs. As of June 30, 2007, a total of $3.1 billion of long-term debt was outstanding. The following table summarizes the long-term debt issued by the Corporation during FY2007:

BOND ISSUE TITLE AND AMOUNT	RATINGS: S&P MOODY'S FITCH	DATE ISSUED	PROGRAM/PROJECT FUNDED	TAX STATUS
$75,000,000 Home Mortgage Revenue Bonds, 2006 Series C	AAA Aaa AAA	July 20, 2006	First-Time Home Buyer	Tax-Exempt
$190,000,000 Collateralized Bonds, 2006 First Series	AAA Aaa AAA	September 19, 2006	Veterans Mortgage Program	Tax-Exempt
$100,890,000 State Capital Project Bonds, 2006 Series A	AAA Aaa AAA	October 25, 2006	First-Time Home Buyer	Tax-Exempt
$89,370,000 Home Mortgage Revenue Bonds, 2007 Series C	AA Aa2 AA+	February 14, 2007	First-Time Home Buyer	Tax-Exempt
$239,370,000 Home Mortgage Revenue Bonds, 2007 Series A, B & D	AA/A-1 Aa2/VMIG-1 AA+/F1+	May 31, 2007	First-Time Home Buyer	Tax-Exempt

IN SKAGWAY, THE JENSEN FAMILY IS AMONG THE NEARLY 10,500 FAMILIES BENEFITING FROM AHFC'S INTEREST-RATE REDUCTION TO PROMOTE ENERGY-EFFICIENT HOMES SINCE 1993.

HOME MORTGAGE REVENUE BONDS (FIRST-TIME HOME BUYERS PROGRAM)

Generally, these bonds are sold to provide funding for the continuance of AHFC's First-Time Homebuyer (FTHB) Program.

$75,000,000 2006 Series C

This transaction closed on July 20, 2006. All of the proceeds were or will be used to purchase qualified mortgage loans that have already been warehoused or will be originated by the Corporation. The bonds were structured for tax purposes such that all interest earnings are subject to the alternative minimum tax (AMT).

$89,370,000 2007 Series C

This transaction closed on February 14, 2007. All of the proceeds were or will be used to purchase qualified mortgage loans that have already been warehoused or will be originated by the Corporation. The bonds were structured for tax purposes such that all interest earnings are subject to the alternative minimum tax (AMT).

$239,370,000 2007 Series A, B and D (Variable Rate)

This transaction closed on May 31, 2007, and was structured as $75,000,000 Series A bonds, $75,000,000 Series B bonds, and $89,370,000 Series D bonds. Proceeds from the sale of the bonds were used to refund the balance of the Corporation's General Mortgage Revenue Bonds, 1997 Series A, and other obligations of the Corporation. The bonds were structured for tax purposes such that interest earnings are excluded from the alternative minimum tax (non-AMT).

COLLATERALIZED BONDS (VETERANS MORTGAGE PROGRAM)

Generally, these bonds are sold to provide funding for the continuance of AHFC's tax-exempt financed Veterans Mortgage Program (VMP).

$190,000,000 2006 First Series

This transaction closed on September 19, 2006, and was structured as $15,770,000 Subseries A-1 (non-AMT) bonds and $174,230,000 Subseries A-2 (AMT) bonds. All proceeds from the sale of the Subseries A-1 bonds, along with $24,230,000 of proceeds from the sale of the Subseries A-2 bonds, were used to refund a like amount of the Corporation's outstanding commercial paper, which itself had been previously issued to replace and refund portions of various prior series of the Corporation's Collateralized Bonds (Veterans Mortgage Program).

The remaining $145,000,000 in proceeds from the sale of the Subseries A-2 bonds were used refund a like amount of the Corporation's Collateralized Notes, 2005 Second Series (AMT). The federal tax law that permits the issuance of these bonds requires that the repayment of principal and interest on the bonds be guaranteed by the State of Alaska. Alaska law requires the bonds to be sold utilizing a competitive method of sale.

STATE CAPITAL PROJECT BONDS

Generally, these bonds are sold to provide tax-exempt financing for legislatively appropriated capital projects and other governmental purposes.

$100,890,000 2006 Series A

This transaction closed on October 25, 2006. Proceeds from the sale of the bonds were used to fund authorized capital projects and to refund certain portions of the Corporation's outstanding commercial paper, which itself had been previously issued to replace and refund portions of various prior series governmental use bonds. The bonds were structured for tax purposes such that interest earnings are excluded from the alternative minimum tax (non-AMT).

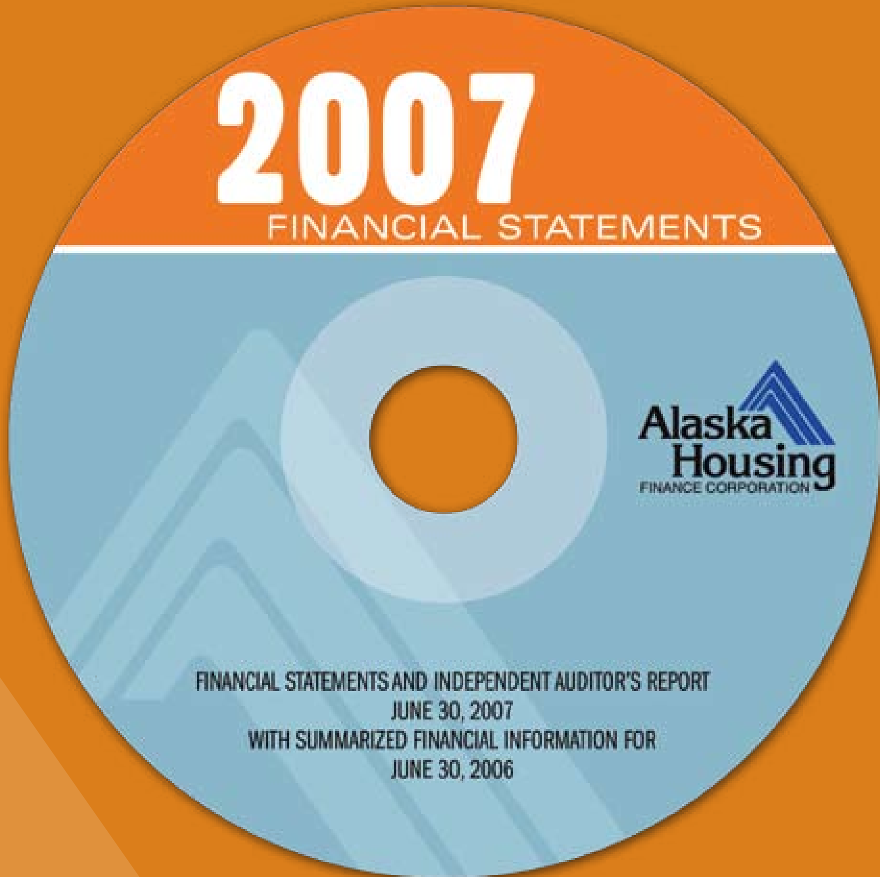
AHFC REPORTS DECREASE IN OPERATING INCOME FOR FISCAL YEAR 2007

The Corporation posted operating income of $40.5 million for FY2007, a decrease of 13.3 percent compared to FY2006. The Corporation's assets exceeded its liabilities as of June 30, 2007, by $1.68 billion (net assets). During FY2007, the Corporation's loan portfolio increased 3.6 percent to $3.36 billion, while investments decreased 27.9 percent to $1.27 billion. Long-term debt increased 5.3 percent to $3.06 billion as a result of issuing several large bond deals to finance affordable housing in Alaska.

AHFC FUND TRANSFERS TO AND FROM THE STATE OF ALASKA

The Corporation continued its series of annual payments to the State of Alaska and State agencies. As a result of a modification to the Transfer Plan during the 2004 Legislative Session, transfers to the State for FY2007 totaled $45.5 million, bringing the total transfers to the State of Alaska through FY2007 to more than $1.5 billion. In FY2008, the Transfer Plan calls for payment of the lesser of $103 million or 85 percent of the Corporation's operating income, with this payment percentage gradually declining to 75 percent in the fiscal years thereafter.

Senate Bill 232, signed into law on April 27, 2006, appropriated the sum of $300 million from the State of Alaska General Fund to the Corporation for the purpose of funding capital projects, including financing expenses. In accordance with the Legislature's intent, the Corporation transferred the appropriated funds and associated earnings thereon to its subsidiary, the Alaska Housing Capital Corporation (AHCC), on July 1, 2006.



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IT FEELS GOOD TO BE HOME

Mount Mentasta, Alaska

Alaska Housing
FINANCE CORPORATION

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