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June 29, 2001

Bob Weinstein, Mayor
City of Ketchikan
334 Front Street
Ketchikan, AK 99901

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To: Dan Bockhorst	From: Dan Bockhorst
Co. LBC	Co. AHFC
Dept.	Phone # 330-8445
Fax #	Fax #

Dear Mayor Weinstein:

Dan Bockhorst from the Local Boundary Commission asked me to provide some information regarding regulation changes adopted by the Alaska Housing Finance Corporation (AHFC) towards the Housing Assistance Loan Fund.

As you may know, the Housing Assistance Loan Fund (HALF) is established under state law to provide home loans in "small communities" (as defined under AS18.56.600). Interest rates on the loans are calculated as one percent less than the taxable loan rate on the day the loan commitment is made.

Currently, the definition of a "small community" doesn't allow AHFC to make HALF loans in communities disconnected from the road system and with a population in excess of 6,500. (For communities on the road system, the population must be 1,600 or less.) In Ketchikan, the program has been administered to provide loans outside the present city boundary, and disqualifying loans inside the city boundary due to the city population exceeding the 6,500 limitation.

Last December, Rep. Bill Williams's office contacted me regarding a proposal in Ketchikan to consolidate the municipal jurisdictions. Rep. Williams was concerned that if a consolidation effort succeeded, homes outside the current city limits would be disqualified from the interest rate benefits of the HALF program.

AHFC staff, in conjunction with the Local Boundary Commission and the Department of Law, began working on regulations to try to insure that properties would not be disqualified from the HALF program in the event of a municipal consolidation. On May 3rd, the AHFC Board of Directors adopted a regulation change to 15 AAC 152.065(b) as follows:

In the case of a merged or consolidated borough formed under AS 29.06.090 – 29.06.170, unified municipality organized under AS 29.06.190 – 29.06.420, or organized borough in which a city has dissolved under AS 29.06.450 – 29.06.530 which contains areas of a distinctly rural character within the municipality, the



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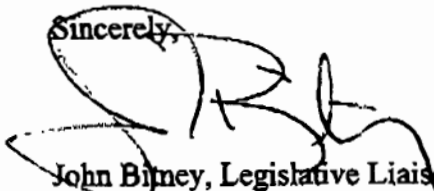
corporation will, in its discretion, determine separate populations for the various communities within the borough or unified municipality. The corporation may use municipal service areas, census place designations, village or unincorporated community status under other state programs, or any other method the corporation determines appropriate to determine the boundaries of communities with a borough or unified municipality.

In the event municipal consolidation were to occur in Ketchikan, AHFC now has the regulatory authority to define a "small community" within the borough through a variety of measures such as service areas, census tracts, and other such established criteria. While no determination has been at this point regarding which methodology would be used, please bear in mind that the purpose of establishing this regulation was to prevent a consolidation from disqualifying properties as much as possible.

Last year, the HALF program earned a net income of \$19,367,000 and was a core part of AHFC's business activity. Each year AHFC is expected to earn profits in order to both support the functions of the corporation and to provide payments to the State of Alaska. In other words, AHFC faces a tremendous amount of pressure and expectations to earn profits from our mortgage lending activity. It is a priority for the corporation to maintain or increase our lending activity as much as possible in order to continue to generate net income.

I hope this provides the information you need regarding the HALF program. Please contact Paul Kapansky Mortgage Operations Director, at (907) 330-8442, or myself at (907) 330-8445, if you have any further questions or comments.

Sincerely,



John Binney, Legislative Liaison
Alaska Housing Finance Corporation

CC: Dan Bockhorst, LBC, DCED
Paul Kapansky, AHFC Mortgage Dept.