NEW ISSUES - BOOK ENTRY ONLY

This cover page contains information for quick reference only. It is not a summary of these issues. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

$161,740,000
ALASKA HOUSING FINANCE CORPORATION
Home Mortgage Revenue Bonds

$80,870,000 2009 Series C | **$80,870,000 2009 Series D (Variable Rate)**

Dated	Date of delivery.
Due	As shown on inside cover page.
Price	As shown on inside cover page.
Tax Exemption	In the opinion of Bond Counsel and Special Tax Counsel, assuming compliance with certain covenants designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing laws, regulations, rulings and judicial decisions, (i) interest on the 2009 Series C and 2009 Series D Bonds described above (collectively, the "Offered Bonds") is excluded from gross income for Federal income tax purposes; (ii) interest on the 2009 Series C Bonds is not a specific preference item or included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax; and (iii) interest on the 2009 Series D Bonds is not a specific preference item for purposes of the federal alternative minimum tax, but such interest is included in adjusted current earnings of certain corporations for purposes of the federal alternative minimum tax. In the opinion of Bond Counsel, under existing laws, interest on the Offered Bonds is free from taxation by the State of Alaska except for inheritance and estate taxes and taxes of transfers by or in anticipation of death. Bond Counsel and Special Tax Counsel express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Offered Bonds. See "Tax Matters."
Redemption	The Offered Bonds are subject to redemption prior to maturity at 100% of their principal amount under the circumstances described herein. See "The Offered Bonds — Redemption Provisions."
Interest Rates; Tender; Initial Liquidity Facility	The 2009 Series C Bonds will bear interest at the rates set forth on the inside cover page. The 2009 Series D Bonds will initially bear interest at a Weekly Rate as described under "The Offered Bonds — General" and "The Offered Bonds — Description of the 2009 Series D Bonds." **THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE 2009 SERIES D BONDS THAT ARE NOT IN A WEEKLY MODE**. The 2009 Series D Bonds in a Weekly Mode are subject to optional and mandatory tender for purchase as described under "The Offered Bonds — Description of the 2009 Series D Bonds." The 2009 Series D Bonds subject to optional or mandatory tender for purchase and not remarketed by the Remarketing Agent will be purchased, subject to certain conditions precedent, by Bank of America, N.A. ("Bank of America"), pursuant to the terms of an Initial Liquidity Facility among the Corporation, Bank of America, and the Tender Agent. The Initial Liquidity Facility will expire on August 25, 2010, unless extended or terminated pursuant to its terms. UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN, THE INITIAL LIQUIDITY FACILITY WILL TERMINATE AND, IN SOME CIRCUMSTANCES, THE TERMINATION OF THE INITIAL LIQUIDITY FACILITY WILL BE IMMEDIATE AND WITHOUT NOTICE TO BONDHOLDERS. IN SUCH EVENT NO FUNDS MAY BE AVAILABLE PURSUANT TO THE INITIAL LIQUIDITY FACILITY TO PURCHASE 2009 SERIES D BONDS. See "Liquidity Facility — Initial Liquidity Facility."
Security	**The Bonds are general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets not pledged to the Bonds and to the exclusion of money in the Corporation's Housing Development Fund. The Bonds will be secured by Program Obligations and amounts in the Funds and Accounts (excluding the Rebate Fund) held under the Indenture. See "Sources of Payment and Security for the Bonds" and "Program Obligations." THE CORPORATION HAS NO TAXING POWER. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF. THE BONDS ARE GENERAL OBLIGATIONS OF THE CORPORATION AND ARE NOT INSURED OR GUARANTEED BY ANY OTHER GOVERNMENTAL AGENCY.**

Interest Payment Dates	December 1, 2009, and thereafter on each June 1 and December 1.
Denominations	2009 Series C Bonds: $5,000 or any integral multiple thereof. 2009 Series D Bonds: $100,000 or any integral multiple of $5,000 in excess thereof.
Closing Date	August 26, 2009.
Bond Counsel	Birch, Horton, Bittner and Cherot.
Special Tax Counsel	Kutak Rock LLP.
Underwriters' Counsel	Hawkins Delafield & Wood LLP.
Remarketing Agent	Merrill Lynch & Co.
Trustee and Tender Agent	U.S. Bank National Association.
Financial Advisor	First Southwest Company.
Book-Entry System	The Depository Trust Company. See "The Offered Bonds — Book Entry Only."

The Offered Bonds (except to the extent not reoffered) are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Bond Counsel, and to the confirmation of certain tax matters by Bond Counsel and Special Tax Counsel, and to certain other conditions.

Merrill Lynch & Co.†

Citi **Goldman, Sachs & Co.** **J.P. Morgan**

Morgan Keegan & Company, Inc. **Morgan Stanley** **Siebert Brandford Shank & Co., LLC**

August 13, 2009

† Sole underwriter with respect to the 2009 Series D Bonds.

MATURITY SCHEDULE

$80,870,000 2009 Series C Bonds

$21,590,000 2009 Series C Serial Bonds @ 100%

Maturity Date	Principal Amount	Interest Rate	CUSIP
December 1, 2010	$ 660,000	0.90%	01170PDZ6
June 1, 2011	855,000	1.30	01170PEA0
December 1, 2011	965,000	1.50	01170PEB8
June 1, 2012	1,060,000	1.80	01170PEC6
December 1, 2012	1,140,000	1.90	01170PED4
June 1, 2013	1,175,000	2.15	01170PEE2
December 1, 2013	1,185,000	2.30	01170PEF9
June 1, 2014	1,185,000	2.65	01170PEG7
December 1, 2014	1,190,000	2.75	01170PEH5
June 1, 2015	1,195,000	2.95	01170PEJ1
December 1, 2015	1,200,000	2.95	01170PEK8
June 1, 2016	1,205,000	3.30	01170PEL6
December 1, 2016	1,210,000	3.30	01170PEM4
June 1, 2017	1,215,000	3.60	01170PEN2
December 1, 2017	1,220,000	3.60	01170PEP7
June 1, 2018	1,225,000	3.85	01170PEQ5
December 1, 2018	1,230,000	3.85	01170PER3
June 1, 2019	1,235,000	3.95	01170PES1
December 1, 2019	1,240,000	3.95	01170PET9

$12,835,000 4.625% 2009 Series C Term Bonds due December 1, 2024 Price: 100% CUSIP: 01170PEU6
$13,800,000 5.00% 2009 Series C Term Bonds due December 1, 2029 Price: 100% CUSIP: 01170PEV4
$15,125,000 5.25% 2009 Series C Term Bonds due December 1, 2034 Price: 99.713% CUSIP: 01170PEW2
$17,520,000 5.35% 2009 Series C Term Bonds due December 1, 2039 Price: 100% CUSIP: 01170PEX0

$80,870,000 2009 Series D Bonds (Variable Rate)

$80,870,000 2009 Series D Term Bonds due December 1, 2040
Price: 100% CUSIP: 01170PEY8

No dealer, broker, salesman or other person has been authorized by the Corporation or the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Offered Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Corporation and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Offered Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

In connection with this offering of the Offered Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the Offered Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT
OF
ALASKA HOUSING FINANCE CORPORATION
Relating to

$161,740,000 Home Mortgage Revenue Bonds

$80,870,000 2009 Series C **$80,870,000 2009 Series D (Variable Rate)**

INTRODUCTION

This Official Statement (including the cover page, inside cover page and appendices) sets forth information in connection with the Corporation's Home Mortgage Revenue Bonds, 2009 Series C (the "2009 Series C Bonds") and 2009 Series D (the "2009 Series D Bonds"; together with the 2009 Series C Bonds, the "Offered Bonds"). The Offered Bonds are authorized to be issued pursuant to Chapters 55 and 56 of Title 18 of the Alaska Statutes, as amended (the "Act"), an Indenture, dated as of May 1, 2002, as amended and supplemented (the "General Indenture"), by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), and a 2009 Series C Supplemental Indenture and a 2009 Series D Supplemental Indenture (respectively, the "2009 Series C Supplemental Indenture" and the "2009 Series D Supplemental Indenture"; collectively, the "2009 Series C and D Supplemental Indenture"), each dated as of August 1, 2009, and each by and between the Corporation and the Trustee. All bonds outstanding under the General Indenture (including additional bonds which may hereafter be issued) are referred to collectively as the "Bonds." Each series of Bonds is issued pursuant to a Supplemental Indenture. The General Indenture and all Supplemental Indentures (including the 2009 Series C and D Supplemental Indenture) are referred to collectively as the "Indenture." The Bonds issued under the Indenture prior to the issuance of the Offered Bonds are referred to collectively as the "Prior Series Bonds." FOR CERTAIN DEFINITIONS USED IN THIS OFFICIAL STATEMENT, SEE "THE CORPORATION — CERTAIN DEFINITIONS," "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — CERTAIN DEFINITIONS" AND APPENDIX D — CERTAIN DEFINITIONS WITH RESPECT TO THE 2009 SERIES D BONDS." Capitalized terms used and not otherwise defined herein have the respective meanings ascribed thereto in the Indenture. All references to days in this Official Statement will mean calendar days *unless* stated otherwise. All references to times in this Official Statement, unless indicated otherwise, shall be to Eastern Time.

The 2009 Series C Bonds and 2009 Series D Bonds are the fourteenth and fifteenth Series of Bonds, respectively, issued under the Indenture. As of June 30, 2009, the Corporation had issued Prior Series Bonds in the aggregate principal amount of $1,100,935,000, and as of such date there were Prior Series Bonds Outstanding in the aggregate principal amount of $1,033,475,000. The Corporation is permitted to issue additional bonds (including refunding bonds) pursuant to and secured under the Indenture ("Additional Bonds"), subject to certain conditions. See "Sources of Payment and Security for the Bonds — Additional Bonds." The 2009 Series C Bonds and 2009 Series D Bonds will be secured on a parity with each other, with the Prior Series Bonds and with any Additional Bonds.

The underwriters listed on the cover page will act as underwriters with respect to the 2009 Series C Bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") will act as sole underwriter with respect to the 2009 Series D Bonds. The underwriters listed on the cover page are referred to herein collectively as the "Underwriters."

A portion of the proceeds of the 2009 Series C Bonds will be used to purchase Mortgage Loans from a pool of certain previously originated Mortgage Loans (the "Series C Available Mortgage Loans"). The balance of the proceeds of the 2009 Series C Bonds will be used to purchase Mortgage Loans. Such amounts will be available to purchase Mortgage Loans on and after the date of issuance of the 2009 Series C Bonds. See "The Offered Bonds — Redemption Provisions — Special Redemption — Redemption from Amounts in the Series Account of the Program Obligation Fund."

Proceeds of the 2009 Series D Bonds will be used, within 90 days of the date of issuance of the Offered Bonds, to redeem an equal amount of the Corporation's General Mortgage Revenue Bonds, 1999 Series A (the "99 GMRB Bonds"). In connection with such redemption, the mortgage loans (the "Transferred Mortgage Loans") and other assets currently pledged to the 99 GMRB Bonds will be transferred to and become subject to the lien and pledge of the Indenture. Following such transfer, such other assets are expected to be deposited into the Series Account of the Program Obligation Fund and used to purchase Mortgage Loans from a pool of certain previously originated Mortgage Loans (the "Series D Available Mortgage Loans"; together with the Series C Available Mortgage Loans, the "Available Mortgage Loans").

For a description as of June 30, 2009 of the Transferred Mortgage Loans, see "Program Obligations — Mortgage Loans — Transferred Mortgage Loans." The Corporation expects to transfer substantially all of the Transferred Mortgage Loans to the Indenture. However, the aggregate principal balance of such loans transferred to the Indenture will be reduced by principal prepayments and scheduled principal repayments received prior to such transfer.

For a description as of June 30, 2009 of the Available Mortgage Loans, see "Program Obligations — Mortgage Loans — Available Mortgage Loans." The Corporation expects to purchase substantially all of the Available Mortgage Loans with proceeds attributable to the Offered Bonds. However, no assurance is given as to what portion, if any, of the Available Mortgage Loans will be allocated to the Offered Bonds.

The Corporation from its general unrestricted funds will make a deposit to the Debt Service Reserve Account and pay underwriting fees and other costs of issuance. In addition, any amounts needed to satisfy the Loan Loss Requirement will be deposited by the Corporation from its own funds in the Loan Loss Fund. See "Sources of Payment and Security for the Bonds — Debt Service Reserve Account" and " — Loan Loss Fund" and "Application of Funds."

The 2009 Series D Bonds will initially be issued in a Weekly Mode. The Corporation may elect to cause 2009 Series D Bonds to bear interest in another Mode or to Convert to Bonds bearing interest at Fixed Interest Rates or an Indexed Rate. In each such case and under other circumstances, 2009 Series D Bonds will be subject to mandatory tender for purchase. See "The Offered Bonds — Description of the 2009 Series D Bonds — Mandatory Tender." **THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE 2009 SERIES D BONDS**

THAT ARE NOT IN A WEEKLY MODE. While in a Weekly Mode, 2009 Series D Bonds also are subject to tender by the Holders thereof under the circumstances set forth in the 2009 Series D Supplemental Indenture.

Merrill Lynch initially will act as sole Remarketing Agent with respect to the 2009 Series D Bonds. The Corporation may replace the Remarketing Agent at any time, and the Remarketing Agent may resign as such at any time, in each case upon 30 days' notice; *provided, however,* that (1) if the Remarketing Agent fails to determine a Weekly Rate for the 2009 Series D Bonds, the Corporation may remove the Remarketing Agent upon seven days' notice, and (2) if the Corporation appoints a successor Remarketing Agent on or prior to the date specified for any such resignation or removal, said resignation or removal will take effect on the date of such appointment. The Corporation may appoint multiple Remarketing Agents.

There will be a Liquidity Facility provided in connection with the issuance of the 2009 Series D Bonds, pursuant to a Standby Bond Purchase Agreement dated as of August 1, 2009 (the "Initial Liquidity Facility"), by and among Bank of America, N.A. ("Bank of America"), the Corporation, and U.S. Bank National Association as tender agent (the "Tender Agent"), which agreement will provide for the purchase by the Bank, on the terms and conditions specified therein, of tendered 2009 Series D Bonds in a Weekly Mode that cannot be remarketed as provided in the 2009 Series D Supplemental Indenture. A default under the Initial Liquidity Facility by the Bank is not an Event of Default under the Indenture. See "Liquidity Facility — Initial Liquidity Facility — General."

The Corporation may provide an Alternate Liquidity Facility in substitution for the Initial Liquidity Facility, and in such event the Initial Liquidity Facility will terminate and the 2009 Series D Bonds will be subject to mandatory tender. **THIS OFFICIAL STATEMENT IS INTENDED TO DESCRIBE 2009 SERIES D BONDS ONLY WHEN SUCH BONDS ARE COVERED BY THE INITIAL LIQUIDITY FACILITY.** See "Liquidity Facility — Alternate Liquidity Facility."

In the event that the Initial Liquidity Facility terminates and is not to be replaced with an Alternate Liquidity Facility, the 2009 Series D Bonds are subject to mandatory tender. See "The Offered Bonds — Description of the 2009 Series D Bonds — Mandatory Tender."

The Corporation has entered into an interest rate swap agreement relating to the 2009 Series D Bonds (the "Swap Agreement") with JPMorgan Chase Bank, N.A., (the "Counterparty"). The purpose of the Swap Agreement is to place the aggregate net obligation of the Corporation with respect to the portion of the Program financed by the 2009 Series D Bonds on an approximately fixed-rate basis. Payments made to the Corporation under the Swap Agreement will constitute Pledged Revenues and will be deposited in the Revenue Fund on receipt. Regularly scheduled payments due under the Swap Agreement to the Counterparty will be paid from Pledged Revenues pledged under the Indenture in the same order of priority as payments of interest on the Bonds. Payments due under the Swap Agreement to the Counterparties in respect of an Early Termination Date (as defined in the Swap Agreement) will be withdrawn free and clear of the lien of the Indenture (to the extent available thereunder and in accordance with the requirements therefor) as described in clause (iv) of paragraph Fifth under "Summary of Certain Provisions of the Indenture — Redemption Fund" for payment to the

Counterparty. Any payments due under the Swap Agreement to the Counterparty in excess of amounts available therefor under the Indenture will be a general obligation of the Corporation.

The Corporation has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State of Alaska (the "State") or a pledge of its faith and credit or taxing power. The Bonds are general obligations of the Corporation and are not insured or guaranteed by any other governmental agency.

The Bonds are general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets not pledged to the Bonds and to the exclusion of moneys in the Corporation's Housing Development Fund. A significant portion of the assets of the Corporation is pledged to the payment of outstanding obligations of the Corporation. See Appendix A, which contains the most recent audited financial statements of the Corporation.

It is expected that the Bonds will be primarily secured by a portfolio of Program Obligations, consisting of whole mortgage loans (the "Mortgage Loans"). The Bonds also may be secured by mortgage-backed pass-through certificates and, if there will be no adverse effect on the ratings then assigned to the Bonds, other mortgage instruments. The Mortgage Loans will be first-lien mortgage loans with respect to single family residences located in the State. See "Sources of Payment and Security for the Bonds," "Program Obligations" and the definitions of Mortgage Loan and Program Obligations under "Summary of Certain Provisions of the Indenture — Certain Definitions."

The Mortgage Loans, or portions of Mortgage Loans, to be financed with proceeds attributable to the Offered Bonds are referred to as the "2009 Series C/D Mortgage Loans." The Corporation currently expects that the 2009 Series C/D Mortgage Loans will consist of the Transferred Mortgage Loans and the Available Mortgage Loans, with the balance consisting of new Mortgage Loan originations. See "Sources of Payment and Security for the Bonds — Program Obligations — Transferred Mortgage Loans" and " — Available Mortgage Loans."

The summaries herein of the Offered Bonds, the Indenture and other documents and materials are brief outlines of certain provisions contained therein and do not purport to summarize or describe all the provisions thereof. For further information, reference is hereby made to the Act, the Indenture and such other documents and materials for the complete provisions thereof, copies of which will be furnished by the Corporation upon request. See "The Corporation — General" for the Corporation's address and telephone number.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Prior Series Bonds and the Offered Bonds are, and any Additional Bonds issued under the Indenture will be, direct and general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made or to be made with the holders of other obligations of the Corporation pledging particular revenues and assets not pledged to the Bonds and to the exclusion of moneys in the Corporation's Housing Development Fund. All Bonds issued under the Indenture will be secured on a parity lien basis under the Indenture. See "Sources of Payment and Security for the Bonds — Additional Bonds."

The Bonds are secured by a pledge of (a) Program Obligations; (b) any Mortgage Loans acquired with Bond proceeds, including the title, hazard and primary insurance policies related thereto; the Mortgages securing such Mortgage Loans; and property held by the Corporation pursuant to foreclosure or deed in lieu of foreclosure of any such Mortgage Loan; (c) the Pledged Revenues and all amounts held in any Fund or Account under the Indenture (except the Rebate Fund) and, to the extent provided in the Indenture, as to amounts payable free and clear of any trust, lien or pledge created by this Indenture; and (d) all proceeds of the foregoing. See "Sources of Payment and Security for the Bonds — Program Obligations," "Program Obligations" and the definitions of Pledged Revenues and Program Obligations under "Summary of Certain Provisions of the Indenture — Certain Definitions."

Amounts on deposit in the Funds and Accounts under the Indenture may be applied only as provided in the Indenture. Amounts in the Revenue Fund, after providing for the payment of (i) any amounts required to be deposited in the Rebate Fund, and (ii) interest due on the Bonds and Authorized Hedging Payments due to a counterparty during the related interest payment period, will be transferred to the Redemption Fund. Amounts in the Redemption Fund, *however,* after providing for the payment of (i) scheduled principal payments on the Bonds and Authorized Hedging Payments due to a counterparty during the related interest payment period; (ii) sinking fund installments; (iii) any amount needed to restore the Debt Service Reserve Account to the Debt Service Reserve Requirement; and (iv) Program Expenses, may be withdrawn free and clear of the lien of the Indenture; *provided* that such withdrawal is indicated in the most recent Bond Coverage Certificate. See "Sources of Payment and Security for the Bonds — Bond Coverage Certificates" and "Summary of Certain Provisions of the Indenture — Revenue Fund" and "— Redemption Fund."

The Bonds are secured by a Debt Service Reserve Account, a Loan Loss Fund and a Special Reserve Account. See "Sources of Payment and Security for the Bonds — Debt Service Reserve Account," "— Loan Loss Fund" and "— Special Reserve Account."

Program Obligations

For a description as of June 30, 2009 of the Mortgage Loans financed with proceeds of Prior Series Bonds (the "Prior Series Mortgage Loans"), see "Program Obligations — Mortgage Loans — Prior Series Mortgage Loans.

Mortgage Loans are required by the General Indenture to be secured by first lien deeds of trust on single-family residences in the State and bear a fixed rate of interest for initial terms of not less than 15 years but not more than 30 years. The Prior Series Mortgage Loans consist of, and 2009 Series C/D Mortgage Loans are expected to consist of, conventional Mortgage Loans; Mortgage Loans subject to a guarantee of the United States Department of Veterans Affairs (formerly the Veterans Administration; the "VA"), the United States Department of Housing and Urban Development ("HUD"), or Rural Development ("RD"; formerly the Farmers Home Administration of the United States Department of Agriculture); and Mortgage Loans insured by the Federal Housing Administration ("FHA"). The Mortgage Loans will be serviced by qualifying eligible servicing institutions, which generally are the originating institutions. See "Program Obligations."

Any Mortgage Loan with an original principal amount exceeding 80% of the value of the mortgaged property is required to be (i) insured by FHA, (ii) guaranteed by the VA, HUD, or RD, or (iii) insured under a private mortgage insurance policy at least until such time as the ratio of the outstanding loan balance to the original property value is equal to or less than 80%. See "Program Obligations — Primary Mortgage Insurance."

Debt Service Reserve Account

Upon delivery of the Offered Bonds, a deposit is expected to be made to the credit of the Debt Service Reserve Account in the amount set forth under "Application of Funds." The General Indenture requires the Debt Service Reserve Account to be maintained in an amount (the "Debt Service Reserve Requirement") at least equal to the sum of the Debt Service Reserve requirements established for each Series of Outstanding Bonds. The Debt Service Reserve requirement established for each Series of the Offered Bonds is an amount equal to 2% of the sum of (a) the outstanding principal balance of related 2009 Series C/D Mortgage Loans and (b) all other amounts on deposit in the related Series Account of the Program Obligation Fund, or such greater amount as may be fixed by a further Authorizing Indenture. See "Summary of Certain Provisions of the Indenture — Revenue Fund."

If at noon on the third Business Day prior to any Debt Service Payment Date the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Interest Account, the Principal Account and the General Account is less than the amount required to pay, or to reimburse the payment of, Debt Service Payments on such Debt Service Payment Date, any deficiency in each such Account shall be immediately satisfied with a transfer from the Debt Service Reserve Account to the applicable Account or, if insufficient, by a deposit to the applicable Account of any other funds of the Corporation available therefor, including the Loan Loss Fund and the Special Reserve Account.

The Corporation covenants that it will maintain in the Debt Service Reserve Account an amount at least equal to the Debt Service Reserve Requirement.

At the election of the Corporation, any amounts in excess of the Debt Service Reserve Requirement that remain in the Debt Service Reserve Account on a Debt Service Payment Date shall either (i) be transferred to the related Series Account of the Revenue Fund or (ii) be withdrawn and paid over to the Corporation free and clear of the lien and pledge of the Indenture if the most recent Bond Coverage Certificate shows Bond Coverage after such withdrawal; *provided* that (a) all Debt Service on the Bonds then due shall have been paid on such Debt Service Payment Date and that all amounts then due from the Corporation or Trustee to the counterparties of any Hedging Instruments shall have been paid on such Debt Service Payment Date and (b) no such withdrawal may be made during any period when proceeds of any Series of Bonds are on deposit in the Program Obligation Fund and have not been either exchanged for Program Obligations or applied to the redemption of Bonds of such Series, nor for sixty days following any such period. Any amounts in excess of the Debt Service Reserve Requirement that remain in the Debt Service Reserve Account on or after the fifth day following a Debt Service Payment Date will be transferred by the Trustee upon the direction of the Corporation to the related Series Account of the Revenue Fund.

Amounts on deposit in the Debt Service Reserve Account are to be invested in Investment Securities. As of June 30, 2009, the aggregate amount of investments on deposit in the Debt Service Reserve Account was approximately $23.1 million, which amount was at least equal to the Debt Service Reserve Requirement on such date. The amount on deposit in the Debt Service Reserve Account will be at least equal to the Debt Service Reserve Requirement on the date of issuance of the Offered Bonds. See "Application of Funds" and "Summary of Certain Provisions of the Indenture — Revenue Fund."

Loan Loss Fund

The General Indenture permits, but does not require, the establishment of Loan Loss Coverage with respect to a Series of Bonds in the related Authorizing Indenture. The Prior Series Bonds Supplemental Indentures and the 2009 Series C and D Supplemental Indenture establish Loan Loss Coverage with respect to the Prior Series Bonds and the Offered Bonds, respectively, in the form of a Series Loan Loss Requirement. The Indenture requires that the Loan Loss Fund be maintained at all times in an amount equal to the sum of the Series Loan Loss Requirements, if any, established with respect to each Series of Bonds in the related Authorizing Indentures (the "Loan Loss Requirement"). The Series Loan Loss Requirements with respect to the Prior Series Bonds and the Offered Bonds are percentages of the Prior Series Mortgage Loans and the 2009 Series C/D Mortgage Loans, respectively, that are not covered by a mortgage pool insurance policy and that do not underlie Mortgage Certificates. (No Prior Series Mortgage Loans are, and it is expected that no more than an insubstantial portion of the 2009 Series C/D Mortgage Loans, if any, will be, covered by a mortgage pool insurance policy or underlie Mortgage Certificates.) Such percentages are determined by the nature of the assets on deposit in the Loan Loss Fund and are based upon criteria established by the Rating Agencies, including criteria related to mortgage loan credit risk. The Prior Series Bonds Supplemental Indentures and the 2009 Series C and D Supplemental Indenture each provide that the Corporation may revise the respective Series Loan Loss Requirement in any fashion upon confirmation from the Rating Agencies that such revision, in and of itself, will not adversely affect the then current Unenhanced Ratings assigned to the Bonds.

As of June 30, 2009, amounts on deposit in the Loan Loss Fund consisted of investments with a value of approximately $746,000 and of Mortgage Loans with an aggregate principal balance of approximately $61.4 million, which amounts were in the aggregate at least equal to the Loan Loss Requirement as of such date. The amount on deposit in the Loan Loss Fund will be at least equal to the Loan Loss Requirement on the date of issuance of the Offered Bonds. While amounts on deposit in the Loan Loss Fund are pledged under the Indenture, earnings and payments received with respect to such amounts do not constitute Pledged Revenues under the Indenture. The General Indenture permits, but does not require, Loan Loss Coverage in addition to any primary mortgage insurance covering Mortgage Loans for subsequent Series of Bonds.

If, on the third Business Day prior to any Debt Service Payment Date, the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Interest Account, the

Principal Account and the General Account is less than the amount required to pay Debt Service payments on such Debt Service Payment Date, any deficiency will be satisfied with a transfer from the Debt Service Reserve Account to the applicable Account or, if insufficient, by a deposit to the applicable Account of any other funds of the Corporation available therefor, including the Loan Loss Fund. The Corporation may, at any time, withdraw from the Loan Loss Fund an amount equal to Uncovered Loan Losses. The Corporation shall transfer all such withdrawn amounts to the applicable Series Subaccount of the General Account of the Redemption Fund to be used to redeem Bonds of the applicable Series at the earliest practicable redemption date. In addition, amounts in the Loan Loss Fund in excess of the sum of (i) the Loan Loss Requirement and (ii) current and expected Uncovered Loan Losses, may at any time be withdrawn and paid to the Corporation free and clear of the lien and pledge of the Indenture. See "Summary of Certain Provisions of the Indenture — Loan Loss Fund."

Special Reserve Account

The Prior Series Bonds Supplemental Indentures created a Special Reserve Account within the Revenue Fund, into which the Corporation may deposit moneys from time to time. The Prior Series Bonds Supplemental Indentures permit the Corporation to withdraw, free and clear of the lien and pledge of the Indenture, amounts in the Special Reserve Account upon the delivery of a Bond Coverage Certificate demonstrating Bond Coverage (as defined under "Summary of Certain Provisions of the Indenture — Certain Definitions") exclusive of amounts in the Special Reserve Account and confirmation from the Rating Agencies that such withdrawal will not, in and of itself, adversely affect the Unenhanced Ratings on the Bonds.

If, on the third Business Day prior to any Debt Service Payment Date, the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Interest Account, the Principal Account and the General Account is less than the amount required to pay Debt Service payments on such Debt Service Payment Date, any deficiency will be satisfied with a transfer from the Debt Service Reserve Account to the applicable Account or, if insufficient, by a deposit to the applicable Account of any other funds of the Corporation available therefor, including the Special Reserve Account.

Bond Coverage Certificates

The Corporation is required to deliver to the Trustee a certificate showing Bond Coverage upon the occurrence of various events under the Indenture, including, but not limited to, (i) the delivery of a Series of Bonds, (ii) any selection of Bonds for special redemption on a basis requiring delivery of a Bond Coverage Certificate, or (iii) any release of moneys free and clear of the lien of the Indenture to the Corporation.

In addition, any such Bond Coverage Certificate delivered to the Trustee is required to conform to the requirements of the Indenture and any Supplemental Indenture, including any tax covenants contained therein. See "Summary of Certain Provisions of the Indenture — Tax Covenants."

The Indenture provides that the Corporation may in the future use a method of calculation of Bond Coverage other than the method specified in the Indenture if the new method will not adversely affect the Unenhanced Ratings then assigned to the Bonds by the Rating Agencies. No assurance can be given that the assumptions used in a Bond Coverage Certificate will in fact be realized.

Additional Bonds

Additional Bonds (including refunding Bonds) may be issued pursuant to the General Indenture upon compliance with the provisions thereof, which include the requirement that no Additional Bonds may be issued (i) without the delivery of a Bond Coverage Certificate to the Trustee and (ii) unless the Unenhanced Ratings then assigned by the Rating Agencies to the then Outstanding Bonds (including the Offered Bonds) will not be reduced as a result of the issuance of such Additional Bonds. The Offered Bonds and all other Bonds issued under the Indenture will rank on a parity with each other; therefore, the availability of money for repayment of the Offered Bonds could be significantly affected by the issuance of Additional Bonds. See "Sources of Payment and Security for the Bonds — Bond Coverage Certificates" and "Summary of Certain Provisions of the Indenture — Issuance of Additional Bonds."

The Corporation is also permitted to issue bonds which are separately secured and/or which are also general obligations of the Corporation.

LIQUIDITY FACILITY

Initial Liquidity Facility

General

The following description is a summary of certain provisions of the Initial Liquidity Facility. Such summary does not purport to be a complete description or restatement of the material provisions of the Initial Liquidity Facility. Investors should obtain and review a copy of the Initial Liquidity Facility in order to understand all of the terms of that document.

The Initial Liquidity Facility provides that Bank of America, N.A. (the "Bank"), shall purchase those 2009 Series D Bonds tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof in accordance with the terms of the 2009 Series D Supplemental Indenture, in each case, to the extent such 2009 Series D Bonds are not remarketed by the Remarketing Agent. The Initial Liquidity Facility will expire on August 25, 2010, unless extended or terminated pursuant to its terms.

Under certain circumstances described below, the obligation of the Bank to purchase 2009 Series D Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be suspended or terminated. In such event, sufficient funds may not be available to purchase 2009 Series D Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the Initial Liquidity Facility does not provide security for the payment of principal of or interest or premium, if any, on the 2009 Series D Bonds.

Purchase of Tendered Bonds by the Bank

The Bank will purchase from time to time during the period prior to the expiration or earlier termination of the Initial Liquidity Facility, Eligible Bonds (as defined in the Initial Liquidity Facility), tendered or deemed tendered from time to time during the period from and including August 26, 2009, to and including August 25, 2010 (unless earlier terminated pursuant to the terms of the Initial Liquidity Facility) pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the 2009 Series D Supplemental Indenture, in each case, to the extent such 2009 Series D Bonds are not remarketed in accordance with the terms and provisions of the Remarketing Agreement. The price to be paid by the Bank for 2009 Series D Bonds will be equal to the aggregate principal amount of each such Bond, provided that the aggregate principal amount of all 2009 Series D Bonds so purchased shall not exceed the Available Principal Commitment (as defined in the Initial Liquidity Facility), plus the lesser of (i) the Available Interest Commitment (as defined in the Initial Liquidity Facility) and (ii) interest accrued thereon to but excluding the date of such purchase.

Events of Default

The occurrence of any of the following events, among others, shall constitute an Event of Default under the Initial Liquidity Facility. Reference is made to the Initial Liquidity Facility for a complete listing of all Events of Default.

(a) Any principal of, or interest on, any 2009 Series D Bond (including any Liquidity Provider Bond) (as defined in the Initial Liquidity Facility) or any other amount owed to the Bank shall not be paid when due; or

(b) The Corporation shall fail to pay any other amount owing under the Initial Liquidity Facility within five (5) days after the same shall become due; or

(c) Any material representation or warranty made by or on behalf of the Corporation in the Initial Liquidity Facility or in any Related Document (as defined in the Initial Liquidity Facility) or in any certificate or statement delivered thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(d) The Corporation shall fail to observe or perform any term, covenant or agreement of the Corporation contained (or incorporated by reference) in the Initial Liquidity Facility subject to applicable grace periods; or

(e) (i) The Corporation shall commence any case, proceeding or other action (A) under any existing or future Debtor Relief Laws (as defined in the Initial Liquidity Facility) of any jurisdiction, domestic or foreign, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debt (as defined in the Initial Liquidity Facility), or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Corporation shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Corporation any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the Corporation, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) the Corporation shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Corporation shall admit "in writing" its inability to pay its Debt as it becomes due or shall become insolvent within the meaning of Section 101(32) of the Bankruptcy Code of the United States or any other Debtor Relief Law; or

(f) Any Event of Default under the Indenture or any "event of default" which is not cured within any applicable cure period under any of the Related Documents shall occur; or

(g) (a) Any provision of the Initial Liquidity Facility, the 2009 Series D Bonds, the General Indenture or the 2009 Series D Supplemental Indenture related to the payment of principal or interest on 2009 Series D Bonds or Liquidity Provider Bonds shall at any time for any reason cease to be valid and binding or fully enforceable on the Corporation as determined by any court or governmental agency having appropriate jurisdiction in a final non-appealable judgment, or (b) the validity or enforceability of any provision of the Initial Liquidity Facility, the 2009 Series D Bonds, the General Indenture or the 2009 Series D Supplemental Indenture related to the payment of principal or interest on 2009 Series D Bonds or Liquidity Provider Bonds shall be contested by the Corporation or any governmental agency having appropriate jurisdiction over the Corporation shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which contests the validity or enforceability of any provision of the Initial Liquidity Facility, the 2009 Series D Bonds, the General Indenture or the 2009 Series D Supplemental Indenture related to the payment of principal or interest on 2009 Series D Bonds or Liquidity Provider Bonds, or the Corporation shall deny or repudiate that it has any further liability or obligation under any such document or (c) any material provision of the Initial Liquidity Facility, the 2009 Series D Bonds, the General Indenture or the 2009 Series D Supplemental Indenture, other than a provision described in clause (a) of this subsection (g), shall at any time for any reason cease to be valid and binding on the Corporation, or shall be declared in a final non-appealable judgment by any court having jurisdiction over the Corporation to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Corporation; or

(h) (a) The long-term ratings assigned to the 2009 Series D Bonds shall fall below Investment Grade (defined in the Initial Liquidity Facility as "a rating of "Baa3" (or its equivalent) or better by Moody's, "BBB-" (or its equivalent) or better by Fitch and a rating of "BBB-" (or its equivalent) or better by S&P"), or (b) each of the long-term ratings assigned to any general obligation bonded indebtedness of the Corporation issued under the General Indenture shall fall below Investment Grade or each of Moody's, Fitch and S&P shall withdraw or suspend the rating on any general obligation bonded indebtedness of the Corporation issued under the General Indenture (but excluding any withdrawal or suspension of any such ratings if such rating agency stipulates in writing that the rating action is being taken for non-credit related reasons); or

(i) The Corporation shall (a) fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any general obligation bonded indebtedness or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such indebtedness, or pursuant to the provisions of any such resolution, indenture, contract or instrument, the maturity of any such indebtedness, as a result of the occurrence of a payment default of any nature, may be accelerated, or may be required to be prepaid prior to the stated maturity thereof, or (b) fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any Debt of the Corporation (other than a termination payment with respect to an Interest Rate Protection Agreement (as defined in the Initial Liquidity Facility)), other than general obligation bonded indebtedness, with an outstanding principal amount of $1,000,000 or more, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation or concerning such Debt, or any other default under any resolution, indenture, contract or instrument providing for the creation of or concerning such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such resolution, indenture, contract or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt; or pursuant to the provisions of any such resolution, indenture, contract or instrument the maturity of any Debt (other than a termination payment with respect to an Interest Rate Protection Agreement), other than general obligation bonded indebtedness, in a principal amount in excess of $1,000,000 shall have been or may be accelerated or shall have been or may be required to be prepaid prior to the stated maturity thereof; or

(j) One or more final, non-appealable judgments or orders for the payment of money in excess of $30,000,000 in the aggregate shall have been rendered against the Corporation with respect to which, in the reasonable opinion of the Bank, adequate cash reserves have not been established, or other means of satisfying or otherwise funding the judgment have not been undertaken, satisfactory to the Bank and such judgment or order shall not have been satisfied, stayed or bonded pending appeal within a period of sixty (60) days from the date on which it was first so rendered; or

(k) The Corporation shall impose, or any governmental agency having appropriate jurisdiction over the Corporation shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or a decree which results in, a debt moratorium, debt restructuring, debt adjustment or comparable restriction on the repayment when due and payable or the principal of or interest on any general obligation bonded indebtedness of the Corporation; or

(l) The 2009 Series D Bonds shall lose their tax-exempt status.

Remedies

Following the occurrence of the above described Events of Default, the Bank may take any one or more of the following actions, among others. Reference is made to the Initial Liquidity Facility for a complete listing of all consequences of Events of Default.

(i) Upon the occurrence of any Event of Default set forth in clause (a), (e), (g)(a), (h)(a), (i)(a), (j) or (k) above (each a "Termination Event"), the Available Commitment (as defined in the Initial Liquidity Facility) and the obligation of the Bank to purchase 2009 Series D Bonds shall immediately terminate without notice or demand to any Person, and thereafter the Bank shall be under no obligation to purchase 2009 Series D Bonds. Promptly upon such Termination Event, the Bank shall give written notice of the same to the Corporation, the Tender Agent and the Remarketing Agent; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of its obligations to purchase 2009 Series D Bonds pursuant to the Initial Liquidity Facility. The Corporation shall cause the Tender Agent to notify all Bondholders of the termination of the Available Commitment and the termination of the obligation of the Bank to purchase the 2009 Series D Bonds.

(ii) In the case of the occurrence of any other Event of Default (other than any Termination Event), the Bank may give written notice of such Event of Default and termination of the Initial Liquidity Facility (a "Notice of Termination Date") to the Trustee, the Tender Agent, the Corporation, and the Remarketing Agent, requesting a Default Tender (as defined in the Initial Liquidity Facility). The obligation of the Bank to purchase 2009 Series D Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Corporation and on such date the Available Commitment shall terminate and the Bank shall be under no obligation under the Initial Liquidity Facility to purchase 2009 Series D Bonds.

(iii) Upon the occurrence of an Event of Default under subsection (g)(b) above, the obligations of the Bank under the Initial Liquidity Facility shall be suspended from the time of the occurrence of such Event of Default, and in the event any provision of the Initial Liquidity Facility, the General Indenture or the 2009 Series D Supplemental Indenture related to the Corporation's ability to pay principal or interest on the 2009 Series D Bonds or Liquidity Provider Bonds is declared to be null and void in a final non-appealable judgment, or it is determined that the Corporation has no liability under the Initial Liquidity Facility, the 2009 Series D Bonds, the General Indenture or the 2009 Series D Supplemental Indenture, in either case by a court or other governmental agency or authority with competent jurisdiction, then the obligations of the Bank under the Initial Liquidity Facility will terminate in accordance with paragraph (i) above; provided, however, that if such provisions are upheld in their entirety, then the Bank's obligations under the Initial Liquidity Facility shall be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the Initial Liquidity Facility shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension. If the Event of Default which gave rise to the suspension of the obligations of the Bank under the Initial Liquidity Facility has not been cured or does not cease to exist prior to the earlier of (i) the Expiration Date or (ii) the three (3) year anniversary of such occurrence, the obligations of the Bank under the Initial Liquidity Facility shall be immediately and automatically terminated and thereafter the Bank shall have no further obligations thereunder.

(iv) Upon the occurrence of a Default (as defined in the Initial Liquidity Facility) described in paragraph (e)(ii)(y) or (e)(iii) above, the obligation of the Bank to purchase 2009 Series D Bonds under the Initial Liquidity Facility shall be immediately suspended until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is so terminated, the obligations of the Bank to purchase 2009 Series D Bonds under the Initial Liquidity Facility shall be reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the obligations of the Bank to purchase 2009 Series D Bonds thereunder shall have otherwise terminated in accordance with the terms of the Initial Liquidity Facility) as if there had been no such suspension.

(v) Upon the occurrence of any Event of Default, the Bank may declare all accrued and unpaid amounts payable to it under the Initial Liquidity Facility immediately due and payable (other than payments of principal of and interest on Liquidity Provider Bonds, acceleration rights with respect to which are governed by the Indenture), and the Bank shall have all remedies provided at Law (as defined in the Initial Liquidity Facility) or equity, including, without limitation, specific performance; *provided*, *however*, the Bank agrees to purchase 2009 Series D Bonds on the terms and conditions of the Initial Liquidity Facility notwithstanding the occurrence of an Event of Default which does not terminate or suspend its obligation to purchase 2009 Series D Bonds under paragraph (i), (ii), (iii) or (iv) above.

(vi) The remedies provided in paragraphs (i), (ii), (iii) and (iv) above shall only be exclusive with respect to such Events of Default to the extent they are obtained by the Bank. If, for any reason whatsoever the Bank is not able to obtain all such remedies, then the Bank hereby reserves the right and shall have the right to pursue any other available remedies, whether provided by Law, equity or the Initial Liquidity Facility. No failure by the Bank to exercise, and no delay in exercising, any right, remedy, power or privilege under the Initial Liquidity Facility shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege under the Initial Liquidity Facility preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Alternate Liquidity Facility

The Corporation may elect to replace any Liquidity Facility (including but not limited to the Initial Liquidity Facility) with an Alternate Liquidity Facility. The Corporation shall notify the Trustee, the Remarketing Agent, and the Tender Agent of the Corporation's intention to deliver an Alternate Liquidity Facility at least 45 days prior to such delivery; promptly after receiving such notice from the Corporation, the Trustee shall so notify the affected Bondholders. The 2009 Series D Bonds will be subject to mandatory tender in the event of the delivery of an

Alternate Liquidity Facility. See "The Offered Bonds — Description of the 2009 Series D Bonds — Mandatory Tender."

Self-Liquidity or Other Forms of Liquidity

The Corporation may also elect to provide liquidity support for the 2009 Series D Bonds from its own funds or by delivering a liquidity facility which does not meet the requirements of an Alternate Liquidity Facility. See Appendix D — "Certain Definitions with Respect to the 2009 Series D Bonds." If the Corporation makes such an election, the 2009 Series D Bonds will be subject to mandatory tender prior to the expiration of the Liquidity Facility then in effect. See "The Offered Bonds — Description of the 2009 Series D Bonds — Mandatory Tender."

APPLICATION OF FUNDS

Following the redemption of the 99 GMRB Bonds described above, the Transferred Mortgage Loans and other assets currently pledged to the 99 GMRB Bonds will be transferred to and become subject to the lien and pledge of the Indenture. Following such transfer, such other assets, proceeds of the 2009 Series C Bonds and certain amounts contributed by the Corporation are expected to be applied and deposited approximately as follows:

Deposit to Series Account of the Program Obligation Fund to Purchase Mortgage Loans	$80,826,591
Deposit to Debt Service Reserve Account	3,745,773
Payment of Underwriting Fees	975,039
Payment of Costs of Issuance	364,096
TOTAL	$85,911,499

In addition, any amounts needed to satisfy the Loan Loss Requirement will be deposited by the Corporation from its own funds in the Loan Loss Fund. See "Sources of Payment and Security for the Bonds — Loan Loss Fund."

THE OFFERED BONDS

General

The Offered Bonds will be dated and interest thereon will be payable on the dates, as set forth on the cover page. The Offered Bonds will be issuable in the denominations set forth on the cover page. The Offered Bonds will mature on the dates and in the amounts set forth on the inside cover page.

The 2009 Series C Bonds will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) from their dated date to maturity (or prior redemption) at the applicable rates set forth on the inside cover page.

The 2009 Series D Bonds will bear interest from their dated date at the Effective Rate determined by the Remarketing Agent. The 2009 Series D Bonds initially will bear interest at a

Weekly Rate. **THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE 2009 SERIES D BONDS THAT ARE NOT IN A WEEKLY MODE.** Interest accrued on the 2009 Series D Bonds during a Weekly Mode Period will be computed on the basis of a 365-day year or 366-day year, as applicable, for the number of days actually elapsed.

Any Holder of 2009 Series D Bonds has the option of tendering such Bonds to the Tender Agent in accordance with the provisions of the 2009 Series D Supplemental Indenture as described under "Description of the 2009 Series D Bonds" below. Pursuant to the Initial Liquidity Facility, the Bank has the obligation to purchase, under certain conditions and from time to time, 2009 Series D Bonds in a Weekly Mode tendered or deemed tendered to the Tender Agent, which tendered 2009 Series D Bonds are not remarketed. For additional information with respect to the 2009 Series D Bonds, see also Appendix D — "Certain Definitions with Respect to the 2009 Series D Bonds."

No transfer or exchange of any Offered Bond will be required to be made during the five days preceding any date established by the Trustee for the selection of Offered Bonds for redemption.

The Offered Bonds are being issued only as fully registered bonds without coupons, in book-entry form only, registered in the name of Cede & Co., as registered owner and nominee for DTC, which will act as securities depository for the Offered Bonds. See "Book Entry Only" below.

Redemption Provisions

Special Redemption

Redemption from Amounts in the Series Account of the Program Obligation Fund. The 2009 Series C Bonds are subject to redemption at 100% of the principal amount thereof, plus accrued interest, from amounts in the 2009 Series C Account of the Program Obligation Fund not applied to purchase Program Obligations, at the option of the Corporation, on any date on or after June 1, 2010. Any amounts remaining in the 2009 Series C Account of the Program Obligation Fund on October 1, 2010 are required by the 2009 Series C Supplemental Indenture to be applied to redeem 2009 Series C Bonds on December 1, 2010, at 100% of the principal amount thereof, plus accrued interest, unless the Corporation extends such dates in accordance with the Indenture, which requires, among other things, the filing of a Bond Coverage Certificate. Notwithstanding the foregoing, any amounts remaining in the 2009 Series C Account of the Program Obligation Fund on December 1, 2012 are required by the 2009 Series C Supplemental Indenture to be applied to redeem 2009 Series C Bonds on or before February 25, 2013, at 100% of the principal amount thereof, plus accrued interest. Amounts available to redeem 2009 Series C Bonds as described in this paragraph may be applied at the direction of the Corporation to any maturity of the 2009 Series C Bonds.

Redemption from Amounts in the Series Subaccount of the General Account of the Redemption Fund. The 2009 Series C Bonds are subject to redemption at 100% of the principal amount thereof, plus accrued interest, on any date beginning June 1, 2010, from amounts deposited in the 2009 Series C Subaccount of the General Account of the Redemption Fund.

Amounts deposited in the 2009 Series C Subaccount of the General Account of the Redemption Fund may, at the option of the Corporation, be applied at the direction of the Corporation to redeem any maturity of the 2009 Series C Bonds.

Amounts deposited in the 2009 Series C Subaccount of the General Account of the Redemption Fund are expected to consist primarily of (i) Pledged Revenues in excess of (a) scheduled debt service on the 2009 Series C Bonds, (b) any amount required to replenish the Debt Service Reserve Account to the Debt Service Reserve Requirement, and (c) any amount required to fund the payment of Program Expenses; and (ii) amounts transferred at the option of the Corporation from the Loan Loss Fund equal to Uncovered Loan Losses with respect to 2009 Series C/D Mortgage Loans.

The Corporation may also transfer amounts from other Series Accounts of the Revenue Fund to the 2009 Series C Subaccount of the General Account of the Redemption Fund to redeem 2009 Series C Bonds. See "Summary of Certain Provisions of the Indenture — Revenue Fund." Proceeds of the sale of Program Obligations constitute Pledged Revenues and may under certain circumstances be deposited in the Redemption Fund and used to redeem Bonds. See "Summary of Certain Provisions of the Indenture — Sale of Program Obligations."

At the option of the Corporation and upon filing a Bond Coverage Certificate, some of or all the amounts in the 2009 Series C Account of the Revenue Fund may be transferred (i) to the 2009 Series C Account of the Program Obligation Fund for the purchase of additional Program Obligations (provided that for such a transfer a Bond Coverage Certificate must be filed only if required by the Rating Agencies), (ii) to other Series Accounts of the Redemption Fund to redeem Bonds of other Series, or (iii) to the Corporation free and clear of the lien of the Indenture. See "Summary of Certain Provisions of the Indenture — Revenue Fund."

Applicable Federal tax law requires redemption of the 2009 Series C Bonds on or before certain dates and in certain amounts in order to maintain the exclusion from gross income for Federal income tax purposes of interest on the 2009 Series C Bonds. See "Tax Matters — Other Requirements Imposed by the Code — Required Redemptions." Current Federal tax law requires a payment to the United States from certain mortgagors whose mortgage loans are originated after December 31, 1990. See "Tax Matters — Other Requirements Imposed by the Code — Recapture Provision." Since such recapture requirement remains in effect with respect to any mortgage loan subject thereto for a period ending nine years from the closing of such mortgage loan, the Corporation is unable to predict what effect, if any, such requirement will have on the origination or prepayment of Mortgage Loans to which such provision applies.

Redemption When 2009 Series C Bonds Outstanding are 15% or Less of Initial Principal Amount. The 2009 Series C Bonds are subject to redemption at 100% of the principal amount thereof, plus accrued interest, in whole on any date at the option of the Corporation and upon filing a Bond Coverage Certificate, from any source of funds, if the aggregate principal amount of then Outstanding 2009 Series C Bonds (taking into account any 2009 Series C Bonds otherwise to be redeemed on such date) is less than or equal to 15% of the aggregate initial principal amount of the 2009 Series C Bonds ($12,130,500).

Sinking Fund Redemption

The Offered Term Bonds are subject to mandatory redemption in part from sinking fund payments at 100% of the principal amount thereof, plus accrued interest, on the respective dates and in the respective principal amounts set forth below:

Date	2009 Series C Term Bonds Maturing December 1, 2024	2009 Series C Term Bonds Maturing December 1, 2029	2009 Series C Term Bonds Maturing December 1, 2034	2009 Series C Term Bonds Maturing December 1, 2039	2009 Series D Term Bonds Maturing December 1, 2040
June 1, 2020	$1,250,000				$1,105,000
December 1, 2020	1,255,000				1,145,000
June 1, 2021	1,265,000				1,160,000
December 1, 2021	1,270,000				1,195,000
June 1, 2022	1,280,000				1,225,000
December 1, 2022	1,285,000				1,260,000
June 1, 2023	1,295,000				1,285,000
December 1, 2023	1,305,000				1,320,000
June 1, 2024	1,310,000				1,360,000
December 1, 2024	1,320,000†				1,380,000
June 1, 2025		$1,330,000			1,425,000
December 1, 2025		1,340,000			1,460,000
June 1, 2026		1,350,000			1,490,000
December 1, 2026		1,360,000			1,530,000
June 1, 2027		1,375,000			1,565,000
December 1, 2027		1,385,000			1,605,000
June 1, 2028		1,395,000			1,645,000
December 1, 2028		1,410,000			1,690,000
June 1, 2029		1,420,000			1,735,000
December 1, 2029		1,435,000†			1,785,000
June 1, 2030			$1,445,000		1,820,000
December 1, 2030			1,460,000		1,855,000
June 1, 2031			1,475,000		1,915,000
December 1, 2031			1,490,000		1,960,000
June 1, 2032			1,500,000		2,005,000
December 1, 2032			1,520,000		2,055,000
June 1, 2033			1,535,000		2,110,000
December 1, 2033			1,550,000		2,170,000
June 1, 2034			1,565,000		2,210,000
December 1, 2034			1,585,000†		2,275,000
June 1, 2035				$1,600,000	2,325,000
December 1, 2035				1,620,000	2,400,000
June 1, 2036				1,635,000	2,440,000
December 1, 2036				1,655,000	2,505,000
June 1, 2037				1,675,000	2,570,000
December 1, 2037				1,695,000	2,645,000
June 1, 2038				1,715,000	2,695,000
December 1, 2038				1,720,000	2,775,000
June 1, 2039				1,230,000	2,825,000
December 1, 2039				2,975,000†	2,915,000
June 1, 2040					2,975,000
December 1, 2040					3,060,000†

† Stated Maturity

Any redemption (other than a mandatory redemption from sinking fund payments) of Offered Term Bonds of a particular Series and maturity will be credited against future sinking fund payments for such Series and maturity (i) on a reasonably proportionate basis or (ii) on such other basis as shall be directed by the Corporation.

For certain information regarding the projected weighted average lives of the Series C Term Bonds, see Appendix G — "Projected Weighted Average Lives of the Series C Term Bonds."

Optional Redemption

The 2009 Series C Bonds are subject to redemption, on any date on or after December 1, 2018, in whole or in part, of any maturity as directed by the Corporation, at the option of the Corporation, from any source of funds, at 100% of the principal amount thereof, plus accrued interest.

The 2009 Series D Bonds in a Weekly Mode are subject to redemption, on any Effective Rate Date, in whole or in part, of any maturity as directed by the Corporation, at the option of the Corporation, from any source of funds, at 100% of the principal amount thereof, plus accrued interest.

Selection of Bonds for Redemption; Purchase in Lieu of Redemption

The General Indenture provides that unless otherwise provided in an Authorizing Indenture, the Bonds of a Series shall be redeemed (i) on a pro rata basis (which is defined in the Indenture as a reasonably proportionate basis from among all then existing maturities of the Bonds of such Series, such basis to be determined as nearly as practicable by multiplying the total amount available by the ratio which the principal amount of the Bonds Outstanding in each maturity of such Series bears to the principal amount of all the Bonds of such Series then Outstanding) from all maturities of the Outstanding Bonds of such Series or (ii) on such other basis as shall be directed by the Corporation upon filing of a Bond Coverage Certificate demonstrating Bond Coverage after giving effect to such redemption. The General Indenture provides that if less than all the Bonds of a particular maturity of a Series are to be redeemed, the particular Bonds of such maturity of such Series to be redeemed will be selected by the Trustee by lot, using such method of selection as it deems proper in its discretion; *provided, however,* that the Trustee shall select for redemption first any Bank Bonds of such maturity, if any, and second the remaining Bonds of such maturity.

In lieu of redeeming Bonds, the Corporation may from time to time, prior to notice of redemption, purchase Bonds from moneys held for redemption of Bonds, provided that such purchase may not be at a price in excess of the principal amount thereof, plus accrued interest, except as otherwise provided in the Indenture. Following purchase, such Bonds will be canceled.

Notice of Redemption

Notice of the redemption, identifying the Offered Bonds or portion thereof to be redeemed, will be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid) not more than 60 days and not less than 30 days prior to the redemption date to the registered owner of each Offered Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Trustee. The 2009 Series D Supplemental Indenture provides that such notice also shall be given to the Remarketing Agent. Pursuant to the Indenture, neither failure to receive any redemption notice nor any defect in such redemption notice shall affect the sufficiency of the proceedings for such redemption and failure by the Trustee to deliver such notice of redemption of the Bonds at the times required in the Indenture shall not impair the ability of the Trustee and the Corporation to effect such redemption.

Description of the 2009 Series D Bonds

See Appendix D for the definitions of certain capitalized terms with respect to the 2009 Series D Bonds.

Interest on the 2009 Series D Bonds

From the date of initial authentication and delivery of the 2009 Series D Bonds to but not including August 27, 2009, the 2009 Series D Bonds will bear interest at the Weekly Rate determined in advance by the Remarketing Agent. Thereafter, 2009 Series D Bonds will bear interest, commencing on the Effective Rate Date (for 2009 Series D Bonds while in the Weekly Mode, each Thursday), at the Weekly Rate determined by the Remarketing Agent for the new Effective Rate Period. In no event shall the interest rate borne by such 2009 Series D Bonds exceed the Maximum Rate.

The Weekly Rate will be the lowest rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the 2009 Series D Bonds on the Effective Rate Date being 100% of the principal amount thereof, and which will not exceed the Maximum Rate.

The Remarketing Agent, in determining the Weekly Rate, will take into account to the extent applicable (1) market interest rates for comparable securities held by tax-exempt open-end municipal bond funds or other institutional or private investors with substantial portfolios (a) with interest rate adjustment periods and demand purchase options substantially identical to the 2009 Series D Bonds, (b) bearing interest at a variable rate intended to maintain par value, and (c) rated by a national credit rating agency in the same category as the 2009 Series D Bonds; (2) other financial market rates and indices that may have a bearing on the Effective Rate (including, but not limited to, rates borne by commercial paper, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, the London Interbank Offered Rate (LIBOR), indices maintained by *The Bond Buyer*, and other publicly available tax-exempt interest rate indices); (3) general financial market conditions; and (4) factors particular to the Corporation and the 2009 Series D Bonds.

The determination by the Remarketing Agent of the Weekly Rate to be borne by the 2009 Series D Bonds shall be conclusive and binding on the Holders of such 2009 Series D Bonds and the other Notice Parties except as provided in the Indenture. Failure by the Remarketing Agent or the Trustee to give any notice required under the Indenture, or any defect in such notice, will not affect the interest rate borne by the 2009 Series D Bonds or the rights of the Holders thereof.

If the position of Remarketing Agent is not vacant and the Remarketing Agent fails to act for any reason, the 2009 Series D Bonds will automatically bear interest in a Weekly Mode and such 2009 Series D Bonds shall bear interest to but not including the next succeeding Thursday at a rate equal to the last interest rate in effect. If a Weekly Rate for the 2009 Series D Bonds is not so determined by the Remarketing Agent for two consecutive Effective Rate Periods, the interest rate on the 2009 Series D Bonds for the next succeeding Effective Rate Period will equal the lesser of the Alternate Rate and the Maximum Rate, and such interest rate will remain in effect until such time as the Remarketing Agent determines the Weekly Rate in accordance with the General Indenture, the 2009 Series D Supplemental Indenture and the Remarketing Agreement. "Alternate Rate" means the rate set forth in the following table corresponding to the then-current lowest rating of the 2009 Series D Bonds in the first two columns:

2009 Series D Bonds Short-Term Rating (S&P/Moody's/Fitch)		**2009 Series D Bonds Long-Term Rating (S&P/Moody's/Fitch)**	**Rate**
A-1/VMIG-1/F1	and	AAA/Aaa/AAA	150% of SIFMA Rate
A-1/VMIG-1/F1	and	AA/Aa2/AA or better	250% of SIFMA Rate
A-1/VMIG-1/F1	and	A/A2/A or better	350% of SIFMA Rate
A-2/VMIG-2/F2	and	BBB/Baa2/BBB or better	450% of SIFMA Rate
A-3/VMIG-3/F3 or below	and	BBB-/Baa3/BBB- or below	Maximum Rate

If the position of Remarketing Agent is vacant for any reason, the 2009 Series D Bonds will automatically bear interest at the Maximum Rate.

Optional Tender

Holders of the 2009 Series D Bonds in a Weekly Mode may elect to tender their 2009 Series D Bonds for purchase by providing written notice to the Remarketing Agent and the Tender Agent not later than 5:00 P.M. Eastern time on any Business Day that is at least seven calendar days before the purchase date, which must be a Business Day and must be set forth in such tender notice. Such 2009 Series D Bonds will be purchased on the purchase date specified in the tender notice at a price equal to 100% of the principal amount thereof plus accrued interest. Such notice of optional tender for purchase of 2009 Series D Bonds by the Holders thereof will be irrevocable once such notice is given to the Tender Agent (in which event the Tender Agent shall promptly notify the Remarketing Agent of receipt of such notice).

The 2009 Series D Bonds will be subject to mandatory tender for purchase as described below.

Corporation Not Responsible For Bank's Failure to Purchase 2009 Series D Bonds

Under the terms and provisions of the Remarketing Agreement and the Initial Liquidity Facility, the purchase price of 2009 Series D Bonds bearing interest at a Weekly Rate in an amount equal to the principal amount thereof and accrued interest, if any, thereon will be payable from moneys furnished in connection with remarketing of the 2009 Series D Bonds or from the

Initial Liquidity Facility. **The Corporation is *not* responsible for any failure by the Bank to purchase 2009 Series D Bonds tendered at the option of the Holder or subject to mandatory tender for purchase pursuant to the 2009 Series D Supplemental Indenture. Failure to purchase a 2009 Series D Bond tendered at the option of the Holder or subject to mandatory tender for purchase as described above and in accordance with the 2009 Series D Supplemental Indenture does not constitute an Event of Default under the Indenture.**

Upon the occurrence of certain Events of Default under the Initial Liquidity Facility, the Bank's obligation to purchase 2009 Series D Bonds under the Initial Liquidity Facility will immediately terminate without notice or other action on the part of said Bank. See "Liquidity Facility — Initial Liquidity Facility" herein. The Corporation is *not* responsible for any failure by the Bank to purchase 2009 Series D Bonds tendered at the option of the Holder or subject to mandatory tender for purchase pursuant to the 2009 Series D Supplemental Indenture upon the occurrence of any Event of Default under the Initial Liquidity Facility.

In the event of a failure by the Bank to purchase any 2009 Series D Bonds tendered or deemed tendered for purchase by the Holders thereof, all 2009 Series D Bonds will automatically bear interest at the Maximum Rate (or at a lower rate if the Remarketing Agent determines, in its sole discretion, that such lower rate would enable the 2009 Series D Bonds to be remarketed at par). Although Bondholders may tender their 2009 Series D Bonds during such period, the Remarketing Agent will be under no obligation to remarket or purchase such 2009 Series D Bonds, and therefore Bondholders may be required to hold their 2009 Series D Bonds to their respective maturities or prior redemption.

Mandatory Tender

The 2009 Series D Bonds are subject to mandatory tender for purchase (with no right to retain) (i) on each Mode Change Date, (ii) with respect to a Liquidity Expiration Event, on a date not less than 5 days prior to the scheduled expiration of the Initial Liquidity Facility, (iii) on any Conversion Date, and (iv) on each date specified by the Corporation in connection with the delivery of an Alternate Liquidity Facility (each a "Mandatory Tender Date"), at a purchase price equal to 100% of the principal amount thereof plus accrued interest. Upon any such event, the Trustee, not less than 15 days prior to such tender, shall deliver a notice of mandatory tender to the Holders thereof and the Remarketing Agent stating the reason for the mandatory tender, the date of mandatory tender, and that all Holders of 2009 Series D Bonds subject to such mandatory tender will be deemed to have tendered their 2009 Series D Bonds upon such date.

Remarketing

On each date on which 2009 Series D Bonds are required to be purchased, the Remarketing Agent shall use its best efforts as described herein to sell such 2009 Series D Bonds at an Effective Rate that results as nearly as practicable in the price being 100% of the principal amount thereof. In the event the Remarketing Agent is unable to remarket the 2009 Series D Bonds so tendered, the Bank will purchase such Bonds in accordance with the Initial Liquidity Facility. See "Liquidity Facility — Initial Liquidity Facility."

This paragraph is applicable only if the book-entry system has been discontinued and replacement bonds have been issued or if DTC has exercised its option to surrender and exchange its Offered Bond certificates. Any 2009 Series D Bond not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date ("Untendered Bonds"), for which there have been irrevocably deposited in trust with the Trustee the purchase price equal to the principal amount of such 2009 Series D Bonds plus accrued interest shall be deemed to have been tendered and purchased on such Mandatory Tender Date. Holders of Untendered Bonds shall not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of such Untendered Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and said Holders shall no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price. 2009 Series D Bond certificates will be issued in place of Untendered Bonds pursuant to the Indenture and, after the issuance of the replacement 2009 Series D Bond certificates, such Untendered Bonds will be deemed purchased, canceled, and no longer Outstanding under the Indenture.

Conversion to Fixed Interest Rates or an Indexed Rate

The 2009 Series D Supplemental Indenture provides that the Corporation has the option to Convert all or a portion of the 2009 Series D Bonds on any Effective Rate Date to Fixed Interest Rates or an Indexed Rate, in accordance with the Indenture and as described herein. Prior and as a condition to the Conversion of any of the 2009 Series D Bonds, the Trustee must deliver a notice to the Holders thereof and the Remarketing Agent specifying the Conversion Date, which Date shall be not less than 30 days following the receipt of such notice. No Fixed Interest Rates or Indexed Rate shall be established with respect to the 2009 Series D Bonds unless, on or before the Rate Determination Date therefor, a Counsel's Opinion has been delivered to the Trustee to the effect that such Conversion to Fixed Interest Rates or an Indexed Rate, in and of itself, will not adversely affect the exclusion of interest on the 2009 Series D Bonds from gross income for federal income tax purposes. Unless and until such conditions for Conversion are satisfied, the 2009 Series D Bonds shall continue to bear interest at the Effective Rate. Upon any Conversion to Fixed Interest Rates or an Indexed Rate, the 2009 Series D Bonds will be subject to mandatory tender for purchase.

Special Considerations Relating to the 2009 Series D Bonds

The Remarketing Agent Is Paid by the Corporation

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing 2009 Series D Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the Corporation and is paid by the Corporation for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of 2009 Series D Bonds.

Determination of Interest Rates by the Remarketing Agent

On each Rate Determination Date, the Remarketing Agent is required to determine the interest rate that will be effective with respect to the 2009 Series D Bonds on the Effective Rate Date. Each such rate is required by the 2009 Series D Supplemental Indenture to be the lowest rate necessary in the judgment of the Remarketing Agent to remarket the 2009 Series D Bonds at par, plus accrued interest, if any, on the Effective Rate Date. For example, for 2009 Series D Bonds that bear interest at a weekly rate, by 11:00 A.M., New York City time, on each Rate Determination Date (each Thursday, unless such day is not a Business Day, in which case such determination shall be made by 4:00 P.M. on the immediately preceding Business Day), the Remarketing Agent will determine the interest rate that will be effective for such 2009 Series D Bonds on the Effective Rate Date (the same or immediately succeeding Thursday, as applicable).

The Remarketing Agent Routinely Purchases Variable Rate Demand Obligations for Its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations issued by many issuers and, in its sole discretion, purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered variable rate demand obligations, including obligations such as the 2009 Series D Bonds, for its own account and, in its sole discretion, acquires such tendered variable rate demand obligations in order to achieve a successful remarketing of the tendered variable rate demand obligations (*i.e.*, because there otherwise are not enough buyers to purchase the variable rate demand obligations) or for other reasons. However, the Remarketing Agent is not obligated to purchase variable rate demand obligations, and may cease doing so at any time without notice. If the Remarketing Agent ceases to purchase 2009 Series D Bonds, it may be necessary for the Trustee to draw on the Initial Liquidity Facility to pay tendering owners.

The Remarketing Agent may also make a secondary market in the 2009 Series D Bonds by purchasing and selling 2009 Series D Bonds other than in connection with an optional or mandatory tender and remarketing. No notice period is required under the Remarketing Agreement for such purchases. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a secondary market in the 2009 Series D Bonds. Thus, investors who purchase the 2009 Series D Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2009 Series D Bonds other than by tendering the 2009 Series D Bonds in accordance with the tender process.

The Remarketing Agent may also sell any 2009 Series D Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2009 Series D Bonds. If the Remarketing Agent purchases 2009 Series D Bonds for its own account, it may offer those 2009 Series D Bonds at a discount to par to some investors. The purchase of 2009 Series D Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the 2009 Series D Bonds in the market than is actually the case. The practices described above also may result in fewer 2009 Series D Bonds being tendered in a remarketing.

2009 Series D Bonds May Be Offered at Different Prices on Any Date

Pursuant to the Remarketing Agreement, on each Rate Determination Date, the Remarketing Agent is required to determine the interest rate that will be effective with respect to the 2009 Series D Bonds on the Effective Rate Date. That rate is required by the 2009 Series D Supplemental Indenture to be the lowest rate necessary in the judgment of the Remarketing Agent to remarket the 2009 Series D Bonds at par, plus accrued interest, if any, on the Effective Rate Date. The interest rate will reflect, among other factors, the level of market demand for the 2009 Series D Bonds (including whether the Remarketing Agent is willing to purchase 2009 Series D Bonds for its own account). There may or may not be 2009 Series D Bonds tendered and remarketed on an Effective Rate Date, and the Remarketing Agent may or may not be able to remarket any 2009 Series D Bonds tendered for purchase on such date at par. As an owner of 2009 Series D Bonds, the Remarketing Agent may sell 2009 Series D Bonds at varying prices, including at a discount to par, to different investors on a Rate Determination Date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the 2009 Series D Bonds at the remarketing price.

The Ability to Sell the 2009 Series D Bonds Other Than through the Tender Process May Be Limited

Investors who purchase the 2009 Series D Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2009 Series D Bonds other than by tendering the 2009 Series D Bonds in accordance with the tender process.

Under certain circumstances, the Bank is not obligated to purchase tendered 2009 Series D Bonds. In addition, the Bank may fail to purchase such tendered 2009 Series D Bonds even when it is obligated to do so. In both cases, tendered 2009 Series D Bonds would be returned to holders thereof and all 2009 Series D Bonds will bear interest at the Maximum Rate (or at a lower rate if the Remarketing Agent determines, in its sole discretion, that such lower rate would enable the 2009 Series D Bonds to be remarketed at par). It is not certain that following a failure to purchase the 2009 Series D Bonds, a secondary market for the 2009 Series D Bonds will develop.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2009 Series D Bonds Without A Successor Being Named

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign without a successor having been named. The Remarketing Agreement allows the Remarketing Agent to cease its remarketing activities under certain circumstances. In the event of such a cessation, the 2009 Series D Bonds will bear interest at the rate described in the fifth paragraph under the heading "Description of the 2009 Series D Bonds — Interest on the 2009 Series D Bonds," and owners optionally tendering their 2009 Series D Bonds will be paid from draws on the Initial Liquidity Facility.

Book Entry Only

General

The Offered Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Offered Bonds. Purchasers of such Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Offered Bonds are immobilized in the custody of DTC, references to holders or owners of Offered Bonds (*except* under "Tax Matters") mean DTC or its nominee.

The information in this section concerning DTC and the DTC book-entry system has been obtained from DTC, and neither the Corporation nor the Underwriters take responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Offered Bonds. The Offered Bonds will be issued as fully-registered securities in the name of Cede & Co., DTC's partnership nominee ("Cede"), or such other name as may be requested by an authorized representative of DTC. One fully-registered Offered Bond certificate will be issued for each maturity of each Series thereof set forth on the cover page in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede, or such other name as may be requested by an authorized representative of DTC. The deposit of Offered Bonds with DTC and their registration in the name of Cede or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Offered Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of a maturity of a Series of the Offered Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede (nor any other DTC nominee) will consent or vote with respect to the Offered Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede's consenting or voting rights to those Direct Participants to whose accounts the Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and purchase price of and interest on the Offered Bonds will be made to Cede, or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Corporation, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE OFFERED BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL, PURCHASE PRICE OR REDEMPTION PRICE OF OR INTEREST ON THE OFFERED BONDS, ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE, THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OR PARTIAL TENDER AND PURCHASE OF THE OFFERED BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

DTC may discontinue providing its services as securities depository with respect to the Offered Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Offered Bond certificates are required to be printed and delivered as described in the Indenture.

A Beneficial Owner shall give notice to elect to have its 2009 Series D Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such 2009 Series D Bonds by causing the Direct Participant to transfer the Participant's interest in the 2009 Series D Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of 2009 Series D Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2009 Series D Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2009 Series D Bonds to the Tender Agent's DTC account.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Offered Bond certificates will be required to be printed and delivered as described in the Indenture.

If bond certificates are issued, the principal and interest due upon maturity or redemption of any of the Offered Bonds will be payable at the office of the Trustee, as paying agent, upon presentation and surrender of such Offered Bonds by the registered owner thereof on or after the date of maturity or redemption, as the case may be. Payment of the interest on each Offered Bond (prior to the maturity or earlier redemption thereof) will be made by the Trustee to the registered owner of such Offered Bond by check mailed by first class mail on the Interest Payment Date to such registered owner as of the Record Date at the address appearing on the registration books relating to the Offered Bonds.

If bond certificates are issued, the Offered Bonds may be transferred and exchanged by the registered owner thereof or the registered owner's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or the registered owner's duly authorized attorney at the office of the Trustee in Seattle, Washington. For every such exchange or transfer the Corporation or the Trustee may charge the transferee to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee is not obligated to make any such transfer or exchange during the 10 days next preceding the mailing of notice of any proposed redemption of any Offered Bond, nor of any Offered Bond so selected for redemption, nor 10 days prior to an Interest Payment Date. If any Offered Bond is mutilated, lost, stolen or destroyed, the Trustee may execute and deliver a new Offered Bond or Offered Bonds of the same interest rate, maturity and principal amount as the Offered Bond or Offered Bonds so mutilated, lost, stolen or destroyed, provided that such Offered Bond is surrendered to the Trustee, or evidence of loss, destruction or theft, together with satisfactory indemnity, is provided to the Trustee. The fees and expenses of the Corporation and the Trustee in connection with such replacement shall be paid by the owner.

ASSUMPTIONS REGARDING REVENUES, DEBT SERVICE REQUIREMENTS AND PROGRAM EXPENSES

The Corporation expects that the scheduled payments, together with prepayments received, if any, of principal of and interest on all Program Obligations and amounts held under the Indenture (except the Rebate Fund) and the earnings thereon will be sufficient to pay, when due, the debt service on the Bonds and the Program Expenses in connection with the Program.

In establishing the dates and amounts of the Sinking Fund Installments and maturities of the Offered Bonds, the following assumptions, among others, were made by the Corporation:

(1) no Additional Bonds will be issued;

(2) 2009 Series D Bonds will bear interest at an effective fixed rate of 3.83% per annum;

(3) a portion of the proceeds of the 2009 Series C Bonds will be used on August 27, 2009 to purchase approximately $21.6 million principal amount of Available Mortgage Loans that as of June 30, 2009 bore interest at the rates and had outstanding principal balances and weighted average remaining terms as described under "Program Obligations — Mortgage Loans — Available Mortgage Loans — Series C Available Mortgage Loans"; the balance of the proceeds of the 2009 Series C Bonds will be used to purchase approximately $59.3 million principal amount of Mortgage Loans by August 1, 2010, with terms of 30 years from origination and a weighted average rate of interest of approximately 5.7% per annum;

(4) upon the issuance of the Offered Bonds, the Corporation will with respect to such Bonds make deposits from its unrestricted general funds to the Debt Service Reserve Account and pay costs of issuance as reflected under "Application of Funds";

(5) scheduled principal of and interest on Mortgage Loans will be paid on the thirtieth (30th) day following the scheduled payment date therefor, prepayments will be received on Mortgage Loans financed with proceeds attributable to the 2009 Series C Bonds at a rate equal to 25% of the amount that would be generated by applying the Securities Industry and Financial Markets Association 100% standard prepayment model for 30-year mortgage loans, and Mortgage Loans financed with proceeds attributable to the 2009 Series D Bonds will not be prepaid or otherwise terminated prior to maturity;

(6) losses on defaulted Mortgage Loans will not exceed any applicable insurance coverage or guarantees and recoveries upon disposition, including foreclosures or sales in lieu of foreclosures;

(7) the Servicers will be paid a monthly servicing fee of one-twelfth of ⅜% of the then outstanding aggregate principal balance of the Mortgage Loans; and other semiannual Program Expenses of the Corporation and the Trustee under the Program will be equal to .055% of the principal amount of then outstanding Program Obligations in the Program Obligation Fund.

The Corporation believes it is reasonable to make such assumptions, but no representation is made that the assumptions reflect any particular set of historical circumstances, no assurance can be given that actual receipt of amounts under the Indenture will be sufficient to pay debt service on the Bonds (including the Offered Bonds) when due and Program Expenses of the Corporation and the Trustee under the Program, and to the extent that actual experience differs from any of the assumptions, availability of such amounts may be significantly affected. The Corporation has a history of actively recycling Mortgage Loan prepayments and excess revenues into new qualifying mortgage loans when economically appropriate and also when economically appropriate of using such amounts to redeem bonds and refund such redeemed bonds and thereafter make new qualifying mortgage loans, and presently intends to continue to do both. The rate of principal payments is likely to vary considerably over time. Generally, a borrower may prepay an Mortgage Loan at any time without penalty. Because so many factors affect the rate of prepayment of a pool of mortgage loans, the Corporation cannot estimate or predict the rate of principal payments on the Mortgage Loans.

PROGRAM OBLIGATIONS

Mortgage Loans

Prior Series Mortgage Loans

As of June 30, 2009, there were Prior Series Mortgage Loans with an outstanding aggregate principal balance of $1,023,416,480, bearing interest at a weighted average yield to the Indenture of approximately 5.34% per annum, with a weighted average mortgage loan coupon rate of approximately 5.96% per annum and a weighted average remaining term of 312 months.

The following table sets forth certain information as of June 30, 2009 regarding the type of primary mortgage insurance coverage originally applicable to the Prior Series Mortgage Loans. No representation is made as to the current status of primary mortgage insurance coverage or the current loan-to-value ratios of the Prior Series Mortgage Loans. No representation is made as to the amount of private mortgage insurance coverage provided by carriers whose claims-paying ability is rated investment grade or better by Moody's, S&P or Fitch.

Type	Outstanding Principal Balance	Percentage of Total Prior Series Mortgage Loans by Outstanding Principal Balance
FHA Insurance	$ 330,955,632	32.34%
Uninsured†	292,835,230	28.61
VA Guarantee	202,206,248	19.76
Private Mortgage Insurance	102,918,294	10.06
RD Insurance	72,176,544	7.05
HUD 184 Insurance	22,324,532	2.18
TOTAL	$ 1,023,416,480	100.00%

† Uninsured Mortgage Loans represent loans in which the original loan-to-value ratio was not in excess of 80% and insurance coverage was therefore not required.

The following table sets forth certain information as of June 30, 2009 regarding the type of dwellings securing Prior Series Mortgage Loans.

Property Type	Outstanding Principal Balance	Percentage of Total Prior Series Mortgage Loans by Outstanding Principal Balance
1-Unit Detached Dwellings	$ 769,008,432	75.14%
Condominiums	209,735,964	20.49
2-4 Unit Dwellings	42,623,744	4.16
Other Multiplex	2,048,340	0.20
TOTAL	$1,023,416,480	100.00%

The following table sets forth certain information as of June 30, 2009 regarding the location of the mortgaged property securing Prior Series Mortgage Loans.

Property Location	Outstanding Principal Balance	Percentage of Total Prior Series Mortgage Loans by Outstanding Principal Balance
Anchorage	$ 442,257,828	43.22%
Other	114,373,512	11.18
Wasilla	100,642,395	9.83
Fairbanks	67,519,665	6.60
Eagle River	54,722,663	5.35
Palmer	51,417,933	5.02
Juneau	43,188,548	4.22
North Pole	38,166,417	3.73
Kodiak	33,692,714	3.29
Ketchikan	25,482,497	2.49
Soldotna	25,363,818	2.48
Kenai	16,822,589	1.64
Chugiak	9,765,901	0.95
TOTAL	$1,023,416,480	100.00%

Transferred Mortgage Loans

As of June 30, 2009, there were Transferred Mortgage Loans with an outstanding aggregate principal balance of $70,134,562, bearing interest at a weighted average yield to the Indenture of approximately 5.28% per annum, with a weighted average mortgage loan coupon rate of approximately 6.24% per annum and a weighted average remaining term of 301 months. The Corporation expects to transfer substantially all of the Transferred Mortgage Loans to the Indenture. However, the aggregate principal balance of such loans transferred to the Indenture will be reduced by principal prepayments and scheduled principal repayments received prior to such transfer.

The following table sets forth certain information as of June 30, 2009 regarding the type of primary mortgage insurance coverage originally applicable to the Transferred Mortgage Loans. No representation is made as to the current status of primary mortgage insurance coverage or the current loan-to-value ratios of the Transferred Mortgage Loans. No representation is made as to the amount of private mortgage insurance coverage provided by carriers whose claims-paying ability is rated investment grade or better by Moody's, S&P or Fitch.

Type	Outstanding Principal Balance	Percentage of Total Transferred Mortgage Loans by Outstanding Principal Balance
Uninsured†	$21,529,128	30.70%
VA Guarantee	15,877,220	22.64
Private Mortgage Insurance	14,287,412	20.37
FHA Insurance	13,446,154	19.17
RD Insurance	4,023,446	5.74
HUD 184 Insurance	971,202	1.38
TOTAL	$70,134,562	100.00%

† Uninsured Mortgage Loans represent loans in which the original loan-to-value ratio was not in excess of 80% and insurance coverage was therefore not required.

The following table sets forth certain information as of June 30, 2009 regarding the type of dwellings securing Transferred Mortgage Loans.

Property Type	Outstanding Principal Balance	Percentage of Total Transferred Mortgage Loans by Outstanding Principal Balance
1-Unit Detached Dwellings	$59,767,295	85.22%
Condominiums	6,852,173	9.77
2-4 Unit Dwellings	3,515,094	5.01
TOTAL	$70,134,562	100.00%

The following table sets forth certain information as of June 30, 2009 regarding the location of the mortgaged property securing Transferred Mortgage Loans.

Property Location	Outstanding Principal Balance	Percentage of Total Transferred Mortgage Loans by Outstanding Principal Balance
Anchorage	$20,916,673	29.82%
Palmer	7,959,158	11.35
Fairbanks	7,917,446	11.29
Wasilla	7,457,251	10.63
North Pole	5,541,694	7.90
Eagle River	5,354,873	7.64
Other	4,335,990	6.18
Juneau	3,066,142	4.37
Chugiak	1,971,762	2.81
Kodiak	1,877,085	2.68
Ketchikan	1,588,812	2.27
Kenai	1,216,109	1.73
Soldotna	931,567	1.33
TOTAL	$70,134,562	100.00%

Available Mortgage Loans

The Corporation generally intends to purchase substantially all of the Available Mortgage Loans (consisting of the Series C Available Mortgage Loans and the Series D Available Mortgage Loans) with proceeds attributable to the Offered Bonds. However, no assurance is given as to what portion, if any, of the Available Mortgage Loans will be allocated to the Offered Bonds.

Series C Available Mortgage Loans

As of June 30, 2009, there were Series C Available Mortgage Loans with an outstanding aggregate principal balance of $21,566,417, bearing interest at a weighted average yield to the Indenture of approximately 7.42% per annum, with a weighted average mortgage loan coupon rate of approximately 6.01% per annum and a weighted average remaining term of 351 months.

The following table sets forth certain information as of June 30, 2009 regarding the type of primary mortgage insurance coverage originally applicable to the Series C Available Mortgage Loans. No representation is made as to the current status of primary mortgage insurance coverage or the current loan-to-value ratios of the Series C Available Mortgage Loans. No representation is made as to the amount of private mortgage insurance coverage provided by carriers whose claims-paying ability is rated investment grade or better by Moody's, S&P or Fitch.

Type	Outstanding Principal Balance	Percentage of Total Series C Available Mortgage Loans by Outstanding Principal Balance
FHA Insurance	$11,118,309	51.56%
VA Guarantee	3,235,041	15.00
Uninsured†	2,977,106	13.80
HUD 184 Insurance	1,725,180	8.00
Private Mortgage Insurance	1,506,276	6.98
RD Insurance	1,004,505	4.66
TOTAL	$21,566,417	100.00%

† Uninsured Mortgage Loans represent loans in which the original loan-to-value ratio was not in excess of 80% and insurance coverage was therefore not required.

The following table sets forth certain information as of June 30, 2009 regarding the type of dwellings securing Series C Available Mortgage Loans.

Property Type	Outstanding Principal Balance	Percentage of Total Series C Available Mortgage Loans by Outstanding Principal Balance
1-Unit Detached Dwellings	$14,556,671	67.50%
Condominiums	6,133,771	28.44
2-4 Unit Dwellings	875,975	4.06
TOTAL	$21,566,417	100.00%

The following table sets forth certain information as of June 30, 2009 regarding the location of the mortgaged property securing Series C Available Mortgage Loans.

Property Location	Outstanding Principal Balance	Percentage of Total Series C Available Mortgage Loans by Outstanding Principal Balance
Anchorage	$12,418,601	57.59%
Wasilla	2,763,844	12.82
Juneau	1,576,262	7.31
Other	1,046,306	4.85
Fairbanks	914,907	4.24
North Pole	880,460	4.08
Palmer	621,851	2.88
Eagle River	569,881	2.64
Kodiak	344,459	1.60
Ketchikan	301,647	1.40
Kenai	128,199	0.59
TOTAL	$21,566,417	100.00%

Series D Available Mortgage Loans

As of June 30, 2009, there were Series D Available Mortgage Loans with an outstanding aggregate principal balance of $32,880,174, bearing interest at a weighted average yield to the Indenture of approximately 7.19% per annum, with a weighted average mortgage loan coupon rate of approximately 6.16% per annum and a weighted average remaining term of 349 months.

The following table sets forth certain information as of June 30, 2009 regarding the type of primary mortgage insurance coverage originally applicable to the Series D Available Mortgage Loans. No representation is made as to the current status of primary mortgage insurance coverage or the current loan-to-value ratios of the Series D Available Mortgage Loans. No representation is made as to the amount of private mortgage insurance coverage provided by carriers whose claims-paying ability is rated investment grade or better by Moody's, S&P or Fitch.

Type	Outstanding Principal Balance	Percentage of Total Series D Available Mortgage Loans by Outstanding Principal Balance
FHA Insurance	$12,078,974	36.74%
Private Mortgage Insurance	7,362,396	22.39
Uninsured†	7,266,652	22.10
HUD 184 Insurance	2,688,198	8.17
RD Insurance	1,933,008	5.88
VA Guarantee	1,550,946	4.72
TOTAL	$32,880,174	100.00%

† Uninsured Mortgage Loans represent loans in which the original loan-to-value ratio was not in excess of 80% and insurance coverage was therefore not required.

The following table sets forth certain information as of June 30, 2009 regarding the type of dwellings securing Series D Available Mortgage Loans.

Property Type	Outstanding Principal Balance	Percentage of Total Series D Available Mortgage Loans by Outstanding Principal Balance
1-Unit Detached Dwellings	$26,648,605	81.05%
Condominiums	3,808,444	11.58
2-4 Unit Dwellings	2,423,125	7.37
TOTAL	$32,880,174	100.00%

The following table sets forth certain information as of June 30, 2009 regarding the location of the mortgaged property securing Series D Available Mortgage Loans.

Property Location	Outstanding Principal Balance	Percentage of Total Series D Available Mortgage Loans by Outstanding Principal Balance
Anchorage	$14,106,337	42.90%
Juneau	3,178,423	9.67
Fairbanks	3,121,639	9.49
Other	2,739,413	8.33
Wasilla	2,715,534	8.26
Ketchikan	1,622,251	4.93
Eagle River	1,449,850	4.41
North Pole	1,376,141	4.19
Palmer	976,717	2.97
Kodiak	708,870	2.16
Chugiak	559,795	1.70
Kenai	222,357	0.68
Soldotna	102,847	0.31
TOTAL	$32,880,174	100.00%

Mortgage Loan Underwriting

Eligibility

Each Mortgage Loan must be secured by a single-family residence, duplex, triplex, or fourplex. Eligibility is without regard to location of the dwelling within the State. The dwelling to be purchased with proceeds of a Mortgage Loan must be designed for residential use and intended for use and used as the principal residence of the borrower. A new first-lien Mortgage Loan may not be financed with respect to a dwelling securing an outstanding first-lien Mortgage Loan unless the new Mortgage Loan will retire the outstanding Mortgage Loan.

General Terms

Each Mortgage Loan must:

(1) be serviced by a servicer approved by the Corporation (see “Program Obligations — Mortgage Servicing” below);

(2) be secured by a first or second lien on real estate in fee simple or on a leasehold estate and (A) if a first lien, be subject only to permitted encumbrances, or (B) if a second lien, be subject only to permitted encumbrances including a first-lien mortgage;

(3) if the Mortgage Loan is secured by a first lien and if the loan-to-value ratio of the property exceeds 80%, be the subject of private mortgage insurance, federal insurance, federal guarantee, or insurance from the Corporation’s housing insurance fund, with benefits in each case payable to the Corporation;

(4) if the Mortgage Loan is secured by a second lien and if the loan-to-value ratio of the property determined by combining the first-lien Mortgage Loan and the second-lien Mortgage Loan exceeds 80%, be the subject of private mortgage insurance, federal insurance, federal guarantee, or insurance from the Corporation's housing insurance fund, with benefits in each case payable to the Corporation;

(5) be for the purchase or refinancing of completed, owner-occupied residential housing, the improvement or rehabilitation of owner-occupied residential housing, or the purchase or refinancing of owner-occupied residential housing together with improvement or rehabilitation of the housing, which in any case is eligible for purchase by the Corporation under the terms otherwise described in this section; and

(6) be insured by a mortgagee's policy of title insurance issued by a title insurance company qualified to do business in the area in which the residence is located and acceptable to the Corporation, insuring the enforceable mortgage, subject only to permitted encumbrances or in the case of a second-lien mortgage, subject only to permitted encumbrances and the first-lien mortgage.

The Corporation computes the maximum amount of a second-lien Mortgage Loan so that the outstanding amount of the first-lien Mortgage Loan plus the maximum amount of the second-lien Mortgage Loan does not exceed the applicable loan-to-value ratio. All loan-to-value ratios and maximum loan amounts will be reduced if and to the extent any applicable GNMA, FNMA, FHLMC, VA, FHA, or RD loan-to-value ratio or maximum loan limits are reduced for Alaska.

Loan-to-Value Ratios and Loan Amounts

The Corporation requires that the loan-to-value ratio and the loan amounts for each Mortgage Loan be as follows:

(1) Other than as provided in paragraphs (3), (4), (5), and (6) below, the loan-to-value ratio of a Mortgage Loan for the purchase of a single family residence may not exceed 95%, the loan-to-value ratio of a Mortgage Loan for the purchase of a duplex residence may not exceed 90%, and the loan-to-value ratio of a Mortgage Loan for the purchase of a triplex or fourplex residence may not exceed 80%;

(2) The loan amount on a Mortgage Loan for a residence may not exceed the applicable FNMA or FHLMC maximum loan amount for the same type of property by more than 10%;

(3) The amount of the guarantee plus the down payment on a mortgage loan guaranteed by the VA must equal 25% of the value of the residence based on the lesser of sales price or appraisal, and the VA guarantee must equal the maximum guarantee possible under the VA program;

(4) The maximum loan amounts, minimum down payments, and loan-to-value ratios of Mortgage Loans insured by FHA will be as required by FHA;

(5) The maximum loan amounts, minimum down payments, and loan-to-value ratios of Mortgage Loans guaranteed by RD will be as required by RD;

(6) The loan-to-value ratio of a Mortgage Loan made to an education professional or a health care professional for owner-occupied, single family housing, may not exceed 100%; and

(7) The loan-to-value ratio of a refinancing loan may not exceed the limits established by FNMA, FHLMC, FHA, VA, or RD for similar refinance loans.

Income Limits

The Corporation requires that, for each Mortgage Loan, the mortgagor's family income must be in accordance with Section 143(f) of the Code.

Purchase Price Requirements

The acquisition cost of each residence may not exceed the specified percentage of the average area purchase price of the statistical area in which the residence being finance is located, as determined by the Corporation in accord with Section 143 of the Code.

Loan Terms

Mortgage Loans may have either a 15-year term or a 30-year term. Approximately 95% of Mortgage Loans are originated with a 30-year term.

Lender Qualification

The Corporation acquires the Mortgage Loans from its approved lenders (the "Lenders"). There are currently 15 Lenders approved by the Corporation. All of the Lenders must have an office in Alaska. The Corporation requires each Lender to provide audited financial statements and proof of insurance to the Corporation on an annual basis. Lenders must maintain policies of worker's compensation insurance (minimum coverage of $100,000 per person per occurrence) and general liability insurance (minimum coverage of $1,000,000 per occurrence), and a fidelity bond and errors and omissions insurance (coverage based on origination volume; minimum of $300,000). The Corporation also performs annual audits of 10% of the loans purchased from each Lender during each year to assure compliance with program requirements.

Underwriting Process

Mortgage Loans undergo one of three underwriting processes: Full Underwriting process, Program Compliance process, or Delegated process. Approximately 1%, 54%, and 45% of the Mortgage Loans undergo the Full Underwriting process, the Program Compliance process, and the Delegated process, respectively.

Under the Full Underwriting process, the Corporation performs a full underwriting of the Mortgage Loan. The Corporation uses this process only for loans originated by regional housing authorities in the State and for the smallest lenders.

Under the Program Compliance process, the Lender determines the applicant's creditworthiness and adequacy of the subject property for collateral. The Corporation reviews each loan undergoing the Program Compliance process, but only to determine eligibility based on any applicable income limitations, acquisition cost limitations, or other relevant tax-compliance criteria. Newly-approved Lenders generally originate Mortgage Loans under the Program Compliance process. The Corporation audits all Mortgage Loans originated by each newly-approved Lender for a period of generally six to 12 months (depending on origination volume) under the Program Compliance process as a prerequisite to advancing to Delegated underwriting.

The Corporation permits its most experienced Lenders to underwrite Mortgage Loans using the Delegated process. Under the Delegated process, the Lender underwrites the complete loan, which includes eligibility based on income, creditworthiness, adequacy of the subject property as collateral, and program compliance.

Mortgage Servicing

Prior to purchasing any Mortgage Loan, the Corporation requires the originating institution (which generally thereafter acts as the servicer (the "Servicer") to furnish to the Corporation the original mortgage note and copies of (i) the deed of trust, and (ii) a title insurance policy in an amount equal to the unpaid principal due on the Mortgage Loan. The Corporation also requires generally that all taxes, assessments and water and sewage charges have been duly paid and that a hazard insurance policy exist in an amount equal to the unpaid principal due on the mortgage. The Servicer services the mortgage loan for a fee, which is a monthly charge at an annual rate of generally ⅜ of 1% on the unpaid principal due on such mortgage loan. The Corporation has adopted standards for qualifying eligible servicing institutions and underwriting and servicing guidelines with respect to the recording of and collection of principal and interest on the Mortgage Loans and the rendering to the Corporation of an accounting of funds collected. The servicing of a Mortgage Loan includes the responsibility for foreclosure, but not the bearing of any expenses thereof. The Servicer is expected to encourage the curing of any default in scheduled mortgage payments, and is required to pay, from scheduled mortgage payments, taxes, assessments, levies and charges, and premiums for hazard insurance and mortgage insurance, as they may become due.

Regularly scheduled principal and interest payments on the Mortgage Loans are required to be deposited by the Servicer with a depository bank to be held in escrow for the Trustee. Such funds (net of applicable servicing fees) are remitted to the depository by the Servicer on the day following receipt when total collections of such Servicer equal or exceed $2,500. Such funds are held in a custodial account and invested for the benefit of the Trustee pending their transfer once a month to the Trustee. Additional monthly payments on the Mortgage Loans, representing payments for such items as property taxes and mortgage insurance, are retained by the Servicer and applied as necessary.

The Corporation maintains detailed Mortgage Loan collection information on its internal data processing system. The Corporation's system generates the collection reports and consolidates actual collections by individual bond series.

The Corporation reviews individual Servicer reports to ascertain the extent of mortgagor payment delinquencies and Servicer processing delays in order to determine the appropriate corrective action, if any, to be taken by the Corporation or the Servicer. Under the Corporation's monitoring system, a Servicer is subject to enhanced review when its monthly reports for two consecutive months show delinquency rates more than 1.50 times the average delinquency rates experienced by the Servicer group as a whole.

Pledge of Mortgage Loans

The assignment to the Corporation of each deed of trust relating to a Mortgage Loan deposited in the Program Obligation Fund is required to recite the interest of the Trustee on behalf of the owners of the Bonds in the mortgaged property. Each assignment is required to be recorded with the appropriate real property recording office for the jurisdiction in which the mortgaged property is located. The Indenture pledges, to the Trustee and the owners of the Bonds, the Mortgage Loans, the related deeds of trust, the Pledged Revenues and any and all assets held in any Fund or Account (except the Rebate Fund) under the Indenture. Section 18.56.120 of the Act provides that such a pledge is valid and binding from the time the pledge is made and, further, that any assets or revenues so pledged are immediately subject to the lien of the pledge without physical delivery or any further act and without regard to whether any third party has notice of the lien of the pledge. Physical custody of each mortgage note is retained by the Corporation and the related deed of trust is retained by the originating lending institution. Notwithstanding the fact that the Trustee does not have physical possession of those instruments, and while Bond Counsel is unaware of any controlling judicial precedent, it is the opinion of Bond Counsel that the effect of (i) recording the assignment in the form described, (ii) execution and delivery of the Indenture and (iii) the statutory provisions referred to above afford the Trustee (on behalf of owners of the Bonds) a fully perfected security interest in the Mortgage Loans which have been so assigned.

Primary Mortgage Insurance

The following description of certain primary mortgage insurance and guarantees (relating to individual Mortgage Loans) is only a brief outline and does not purport to summarize or describe all of the provisions thereof. The Corporation makes no representations about the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to us of claims on the Mortgage Loans on which they may experience losses.

Any Mortgage Loan with an original principal amount exceeding 80% of the value of the mortgaged property is required to be (i) insured by the FHA, (ii) guaranteed by the VA, HUD or USDA, or (iii) insured under a private mortgage insurance policy in an amount (a) equal to 35% of the Mortgage Loan if the original loan-to-value ratio is between 95.01% and 100.00%, (b) equal to 30% of the Mortgage Loan if the original loan-to-value ratio is between 90.01% and 95.00%, (c) equal to 25% of the Mortgage Loan if the original loan-to-value ratio is between 85.01% and 90.00% or (d) equal to 12% of the Mortgage Loan if the original loan-to-value ratio is between 80.01% and 85.00%. The only Mortgage Loans which the Corporation purchases at a loan-to-value ratio exceeding 95% are Federally insured or guaranteed Mortgage Loans or mortgage loans made to teachers or health care professionals. FHA insurance coverage and the

HUD guarantee equal 100% of the outstanding principal balance of all FHA-insured or HUD-guaranteed Mortgage Loans. The maximum guarantee that may be issued by the VA is based on the size of the Mortgage Loan, as follows: (1) for a Mortgage Loan of not more than $45,000, 50% of the original principal amount of the Mortgage Loan; (2) for a Mortgage Loan greater than $45,000 but not more than $56,250, $22,500; (3) for a Mortgage Loan greater than $56,250 but not more than $144,000, the lesser of $36,000 or 40% of the original principal amount of the Mortgage Loan; and (4) for a Mortgage Loan in excess of $144,000, the lesser of the applicable "maximum guaranty amount" or 25% of the original principal amount of the Mortgage Loan. Such "maximum guaranty amount" generally is 25% of the Freddie Mac conforming loan limit (such limit is currently $625,500 in Alaska). Pursuant to the Housing and Economic Recovery Act of 2008 and the Veterans' Benefits Improvement Act of 2008, the "maximum guaranty amount" for loans originated from July 30, 2008 through December 31, 2011 is 25% of the greater of: (a) the Freddie Mac conforming loan limit, and (b) 125% of the area median price for a single family residence, but in no case to exceed 175% of the Freddie Mac conforming loan limit. For all VA-guaranteed Mortgage Loans, the VA guarantee plus the down payment must be at least 25% of the original Mortgage Loan amount. The USDA guarantee covers the lesser of (a) any loss up to 90% of the original principal amount of the Mortgage Loan or (b) any loss in full up to 35% of the original principal amount of the Mortgage Loan plus 85% of the remaining 65% of the principal amount actually advanced to the mortgagor on any additional loss. The FHA insurance or VA, HUD or USDA guarantee must be maintained for the entire period during which the Corporation owns an interest in the Mortgage Loan. A private mortgage insurance policy is required to be maintained in force and effect (a) for the period during which the Corporation owns an interest in the Mortgage Loan or (b) until the outstanding principal amount of the Mortgage Loan is reduced to 80% of the lesser of the original appraised value of the mortgaged property or the original sale price of the mortgaged property. The cost of any such insurance or guarantee will be paid by the mortgagor.

In general, FHA, VA, HUD and USDA regulations and private mortgage insurance contracts provide for the payment of insurance benefits to a mortgage lender upon the failure of a mortgagor to make any payment or to perform any obligation under the insured or guaranteed mortgage loan and the continuance of such failure for a stated period. In order to receive payment of insurance benefits, a mortgage lender, such as the Corporation, normally must acquire title to the property, either through foreclosure or conveyance in lieu of foreclosure, and convey such title to the insurer. In general, primary mortgage insurance benefits, as limited by the amount of coverage indicated above, are based upon the unpaid principal amount of the mortgage loan at the date of institution of foreclosure proceedings or the acquisition of the property after default, as the case may be, adjusted to reflect certain payments paid or received by the mortgage lender. Where property to be conveyed to an insurer has been damaged, it is generally required, as a condition to payment of an insurance claim, that such property be restored to its original condition (reasonable wear and tear excepted) by the mortgage lender prior to such conveyance or assignment.

Standard Hazard Insurance Policies

The following is a brief description of standard hazard insurance policies and reference must be made to the actual underlying policies for a complete and accurate description.

Each mortgagor is required to maintain for the mortgaged property a standard hazard insurance policy in an amount which is not less than (i) the maximum insurable value of the mortgaged property or (ii) the unpaid principal amount of the Mortgage Loan, whichever is less. The insurance policy is required to be written by an insurance company qualified to do business in the State. The mortgagor pays the cost of the standard hazard insurance policy.

In general, a standard insurance policy form of fire with extended coverage policy insures against physical damage to or destruction of the improvements on the property by fire, lightning, explosion, smoke, windstorm, hail, riot, strike, and civil commotion, subject to the conditions and exclusions particularized in each policy. Policies typically exclude physical damage resulting from the following: war, revolution, governmental action, floods and other water-related causes, earth movement (including earthquakes, landslides and mud-slides), nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft, and, in certain cases, vandalism.

Alaska Foreclosure Law

The real estate security instrument customarily used in the State is the deed of trust. The parties to the deed of trust are the trustor (debtor), trustee and beneficiary (lender). Trustees are commonly title insurance companies. Both summary and judicial foreclosure proceedings are permitted. The deed of trust does not effect a conveyance of legal title, which remains in the trustor. The beneficiary acquires a security interest (lien) which may be enforced in accordance with the terms of the deed of trust and State statutes. Failure of the trustor to perform any of the covenants of the deed of trust generally constitutes an event of default entitling the beneficiary to declare a default and exercise its right of foreclosure.

Summary foreclosure may be used if provided for in the deed of trust. All deeds of trust securing Mortgage Loans transferred to a Series Account of the Program Obligation Fund contain provisions which permit summary foreclosure. Following a default by the trustor, upon request of the beneficiary and not less than three months before the sale, the trustee must record a notice of default in the recording district in which the property is located. After recording the notice of default, the trustee must mail a copy of the notice of default to the trustor, any successors in interest to the trustor, anyone in possession or occupying the property, and anyone who has an interest subsequent to the interest of the trustee in the deed of trust. If the default may be cured by the payment of money, the trustor may cure the default at any time prior to sale by payment of the sum in default without acceleration of the principal which would not then be due in the absence of default, plus actual costs and attorney's fees due to the default. If default has been cured under the same deed of trust after notice of default two or more times, the trustee may elect to refuse payment and continue the foreclosure proceeding to sale. Notice of the sale must be posted in three public places within five miles of where the sale is to be held, not less than thirty days before the day of sale and by publishing a copy of the notice four times, once a week for four successive weeks, in a newspaper of general circulation published nearest the place of sale. The sale must be made at public auction at a courthouse of the superior court in the judicial district where the property is located, unless the deed of trust provides for a different place. After the sale, an affidavit of mailing the notice of default and an affidavit of publication of the notice must be recorded in the recording district where the property is located. The foreclosure sale and conveyance transfers all the title and interest which the trustor had in the property sold at the time of the execution of the deed of trust plus all interest the trustor may have acquired before the sale and extinguishes all junior liens. There is no right of redemption unless otherwise provided by the deed of trust. A deficiency judgment is prohibited where summary foreclosure is utilized.

Judicial foreclosure is also permitted. A deficiency judgment is allowed where judicial foreclosure is utilized, but judicial foreclosure is much more time-consuming than summary foreclosure. The judgment debtor under a judicial foreclosure proceeding has the right to redeem the property within 12 months from the order of confirmation. If the judgment debtor redeems the property, the foreclosure proceeding is terminated. Otherwise, within 60 days after the order confirming the foreclosure sale, any subsequent lien creditor can redeem the property. There can be as many redemptions as there are subsequent lien creditors. Upon expiration of the redemption period, the purchaser or redeemer is entitled to a conveyance of the property.

THE CORPORATION

Certain Definitions

"Authority" means the Alaska State Housing Authority.

"Board" means the Board of Directors of the Corporation.

"Department" means the former Department of Community and Regional Affairs.

"Dividend Plan" means the dividend plan adopted by the Board in 1991 to transfer one-half of the lesser of its unrestricted net income or total net income to the State.

"Division" means The Public Housing Division of the Corporation.

"HUD" means the U.S. Department of Housing and Urban Development.

"Self-Liquidity Bonds" means, collectively, the Corporation's $33,000,000 Governmental Purpose Bonds (University of Alaska), 1997 Series A; the Corporation's $41,705,000 Housing Development Bonds, 2000 Series B; the Corporation's $170,170,000 Governmental Purpose Bonds, 2001 Series A and B; the Corporation's $60,250,000 State Capital Project Bonds, 2002 Series C; and the Corporation's $161,760,000 Home Mortgage Revenue Bonds, 2009 Series A and B.

General

The Corporation was established in 1971 as a non-stock, public corporation and government instrumentality of the State. The Corporation currently functions as a major source of residential mortgage loan financing in the State. The Corporation's programs were originally established to take advantage of tax-exempt financing permitted under Federal income tax law. Mortgages which meet applicable Federal income tax requirements are financed by selling tax-exempt bonds. All other mortgages generally are financed through the issuance of taxable bonds or from internal funds. A substantial portion of the Corporation's mortgage purchase activities were funded in the taxable debt markets, including issuance of taxable bonds and the sale of securities in the Eurodollar market. Since 1972, the Corporation has acquired mortgage loans by appropriation from the State and by purchase from independent originating lending institutions operating throughout the State. On July 1, 1992, the Corporation succeeded to the public housing functions of the Authority and the rural housing and residential energy functions of the Department pursuant to legislation enacted in the State's 1992 legislative session. As a result, the rights and obligations created by bonds and notes that were previously issued by the Authority became rights and obligations of the Corporation.

The Corporation prepares and publishes on its website a monthly Mortgage and Bond Disclosure Report containing detailed information concerning characteristics of the Corporation's mortgage loan portfolios and outstanding bond issues, including bond redemptions and mortgage prepayments. The Corporation presently intends to continue to provide such information, but is not legally obligated to do so. Certain financial and statistical information relating to the Corporation and its programs under this heading "The Corporation" was obtained from the audited and unaudited financial statements of the Corporation dated June 30, 2008 and March 31, 2009, respectively, and the May 2009 Mortgage and Bond Disclosure Report of the Corporation. Copies of such financial statements and disclosure report may be obtained upon request from the Corporation. The Corporation's main office is located at 4300 Boniface Parkway, Anchorage, Alaska 99504, and its telephone number is (907) 338-6100. Electronic versions of the financial statements and disclosure reports are available at the Corporation's website.

Board of Directors, Staff and Organization

The Corporation is required by law to comply (except for the procurement provisions of the Alaska Executive Budget Act), and does comply, with the State budget process. The Corporation administratively operates within the State Department of Revenue. The Board of Directors of the Corporation is comprised of the Commissioner of Revenue, the Commissioner of Commerce, Community and Economic Development and the Commissioner of Health and Social Services, as well as four members from the following sectors of the general public appointed by the Governor to serve two-year terms: one member with expertise or experience in finance or real estate; one member who is a rural resident of the State or who has expertise or experience with a regional housing authority; one member who has expertise or experience in residential energy efficient home-building or weatherization; and one member who has expertise or experience in the provision of senior or low-income housing. The powers of the Corporation are vested in and exercised by a majority of its Board of Directors then in office, who may delegate such powers and duties as appropriate and permitted under the Act. The Corporation's current members of its Board of Directors are as follows:

Name	**Location**
Mr. Franklin C. Roppel Chair	Retired Wrangell, Alaska
Mr. N. Claiborne Porter Vice-Chair	President NCP Design/Build Ltd. Anchorage, Alaska
Ms. Jyotsna "Jo" Heckman	President/CEO Denali State Bank Fairbanks, Alaska
Mr. Marty Shuravloff	Executive Director Kodiak Island Housing Authority Kodiak, Alaska
Mr. Patrick S. Galvin Commissioner Alaska Department of Revenue	**Mr. Jerry Burnett (designee)** Deputy Commissioner Alaska Department of Revenue Juneau, Alaska
Mr. William Hogan Commissioner Alaska Department of Health & Social Services	**Ms. Alison Elgee (designee)** Assistant Commissioner Alaska Department of Health & Social Services Anchorage, Alaska
Mr. Emil Notti Commissioner Alaska Department of Commerce, Community & Economic Development	**Ms. Lorie Hovanec (designee)** Director of Banking and Securities Alaska Department of Commerce, Community & Economic Development Anchorage, Alaska

The following sub-committees of the Board of Directors have been established: Audit Committee, Investment Advisory Committee, Housing Budget and Policy Committee, and the Personnel Committee.

The Corporation's staff consists of employees organized into the following departments: Administrative Services, Mortgage Operations, Public Housing, Finance, Accounting, Planning and Program Development, Audit, Corporate Communications, Budget, Personnel, and Research and Rural Development. Principal financial officers of the Corporation are as follows:

Daniel R. Fauske - Chief Executive Officer/Executive Director. Mr. Fauske joined the Corporation on March 1, 1995. Prior to joining the Corporation, Mr. Fauske worked for the North Slope Borough in Barrow, Alaska from 1985 until 1993. During this time, Mr. Fauske served as Budget Director, Chief Fiscal Officer, and Chief Administrative Officer and managed a

$1.2 billion capital improvement program while at the Borough. Mr. Fauske holds a master's degree in business administration from Gonzaga University.

Michael Buller - Deputy Executive Director. Mr. Buller has been with the Corporation since June 1995, and previously served as Chief Administrative Officer. He previously worked for the North Slope Borough from 1987 through 1993 as Budget Manager and Deputy Director of the Department of Administration & Finance. From August 1993 through June 1995, Mr. Buller was employed as Assistant City Manager for the City of Unalaska. Mr. Buller holds a master's degree in business administration from Gonzaga University.

Joseph M. Dubler - Chief Financial Officer/Finance Director. Mr. Dubler has been with the Corporation since 1989, and previously served as Senior Finance Officer, Finance Officer, Financial Reporting Officer and Financial Analyst II. Mr. Dubler was an auditor with a public accounting firm from 1986 through 1989. Mr. Dubler is a certified public accountant, certified cash manager, and a graduate of San Francisco State University with a Bachelor of Science degree in business administration.

Peter E. Haines - Senior Finance Officer. Mr. Haines has been with the Corporation since 1990, and previously served as Financial Analyst I, Financial Analyst II and Finance Officer. Mr. Haines is a certified public accountant, certified cash manager, and a graduate of Brigham Young University with a Bachelor of Science degree.

Michael L. Strand - Finance Officer. Mr. Strand joined the Corporation in April 2001, and previously served as Financial Analyst II. Prior to joining the Corporation, he served for one year as Budget Analyst for Anchorage Municipal Light and Power and for three years as Financial Analyst for VECO Alaska. Mr. Strand is a graduate of the University of Alaska, Anchorage, with a Bachelor of Business Administration degree in finance and economics.

Activities of the Corporation

The principal activity of the Corporation is the purchase of residential mortgage loans. This activity has been supplemented by the merger with the Authority under which the Corporation assumed responsibility for the public housing functions of the Authority and its assumption of the rural housing and residential energy functions of the Department. See "The Corporation — General."

Lending Activities

The Corporation finances its lending activities with a combination of general operating funds, bond proceeds, and loan prepayments and earnings derived from the permitted spread between borrowing and lending rates. The Corporation acquires mortgage loans after they have been originated and closed by direct lenders, which normally are financial institutions or mortgage companies with operations in the State. Under many of the Corporation's programs, the originating lender continues to service the mortgage loan on behalf of the Corporation. The Corporation also makes available a streamlined refinance option that allows applicants to obtain new financing secured by property that is currently financed by the Corporation without income, credit, or appraisal qualifications.

Following are brief descriptions of the Corporation's lending programs:

Tax-Exempt First-Time Homebuyer Program. The Tax-Exempt First-Time Homebuyer Program offers lower interest rates to eligible borrowers who meet income, purchase price, and other requirements of the Code.

Veterans Mortgage Program. The Veterans Mortgage Program offers a reduced interest rate to qualified veterans who purchase or construct owner-occupied single-family residences or, with certain restrictions, who purchase a duplex, triplex, or fourplex.

Taxable First-Time Homebuyer. The Taxable First-Time Homebuyer Program offers a reduced interest rate to first-time homebuyers whose loans do not meet the Code requirements of the Tax-Exempt First-Time Homebuyer Program.

Rural Loan Program. The Rural Loan Program offers financing to purchase, construct, or renovate owner occupied and non-owner occupied housing in small communities. The Rural interest rate is one percent below the rate established for the Corporation's Taxable Program and is applied to the first $250,000 of the loan only. The balance of the loan is at the Rural interest rate plus 1%.

Taxable Program. The Taxable Program is available statewide for applicants or properties not meeting requirements of other Corporation programs. Borrowers and properties must meet the Corporation's general financing requirements. This program also includes non-conforming loans for certain properties for which financing may not be obtained through private, state or federal mortgage programs.

Multi-Family Loan Purchase Program. The Corporation participates with approved lenders to provide financing for the acquisition, rehabilitation, and refinancing of multi-family housing (buildings with at least five units and designed principally for residential use) as well as certain special-needs and congregate housing facilities.

The following tables set forth certain information regarding the mortgage loans financed under the above-described lending programs:

Mortgage Purchases by Program

Loan Program	Original Principal Balance of Mortgage Loans Purchased During FY 2007	Original Principal Balance of Mortgage Loans Purchased During FY 2008	Original Principal Balance of Mortgage Loans Purchased During the Eleven Months Ended 5/31/2009
Tax-Exempt First-Time Homebuyer	$274,784,899	$195,007,745	$108,071,022
Veterans Mortgage Program	114,744,164	140,476,060	86,179,506
Taxable First-Time Homebuyer	58,603,569	51,437,750	40,134,867
Rural	86,210,565	71,896,170	48,897,643
Taxable Other	32,346,516	37,096,943	47,416,636
Multi-Family	14,839,300	11,928,835	17,117,350
Streamline Refinance†	812,271	2,508,375	250,000

Mortgage Portfolio Summary

	As of 6/30/2007	As of 6/30/2008	As of 5/31/2009
Mortgages and Participation Loans	$3,378,026,530	$3,476,306,174	$3,271,559,907
Real Estate Owned and Insurance Receivables	485,425	2,259,320	2,170,280
Total Mortgage Portfolio	$3,378,511,955	$3,478,565,494	$3,273,730,187

Mortgage Delinquency and Foreclosure Summary

	As of 6/30/2007	As of 6/30/2008	As of 5/31/2009
Delinquent 30 Days	2.00%	2.13%	2.69%
Delinquent 60 Days	0.63	0.72	0.83
Delinquent 90 Days or More	0.62	0.99	1.05
Total Mortgage Delinquency	3.25%	3.84%	4.57%
Total Foreclosures	$4,001,470	$8,695,900	$10,383,857

Financing Activities

The Corporation is authorized by the State Legislature to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as the Corporation deems necessary to provide sufficient funds for carrying out its purpose.

† For information only. These amounts are already included in the categories above.

Pursuant to State law, the maximum amount of bonds that the Corporation may issue during any fiscal year (the Corporation's fiscal years end on June 30) is $1.5 billion. Bonds issued to refund outstanding bonds and to refinance outstanding obligations of the Corporation are not counted against the maximum annual limit.

Since 1986, implementation of refinancing programs by the Corporation has resulted in the prepayment of outstanding mortgage loans with a corresponding redemption at par of substantial amounts of the Corporation's notes or bonds secured by such mortgage loans.

Since 1997, the Corporation has issued certain Self-Liquidity Bonds, which are variable rate demand obligations with weekly interest rate resets. If these bonds are tendered or deemed tendered, the Corporation has the obligation to purchase any such bonds that cannot be remarketed. This general obligation is not secured by any particular funds or assets, including any assets that may be held under the related indentures. The Corporation may issue additional bonds for which it will provide liquidity support similar to that it currently provides for the Self-Liquidity Bonds.

Since July 1, 2008, certain of the Corporation's variable rate demand obligations (including Self-Liquidity Bonds) tendered or deemed tendered were purchased upon remarketing by the Alaska Housing Capital Corporation ("AHCC"), a subsidiary of the Corporation. No Corporation obligations are currently held by AHCC.

The following table sets forth certain information regarding purchases of Corporation variable rate demand obligations by AHCC:

	Maximum Amount Held	**Date of First Purchase**	**Date Last Bonds Sold**
Home Mortgage Revenue Bonds, 2002 Series A	$ 3,725,000	September 26, 2008	October 7, 2008
Home Mortgage Revenue Bonds, 2007 Series A	75,000,000	September 26, 2008	October 7, 2008
Housing Development Bonds, 2002 Series D†	30,605,000	September 25, 2008	November 6, 2008
General Housing Purpose Bonds, 2003 Series A†	3,030,000	September 26, 2008	October 7, 2008
General Housing Purpose Bonds, 2003 Series B†	4,085,000	September 26, 2008	October 7, 2008
Governmental Purpose Bonds, 1997 Series A	100,000	September 26, 2008	November 6, 2008
Governmental Purpose Bonds, 2001 Series A	63,510,000	September 25, 2008	December 1, 2008
Governmental Purpose Bonds, 2001 Series B	1,245,000	September 26, 2008	November 6, 2008
State Capital Project Bonds, 2002 Series C	530,000	October 8, 2008	October 21, 2008

† These bonds are no longer outstanding.

Other variable rate demand obligations issued by the Corporation are the subject of liquidity facilities provided by third-party liquidity providers in the form of standby bond purchase agreements. If such obligations are tendered or deemed tendered, the related liquidity provider is obligated to purchase any such obligations that cannot be remarketed.

Since July 1, 2008, certain third-party liquidity providers purchased pursuant to the related liquidity facilities certain variable rate demand obligations of the Corporation that were tendered or deemed tendered and not remarketed. No Corporation obligations are currently held by third-party liquidity providers.

The following table sets forth certain information regarding purchases of such Corporation variable rate demand obligations by such liquidity providers:

	Maximum Amount Held	**Date of First Purchase**	**Date Last Bonds Sold**
Home Mortgage Revenue Bonds, 2002 Series A	$167,300,000	October 6, 2008	April 2, 2009
Home Mortgage Revenue Bonds, 2007 Series A	75,000,000	October 7, 2008	May 26, 2009
General Housing Purpose Bonds, 2003 Series A†	55,720,000	October 2, 2008	December 1, 2008
General Housing Purpose Bonds, 2003 Series B†	5,960,000	October 7, 2008	December 1, 2008

† These bonds are no longer outstanding.

Following are brief descriptions of the Corporation's financing programs:

Long-Term Financing

General financing activities include recurring long-term debt issuances under established bond indentures. Such issuances constitute the majority of the Corporation's financing activities.

Home Mortgage Revenue Bonds. The Corporation funds its Tax-Exempt First-Time Homebuyer Program with the proceeds of Home Mortgage Revenue Bonds. Qualified mortgage loans and/or mortgage-backed securities are pledged as collateral for the Home Mortgage Revenue Bonds. Home Mortgage Revenue Bonds are also general obligations of the Corporation.

Collateralized Bonds. The Corporation funds its Veterans Mortgage Program with the proceeds of State-guaranteed Collateralized Bonds. Qualified mortgage loans and/or mortgage-backed securities are pledged as collateral for the Collateralized Bonds. Collateralized Bonds are also general obligations of the Corporation and general obligations of the State.

Housing Development Bonds. The Corporation funds its Multifamily Loan Purchase Program with the proceeds of Housing Development Bonds. Housing Development Bonds are general obligations of the Corporation.

General Mortgage Revenue Bonds. The Corporation issues General Mortgage Revenue Bonds to finance capital expenditures, with certain proceeds available for general corporate purposes. The Corporation expects that proceeds of future issues of General Mortgage Revenue Bonds will only be used to refund other obligations of the Corporation. Mortgage loans and/or mortgage-backed securities are pledged as collateral for the General Mortgage Revenue Bonds. General Mortgage Revenue Bonds are also general obligations of the Corporation.

General Housing Purpose Bonds. The Corporation issues General Housing Purpose Bonds to finance certain capital expenditures of the State. The Corporation expects that proceeds of future issues of General Housing Purpose Bonds will only be used to refund other obligations of the Corporation. General Housing Purpose Bonds are general obligations of the Corporation.

Governmental Purpose Bonds. The Corporation issues Governmental Purpose Bonds to finance capital expenditures of the State for governmental purposes, with certain proceeds available for general corporate purposes. Governmental Purpose Bonds are general obligations of the Corporation.

State Capital Project Bonds. The Corporation issues State Capital Project Bonds to finance designated capital projects of State agencies and instrumentalities. State Capital Project Bonds also include the Corporation's State Building Lease Bonds, Series 1999, issued to finance the purchase of an office building in downtown Anchorage, Alaska, and primarily secured by a lease agreement between the Corporation and the State of Alaska. State Capital Project Bonds are general obligations of the Corporation.

The following tables set forth certain information regarding bonds issued under the above-described financing programs:

Bonds Issued and Remaining Outstanding by Program

Bond Program	**Issued through 5/31/2009**	**Issued During the Eleven Months Ended 5/31/2009**	**Outstanding as of 5/31/2009**
Home Mortgage Revenue Bonds	$3,666,510,353	$242,640,000	$1,279,419,750
Collateralized Bonds	2,605,385,000	45,000,000	388,405,000
Housing Development Bonds	570,290,000	0	336,255,000
General Mortgage Revenue Bonds	1,220,245,874	0	394,495,000
General Housing Purpose Bonds	941,135,000	0	292,930,000
Governmental Purpose Bonds	973,170,000	0	164,570,000
State Capital Project Bonds	615,005,000	0	287,125,000
Other Bonds	5,778,622,895	0	0

Summary of Bonds Issued and Remaining Outstanding

	Issued through 5/31/2009	Issued During the Eleven Months Ended 5/31/2009	Outstanding as of 5/31/2009
Tax-Exempt Bonds	$12,057,149,122	$287,640,000	$3,038,829,750
Taxable Bonds	4,313,215,000	0	104,370,000
Total Bonds	$16,370,364,122	$287,640,000	$3,143,199,750
Self-Liquidity Bonds†	$725,500,000	$161,760,000	$423,065,000

† For information only. These amounts are already included in the categories above.

Short-Term Financing

Short-term financing activities include recurring short-term debt issuances under established programs or agreements. The proceeds of such issuances may be used for any lawful purpose of the Corporation; however, the Corporation has in the past and intends to continue to use such proceeds to temporarily refund outstanding tax-exempt obligations prior to their permanent refunding through the issuance of tax-exempt bonds.

Commercial Paper Notes Program. On June 13, 2007, the Corporation's Board of Directors authorized a domestic Commercial Paper Notes Program with a major dealer under which the maximum principal amount of notes outstanding at any one time shall not exceed $150,000,000. The Commercial Paper Notes Program is rated "P-1" by Moody's, "A-1+" by S&P, and "F1+" by Fitch. This Commercial Paper Notes Program supersedes the Corporation's prior domestic Commercial Paper Notes Program and its Euro-Commercial Paper Program, both of which, while still available, have no outstanding balances and under which the Corporation does not intend to issue additional notes.

Reverse Repurchase Agreements. The Corporation may enter into reverse repurchase agreements in such amounts as it deems necessary for carrying out its purpose.

Revolving Credit Agreement. The Corporation maintains a $200 million Revolving Credit Agreement with a major European bank under which it may borrow, on an unsecured basis, up to the principal amount of the Agreement for general corporate purposes.

Public Housing Activities

The Corporation performs certain public housing functions in the State through the Division. The Division operates Low Rent and Section 8 New Construction/Additional Assistance housing to serve low-income families, disabled persons and seniors in several communities throughout Alaska. The Division also administers the rent subsidies for numerous families located in private-sector housing through vouchers, certificates, and coupons issued pursuant to Section 8 of the National Housing Act. The Division's operating budget is funded primarily through contracts with HUD. The Division is engaged in a number of multifamily renovation and new construction projects throughout the State.

Financial Results of Operations

See Note 23 to the Corporation's audited annual financial statements dated June 30, 2008, contained in Appendix A — "Financial Statements of the Corporation" for a summary of revenues, expenses and changes in net assets of the Corporation for each of its five most recent fiscal years.

Legislative Activity/Transfers to the State

Prior Transfers to the State

The Board adopted the Dividend Plan in 1991 to transfer one-half of the lesser of its unrestricted net income or total net income to the State. Under the Dividend Plan, in 1991 the Corporation transferred a total of $114,324,000 to the State. Additionally, in 1995, the Board voted to make a one-time payment to the State in the amount of $200,000,000. On April 27, 1995, the Corporation agreed to make a one-time transfer of $50,000,000 to the State and close the Dividend Plan. In 1997, the Corporation transferred to the State's general fund $20,000,000 made available as a consequence of certain bond retirements.

The Current Transfer Plan

In the fiscal year 1996 capital appropriation bill (the April 27, 1995 agreement referred to in the immediately preceding paragraph and the 1996 capital appropriation bill, as amended, collectively, the "Transfer Plan") the Legislature expressed its intent that the Corporation transfer to the State (or expend on its behalf) amounts not to exceed $127,000,000 in fiscal year 1996 and $103,000,000 in each fiscal year from 1997 to 2000, but that, "[T]o ensure the prudent management of [the Corporation and] to protect its excellent debt rating …" in no fiscal year should such amount exceed the Corporation's net income for the preceding fiscal year.

The 1998 Legislature adopted legislation (the "1998 Act") authorizing the Corporation to finance state capital projects through the issuance of up to $224,000,000 in bonds. The 1998 Act also extended the term of the Transfer Plan by stating the Legislature's intent that the Corporation transfer to the State (or expend on its behalf) an amount not to exceed $103,000,000 in each fiscal year through fiscal year 2006, again stating that, to protect the Corporation and its bond rating, in no fiscal year should such amount exceed the Corporation's net income for the preceding fiscal year.

The 2000 Legislature adopted legislation (the "2000 Act") authorizing the issuance of bonds in sufficient amounts to fund the construction of various State capital projects, and extended the Transfer Plan (as described above) through fiscal year 2008.

The 2002 Legislature adopted legislation (the "2002 Act") authorizing the issuance of $60,250,000 in capital project bonds for the renovation and deferred maintenance of the Corporation's Public Housing facilities.

The 2004 Legislature adopted legislation (the "2004 Act") authorizing the additional issuance of bonds in sufficient amounts to fund the construction of various State capital projects. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The Corporation has issued $196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, $74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, $60,250,000 principal amount of State Capital Project Bonds pursuant to the 2002 Act, and $45,000,000 principal amount of State Capital Project Bonds pursuant to the 2004 Act, and has completed its issuance authority under the Acts. Payment of principal and interest on these bonds is categorized as a transfer pursuant to the Transfer Plan and is included in the Corporation's capital budget.

The 2003 Legislature enacted Chapter 76 SLA 2003, subsequently amended by Chapter 120 SLA 2004 and Chapter 7 SLA 2006 (as so amended, the "2003 Act"), which modified and incorporated provisions of the Transfer Plan. The Corporation views the 2003 Act as an indefinite, sustainable continuation of the Transfer Plan. The 2003 Act provides that the amount transferred by the Corporation to the State in fiscal years 2004, 2005, and 2006 shall not exceed $103,000,000 (in each case, less debt service on certain State Capital Project Bonds and any legislative appropriation of the Corporation's unrestricted, unencumbered funds other than appropriations for the Corporation's operating budget).

The 2003 Act further provides that the amount transferred by the Corporation to the State in each fiscal year beginning with fiscal year 2007 shall not exceed

(i) the lesser of (A) $103,000,000 and (B) the respective percentage of adjusted change in net assets for such fiscal year set forth in the table below, less

(ii) debt service on certain State Capital Project Bonds, less

(iii) any legislative appropriation of the Corporation's unrestricted, unencumbered funds other than appropriations for the Corporation's operating budget.

Fiscal Year	Percentage of Adjusted Change in Net Assets
2007	95%
2008	85%
2009 and thereafter	75%

Under the 2003 Act, "adjusted change in net assets" means the change in net assets for a fiscal year as reflected in the Corporation's financial statements, adjusted for capital expenditures incurred during such year.

Aggregate Transfers to the State of Alaska

The following reflects the aggregate transfers the Corporation has made to the State through March 31, 2009, or which, in the case of the University of Alaska deferred maintenance funding for other than student housing, were appropriated and incorporated in agreements where actual payments will be made as requested.

Transfer Type	Pre-FY09	Nine Months Ended March 31, 2009	Total
State Debt Repayment	$ 29,800,000	$ 0	$ 29,800,000
Asset Purchases	252,300,000	0	252,300,000
Dividends	114,300,000	0	114,300,000
Direct Cash Transfers	606,653,000	0	606,653,000
Other State Appropriations	302,654,000	0	302,654,000
Non-Housing Capital Projects	287,341,000	5,146,000	292,487,000
Various Bonds' Proceeds Disbursed	296,426,000	4,317,000	300,743,000
Total	**$1,889,474,000**	**$9,463,000**	**$1,898,937,000**

Corporation Budget Legislation

The Corporation's fiscal year 2009 operating budget was approved by the Legislature at approximately the amount submitted during the fiscal year 2008 legislative session, including the full level of funding requested by the Corporation for personnel and contractual costs. Consistent with the Transfer Plan, the enacted fiscal year 2009 operating budget estimated that $65,851,000 would be available from net income for payment of debt service, appropriation for capital projects and transfer to the Alaska debt retirement fund.

There can be no assurance that the Legislature or the Governor of the State will not seek and/or enact larger dividends or other transfers of Corporation assets by legislative enactment or other means in the future.

Litigation

There are no threatened or pending cases in which the Corporation is or may be a defendant which the Corporation feels have merit and which it feels could give rise to materially negative economic consequences.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. The summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Indenture. For a description of certain provisions of the Indenture relating to the Offered Bonds, see "The Offered Bonds" and "Sources of Payment and Security for the Bonds."

Certain Definitions (Section 102)

"Authorized Hedging Payments" means payments that are (i) designated as such in the related Authorizing Indenture with respect to specified provisions of the Indenture and (ii) due to the counterparty of a Hedging Instrument from the Corporation or the Trustee.

"Authorizing Indenture" means, with respect to any Bond or Series of Bonds, the Supplemental Indenture pursuant to which such Bond or Series of Bonds is issued.

"Bond Coverage" means a condition which will be deemed to exist as of any date of certification if either the test set forth in paragraph (A) below or the test set forth in paragraph (B) below is met as of such date:

(A) The Corporation delivers to the Trustee a Certificate certifying that the schedules attached thereto show Parity and receipt and application of amounts which are in any Fund (except the Rebate Fund, the Bond Purchase Fund, and the Loan Loss Fund) sufficient and available to provide timely payment of the principal of and interest on the Bonds on each Debt Service Payment Date and Program Expenses, up to the amount permitted to be paid out of the Operating Account pursuant to the Indenture, from (and including) the first interest payment date that is or that follows the date of certification to the maturity of the Bonds. In each case the Certificate must show sufficient funds under each of the following sets of assumptions and, in the case of each such schedule, assuming any timing of redemption of Bonds which each such schedule shows (provided Bonds are redeemed thereunder from amounts in the General Account and the Principal Account in accordance with the provisions of the Indenture):

> (1) assuming receipt of Scheduled Payments (but no prepayments not theretofore received) on any Mortgage Loan or mortgage loans represented by Mortgage Certificates;
>
> (2) assuming prepayment of 100% of the principal of, and payment of 100% of accrued interest on, all the Mortgage Loans and mortgage loans represented by all the Mortgage Certificates on the day after the date of certification; and
>
> (3) assuming receipt of Scheduled Payments to, and such 100% prepayment on, the day after the first Debt Service Payment Date on the Bonds following the date of certification.

(B) The Corporation delivers to the Trustee a Bond Coverage Certificate certifying as to another calculation (including, without limitation, any definition or component thereof) that is of Rating Quality.

Any Certificate delivered to the Trustee pursuant to this definition must conform to the requirements of the Indenture and either (A) or (B) of this definition. When the Corporation delivers a Bond Coverage Certificate under (A) of this definition, the schedules attached to the Certificate will be based upon the Investment Assumptions and the Mortgage Payment Assumptions in addition to the assumptions required elsewhere in this definition, and will provide a detailed calculation of all data relevant thereto, setting forth in detail each of the items required to be set forth in such Certificate. The Trustee will review each such Certificate as to its conformity to the requirements of this definition, but as to the actual calculations and conformity to the assumptions required in this definition the Trustee will have no responsibility to verify the same and will be fully protected in relying on such Certificate. For purposes of this definition as applied to Bonds bearing interest at a variable rate, any assumptions made in the calculation of interest in connection with the issuance of such Bonds will be as set forth in the related Authorizing Indenture, and any assumptions made in the calculation of interest in connection with the other matters arising under the Indenture will be as set forth in the related Authorizing Indenture or as set forth in an Authorized Officer's Certificate consistent with the related Authorizing Indenture.

"Code" means the United States Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or applicable thereto.

"Costs of Issuance" means, with respect to a Series of Bonds, any items of expense directly or indirectly payable or reimbursable by the Corporation and related to the authorization, sale and issuance of such Bonds, including but not limited to printing costs; costs of preparation and reproduction of documents; filing and recording fees; initial fees and charges (including legal fees and charges) of the Trustee and of any fiduciary, including, but not limited to, paying agents and providers of letters of credit and other forms of credit or liquidity enhancement in connection with such Bonds; legal fees and charges; fees and disbursements of consultants and professionals; costs of credit ratings; fees and charges for preparation, execution, transportation and safekeeping of such Bonds; and any other cost, charge or fee in connection with the issuance of such Bonds.

"Debt Service Payment" means any scheduled payment of principal of or interest on the Bonds, together with payment of the Redemption Price of and accrued interest on the Bonds in the event that the Bonds are redeemed pursuant to the Indenture.

"Debt Service Payment Date" means any date on which any Debt Service Payment is due, including the date (if any) of the redemption of any Bonds.

"General Account" means the General Account of the Redemption Fund.

"Hedging Instrument" means any interest rate, currency or cash-flow swap agreement, interest rate cap, floor or option agreement, forward payment conversion agreement, put, call or other agreement or instrument to hedge payment, interest rate, spread or similar exposure; which in each case is designated by the Corporation as a Hedging Instrument under the Indenture. Each Hedging Instrument must meet the requirements of the Indenture therefor described below under "Power to Issue Bonds and Pledge Revenues and Other Property; Hedging Instruments."

"Insurance Policy" means (i) a mortgage policy of title insurance, issued by a title insurance company qualified to do business in the State and acceptable to the Corporation, insuring the Corporation that the Mortgage on the premises is a valid and enforceable first mortgage, subject only to Permitted Encumbrances; (ii) a standard homeowner's form of fire insurance with extended coverage policy; (iii) if the loan-to-value ratio of the mortgaged property exceeds eighty percent, but does not exceed ninety percent, private mortgage insurance covering twenty percent of the Mortgage or, if the loan-to-value ratio exceeds ninety percent, private mortgage insurance covering twenty-five percent of the Mortgage or, in either of such events, alternatively, Federal mortgage insurance or guaranty; and (iv) in the case of a Streamlined Mortgage Loan, private mortgage insurance to the extent required by the Corporation at the time such Streamlined Mortgage Loan was refinanced.

"Interest Account" means the Interest Account of the Revenue Fund.

"Investment Agreement" means a guaranteed investment contract which may be entered into between the Corporation or the Trustee and any corporation (including the Trustee and its affiliates) having (as of the date of execution of the Investment Agreement) outstanding unsecured obligations that are rated at least (i) "Aa2/P-1" by Moody's and in the highest rating category by S&P and Fitch (if rated by Fitch) for the Debt Service Reserve Account, the Revenue Fund and the Redemption Fund (and the Accounts therein) and (ii) "Aa2/P-1" by Moody's, "AA-/A-1+" by S&P and "AA-/F1+" by Fitch (if rated by Fitch) for the Program Obligation Fund, or if such corporation lacks the applicable ratings, having long-term debt securities rated in the highest rating category by the Rating Agencies; provided, however, that, in lieu of the foregoing, any guaranteed investment contract will be of Rating Quality.

"Investment Assumptions" means an annual rate of 2.5%; provided, however, that if, at the date of any Bond Coverage Certificate to be delivered investment earnings assumptions used by the Rating Agencies are higher than the assumed annual rate set forth in this definition (as evidenced in writing from each Rating Agency) or if actual investment earnings may be calculated for any period (including any period commencing in the future in the case of amounts which when received will be invested under an Investment Agreement) by reason of the existence of a rate assured by an Investment Agreement, then "Investment Assumptions" will mean the earnings at the earning assumptions used by the Rating Agencies or the earnings on the Investment Agreement (but only until the termination date of such Investment Agreement) as the case may be; provided, however, that "Investment Assumptions" may be modified by Supplemental Indenture if such modification will not adversely affect the Unenhanced Ratings then assigned to any Bonds by the Rating Agencies.

"Investment Securities" means any of the following investments bearing interest or issued at a discount:

(1) direct obligations of, and obligations fully guaranteed as to full and timely payment of interest and principal by, the United States of America, or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America;

(2) instruments evidencing direct ownership interests in direct obligations, or specified portions (such as principal or interest) of such obligations, of the United States of America which obligations are held by a custodian in safe keeping on behalf of the holders of such instruments, if such instruments have terms, conditions and/or credit quality such that the Unenhanced Ratings on the Bonds will not be adversely affected;

(3) demand and time deposits in, certificates of deposit of, and banker's acceptances issued by the Trustee, its affiliates or any other bank or trust company organized under the laws

of the United States of America or any state thereof and subject to supervision and examination by federal and state banking authorities, or any foreign bank with a branch or agency licensed under the laws of the United States of America or any state thereof or under the laws of a country the Moody's sovereign rating for bank deposits in respect of which is "Aaa", so long as at the time of such investment (a) the unsecured debt obligations of such bank or trust company (or, in the case of the principal bank in a bank holding company system, the unsecured debt obligations of such bank holding company) have credit ratings from S&P, Moody's and Fitch (if rated by Fitch) at least equal to the ratings of the Bonds which were in effect at the time of issuance thereof or (b) the investment matures in six months or less and such bank or trust company (or, in the case of the principal bank in a bank holding company system, such bank holding company) has outstanding commercial paper rated "A-1+" by S&P, "P-1" by Moody's and "F1+" by Fitch (if rated by Fitch);

(4) repurchase obligations held by the Trustee or a third party acting as agent for the Trustee with a maturity date not in excess of 30 days with respect to (a) any security described in paragraph (1) or (b) any other security issued or guaranteed by an agency or instrumentality of the United States of America, in either case entered into with any other bank or trust company (acting as principal) described in clause (b) of paragraph (3) above;

(5) securities (other than securities of the types described in the other paragraphs under this definition of Investment Securities) which at the time of such investment have ratings from S&P, Moody's and Fitch (if rated by Fitch) at least equal to the highest ratings categories of the Rating Agencies for obligations similar to the Bonds which were in effect at the time of issuance thereof and which evidence a debt of any corporation organized under the laws of the United States of America or any state thereof excluding federal securities that were purchased at a price in excess of par; provided, however, that such securities issued by any particular corporation will not be Investment Securities to the extent that investment therein will cause the then outstanding principal amount of securities issued by such corporation and held under the Indenture to exceed 10% of the aggregate outstanding principal balances and amounts of all Program Obligations and Investment Securities held under the Indenture;

(6) securities (a) which at the time of such investment have ratings from S&P, Moody's and Fitch (if rated by Fitch) at least equal to the highest ratings available from such Rating Agencies for obligations similar to the Bonds; (b) which evidence a debt of any state or municipal government of the United States or any agency, instrumentality, or public corporation thereof authorized to issue bonds on behalf thereof or any nonprofit corporation described in Revenue Ruling 63-20; and (c) the interest on which is exempt from federal income taxation to the same extent that interest on the Bonds (other than Bonds issued as federally taxable bonds) is exempt from federal income taxation and is treated (or not treated) as a preference item to be included in calculating the alternative minimum tax imposed under the Code;

(7) money market funds that invest exclusively in securities described in paragraph (6) of this definition and have a rating of "Aaa" by Moody's, "AAAm" or "AAAm-G" by S&P and "AAA" by Fitch (if rated by Fitch);

(8) commercial paper with a maturity date not in excess of 270 days rated "A-1+" by S&P, "P-1" by Moody's and "F1+" by Fitch (if rated by Fitch) at the time of such investment;

(9) an Investment Agreement;

(10) money market funds (other than those described in paragraph (7) of this definition), rated "AAAm" or "AAAm-G" by S&P, "Aaa" by Moody's and "AAA" by Fitch (if rated by Fitch), secured by obligations with maturities of one year or less the payment of principal and interest on which is guaranteed by the full faith and credit of the United States of America; and

(11) any other investment of Rating Quality.

None of the above-described investments may have a S&P 'r' highlighter affixed to its ratings. Each investment (other than an Investment Agreement) must have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change. Interest may be either fixed or variable. Variable rate interest must be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with that index.

"Liquidity Provider" means any person, firm or entity designated in a Supplemental Indenture as providing a Liquidity Facility.

"Loan Loss Coverage" means the coverage, if any, of loss from Mortgage Loan defaults provided in an Authorizing Indenture which supplements any primary mortgage insurance.

"Mortgage Certificate" means a FNMA MBS, a GNMA Certificate (which may be in book-entry form, and if held in book-entry form with PTC, such Certificate is held in a limited-purpose account), or a FHLMC Certificate, in each case registered in the name of the Trustee, as Trustee under the Indenture.

"Mortgage Loan" means an interest-bearing mortgage loan evidenced by a note, bond or other instrument which will:

(1) be for the purchase of an owner-occupied, one-, two-, three-, or four-family residence located in the State, a one-family condominium unit, or a dwelling unit located in a building containing more than two units;

(2) be secured by a Mortgage constituting a first lien, subject only to Permitted Encumbrances, on the residential housing and the premises on which the same is located or on a leasehold interest therein having a remaining term, at the time such mortgage loan is acquired, sufficient in the opinion of the Corporation to provide adequate security for such mortgage loan;

(3) bear a fixed rate of interest for an initial term of not less than 15 years, but not more than 30 years; and

(4) be subject to an Insurance Policy.

"Mortgage Payment Assumptions" means and includes the following assumptions to be used by the Corporation in preparing each Bond Coverage Certificate: (1) payment lags from the first day of the month in which the Program Obligations are funded to the receipt date of (a) 50 days for each GNMA I Certificate and each Gold FHLMC PC held in the Program Obligation

Fund, (b) 60 days for each GNMA II Certificate held in the Program Obligation Fund, (c) 60 days for each FNMA MBS held in the Program Obligation Fund, (d) 90 days for each Mortgage Loan which has not been converted to a Mortgage Certificate held in the Program Obligation Fund, and (e) with respect to other mortgage instruments as described in the definition of Program Obligations, the payment date set forth in the applicable Authorizing Indenture; (2) payment when due of applicable servicing and guarantee fees to GNMA, FNMA, and FHLMC; (3) use of money in the Program Obligation Fund prior to the completion of acquisition of Program Obligations to acquire Mortgage Loans that have not been converted to Mortgage Certificates; and (4) use of the money described in clause (3) hereof in the manner described in clause (3) hereof either on the last day of the acquisition period (if application of such money to such purpose prior to such last day would result in the receipt of funds during such period in excess of the amount required to provide timely payment of the principal of and interest on the Bonds during such period) or, otherwise, on the date of calculation.

"Mortgage Principal" means all payments (including prepayments) of principal called for by any Program Obligation and paid to the Corporation from any source, including both timely and delinquent payments.

"Outstanding," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Indenture except:

(1) any Bonds canceled by the Trustee at or prior to such date;

(2) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered pursuant to the Indenture; and

(3) Bonds deemed to have been paid as described under "Summary of Certain Provisions of the Indenture—Defeasance."

"Parity" means, in each case at all times from and after the date of calculation through the final maturity date of the Bonds, (i) for the purpose of withdrawing money from the Indenture for payment to the Corporation free and clear of the lien and pledge of the Indenture, an amount then held in Funds and Accounts under the Indenture (except the Loan Loss Fund, the Rebate Fund, and the Bond Purchase Fund) at least equal to 103% of Bonds then Outstanding; and (ii) for all other purposes, an amount then held in Funds and Accounts under the Indenture (except the Loan Loss Fund, the Rebate Fund, and the Bond Purchase Fund) at least equal to 100% of Bonds then Outstanding.

"Pledged Revenues" means (i) all payments of principal of and interest on Program Obligations (other than Program Obligations in the Loan Loss Fund) immediately upon receipt thereof by the Corporation or any Depository or the Trustee (including payments representing prepayments of Mortgage Loans and any payments received from FNMA pursuant to its guarantee of the FNMA MBSs and from GNMA pursuant to its guarantee of the GNMA Certificates and from FHLMC pursuant to its guarantee of the FHLMC Certificates) and all other net proceeds of such Program Obligations; (ii) all amounts so designated by any Supplemental Indenture and required by such Supplemental Indenture to be deposited in the Revenue Fund; (iii) amounts received by the Corporation or the Trustee under any Hedging Instrument; and

(iv) income or interest earned and gain realized in excess of losses suffered by a Fund other than the Loan Loss Fund, the Rebate Fund, and the Bond Purchase Fund as a result of the investment thereof; but Pledged Revenues do not include amounts derived from any Liquidity Facility.

"Principal Account" means the Principal Account of the Redemption Fund.

"Program" means the part of the program of the Corporation relating to the Bonds.

"Program Expenses" means all the Corporation's expenses in carrying out and administering the Program and include, without limiting the generality of the foregoing, salaries; supplies; utilities; mailing; labor; materials; office rent; maintenance; furnishings; equipment; machinery and apparatus; insurance premiums; legal, accounting, management, consulting, and banking services expenses; bond insurance premiums; the fees and expenses of the Trustee and Depositories, including counsel thereto; and payments for pension, retirement, health and hospitalization, and life and disability insurance benefits, all to the extent properly allocable to the Program.

"Program Obligations" means (a) Mortgage Loans (or participations therein) and Mortgage Certificates (or participations therein) and (b) if the Rating Agencies have previously informed the Corporation and the Trustee in writing that there would be no adverse effect on the Unenhanced Ratings then assigned by them to the Bonds, other mortgage instruments (or participations therein) deposited in the Program Obligation Fund or identified or described by the Corporation either in the Authorizing Indenture authorizing the issuance of a Series of Bonds or otherwise in writing to the Trustee.

"Rating Agencies" means Moody's, S&P and Fitch.

"Rating Quality" means having terms, conditions and/or a credit quality such that the item stated to be of Rating Quality will not adversely affect the then-current Unenhanced Rating assigned by the Rating Agencies to the Bonds.

"Redemption Price" means, with respect to any Bond, the principal amount thereof and any applicable premium.

"Restricted Mortgage Principal" means Mortgage Principal that is required by the Code (in the amounts specified in the Authorizing Indenture for a Series or the corresponding Tax Certificate) to be used to redeem or retire Bonds of a Series.

"Secured Obligations" means (i) the obligation of the Corporation to pay the principal of, and the interest and premium, if any, on, all Bonds according to their tenor, and the performance and observance of all the Corporation's covenants and conditions in the Bonds and the Indenture; and (ii) the payment and performance of all obligations of the Corporation pursuant to any Hedging Instrument entered into with respect to all or any portion of the Bonds and specified as such in any Authorizing Indenture, but *only* to the extent provided for in the Indenture and any Supplemental Indenture; but "Secured Obligations" does not include any obligation of the Corporation to purchase Bonds tendered prior to their maturity date or redemption date or to reimburse any Liquidity Provider for amounts drawn on or made available pursuant to a Liquidity Facility for the payment of any such purchase obligation.

"Streamlined Mortgage Loan" means a Mortgage Loan of the Corporation modified to require lower mortgage payments pursuant to action of the Corporation in December 1991.

"Tax Certificate" means the certificate, if any, relating to the criteria for tax-exemption of interest on the Bonds delivered by the Corporation at the delivery of a Series of Bonds (other than Bonds the interest on which is intended not to be excluded from gross income for Federal income tax purposes).

"Uncovered Loan Losses" means, at any time of calculation, losses with respect to defaulted Mortgage Loans held in the Program Obligation Fund, to the extent that such losses (i) are not covered by any mortgage insurance or guarantee, (ii) are not recovered upon foreclosure or sale in lieu of foreclosure, and (iii) have not been covered by a transfer of amounts from the Loan Loss Fund to the Redemption Fund pursuant to the Indenture.

"Unenhanced Rating" means with respect to any particular Bonds, the long-term credit rating assigned to such Bonds by each Rating Agency for such Bonds without regard to any bond insurance or other form of credit enhancement that may then exist with respect to such Bonds.

Indenture to Constitute a Contract (Section 203)

In consideration of the purchase and acceptance of the Secured Obligations by those who hold the same from time to time, the provisions of the Indenture will be a part of the contract of the Corporation with the holders of Secured Obligations and will be deemed to be and will constitute a contract among the Corporation, the Trustee and the holders from time to time of the Secured Obligations. The pledge effected by the Indenture and the provisions, covenants and agreements set forth in the Indenture to be performed by or on behalf of the Corporation will be for the equal benefit, protection and security of the holders of any and all of such Secured Obligations, each of which will be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Indenture.

Issuance of Additional Bonds (Sections 205, 206 and 207)

The Indenture authorizes additional Bonds (including refunding Bonds) of a Series to be issued from time to time, subject to the terms, conditions and limitations set forth therein. The Bonds of a Series are to be executed by the Corporation and delivered to the Trustee for authentication and delivery only upon receipt by the Trustee of:

(i) a Counsel's Opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the Indenture;

(ii) a copy of the Authorizing Indenture;

(iii) the amount of the proceeds of such Series and amounts from other sources to be deposited in any Fund or Account held by the Trustee pursuant to the Indenture;

(iv) except in the case of refunding Bonds, a certificate of an authorized officer stating that the Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture;

(v) a Bond Coverage Certificate;

(vi) a certificate of an authorized officer of the Corporation that the then-current ratings of the Outstanding Bonds will not be reduced by the issuance of the additional Bonds;

(vii) a written order as to the authentication and delivery of such Bonds signed by an Authorized Officer; and

(viii) such further requirements as set forth in the Indenture and any Supplemental Indenture.

One or more Series of refunding Bonds may be issued pursuant to the Indenture to refund any Outstanding Bonds. Refunding Bonds may be issued only upon receipt by the Trustee of irrevocable instructions to the Trustee to give any required notices with respect to the refunded Bonds, and upon receipt by the Trustee of either (i) moneys sufficient to effect payment of the Bonds to be refunded or (ii) direct obligations of, or obligations insured or guaranteed by, the United States of America or agencies or instrumentalities thereof which will provide moneys sufficient to provide for such payment.

Funds and Accounts (Section 501)

The Indenture establishes and creates the following trust funds and accounts:

- Program Obligation Fund
- Revenue Fund
  - Interest Account
  - Debt Service Reserve Account
  - Bond Proceeds Account
  - Restricted Mortgage Principal Account
- Redemption Fund
  - Principal Account
  - Operating Account
  - General Account
- Rebate Fund
- Bond Purchase Fund
- Loan Loss Fund

The Trustee will establish for each Series separate accounts in the Revenue Fund, the Redemption Fund, the Program Obligation Fund and the Rebate Fund and separate subaccounts in the Interest Account, the Restricted Mortgage Principal Account, the Principal Account, the Operating Account and the General Account.

Program Obligation Fund (Section 502)

All Pledged Revenues relating to Program Obligations (including prepayments) and other investments in a Series Account of the Program Obligation Fund will be transferred to the applicable Series Account or Restricted Mortgage Principal Account of the Revenue Fund.

The Trustee will disburse amounts held in each Series Account in the Program Obligation Fund (i) to acquire Program Obligations, (ii) to purchase Investment Securities, (iii) to transfer to the Interest Account or the Principal Account either as directed in the most recently delivered Bond Coverage Certificate or at the written direction of the Corporation to the extent necessary to prevent a default in the payment of principal of or interest on the Bonds or to pay the redemption price of the Bonds or (iv) as otherwise specified in the Authorizing Indenture or the redemption of Bonds.

The Trustee will disburse funds in the Program Obligation Fund against delivery of Program Obligations only if the conditions of the Indenture are met, including that (i) the Corporation certifies the existence of Bond Coverage giving effect to such disbursement as provided in the definition of Bond Coverage, (ii) the Corporation certifies that no Event of Default under the Indenture exists or will exist after giving effect to such disbursement, (iii) the Corporation gives irrevocable authority to register any Mortgage Certificates in the name of the Trustee and assigns to the Trustee all of the Corporation's rights, title and interest in any Mortgage Loans, and (iv) with respect to a proposed delivery of Mortgage Loans, the Corporation certifies compliance with any requirement with respect to Loan Loss Coverage and the Debt Service Reserve Requirement in accordance with the Indenture and the applicable Authorizing Indenture.

Revenue Fund (Section 503)

Immediately upon receipt of any Pledged Revenues (*provided* that amounts received in respect of any Hedging Instrument will be credited as specified in a Supplemental Indenture or an Authorized Officer's Certificate), the Trustee will deposit such Pledged Revenues in the applicable Series Account of the Revenue Fund, except that Restricted Mortgage Principal shall be deposited in the applicable Series Subaccount of the Restricted Mortgage Principal Account. The Trustee will apply such Pledged Revenues, together with any excesses in the Debt Service Reserve Account or Loan Loss Fund transferred to the Revenue Fund as described in the last paragraph under this heading, as follows:

(1) From each Series Subaccount of the Restricted Mortgage Principal Account:

First, the Trustee shall transfer to the related Series Subaccount of the Principal Account the amount needed, together with amounts on deposit therein, to pay principal (including any Sinking Fund Installments) coming due on the Bonds of the related Series on or before the next Debt Service Payment Date and shall apply such amount to such purpose on such Debt Service Payment Date; and

Second, after satisfying the foregoing, the Trustee shall transfer to the related Series Subaccount of the General Account any amount then remaining in such Series Subaccount of the Restricted Mortgage Principal Account to be used to redeem Bonds of the related Series and shall apply such amount to such purpose on the earliest practicable redemption date.

(2) From each Series Account of the Revenue Fund:

First, the Trustee shall transfer to the applicable Series Account of the Rebate Fund to the extent so directed in writing by the Corporation but only as necessary to comply with the documents referred to in the Indenture and shall apply such amounts to such purpose; and

Second, the Trustee shall transfer (i) to the applicable Series Subaccount of the Interest Account the amount required, together with other amounts on deposit therein, to pay the interest on the Bonds of the related Series on the next interest payment date; the Trustee will apply funds in a Series Subaccount of the Interest Account to the payment of interest on the applicable Series of Bonds on the applicable interest payment date; and (ii) to the counterparty of any related Hedging Instrument, Authorized Hedging Payments due under such Hedging Instrument during the related current Interest Payment Period. After making the transfers set forth in the immediately previous sentence the Trustee may transfer to the Interest Account the amount required, together with other amounts on deposit therein, to pay interest coming due on Bonds of other Series to the extent that amounts under the Indenture would be otherwise insufficient therefor absent a transfer of funds from the Debt Service Reserve Account or the Loan Loss Fund or other money made available by the Corporation.

After satisfaction in full of the deposits required by the preceding paragraphs, the Trustee will transfer the remaining Pledged Revenues in a Series Account of the Revenue Fund to the applicable Series Account of the Redemption Fund, to be applied as described below under "Summary of Certain Provisions of the Indenture — Redemption Fund."

If at noon on the third Business Day prior to any Debt Service Payment Date the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Interest Account, the Principal Account and the General Account is less than the amount required to pay, or to reimburse the payment of, Debt Service Payments on such Debt Service Payment Date, any deficiency in each such Account will be immediately satisfied with a transfer from the Debt Service Reserve Account to the applicable Account or, if insufficient, by a deposit to the applicable Account of any other funds of the Corporation available therefor, including the Loan Loss Fund. On any Debt Service Payment Date, funds on deposit in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement may be withdrawn and paid over to the Corporation free and clear of the lien and pledge of the Indenture if the Corporation has filed with the Trustee a Bond Coverage Certificate demonstrating Bond Coverage after giving effect to such withdrawal; provided, that all Debt Service Payments on the Bonds then due have been paid on such Debt Service Payment Date, and that all Authorized Hedging Payments then due from the Corporation or the Trustee to the counterparties under any Hedging Instruments have been paid on such Debt Service Payment Date; and provided, further, that no such withdrawal may be made (i) while proceeds of any Series are on deposit in the Program Obligation Fund and have not been either exchanged for Program Obligations or applied to the redemption of Bonds of such Series or (ii) for sixty days following any period described in (i); and provided, further, that no such funds derived from the proceeds of tax-exempt Bonds may be so released without a Counsel's Opinion to the effect that such release will not adversely affect the tax-exemption of interest on the tax-exempt Bonds from which such funds were derived. Any amounts remaining in the Debt Service Reserve Account five days after each following Debt Service Payment Date in excess of the Debt Service Reserve Requirement will be transferred by the Trustee to the Account or Accounts of the Revenue Fund for the related Series of Bonds. On future Debt Service Payment Dates, the Trustee will, at the direction of the Corporation, transfer any amounts in the Debt Service Reserve Account that are in excess of the Debt Service Reserve Requirement to the Series Account or Accounts of the Revenue Fund for the related Series of Bonds.

Redemption Fund (Section 504)

On any day the Trustee receives funds for deposit in a Series Account of the Redemption Fund, the Trustee will deposit and apply such funds as follows:

First, (i) in each period ending on a principal payment date for the applicable Series of Bonds, to deposit in the related Series Subaccount of the Principal Account the amount necessary, together with other amounts in such Subaccount, to pay principal of the applicable Series of Bonds (and, after so providing for the payment of principal of such related Series, to pay principal coming due on Bonds of other Series to the extent that amounts under the Indenture would be otherwise insufficient therefor absent a transfer of funds from the Debt Service Reserve Account or the Loan Loss Fund) due on such principal payment date; the Trustee shall apply funds in a Series Subaccount of the Principal Account to payment of principal of the related Series of Bonds on the applicable principal payment date; and (ii) to the counterparty of any Hedging Instrument, Authorized Hedging Payments due under such Hedging Instrument during the related current Interest Payment Period;

Second, in each period ending on a Sinking Fund Installment Date for a Series of Bonds, to deposit in the related Series Subaccount of the Principal Account the amount necessary to satisfy the Sinking Fund Installment on the Bonds of such Series (and, after so providing for the payment of principal of such related Series, to pay Sinking Fund Installments coming due on Bonds of other Series to the extent that amounts under the Indenture would be otherwise insufficient therefor absent a transfer of funds from the Debt Service Reserve Account or the Loan Loss Fund) on such Sinking Fund Installment Date;

Third, to the Debt Service Reserve Account, the amount required, if any, to increase the balance to the Debt Service Reserve Requirement;

Fourth, to the related Subaccount of the Operating Account the amount required to pay or reimburse the Corporation for the payment of Program Expenses allocable to the then current semi-annual interest period for the related Series of Bonds, but in no event may such deposits in any semi-annual interest period exceed .055% of the outstanding principal balance of the Program Obligations held in the related Series Account of the Program Obligation Fund; and

Fifth, after satisfaction in full of the deposits required by the four preceding paragraphs, remaining amounts to the applicable Series Subaccount of the General Account for application to the special redemption of Bonds of the related Series on a *pro rata* basis; provided that upon the filing of a Bond Coverage Certificate, the Corporation may direct the Trustee: (i) to deposit all or a portion of such amount in the applicable Series Account of the Program Obligation Fund, but only if any amounts initially deposited in such Series Account of the Program Obligation Fund have been exchanged for Program Obligations or applied to redeem Bonds of the applicable Series (provided that for such a transfer a Bond Coverage Certificate need be filed only if the Rating Agencies require it); (ii) to deposit all or a portion of such amount in the related Series Subaccount of the General Account for application to the special redemption of Bonds of the related Series on other than a *pro rata* basis; (iii) to deposit all or a portion of such amount in another Series Subaccount of the General Account for application to special redemption of the one or more Series of Bonds relating to such Subaccount; or (iv) to transfer all or a portion of such moneys to the Corporation free and clear of the lien and pledge of the Indenture, but only if any amounts initially deposited in the related Series Account of the Program Obligation Fund have been exchanged for Program Obligations.

Notwithstanding the foregoing, if amounts in any Series Subaccount of the Interest Account or the Principal Account are not adequate to pay interest or principal (including Sinking Fund Installments) due with respect to the applicable Series of Bonds or any Authorized Hedging Payments required to be made by the Corporation or the Trustee to a counterparty under a related Hedging Instrument, amounts will be withdrawn from one or more Series Accounts of the Revenue Fund or the Redemption Fund to pay such interest or principal or required payments. Such transfers will be made in accordance with the directions of the Corporation or if no such direction is given from any Series Account of the Revenue Fund or the Redemption Fund. All such transfers will be made before any transfers of Pledged Revenues to the Operating Account or the General Account.

Rebate Fund (Section 505)

The Trustee will establish and create a Rebate Fund (and a separate account therein for each Series of Bonds), if necessary pursuant to the terms and conditions of any arbitrage or other tax-related certificate prepared in connection with the issuance of a Series of Bonds or any instructions or memoranda attached thereto or a Counsel's Opinion. Amounts in the Rebate Fund are not pledged by the Indenture as security for the payment of Secured Obligations.

Bond Purchase Fund (Section 506)

An Authorizing Indenture may create one or more accounts within the Bond Purchase Fund for the purpose of holding amounts to be used to purchase related Bonds tendered by Bondholders pursuant to the terms of such Authorizing Indenture. Such accounts will be held in trust by the Trustee or Paying Agent designated by such Authorizing Indenture for the purposes specified by such Authorizing Indenture. Amounts in the Bond Purchase Fund are not pledged by the Indenture as security for the payment of Secured Obligations; and the term "Secured Obligations" does not include any obligation of the Corporation to purchase Bonds tendered prior to their maturity date or redemption date or to reimburse any Liquidity Provider for amounts drawn on or made available pursuant to a Liquidity Facility for the payment of any such purchase obligation.

Loan Loss Fund (Section 507)

The Trustee and the Corporation shall make deposits into, and withdrawals and disbursements from the Loan Loss Fund in accordance with the Indenture. The Corporation shall maintain at all times an amount in the Loan Loss Fund equal to the Loan Loss Requirement. The Loan Loss Fund may be funded with any combination of cash or investments described in paragraphs 1, 2 and 11 of the definition of Investment Securities, *provided* that, from and after the delivery to the Trustee of a Bond Coverage Certificate demonstrating clause (i) of the definition of Parity has been met, the Loan Loss Fund may also be funded with Mortgage Loans and Mortgage Certificates. No Mortgage Loans shall be purchased within or otherwise credited to the Program Obligation Fund unless upon such crediting the amount on deposit in the Loan Loss Fund shall be at least equal to the Loan Loss Requirement.

The Corporation may, at any time, withdraw from the Loan Loss Fund an amount equal to Uncovered Loan Losses. The Corporation shall transfer all such amounts so withdrawn to the applicable Series Account of the Redemption Fund to be used to redeem Bonds of the related Series at the earliest practicable redemption date.

Amounts in the Loan Loss Fund in excess of the sum of (i) the Loan Loss Requirement and (ii) current and expected Uncovered Loan Losses, may at any time be withdrawn and paid to the Corporation free and clear of the lien and pledge of the Indenture.

If, at noon, Alaska time, on the fifteenth Business Day preceding any Debt Service Payment Date, the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Interest Account, the Principal Account, the General Account and the Debt Service Reserve Account shall be less than the amount required to pay any Debt Service Payment on the Bonds on such Debt Service Payment Date, the Trustee shall so notify the Corporation. If, at noon, Alaska time, on the tenth Business Day, preceding any Debt Service Payment Date, the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Interest Account and the Principal Account shall be less than the amount required to pay any Debt Service Payment on the Bonds on such Debt Service Payment Date, the Trustee shall, to the extent necessary, sell Investment Securities, Mortgage Loans or Mortgage Certificates on deposit in the Loan Loss Fund such that an amount in cash equal to the deficiency described in this paragraph is on deposit in the Loan Loss Fund.

If, at noon, Alaska time, on the third Business Day prior to any Debt Service Payment Date the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Interest Account, the Principal Account and the General Account is less than the amount required to pay, or to reimburse the payment of, Debt Service Payments on such Debt Service Payment Date, any deficiency in each such Account shall be immediately satisfied with a transfer from the Debt Service Reserve Account to the applicable Account or, if insufficient, by a deposit to the applicable Account of any other funds of the Corporation available therefor, including the Loan Loss Fund.

Investments (Sections 513 and 515)

All amounts held under the Indenture by the Trustee are required to be continuously and fully invested for the benefit of the Corporation and the owners of the Bonds in accordance with the Indenture. All amounts deposited with the Trustee are required to be credited to the particular funds and accounts established under the Indenture.

The Corporation is required to furnish the Trustee with written investment instructions. In the absence of such instructions, the Trustee is required to invest in those Investment Securities described in clause (10) of the definition of Investment Securities so that the moneys in said Funds and Accounts will mature as nearly as practicable with times at which moneys are needed for payment of principal or interest on the Bonds. Except as otherwise provided in the Indenture, the income or interest earned and gains realized in excess of losses suffered by a Fund, other than the Loan Loss Fund, the Bond Purchase Fund and the Rebate Fund, due to the investment thereof will be deposited as Pledged Revenues in the Revenue Fund, unless otherwise directed by the Corporation. The Trustee is required to advise the Corporation on a monthly basis of the details of all deposits and Investment Securities held for the credit of each Fund in its custody under the provisions of the Indenture as of the end of the preceding month. The Trustee may act as principal or agent in the acquisition or disposition of any Investment Securities. The Trustee may purchase Investment Securities from (i) any lawful seller, including itself, (ii) other funds of the Corporation, and (iii) other funds established by resolution, indenture or agreement of the Corporation (including resolutions providing for issuance of obligations); provided, however, that the Trustee is not permitted to purchase Investment Securities at an above-market price or a below-market yield. The Trustee may, at its sole discretion, commingle any of the Funds and Accounts established pursuant to the Indenture into a separate fund or funds for investment purposes only; provided, however, that all Funds and Accounts held by the Trustee under the Indenture will be accounted for separately notwithstanding such commingling. The Corporation may not direct the Trustee to purchase any Investment Securities (other than an Investment Agreement) maturing on a date later than the earlier of six months following the date of purchase or the next Debt Service Payment Date, with the exception of investments made in the Loan Loss Fund, unless the Corporation has delivered a Bond Coverage Certificate to the Trustee. In computing the amount in any Fund, obligations purchased as an investment of moneys therein will be valued at par if purchased at their par value or at amortized value if purchased at other than their par value. The Trustee will sell at market price, or present for redemption, any obligation so purchased as an investment whenever it is requested in writing by an authorized officer of the Corporation to do so or whenever it is necessary in order to provide moneys to meet any payment or transfer from any fund held by it. The Trustee will not be liable for any loss resulting from the acquisition or disposition of any Investment Securities, except for any such loss resulting from its own negligence or willful misconduct.

Investment Agreements (Section 514)

If the Corporation so directs the Trustee in writing, the Corporation and the Trustee will execute and deliver, as of the date of delivery of a Series of Bonds, or at such other time determined by the Corporation, one or more Investment Agreements and the Trustee will deposit on such date (i) amounts in the Debt Service Reserve Account under an Investment Agreement providing for investment of such amounts and permitting withdrawals on or before Debt Service

Payment Dates and (ii) amounts in the Program Obligation Fund and amounts in the Interest Account under an Investment Agreement providing for investment of such amounts and permitting withdrawals as necessary under the terms of the Indenture and the Authorizing Indenture. After the date of issuance and delivery of the Bonds, moneys deposited from time to time in the Revenue Fund (other than moneys transferred from the Redemption Fund to the Debt Service Reserve Account to bring the balance therein to the Debt Service Reserve Requirement), the Redemption Fund and the Program Obligation Fund and available for temporary investment will be deposited by the Trustee under an Investment Agreement providing for investment of such amounts and permitting withdrawals as necessary under the terms of the Indenture and the Authorizing Indenture.

No Limitation on Additional Collateral Contributions (Section 516)

The Corporation may from time to time contribute, and the Trustee will accept and deposit, in any Fund or Account, moneys and/or Investment Securities and/or Program Obligations.

Payment of Bonds (Section 701)

The Corporation covenants to duly and punctually pay or cause to be paid the principal or redemption price, if any, of and the interest on every Bond at the dates and places and in the manner stated in the Bonds and in the Indenture according to the true intent and meaning thereof and to duly and punctually pay or cause to be paid all sinking fund installments becoming payable with respect to the Bonds.

Power to Issue Bonds and Pledge Revenues and Other Property; Hedging Instruments (Section 705)

The Corporation is duly authorized by law to enter into, execute and deliver the Indenture. The Bonds and the provisions of the Indenture are and will be the valid and legally enforceable obligations of the Corporation in accordance with their terms. The Corporation will at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Program Obligations, Pledged Revenues and other assets, including rights therein, pledged under the Indenture and all the rights of the owners of the Bonds under the Indenture against all claims and demands of all persons whomsoever.

No Hedging Instrument may be entered into by the Corporation with respect to all or any portion of the Bonds unless it complies with the following terms, conditions, provisions and limitations and any additional terms, conditions, provisions and limitations specified by the related Supplemental Indenture with respect to such Hedging Instrument and the related Bonds:

(i) The counterparty (or guarantor of the counterparty) of each Hedging Instrument shall have a rating at the time of execution of the Hedging Instrument of its long-term debt obligations of at least "A-" or higher if rated by S&P or Fitch and "A3" or higher if rated by Moody's; and

(ii) No Hedging Instrument may be entered into by the Corporation if the entry into such Hedging Instrument would cause any Unenhanced Rating on any Bonds to be reduced or withdrawn.

Tax Covenants (Section 706)

The Corporation covenants to:

(i) not knowingly take or cause any action to be taken which would cause the interest on the Tax-Exempt Bonds to become taxable for federal income tax purposes;

(ii) at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Tax-Exempt Bonds will, for the purposes of federal income taxation, be excludable from gross income and exempt from such taxation; and

(iii) not permit at any time or times any proceeds of any Bonds, Pledged Revenues or any other funds of the Corporation to be used, directly or indirectly, in a manner which would result in the exclusion of any Tax-Exempt Bond from the treatment afforded by subsection (a) of Section 103 of the Code.

The covenants described in clauses (i), (ii) and (iii) above will not apply to any Series of Bonds the interest on which is determined by the Corporation not to be exempt from taxation under Section 103 of the Code, provided, that no such Series of Bonds may be issued unless a Counsel's Opinion is filed with the Trustee stating that the issuance of such Series will not cause the interest on a Tax-Exempt Bond previously issued to be subject to taxation under the Code.

Accounts and Reports (Section 707)

The Corporation covenants that it will keep, or cause to be kept, proper books and records in which complete and accurate entries will be made of all its transactions relating to the program for which the Bonds are issued and any fund or account established under the Indenture and any Supplemental Indenture thereto. Such books and records will at all reasonable times be subject to the inspection by the Trustee and the owners or Beneficial Owners of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

The Corporation also covenants to file with the Trustee within 120 days of the close of its fiscal year, financial statements of the Corporation for such year, setting forth in reasonable detail (a) a statement of revenues and expenses in accordance with the categories or classifications established by the Corporation for its program purposes; (b) a balance sheet of the program showing its assets and liabilities at the end of such fiscal year; and (c) a statement of changes in financial position for the Program for such fiscal year. The financial statements will be accompanied by an accountant's certificate to the effect that the financial statements present fairly the Corporation's financial position at the end of the fiscal year, the results of its operations and cash flows for the period examined, in conformity with generally accepted accounting principles. The Trustee has no responsibility to review such financial statements.

Sale of Program Obligations (Section 709)

Neither the Corporation nor the Trustee shall sell or assign any Program Obligation held in the Program Obligation Fund, except (i) to realize the benefits of any mortgage or hazard insurance with respect to a Mortgage Loan or for the purpose of complying with any federal tax requirement; (ii) if the Bonds of any Series have been declared due and payable; (iii) in connection with any optional redemption of a Series of Bonds in whole or in part as described in a Supplemental Indenture (any such redemption in part requires the filing of a Bond Coverage Certificate); and (iv) in connection with a special redemption of a Series of Bonds when the principal amount of such Series of Bonds is 15% (or such other percentage or amount as may be provided in an Authorizing Indenture) or less of the initial principal amount thereof; provided that in the case of either type of redemption, only the Program Obligations in the related Series Account may be sold or assigned.

Supplemental Indentures (Sections 801, 802, 803 and 902)

Supplemental Indentures Effective Upon Filing With Trustee. The Corporation may file with the Trustee one or more supplemental indentures (each a "Supplemental Indenture") from time to time, without the consent of the Trustee and any owner of Bonds, in order to:

(i) provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on the issuance of evidences of indebtedness,

(ii) add to the covenants, agreements, limitations and restrictions observed by the Corporation in the Indenture other covenants, agreements, limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with the Indenture and which are not materially adverse to the interests of any Liquidity Provider,

(iii) authorize a Series of additional Bonds and in connection therewith, specify and determine the matters and things referred to in the Indenture, and also any matters and things relative to such Series of additional Bonds which are not contrary to or inconsistent with the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Series of Bonds,

(iv) surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Indenture,

(v) confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture,

(vi) modify any of the provisions of the Indenture in any respect whatsoever, provided that (1) such modification does not materially adversely affect any owner of Bonds or (2) such modification is, and is expressed to be, effective only after all Bonds Outstanding at the date of adoption of such Supplemental Indenture cease to be

Outstanding or (3) such modification is, and is expressed to be, applicable only to Bonds issued on or after the date of the adoption of such Supplemental Indenture, or

(vii) to make any other change in the Indenture, including any change otherwise requiring the consent of Bondholders, if such change affects only Bonds which are subject to mandatory or optional tender for purchase and if (i) with respect to Bonds subject to mandatory tender, such change is effective as of a date for such mandatory tender, and (ii) with respect to Bonds subject to tender at the option of the holders thereof, notice of such change is given to such holders at least thirty (30) days before the effective date thereof.

Supplemental Indentures Effective Upon Consent of Trustee. For any one or more of the following purposes and at any time or from time to time, the Corporation and the Trustee may enter into a Supplemental Indenture which, upon a finding recited therein by the Corporation and the Trustee (which may be based in reliance upon a Counsel's Opinion) that there is no material adverse effect on the owners of any Bonds, will be fully effective in accordance with its terms:

(i) cure any ambiguity, supply any omission, cure or correct any defect or inconsistent portion in the Indenture,

(ii) insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect, or

(iii) provide for additional duties of the Trustee.

Supplemental Indentures Effective Upon Consent of Owners of Bonds. Any modification or amendment of any provision of the Indenture or of the rights and obligations of the Corporation and of the owners of any Bonds may be made by a Supplemental Indenture, with the written consent given as provided in the Indenture of the holders of at least two-thirds in principal amount of the Outstanding Bonds. No such modification or amendment may permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest rate thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the holder of such Bond.

Events of Default (Section 1002)

Each of the following events is an "Event of Default" under the Indenture:

(a) the Corporation defaults in the payment of the principal or redemption price of any Bond when and as the same has become due, whether at maturity or upon call for redemption or otherwise;

(b) payment of any installment of interest on any Bond has not been made after the same has become due; and

(c) the Corporation fails to comply with the provisions of the Indenture or any Supplemental Indenture or defaults in the performance or observance of any of the covenants, agreements or conditions contained therein, other than payment of the Trustee's fees, and such failure, refusal or default continues for a period of 45 days after written notice thereof by the Trustee or the holders of not less than 25% in principal amount of the Outstanding Bonds.

Remedies (Section 1003)

Upon the happening and continuance of any Event of Default specified in clauses (a) or (b) above, the Trustee is required to proceed, or upon the happening and continuance of any Event of Default specified in clause (c) above, the Trustee may proceed, and upon the written request of any Liquidity Provider or the holders of not less than 25% in principal amount of all Bonds Outstanding (but subject to the right of a holder of a majority in principal amount of the Bonds then Outstanding as described under "Bondholders' Direction of Proceedings" to overrule such holders) is required to proceed, in its own name, subject to the terms of the Indenture, to protect and enforce its rights and the rights of the owners of all Bonds, by such of the following remedies as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of said owners, including the right to require the Corporation to receive and collect revenues and assets adequate to carry out the covenants and agreements as to, and pledge of, such revenues and assets, and to require the Corporation to carry out any other covenant or agreement with holders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the owners of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults are made good, then, with the written consent of each Liquidity Provider and the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event the Bonds are declared due and payable by selling Program Obligations for the benefit of the owners of the Bonds.

Priority of Payments after Default (Section 1004)

In the event that upon the happening and continuance of any Event of Default, the funds held by the Trustee are insufficient for the payment of principal or redemption price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee, acting pursuant to the Act and the Indenture, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the owners of the Bonds and for the payment of fees, charges and expenses and liabilities incurred by the Trustee, including those of its attorneys, in the performance of its duties under the Indenture, will be applied as follows unless the principal of all the Bonds is declared due and payable:

First, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second, to the payment to the persons entitled thereto of the unpaid principal or redemption price of the Bonds which have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available is not sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or redemption price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

Consistent with the foregoing, if the principal of Bonds is declared due and payable, available moneys will be applied to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over any other installment of interest, or of any Bond over any other Bond, ratably among all Bonds, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the above-described provisions, such moneys are required to be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion determines, and the Trustee will incur no liability whatsoever to the Corporation, to any owner of Bonds or to any other person (including any Beneficial Owners) for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee.

Bondholders' Direction of Proceedings (Section 1006)

Anything in the Indenture to the contrary notwithstanding, the holders of a majority in principal amount of the Bonds then Outstanding have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided that such direction may not be otherwise than in accordance with law or the provisions of the Indenture.

Limitation on Rights of Bondholders (Section 1007)

No holder of any Bond has any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Indenture, or for the protection or enforcement of any right under the Indenture or any right under the law, unless such holder has given to the Trustee written notice of the Event of Default or breach of duty on account of which suit, action or proceeding is to be taken, unless a Liquidity Provider or the holders of not less than 25% in principal amount of the Bonds then Outstanding have made written request upon the Trustee after the right to exercise such powers or right of action, as the case may be, has occurred, and have afforded the Trustee sixty days either to proceed to exercise the power granted by the Indenture or granted under the law or to institute such action, suit or proceeding, in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within sixty days; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Indenture or for any other remedy under the Indenture or under law. No one or more holders of the Bonds will have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under law with respect to the Bonds or the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Indenture and for the benefit of all holders of Outstanding Bonds. Nothing contained in the Indenture will affect or impair the right of any holder to enforce the payment of the principal or redemption price, if any, of and interest on the Bonds, or the obligation of the Corporation to pay the principal or redemption price, if any, of and interest on each Bond issued under the Indenture to the holder thereof at the time and place specified in said Bond.

Notwithstanding anything to the contrary contained in the Indenture, each holder of any Bond by his acceptance thereof will be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions described in this paragraph will not apply to any suit instituted by the Trustee, to any suit instituted by any holder of Bonds, or group of holders of Bonds, holding at least 25% in principal amount of the Bonds then Outstanding, or to any suit instituted by any holder for the enforcement of the payment of the principal or redemption price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Trustee (Sections 1104, 1107 and 1108)

Except during the existence of an Event of Default, the Corporation may remove the Trustee at any time for such cause as is determined in the sole discretion of the Corporation. The removal of the Trustee will not take effect until its successor has accepted its appointment. Any successor to the Trustee is required to be a trust company, savings bank or commercial bank having capital and surplus aggregating at least $50,000,000. The Corporation is required to pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in the performance of their powers and duties under the Indenture.

Defeasance (Section 1201)

If the Corporation pays or causes to be paid to the holders of the Bonds the principal and interest and redemption price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of any revenues and assets thereby pledged and all other rights granted thereby will be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Bonds will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation has given to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption of such Bonds and (b) there has been deposited with the Trustee either moneys in an amount which will be sufficient, or direct obligations of or obligations guaranteed by the United States of America the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal or redemption price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be. In connection with any such deposit relating to Bonds the interest on which is excludable from gross income for federal income tax purposes, there must also be delivered to the Trustee an opinion of counsel that the deposit of moneys does not adversely affect the exclusion of interest on any Bond from gross income for federal income tax purposes. Neither the obligations nor the moneys so deposited with the Trustee nor principal or interest payments on any such obligations may be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds, but any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, will, to the extent practicable, be reinvested in obligations maturing at times and in amounts sufficient to pay when due the principal or redemption price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments will be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

Liquidity Providers (Section 1203)

Any Authorizing Indenture may provide, with respect to any consent, approval, direction or request to be given by any required percentage of Holders of Bonds (i) that the Liquidity Provider for such Bonds may give any such consent, approval, direction or request, and the same will be deemed to have been given by the Holders of the required percentage of such Bonds, or (ii) that any Bonds purchased with the proceeds of advances made by a Liquidity Provider will be deemed to be held by such Liquidity Provider, which will be considered the Holder of such Bonds for all purposes of determining whether Holders of a sufficient percentage of Bonds have given any such consent, approval, direction or request; and specifically the Holders of such Series will not be entitled to request action by the Trustee as described above under "Remedies" if such Liquidity Provider does not request such action.

Legal Holidays (Section 1207)

In any case where the scheduled date of payment of the principal or Redemption Price of or interest on the Bonds is not a Business Day, such payment may be made on the next succeeding Business Day with the same force and effect as if made on such scheduled date, and if so made no interest will accrue for the period after such scheduled date.

Governing Law (Section 1208)

The Indenture will be governed by and construed in accordance with the laws of the State.

TAX MATTERS

Opinions of Bond Counsel and Special Tax Counsel

In the opinions of Bond Counsel and Special Tax Counsel, to be delivered on the date of issuance of the Offered Bonds, assuming compliance with certain covenants which are designed to meet the requirements of the Code, under existing laws, regulations, rulings and judicial decisions, (i) interest on the Offered Bonds is excluded from gross income for Federal income tax purposes; (ii) interest on the 2009 Series C Bonds is not a specific preference item or included in adjusted current earnings of corporations for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code; and (iii) interest on the 2009 Series D Bonds is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code; *however*, interest on the 2009 Series D Bonds is included in the adjusted current earnings (*i.e.*, alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

In the opinion of Bond Counsel, interest on the Offered Bonds is free from taxation by the State under existing law (*except* that no opinion is expressed as to such exemption from State estate and inheritance taxes and taxes of transfers by or in anticipation of death).

General

The requirements of applicable Federal tax law must be satisfied with respect to both the 2009 Series C Bonds and the 2009 Series D Bonds in order that interest on the either Series of the Offered Bonds not be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof. The Code provides that interest on obligations of a governmental unit such as the Corporation issued to finance, or to refund bonds issued to finance, single family residences for first time homebuyers (such as the 2009 Series C Bonds) is not included in gross income for Federal income tax purposes only if certain requirements are met with respect to the terms, amount and purpose of the obligations and the use of the funds generated by the issuance of the obligations, the nature of the residences and the mortgages, and the eligibility of the borrowers executing the mortgages. Such requirements generally do not apply to the mortgage loans financed by the 2009 Series D Bonds as a result of transition rules in various federal tax laws adopted since 1980.

Loan Eligibility Requirements Imposed by the Code

The Code contains the following loan eligibility requirements that are applicable to Mortgage Loans financed with proceeds attributable to the 2009 Series C Bonds in order that interest on the Offered Bonds not be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof.

Residence Requirement

The Code requires that each of the premises financed with proceeds of qualified mortgage bonds be a one-to-four-family residence, one unit of which can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the financing is provided. In the case of a two-to-four-family residence (other than two-family residences in targeted areas having borrowers whose family income does not exceed 140% of applicable family median income), the residence must have been occupied as a residence at least five years before the mortgage is executed. Certain documents adopted by the Corporation that establish procedures to be followed in connection with the financing of Mortgage Loans with amounts attributable to the 2009 Series C Bonds in order to assure that interest paid on the Offered Bonds not be included in gross income for Federal income tax purposes under the Code (the "Program Documents") require each mortgagor to submit an affidavit stating such person's intention to occupy the premises as his principal residence within 60 days after closing of the Mortgage Loan. In the case of a two-to-four-family residence (other than two-family residences in targeted areas having borrowers whose family income does not exceed 140% of applicable family median income), the mortgagor is required by the Program Documents to certify that the residence was first occupied as a residence at least five years before the Mortgage Loan was executed.

First-Time Homebuyer Requirement

The Code requires that, subject to certain exceptions, the lendable proceeds of qualified mortgage bonds be used to provide financing to mortgagors who have not had a present ownership interest in their principal residence (other than the residence being financed) during the three-year period prior to execution of the mortgage loan. Mortgagors subject to this requirement must so certify when applying to a Mortgage Lender for a Mortgage Loan, and the Program Documents require that the Mortgage Lender make a reasonable investigation to verify such certification. Mortgagors subject to this requirement are required to provide Federal income tax returns for the previous three years or other appropriate certifications to allow the Mortgage Lender to verify that no deductions or other entries have been made that would indicate any such ownership interest.

New Mortgage Requirement

The Code requires that, with certain limited exceptions, the lendable proceeds of qualified mortgage bonds finance new mortgage loans only and that no proceeds may be used to acquire or replace an existing mortgage loan, which would include the refinancing of a pre-existing mortgage loan. The Corporation will verify compliance with the new mortgage requirement by requiring each mortgagor and the seller of the residence to certify, subject to such exceptions, that no refinancing of a prior mortgage loan is being effected.

Purchase Price Limitation

The Code requires that, with certain limited exceptions, the purchase price of the residence financed with the lendable proceeds of qualified mortgage bonds may not exceed 90% of the average area purchase price applicable to such residence or 110% of the applicable average area purchase price in the case of residences located in targeted areas. The Corporation will verify compliance with the purchase price limitations by requiring each mortgagor and seller of a residence to make certifications regarding the purchase price of such residence.

Income Limitation

The Code requires that all mortgage loans made from the lendable proceeds of qualified mortgage bonds be made only to borrowers whose family income does not exceed 115% (for mortgage loans made to families with fewer than three members, 100%) of the applicable median family income. An exception is provided for mortgage loans financed with the lendable proceeds of qualified mortgage bonds made with respect to targeted area residences that permits two-thirds in aggregate amount of such mortgage loans to be made with respect to borrowers whose family income does not exceed 140% (for mortgage loans made to families with fewer than three members, 120%) of the applicable median family income and one-third in aggregate amount of such loans to be made without regard to any income limitation.

Applicable Federal tax law permits higher income limits for persons financing homes located in certain "high housing cost areas." A high housing cost area is a statistical area for which the ratios of the area's average purchase price for existing and new single family houses to the area's median income exceed 120% of the same ratios determined on a national basis. These ratios are determined separately with respect to new and existing single family residences. An area is a high housing cost area only if the ratios for both new and existing houses meet the 120% test. In high housing cost areas, the mortgagor income limits are increased above 115% (or 100%, as applicable) by one percent for each percentage point (1%) by which the new or existing housing price ratio, whichever is smaller, exceeds 120%. *However,* the new limit cannot exceed 140% (or 120%, as applicable) of the income limits otherwise applicable.

The Corporation will verify compliance with the requirements described under this caption "Tax Matters — Loan Eligibility Requirements Imposed by the Code — Income Limitation" by requiring each borrower to certify the amount of family income. Family income includes income of all individuals executing both the note and mortgage and occupying the dwelling as their principal residence.

Requirements as to Assumptions

The Code provides that a mortgage loan may be assumed only if each of the then applicable residence requirement, first-time homebuyer requirement, purchase price limitation, and income limitation is met with respect to such assumption. The Mortgage Loans will contain a "due on sale" clause, and the Corporation will not permit the assumption of a Mortgage Loan unless (i) it has determined that these requirements have been met and has obtained the appropriate certifications or (ii) it purchases the Mortgage Loan out from the lien of the Indenture and finances it from other sources.

General

An issue of bonds is treated as meeting the loan eligibility requirements of the Code if (i) the issuer in good faith attempted to meet all the loan eligibility requirements before the mortgage loans were executed, (ii) any failure to comply with the loan eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the proceeds of the issue used to make mortgage loans was used to finance residences that met all such requirements at the time the mortgage loans were executed. In determining whether 95% or more of the proceeds has been so used, the Code permits the Corporation to rely on an affidavit of the mortgagor and of the seller and an examination of copies of the mortgagor's Federal income tax returns for the last three years preceding the date the Mortgage Loan is executed even though the relevant information in such affidavits and income tax returns should ultimately prove to be untrue, unless the Corporation or the Mortgage Lender knows or has reason to believe that such information is false.

Other Requirements Imposed by the Code

General

The Code provides that gross income for Federal income tax purposes does not include interest on a mortgage revenue bond if it is a qualified mortgage bond. A qualified mortgage bond is a part of an issue of a state or political subdivision all the proceeds of which (net of amounts applied to any costs of issuance thereof and to fund a reasonably required reserve) are used to finance, or to refund bonds issued to finance, owner-occupied residences and that meets certain (i) general requirements, (ii) arbitrage restrictions on the use and investment of proceeds of the issue, and (iii) loan eligibility requirements set forth in the Code and as more fully described above under "Tax Matters — Loan Eligibility Requirements Imposed by the Code." Such requirements do not apply to the 2009 Series D Bonds, except as noted below, as a result of transition rules in various federal tax laws adopted since 1980.

The first general requirement of the Code applicable to the Corporation's Program is that the aggregate amount of private activity bonds that may be issued by the Corporation in any calendar year (or previous years' carried forward amount) must not exceed the portion of the private activity bond volume limit for the State for such calendar year that is allocated to the Corporation. The 2009 Series C Bonds are within the applicable limit for the Corporation. The second general requirement of the Code applicable to the Corporation's Program is that at least 20% of the lendable proceeds of an issue of bonds must be made available (and applied with reasonable diligence) for owner-financing of residences in targeted areas (as defined by the Code) for at least one year after the date on which such funds are first available for such owner-financing (the "targeted area requirement"). The Corporation has covenanted to comply with such requirements to the extent required by the Code.

The Code requires the issuer of qualified mortgage bonds to file with the Internal Revenue Service reports on the issuance of its qualified mortgage bonds following such issuance, as well as an annual qualified mortgage loan information report. The Corporation has covenanted to file, as required, such reports with respect to the mortgage loans financed by the 2009 Series C Bonds.

The Code requires that the effective interest rate on mortgage loans financed with the lendable proceeds of qualified mortgage bonds (such as the 2009 Series C Bonds) may not exceed the yield on the composite issue of 2009 Series C Bonds and 2009 Series D Bonds by more than 1.125% and the effective interest rate on the mortgage loans collectively financed by the composite issue may not exceed the yield of the composite issue by more than 1.50%. With respect to both the 2009 Series C Bonds and the 2009 Series D Bonds, the Code requires that certain investment earnings on non-mortgage investments, calculated based upon the extent such investment earnings exceed the amount that would have been earned on such investments if the investments were invested at a yield equal to the yield on the composite issue, be rebated to the United States. The Corporation has covenanted to comply with these requirements and has established procedures to determine the amount of excess earnings, if any, that must be rebated to the United States.

Recapture Provision

For certain mortgage loans made after December 31, 1990 from the proceeds of tax-exempt bonds issued after August 15, 1986, and for assumptions of such mortgage loans, the Code requires a payment to the United States from certain mortgagors upon sale or other disposition of their homes (the "Recapture Provision"). The Recapture Provision requires that an amount determined to be the subsidy provided by a qualified mortgage bond financing to a mortgagor be paid to the United States on disposition of the house (but not in excess of 50% of the gain realized by the mortgagor). The recapture amount would (i) increase over the period of ownership, with full recapture occurring if the house were sold between four and five full years after the closing of the mortgage loan, and (ii) decline ratably to zero with respect to sales occurring between five and nine full years after the closing of the mortgage loan. An exception excludes from recapture part or all of the subsidy in the case of certain assisted individuals whose incomes are less than prescribed amounts at the time of the disposition. The Code requires an issuer to inform mortgagors of certain information with respect to the Recapture Provision. The Corporation has established procedures which the Corporation believes will enable it to meet such recapture information requirement.

The Code states that an issuer will be treated as meeting the targeted area requirement, the arbitrage restrictions on mortgage loans, and the recapture information requirements if it in good faith attempted to meet all such requirements and any failure to meet such requirements was due to inadvertent error after taking all reasonable steps to comply with such requirements.

Required Redemptions

The Code requires redemption of certain qualified mortgage bonds issued after 1988 from unexpended proceeds required to be used to make mortgage loans that have not been used within 42 months (12 months in certain limited cases not applicable to the 2009 Series C Bonds) from the date of issuance (or the date of issuance of the original bonds in the case of refundings of unexpended proceeds), except for a $250,000 de minimis amount. As a result, the Corporation may be required by the Code to redeem the 2009 Series C Bonds from unexpended proceeds attributable to the 2009 Series C Bonds. Additionally, for bonds issued after 1988, the Code permits repayments (including prepayments) of principal of mortgage loans financed with the proceeds of an issue of bonds to be used to make additional mortgage loans for only 10 years from the date of issuance of the bonds (or the date of issuance of the original bonds in the case of refundings), after which date such amounts must be used to redeem bonds, except for a $250,000 de minimis amount. As a result, the Corporation may be required by the Code to redeem 2009 Series C Bonds from repayments (including prepayments) of principal of Mortgage Loans financed with proceeds attributable to the 2009 Series C Bonds.

Compliance

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Offered Bonds, including compliance with restrictions on the yield of mortgage loans and non-mortgage investments and periodic rebate payments to the Federal government, as well as restrictions on the type of Mortgage Loans financed. The Corporation will deliver concurrently with the delivery the Offered Bonds, a Tax Regulatory Agreement and No Arbitrage Certificate which contains provisions and procedures relating to compliance with such requirements of the Code, and the Corporation has included provisions in the Program Documents that establish procedures, including receipt of certain affidavits and warranties from Mortgage Lenders and mortgagors, in order to assure compliance with the loan eligibility requirements and other requirements that must be satisfied subsequent to the date of issuance of the Offered Bonds. The Corporation also has covenanted in the Indenture to do and perform all acts and things permitted by law and necessary or desirable to assure that interest paid on the Offered Bonds shall not be included in gross income for Federal income tax purposes and, for such purpose, to adopt and maintain appropriate procedures. Failure to comply with these covenants may result in interest on the Offered Bonds being included in gross income for Federal income tax purposes from their date of issuance. The opinions of Bond Counsel and Special Tax Counsel assume the Corporation is in compliance with these covenants. Bond Counsel and Special Tax Counsel are not aware of any reason why the Corporation cannot or will not be in compliance with such covenants. *However,* Bond Counsel and Special Tax Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of any the Offered Bonds may affect the tax status of interest thereon.

Original Issue Discount

Bonds sold at an initial public offering price that is less than the stated amount to be paid at maturity constitute "Discount Bonds." The difference between the initial public offering prices of any such Discount Bond and the stated amount to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes to the same extent as interest on such Bond.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Offered Bonds is subject to information reporting in a manner similar to that with respect to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Offered Bonds from gross income for Federal income tax purposes or any other Federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Certain Additional Tax Consequences

The foregoing is a brief discussion of certain Federal and State income tax matters with respect to the Offered Bonds under existing statutes. It does not purport to deal with all aspects of Federal or State taxation that may be relevant to a particular owner of Offered Bonds. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal, State and local tax consequences of owning and disposing of the Offered Bonds.

Although Bond Counsel and Special Tax Counsel will each render an opinion that interest on the Offered Bonds will be excluded from gross income for Federal income tax purposes, the accrual or receipt of interest on the Offered Bonds may otherwise affect the Federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel and Special Tax Counsel express no opinion regarding any such consequences. Purchasers of the Offered Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing, holding or selling the Offered Bonds.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the Federal tax matters referred to above or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Offered Bonds should consult his or her own tax advisor regarding any pending or proposed Federal tax legislation. Bond Counsel and Special Tax Counsel express no opinion regarding any pending or proposed Federal tax legislation.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2–12

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), the Corporation will execute and deliver the Continuing Disclosure Certificate. The Corporation will undertake to provide the Municipal Securities Rulemaking Board, on an annual basis on or before 135 days after the end of each fiscal year for the Corporation, commencing with the fiscal year ending June 30, 2010, the financial and operating data concerning the Corporation outlined in the Continuing Disclosure Certificate. In addition, the Corporation will undertake, for the benefit of the registered owners and beneficial owners of the 2009 Series C Bonds, to provide to the Municipal Securities Rulemaking Board, in a timely manner, the notices described in the Continuing Disclosure Certificate.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Certificate is an action to compel specific performance of the undertakings of the Corporation, and no person, including a registered owner or beneficial owner of the 2009 Series C Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture. In addition, if all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Certificate, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The specific nature of the information to be provided is summarized in Appendix E — "Form of Continuing Disclosure Certificate." The Corporation has never failed to comply in any material respect with any previous undertaking with respect to the Rule to provide annual financial information or notices of material events.

RATINGS

S&P has assigned the 2009 Series C Bonds a rating of "AA", Moody's has assigned the 2009 Series C Bonds a rating of "Aa2", and Fitch has assigned the 2009 Series C Bonds a rating of "AA+". The Corporation has furnished to each rating agency certain information and materials with respect to the 2009 Series C Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. S&P has assigned the 2009 Series D Bonds a rating of "AA/A-1", Moody's has assigned the 2009 Series D Bonds a rating of "Aa2/VMIG-1", and Fitch has assigned the 2009 Series D Bonds a rating of "AA+/F1+". The assignment of such ratings by S&P, Moody's and Fitch with respect to the 2009 Series D Bonds is conditioned upon the effectiveness of the Initial Liquidity Facility at the time of delivery of the 2009 Series D Bonds. The obligation of the Underwriters to purchase the Offered Bonds is conditioned on the assignment by S&P, Moody's and Fitch of the respective aforementioned ratings to the Offered Bonds. Each rating reflects only the view of the applicable rating agency at the time such rating was issued and an explanation of the significance of such rating may be obtained from the rating agency. There is no assurance that any such rating will continue for any given period of time or that any such ratings will not be revised downward or withdrawn entirely by the applicable rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of any such rating can be expected to have an adverse effect on the market price of the Offered Bonds.

FINANCIAL STATEMENTS

The unaudited financial statements of the Corporation as and for the nine months ended March 31, 2009, included in Appendix A to this Official Statement, appear without review or audit by an independent accountant.

Copies of the Corporation's annual financial statements as of and for the year ended June 30, 2008 and the Corporation's current annual report will be mailed to any Beneficial Owner who shall have filed his name and address with the Corporation for such purpose.

INDEPENDENT AUDITORS

The financial statements of Corporation as of and for the year ended June 30, 2008, included in Appendix A to this Official Statement, have been audited by Mikunda, Cottrell & Co., independent auditors, as stated in their report appearing herein.

LITIGATION

There is no controversy or litigation of any material nature now pending or threatened to restrain or enjoin the issuance, sale, execution, authentication, or delivery of the Offered Bonds, or in any way contesting or affecting the validity of such Offered Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of such Offered Bonds, or the existence or powers of the Corporation.

LEGAL MATTERS

All legal matters incident to the authorization, sale and delivery of the Offered Bonds and certain Federal and state tax matters are subject to the approval of Birch, Horton, Bittner and Cherot, Bond Counsel. Certain Federal tax matters will be passed upon for the Corporation by Kutak Rock LLP, Special Tax Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Hawkins Delafield & Wood LLP.

STATE NOT LIABLE ON BONDS

The Bonds do not constitute a debt, liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision thereof, but are payable solely from the revenue or assets of the Corporation.

LEGALITY FOR INVESTMENT

Subject to any applicable Federal requirements or limitations, the Offered Bonds are eligible for investment by all public officers and public bodies of the State and its political subdivisions and, to the extent controlled by State law, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them, in the Offered Bonds.

UNDERWRITING

The 2009 Series C Bonds are being purchased by the Underwriters. The Underwriters have jointly and severally agreed to purchase the 2009 Series C Bonds at the prices set forth on the inside cover page, including any indicated original issue discount, plus accrued interest, if any. The Underwriters will be paid a fee of $719,845.19 with respect to the 2009 Series C Bonds. The Bond Purchase Agreement with respect to the 2009 Series C Bonds provides that the Underwriters will purchase all of such Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Bond Purchase Agreement, the receipt of certain legal opinions, and certain other conditions. The obligation of the Underwriters to purchase the 2009 Series C Bonds is *not* conditioned on the issuance and delivery of the 2009 Series D Bonds. The initial public offering prices and yields of the 2009 Series C Bonds may be changed from time to time by the Underwriters. The Bond Purchase Agreement with respect to the 2009 Series C Bonds provides that the Underwriters may offer and sell the 2009 Series C Bonds to certain dealers (including dealers depositing such Bonds into unit investment trusts, certain of which may be sponsored or managed by an Underwriter) and others at prices lower or yields higher than the public offering prices and yields of the 2009 Series C Bonds set forth on the inside cover page.

The 2009 Series D Bonds are being purchased by Merrill Lynch. Merrill Lynch has agreed to purchase the 2009 Series D Bonds at the price of par. Merrill Lynch will be paid a fee of $255,193.89 with respect to the 2009 Series D Bonds. The Bond Purchase Agreement with respect to the 2009 Series D Bonds provides that Merrill Lynch will purchase all of such Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Bond Purchase Agreement, the receipt of certain legal opinions, and certain other conditions. The obligation of Merrill Lynch to purchase the 2009 Series D Bonds is *not* conditioned on the issuance and delivery of the 2009 Series C Bonds. The initial public offering prices and yields of the 2009 Series D Bonds may be changed from time to time by Merrill Lynch. The Bond Purchase Agreement with respect to the 2009 Series D Bonds provides that Merrill Lynch may offer and sell the 2009 Series D Bonds to certain dealers (including dealers depositing such Bonds into unit investment trusts, certain of which may be sponsored or managed by Merrill Lynch) and others at prices lower or yields higher than the public offering price and yield of the 2009 Series D Bonds set forth on the inside cover page.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an underwriter of the 2009 Series C Bonds, have entered into a retail brokerage joint venture. As part of the joint venture, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of 2009 Series C Bonds.

J.P. Morgan Securities Inc., one of the underwriters of the 2009 Series C Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the 2009 Series C Bonds, at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Corporation in connection with the issuance of the Offered Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Offered Bonds is contingent upon the issuance and delivery of the Offered Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Offered Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Corporation has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Corporation and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS

The following statements are made as contemplated by the provisions of the Private Securities Litigation Reform Act of 1995: If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, general economic and business conditions relating to the Corporation and the housing industry in general, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Corporation. These forward-looking statements speak only as of the date of this Official Statement. The Corporation disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Corporation's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

ADDITIONAL INFORMATION

The summaries and references herein to the Act, the Offered Bonds, the Indenture and other documents and materials are brief outlines of certain provisions contained therein and do not purport to summarize or describe all the provisions thereof. For further information, reference is hereby made to the Act, the Indenture and such other documents and materials for the complete provisions thereof, copies of which will be furnished by the Corporation upon request. See "The Corporation — General" for the address and telephone number of the Corporation's main office.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the owner of any Offered Bonds.

APPENDIX A

FINANCIAL STATEMENTS OF THE CORPORATION

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Alaska Housing
FINANCE CORPORATION

a component unit of the State of Alaska

Quarterly Unaudited Financial Statements
March 31, 2009

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FINANCIAL STATEMENTS

This is an unaudited quarterly publication of Alaska Housing Finance Corporation.
For comments or questions: Website: http://www.ahfc.state.ak.us/financials/financials.cfm or
E-Mail: dboyce@ahfc.state.ak.us

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

As of March 31, 2009

(in thousands of dollars)

	Administrative Fund	Housing Development Bonds	Energy Programs	Other Non-Major Funds
ASSETS				
Cash	10,418	-	-	12,620
Investments	414,340	35,747	1,605	651,277
Accrued interest receivable	3,705	1,508	-	12,687
Inter-fund due to/from	(40,524)	5,345	(20,053)	55,232
Mortgage loans, notes and other loans	665,497	265,408	-	2,476,188
Net investment in direct financing lease	-	-	-	64,761
Unamortized bond issuance costs	-	3,346	-	20,848
Capital assets - non-depreciable	139	-	-	15,352
Capital assets - depreciable, net	191	-	17	97,752
Other assets	14,672	166	2,362	9,255
Intergovernmental receivable	61	-	10,436	435
Total Assets	1,068,499	311,520	(5,633)	3,416,407
LIABILITIES				
Bonds and notes payable	-	294,780	-	2,609,853
Short term debt	149,777	-	-	-
Accrued interest payable	819	4,370	-	44,263
Other liabilities	6,233	66	785	4,278
Intergovernmental payable	-	-	-	2,898
Total Liabilities	156,829	299,216	785	2,661,292
NET ASSETS				
Invested in capital assets, net of related debt	330	-	17	113,104
Restricted by bond resolutions	-	-	-	645,143
Restricted by contractual or statutory agreements	140,962	-	1,593	47,402
Unrestricted net assets, (deficit)	770,378	12,304	(8,028)	(50,534)
Total Net Assets	911,670	12,304	(6,418)	755,115

See accompanying notes to the financial statements.

Exhibit A

Total March 31, 2009
23,038
1,102,969
17,900
-
3,407,093
64,761
24,194
15,491
97,960
26,455
10,932
4,790,793
2,904,633
149,777
49,452
11,362
2,898
3,118,122
113,451
645,143
189,957
724,120
1,672,671

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Nine Months Ended March 31, 2009

(in thousands of dollars)

	Administrative Fund	Housing Development Bonds	Energy Programs	Other Non-Major Funds
OPERATING REVENUES				
Mortgage and loans revenue	30,413	17,287	-	109,142
Investment interest	4,947	731	43	16,579
Net change in the fair value of investments	480	(28)	(13)	(26)
Total Investment Revenue	5,427	703	30	16,553
Externally funded programs	-	-	22,935	51,595
Rental	-	-	-	6,410
Other	2,018	-	4	743
Total Operating Revenues	37,858	17,990	22,969	184,443
OPERATING EXPENSES				
Interest	3,290	10,764	-	101,146
Mortgage and loan costs	2,128	839	-	7,830
Financing expenses	826	1,578	-	3,606
Provision for loan loss	9,978	(10,216)	-	(3,401)
Operations and administration	3,826	1,609	3,455	29,604
Rental housing operating expenses	112	-	6	7,783
Housing grants and subsidies	-	-	24,102	48,432
Total Operating Expenses	20,160	4,574	27,563	195,000
Operating Income (Loss)	17,698	13,416	(4,594)	(10,557)
NONOPERATING EXPENSES, SPECIAL ITEM & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(299)	-	-	(9,164)
Transfers - Internal	136,329	(77,572)	916	(59,673)
Change in Net Assets	153,728	(64,156)	(3,678)	(79,394)
Net assets at beginning of year	757,942	76,460	(2,740)	834,509
Net Assets at End of Period	911,670	12,304	(6,418)	755,115

See accompanying notes to the financial statements.

Exhibit B

Total March 31, 2009
156,842
22,300
413
22,713
74,530
6,410
2,765
263,260
115,200
10,797
6,010
(3,639)
38,494
7,901
72,534
247,297
15,963
(9,463)
-
6,500
1,666,171
1,672,671

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
For the Nine Months Ended March 31, 2009
(in thousands of dollars)

	Administrative Fund	Housing Development Bonds	Energy Programs	Other Non-Major Funds
Cash flows from operating activities:				
Interest income on mortgages and loans	17,998	16,534	-	103,080
Principal payments received on mortgages and loans	60,974	26,422	-	309,838
Purchases of mortgages and loans	(350,501)	-	-	-
Receipt (payment) for loan transfers between funds	268,074	(11,821)	-	(256,253)
Payments to employees and other payroll disbursements	(14,401)	-	(700)	(8,380)
Payments for goods and services	(10,162)	-	(2,617)	(6,758)
Cash received for externally funded programs	1	-	12,988	28,714
Cash received for Federal HAP subsidies	-	-	-	26,237
Payments for Federal HAP subsidies	-	-	-	(25,711)
Interfund Receipts	605,451	43,422	27,121	419,590
Interfund Payments	(595,588)	(42,755)	(13,095)	(444,146)
Grant payments to other agencies	(10,457)	-	(23,788)	(15,520)
Other operating cash receipts	1,958	30	53	7,508
Other operating cash payments	(2,170)	(140)	-	(668)
Net cash provided by (used for) operating activities	(28,823)	31,692	(38)	137,531
Cash flows from noncapital financing activities:				
Proceeds from the issuance of bonds	-	-	-	125,795
Principal paid on bonds	(108,965)	(42,645)	-	(181,387)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(838)	-	-	-
Interest paid	(3,205)	(7,608)	-	(66,223)
Proceeds from issuance of short term debt	976,494	-	-	-
Payment of short term debt	(939,160)	-	-	-
Contributions to the State of Alaska or other State agencies	(5,445)	-	-	(4,018)
Transfers (to) from other funds	81,140	(10,900)	-	(70,240)
Other cash payments	(22,181)	-	-	-
Net cash provided by (used for) noncapital financing activities	(22,160)	(61,153)	-	(196,073)
Cash flows from capital financing activities:				
Acquisition of capital assets	(324)	-	(19)	(1,343)
Proceeds from the disposal of capital assets	-	-	-	22
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	-	(3,421)
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	-	(3,614)
Proceeds from the direct financing lease payments	-	-	-	7,304
Other cash payments	(3,832)	-	-	-
Net cash provided by (used for) capital financing activities	(4,156)	-	(19)	(1,052)
Cash flows from investing activities:				
Purchase of investments	(3,221,403)	(449,869)	(4,730)	(3,134,369)
Proceeds from maturity of investments	3,272,403	478,537	4,743	3,183,540
Interest received from investments	5,057	793	43	13,510
Net cash provided by (used for) investing activities	56,057	29,461	56	62,681
Net Increase (decrease) in cash	918	-	(1)	3,087
Cash at the beginning of year	9,500	-	1	9,533
Cash at the end of period	10,418	-	-	12,620
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	17,698	13,416	(4,594)	(10,557)
Adjustments:				
Depreciation expense	98	-	2	4,570
Provision for loan losses	9,978	(10,216)	-	(3,401)
Amortization of bond issuance costs	-	115	-	1,673
Net change in the fair value of investments	(480)	28	13	26
Transfers between funds for operating activity	(32,960)	2,625	916	29,419
Interest received from investments	(5,057)	(793)	(43)	(13,510)
Interest paid	3,205	7,608	-	69,837
Changes in assets and liabilities:				-
Net increase (decrease) in mortgages and loans	(21,453)	14,601	-	53,585
Net increase (decrease) in assets and liabilities	148	4,308	3,668	5,889
Net cash provided by (used for) operating activities	(28,823)	31,692	(38)	137,531
Noncash investing, capital and financing activities:				
Transfer of investments	1,132			(1,132)

See accompanying notes to the financial statements.

Exhibit C

Total March 31, 2009
137,612
397,234
(350,501)
-
(23,481)
(19,537)
41,703
26,237
(25,711)
1,095,584
(1,095,584)
(49,765)
9,549
(2,978)
140,362
125,795
(332,997)
-
(838)
(77,036)
976,494
(939,160)
(9,463)
-
(22,181)
(279,386)
(1,686)
22
-
(3,421)
-
(3,614)
7,304
(3,832)
(5,227)
(6,810,371)
6,939,223
19,403
148,255
4,004
19,034
23,038
15,963
4,670
(3,639)
1,788
(413)
-
(19,403)
80,650
46,733
14,013
140,362

NOTES TO FINANCIAL STATEMENTS

FOOTNOTE INDEX

FOR THE NINE MONTHS ENDED MARCH 31, 2009
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2008)

1 AUTHORIZING LEGISLATION AND FUNDING

The Alaska Housing Finance Corporation (Corporation), a public corporation and government instrumentality of the State of Alaska (State), was created in 1971, and substantially modified in 1992, by acts of the Alaska State 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. The Corporation is a component unit of the State of Alaska and is discretely presented in the State's financial statements.

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 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), funding from the State of Alaska, as well as capital and operating subsidies from the Corporation's own funds.

The Northern Tobacco Securitization Corporation (NTSC) was incorporated in the State of Alaska pursuant to House Bill No. 281 of the Alaska Legislature, as a subsidiary of the Corporation. There is no financial accountability between NTSC and the Corporation. Neither the Corporation nor the State is liable for any debt issued by NTSC. NTSC is not a component unit of the Corporation and thus is not included in the Corporation's financial statements. NTSC is a government instrumentality of, but separate and apart from, the State and is reported as a blended component unit in the State's financial statements.

In accordance with the Legislature's intent, the Corporation formed a subsidiary, the Alaska Housing Capital Corporation ("AHCC"), under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Housing Finance Corporation Act (AS 18.56), as amended. AHCC was incorporated on May 23, 2006, as a public corporation and government instrumentality of, but having a legal existence independent of and separate from, the State of Alaska. AHCC is a subsidiary of, but separate and apart from, the Corporation. There is no financial accountability between AHCC and the Corporation. AHCC is not a component unit of the Corporation and thus is not included in the Corporation's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation's funds are accounted for as enterprise funds for financial reporting purposes. All funds utilize the economic resource measurement focus and full accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The Corporation applies all Governmental Accounting Standards Board (GASB) pronouncements for the Corporation's funds, as well as those Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless such pronouncements conflict with or contradict GASB pronouncements. After November 30, 1989, the Corporation only applies applicable GASB pronouncements.

Basis of Presentation

The Corporation's financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets formatted to report operating and non-operating revenues and expenses, a Cash Flow Statement presented using the direct method, and notes to the financial statements. The Corporation's financial statements present the Administrative Fund and the other Major Funds in separate columns. The remaining Non-Major Funds are aggregated and displayed in a single column. The total column presents the entity-wide amounts for the Corporation.

Major and Non-Major Funds

The Corporation reports the following major and non-major funds:

Administrative Fund. This is the Corporation's primary operating fund. It accounts for all financial resources of the Corporation, except those accounted for in separate funds.

Housing Development Bonds. This fund accounts for debt issued and some assets pledged for payment of the debt under the bond indentures for Housing Development Bonds.

Energy Programs. Resources and programs to assist in improving the energy efficiency of Alaska homes are aggregated and reported in Energy Programs.

Other Non-Major Funds. Resources to assist in the financing, development and sale of housing units, public housing assistance programs, and home loan programs are aggregated and reported in Other Non-Major Funds.

Restricted Net Assets

The restricted net asset amounts of the Administrative Fund consist of the Corporation's remaining commitments to the State (refer to Footnote No. 17, State Authorizations and Commitments, for further details). The remaining resources of the Administrative Fund are unrestricted.

The other financial activities of the Corporation are restricted by the Corporation's bond resolutions, requirements from the Legislature, and statutory requirements or third-party agreements that restrict the use of resources. These restricted resources are recorded in various special purpose funds and accounts. Restricted funds with a net deficit balance are shown as having an unrestricted net asset balance pursuant to reporting requirements.

When both restricted and unrestricted resources are available in a fund, it is the Corporation's policy to spend restricted funds to the extent allowed and only spend unrestricted funds when needed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. The significant estimate for the Corporation is the allowance for loan losses.

Investments

All investments are stated at fair value, except for nonparticipating investment agreements, which are stated at cost. The Corporation does not participate in any external investment pools.

Accrued Interest Receivable on Loans and Real Estate Owned

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.

Loans and Allowances for Estimated Loan Losses

Mortgage loans are carried at their unpaid principal balances net of allowance for estimated loan losses. Mortgage loans are recorded as amounts are disbursed.

The Corporation provides for possible losses on loans on which foreclosure is anticipated. 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.

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. These amounts are included in other assets.

Depreciation

Depreciation and amortization of buildings, equipment and leasehold improvements are computed on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 3 to 40 years. The capitalization floor is $5,000.

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.

Interest Rate Swap

The Corporation's Fiscal Policies allow, with certain restrictions, the Corporation to enter into certain derivative financial instruments called interest rate swap agreements, or swaps. The Corporation enters into these swaps with various counter-parties to achieve a lower overall cost of funds for certain bond issuances. These agreements can be negotiated whereby the Corporation pays the counter-party a fixed interest rate in exchange for a variable interest rate payment from the counter-party, or vice-versa. The particulars of each swap are negotiated to achieve the financing objectives of the Corporation. Other than the net interest expense and the termination payments resulting from these agreements, no amounts are recorded in the Corporation's financial statements.

Operating Revenues and Expenses

The Corporation was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the Corporation into mortgage loans to qualified housing sponsors and to certain individuals. The Corporation's primary purpose is to borrow funds in the bond market and to use those funds to make single-family and multi-family mortgages and loans. Its primary operating revenue is derived from the interest income and fees from those mortgages and loans and on the invested proceeds from the bond issues. Additionally, the Corporation's statutory purpose includes providing financial assistance programs for rental subsidies to tenants of various housing developments. The Corporation records all revenues from mortgages and loans, investments, rental activities, and externally funded programs as operating revenues. The primary costs of providing these programs are recorded as operating expenses.

Income Taxes

The Corporation is exempt from federal and state income taxes.

3 CASH AND INVESTMENTS

Cash consists of demand deposits, time deposits and cash held in trust. The carrying amount of the Corporation's cash is restricted by bond resolutions, contractual agreements, and statutory agreements. A summary of the Corporation's cash is shown below (in thousands):

	March 31, 2009	June 30, 2008
Restricted cash	$ 12,620	$ 9,534
Unrestricted	10,418	9,500
Carrying amount	$ 23,038	$ 19,034
Bank Balance	$ 25,306	$ 21,486

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 penalty.

	Investment Maturities (In Years)					
	Less Than 1	1-5	6-10	More Than 10	March 31, 2009	June 30, 2008
Bank investment contracts	$ 75,839	$ -	$ -	$ -	$ 75,839	$ 54,432
U. S. Treasury securities	1,182	7,118	-	-	8,300	11,746
Securities of U. S. Government agencies and corporations	15,326	5,338	89	199	20,952	174,192
Asset-backed securities	377	92	-	-	469	2,610
Certificates of deposit	5,000	-	-	-	5,000	1,501
Jumbo certificates of deposit	132,895	-	-	-	132,895	-
Commercial paper and medium-term notes	108,697	4,452	277	14,823	128,249	763,415
Guaranteed investment contracts	15,385	-	-	-	15,385	206,344
Money market funds	715,880	-	-	-	715,880	17,164
Total AHFC portfolio	$ 1,070,581	$ 17,000	$366	$ 15,022	$ 1,102,969	$ 1,231,404

Restricted Investments

The carrying amount of the Corporation's investments, a majority of which are restricted by bond resolutions, contractual agreements, and statutory agreements, is shown below (in thousands):

	March 31, 2009	June 30, 2008
Restricted investments	$ 829,591	$ 972,934
Unrestricted	273,378	258,470
Carrying amount	$ 1,102,969	$ 1,231,404

The restricted investments include Guaranteed Investment Contracts in the Drawn Down Bond Fund Escrow Account when AHFC has outstanding draw down bonds. These investment securities are placed in a trust with an escrow agent and are reserved exclusively for future debt service payments on the Draw Down bonds.

Realized Gains and Losses

The calculation of realized gains and losses 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 is shown below (in thousands):

	March 31, 2009	June 30, 2008
Ending unrealized holding gain	$ 1,866	$ 1,644
Beginning unrealized holding gain	1,644	1,933
Net change in unrealized holding gain	222	(289)
Net realized gain (loss)	191	544
Net increase (decrease) in fair value	$ 413	$ 255

Deposit and Investment Policies
The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested. All funds are classified as trust or non-trust, and this determines the applicable investment guidelines used by staff when making investment decisions.

The Corporation's Fiscal Policies provide investment guidelines for non-trusted funds. Funds are invested according to anticipated use: those that must remain immediately available to provide working capital are invested in short-term, highly liquid securities, while those not expected to be used in the short-term are invested in longer-term securities.

The following securities are eligible for investment under the Corporation's fiscal policies:

- Obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States;
- Obligations of U.S. Government-sponsored agencies, including mortgage-backed securities, that are not backed by the full faith and credit of the U.S. Government;
- Bank debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances (having maturities of not more than 365 days) 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 or "F-1" by Fitch;
- Deposits in and investments of a commercial bank or credit union which are fully insured by the FDIC or NCUA or, to the extent not insured by the FDIC or NCUA, provide for the pledge of collateral maintained at a minimum level of 105% and valued at least monthly;
- 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 or "AA" by Fitch if maturing in excess of one year, and "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Asset-backed securities, other than commercial paper and 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 or "AA" by Fitch;
- Commercial paper, including asset-backed commercial paper, rated at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch;
- 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 "A" by Fitch or short-term ratings of at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch and where collateral is maintained at a minimum level of 102%, valued on a daily basis;
- Money market funds which are rated at least "AAm" or "AAm-G" by S&P or "Aa" by Moody's or "V-1+" by Fitch;
- Investment agreements or guaranteed investment contracts with an insurance company, bank or other financial institution having an outstanding unsecured long-term obligations rating, or a claims paying or investment agreement rating of at least "AA" by S&P or "Aa" by Moody's or "AA" by Fitch, or, if the term is one year or less, at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch;
- Floating rate notes issued by entities having outstanding unsecured long-term obligations rated "AA" by S&P or "Aa" by Moody's or "AA" by Fitch, or, if the term of the floating rate note is one year or less, having outstanding short-term obligations rated at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch; with interest rates subject to adjustment at least every 100 days; and with a maximum maturity of three years or less, or an optional tender available to bondholders no less frequently than every interest rate reset date;
- Adjustable rate funds, provided they are rated "AAAf" credit and "S-1" 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 or "AAA" by Fitch.

Trusted funds are invested according to the terms outlined in their respective indentures or governing agreements, which generally mandate the purchase of relatively short-term, high-quality, fixed income securities. In those rare instances, if any, where an indenture or governing agreement is less restrictive than the Corporation's fiscal policies for non-trust funds, the investment will be made in accordance with the more restrictive fiscal policies.

Credit Risk
Credit risk is the risk of loss due to the failure of the security or backer. The Corporation mitigates its credit risk by limiting investments to those permitted in its Fiscal Policies and relevant governing agreements, diversifying the investment portfolio, and pre-qualifying firms with which the Corporation administers its investment activities.

The credit quality ratings of the Corporation's investments as of March 31, 2009, as determined by nationally recognized statistical rating organizations, are shown below (in thousands). $8,300,000 of U.S. Treasury securities and securities of agencies and corporations which are explicitly guaranteed by the U.S. Government are not considered to have credit risk and therefore, are not included in the summary.

	Moody's	S & P	Investment Fair Value
Securities of U. S. Government agencies and Corporations:			
	Aaa	AAA	$ 20,952
Asset-backed securities:			
	Aaa	AAA	469
Jumbo certificates of deposit			
	Aa2	AA-	132,895
Commercial paper & medium-term notes:			
	Aaa	AAA	2,293
	Aa1	AAA	-
	Aa1	AA-	412
	Aaa	AAAe	909
	Aaae	AAA	201
	Aa1	AA+	-
	Aa2	AA	15,250
	Aa2	AA-	520
	Aa2	A+	-
	Aa3	AA	505
	Aa3	AA-	1,796
	Aa3	A+	33
	A1	AA-	-
	P-1	A-1+	23,550
	P-1	A-1	82,503
	--	A-1	-
	Baa3	BBB	277
			128,249
Money market funds:			
	--	AAAm	715,880
Unrated investments:			
Bank investment contracts			75,839
Certificates of deposit			5,000
Guaranteed investment contracts			15,385
			96,224
			$ 1,094,669

Concentration Risk
Concentration risk is the risk of loss attributed to the magnitude of the Corporation's investments in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for trust investments. The following table details the maximum concentration limits for non-trust investments as outlined in the Corporation's fiscal policies. Under certain conditions, the fiscal policies permit investments in excess of these limits. For more information, please see the Corporation's fiscal policies at: http://www.ahfc.state.ak.us/financials/fiscal_policies.cfm

Investment Type	Investment Type Limit as a % of Total Portfolio	Issuer Limit as a % of Total Portfolio
General obligations of the United States	100%	100%
Securities of U.S. Government agencies and corporations	65%	35%
Corporate and non-corporate (including the following): • Adjustable rate funds • Bank investment contracts • Certificates of deposit • Commercial paper & medium-term notes • Deposits in and investments of a commercial bank or credit union • Floating or variable rate notes • Guaranteed investment contracts • Money market funds • Repurchase agreements	60%	5%
Mortgage and asset-backed securities	20%	5%

Investment Holdings Greater than Five Percent of Total Portfolio
The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's Fiscal Policies and trusted investments which have no established concentration limits. Investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds, external investment pools, and other pooled investments are excluded from this summary. As of March 31, 2009, the Corporation had investment balances greater than 5 percent of the Corporation's total investments with the following issuers (in thousands).

Issuer	Investment Fair Value	Percentage of Total Portfolio
Fidelity Prime Domestic	$ 654,053	59.30 %
US Bank NA	132,895	12.05
Bayerische Landesbank	75,840	6.88
CIT Group Inc	67,107	6.08

Custodial Credit Risk
The Corporation assumes levels of custodial credit risk for its deposits with financial institutions, bank investment agreements, and investments. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. For bank investment agreements and investments, custodial credit risk is the risk that, in the event of failure of the custodian or counterparty holding the investment, the Corporation will not be able to recover the value of the investment. The Corporation has not established a formal custodial credit risk policy for its investments.

Of the Corporation's $25,306,000 bank balance at March 31, 2009, cash deposits in the amount of $15,749,000 were uninsured and uncollateralized.

Of the Corporation's $1,102,969 total investments at March 31, 2009, bank investment contracts in the amount of $75,839 were uninsured, unregistered, and held by the counterparty or its agent, but not in the Corporation's name.

Interest Rate Risk
Interest rate risk is the risk that the market value of investments will decline as a result of changes in general interest rates. For non-trust investments, the Corporation mitigates interest rate risk by structuring its investment maturities to meet cash requirements (including corporate operations), thereby avoiding the need to sell securities in the open market prior to maturity. For investments held in trust, investment maturities are structured to meet cash requirements as outlined in the bond indentures and contractual and statutory agreements.

Modified Duration
Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Corporation's trusted and non-trusted investments (in thousands) with their modified duration as of March 31, 2009:

	Investment Fair Value	Modified Duration
Bank investment contracts	$ 75,839	0.000
U. S. Treasury securities:		
Treasury coupon securities	8,300	1.973
Securities of U. S. Government agencies and corporations:		
Federal agency discounts	15,197	0.126
Federal agency coupon securities	5,339	1.572
Federal agency pass through securities	416	3.346
Asset-backed securities	469	1.414
Certificates of deposit	5,000	0.000
Jumbo certificates of deposit	132,895	0.329
Commercial paper & medium-term notes:		
Commercial paper discounts	102,096	0.137
Corporate bonds	1,174	2.551
Medium-term notes	5,906	1.215
Municipal bonds	15,099	11.428
Floating rate notes	775	1.617
Banker's Acceptances	3,199	0.380
Guaranteed investment contracts	15,385	0.000
Money market funds	715,880	0.000
	$ 1,102,969	
Portfolio modified duration		0.379

A minimal percentage of the Corporation's total investment portfolio is municipal bonds, which are relatively more sensitive to changing interest rates than the rest of the Corporation's investment portfolio. Municipal bonds held as of March 31, 2009, are as follows (in thousands):

	Fair Value	Rate	Maturity
Northern Tobacco Securitization Corporation	$ 277	4.628 %	June 1, 2015
Alaska Housing Finance Corporation	4,179	5.458	June 1, 2022
Alaska Housing Finance Corporation	4,799	5.662	December 1, 2026
Alaska Housing Finance Corporation	5,844	6.208	February 1, 2037
Total	$ 15,099		

4 INTERFUND RECEIVABLE/PAYABLE

A summary of the interfund receivable/payable balance is shown below (in thousands):

Due To	Due From: Administrative Fund	Energy Programs	Other Non Major Funds	Total
Administrative Fund	$ -	$ 20,053	$ 10,940	$ 30,993
Housing Development	5,345	-	-	5,345
Other Non Major Funds	66,172	-	-	66,172
Total	$ 71,517	$ 20,053	$ 10,940	$ 102,510

The balances of $5,345,000 due to Housing Development and of $66,172,000 due to the Other Non-Major Funds from the Administrative Fund resulted primarily from monies belonging to these funds being deposited in an Administrative Fund account to obtain a greater rate of return.

Of the $10,940,000 due from the Other Non-Major Funds to the Administrative Fund, $2,390,000 resulted from an allocation of management and bookkeeping fees mandated by HUD.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made.

5 MORTGAGE LOANS, NOTES AND OTHER LOANS

A summary of mortgage loans, notes and other loans is shown below (in thousands):

	March 31, 2009	June 30, 2008
Mortgage loans	$ 3,195,003	$ 3,089,782
Multifamily loans	228,341	386,453
Other notes receivable	84,143	77,982
	3,507,487	3,554,217
Less:		
Allowance for losses	(100,394)	(104,154)
Net Mortgage loans, notes and other loans	$ 3,407,093	$ 3,450,063

Other notes receivable include monies due to AHFC for various unconventional loan programs and for monies that weren't expended by grant recipients.

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

	March 31, 2009	June 30, 2008
Deilnquencies and foreclosures:		
Loans delinquent 30 days or more	$129,456	$ 133,345
Foreclosures during period	7,521	5,433
Loans in foreclosure process	10,681	15,839
Mortgage-related commitments:		
To purchase mortgage loans	8,283	114,255
To Repurchase loans upon foreclosure	-	-

6 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, maintaining, and liquidating 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.

7 LOAN SELF INSURANCE PROGRAM

The Corporation, for the purpose of insuring itself against losses which might occur as a result of mortgages purchased under various loan programs, collects insurance premiums from the borrowers. The premiums are administered by the management of the Corporation and included in the Administrative Fund in the accompanying financial statements.

8 DIRECT FINANCING LEASES

In July 1997, the Corporation purchased an office building in downtown Anchorage with its Administrative Fund assets for approximately $26 million. The building is part of the Corporation's State Lease Building 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, Series 1999, 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.

In May 2005, the Corporation issued its General Housing Purpose Bonds, 2005 Series C, to defease $16,485,000 of the State Building Lease Bonds, Series 1999. As a result, the liability of these bonds has been reduced, and the lease balance was decreased by $1,792,000.

In fiscal years 2007 and 2008, the Corporation began constructing a parking garage in downtown Anchorage with its Administrative Fund assets. The cost of the garage at the March 31, 2009 was $44,300,000. The garage was completed in September 2008. The garage has been leased to the State of Alaska for use by its departments and agencies located in Anchorage. The State has the option to purchase the garage at the end of the lease for $1. In September 2007, the Corporation issued the State Capital Project Bonds, Series 2007 A. $37,400,000 of this issue was to finance the purchase of the parking garage. The lease of the garage to the State has been recorded as a direct financing lease.

The following table lists the components of the net investment in direct financing leases and shows the future minimum payments under the lease for the next five years and thereafter (in thousands):

	Future Minimum Payments Due		
12 Months Ending March 31	**Parking Garage**	**Building**	**Total**
2010	$ 3,304	$ 3,467	$ 6,771
2011	3,304	3,467	6,771
2012	3,304	3,467	6,771
2013	3,304	3,467	6,771
2014	3,304	3,467	6,771
Thereafter	46,246	10,401	56,647
Gross payments due	62,766	27,736	90,502
Less: Unearned revenue	(20,720)	(5,021)	(25,741)
Net investment in direct financing lease	$ 42,046	$ 22,715	$ 64,761

9 CAPITAL ASSETS

Capital assets activity for the nine months ended March 31, 2009 and a summary of balances are shown below (in thousands):

	July 1, 2008	Additions	Reductions	March 31, 2009
Non-Depreciable Capital Assets:				
Land	$ 13,753	$ -	$ -	$ 13,753
Construction in progress	237	1,501	-	1,738
Total Non-Depreciable	13,990	1,501	-	15,491
Depreciable Capital Assets:				
Buildings	201,042	-	-	201,042
Computers & Equipment	1,058	59	(8)	1,109
Leasehold Improvements	88	-	-	88
Vehicles	2,086	44	(77)	2,053
Less: Accumulated depreciation				
Buildings	(98,953)	(4,495)	-	(103,448)
Computers & Equipment	(833)	(103)	8	(928)
Leasehold Improvements	(71)	(17)	-	(88)
Vehicles	(1,872)	(73)	77	(1,868)
Total Depreciable, Net	102,545	(4,585)	-	97,960
Total Capital Assets, Net	$ 116,535	$ (3,084)	$ -	$ 113,451

The depreciation expense charged by the Corporation was $4,670,000 for the nine months ended March 31, 2009. 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, was $3,211,000 at March 31, 2009.

10 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 and Notes 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.

The Corporation has authorization to issue Draw Down bonds in the amount of $900,000,000 for the purpose of preserving private activity bond volume capacity and to refund certain outstanding obligations of the Corporation. Only $300,000,000 of these bonds can be outstanding at any one time. The Series A, C, and D Bonds were limited obligations of the Corporation and were primarily secured by amounts on deposit in the Bond Escrow Fund and investment earnings thereon. The Series B bonds were general obligations of the Corporation and were primarily secured by amounts on deposit in the Bond Escrow Fund attributable to draws under the Series B Bonds. The Bond Escrow account and the Bonds were included in the Administrative Fund.

Bonds and notes outstanding are shown below (in thousands):

	Original Amount	March 31, 2009	June 30, 2008
Revolving Fund Bonds:			
Draw Down Bonds:			
Tax-Exempt:			
● Series 2007 A, Floating rate*, monthly payments	$ 71,005	$ -	$ 65,125
● Series 2007 C, Floating rate*, monthly payments	29,395	-	29,395
● Series 2007 D, Floating rate*, monthly payments	32,390	-	14,445
Total Revolving Fund Bonds	132,790	-	108,965
First-Time Home Buyer Bonds:			
Mortgage Revenue Bonds:			
Tax-Exempt:			
● 1997 Series A; 5.0% to 6.0%, due 2037	160,000	14,185	20,390
Accreted interest		10,965	9,989
Unamortized discount		(247)	(323)
● 1998 Series A; 4.65% to 5.4%, due 2009-2035	70,000	23,485	26,685
● 1999 Series A1 & A2; 5.25% to 6.25%, due 2009-2031	200,000	80,395	84,280
Unamortized discount		(106)	(108)
● 2000 Series A; 5.9% to 6.0%, due 2036-2040	58,315	28,920	28,920
● 2000 Series C; 4.9% to 6.0%, due 2009-2032	68,785	29,745	31,465
● 2001 Series A; 3.5% to 5.3%, due 2009-2031	32,740	19,510	20,645
● 2001 Series B; 4.15% to 5.45%, due 2009-2041	104,450	39,400	39,470
Unamortized premium		55	57
Subtotal Mortgage Revenue Bonds	694,290	246,307	261,470

	Original Amount	March 31, 2009	June 30, 2008
Home Mortgage Reveune Bonds:			
Tax-Exempt:			
● 2002 Series A; Floating Rate*; 3.9% at March 31, 2009, due 2032, 2036	170,000	168,850	169,300
Unamortized swap termination penalty		(13,274)	-
● 2006 Series A; 3.4% to 5.0%, due 2009-2036	98,675	86,720	90,085
Unamortized premium		808	900
● 2006 Series B; 3.5% to 5.0%, due 2009-2036	75,000	67,585	69,935
Unamortized premium		558	616
● 2006 Series C; 3.9% to 5.5%, due 2009-2037	75,000	69,790	71,775
Unamortized premium		1,086	1,215
● 2007 Series A, Floating Rate*; 0.5% at March 31, 2009, due 2041	75,000	75,000	75,000
Unamortized deferred debt refunding		(1,891)	(1,941)
● 2007 Series B, Floating Rate*; 0.37% at March 31, 2009, due 2041	75,000	75,000	75,000
Unamortized deferred debt refunding		(1,891)	(1,941)
● 2007 Series C; 3.75% to 4.80% due 2009-2038	89,370	87,945	88,665
● 2007 Series D; Floating Rate*; 0.2% at March 31, 2009, due 2041	89,370	89,370	89,370
Unamortized deferred debt refunding		(2,318)	(2,380)
● 2008 Series A; 2.45%-5.40%, due 2009-2038	80,880	80,880	80,880
● 2008 Series B; 2.00%-5.50%, due 2009-2038	80,880	80,880	-
Unamortized discount		(84)	-
Subtotal Home Mortgage Revenue Bonds	909,175	865,014	806,479
Total First-time Homebuyer Bonds	1,603,465	1,111,321	1,067,949
Veterans Mortgage Program Bonds and Notes:			
Collateralized State Guaranteed Bonds and Notes:			
Tax-Exempt:			
● Collateralized Bonds 1998 First and Second Series, 4.7% to 5.5%, due 2009-2040	60,000	12,545	12,770
Unamortized discount		(156)	(162)
● Collateralized Bonds 1999 First Series; 5.0% to 6.25%, due 2009-2039	110,000	34,280	34,280
● Collateralized Bonds 2000 First Series; 5.5% to 6.45%, due 2009-2039	70,000	18,270	18,270
● Collateralized Bonds 2002 First Series; 4.15% to 5.65%, due 2009-2034	50,000	19,495	19,945
● Collateralized Bonds 2005 First Series; 4.8% due 2035	15,000	14,140	14,420
● Collateralized Bonds 2006 First Series; 3.75% to 4.9%, due 2009-2037	190,000	186,790	188,410
● Collateralized Bonds 2007 & 2008 First Series, 3.25% to 5.25%, due 2009-2038	57,885	57,885	57,885
● Collateralized Notes 2008 Second Series; 1.10% due 2009	45,000	45,000	-
Total Veterans Mortgage Program Bonds	597,885	388,249	345,818

NOTES TO FINANCIAL STATEMENTS

	Original Amount	March 31, 2009	June 30, 2008
Other Housing Bonds:			
Housing Development Bonds:			
Tax-Exempt:			
● 1999 Series A; 4.95% to 6.3%, due 2009-2029	1,675	1,420	1,455
● 1999 Series B; 5.00% to 6.37%, due 2009-2029	5,080	4,340	4,440
● 1999 Series C; 4.875% to 6.2%, due 2009	50,000	1,050	2,045
● 2000 Series B, Floating Rate*, monthly payments, 0.2% at March 31, 2009, due 2030	41,705	36,485	40,025
● 2002 Series A; 3.0% to 5.3%, due 2009-2033	8,440	2,915	2,990
● 2002 Series B; 2.85% to 5.15%, due 2009-2022	8,690	6,790	6,960
● 2002 Series C; 2.85% to 5.25%, due 2009-2032	70,000	62,450	63,135
● 2002 Series D, Floating Rate*, monthly payments	37,870	-	34,420
● 2004 Series A; 2.0% to 4.85%, due 2009-2030	33,060	29,465	30,240
● 2004 Series B; 1.8% to 4.75%, due 2009-2032	52,025	45,495	46,935
Taxable:			
● 2004 Series D; 3.65% to 5.6%, due 2009-2043	105,000	104,370	104,780
Sub-Total Housing Development Bonds	413,545	294,780	337,425
General Mortgage Revenue Bonds:			
Tax-Exempt:			
● 1999 Series A; 4.85% to 6.05%, due 2009-2049	302,700	244,495	244,495
Unamortized deferred debt refunding expense		(1,401)	(1,462)
Unamortized discount		(1,357)	(1,411)
● 2002 Series A; 3.45% to 5.0%, due 2010-2040	150,000	150,000	150,000
Unamortized deferred debt refunding expense		(1,118)	(1,152)
Unamortized premium		532	544
Government Purpose Bonds:			
Tax-Exempt:			
● 1997 Series A, Floating Rate*, monthly payments, 0.2% at March 31, 2009, due 2027	33,000	20,600	23,300
● 2001 Series A, Floating Rate*; 0.85% at March 31, 2009, due 2030	76,580	64,790	65,710
Unamortized swap termination penalty		(8,604)	-
● 2001 Series B, Floating Rate*, 0.85% at March 31, 2009, due 2030	93,590	79,180	80,300
Total Other Housing Bonds	1,069,415	841,897	897,749

	Original Amount	March 31, 2009	June 30, 2008
Non-Housing Bonds:			
State Capital Project Bonds:			
Tax-Exempt:			
● 2002 Series A; 3.0% to 5.0%, due 2009-2011	32,905	12,475	16,240
Unamortized premium		560	652
● 2002 Series C; Floating Rate*, 0.77% at March 31, 2009, due 2022	60,250	60,250	60,250
● 2006 Series A; 3.5% to 5.0%, due 2009-2040	100,890	98,590	98,590
Unamortized discount		(1,539)	(1,724)
Unamortized premium		1,677	1,856
● 2007 Series A & B; 4.0% to 5.25%, due 2009-2029	95,525	93,320	95,205
Unamortized discount		(71)	(74)
Unamortized premium		3,443	3,922
Unamortized deferred debt refunding expense		(2,948)	(3,054)
State Building Lease Bonds:			
Tax-Exempt:			
● 1999 Series; 4.875 to 5.8%, due 2009-2011	40,000	7,115	8,200
Unamortized discount		(67)	(69)
General Housing Purpose Bonds:			
Tax-Exempt:			
● 1992 Series A	200,000	-	6,550
● 2003 Series A; Floating Rate*, monthly payments	143,995	-	120,735
● 2003 Series B; Floating Rate*, monthly payments	16,095	-	16,095
● 2005 Series A; 2.2% to 5.25%, due 2009-2041	143,235	140,185	140,710
Unamortized premium		3,545	3,868
● 2005 Series B; 2.7& to 5.25%, due 2009-2030	147,610	136,010	137,750
Unamortized deferred debt refunding expense		(10,877)	(11,389)
Unamortized premium		4,763	5,312
● 2005 Series C; 2.7% to 5%, due 2009-2017	16,885	16,735	16,760
Total Non-Housing Bonds	997,390	563,166	716,385
Total Bonds and Notes Payable	$ 4,400,945	$ 2,904,633	$ 3,136,866

Note: Debt service payments on the above mentioned bonds and notes are semi-annual unless otherwise mentioned.

* Interest rates on the annotated variable-rate bonds are established by the Remarketing Agents on each Rate Determination Date.

** Interest rates on the annotated variable-rate auction bonds are established by the Auction Agents on each Auction Date.

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 Corporation also issues new debt whose proceeds are used to immediately redeem previously issued debt, called current refundings. The related discounts and costs of issuance of the old debt is included in a deferred debt refunding account and amortized as interest expense. The Corporation may call some bonds at a premium using any monies once bonds reach a certain age and may also use a clean-up call to redeem certain bonds once they reach 15% of issuance.

During the nine months ended March 31, 2009, the Corporation made $297,990,000 special revenue redemptions and no current refundings. The Corporation made special revenue redemptions of $95,725,000 and no current refundings during fiscal year 2008.

Advance Refundings
From time to time, the Corporation effects an advanced refunding where the proceeds of issued bonds 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)

	Defeased Date	March 31, 2009	June 30, 2008
State Building Lease Bonds, 1999 Series	May 2005	$ 16,485	$ 16,485
Housing Devlopment Bonds 1999 Series C	October 2007	41,475	41,475
		$ 57,960	$ 57,960

Debt Service Requirements**
For all mortgage bonds and notes in the preceding schedules, the Corporation's debt service requirements through 2014 and in five year increments thereafter to maturity, categorized by each Major Fund and other Non-Major Funds in the aggregate, are shown below (in thousands):

12 Months Ending March 31	Housing Development Bonds (Various Issues) Principal	Housing Development Bonds (Various Issues) Interest*	Other Non-Major Bonds Principal	Other Non-Major Bonds Interest*	Total Debt Service Principal	Total Debt Service Interest*	Total Debt Service Total
2010	$ 6,270	$ 13,128	$ 86,095	$ 121,579	$ 92,365	$ 134,707	$ 227,072
2011	5,445	12,892	48,215	118,698	53,660	131,590	185,250
2012	5,685	12,688	51,570	116,610	57,255	129,298	186,553
2013	5,965	12,464	53,905	114,343	59,870	126,807	186,677
2014	6,240	12,219	56,100	111,979	62,340	124,198	186,538
2015-2019	36,390	56,412	306,685	519,756	343,075	576,168	919,243
2020-2024	44,975	46,499	374,730	441,184	419,705	487,683	907,388
2025-2029	49,095	34,588	495,144	360,101	544,239	394,689	938,928
2030-2034	84,330	22,387	515,548	270,874	599,878	293,261	893,139
2035-2038	16,845	8,520	392,812	99,826	409,657	108,346	518,003
2039-2043	31,670	5,635	175,090	39,802	206,760	45,437	252,197
2044-2048	1,870	52	55,570	14,878	57,440	14,930	72,370
2049	-	-	18,345	1,106	18,345	1,106	19,451
	$ 294,780	$ 237,484	$ 2,629,809	$ 2,330,736	$ 2,924,589	$ 2,568,220	$ 5,492,809

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at March 31, 2009

** Also see Note 11 – Derivatives.

11 DERIVATIVES

Swap Objectives

In order to both reduce the Corporation's overall cost of borrowing long-term capital and protect against the risk of rising interest rates, AHFC entered into eight separate pay-fixed, receive-variable interest rate swap agreements at a cost less than what the Corporation would have paid to issue conventional fixed-rate debt.

Swap Terminations and Replacements

From September to December of 2008, three of the agreements were terminated because of bankruptcy events associated with the counterparties. Because the swap documents require a market termination payment when a termination event occurs, the Corporation made termination payments of $13,444,000 and $8,737,000 to the counterparties. After accepting bids, the Corporation subsequently replaced all three of the swaps with three separate counterparties. The new swaps contained provisions that resulted in a much lower overall cost on the underlying debt than the original agreements.

Swap Payments and Associated Debt

As of March 31, 2009, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms are displayed in the following schedule. As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Fiscal Year Ending June 30	VRDO Principal	VRDO Interest	Swap Net Payment	Total Payments
2009	$ 2,645	$ 3,303	$ 7,987	$ 13,935
2010	5,465	6,576	18,554	30,595
2011	5,710	6,528	18,397	30,635
2012	6,895	6,478	18,234	31,607
2013	12,825	6,369	17,976	37,170
2014-2018	80,465	29,704	83,239	193,408
2019-2023	117,375	25,469	67,678	210,522
2024-2028	113,465	19,547	48,483	181,495
2029-2033	115,425	11,949	30,795	158,169
2034-2038	98,595	2,917	15,068	116,580
2039-2042	53,575	4	3,151	56,730
	$ 612,440	$ 118,844	$ 329,562	$ 1,060,846

Significant Terms

The terms, fair values and credit ratings of the Corporation's outstanding swaps as of March 31, 2009, are included in the following schedule. Except for SC02B, where the debt has been redeemed, the notional amounts of the swaps match the principal amounts of the associated debt. These notional amounts amortize over a time period that approximates the payments the Corporation would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

Related Bond Issue	Notional Amounts	Present Values	Fair Values	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating[6]
GP01A[1]	$ 64,790	$ 67,763	$ (2,973)	12/01/08	2.4530	67% of 1M LIBOR[4]	12/01/30	A+/Aa1
GP01B	79,180	96,507	(17,327)	08/02/01	4.1427	67% of 1M LIBOR	12/01/30	A/A2
E021A1[2]	48,850	53,449	(4,599)	10/09/08	2.9800	70% of 3M LIBOR	06/01/32	AAA/Aaa
E021A2	120,000	129,358	(9,358)	10/09/08	3.4480	70% of 1M LIBOR	12/01/36	A/A2
SC02B[3]	14,555	17,301	(2,746)	12/05/02	3.7700	70% of 1M LIBOR	07/01/24	AA-/Aa1
SC02C	60,250	67,411	(7,161)	12/05/02	4.3030	SIFMA[5]+0.115%	07/01/22	AA-/Aa1
E071A1[2]	143,622	178,866	(35,244)	06/01/07	3.7345	70% of 3M LIBOR	12/01/41	AAA/Aaa
E071A2	95,748	119,609	(23,861)	06/01/07	3.7200	70% of 3M LIBOR	12/01/41	AA-/Aa1
	$ 626,995	**$ 730,264**	**$ (103,269)**					

1. Governmental Purpose Bonds
2. Home Mortgage Revenue Bonds
3. State Capital Project Bonds
4. London Interbank Offered Rate
5. Securities Industry and Financial Markets Municipal Swap Index
6. Standard & Poor's/Moody's

Fair Value
Due to historically low interest rates, the Corporation's interest rate swaps all had negative fair values as of March 31, 2009. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on the Corporation's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by the Corporation, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap liabilities in the marketplace if a swap were to be terminated.

Risks

a. **Credit Risk**
As of March 31, 2009, the Corporation was not exposed to credit risk on any outstanding swaps because all the swaps had negative fair values. If interest rates rise and the swaps' fair values become positive, the Corporation would be exposed to credit risk in the amount of the swaps' fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall below specific levels. The Corporation currently has swap agreements with four separate counterparties. Approximately 32% of the total notional amount of the swaps is held with one counterparty, who is rated A/A2. Of the remaining swaps, one counterparty is rated AAA/Aaa, another counterparty is rated AA-/Aa1, and the remaining counterparty is rated A+/Aa1, approximating 31%, 27%, and 10% respectively, of the total notional amount of the swaps.

b. **Basis Risk**
All of the Corporation's variable-rate demand obligation bond coupon payments are based on the tax exempt SIFMA index. Therefore, the Corporation is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and, thus is not exposed to any basis risk. As of March 31, 2009, SIFMA was 0.5400% and 1 month LIBOR was 0.5200%, resulting in a negative 0.02% spread. The 3 month LIBOR was 1.2275% resulting in a positive .6875% spread between SIFMA and the 3 month LIBOR. The spread between LIBOR and SIFMA is at a historically low level but has fluctuated since the agreements became effective. As the spread increases, so does the anticipated cost savings from the swaps.

c. **Rollover Risk**
Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. The Corporation has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. As the bonds mature the swaps will amortize. The E021A swaps were set up in several tranches of various sizes that can be cancelled to parallel the redemption of debt from mortgage prepayments. In addition, the GP01A and GP01B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The SC02B swap no longer has rollover risk since the bonds have been redeemed. The result of these swap structures is a decrease in rollover risk usually caused by rapid mortgage prepayments.

d. **Termination Risk**
Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and, thus, the Corporation would be exposed to interest rate risk. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair value at termination, the Corporation would be liable to the counterparty for payments equal to the swaps' fair value. The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement, including downgrades and events of default.

12 LONG TERM LIABILITIES

The activity for the nine months ended March 31, 2009 is summarized in the following schedule (in thousands):

	July 1, 2008	Additions	Reductions	March 31, 2009	Due Within One Year
Draw down bonds	$ 108,965	$ -	$ (108,965)	$ -	$ -
Bonds and notes payable	3,027,901	128,361	(251,629)	2,904,633	92,365
Total bonds and notes payabl	3,136,866	128,361	(360,594)	2,904,633	92,365
Compensated absences	3,929	2,079	(1,839)	4,169	2,096
Other liabilities	346	369	(370)	345	-
Total other long-term liabilities	4,275	2,448	(2,209)	4,514	2,096
	$ 3,141,141	$ 130,809	$ (362,803)	$ 2,909,147	$ 94,461

13 SHORT TERM DEBT

The Corporation has a commercial paper program. Commercial paper is issued and redeemed to meet the cash flow requirements of the Corporation's activities. Individual maturities may range from 2 to 270 days from date of issuance. The maximum aggregate outstanding principal balance authorized by the Board of Directors is $150,000,000.

Yields issued during period	March 31, 2009	June 30, 2008
Lowest	1.00%	2.35%
Highest	3.30%	5.60%

Short term debt activity for the nine months ended March 31, 2009 is summarized in the following schedule (in thousands):

	July 1, 2008	Additions	Reductions	March 31, 2009
Commercial paper	$ 112,313	$ 979,097	$ (941,410)	$ 150,000
Unamortized discount	(154)	(2,603)	2,534	(223)
Commercial paper, net	$ 112,159	$ 976,494	$ (938,876)	$ 149,777

14 TRANSFERS

Transfers for the nine months ended March 31, 2009 are summarized in the following schedule (in thousands):

		From				
		Administrative Fund	Housing Development Fund	Energy Programs	Other Non-Major Funds	Total
	Administrative Fund	$ -	$ 80,771	$ 23	$ 165,088	$ 245,882
T	Housing Development Fund	3,199	-	-	-	3,199
o	Energy Programs	939	-	-	-	939
	Other Non-Major Funds	105,415	-	-	90,248	195,663
	Total	$ 109,553	$ 80,771	$ 23	$ 255,336	$ 445,683

Transfers are used to (1) move funds between the Administrative Fund and the other Funds of the Corporation for financing mortgage related activities and to subsidize debt service payments, (2) to move mortgages from the Administrative Fund to the Bond Funds of the Corporation, (3) to move Corporate revenue to the Administrative Fund from Bond Funds, and (4) to record expenditures paid on behalf of the Bond Funds by the Administrative Fund.

15 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. Such arrangements may 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. Varying commitment fees are required, generally ¼ to ½ of 1% per annum of the aggregate liability or commitment amount.

In addition to such bond-related arrangements, the Corporation also maintains a $200,000,000 issuer-level revolving credit facility that is unrelated to a specific bond issue. As of March 31, 2009, no draws had been made on the revolving credit facility.

The Corporation had unused liquidity facilities or similar credit enhancement agreements as shown below (in thousands):

	March 31, 2009	June 30, 2008
Bond related liquidity facilities	$ 408,220	$ 691,510
Revolving credit facility	200,000	200,000
Bond insurance	1,604,995	1,801,860
	$2,213,215	$ 2,693,370

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 or restricted as to yields. 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 to the Internal Revenue Service. Following is a summary of excess earnings recorded and paid (in thousands):

	March 31, 2009	June 30, 2008
Arbitrage expense	$ 1,402	$ 484
Arbitrage paid	1,402	4,309

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". The total state authorizations from FY1995–FY2009 were $1,437,151,000; payments up thru March 31, 2009 were $1,296,189,000 resulting in total remaining commitments of $140,962,000 as of March 31, 2009.

Transfer Plan with the State

The 1998 Legislature authorized the Corporation to finance state capital projects through the issuance of up to $224 million in bonds. Debt service payments on such bonds are categorized as transfers pursuant to the Transfer Plan. That legislation also extended the term of the Transfer Plan by stating the Legislature's intent that the Corporation transfer to the State (or expend on its behalf) an amount not to exceed $103 million in each fiscal year through fiscal year 2006, again stating that, to protect the Corporation and its bond rating, in no fiscal year should such amount exceed the Corporation's net income for the preceding fiscal year. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The 2000 Legislature adopted legislation authorizing the issuance of bonds in sufficient amounts to fund the construction of various State capital projects, and extended the Transfer Plan (as described above) through fiscal year 2008. The 2002 Legislature authorized the issuance of $60,250,000 in capital project bonds for the renovation and deferred maintenance of the Corporation's Public Housing facilities. The 2004 Legislature adopted legislation authorizing the additional issuance of bonds in sufficient amounts to fund the construction of various State capital projects. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation. Debit service payments on such bonds are categorized as transfers pursuant to the Transfer Plan.

The Corporation has issued $196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, $74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, and $60,250,000 principal amount of State Capital Project Bonds pursuant to the 2002 Act, and $45,000,000 principal amount of bonds under the State Capital Project agreement pursuant to the 2004 Act, and has completed its issuance authority under the Acts. The payment of principal and interest on these bonds will be included in future capital budgets of the Corporation.

The Twenty-Third Legislature in 2003 enacted SCSBH 256 (the "2003" Act) which added language to the Alaska Statutes to modify and incorporate the Transfer Plan. The Corporation and the State view the 2003 Act as an indefinite, sustainable continuation of the Transfer Plan. As approved and signed into law by the Governor, the 2003 Transfer Plan calls for annual transfers as follows (in thousands):

Fiscal Year	Transfer Plan Amount
2008	Lesser of 85% Net Income or $103,000
2009 & Thereafter	Lesser of 75% Net Income or $103,000

Subsequent to GASB 34, the Corporation interprets net income as operating income.

Contributions to the State of Alaska or other State agencies

Since the inception of the Corporation, the State has contributed a total of $1,369,523,000 to the Corporation. Beginning in fiscal year 1986, the Corporation began a series of plans to transfer funds to or on behalf of the State. Following is a summary of the different types of transfers (in thousands):

	March 31, 2009	Cummulative Prior Fiscal Year	Total Payments to State
State debt repayment	$ -	$ 29,800	$ 29,800
Asset purchases	-	252,300	252,300
Dividends	-	114,300	114,300
Direct cash transfers	-	606,653	606,653
Other State appropriations	-	302,654	302,654
Non-Housing capital projects	5,146	287,341	292,487
Various bond proceeds disbursed	4,317	296,426	300,743
Total	$ 9,463	$ 1,889,474	$ 1,898,937

18 GRANTS

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

Program	March 31, 2009
Energy Programs:	
▪ Energy Efficiency Monitoring Research	$ 670
▪ Energy Efficient Home Program,	7,218
▪ Low-Income Home Energy Assistance	127
▪ Low Income Weatherization Assistance	16,087
Total Energy Programs	24,102
Section 8 Vouchers Program	20,478
Other Housing Assistance Programs:	
▪ AMHTA Short Term Housing Assistance	98
▪ Beneficiaries and Special Needs Housing	1,107
▪ Centers for Medicare/Medicaid Services	-
▪ Denali Commission	7,014
▪ Drug Elimination	37
▪ Grant Match Program	-
▪ HOME Investment Partnership	2,896
▪ Homeless Assistance Program	1,696
▪ Homeless Information Management System	1
▪ Housing Loan Program	2,994
▪ Housing Opportunities for Persons with AIDS	434
▪ Housing Preservation	44
▪ Resident Opportunity and Support Service	22
▪ ROSS Neighborhood Network	2
▪ Section 8 Contract Administration	5,050
▪ Senior Citizen Housing Development Grant	2,482
▪ Shelter Plus Care	380
▪ Special Program for the Aging	83
▪ Supplemental Housing Grant	2,918
▪ Supportive Housing Grant Match	613
▪ Technical Assistance Grant	83
Total Other Housing Assistance Programs	27,954
Total Housing Grant Expenses	72,534
Other Program Funds:	
▪ Legislative Appropriations	5,146
Total Non-Housing Capital Project Grants	5,146
Total Grants	$ 77,680

In addition to grant payments made, the Corporation has advanced grant funds of $8,102,000 and committed to third parties a sum of $214,348,000 in grant awards at March 31, 2009.

19 OTHER PROGRAMS

Other programs include public-housing activities, energy conservation funded from a combination of corporate receipts and external sources and other activities not reported elsewhere.

Housing Assistance Programs

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

- Low Rent Management
- Modernization/Capital Fund Programs

Section 8 Vouchers Program includes the following programs for tenant-based rental assistance administered by the Corporation under contract with HUD:

- Section 8 Moderate Rehabilitation
- Section 8 Vouchers

Section 8 New Program consists of Corporate owned low-income housing facilities at various locations, Wrangell Market Housing, and contract administration of HUD contracts directly with landlords:

- Section 8 New Construction
- Wrangell Multi-Family Market
- Section 8 Contract Administration

Other Housing Assistance Programs include the following HUD, federal, state and privately funded activities:

- Drug Elimination Program
- Denali Commission Housing Programs
- Family Self Sufficiency Program (FSS)
- Family Investment Center Grant
- Gateway Literacy Program
- Grant Match Program
- HOME Investment Partnerships Program (HOME)
- HOME Technical Assistance
- Housing Opportunities for Persons with AIDS (HOPWA)
- Housing Preservation Grants
- Neighborhood Stabilization Program
- Resident Opportunity and Supportive Services
- Service Coordinator for Public Housing Agencies Grant
- Shelter Plus Care Program
- Special Needs Assistance
- Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)
- Supportive Housing Technical Assistance
- Teacher Health Professional and Public Safety Housing Programs

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

Energy Conservation Programs

- Low-Income Weatherization Program
- Residential Energy Rehab Program (Enhanced Weatherization)
- Energy Efficiency Education
- Energy Efficient Home Program (Rebates)
- Alaska Native Tribal Health Consortium/Rural Alaska Sanitation Coalition (RASC)
- Association of Alaska Housing Authorities Grant
- Low-Income Home Energy Assistance Program (LIHEAP)
- State Energy Conservation Program and Special Projects
- Research Information Center
- Cold Climate Housing Research Center
- Alaska Building Science Network (Energy Education)

Housing Units Owned, Managed or Administered

As of March 31, 2009, the Public Housing Division of the Corporation operates the following programs in 18 Alaskan communities:

Program	Number of Units
Low Rent Conventional Housing	987
Low Rent Conventional Housing – Senior Units	343
Section 8 New Construction Housing	59
Section 8 New Construction Housing – Senior Units	268
Other Housing Units	33
Section 8 Existing – Housing Assistance:	
Housing Choice Vouchers	4,251
Single Room Occupancy	70
	6,011

20 ENERGY AND WEATHERIZATION ENERGY EFFICIENCY PROGRAMS

The 2008 Legislature authorized funding for the Corporation to expand the existing Weatherization program by $200,000,000 and create the new Energy Rebate Program with $160,000,000 to help Alaskans make their homes more energy efficient.

The Weatherization program helps homeowners with low-to-moderate incomes, living in owner-occupied homes or rental units, qualify for free weatherization upgrades performed through various providers or regional housing authorities. The Weatherization program is funded by federal, State and Corporate monies.

The Home Energy Rebate Program has no income limits and provides homeowners with reimbursements for specific energy-efficiency improvements. The more the home's energy efficiency improves, the greater the potential rebate. As of March 31, 2009 the Corporation had outstanding commitments of $80,828,000 and had paid out $7,218,000 in the rebate program to homeowners during fiscal year 2009.

21 PENSION AND POST EMPLOYMENT HEALTHCARE PLANS

Plan Description

As of March 31, 2009, all regular employees of the Corporation who work more than fifteen hours per week participate in the Alaska Public Employees' Retirement System (PERS). PERS administers the State of Alaska Public Employees' Retirement System Defined Benefit Retirement Plan which includes both pension and post employment healthcare plans for all employees hired prior to July 1, 2006. The defined benefit plan was an agent multiple-employer, statewide plan until July 1, 2008 when Senate Bill 125 converted the plan to a multiple-employer cost-sharing plan. PERS also administers the State of Alaska Public Employees' Retirement System Defined Contribution Retirement Plan which includes both pension and post employment healthcare plans for all employees hired on or after July 1, 2006.

PERS is administered by the State of Alaska. Benefits and contributions provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by state legislature. Amendments do not affect existing employees. 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.

Defined Benefit Plans (Employees hired prior to July 1, 2006):

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. 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, 2¼% for the second ten years of service and 2½% 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 plan pays the retiree medical plan premium and also provides death and disability benefits.

Effective with employees hired after June 30, 1986, the normal retirement age became 60 and the early retirement age became 55. Also the plan does not pay the retiree medical plan premium for retirees under the age of 60. The employee may elect to pay the full premium cost for medical coverage.

The retirement benefit calculation for employees hired after June 30, 1996 is based on the average of the member's five-year highest average monthly compensation. The plan does not pay the retiree medical plan premium for retirees with less than 10 years of service at age 60. The employee may elect to pay the full premium cost for medical coverage.

Defined Contribution Plan (Employees hired after July 1, 2006):

There is no retirement age set, however taxes and penalties may apply if withdrawn prior to age 59 ½. Retirement benefits are equal to the Defined Contribution account balance plus interest. The employee may direct the investment of the account if so desired. The account balance is 100% of the employees contribution plus 25% of the Corporation's contribution after two years of service, 50% of the Corporation's contribution after three years of service, 75% of the Corporation's contribution after four years of service, and 100% of the Corporation's contribution after 5 years of service. The plan pays a portion of the retiree medical plan premium if the retiree retires directly from the plan and is eligible for Medicare. The portion of premium paid by the plan is determined by years of service. Disability benefits are also provided.

Funding Policy

Defined Benefit Plans:

Under State law, covered employees are required to contribute 6¾% of their annual covered salary to the pension plan and are not required to contribute to the Post Employment Healthcare Plan.

Under State law, the Corporation is required to contribute 22% of annual covered salary. Of this 6.8% of covered salary is for the pension plan and 15.2% of covered salary is for the Post Employment Healthcare Plan.

Under AS39.35.255, the difference between the actuarial required contribution of 35.22% and the employer rate of 22% will be funded by the State.

The State contribution to the pension plan for the Corporation for the nine months ended March 31, 2009 will be $565,000.

The Corporation's contributions to the pension plan for the nine months ended March 31, 2009 was $883,000 and for the years ended June 30, 2008 and June 30, 2007 was $1,026,000 and $2,053,000 respectively.

The State contribution to the post employment healthcare plan for the Corporation for the nine months ended March 31, 2009 will be $1,332,000.

The Corporation's contributions to the post employment healthcare plan for the nine months ended March 31, 2009 was $2,056,000 and for the years ended June 30, 2008 and June 30, 2007 was $2,770,000 and $1,455,000 respectively.

Defined Contribution Plans

Under State law, covered employees are required to contribute 8% of their annual covered salary and the Corporation is required to contribute 5.58% of the annual covered salary to the pension plan.

Under State law, covered employees are not required to contribute to the post employment healthcare plan and the Corporation is required to contribute .99% of the annual covered salary plus an annual flat dollar amount of $1,616.81 for each covered employee.

If the total amount that the Corporation has contributed for the defined contribution pension and post employment healthcare plans is less that 22% of covered payroll, the Corporation must pay that additional amount. This additional amount is used to reduce the Plan's unfunded liability. For the nine months ended March 31, 2009, the Corporation paid additional contributions of $115,000.

The contributions to the pension plan for the nine months ended March 31, 2009 by the employees was $79,000 and by the Corporation was $59,000.

The Corporation contributed $44,000 to a health reimbursement arrangement for the nine months ended March 31, 2009.

22 OTHER COMMITMENTS AND CONTINGENCIES

Medical Self Insurance

During the fiscal year ended June 30, 1998, the Corporation began a program of self-insurance for employee medical benefits. Costs are billed directly to the Corporation by an Administrative Services Provider that processes all of the claims from the employees and their dependents. The Corporation has purchased a stop-loss policy that limits its liability to $50,000 per employee per year. The Corporation has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of $902,000 and $887,000 as of March 31, 2009 and June 30, 2008, 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 Administrative Fund. In management's opinion, disallowance, if any, will be immaterial.

Subsequent Events

On May 28, 2009, the Corporation issued $161,760,000 Home Mortgage Revenue Bonds, 2009 Series A and B. The bonds are general obligations of the Corporation that bear interest at a floating rate, payable on each June 1 and December 1, with a final maturity date of December 1, 2040. The Bonds are primarily secured by program obligations consisting of qualifying mortgage loans purchased from bond proceeds.

On May 28, 2009, the Corporation entered into three pay fixed, receive variable interest rate swap agreements with a total notional amount of $242,630,000, of which $161,760,000 relates to the Home Mortgage Revenue Bonds, 2009 Series A and B, and $80,870,000 relates to a future bond issue. The swaps terminate on December 1, 2040. The Corporation pays 3.701%, 3.761% and 3.74%, and receives 70% of 1-month LIBOR, 70% of 3-month LIBOR, and 70% of 3-month LIBOR, respectively.

23 RISK MANAGEMENT

The Corporation is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by various commercial insurance policies and contractual risk transfers. When the Corporation enters into agreements, contracts or grants, it requires insurance from the party the Corporation is doing business with. This ensures that the party can adequately sustain any loss exposure, so the Corporation is not first-in-line in case of a loss. There have been no significant reductions in insurance coverage from the prior year, and settlements have not exceeded insurance coverage during the past three years.

24 RELATED PARTY TRANSACTION

Beginning in September 2008, the Corporation's subsidiary Alaska Housing Capital Corporation, implemented a program to temporarily hold certain variable-rate debt obligations of the Corporation. Such obligations were purchased via arm's length, open market transactions. As of March 31, 2009, Alaska Housing Capital Corporation did not hold any debt obligations of the Corporation.

25 FIVE YEAR FINANCIAL INFORMATION

Entity-wide amounts at year-end are presented below for informational purposes (in thousands):

	June 30,				
	2008	2007	2006	2005	2004
Assets					
Cash	$ 19,034	$ 45,964	$ 11,583	$ 9,769	$ 7,939
Investments	1,231,404	1,274,544	1,768,178	1,219,415	1,143,547
Accrued interest receivable	16,734	19,340	19,013	20,762	19,897
Mortgage loans, notes and other loans	3,450,063	3,357,754	3,240,209	3,325,182	3,355,300
Net investment in direct financing lease	65,203	27,085	29,110	32,843	34,547
Unamortized bond issuance costs	25,142	24,616	24,584	25,135	26,404
Capital assets, net	116,535	118,743	120,030	116,073	110,813
Other assets	22,004	28,854	16,869	13,754	10,033
Total Assets	4,946,119	4,896,900	5,229,576	4,762,933	4,708,480
Liabilities					
Bonds and notes payable	3,136,866	3,060,887	2,907,223	2,898,730	2,890,879
Short term debt	112,159	119,726	242,449	138,375	70,145
Accrued interest payable	15,303	14,847	17,340	14,147	14,562
Other liabilities	15,620	16,968	72,532	28,608	26,435
Total Liabilities	3,279,948	3,212,428	3,239,544	3,079,860	3,002,021
Total Fund Equity	$ 1,666,171	$ 1,684,472	$ 1,990,032	$ 1,683,073	$ 1,706,459

	June 30,				
	2008	2007	2006	2005	2004
Operating Revenues					
Mortgage and loans revenue	$ 202,851	$ 195,028	$ 193,573	$ 201,386	$ 206,300
Investment interest	56,667	76,631	60,220	43,162	46,358
Net change in fair value of investments	255	2,214	(1,830)	(1,653)	(9,554)
Total Investment Revenue	56,922	78,845	58,390	41,509	36,804
Externally funded programs	73,603	63,043	59,587	57,877	56,084
Rental	7,695	6,988	6,575	6,183	6,109
Other	776	1,085	807	2,252	743
Total Operating Revenues	341,847	344,989	318,932	309,207	306,040
Operating Expenses					
Interest	147,336	158,145	146,971	141,161	151,165
Mortgage and loan costs	14,155	14,034	13,133	13,130	13,059
Operations and administration	42,812	41,410	38,858	35,530	36,240
Financing expenses	6,415	8,945	4,836	11,941	6,168
Provision for loan loss	7,098	5,490	406	(103)	(1,861)
Housing grants and subsidies	78,290	65,689	56,829	56,506	48,640
Rental housing operating expenses	10,428	10,799	11,221	10,985	10,149
Total Operating Expenses	306,534	304,512	272,254	269,150	263,560
Operating Income	35,313	40,477	46,678	40,057	42,480
Non-Operating & Special Item					
Contribution from the State of Alaska	-	-	300,000	-	-
Contribution to State or State agency	(53,614)	(346,037)	(46,845)	(67,288)	(66,136)
Special item	-	-	7,126	3,845	(7,451)
Change in Net Assets	$ (18,301)	$ (305,560)	$ 306,959	$ (23,386)	$ (31,107)

Alaska Housing
FINANCE CORPORATION

a component unit of the State of Alaska

Financial Statements

And Independent Auditors' Report

June 30, 2008

With Summarized Financial Information for June 30, 2007

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Alaska Housing FINANCE CORPORATION

This is a publication of Alaska Housing Finance Corporation. For comments or questions:
http://www.ahfc.state.ak.us/financials/financials.cfm or dboyce@ahfc.state.ak.us

Mikunda, Cottrell & Co.
Certified Public Accountants & Consultants

RSM McGladrey Network

Offices in Anchorage & Kenai

Independent Auditor's Report

The Board of Directors
Alaska Housing Finance Corporation:

We have audited the accompanying statements of net assets, revenues, expenses, and changes in net assets and cash flows of each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation (the Corporation) as of and for the year ended June 30, 2008, which collectively comprise the Corporation's basic financial statements. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2007 financial statements and in our report dated October 1, 2007, we expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation as of June 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 5, 2008, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

3601 "C" Street, Suite 600 * Anchorage, Alaska 99503 * (907) 278-8878 * Fax (907) 278-5779 * www.mcc-cpa.com

The Board of Directors
Alaska Housing Finance Corporation:

The Management's Discussion and Analysis on pages 3-8 and the schedule of funding progress for PERS on page 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole

Mikunda, Cottrell & Co.

Anchorage, Alaska
October 8, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report of the Alaska Housing Finance Corporation's ("the Corporation") consists of three sections: management's discussion and analysis, the basic financial statements and supplementary schedules. The Corporation's operations are business type activities and follow enterprise fund accounting. The Corporation is a component unit of the State of Alaska ("the State") and is discretely presented in the State's financial statements. The Corporation's basic financial statements include: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; the Statement of Cash Flows and the Notes to Financial Statements. These statements are presented for all of the Corporation's operations and programs, with a dual focus on the Corporation as a whole (entity-wide) and on its major funds. Summarized financial information for FY 2007 is also presented and is intended to facilitate and enhance understanding of the Corporation's financial position, results of operations and cash flows for the current fiscal year in comparison to the prior fiscal year.

Management's Discussion and Analysis

This section of the Corporation's annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal year ended June 30, 2008. This information is being presented to assist the reader in identifying significant financial issues and to provide additional information regarding the activities of the Corporation. This information should be read in conjunction with the Independent Auditors' Report, the audited financial statements and accompanying notes.

Basic Financial Statements

The *Statement of Net Assets (Exhibit A)* answers the question, "How is our financial health at the end of the year?" This statement includes all assets and liabilities of the Corporation, both financial and capital, short-term and long-term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. The resulting net assets presented in this statement are displayed as restricted or unrestricted. Assets are restricted when their use is subject to external limits such as bond resolutions, legal agreements or statutes. Assets not included in this category are characterized as unrestricted. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets (Exhibit B)* measures the activities of the Corporation's operations over the past year and presents the operating income (loss) and change in net assets. It can be used to determine whether the Corporation has successfully recovered all of its costs through mortgage and loan interest, investment interest, externally funded programs and other revenue sources. This statement helps answer the question, "Is the Corporation as a whole better off or worse off as a result of the year's activities?"

The primary purpose of the *Statement of Cash Flows (Exhibit C)* is to provide information about the sources and uses of the Corporation's cash and the components of the change in cash balance during the reporting period. This statement reports cash receipts, cash payments, and net changes resulting from operating, non-capital financing, capital financing and investing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period?"

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements. The *Notes to Financial Statements* follow *Exhibit C*.

Major Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. For the fiscal year 2008, the Corporation reports the following major funds:

The *Administrative Fund* is the main operating fund of the Corporation. It represents all of the Corporation's activity not presented in other funds. The resources in this fund:

- provide for general working capital requirements of the Corporation

- fund program requirements
- are available to meet outstanding obligations and to fund continuing appropriations
- are available to absorb future loan foreclosure losses, and
- are the source of legislatively authorized transfers to and from the State and debt service payments for debt issued on behalf of the State for state capital projects

As of June 30, 2008, the Administrative Fund reported net assets of $758 million, a decrease of $41 million from June 30, 2007. The decrease in net assets can be primarily attributed to contributions to the State of Alaska of $39 million, internal transfers from the Administrative fund of $41 million offset by Operating income of $39 million. Approximately $96 million, or 13%, of the Administrative Fund's net assets are restricted by contractual or statutory agreements and $661 million, or 87%, are unrestricted and may be used for operations and to meet the continuing obligations of the Corporation.

The Administrative Fund reported operating income of $39 million for FY 2008, a decrease of $5 million from FY 2007, due primarily to a decrease in mortgage and loan revenue of $2 million, a decrease in investment revenue of $6 million, an increase in operations and administration expenses of $2 million offset by a decrease in provision for loan loss of $2 million, and a decrease in interest expense of $3 million.

The *Housing Development Bonds Fund* accounts for debt issued and assets pledged for payment of the debt under the bond indentures for Housing Development projects.

The Corporation's *Other Non-Major Funds* include individual funds for First Time Homebuyer Bonds, Veterans Mortgage Program Bonds, Other Housing Bonds, Non-Housing Bonds, Other Program Funds and Revolving Funds. Supplementary schedules present these funds.

FINANCIAL HIGHLIGHTS

- As a result of this year's operations, the Corporation's operating income was $35 million, down 13% from FY 2007. Profitability, based on operating income, as measured by the adjusted return on average assets (excluding the change in the fair value of investments) decreased to .7% at June 30, 2008, compared to .8% at June 30, 2007. The change in the fair value has been removed from the ratio due to the volatility of the return.
- The Corporation's assets exceeded its liabilities, as of June 30, 2008, by $1.67 billion (net assets).
- The Corporation's mortgage loan portfolio is one of its primary assets. During the fiscal year ended June 30, 2008, mortgage loans increased by 2.7%, due to new loan purchases exceeding collection of loan payments.
- During the fiscal year ended June 30, 2008, the Corporation's total assets increased by $49 million due primarily to a $92 million increase in mortgage loans offset by a $43 million decrease in investments. Total liabilities increased by $67 million due primarily to an increase of $76 million in bonds payable offset by a $7 million decrease in short term debt.

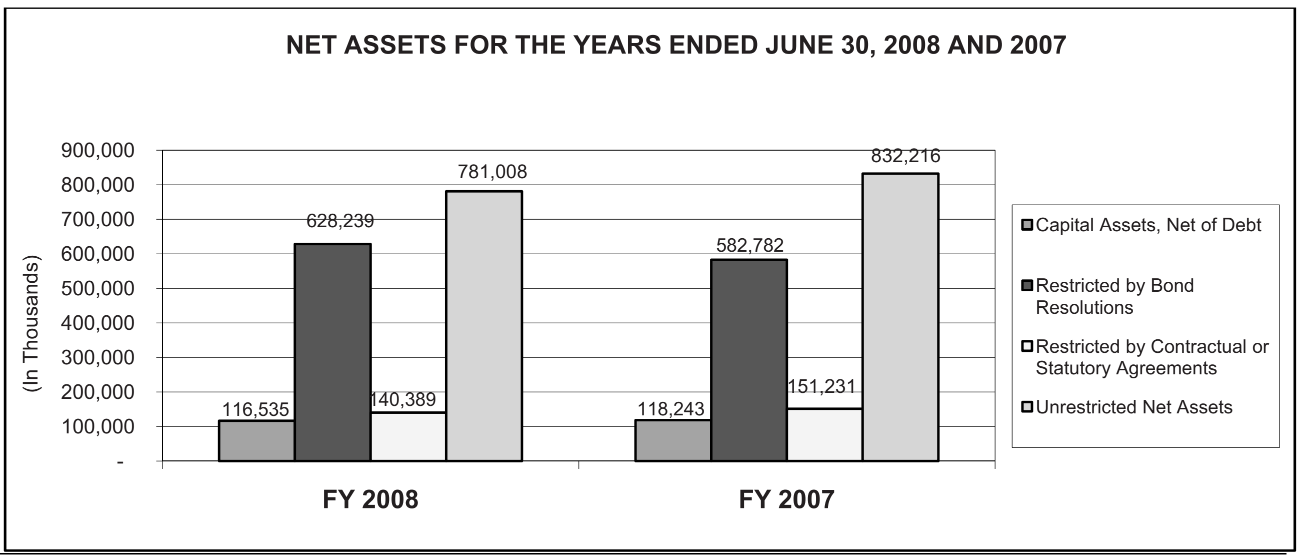
CONDENSED STATEMENT OF NET ASSETS

The following table presents condensed information about the financial position of the Corporation as of June 30, 2008 and 2007, and changes in the balances of selected items during the fiscal year ended June 30, 2008 (in thousands):

	2008	2007	Change Increase (Decrease)	
Investments	1,231,404	1,274,544	(43,140)	(3.4)%
Mortgage loans, notes and other loans, net	3,450,063	3,357,754	92,309	2.7%
Capital assets, net	116,535	118,743	(2,208)	(1.9)%
Total assets, net	4,946,119	4,896,900	49,219	1.0%
Bonds and notes, net	3,136,866	3,060,887	75,979	2.5%
Short term debt	112,159	119,726	(7,567)	(6.3)%
Total liabilities	3,279,948	3,212,428	67,520	2.1%
Total net assets, net	1,666,171	1,684,472	(18,301)	(1.1)%

As of June 30, 2008, total assets increased by $49 million from June 30, 2007. The increase in total assets can be primarily attributed to an increase in mortgage loans of $92 million resulting from new loan purchases exceeding collection of loan payments. The increase in total assets was offset partially by a $43 million decrease in investments. Total liabilities increased by $67 million from June 30, 2007. The increase in total liabilities is primarily due to an increase bond debt of $76 million offset by a decrease in short term debt of $7 million.

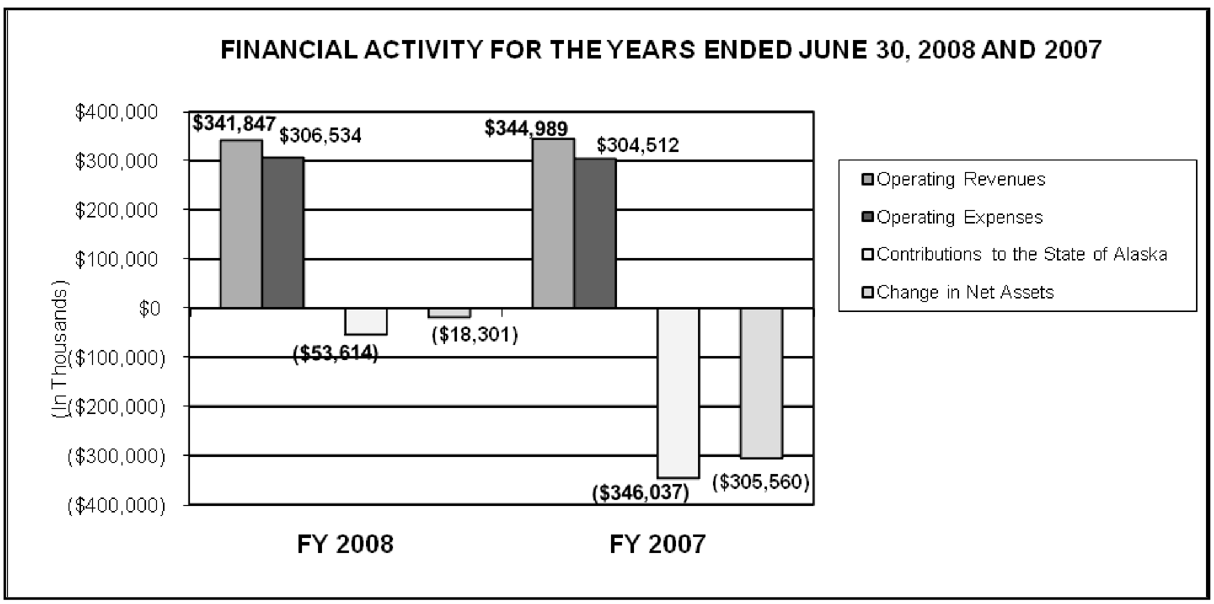
The chart below represents the classification of unrestricted and restricted net assets, and capital assets, net of debt, for FY 2008 and FY 2007.



CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The following table presents condensed information about the revenues, expenses and changes in net assets for the fiscal years ended June 30, 2008 and 2007, and the variance from the prior fiscal year (in thousands):

	2008	2007	Change Increase (Decrease)	
Mortgages and loan revenue	202,851	195,028	7,823	4.0%
Investment interest income	56,667	76,631	(19,964)	(26.1)%
Net change in the fair value of investment	255	2,214	(1,959)	(88.5)%
Externally funded programs	73,603	63,043	10,560	16.7%
Total operating revenues	341,847	344,989	(3,142)	(0.9)%
Interest expense	147,336	158,145	(10,809)	(6.8)%
Operations and administration	42,812	41,410	1,402	3.4%
Housing grants and subsidies	78,290	65,689	12,601	19.2%
Total operation expenses	306,534	304,512	2,022	0.7%
Operating income	35,313	40,477	(5,164)	(12.8)%
Contributions to the SOA or other	53,614	346,037	(292,423)	(84.5)%
Change in net assets	(18,301)	(305,560)	287,259	94.0%



Total operating revenues decreased by a net amount of $3 million, or .9%, during FY 2008 primarily due to a decrease in investment revenue offset by increases mortgage and loan revenue and externally funded program revenue. Total operating expenses increased by $2 million, or .7%. The net effect of changes in operating revenues and expenses was a $5 million or 12.8% decrease in operating income from FY 2007.

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 FY 2008 were $54 million and for FY 2007 was $80 million. In FY 2008 the Transfer Plan called for payment of the lesser of $103 million or 85% of the Corporation's adjusted net income, with this payment percentage declining to 75% in FY 2009 and in the fiscal years thereafter. Subsequent to GASB 34, the Corporation interprets net income as operating income.

The Change in Net Assets for FY 2007 was a decrease of $305 million primarily due to the $300 million contribution to the Alaska Housing Capital Corporation.

DEBT ADMINISTRATION

As of June 30, 2008, the Corporation had $3 billion of bonds and notes payable secured by assets held and the general obligation pledge of the Corporation. The Corporation's debt is rated by three major rating agencies. The ratings assigned to the Corporation by each of those agencies are:

Rating Category	Fitch Ratings	Moody's Investors Service	Standard & Poor's
General Obligation:			
Long Term	AA+	Aa2	AA
Short Term	F1+	P-1	A-1+
General Account Fund Rating:			
Credit Quality			AAAf
Volatility			S1

Significant debt activity during the year included the following:

- Issued $47 million in Draw Down Bonds;
- Issued $81 million in Tax-Exempt Home Mortgage Revenue Bonds;
- Issued $58 million in Tax-Exempt Veterans Mortgage Revenue Bonds;
- Issued $96 million in Tax-Exempt State Capital Project Bonds;
- Redeemed bonds through surplus redemption provisions of their respective indentures in the amount of $96 million;

Additional information on the Corporation's long-term debt can be found in the Notes to Financial Statements.

ECONOMIC FACTORS AND OTHER FINANCIAL INFORMATION

The primary business activity of the Corporation is providing a secondary market for the purchase of single-family and multi-family mortgage loans. The Corporation's mortgage financing activities are sensitive to changes in interest rates, the spread between the rate on the Corporation's loans and those available in the conventional mortgage markets, and the availability of affordable housing in the State. The availability of long-term tax-exempt financing on favorable terms is a key element in providing the funding necessary for the Corporation to continue its mortgage financing activities.

The Corporation's main sources of revenues include mortgage loan activity, investment interest income and externally funded grants and subsidies. Market interest rates have an effect on both the mortgage program and investment income revenues. If interest rates rise, mortgage and investment income should increase as new loans are originated and new investments are purchased at the higher rates. If interest rates fall, mortgage and investment income will decrease as new loans are originated and new investments are purchased at the lower rates. Any decrease in interest rates could also cause an increase in prepayments on higher rate mortgages. The Corporation uses many of these prepayments to call the corresponding bond series, which lowers the interest expense incurred on the Corporation's overall bonds outstanding, or to recycle mortgages to obtain the maximum allowable spread. Large federal deficits or changes in programs or funding levels could have a negative impact on externally funded program revenues.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives during the periods reported. If you have questions about this report or need additional financial information, please visit the Corporation's web site www.ahfc.state.ak.us.

ALASKA HOUSING FINANCE CORPORATION

Exhibit A

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

As of June 30, 2008

(in thousands of dollars)

	Administrative Fund	Housing Development Bonds	Other Non-Major Funds	Total June 30, 2008
ASSETS				
Cash	9,500	-	9,534	19,034
Investments	463,728	64,443	703,233	1,231,404
Accrued interest receivable	2,753	2,013	11,968	16,734
Inter-fund due to/from	(32,653)	6,012	26,641	-
Mortgage loans, notes and other loans	535,218	338,610	2,576,235	3,450,063
Net investment in direct financing lease	-	-	65,203	65,203
Unamortized bond issuance costs	-	3,461	21,681	25,142
Capital assets - non-depreciable	139	-	13,851	13,990
Capital assets - depreciable, net	188	-	102,357	102,545
Other assets	7,052	642	13,949	21,643
Intergovernmental receivable	-	-	361	361
Total Assets	985,925	415,181	3,545,013	4,946,119
LIABILITIES				
Bonds and notes payable	108,965	337,425	2,690,476	3,136,866
Short term debt	112,159	-	-	112,159
Accrued interest payable	985	1,214	13,104	15,303
Other liabilities	5,874	82	6,515	12,471
Intergovernmental payable	-	-	3,149	3,149
Total Liabilities	227,983	338,721	2,713,244	3,279,948
NET ASSETS				
Invested in capital assets, net of related debt	327	-	116,208	116,535
Restricted by bond resolutions	-	-	628,239	628,239
Restricted by contractual or statutory agreements	96,292	-	44,097	140,389
Unrestricted net assets, (deficit)	661,323	76,460	43,225	781,008
Total Net Assets	757,942	76,460	831,769	1,666,171

See accompanying notes to the financial statements.

ALASKA HOUSING FINANCE CORPORATION

Exhibit B

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2008

(in thousands of dollars)

	Administrative Fund	Housing Development Bonds	Other Non-Major Funds	Total June 30, 2008
OPERATING REVENUES				
Mortgage and loans revenue	37,518	22,661	142,672	202,851
Investment interest	14,873	4,186	37,608	56,667
Net change in the fair value of investments	(823)	14	1,064	255
Total Investment Revenue	14,050	4,200	38,672	56,922
Externally funded programs	-	-	73,603	73,603
Rental	-	-	7,695	7,695
Other	107	-	669	776
Total Operating Revenues	51,675	26,861	263,311	341,847
OPERATING EXPENSES				
Interest	7,648	15,338	124,350	147,336
Mortgage and loan costs	3,011	996	10,148	14,155
Financing expenses	1,145	447	4,823	6,415
Provision for loan loss	(2,923)	1,406	8,615	7,098
Operations and administration	3,485	2,250	37,077	42,812
Rental housing operating expenses	97	-	10,331	10,428
Housing grants and subsidies	16	-	78,274	78,290
Total Operating Expenses	12,479	20,437	273,618	306,534
Operating Income (Loss)	39,196	6,424	(10,307)	35,313
NONOPERATING EXPENSES, SPECIAL ITEM & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(39,415)	-	(14,199)	(53,614)
Transfers - Internal	(40,905)	17,488	23,417	-
Change in Net Assets	(41,124)	23,912	(1,089)	(18,301)
Net assets at beginning of year	799,066	52,548	832,858	1,684,472
Net Assets at End of Period	757,942	76,460	831,769	1,666,171

See accompanying notes to the financial statements.

ALASKA HOUSING FINANCE CORPORATION *Exhibit C*

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2008

(in thousands of dollars)

	Administrative Fund	Housing Development Bonds	Other Non-Major Funds	Total June 30, 2008
Cash flows from operating activities:				
Interest income on mortgages and loans	29,564	22,347	135,319	187,230
Principal payments received on mortgages and loans	48,090	34,496	328,561	411,147
Purchases of mortgages and loans	(512,333)	-	-	(512,333)
Receipt (payment) for loan transfers between funds	530,265	(106,619)	(423,646)	-
Payments to employees and other payroll disbursements	(18,351)	-	(11,099)	(29,450)
Payments for goods and services	(13,771)	-	(8,323)	(22,094)
Cash received for externally funded programs	119	-	38,028	38,147
Cash received for Federal HAP subsidies	-	-	35,038	35,038
Payments for Federal HAP subsidies	-	-	(35,329)	(35,329)
Interfund Receipts	581,888	58,922	523,634	1,164,444
Interfund Payments	(583,596)	(57,059)	(523,789)	(1,164,444)
Grant payments to other agencies	(15,389)	-	(28,229)	(43,618)
Other operating cash receipts	1,377	1,308	9,817	12,502
Other operating cash payments	(4,593)	(1,318)	(1,623)	(7,534)
Net cash provided by (used for) operating activities	43,270	(47,923)	38,359	33,706
Cash flows from noncapital financing activities:				
Proceeds from the issuance of bonds	46,535	-	237,665	284,200
Principal paid on bonds	(23,825)	(8,460)	(128,945)	(161,230)
Payment to defease bonds	-	-	(44,636)	(44,636)
Payment of bond issuance costs	(839)	-	-	(839)
Interest paid	(8,214)	(15,700)	(121,861)	(145,775)
Proceeds from issuance of short term debt	1,133,512	-	-	1,133,512
Payment of short term debt	(1,140,232)	-	-	(1,140,232)
Contributions to the State of Alaska or other State agencies	(49,471)	-	(5,538)	(55,009)
Transfers (to) from other funds	82,593	(7,626)	(74,967)	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	40,059	(31,786)	(138,282)	(130,009)
Cash flows from capital financing activities:				
Acquisition of capital assets	(2,190)	-	(1,989)	(4,179)
Proceeds from the disposal of capital assets	4	-	31	35
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	(3,316)	(3,316)
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	(3,544)	(3,544)
Proceeds from the direct financing lease payments	-	-	4,002	4,002
Other cash payments	(2,308)	-	(22,930)	(25,238)
Net cash provided by (used for) capital financing activities	(4,494)	-	(27,746)	(32,240)
Cash flows from investing activities:				
Purchase of investments	(8,222,693)	(758,365)	(4,914,394)	(13,895,452)
Proceeds from maturity of investments	8,128,200	832,056	4,978,596	13,938,852
Interest received from investments	14,924	6,018	37,271	58,213
Net cash provided by (used for) investing activities	(79,569)	79,709	101,473	101,613
Net Increase (decrease) in cash	(734)	-	(26,196)	(26,930)
Cash at the beginning of year	10,234	-	35,730	45,964
Cash at the end of period	9,500	-	9,534	19,034
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	39,196	6,424	(10,307)	35,313
Adjustments:				
Depreciation expense	69	-	6,451	6,520
Provision for loan losses	(2,923)	1,406	8,615	7,098
Amortization of bond issuance costs	-	144	1,267	1,411
Net change in the fair value of investments	823	(14)	(1,064)	(255)
Transfers between funds for operating activity	(45,146)	3,511	41,635	-
Interest received from investments	(14,924)	(6,018)	(37,271)	(58,213)
Interest paid	8,214	15,700	125,405	149,319
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	66,022	(72,123)	(95,085)	(101,186)
Net increase (decrease) in assets and liabilities	(8,061)	3,047	(1,287)	(6,301)
Net cash provided by (used for) operating activities	43,270	(47,923)	38,359	33,706

See accompanying notes to the financial statements.

FOOTNOTE INDEX

FOR THE YEAR ENDED JUNE 30, 2008

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2007)

1 AUTHORIZING LEGISLATION AND FUNDING

The Alaska Housing Finance Corporation (Corporation), a public corporation and government instrumentality of the State of Alaska (State), was created in 1971, and substantially modified in 1992, by acts of the Alaska State 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. The Corporation is a component unit of the State of Alaska and is discretely presented in the State's financial statements.

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 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.

The Northern Tobacco Securitization Corporation (NTSC) was incorporated in the State of Alaska pursuant to House Bill No. 281 of the Alaska Legislature, as a subsidiary of the Corporation. There is no financial accountability between NTSC and the Corporation. Neither the Corporation nor the State is liable for any debt issued by NTSC. NTSC is not a component unit of the Corporation and thus is not included in the Corporation's financial statements. NTSC is a government instrumentality of, but separate and apart from, the State and is reported as a blended component unit in the State's financial statements.

In accordance with the Legislature's intent, the Corporation formed a subsidiary, the Alaska Housing Capital Corporation ("AHCC"), under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Housing Finance Corporation Act (AS 18.56), as amended. AHCC was incorporated on May 23, 2006, as a public corporation and government instrumentality of, but having a legal existence independent of and separate from, the State of Alaska. AHCC is a subsidiary of, but separate and apart from, the Corporation. There is no financial accountability between AHCC and the Corporation. AHCC is not a component unit of the Corporation and thus is not included in the Corporation's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation's funds are accounted for as enterprise funds for financial reporting purposes. All funds utilize the economic resource measurement focus and full accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The Corporation applies all Governmental Accounting Standards Board (GASB) pronouncements for the Corporation's funds, as well as those Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless such pronouncements conflict with or contradict GASB pronouncements. After November 30, 1989, the Corporation only applies applicable GASB pronouncements.

Basis of Presentation

The Corporation's financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets formatted to report operating and non-operating revenues and expenses, a Cash Flow Statement presented using the direct method, and notes to the financial statements. The Corporation's financial statements present the Administrative Fund and the other Major Funds in separate columns. The remaining Non-Major Funds are aggregated and displayed in a single column. The total column presents the entity-wide amounts for the Corporation.

Major and Non-Major Funds

The Corporation reports the following major and non-major funds:

Administrative Fund. This is the Corporation's primary operating fund. It accounts for all financial resources of the Corporation, except those accounted for in separate funds.

Housing Development Bonds. This fund accounts for debt issued and some assets pledged for payment of the debt under the bond indentures for Housing Development Bonds.

Other Non-Major Funds. Resources to assist in the financing, development and sale of housing units, public housing assistance programs, energy programs, and home loan programs are aggregated and reported in Other Non-Major Funds.

Restricted Net Assets

The restricted net asset amounts of the Administrative Fund consist of the Corporation's remaining commitments to the State (refer to Footnote No. 17, State Authorizations and Commitments, for further details). The remaining resources of the Administrative Fund are unrestricted.

The other financial activities of the Corporation are restricted by the Corporation's bond resolutions, requirements from the Legislature, and statutory requirements or third-party agreements that restrict the use of resources. These restricted resources are recorded in various special purpose funds and accounts. Restricted funds with a net deficit balance are shown as having an unrestricted net asset balance pursuant to reporting requirements.

When both restricted and unrestricted resources are available in a fund, it is the Corporation's policy to spend restricted funds to the extent allowed and only spend unrestricted funds when needed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. The significant estimate for the Corporation is the allowance for loan losses.

Investments

All investments are stated at fair value, except for nonparticipating investment agreements, which are stated at cost. The Corporation does not participate in any external investment pools.

Accrued Interest Receivable on Loans and Real Estate Owned

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.

Loans and Allowances for Estimated Loan Losses

Mortgage loans are carried at their unpaid principal balances net of allowance for estimated loan losses. Mortgage loans are recorded as amounts are disbursed.

The Corporation provides for possible losses on loans on which foreclosure is anticipated. 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.

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. These amounts are included in other assets.

Depreciation
Depreciation and amortization of buildings, equipment and leasehold improvements are computed on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 3 to 40 years. The capitalization floor is $5,000.

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.

Interest Rate Swap
The Corporation's Fiscal Policies allow, with certain restrictions, the Corporation to enter into certain derivative financial instruments called interest rate swap agreements, or swaps. The Corporation enters into these swaps with various counter-parties to achieve a lower overall cost of funds for certain bond issuances. These agreements can be negotiated whereby the Corporation pays the counter-party a fixed interest rate in exchange for a variable interest rate payment from the counter-party, or vice-versa. The particulars of each swap are negotiated to achieve the financing objectives of the Corporation. Other than the net interest expense resulting from these agreements, no amounts are recorded in the Corporation's financial statements.

Operating Revenues and Expenses
The Corporation was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the Corporation into mortgage loans to qualified housing sponsors and to certain individuals. The Corporation's primary purpose is to borrow funds in the bond market and to use those funds to make single-family and multi-family mortgages and loans. Its primary operating revenue is derived from the interest income and fees from those mortgages and loans and on the invested proceeds from the bond issues. Additionally, the Corporation's statutory purpose includes providing financial assistance programs for rental subsidies to tenants of various housing developments. The Corporation records all revenues from mortgages and loans, investments, rental activities, and externally funded programs as operating revenues. The primary costs of providing these programs are recorded as operating expenses.

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

3 CASH AND INVESTMENTS

Cash consists of demand deposits, time deposits and cash held in trust. The carrying amount of the Corporation's cash is restricted by bond resolutions, contractual agreements, and statutory agreements. A summary of the Corporation's cash is shown below (in thousands):

	June 30, 2008	June 30, 2007
Restricted cash	$ 9,534	$ 35,730
Unrestricted	9,500	10,234
Carrying amount	$ 19,034	$ 45,964
Bank balance	$ 21,486	$ 47,288

Of the $19,034,000 carrying amount at June 30, 2008, approximately $4,027,000 is subject to various restrictions associated with the HUD Low Rent program operated by the Corporation's Public Housing Division. This restricted cash is not available to fund the Corporation's general operations.

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 penalty.

Investment Maturities (In Years)

	Less Than 1	1-5	6-10	More than 10	June 30, 2008	June 30, 2007
Bank investment contracts	$ 54,432	$ -	$ -	$ -	$ 54,432	$ 72,564
U. S. Treasury securities	293	11,453	-	-	11,746	23,587
Securities of U.S. Government agencies and corporations	167,420	6,330	-	442	174,192	153,019
Asset-backed securities	456	2,154	-	-	2,610	1,718
Certificates of deposit	1,501	-	-	-	1,501	20,000
Commercial paper and medium-term notes	758,241	4,891	283	-	763,415	636,804
Guaranteed investment contracts	206,344	-	-	-	206,344	353,707
Money market funds	17,164	-	-	-	17,164	13,145
Total AHFC portfolio	$ 1,205,851	$ 24,828	$ 283	$ 442	$ 1,231,404	$ 1,274,544

Restricted Investments

The carrying amount of the Corporation's investments, a majority of which are restricted by bond resolutions, contractual agreements, and statutory agreements, is shown below (in thousands):

	June 30, 2008	June 30, 2007
Restricted investments	$ 972,934	$ 1,080,535
Unrestricted	258,470	194,009
Carrying amount	$ 1,231,404	$ 1,274,544

Included in the restricted investments are Guaranteed Investment Contracts in the Drawn Down Bond Fund Escrow Account. These investment securities are placed in a trust with an escrow agent and are reserved exclusively for future debt service payments on the Draw Down bonds.

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 is shown below (in thousands):

	June 30, 2008	June 30, 2007
Ending unrealized holding gain	$ 1,644	$ 1,933
Beginning unrealized holding gain	1,933	859
Net change in unrealized holding gain	(289)	1,074
Fair value of investment transferred to state agency	-	575
Net realized gain (loss)	544	565
Net increase (decrease) in fair value	$ 255	$ 2,214

Deposit and Investment Policies

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested. All funds are classified as trust or non-trust, and this determines the applicable investment guidelines used by staff when making investment decisions.

The Corporation's Fiscal Policies provide investment guidelines for non-trusted funds. Funds are invested according to anticipated use: those that must remain immediately available to provide working capital are invested in short-term, highly liquid securities, while those not expected to be used in the short-term are invested in longer-term securities.

The following securities are eligible for investment under the Corporation's fiscal policies:

- Obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States;
- Obligations of U.S. Government-sponsored agencies, including mortgage-backed securities, that are not backed by the full faith and credit of the U.S. Government;
- Bank debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances (having maturities of not more than 365 days) 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 or “F-1” by Fitch;
- Deposits in and investments of a commercial bank or credit union which are fully insured by the FDIC or NCUA or, to the extent not insured by the FDIC or NCUA, provide for the pledge of collateral maintained at a minimum level of 105% and valued at least monthly;
- 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 or “AA” by Fitch if maturing in excess of one year, and “A-1” by S&P or “P-1” by Moody's or “F1” by Fitch if maturing in one year or less;
- Asset-backed securities, other than commercial paper and 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 or “AA” by Fitch;
- Commercial paper, including asset-backed commercial paper, rated at least “A-1” by S&P or “P-1” by Moody's or “F1” by Fitch;
- 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 “A” by Fitch or short-term ratings of at least “A-1” by S&P or “P-1” by Moody's or “F-1” by Fitch and where collateral is maintained at a minimum level of 102%, valued on a daily basis;
- Money market funds which are rated at least “AAm” or “AAm-G” by S&P or “Aa” by Moody's or “V-1+” by Fitch;
- Investment agreements or guaranteed investment contracts with an insurance company, bank or other financial institution having an outstanding unsecured long-term obligations rating, or a claims paying or investment agreement rating of at least “AA” by S&P or “Aa” by Moody's or “AA” by Fitch, or, if the term is one year or less, at least “A-1” by S&P or “P-1” by Moody's or “F1” by Fitch;

- Floating rate notes issued by entities having outstanding unsecured long-term obligations rated “AA” by S&P or “Aa” by Moody’s or “AA” by Fitch, or, if the term of the floating rate note is one year or less, having outstanding short-term obligations rated at least “A-1” by S&P or “P-1” by Moody’s or “F1” by Fitch; with interest rates subject to adjustment at least every 100 days; and with a maximum maturity of three years or less, or an optional tender available to bondholders no less frequently than every interest rate reset date;
- Adjustable rate funds, provided they are rated “AAAf” credit and “S-1” 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 or “AAA” by Fitch.

Trusted funds are invested according to the terms outlined in their respective indentures or governing agreements, which generally mandate the purchase of relatively short-term, high-quality, fixed income securities. In those rare instances, if any, where an indenture or governing agreement is less restrictive than the Corporation’s fiscal policies for non-trust funds, the investment will be made in accordance with the more restrictive fiscal policies.

Credit Risk
Credit risk is the risk of loss due to the failure of the security or backer. The Corporation mitigates its credit risk by limiting investments to those permitted in its Fiscal Policies and relevant governing agreements, diversifying the investment portfolio, and pre-qualifying firms with which the Corporation administers its investment activities.

The credit quality ratings of the Corporation’s investments as of June 30, 2008, as determined by nationally recognized statistical rating organizations, are shown below (in thousands). $11,746,000 of U.S. Treasury securities and securities of agencies and corporations which are explicitly guaranteed by the U.S. Government are not considered to have credit risk and therefore, are not included in the summary.

	Moody’s	S & P	Investment Fair Value
Securities of U. S. Government agencies and corporations:			
	Aaa	AAA	$ 174,192
Asset-backed securities:			
	Aaa	AAA	2,610
Commercial paper & medium-term notes:			
	Aaa	AAA	1,486
	Aa1	AA	299
	Aa1	AA-	608
	Aa1	AA+	539
	Aa2	AA	-
	Aa2	AA-	251
	Aa2	A+	-
	Aa3	AA	1,152
	Aa3	AA-	3,649
	Aa3	A+	100
	A1	AA-	-
	P-1	A-1+	710,390
	P-1	A-1	44,659
	--	A-1	-
	Baa3	BBB	282
			763,415
Money market funds			
	--	AAAm	17,164
Unrated investments:			
Bank investment contracts			54,432
Certificates of deposit			1,501
Guaranteed investment contracts			206,344
			262,277
			$1,219,658

Concentration Risk
Concentration risk is the risk of loss attributed to the magnitude of the Corporation's investment in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for trust investments. The Corporation's fiscal policies set the maximum concentration limits for non-trust investments as follows:

Investment Type	Investment Type Limit as a % of Total Portfolio	Issuer Limit as a % of Total Portfolio
General obligations of the United States	100%	100%
Securities of U.S. Government agencies and corporations	65%	35%
Corporate and non-corporate (including the following): • Adjustable rate funds • Bank investment contracts • Certificates of deposit • Commercial paper & medium-term notes • Deposits in and investments of a commercial bank or credit union • Floating or variable rate notes • Guaranteed investment contracts • Money market funds • Repurchase agreements	60%	5%
Mortgage and asset-backed securities	20%	5%

Investment Holdings Greater than Five Percent of Total Portfolio
The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's Fiscal Policies and trusted investments which have no established concentration limits. Investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds, external investment pools, and other pooled investments are excluded from this summary. As of June 30, 2008, the Corporation had investment balances greater than 5 percent of the Corporation's total investments with the following issuers (in thousands).

Issuer	Investment Fair Value	Percentage of Total Portfolio
AIG Funding Inc	$ 410,358	33.32 %
Citigroup Financial Products, Inc.	150,908	12.25
CFPI	109,602	8.90
Federal Home Loan Discount Notes	109,590	8.90
AEGON	74,600	6.06

Custodial Credit Risk
The Corporation assumes levels of custodial credit risk for its deposits with financial institutions, bank investment agreements, and investments. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. For bank investment agreements and investments, custodial credit risk is the risk that, in the event of failure of the custodian or counterparty holding the investment, the Corporation will not be able to recover the value of the investment. The Corporation has not established a formal custodial credit risk policy for its investments.

Of the Corporation's $21,486,000 bank balance at June 30, 2008, cash deposits in the amount of $13,285,000 were uninsured and uncollateralized.

Of the Corporation's $1,231,404,000 total investments at June 30, 2008, bank investment contracts in the amount of $54,432,000 were uninsured, unregistered, and held by the counterparty or its agent, but not in the Corporation's name.

Interest Rate Risk
Interest rate risk is the risk that the market value of investments will decline as a result of changes in general interest rates. For non-trust investments, the Corporation mitigates interest rate risk by structuring its investment maturities to meet cash requirements (including corporate operations), thereby avoiding the need to sell securities in the open market prior to maturity. For investments held in trust, investment maturities are structured to meet cash requirements as outlined in the bond indentures and contractual and statutory agreements.

Modified Duration
Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Corporation's trusted and non-trusted investments (in thousands) with their modified duration as of June 30, 2008:

	Investment Fair Value	Modified Duration
Bank investment contracts	$ 54,432	0.000
U.S. Treasury securities:		
Treasury coupon securities	11,746	2.175
Securities of U.S. Government agencies and corporations:		
Federal agency discounts	167,341	0.102
Federal agency coupon securities	6,179	1.725
Federal agency pass through securities	672	3.424
Asset-backed securities	2,610	1.979
Certificates of deposit	1,501	0.063
Commercial paper & medium-term notes:		
Commercial paper discounts	756,139	0.186
Corporate bonds	299	1.931
Medium-term notes	6,198	1.295
Municipal bonds	282	5.843
Floating rate notes	497	1.740
Guaranteed investment contracts	206,344	0.000
Money market funds	17,164	0.000
	$ 1,231,404	
Portfolio modified duration		.426

A minimal percentage of the Corporation's total investment portfolio is municipal bonds, which are relatively more sensitive to changing interest rates than the rest of the Corporation's investment portfolio. Municipal bonds held as of June 30, 2008, are as follows (in thousands):

	Fair Value	Rate	Maturity
Northern Tobacco Securitization Corporation	$282	4.577%	June 1, 2015

4 INTERFUND RECEIVABLE/PAYABLE

A summary of the interfund receivable/payable balance is shown below (in thousands):

Due To \ Due From	Administrative Fund		Other Non Major Funds		Total
Administrative Fund	$	-	$	15,970	$ 15,970
Housing Development		6,012		-	6,012
Other Non Major Funds		42,611		-	42,611
Total	$	48,623	$	15,970	$ 64,593

The balances of $6,012,000 due to Housing Development and of $42,611,000 due to the Other Non-Major Funds from the Administrative Fund resulted primarily from monies belonging to these funds being deposited in an Administrative Fund account to obtain a greater rate of return.

Of the $15,970,000 due from the Other Non-Major Funds to the Administrative Fund, $2,197,000 resulted from an allocation of management and bookkeeping fees mandated by HUD.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made.

5 MORTGAGE LOANS, NOTES AND OTHER LOANS

A summary of mortgage loans, notes and other loans is shown below (in thousands):

		June 30, 2008		June 30, 2007
Mortgage loans	$	3,089,782	$	3,139,975
Multi-family loans		386,453		238,236
Other notes receivable		77,982		74,811
		3,554,217		3,453,022
Less:				
Allowance for losses		(104,154)		(95,268)
Net Mortgage loans, notes and other loans	$	3,450,063	$	3,357,754

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

		June 30, 2008		June 30, 2007
Delinquencies and foreclosures:				
Loans delinquent 30 days or more	$	133,345	$	109,641
Foreclosures during period		5,433		1,711
Loans in foreclosure process		15,839		10,584
Mortgage-related commitments:				
To purchase mortgage loans		114,255		116,805
To repurchase loans upon foreclosure		-		-

6 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, maintaining, and liquidating 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.

7 LOAN SELF INSURANCE PROGRAM

The Corporation, for the purpose of insuring itself against losses which might occur as a result of mortgages purchased under various loan programs, collects insurance premiums from the borrowers. The premiums are administered by the management of the Corporation and included in the Administrative Fund in the accompanying financial statements.

8 DIRECT FINANCING LEASES

In July 1997, the Corporation purchased an office building in downtown Anchorage with its Administrative Fund assets for approximately $26 million. The building is part of the Corporation's State Lease Building 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, Series 1999, 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.

In May 2005, the Corporation issued its General Housing Purpose Bonds, 2005 Series C, to defease $16,485,000 of the State Building Lease Bonds, Series 1999. As a result, the liability of these bonds has been reduced, and the lease balance was decreased by $1,792,000.

In fiscal years 2007 and 2008, the Corporation began constructing a parking garage in downtown Anchorage with its Administrative Fund assets. The cost of the garage at the end of fiscal year 2008 was approximately $40 million. The garage is estimated to be completed in fiscal year 2009. The garage has been leased to the State of Alaska for use by its departments and agencies located in Anchorage. The State has the option to purchase the garage at the end of the lease for $1. In September 2007, the Corporation issued the State Capital Project Bonds, Series 2007 A, $37,400,000 of this issue was to finance the purchase of the parking garage. The lease of the garage to the State has been recorded as a direct financing lease.

The following table lists the components of the net investment in direct financing leases and shows the future minimum payments under the lease for the next five years and thereafter (in thousands):

	Future Minimum Payments Due		
12 Months Ending June 30	**Parking Garage**	**Building**	**Total**
2009	$ 3,304	$ 3,467	$ 6,771
2010	3,304	3,467	6,771
2011	3,304	3,467	6,771
2012	3,304	3,467	6,771
2013	3,304	3,467	6,771
Thereafter	49,550	13,868	63,418
Gross payments due	66,070	31,203	97,273
Less: Unearned revenue	(25,827)	(6,243)	(32,070)
Net investment in direct financing lease	$ 40,243	$ 24,960	$ 65,203

9 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 and a summary of balances are shown below (in thousands):

	July 1, 2007	Additions	Reductions	June 30, 2008
NON-DEPRECIABLE CAPITAL ASSETS:				
Land	$ 13,753	$ -	$ -	$ 13,753
Construction in progress	3,668	4,139	(7,570)	237
TOTAL NON-DEPRECIABLE	17,421	4,139	(7,570)	13,990
DEPRECIABLE CAPITAL ASSETS:				
Buildings	193,470	7,572	-	201,042
Computers & Equipment	2,746	116	(1,804)	1,058
Leasehold Improvements	88	-	-	88
Vehicles	2,041	99	(54)	2,086
	198,345	7,787	(1,858)	204,274
Less: Accumulated depreciation				
Buildings	(92,727)	(6,232)	6	(98,953)
Computers & Equipment	(2,441)	(169)	1,777	(833)
Leasehold Improvements	(49)	(22)	-	(71)
Vehicles	(1,806)	(107)	41	(1,872)
	(97,023)	(6,530)	1,824	(101,729)
TOTAL DEPRECIABLE, NET	101,322	1,257	(34)	102,545
TOTAL CAPITAL ASSETS, NET	$ 118,743	$ 5,396	$ (7,604)	$ 116,535

The depreciation expense charged by the Corporation was $6,520,000 for the year ended June 30, 2008. 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, was $3,685,000 at June 30, 2008.

10 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 and Notes 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.

The Corporation has authorization to issue Draw Down bonds in the amount of $900,000,000 for the purpose of preserving private activity bond volume capacity and to refund certain outstanding obligations of the Corporation. Only $300,000,000 of these bonds can be outstanding at any one time. The Series A, C, and D Bonds are limited obligations of the Corporation and are primarily secured by amounts on deposit in the Bond Escrow Fund and investment earnings thereon. The Series B bonds are general obligations of the Corporation and are primarily secured by amounts on deposit in the Bond Escrow Fund attributable to draws under the Series B Bonds. The Bond Escrow account and the Bonds are included in the Administrative Fund.

Bonds and notes outstanding are shown below (in thousands):

	Original Amount	June 30, 2008	June 30, 2007
Revolving Fund Bonds:			
Draw Down Bonds			
Tax-Exempt:			
• Series 2007 A, Floating rate*, monthly payments, 2.30% at June 30, 2008, due 2019	$ 71,005	$ 65,125	$ 32,290
• Series 2007 C, Floating rate*, monthly payments, 2.20% at June 30, 2008, due 2019	29,395	29,395	29,395
• Series 2007 D, Floating rate*, monthly payments, 2.20% at June 30, 2008, due 2019	32,390	14,445	24,570
Total Revolving Fund Bonds	132,790	108,965	86,255
First-Time Home Buyer Bonds:			
Mortgage Revenue Bonds:			
Tax-Exempt:			
• 1997 Series A,			
4.9% to 6.0%, due 2037	160,000	20,390	35,530
Accreted interest		9,989	8,756
Unamortized discount		(323)	(352)
• 1998 Series A,			
4.65% to 5.4%, due 2008-2035	70,000	26,685	30,810
• 1999 Series A1 & A2			
5.25% to 6.25%, due 2008-2031	200,000	84,280	100,210
Unamortized discount		(108)	(110)
• 2000 Series A,			
5.9% to 6.0%, due 2036-2040	58,315	28,920	28,920
• 2000 Series B,			
5.45%, due 2015	3,795	-	3,795
• 2000 Series C,			
4.9% to 6.0% due 2008-2032	68,785	31,465	32,275
Unamortized discount			(71)
• 2001 Series A,			
3.5% to 5.3%, due 2008-2031	32,740	20,645	22,405

	Original Amount	June 30, 2008	June 30, 2007
• 2001 Series B,			
4.15% to 5.45%, due 2008-2041	104,450	39,470	48,325
Unamortized premium		57	61
• 2002 Series A, Floating Rate*,			
1.75% at June 30, 2008 due 2032, 2036	170,000	169,300	170,000
• 2006 Series A,			
3.4% to 5.0%, due 2008-2036	98,675	90,085	95,360
Unamortized premium		900	1,045
• 2006 Series B,			
3.5% to 5.0%, due 2008-2036	75,000	69,935	73,420
Unamortized premium		616	703
• 2006 Series C,			
3.9% to 5.5%, due 2008-2037	75,000	71,775	74,450
Unamortized premium		1,215	1,425
• 2007 Series A, Floating Rate*			
1.51% at June 30, 2008 due 2041	75,000	75,000	75,000
Deferred debt refunding		(1,941)	(2,009)
• 2007 Series B, Floating Rate*			
1.40% at June 30, 2008, due 2041	75,000	75,000	75,000
Deferred debt refunding		(1,941)	(2,009)
• 2007 Series C			
3.75% to 4.80%, due 2008-2038	89,370	88,665	89,370
• 2007 Series D, Floating Rate*			
1.30% at June 30, 2008 due 2041	89,370	89,370	89,370
Deferred debt refunding		(2,380)	(2,462)
• 2008 Series A			
2.45%-5.40% due 2009-2038	80,880	80,880	-
Taxable:			
• 2000 Series D	25,740	-	1,145
Total First-Time Homebuyer Bonds	1,552,120	1,067,949	1,050,362
Veterans Mortgage Program Bonds:			
Collateralized State Guaranteed Bonds:			
Tax-Exempt:			
• Collateralized Bonds 1997 First Series,	100,000	-	3,500
• Collateralized Bonds 1998 First and Second Series,			
4.7% to 5.5%, due 2008-2040	60,000	12,770	16,400
Unamortized discount		(162)	(170)
• Collateralized Bonds 1999 First Series,			
5.0% to 6.25%, due 2008-2039	110,000	34,280	41,625
• Collateralized Bonds 2000 First Series,			
5.5% to 6.45%, due 2008-2039	70,000	18,270	22,065
• Collateralized Bonds 2002 First Series,			
4.15% to 5.65%, due 2008-2034	50,000	19,945	23,180

	Original Amount	June 30, 2008	June 30, 2007
• Collateralized Bonds 2005 First Series, 4.8%, due 2035	15,000	14,420	14,690
• Collateralized Bonds 2006 First Series, 3.75% to 4.9%, due 2008-2037	190,000	188,410	190,000
• Collateralized Bonds 2007 & 2008 First Series 3.25% to 5.25% due 2009-2038	57,885	57,885	-
Total Veterans Mortgage Program Bonds	652,885	345,818	311,290
Other Housing Bonds:			
Housing Development Bonds:			
Tax-Exempt:			
• 1997 Series A	6,510	-	125
• 1997 Series B	17,000	-	325
• 1999 Series A 4.95% to 6.3%, due 2008-2029	1,675	1,455	1,485
• 1999 Series B, 5.0% to 6.37%, due 2008-2029	5,080	4,440	4,535
• 1999 Series C, 4.875% to 6.2%, due 2008-2009	50,000	2,045	44,470
• 2000 Series B, Floating Rate*, monthly payments, 1.30% at June 30, 2008 due 2030	41,705	40,025	41,705
• 2002 Series A, 3.0% to 5.3%, due 2008-2033	8,440	2,990	3,140
• 2002 Series B, 2.85% to 5.15%, due 2008-2022	8,690	6,960	7,300
• 2002 Series C, 2.85% to 5.25%, due 2008-2032	70,000	63,135	64,470
• 2002 Series D, Floating Rate*, monthly payments, 3.00% at June 30, 2008, due 2037	37,870	34,420	35,100
• 2004 Series A, 2.0% to 4.85%, due 2008-2030	33,060	30,240	30,985
• 2004 Series B, 1.8% to 4.75%, due 2008-2032	52,025	46,935	48,340
Taxable:			
• 1997 Series C	23,895	-	380
• 2004 Series D, 3.65% to 5.6%, due 2008-2043	105,000	104,780	105,000
Sub-Total Housing Development Bonds	460,950	337,425	387,360
General Mortgage Revenue Bonds:			
Tax-Exempt:			
• 1999 Series A, 4.85% to 6.05%, due 2008-2049	302,700	244,495	246,305
Unamortized deferred debt refunding expense		(1,411)	(1,543)
Unamortized discount		(1,462)	(1,490)

	Original Amount	June 30, 2008	June 30, 2007
• 2002 Series A,			
3.45% to 5.0%, due 2010-2040	150,000	150,000	150,000
Unamortized deferred debt refunding expense		(1,152)	(1,195)
Unamortized premium		544	559
Government Purpose Bonds:			
Tax-Exempt:			
• 1997 Series A, Floating Rate* monthly payments,			
1.30% at June 30, 2008, due 2027	33,000	23,300	23,300
• 2001 Series A, Floating Rate*,			
3.00% at June 30, 2008, due 2030	76,580	65,710	67,485
2001 Series B, Floating Rate*,			
3.00% at June 30, 2008, due 2030	93,590	80,300	82,465
Total Other Housing Bonds	1,116,820	897,749	953,246
Non-Housing Bonds:			
State Capital Project Bonds:			
Tax-Exempt:			
• 2002 Series A,			
3.0% to 5.0%, due 2008-2011	32,905	16,240	19,855
Unamortized premium		652	791
• 2002 Series B, Floating Rate Auction Bonds**	14,555	-	14,555
• 2002 Series C, Floating Rate*			
2.22% at June 30, 2008, due 2022	60,250	60,250	60,250
• 2006 Series A,			
3.5% to 5%, due 2008-2040	100,890	98,590	100,040
Unamortized discount		(1,724)	(2,055)
Unamortized premium		1,856	2,157
• 2007 Series A & B			
4%-5.25%, due 2008-2029	95,525	95,205	-
Unamortized discount		(74)	-
Unamortized premium		3,922	-
Unamortized deferred debt refunding expense		(3,054)	-
State Building Lease Bonds:			
Tax-Exempt:			
• 1999 Series,			
4.875% to 5.8%, due 2008-2011	40,000	8,200	10,285
Unamortized discount		(69)	(71)
General Housing Purpose Bonds:			
Tax-Exempt:			
• 1992 Series A,			
6.1% to 6.6%, due 2008-2023	200,000	6,550	12,780
• 2003 Series A, Floating Rate*, monthly payments,			
1.30% at June 30, 2008, due 2023	143,995	120,735	126,275
• 2003 Series B, Floating Rate*, monthly payments,			
1.30% at June 30, 2008, due 2023	16,095	16,095	16,095

	Original Amount	June 30, 2008	June 30, 2007
• 2005 Series A,			
2.2% to 5.25%, due 2008-2041	143,235	140,710	141,735
Unamortized premium		3,868	4,404
• 2005 Series B,			
2.7% to 5.25%, due 2008-2030	147,610	137,750	141,135
Unamortized deferred debt refunding expense		(11,389)	(12,072)
Unamortized premium		5,312	6,275
• 2005 Series C,			
2.7% to 5%, due 2008-2017	16,885	16,760	16,800
Total Non-Housing Bonds	1,011,945	716,385	659,234
Other Program Funds:			
Home Ownership Notes:			
Tax-Exempt:			
• Wrangell Project HUD Note	1,161	-	500
Total Other Programs	1,161	-	500
Total Bonds and Notes Payable	$ 4,467,721	$ 3,136,866	$ 3,060,887

Note: Debt service payments on the above mentioned bonds and notes are semi-annual unless otherwise mentioned.

* Interest rates on the annotated variable-rate bonds are established by the Remarketing Agents on each Rate Determination Date.

** Interest rates on the annotated variable-rate auction bonds are established by the Auction Agents on each Auction Date.

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 Corporation also issues new debt whose proceeds are used to immediately redeem previously issued debt, called current refundings. The related discounts and costs of issuance of the old debt is included in a deferred debt refunding account and amortized as interest expense. The Corporation may call some bonds at a premium using any monies once bonds reach a certain age and may also use a clean-up call to redeem certain bonds once they reach 15% of issuance.

During the year ended June 30, 2008, the Corporation made $95,725,000 special revenue redemptions and no current refundings. The Corporation made special revenue redemptions of $ 180,245,000 and a current refunding of $220,350,000 during fiscal year 2007.

Advance Refundings

In October 2007, AHFC issued $53,110,000 in State Capital Projects Bonds, 2007 Series B. with an average interest rate of 4.77%. These bonds were issued to defease $41,475,000 of Housing Development Bonds, 1999 Series C with an average interest rate of 6.16% and to refund certain outstanding obligations of the Corporation.

Net proceeds of the State Capital Projects Bonds, 2007 Series B totaled $55,656,000 after a discount of $2,891,000, a premium of $2,000 and underwriter's fees of $342,000. $43,783,000 of these proceeds was deposited with an escrow agent to provide all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for the Housing Development Bonds, Series C has been removed from the Statement of Net Assets. The final redemption of these bonds will occur on December 1, 2029.

The advance refunding resulted in the recognition of debt refunding expense (representing the difference between the reacquisition price and the net carrying amount of the refunded debt) totaling $3,161,000 which has been deferred, and will be amortized over the remaining life of the refunded debt. This advance refunding also decreased aggregate debt service payments by $8,253,000 over the next twenty-two years. It allowed the corporation to obtain an economic gain of approximately $5,254,000 which represents the difference between the present value of the defeased bonds' debt service payments net of related reserve funds and accrued interest, and refunding bonds.

A summary of defeased debt follows (in thousands):

	Defeased Date	June 30, 2008	June 30, 2007
State Building Lease Bonds, 1999 Series	May 2005	$ 16,485	$ 16,485
Housing Development Bonds 1999 Series C	October 2007	41,475	-
		$ 57,960	$ 16,485

Debt Service Requirements**

For all mortgage bonds and notes in the preceding schedules, the Corporation's debt service requirements through 2013 and in five year increments thereafter to maturity, categorized by each Major Fund and other Non-Major Funds in the aggregate, are shown below and continued on the following page (in thousands):

	Administrative Fund Bonds		Housing Development Bonds (Various Issues)		Other Non-Major Bonds	
12 Months Ending June 30	**Principal**	**Interest**	**Principal**	**Interest***	**Principal**	**Interest***
2009	$ -	$ 4,492	$ 6,770	$ 14,708	$ 50,485	$ 123,862
2010	-	4,500	7,060	14,465	48,620	120,994
2011	-	4,500	6,265	14,223	54,965	118,975
2012	-	4,508	6,535	13,989	59,900	116,680
2013	-	4,492	6,835	13,726	60,910	114,249
2014-2018	-	22,500	40,425	63,801	333,310	530,262
2019-2023	108,965	3,021	48,680	53,406	418,875	451,313
2024-2028	-	-	54,980	40,803	494,411	367,648
2029-2033	-	-	98,295	25,114	468,972	261,751
2034-2038	-	-	30,775	12,941	486,992	145,117
2039-2043	-	-	30,805	4,748	142,570	35,425
2044-2049	-	-		-	68,725	13,767
	$ 108,965	$ 48,013	$ 337,425	$ 271,924	$ 2,688,735	$ 2,400,043

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at June 30, 2008

** Also see Note 11 – Derivatives.

Total Debt Service		
Principal	Interest	Total
$ 57,255	$ 143,062	$ 200,317
55,680	139,959	195,639
61,230	137,698	198,928
66,435	135,177	201,612
67,745	132,467	200,212
373,735	616,563	990,298
576,520	507,740	1,084,260
549,391	408,451	957,842
567,267	286,865	854,132
517,767	158,058	675,825
173,375	40,173	213,548
68,725	13,767	82,492
$ 3,135,125	$ 2,719,980	$ 5,855,105

11 DERIVATIVES

Swap Objectives
In order to both reduce the Corporation's overall cost of borrowing long-term capital and protect against the potential of rising interest rates, AHFC entered into eight separate pay-fixed, receive-variable interest rate swap agreements at a cost less than what the Corporation would have paid to issue conventional fixed-rate debt.

Swap Payments and Associated Debt
As of June 30, 2008, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms are displayed in the following schedule. As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Fiscal Year Ending June 30	VRDO Principal	VRDO Interest	Swap Net Payment	Total Payments
2008	$ 5,135	$ 11,990	$ 14,481	$ 31,606
2009	5,465	11,847	14,352	31,664
2010	5,710	11,696	14,216	31,622
2011	6,895	11,539	14,074	32,508
2012	12,825	11,325	13,857	38,007
2013-2017	80,465	51,657	63,938	196,060
2018-2022	117,375	40,714	51,755	209,844
2023-2027	113,465	28,659	36,953	179,077
2028-2032	115,425	16,434	22,795	154,654
2033-2037	98,595	7,522	10,586	116,703
2038-2042	53,575	1,534	2,124	57,233
	$ 614,930	$ 204,917	$ 259,131	$ 1,078,978

Significant Terms
The terms, fair values and credit ratings of the Corporation's outstanding swaps as of June 30, 2008, are included in the following schedule. Except for SC02B, where the debt has been redeemed, the notional amounts of the swaps match the principal amounts of the associated debt. These notional amounts amortize over a time period that approximates the payments the Corporation would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

Related Bond Issue	Notional Amounts	Present Values	Fair Values	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating[6]
GP01A[1]	$ 65,710	$ 71,857	$ (6,147)	08/02/01	4.1427%	67% of LIBOR[4]	12/01/30	A/A1
GP01B	80,300	87,793	(7,493)	08/02/01	4.1427%	67% of LIBOR	12/01/30	A/A1
E021A1[2]	49,300	53,660	(4,360)	05/16/02	4.1030%	68% of LIBOR	06/01/32	AAA/Aaa
E021A2	120,000	127,942	(7,942)	05/16/02	4.3430%	68% of LIBOR	12/01/36	AAA/Aaa
SC02B[3]	14,555	15,157	(602)	12/05/02	3.7700%	70% of LIBOR	07/01/24	AA-/Baa1
SC02C	60,250	63,494	(3,244)	12/05/02	4.3030%	SIFMA[5]+0.115%	07/01/22	AA-/Baa1
E071A1[2]	143,622	149,877	(6,255)	06/01/07	3.6720%	70% of LIBOR	12/01/41	AAA/Aaa
E071A2	95,748	99,757	(4,009)	06/01/07	3.6720%	70% of LIBOR	12/01/41	AA-/Baa1
	$ 629,485	**$ 669,537**	**$ (40,052)**					

1. Governmental Purpose Bonds
2. Home Mortgage Revenue Bonds
3. State Capital Project Bonds
4. London Interbank Offered Rate
5. Securities Industry and Financial Markets Municipal Swap Index
6. Standard & Poor's/Moody's

Fair Value
Due to relatively lower interest rates the Corporation's interest rate swaps had a negative fair value as of June 30, 2008. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on the Corporation's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by the Corporation, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap liabilities in the marketplace if a swap were to be terminated.

Risks

a. **Credit Risk**
As of June 30, 2008, the Corporation was not exposed to credit risk on any outstanding swaps because all the swaps had negative fair values. If interest rates rise and the swaps' fair values become positive, the Corporation would be exposed to credit risk in the amount of the swaps' fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall below specific levels. The Corporation currently has swap agreements with five separate counterparties. Approximately 50% of the total notional amount of swaps is held with two separate counterparties, both of whom are rated AAA/Aaa. Of the remaining swaps, two of the counterparties are rated A/A1 while the other counterparty is rated AA-/Baa1, approximating 23% and 27%, respectively, of the total outstanding notional swap value.

b. **Basis Risk**
All of the Corporation's variable-rate demand obligation bond coupon payments are based on the tax exempt SIFMA index. Therefore, the Corporation is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and, thus is not exposed to any basis risk. As of June 30, 2008, SIFMA was 1.55% and LIBOR was 2.48%, resulting in a positive .93% spread. The spread between LIBOR and SIFMA has fluctuated since the agreements became effective, but as the spread increases, so does the anticipated cost savings from the swaps.

c. **Rollover Risk**
Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. The Corporation has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. As the bonds mature the swaps will amortize. In addition, the GP01A and GP01B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The E021A1 and E021A2 swaps were structured with several tranches, allowing the Corporation to cancel individual tranches of the swap to match special redemptions of the bonds. The SC02B swap no longer has rollover risk since the bonds have been redeemed. The result of these swap structures is a decrease in rollover risk usually caused by rapid mortgage prepayments.

d. **Termination Risk**
Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and, thus, the Corporation would be exposed to interest rate risk. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair value at termination, the Corporation would be liable to the counterparty for payments equal to the swaps' fair value. The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement, including downgrades and events of default.

12 LONG TERM LIABILITIES

The activity for the year ended June 30, 2008 is summarized in the following schedule (in thousands):

	July 1, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
Draw down bonds	$ 86,255	$ 46,535	$ (23,825)	$ 108,965	$ -
Bonds and notes payable	2,974,632	241,731	(188,462)	3,027,901	57,255
Total bonds and notes payable	3,060,887	288,266	($212,287)	3,136,866	57,255
Compensated absences	3,683	2,513	(2,267)	3,929	1,832
Other liabilities	4,190	963	(4,807)	346	-
Total other long-term liabilities	7,873	3,476	(7,074)	4,275	1,832
	$ 3,068,760	$ 291,742	$ (219,361)	$ 3,141,141	$ 59,087

13 SHORT TERM DEBT

The Corporation has a commercial paper program. Commercial paper is issued and redeemed to meet the cash flow requirements of the Corporation's activities. Individual maturities may range from 2 to 270 days from date of issuance. The maximum aggregate outstanding principal balance authorized by the Board of Directors is $150,000,000.

Yields issued during period	June 30, 2008	June 30, 2007
Lowest	2.35%	5.26%
Highest	5.60%	5.29%

Short term debt activity for the year ended June 30, 2008 is summarized in the following schedule (in thousands):

	July 1, 2007	Additions	Reductions	June 30, 2008
Commercial Paper	$ 120,300	$ 1,137,816	$ (1,145,803)	$ 112,313
Unamortized discount	(574)	(5,151)	5,571	(154)
Commercial paper, net	$ 119,726	$ 1,132,665	$ (1,140,232)	$ 112,159

14 TRANSFERS

Transfers for the year ended June 30, 2008 are summarized in the following schedule (in thousands):

Transfer To	Transfer From: Administrative Fund	Transfer From: Housing Development Fund	Transfer From: Other Non-Major Funds	Total
Administrative Fund	$ -	$ 7,626	$ 86,445	$ 94,071
Housing Development Fund	3,511	-	-	3,511
Other Non-Major Funds	53,113	-	-	53,113
Total	$ 56,624	$ 7,626	$ 86,445	$ $150,695

Transfers are used to (1) move funds between the Administrative Fund and the other Funds of the Corporation for financing mortgage related activities and to subsidize debt service payments, (2) to move Corporate revenue to the Administrative Fund from Bond Funds, and (3) to record expenditures paid on behalf of the Bond Funds by the Administrative Fund.

15 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. Such arrangements may 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. Varying commitment fees are required, generally ¼ to ½ of 1% per annum of the aggregate liability or commitment amount.

In addition to such bond-related arrangements, the Corporation also maintains a $200,000,000 issuer-level revolving credit facility that is unrelated to a specific bond issue. As of June 30, 2008, no draws had been made on the revolving credit facility.

The Corporation had unused liquidity facilities or similar credit enhancement agreements as shown below (in thousands):

	June 30, 2008	June 30, 2007
Bond related liquidity facilities	$ 691,510	$ 701,690
Revolving credit facility	200,000	200,000
Bond insurance	1,801,860	1,825,110
	$ 2,693,370	$ 2,726,800

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 or restricted as to yields. 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 to the Internal Revenue Service. Following is a summary of excess earnings recorded and paid (in thousands):

	June 30, 2008	June 30, 2007
Arbitrage expense	$ 484	$ 2,694
Arbitrage paid	4,309	407

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". The total state authorizations from FY1995–FY2008 were $1,371,300,000; payments up thru June 30, 2008 were $1,275,008,000 resulting in total remaining commitments of $96,292,000 as of June 30, 2008.

Transfer Plan with the State

The 1998 Legislature authorized the Corporation to finance state capital projects through the issuance of up to $224 million in bonds. Debt service payments on such bonds are categorized as transfers pursuant to the Transfer Plan. That legislation also extended the term of the Transfer Plan by stating the Legislature's intent that the Corporation transfer to the State (or expend on its behalf) an amount not to exceed $103 million in each fiscal year through fiscal year 2006, again stating that, to protect the Corporation and its bond rating, in no fiscal year should such amount exceed the Corporation's net income for the preceding fiscal year. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The 2000 Legislature adopted legislation authorizing the issuance of bonds in sufficient amounts to fund the construction of various State capital projects, and extended the Transfer Plan (as described above) through fiscal year 2008. The 2002 Legislature authorized the issuance of $60,250,000 in capital project bonds for the renovation and deferred maintenance of the Corporation's Public Housing facilities. The 2004 Legislature adopted legislation authorizing the additional issuance of bonds in sufficient amounts to fund the construction of various State capital projects. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation. Debit service payments on such bonds are categorized as transfers pursuant to the Transfer Plan.

The Corporation has issued $196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, $74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, and $60,250,000 principal amount of State Capital Project Bonds pursuant to the 2002 Act, and $45,000,000 principal amount of bonds under the State Capital Project agreement pursuant to the 2004 Act, and has completed its issuance authority under the Acts. The payment of principal and interest on these bonds will be included in future capital budgets of the Corporation.

The Twenty-Third Legislature in 2003 enacted SCSBH 256 (the "2003" Act) which added language to the Alaska Statutes to modify and incorporate the Transfer Plan. The Corporation and the State view the 2003 Act as an indefinite, sustainable continuation of the Transfer Plan. As approved and signed into law by the Governor, the 2003 Transfer Plan calls for annual transfers as follows (in thousands):

Fiscal Year	Transfer Plan Amount
2008	Lesser of 85% Net Income or $103,000
2009 & Thereafter	Lesser of 75% Net Income or $103,000

Subsequent to GASB 34, the Corporation interprets net income as operating income.

Contributions to the State of Alaska or other State agencies

Since the inception of the Corporation, the State has contributed a total of $1,369,523,000 to the Corporation. Beginning in fiscal year 1986, the Corporation began a series of plans to transfer funds to or on behalf of the State. Following is a summary of the different types of transfers (in thousands):

	June 30, 2008	Cumulative Prior Fiscal Year	Total Payments to State
State debt repayment	$ -	$ 29,800	$ 29,800
Asset purchases	-	252,300	252,300
Dividends	-	114,300	114,300
Direct cash transfers	39,150	567,503	606,653
Other State appropriations	-	302,654	302,654
Non-Housing capital projects	8,661	278,680	287,341
Various bond's proceeds disbursed	5,803	290,623	296,426
Total	$ 53,614	$ 1,835,860	$ 1,889,474

18 GRANTS

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

Program	June 30, 2008
Administration Programs	
▪ Rural Alaska Sanitation Coalition (RASC)	$ 16
Energy Programs:	
▪ Energy Efficiency Monitoring Research	950
▪ Energy Efficient Home Program,	28
▪ Low-Income Home Energy Assistance	699
▪ Low Income Weatherization Assistance	5,612
	7,289
Section 8 Vouchers and Contract Administration	27,843
Other Housing Assistance Programs	
▪ AMHTA Short Term Housing Assistance	206
▪ Beneficiaries and Special Needs Housing	2,081
▪ Centers for Medicare/Medicaid Services	50
▪ Denali Commission	12,808
▪ Drug Elimination	221
▪ Grant Match Program	-
▪ HOME Investment Partnership	4,278
▪ Homeless Assistance Program	1,274
▪ Homeless Information Management System	10
▪ Housing Loan Program	4,738
▪ Housing Opportunities for Persons with AIDS	536
▪ Housing Preservation	50
▪ Resident Opportunity and Support Service	63
▪ Section 8 Contract Administration	6,026
▪ Shelter Plus Care	503
▪ Special Program for the Aging	114
▪ Senior Citizen Housing Development Grant	3,212
▪ Supportive Housing Grant Match	922
▪ Supplemental Housing Grant	5,970
▪ Technical Assistance Grant	80
	43,142
Total Housing Grant Expenses	78,290
Other Program Funds:	
▪ Legislative Appropriations	8,661
▪ University of Alaska FY99	-
Total Non-Housing Capital Project Grants	8,661
Total Grants	$ 86,951

In addition to grant payments made, the Corporation has advanced grant funds of $6,428,000 and committed to third parties a sum of $45,193,000 in grant awards at June 30, 2008.

19 OTHER PROGRAMS

Other programs include public-housing activities, energy conservation funded from a combination of corporate receipts and external sources and other activities not reported elsewhere.

Housing Assistance Programs

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

- Low Rent Management
- Modernization/Capital Fund Programs

Section 8 Vouchers Program includes the following programs for tenant-based rental assistance administered by the Corporation under contract with HUD:

- Section 8 Moderate Rehabilitation
- Section 8 Vouchers

Section 8 New Program consists of Corporate owned low-income housing facilities at various locations, Wrangell Market Housing, and contract administration of HUD contracts directly with landlords:

- Section 8 New Construction
- Wrangell Multi-Family Market
- Section 8 Contract Administration

Other Housing Assistance Programs include the following HUD, federal, state and privately funded activities:

- Drug Elimination Program
- Denali Commission Housing Programs
- Family Self Sufficiency Program (FSS)
- Family Investment Center Grant
- Gateway Literacy Program
- Grant Match Program
- HOME Investment Partnerships Program (HOME)
- HOME Technical Assistance
- Housing Opportunities for Persons with AIDS (HOPWA)
- Housing Preservation Grants
- Resident Opportunity and Supportive Services
- Service Coordinator for Public Housing Agencies Grant
- Shelter Plus Care Program
- Special Needs Assistance
- Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)
- Supportive Housing Technical Assistance
- Teacher Health Professional and Public Safety Housing Programs

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

Energy Conservation Programs

- Low-Income Weatherization Program
- Residential Energy Rehab Program (Enhanced Weatherization)
- Energy Efficiency Education
- Energy Efficient Home Program (Rebates)
- Alaska Native Tribal Health Consortium/Rural Alaska Sanitation Coalition (RASC)
- Association of Alaska Housing Authorities Grant
- Low-Income Home Energy Assistance Program (LIHEAP)
- State Energy Conservation Program and Special Projects
- Research Information Center
- Cold Climate Housing Research Center
- Alaska Building Science Network (Energy Education)

Housing Units Owned, Managed or Administered

As of June 30, 2008, the Public Housing Division of the Corporation operates the following programs in 18 Alaskan communities:

Program	Number of Units
Low Rent Conventional Housing	987
Low Rent Conventional Housing – Senior Units	343
Section 8 New Construction Housing	59
Section 8 New Construction Housing – Senior Units	268
Other Housing Units	33
Section 8 Existing – Housing Assistance:	
Housing Choice Vouchers	4,239
Single Room Occupancy	70
	5,999

20 PENSION AND POST EMPLOYMENT HEALTHCARE PLANS

Plan Description

As of June 30, 2008, 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 plan. PERS administers the State of Alaska Public Employees' Retirement System Defined Benefit Retirement Plan which includes both pension and post employment healthcare plans for all employees hired prior to July 1, 2006. PERS also administers the State of Alaska Public Employees' Retirement System Defined Contribution Retirement Plan which includes both pension and post employment healthcare plans for all employees hired on or after July 1, 2006.

PERS is administered by the State of Alaska. Benefits and contributions provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by state legislature. Amendments do not affect existing employees. 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.

Defined Benefit Plans (Employees hired prior to July 1, 2006):

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. 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, 2¼% for the second ten years of service and 2½% 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 plan pays the retiree medical plan premium and also provides death and disability benefits.

Effective with employees hired after June 30, 1986, the normal retirement age became 60 and the early retirement age became 55. Also the plan does not pay the retiree medical plan premium for retirees under the age of 60. The employee may elect to pay the full premium cost for medical coverage.

The retirement benefit calculation for employees hired after June 30, 1996 is based on the average of the member's five-year highest average monthly compensation. The plan does not pay the retiree medical plan premium for retirees with less than 10 years of service at age 60. The employee may elect to pay the full premium cost for medical coverage.

Defined Contribution Plan (Employees hired after July 1, 2006):

There is no retirement age set, however taxes and penalties may apply if withdrawn prior to age 59 ½. Retirement benefits are equal to the Defined Contribution account balance plus interest. The employee may direct the investment of the account if so desired. The account balance is 100% of the employees contribution plus 25% of the Corporation's contribution after two years of service, 50% of the Corporation's contribution after three years of service, 75% of the Corporation's contribution after four years of service, and 100% of the Corporation's contribution after 5 years of service. The plan pays a portion of the retiree medical plan premium if the retiree retires directly from the plan and is eligible for Medicare. The portion of premium paid by the plan is determined by years of service. Disability benefits are also provided.

Funding Policy

Defined Benefit Plans:

Under State law, covered employees are required to contribute 6¾% of their annual covered salary and the Corporation is required to contribute 6% of annual covered salary to the pension plan.

Under State law, covered employees are not required to contribute to the Post Employment Healthcare Plan and the Corporation is required to contribute 16% of annual covered salary.

Defined Contribution Plans

Under State law, covered employees are required to contribute 8% of their annual covered salary and the Corporation is required to contribute 5.58% of the annual covered salary to the pension plan.

Under State law, covered employees are not required to contribute to the post employment healthcare plan and the Corporation is required to contribute .99% of the annual covered salary plus an annual flat dollar amount of $1,531.27 for each covered employee.

If the total amount that the Corporation has contributed for the defined contribution pension and post employment healthcare plans is less that 22% of covered payroll, the Corporation must pay that additional amount. This additional amount is used to reduce the liability of the defined benefit plans. For the year ended June 30, 2008, this amount was $52,000.

The contributions to the pension plan for the year ended June 30, 2008 by the employees was $59,000 and by the Corporation was $49,000

The Corporation contributed $62,000 to a health reimbursement arrangement for the year ended June 30, 2008.

Three-Year Trend Cost Information for Pension (in thousands):

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	$ 1,089	100.00%	$ -
June 30, 2007	2,077	100.00%	-
June 30, 2006	1,666	100.00%	-

Three-Year Trend Cost Information for Post Employment Healthcare (in thousands):

Year Ended	Annual Post Employment Health Cost (OPEB)	Percentage of Post Employment Health Cost Contributed	Net Post Employment Health Cost Obligation
June 30, 2008	$ 2,869	100.00%	$ -
June 30, 2007	1,465	100.00%	-
June 30, 2006	1,114	100.00%	-

Funding Status

The funded status of the pension plan as of June 30, 2006 was as follows.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess or (Unfunded) AAL (a) – (b)	Funded Ratio (a) / (b)	Covered Payroll (c)	Excess or (Unfunded) AAL as a Percentage of Covered Payroll ((a) – (b)) / (c)
June 30, 2006	$ 55,301	$ 63,612	$ (8,311)	87%	$ 17,588	(47%)

The funded status of the post employee healthcare plan as of June 30, 2006 was as follows.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess or (Unfunded) AAL (a) – (b)	Funded Ratio (a) / (b)	Covered Payroll (c)	(Unfunded) AAL as a Percentage of Covered Payroll ((a) – (b)) / (c)
June 30, 2006	23,670	46,162	(22,492)	51%	17,587	(128%)

Actuarial valuations of an ongoing healthcare plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Funding Progress
The Schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for pension and post employment healthcare benefits.

Actuarial Methods and Assumptions.
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The current year actuarial required contribution was computed as part of an actuarial valuation as of June 30, 2005. 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 ten years of employment, with distinction made between amounts for inflation (3.5%), merit (1.5%), and productivity (0.5%). The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five year period. 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 which is an open amortization period. The percentage of pay method is used for amortization purposes.

21 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 $887,000 and $1,149,000 as of June 30, 2008 and June 30, 2007, 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 Administrative Fund. In management’s opinion, disallowance, if any, will be immaterial.

Subsequent Events

In June 2008 the Corporation’s Board of Directors signed a contract with HUD for the Moving to Work program. This program will be implemented in fiscal year 2009. Moving to Work (MTW) is a demonstration program that allows public housing authorities (PHAs) to design and test ways to promote self-sufficiency among assisted families, to achieve programmatic efficiency and reduce costs and increase housing choice for low-income households by allowing considerable flexibility in determining how to use Federal funds. For example, funds can be combined from the public housing operating programs, the modernization programs, and the Housing Choice Voucher tenant-based rental assistance program to meet the purposes of the demonstration. Also exemptions can be granted from most existing public housing and Housing Choice Voucher program rules.

Effective July 1, 2008 the Corporation’s pension and post employment health care plan, the Alaska Public Employees’ Retirement System (PERS), will change from an agent multiple-employer plan to a cost sharing plan. This was brought about by Senate Bill 125 which was signed into law April 9, 2008.

On July 17, 2008, the Corporation's Board of Directors authorized the issuance of up to $85,000,000 Home Mortgage Revenue Bonds, 2008 Series B (First Time Homebuyers Program).

22 RISK MANAGEMENT

The Corporation is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by various commercial insurance policies and contractual risk transfers. When the Corporation enters into agreements, contracts or grants, it requires insurance from the party the Corporation is doing business with. This ensures that the party can adequately sustain any loss exposure, so the Corporation is not first-in-line in case of a loss. There have been no significant reductions in insurance coverage from the prior year, and settlements have not exceeded insurance coverage during the past three years.

23 FIVE YEAR FINANCIAL INFORMATION

Entity-wide amounts at year-end are presented below for informational purposes (in thousands):

	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004
ASSETS					
Cash	$ 19,034	$ 45,964	$ 11,583	$ 9,769	$ 7,939
Investments	1,231,404	1,274,544	1,768,178	1,219,415	1,143,547
Accrued interest receivable	16,734	19,340	19,013	20,762	19,897
Mortgage loans, notes and other loans	3,450,063	3,357,754	3,240,209	3,325,182	3,355,300
Net investment in direct financing lease	65,203	27,085	29,110	32,843	34,547
Unamortized bond issuance costs	25,142	24,616	24,584	25,135	26,404
Capital assets, net	116,535	118,743	120,030	116,073	110,813
Other assets	22,004	28,854	16,869	13,754	10,033
Total Assets	4,946,119	$ 4,896,900	$ 5,229,576	$ 4,762,933	$ 4,708,480
LIABILITIES					
Bonds and notes payable	3,136,866	$ 3,060,887	$ 2,907,223	$ 2,898,730	$ 2,890,879
Short term debt	112,159	119,726	242,449	138,375	70,145
Accrued interest payable	15,303	14,847	17,340	14,147	14,562
Other liabilities	15,620	16,968	72,532	28,608	26,435
Total Liabilities	3,279,948	$ 3,212,428	$ 3,239,544	$ 3,079,860	$ 3,002,021
Total Fund Equity	1,666,171	$ 1,684,472	$ 1,990,032	$ 1,683,073	$ 1,706,459

	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004
OPERATING REVENUES					
Mortgage and loans revenue	$ 202,851	$ 195,028	$ 193,573	$ 201,386	$ 206,300
Investment interest	56,667	76,631	60,220	43,162	46,358
Net change in fair value of investments	255	2,214	(1,830)	(1,653)	(9,554)
Total Investment Revenue	56,922	78,845	58,390	41,509	36,804
Externally funded programs	73,603	63,043	59,587	57,877	56,084
Rental	7,695	6,988	6,575	6,183	6,109
Other	776	1,085	807	2,252	743
Total Operating Revenues	341,847	$ 344,989	$ 318,932	$ 309,207	$ 306,040
OPERATING EXPENSES					
Interest	147,336	158,145	146,971	141,161	151,165
Mortgage and loan costs	14,155	14,034	13,133	13,130	13,059
Operations and administration	42,812	41,410	38,858	35,530	36,240
Financing expenses	6,415	8,945	4,836	11,941	6,168
Provision for loan loss	7,098	5,490	406	(103)	(1,861)
Housing grants and subsidies	78,290	65,689	56,829	56,506	48,640
Rental housing operating expenses	10,428	10,799	11,221	10,985	10,149
Total Operating Expenses	306,534	$ 304,512	$ 272,254	$ 269,150	$ 263,560
Operating Income	35,313	40,477	46,678	40,057	42,480
NON-OPERATING & SPECIAL ITEM					
Contribution from the State of Alaska	-	-	300,000	-	-
Contribution to State or State agency	(53,614)	(346,037)	(46,845)	(67,288)	(66,136)
Special item	-	-	7,126	3,845	(7,451)
Change in Net Assets	$ (18,301)	$ (305,560)	$ 306,959	$ (23,386)	$ (31,107)

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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 or (Unfunded) AAL (a) – (b)	Funded Ratio (a) / (b)	Covered Payroll (c)	Excess or (Unfunded) AAL as a Percentage of Covered Payroll ((a) – (b)) / (c)
Pension:						
June 30, 2006	$ 55,301	$ 63,612	$ (8,311)	87%	$ 17,588	(47%)
June 30, 2005	37,227	49,251	(12,024)	76%	16,479	(73%)
June 30, 2004	35,749	46,202	(10,453)	77%	16,006	(65%)
Postretirement Health:						
June 30, 2006	23,670	46,162	(22,492)	51%	17,587	(128%)
June 30, 2005	30,879	40,851	(9,972)	76%	16,479	(61%)
June 30, 2004	25,207	32,578	(7,371)	77%	16,006	(46%)

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

COMBINED - ALL FUNDS

As of June 30, 2008

(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds/Notes	Combined Other Housing Bonds
ASSETS				
Cash	9,838	-	-	165
Investments	474,627	102,438	112,001	277,070
Accrued interest receivable	2,754	4,659	1,829	5,097
Inter-fund due to/from	(32,653)	20,152	4,258	16,823
Mortgage loans, notes and other loans	535,218	1,082,733	338,127	1,032,413
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	8,894	2,967	7,833
Capital assets, non-depreciable	139	-	-	-
Capital assets - depreciable, net	188	-	-	-
Other assets	7,052	1,200	-	678
Intergovernmental receivable	-	-	-	-
Total Assets	997,163	1,220,076	459,182	1,340,079
LIABILITIES				
Bonds and notes payable	108,965	1,067,949	345,818	897,749
Short term debt	112,159	-	-	-
Accrued interest payable	985	5,075	1,430	3,622
Other liabilities	5,874	409	91	238
Intergovernmental payable	-	-	-	-
Total Liabilities	227,983	1,073,433	347,339	901,609
NET ASSETS				
Invested in capital assets, net of related debt	327	-	-	-
Restricted by bond resolutions	-	146,643	111,843	341,735
Restricted by contractual or statutory agreements	107,530	-	-	20,275
Unrestricted net assets, (deficit)	661,323	-	-	76,460
Total Net Assets (deficit)	769,180	146,643	111,843	438,470

Schedule 1

Combined Non-Housing Bonds	Combined Other Programs	Combined Total
296	8,735	19,034
263,637	1,631	1,231,404
2,395	-	16,734
7,377	(15,957)	-
461,572	-	3,450,063
65,203	-	65,203
5,448	-	25,142
-	13,851	13,990
-	102,357	102,545
366	12,347	21,643
-	361	361
806,294	123,325	4,946,119
716,385	-	3,136,866
-	-	112,159
4,191	-	15,303
577	5,282	12,471
2,930	219	3,149
724,083	5,501	3,279,948
-	116,208	116,535
28,018	-	628,239
-	12,584	140,389
54,193	(10,968)	781,008
82,211	117,824	1,666,171

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ALASKA HOUSING FINANCE CORPORATION **Schedule 2**

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

REVOLVING FUNDS

As of June 30, 2008

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
ASSETS			
Cash	9,500	338	9,838
Investments	463,728	10,899	474,627
Accrued interest receivable	2,753	1	2,754
Inter-fund due to/from	(32,653)	-	(32,653)
Mortgage loans, notes and other loans	535,218	-	535,218
Net investment in direct financing lease	-	-	-
Unamortized bond issuance costs	-	-	-
Capital assets - non-depreciable	139	-	139
Capital assets - depreciable, net	188	-	188
Other assets	7,052	-	7,052
Intergovernmental receivable	-	-	-
Total Assets	985,925	11,238	997,163
LIABILITIES			
Bonds and notes payable	108,965	-	108,965
Short term debt	112,159	-	112,159
Accrued interest payable	985	-	985
Other liabilities	5,874	-	5,874
Intergovernmental payable	-	-	-
Total Liabilities	227,983	-	227,983
NET ASSETS			
Invested in capital assets, net of related debt	327	-	327
Restricted by bond resolutions	-	-	-
Restricted by contractual or statutory agreements	96,292	11,238	107,530
Unrestricted net assets, (deficit)	661,323	-	661,323
Total Net Assets (deficit)	757,942	11,238	769,180

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
FIRST TIME HOMEBUYER BONDS
As of June 30, 2008
(in thousands of dollars)

	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D	Mortgage Revenue Bonds 2001 A,B	Home Mortgage Revenue Bonds 2002 A,B
ASSETS						
Cash	-	-	-	-	-	-
Investments	5,913	3,718	9,991	8,399	3,841	23,444
Accrued interest receivable	233	164	510	264	293	753
Inter-fund due to/from	776	599	1,857	932	1,067	3,836
Mortgage loans, notes and other loans	46,209	30,587	94,625	53,963	62,904	172,089
Net investment in direct financing lease	-	-	-	-	-	-
Unamortized bond issuance costs	725	472	1,117	978	862	854
Capital assets - non-depreciable	-	-	-	-	-	-
Capital assets - depreciable, net	-	-	-	-	-	-
Other assets	-	-	-	100	-	219
Intergovernmental receivable	-	-	-	-	-	-
Total Assets	53,856	35,540	108,100	64,636	68,967	201,195
LIABILITIES						
Bonds and notes payable	30,056	26,685	84,172	60,385	60,172	169,300
Short term debt	-	-	-	-	-	-
Accrued interest payable	41	115	423	296	256	622
Other liabilities	13	11	32	16	20	154
Intergovernmental payable	-	-	-	-	-	-
Total Liabilities	30,110	26,811	84,627	60,697	60,448	170,076
NET ASSETS						
Invested in capital assets, net of related debt	-	-	-	-	-	-
Restricted by bond resolutions	23,746	8,729	23,473	3,939	8,519	31,119
Restricted by contractual or statutory agreements	-	-	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-	-	-
Total Net Assets (deficit)	23,746	8,729	23,473	3,939	8,519	31,119

Schedule 3

Home Mortgage Revenue Bonds 2006 A	Home Mortgage Revenue Bonds 2006 B	Home Mortgage Revenue Bonds 2006 C	Home Mortgage Revenue Bonds 2007 A	Home Mortgage Revenue Bonds 2007 B	Home Mortgage Revenue Bonds 2007 C	Home Mortgage Revenue Bonds 2007 D	Home Mortgage Revenue Bonds 2008 A	Combined Total
-	-	-	-	-	-	-	-	-
7,908	3,742	2,987	7,721	7,795	3,632	8,655	4,692	102,438
342	252	271	285	309	333	344	306	4,659
1,507	1,377	1,165	1,724	1,474	1,007	2,137	694	20,152
83,254	68,810	72,027	72,022	72,466	88,172	84,926	80,679	1,082,733
-	-	-	-	-	-	-	-	-
755	603	612	212	132	772	180	620	8,894
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	342	312	227	1,200
-	-	-	-	-	-	-	-	-
93,766	74,784	77,062	81,964	82,176	94,258	96,554	87,218	1,220,076
90,985	70,551	72,990	73,059	73,059	88,665	86,990	80,880	1,067,949
-	-	-	-	-	-	-	-	-
355	271	315	215	213	343	258	1,352	5,075
23	17	18	19	21	22	24	19	409
-	-	-	-	-	-	-	-	-
91,363	70,839	73,323	73,293	73,293	89,030	87,272	82,251	1,073,433
-	-	-	-	-	-	-	-	-
2,403	3,945	3,739	8,671	8,883	5,228	9,282	4,967	146,643
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,403	3,945	3,739	8,671	8,883	5,228	9,282	4,967	146,643

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

As of June 30, 2008

(in thousands of dollars)

	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series
ASSETS				
Cash	-	-	-	-
Investments	-	7,113	4,197	2,445
Accrued interest receivable	-	101	227	126
Inter-fund due to/from	-	405	961	327
Mortgage loans, notes and other loans	-	19,973	44,043	23,324
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	275	691	383
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Assets	-	27,867	50,119	26,605
LIABILITIES				
Bonds and notes payable	-	12,608	34,280	18,270
Short term debt	-	-	-	-
Accrued interest payable	-	56	172	95
Other liabilities	-	6	14	7
Intergovernmental payable	-	-	-	-
Total Liabilities	-	12,670	34,466	18,372
NET ASSETS				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	15,197	15,653	8,233
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	-	15,197	15,653	8,233

Schedule 4

Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
-	-	-	-	-
2,263	2,331	90,466	3,186	112,001
115	74	881	305	1,829
184	510	1,433	438	4,258
24,558	17,885	136,424	71,920	338,127
-	-	-	-	-
213	-	819	586	2,967
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
27,333	20,800	230,023	76,435	459,182
19,945	14,420	188,410	57,885	345,818
-	-	-	-	-
91	58	728	230	1,430
6	5	34	19	91
-	-	-	-	-
20,042	14,483	189,172	58,134	347,339
-	-	-	-	-
7,291	6,317	40,851	18,301	111,843
-	-	-	-	-
-	-	-	-	-
7,291	6,317	40,851	18,301	111,843

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER HOUSING BONDS

As of June 30, 2008

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
ASSETS				
Cash	-	-	-	165
Investments	10,000	64,443	79,461	77,536
Accrued interest receivable	51	2,013	1,159	574
Inter-fund due to/from	75	6,012	4,676	2,561
Mortgage loans, notes and other loans	10,151	338,610	261,943	162,665
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	3,461	1,632	1,137
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	642	18	-
Intergovernmental receivable	-	-	-	-
Total Assets	20,277	415,181	348,889	244,638
LIABILITIES				
Bonds and notes payable	-	337,425	241,622	149,392
Short term debt	-	-	-	-
Accrued interest payable	-	1,214	1,209	596
Other liabilities	2	82	65	6
Intergovernmental payable	-	-	-	-
Total Liabilities	2	338,721	242,896	149,994
NET ASSETS				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	-	105,993	94,644
Restricted by contractual or statutory agreements	20,275	-	-	-
Unrestricted net assets, (deficit)	-	76,460	-	-
Total Net Assets (deficit)	20,275	76,460	105,993	94,644

Schedule 5

Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
-	-	165
3,285	42,345	277,070
162	1,138	5,097
-	3,499	16,823
20,732	238,312	1,032,413
-	-	-
201	1,402	7,833
-	-	-
-	-	-
-	18	678
-	-	-
24,380	286,714	1,340,079
23,300	146,010	897,749
-	-	-
29	574	3,622
-	83	238
-	-	-
23,329	146,667	901,609
-	-	-
1,051	140,047	341,735
-	-	20,275
-	-	76,460
1,051	140,047	438,470

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

NON-HOUSING BONDS

As of June 30, 2008

(in thousands of dollars)

	State Capital Project Bonds 2002 A, B, C	State Capital Project Bonds 2006 A	State Capital Project Bonds 2007 A & B	State Building Lease Bonds 1999
ASSETS				
Cash	-	-	-	296
Investments	16,265	29,794	1	2,659
Accrued interest receivable	235	401	226	4
Inter-fund due to/from	518	1,307	791	-
Mortgage loans, notes and other loans	39,068	78,195	53,716	-
Net investment in direct financing lease	-	-	40,243	24,960
Unamortized bond issuance costs	652	655	692	154
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	29	9	-
Intergovernmental receivable	-	-	-	-
Total Assets	56,738	110,381	95,678	28,073
LIABILITIES				
Bonds and notes payable	77,142	98,722	95,999	8,131
Short term debt	-	-	-	-
Accrued interest payable	1,925	367	370	107
Other liabilities	15	25	22	339
Intergovernmental payable	-	-	-	2,930
Total Liabilities	79,082	99,114	96,391	11,507
NET ASSETS				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	-	-	16,566
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	(22,344)	11,267	(713)	-
Total Net Assets (deficit)	(22,344)	11,267	(713)	16,566

Schedule 6

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
-	-	-	-	296
8,568	57,435	70,986	77,929	263,637
85	406	627	411	2,395
74	1,239	1,256	2,192	7,377
9,017	85,256	103,506	92,814	461,572
-	-	-	-	65,203
296	682	1,095	1,222	5,448
-	-	-	-	-
-	-	-	-	-
-	27	301	-	366
-	-	-	-	-
18,040	145,045	177,771	174,568	806,294
6,550	136,830	144,578	148,433	716,385
-	-	-	-	-
34	162	588	638	4,191
4	115	39	18	577
-	-	-	-	2,930
6,588	137,107	145,205	149,089	724,083
-	-	-	-	-
11,452	-	-	-	28,018
-	-	-	-	-
-	7,938	32,566	25,479	54,193
11,452	7,938	32,566	25,479	82,211

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
OTHER PROGRAM FUNDS
As of June 30, 2008
(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
ASSETS				
Cash	1	4,027	3,403	1,303
Investments	1,631	-	-	-
Accrued interest receivable	-	-	-	-
Inter-fund due to/from	(5,982)	(2,798)	(832)	(395)
Mortgage loans, notes and other loans	-	-	-	-
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	-	-
Capital assets - non-depreciable	-	12,721	1,130	-
Capital assets - depreciable, net	-	79,637	22,649	8
Other assets	2,223	1,039	45	1
Intergovernmental receivable	179	-	-	-
Total Assets	(1,948)	94,626	26,395	917
LIABILITIES				
Bonds and notes payable	-	-	-	-
Short term debt	-	-	-	-
Accrued interest payable	-	-	-	-
Other liabilities	792	1,793	461	350
Intergovernmental payable	-	219	-	-
Total Liabilities	792	2,012	461	350
NET ASSETS				
Invested in capital assets, net of related debt	-	92,358	23,779	8
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	1,545	3,146	2,217	559
Unrestricted net assets, (deficit)	(4,285)	(2,890)	(62)	-
Total Net Assets (deficit)	(2,740)	92,614	25,934	567

Schedule 7

Other Programs	Combined Total
1	8,735
-	1,631
-	-
(5,950)	(15,957)
-	-
-	-
-	-
-	13,851
63	102,357
9,039	12,347
182	361
3,335	123,325
-	-
-	-
-	-
1,886	5,282
-	219
1,886	5,501
63	116,208
-	-
5,117	12,584
(3,731)	(10,968)
1,449	117,824

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

COMBINED - ALL FUNDS

For the Year Ended June 30, 2008

(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds/Notes	Combined Other Housing Bonds
OPERATING REVENUES				
Mortgage and loans revenue	37,518	62,206	21,078	58,856
Investment interest	15,357	5,917	6,605	14,646
Net change in the fair value of investments	(839)	4	6	(31)
Total Investment Revenue	14,518	5,921	6,611	14,615
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	107	68	-	28
Total Operating Revenues	52,143	68,195	27,689	73,499
OPERATING EXPENSES				
Interest	7,648	50,238	16,622	44,356
Mortgage and loan costs	3,011	4,379	1,346	3,413
Financing expenses	1,113	1,977	736	1,144
Provision for loan loss	(2,923)	2,055	2,443	6,180
Operations and administration	3,485	6,849	2,121	6,618
Rental housing operating expenses	97	-	-	-
Housing grants and subsidies	16	-	-	-
Total Operating Expenses	12,447	65,498	23,268	61,711
Operating Income (Loss)	39,696	2,697	4,421	11,788
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(39,415)	-	-	-
Transfers - Internal	(40,905)	13,486	(6,198)	29,186
Change in Net Assets	(40,624)	16,183	(1,777)	40,974
Net assets at beginning of year	809,804	130,460	113,620	397,496
Net Assets at End of Period	769,180	146,643	111,843	438,470

Schedule 8

Combined Non-Housing Bonds	Combined Other Programs	Combined Total
23,193	-	202,851
13,935	207	56,667
1,128	(13)	255
15,063	194	56,922
-	73,603	73,603
-	7,695	7,695
-	573	776
38,256	82,065	341,847
28,461	11	147,336
2,006	-	14,155
1,445	-	6,415
(657)	-	7,098
2,931	20,808	42,812
-	10,331	10,428
-	78,274	78,290
34,186	109,424	306,534
4,070	(27,359)	35,313
(5,538)	(8,661)	(53,614)
(6,001)	10,432	-
(7,469)	(25,588)	(18,301)
89,680	143,412	1,684,472
82,211	117,824	1,666,171

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ALASKA HOUSING FINANCE CORPORATION

Schedule 9

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

REVOLVING FUNDS

For the Year Ended June 30, 2008

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
OPERATING REVENUES			
Mortgage and loans revenue	37,518	-	37,518
Investment interest	14,873	484	15,357
Net change in the fair value of investments	(823)	(16)	(839)
Total Investment Revenue	14,050	468	14,518
Externally funded program	-	-	-
Rental	-	-	-
Other	107	-	107
Total Operating Revenues	51,675	468	52,143
OPERATING EXPENSES			
Interest	7,648	-	7,648
Mortgage and loan costs	3,011	-	3,011
Financing expenses	1,145	(32)	1,113
Provision for loan loss	(2,923)	-	(2,923)
Operations and administration	3,485	-	3,485
Rental housing operating expenses	97	-	97
Housing grants and subsidies	16	-	16
Total Operating Expenses	12,479	(32)	12,447
Operating Income (Loss)	39,196	500	39,696
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS			
Contributions to the State of Alaska or other State agencies	(39,415)	-	(39,415)
Transfers - Internal	(40,905)	-	(40,905)
Change in Net Assets	(41,124)	500	(40,624)
Net assets at beginning of year	799,066	10,738	809,804
Net Assets at End of Period	757,942	11,238	769,180

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FIRST TIME HOMEBUYER BONDS

For the Year Ended June 30, 2008

(in thousands of dollars)

	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D	Mortgage Revenue Bonds 2001 A,B	Home Mortgage Revenue Bonds 2002 A,B
OPERATING REVENUES						
Mortgage and loans revenue	3,082	2,180	6,617	3,499	4,089	10,492
Investment interest	777	258	982	452	439	852
Net change in the fair value of investments	-	-	1	2	-	(3)
Total Investment Revenue	777	258	983	454	439	849
Externally funded program	-	-	-	-	-	-
Rental	-	-	-	-	-	-
Other	-	-	8	12	4	22
Total Operating Revenues	3,859	2,438	7,608	3,965	4,532	11,363
OPERATING EXPENSES						
Interest	2,465	1,561	5,785	3,825	3,554	7,579
Mortgage and loan costs	201	148	458	234	282	750
Financing expenses	110	37	69	74	56	622
Provision for loan loss	(377)	(123)	(431)	(79)	(340)	12
Operations and administration	289	194	599	340	398	1,088
Rental housing operating expenses	-	-	-	-	-	-
Housing grants and subsidies	-	-	-	-	-	-
Total Operating Expenses	2,688	1,817	6,480	4,394	3,950	10,051
Operating Income (Loss)	1,171	621	1,128	(429)	582	1,312
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS						
Contributions to the State of Alaska or other State agencies	-	-	-	-	-	-
Transfers - Internal	418	197	611	348	406	1,550
Change in Net Assets	1,589	818	1,739	(81)	988	2,862
Net assets at beginning of year	22,157	7,911	21,734	4,020	7,531	28,257
Net Assets at End of Period	23,746	8,729	23,473	3,939	8,519	31,119

Schedule 10

Home Mortgage Revenue Bonds 2006 A	Home Mortgage Revenue Bonds 2006 B	Home Mortgage Revenue Bonds 2006 C	Home Mortgage Revenue Bonds 2007 A	Home Mortgage Revenue Bonds 2007 B	Home Mortgage Revenue Bonds 2007 C	Home Mortgage Revenue Bonds 2007 D	Home Mortgage Revenue Bonds 2008 A	Combined Total
4,936	3,664	3,989	4,180	4,255	4,645	5,046	1,532	62,206
383	249	149	358	361	245	374	38	5,917
-	-	1	2	2	(3)	2	-	4
383	249	150	360	363	242	376	38	5,921
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
8	9	-	-	5	-	-	-	68
5,327	3,922	4,139	4,540	4,623	4,887	5,422	1,570	68,195
4,285	3,277	3,666	2,748	2,740	4,140	3,261	1,352	50,238
348	248	259	309	311	357	394	80	4,379
60	48	49	184	187	33	219	229	1,977
(31)	(86)	303	2	(141)	447	47	2,852	2,055
530	439	459	452	454	561	533	513	6,849
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
5,192	3,926	4,736	3,695	3,551	5,538	4,454	5,026	65,498
135	(4)	(597)	845	1,072	(651)	968	(3,456)	2,697
-	-	-	-	-	-	-	-	-
603	99	167	404	458	444	(642)	8,423	13,486
738	95	(430)	1,249	1,530	(207)	326	4,967	16,183
1,665	3,850	4,169	7,422	7,353	5,435	8,956	-	130,460
2,403	3,945	3,739	8,671	8,883	5,228	9,282	4,967	146,643

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Year Ended June 30, 2008

(in thousands of dollars)

	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series
OPERATING REVENUES				
Mortgage and loans revenue	2,008	1,358	3,233	1,747
Investment interest	406	353	295	187
Net change in the fair value of investments	(3)	1	-	-
Total Investment Revenue	403	354	295	187
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	2,411	1,712	3,528	1,934
OPERATING EXPENSES				
Interest	109	798	2,319	1,279
Mortgage and loan costs	126	87	215	111
Financing expenses	344	137	63	36
Provision for loan loss	(466)	(98)	(159)	(9)
Operations and administration	-	125	275	146
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	113	1,049	2,713	1,563
Operating Income (Loss)	2,298	663	815	371
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Transfers - Internal	(43,976)	236	(507)	(514)
Change in Net Assets	(41,678)	899	308	(143)
Net assets at beginning of year	41,678	14,298	15,345	8,376
Net Assets at End of Period	-	15,197	15,653	8,233

Schedule 11

Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
1,652	1,113	7,541	2,426	21,078
114	68	5,130	52	6,605
-	1	6	1	6
114	69	5,136	53	6,611
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,766	1,182	12,677	2,479	27,689
1,190	698	8,789	1,440	16,622
103	75	478	151	1,346
12	1	24	119	736
(46)	4	1,430	1,787	2,443
153	113	856	453	2,121
-	-	-	-	-
-	-	-	-	-
1,412	891	11,577	3,950	23,268
354	291	1,100	(1,471)	4,421
-	-	-	-	-
(461)	59	19,193	19,772	(6,198)
(107)	350	20,293	18,301	(1,777)
7,398	5,967	20,558	-	113,620
7,291	6,317	40,851	18,301	111,843

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

OTHER HOUSING BONDS

For the Year Ended June 30, 2008

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
OPERATING REVENUES				
Mortgage and loans revenue	45	22,661	14,374	7,285
Investment interest	1,063	4,186	3,700	3,034
Net change in the fair value of investments	(41)	14	(5)	11
Total Investment Revenue	1,022	4,200	3,695	3,045
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	28	-
Total Operating Revenues	1,067	26,861	18,097	10,330
OPERATING EXPENSES				
Interest	-	15,338	14,753	7,179
Mortgage and loan costs	3	996	931	492
Financing expenses	(2)	447	148	45
Provision for loan loss	3,676	1,406	(565)	576
Operations and administration	86	2,250	1,641	1,017
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	3,763	20,437	16,908	9,309
Operating Income (Loss)	(2,696)	6,424	1,189	1,021
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Transfers - Internal	145	17,488	(58,037)	66,864
Change in Net Assets	(2,551)	23,912	(56,848)	67,885
Net assets at beginning of year	22,826	52,548	162,841	26,759
Net Assets at End of Period	20,275	76,460	105,993	94,644

Schedule 12

Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
499	13,992	58,856
133	2,530	14,646
1	(11)	(31)
134	2,519	14,615
-	-	-
-	-	-
-	-	28
633	16,511	73,499
657	6,429	44,356
-	991	3,413
57	449	1,144
-	1,087	6,180
128	1,496	6,618
-	-	-
-	-	-
842	10,452	61,711
(209)	6,059	11,788
-	-	-
181	2,545	29,186
(28)	8,604	40,974
1,079	131,443	397,496
1,051	140,047	438,470

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NON-HOUSING BONDS
For the Year Ended June 30, 2008
(in thousands of dollars)

	State Capital Project Bonds 2002 A, B, C	State Capital Project Bonds 2006 A	State Capital Project Bonds 2007 A & B	State Building Lease Bonds 1999
OPERATING REVENUES				
Mortgage and loans revenue	2,304	5,054	90	(1)
Investment interest	1,661	1,166	441	1,356
Net change in the fair value of investments	488	53	-	-
Total Investment Revenue	2,149	1,219	441	1,356
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	4,453	6,273	531	1,355
OPERATING EXPENSES				
Interest	3,654	4,481	1,364	483
Mortgage and loan costs	212	386	9	-
Financing expenses	467	60	99	19
Provision for loan loss	(62)	(281)	606	-
Operations and administration	244	490	333	50
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	4,515	5,136	2,411	552
Operating Income (Loss)	(62)	1,137	(1,880)	803
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(263)	-	-	-
Transfers - Internal	(12,706)	562	1,167	(817)
Change in Net Assets	(13,031)	1,699	(713)	(14)
Net assets at beginning of year	(9,313)	9,568	-	16,580
Net Assets at End of Period	(22,344)	11,267	(713)	16,566

Schedule 13

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
608	4,798	5,679	4,661	23,193
575	2,538	3,055	3,143	13,935
1	5	574	7	1,128
576	2,543	3,629	3,150	15,063
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,184	7,341	9,308	7,811	38,256
570	3,924	6,543	7,442	28,461
84	469	561	285	2,006
60	513	122	105	1,445
(49)	(636)	(50)	(185)	(657)
57	530	649	578	2,931
-	-	-	-	-
-	-	-	-	-
722	4,800	7,825	8,225	34,186
462	2,541	1,483	(414)	4,070
-	-	(5,275)	-	(5,538)
5,034	970	(1,729)	1,518	(6,001)
5,496	3,511	(5,521)	1,104	(7,469)
5,956	4,427	38,087	24,375	89,680
11,452	7,938	32,566	25,479	82,211

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

OTHER PROGRAM FUNDS

For the Year Ended June 30, 2008

(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
OPERATING REVENUES				
Mortgage and loans revenue	-	-	-	-
Investment interest	86	17	103	1
Net change in the fair value of investments	(13)	-	-	-
Total Investment Revenue	73	17	103	1
Externally funded program	2,321	11,736	2,304	30,763
Rental	-	5,890	1,804	1
Other	1	148	8	5
Total Operating Revenues	2,395	17,791	4,219	30,770
OPERATING EXPENSES				
Interest	-	9	2	-
Mortgage and loan costs	-	-	-	-
Financing expenses	-	-	-	-
Provision for loan loss	-	-	-	-
Operations and administration	628	11,995	2,882	3,692
Rental housing operating expenses	-	8,267	1,991	66
Housing grants and subsidies	7,289	-	-	27,843
Total Operating Expenses	7,917	20,271	4,875	31,601
Operating Income (Loss)	(5,522)	(2,480)	(656)	(831)
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Transfers - Internal	838	2,166	(18,462)	(93)
Change in Net Assets	(4,684)	(314)	(19,118)	(924)
Net assets at beginning of year	1,944	92,928	45,052	1,491
Net Assets at End of Period	(2,740)	92,614	25,934	567

Schedule 14

Other Programs	Combined Total
-	-
-	207
-	(13)
-	194
26,479	73,603
-	7,695
411	573
26,890	82,065
-	11
-	-
-	-
-	-
1,611	20,808
7	10,331
43,142	78,274
44,760	109,424
(17,870)	(27,359)
(8,661)	(8,661)
25,983	10,432
(548)	(25,588)
1,997	143,412
1,449	117,824

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
COMBINED - ALL FUNDS
For the Year Ended June 30, 2008
(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds and Notes	Combined Other Housing Bonds
Cash flows from operating activities:				
Interest income on mortgages and loans	29,564	59,012	20,156	56,948
Principal payments received on mortgages and loans	48,090	129,529	35,195	135,210
Purchases of mortgages and loans	(512,333)	-	-	-
Receipt (payment) for loan transfers between funds	530,266	(149,978)	(120,852)	(259,436)
Payments to employees and other payroll disbursements	(18,351)	-	-	-
Payments for goods and services	(13,771)	-	-	-
Cash received for externally funded programs	119	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund Receipts	581,888	187,477	55,830	191,190
Interfund Payments	(583,596)	(189,263)	(55,569)	(188,928)
Grant payments to other agencies	(15,389)	-	-	-
Other operating cash receipts	1,409	91	-	1,334
Other operating cash payments	(4,593)	(128)	-	(1,341)
Net cash provided by (used for) operating activities	43,303	36,740	(65,240)	(65,023)
Cash flows from noncapital financing activities:				
Proceeds from the issuance of bonds	46,535	80,880	57,393	-
Principal paid on bonds	(23,825)	(64,400)	(23,365)	(14,210)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(839)	-	-	-
Interest paid	(8,214)	(48,174)	(16,493)	(44,550)
Proceeds from issuance of short term debt	1,133,512	-	-	-
Payment of short term debt	(1,140,232)	-	-	-
Contributions to the State of Alaska or other State agencies	(49,471)	-	-	-
Transfers (to) from other funds	82,593	(4,246)	(12,499)	(7,426)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	40,059	(35,940)	5,036	(66,186)
Cash flows from capital financing activities:				
Acquisition of capital assets	(2,190)	-	-	-
Proceeds from the disposal of capital assets	4	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	-	-
Proceeds from the direct financing lease payments	-	-	-	-
Other cash payments	(2,308)	-	-	-
Net cash provided by (used for) capital financing activities	(4,494)	-	-	-
Cash flows from investing activities:				
Purchase of investments	(8,282,002)	(952,586)	(284,286)	(2,318,455)
Proceeds from maturity of investments	8,187,015	945,739	337,568	2,432,805
Interest received from investments	15,417	6,047	6,922	16,808
Net cash provided by (used for) investing activities	(79,570)	(800)	60,204	131,158
Net Increase (decrease) in cash	(702)	-	-	(51)
Cash at the beginning of year	10,540	-	-	216
Cash at the end of period	9,838	-	-	165
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	39,696	2,697	4,421	11,788
Adjustments:				
Depreciation expense	69	-	-	-
Provision for loan losses	(2,923)	2,055	2,443	6,180
Amortization of bond issuance costs	-	413	496	288
Net change in the fair value of investments	839	(4)	(6)	31
Transfers between funds for operating activity	(45,146)	9,463	3,107	9,629
Interest received from investments	(15,417)	(6,047)	(6,922)	(16,808)
Interest paid	8,214	48,174	16,493	44,550
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	66,023	(20,449)	(85,657)	(124,226)
Net increase (decrease) in assets and liabilities	(8,052)	438	385	3,545
Net cash provided by (used for) operating activities	43,303	36,740	(65,240)	(65,023)

Schedule 15

Combined Non-Housing Bonds	Combined Other Programs	Combined Total
21,550	-	187,230
63,123	-	411,147
-	-	(512,333)
-	-	-
-	(11,099)	(29,450)
(25)	(8,298)	(22,094)
-	38,028	38,147
-	35,038	35,038
-	(35,329)	(35,329)
98,036	50,023	1,164,444
(95,946)	(51,142)	(1,164,444)
-	(28,229)	(43,618)
816	8,852	12,502
(798)	(674)	(7,534)
86,756	(2,830)	33,706
99,392	-	284,200
(34,931)	(499)	(161,230)
(44,636)	-	(44,636)
-	-	(839)
(28,291)	(53)	(145,775)
-	-	1,133,512
-	-	(1,140,232)
(5,538)	-	(55,009)
(37,412)	(21,010)	-
-	-	-
(51,416)	(21,562)	(130,009)
-	(1,989)	(4,179)
-	31	35
-	-	-
(3,316)	-	(3,316)
-	-	-
(3,544)	-	(3,544)
4,002	-	4,002
(22,930)	-	(25,238)
(25,788)	(1,958)	(32,240)
(2,051,840)	(6,283)	(13,895,452)
2,029,500	6,225	13,938,852
12,809	210	58,213
(9,531)	152	101,613
21	(26,198)	(26,930)
275	34,933	45,964
296	8,735	19,034
4,070	(27,359)	35,313
-	6,451	6,520
(657)	-	7,098
214	-	1,411
(1,128)	13	(255)
4,064	18,883	-
(12,809)	(210)	(58,213)
31,835	53	149,319
63,123	-	(101,186)
(1,956)	(661)	(6,301)
86,756	(2,830)	33,706

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ALASKA HOUSING FINANCE CORPORATION *Schedule 16*

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

REVOLVING FUNDS

For the Year Ended June 30, 2008

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
Cash flows from operating activities:			
Interest income on mortgages and loans	29,564	-	29,564
Principal payments received on mortgages and loans	48,090	-	48,090
Purchases of mortgages and loans	(512,333)	-	(512,333)
Receipt (payment) for loan transfers between funds	530,265	1	530,266
Payments to employees and other payroll disbursements	(18,351)	-	(18,351)
Payments for goods and services	(13,771)	-	(13,771)
Cash received for externally funded programs	119	-	119
Cash received for Federal HAP subsidies	-	-	-
Payments for Federal HAP subsidies	-	-	-
Interfund Receipts	581,888	-	581,888
Interfund Payments	(583,596)	-	(583,596)
Grant payments to other agencies	(15,389)	-	(15,389)
Other operating cash receipts	1,377	32	1,409
Other operating cash payments	(4,593)	-	(4,593)
Net cash provided by (used for) operating activities	43,270	33	43,303
Cash flows from noncapital financing activities:			
Proceeds from the issuance of bonds	46,535	-	46,535
Principal paid on bonds	(23,825)	-	(23,825)
Payment to defease bonds	-	-	-
Payment of bond issuance costs	(839)	-	(839)
Interest paid	(8,214)	-	(8,214)
Proceeds from issuance of short term debt	1,133,512	-	1,133,512
Payment of short term debt	(1,140,232)	-	(1,140,232)
Contributions to the State of Alaska or other State agencies	(49,471)	-	(49,471)
Transfers (to) from other funds	82,593	-	82,593
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	40,059	-	40,059
Cash flows from capital financing activities:			
Acquisition of capital assets	(2,190)	-	(2,190)
Proceeds from the disposal of capital assets	4	-	4
Proceeds from the issuance of capital notes	-	-	-
Principal paid on capital notes	-	-	-
Payment of bond issuance costs	-	-	-
Interest paid on capital notes	-	-	-
Proceeds from the direct financing lease payments	-	-	-
Other cash payments	(2,308)	-	(2,308)
Net cash provided by (used for) capital financing activities	(4,494)	-	(4,494)
Cash flows from investing activities:			
Purchase of investments	(8,222,693)	(59,309)	(8,282,002)
Proceeds from maturity of investments	8,128,200	58,815	8,187,015
Interest received from investments	14,924	493	15,417
Net cash provided by (used for) investing activities	(79,569)	(1)	(79,570)
Net Increase (decrease) in cash	(734)	32	(702)
Cash at the beginning of year	10,234	306	10,540
Cash at the end of period	9,500	338	9,838
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	39,196	500	39,696
Adjustments:			
Depreciation expense	69	-	69
Provision for loan losses	(2,923)	-	(2,923)
Amortization of bond issuance costs	-	-	-
Net change in the fair value of investments	823	16	839
Transfers between funds for operating activity	(45,146)	-	(45,146)
Interest received from investments	(14,924)	(493)	(15,417)
Interest paid	8,214	-	8,214
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	66,022	1	66,023
Net increase (decrease) in assets and liabilities	(8,061)	9	(8,052)
Net cash provided by (used for) operating activities	43,270	33	43,303

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
FIRST TIME HOMEBUYER BONDS
For the Year Ended June 30, 2008
(in thousands of dollars)

	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D	Mortgage Revenue Bonds 2001 A,B	Home Mortgage Revenue Bonds 2002 A,B
Cash flows from operating activities:						
Interest income on mortgages and loans	2,916	2,057	6,230	3,327	3,833	10,038
Principal payments received on mortgages and loans	7,717	4,825	14,464	8,684	8,723	26,696
Purchases of mortgages and loans	-	-	-	-	-	-
Receipt (payment) for loan transfers between funds	-	-	-	-	-	(32,444)
Payments to employees and other payroll disbursements	-	-	-	-	-	-
Payments for goods and services	-	-	-	-	-	-
Cash received for externally funded programs	-	-	-	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-	-	-
Interfund Receipts	10,740	6,693	21,425	12,224	13,228	36,180
Interfund Payments	(10,678)	(6,912)	(20,781)	(12,055)	(12,608)	(36,887)
Grant payments to other agencies	-	-	-	-	-	-
Other operating cash receipts	-	-	3	4	6	44
Other operating cash payments	-	-	(6)	(8)	(7)	(44)
Net cash provided by (used for) operating activities	10,695	6,663	21,335	12,176	13,175	3,583
Cash flows from noncapital financing activities:						
Proceeds from the issuance of bonds	-	-	-	-	-	-
Principal paid on bonds	(15,140)	(4,125)	(15,930)	(5,750)	(10,615)	(700)
Payment to defease bonds	-	-	-	-	-	-
Payment of bond issuance costs	-	-	-	-	-	-
Interest paid	(1,272)	(1,579)	(5,859)	(3,782)	(3,604)	(7,594)
Proceeds from issuance of short term debt	-	-	-	-	-	-
Payment of short term debt	-	-	-	-	-	-
Contributions to the State of Alaska or other State agencies	-	-	-	-	-	-
Transfers (to) from other funds	-	-	-	-	-	(2,263)
Other cash payments	-	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(16,412)	(5,704)	(21,789)	(9,532)	(14,219)	(10,557)
Cash flows from capital financing activities:						
Acquisition of capital assets	-	-	-	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-	-	-
Principal paid on capital notes	-	-	-	-	-	-
Payment of bond issuance costs	-	-	-	-	-	-
Interest paid on capital notes	-	-	-	-	-	-
Proceeds from the direct financing lease payments	-	-	-	-	-	-
Other cash payments	-	-	-	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-	-	-	-
Cash flows from investing activities:						
Purchase of investments	(50,389)	(20,546)	(67,624)	(49,048)	(64,326)	(213,370)
Proceeds from maturity of investments	55,307	19,331	67,100	45,953	64,923	219,422
Interest received from investments	799	256	978	451	447	922
Net cash provided by (used for) investing activities	5,717	(959)	454	(2,644)	1,044	6,974
Net Increase (decrease) in cash	-	-	-	-	-	-
Cash at the beginning of year	-	-	-	-	-	-
Cash at the end of period	-	-	-	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities						
Operating income (loss)	1,171	621	1,128	(429)	582	1,312
Adjustments:						
Depreciation expense	-	-	-	-	-	-
Provision for loan losses	(377)	(123)	(431)	(79)	(340)	12
Amortization of bond issuance costs	82	33	57	66	47	18
Net change in the fair value of investments	-	-	(1)	(2)	-	3
Transfers between funds for operating activity	417	197	611	348	406	1,846
Interest received from investments	(799)	(256)	(978)	(451)	(447)	(922)
Interest paid	1,272	1,579	5,859	3,782	3,604	7,594
Changes in assets and liabilities:						
Net increase (decrease) in mortgages and loans	7,717	4,825	14,464	8,684	8,723	(5,748)
Net increase (decrease) in assets and liabilities	1,212	(213)	626	257	600	(532)
Net cash provided by (used for) operating activities	10,695	6,663	21,335	12,176	13,175	3,583

Schedule 17

Home Mortgage Revenue Bonds 2006 A	Home Mortgage Revenue Bonds 2006 B	Home Mortgage Revenue Bonds 2006 C	Home Mortgage Revenue Bonds 2007 A	Home Mortgage Revenue Bonds 2007 B	Home Mortgage Revenue Bonds 2007 C	Home Mortgage Revenue Bonds 2007 D	Home Mortgage Revenue Bonds 2008 A	Combined Total
4,634	3,456	3,743	3,931	4,007	4,347	4,733	1,760	59,012
10,818	5,688	4,280	10,694	10,123	3,928	10,911	1,978	129,529
-	-	-	-	-	-	-	-	-
(6,072)	(1,246)	-	(7,073)	(6,927)	(9,166)	(6,170)	(80,880)	(149,978)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
15,601	8,635	7,577	14,896	13,863	7,751	15,611	3,053	187,477
(15,515)	(9,171)	(8,052)	(14,685)	(14,188)	(8,294)	(15,690)	(3,747)	(189,263)
-	-	-	-	-	-	-	-	-
16	2	-	5	-	11	-	-	91
(16)	(5)	-	(6)	-	(23)	(13)	-	(128)
9,466	7,359	7,548	7,762	6,878	(1,446)	9,382	(77,836)	36,740
-	-	-	-	-	-	-	80,880	80,880
(5,275)	(3,485)	(2,675)	-	-	(705)	-	-	(64,400)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(4,451)	(3,377)	(3,888)	(2,711)	(2,704)	(4,143)	(3,210)	-	(48,174)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
13	(606)	(319)	(360)	(229)	(679)	(1,421)	1,618	(4,246)
-	-	-	-	-	-	-	-	-
(9,713)	(7,468)	(6,882)	(3,071)	(2,933)	(5,527)	(4,631)	82,498	(35,940)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(80,157)	(49,324)	(35,328)	(86,480)	(84,171)	(47,432)	(88,454)	(15,937)	(952,586)
80,031	49,188	34,476	81,434	79,869	54,128	83,332	11,245	945,739
373	245	186	355	357	277	371	30	6,047
247	109	(666)	(4,691)	(3,945)	6,973	(4,751)	(4,662)	(800)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
135	(4)	(597)	845	1,072	(651)	968	(3,456)	2,697
-	-	-	-	-	-	-	-	-
(31)	(86)	303	2	(141)	447	47	2,852	2,055
26	21	21	2	1	28	1	10	413
-	-	(1)	(2)	(2)	3	(2)	-	(4)
590	483	486	670	688	622	779	1,320	9,463
(373)	(245)	(186)	(355)	(357)	(277)	(371)	(30)	(6,047)
4,451	3,377	3,888	2,711	2,704	4,143	3,210	-	48,174
4,746	4,442	4,280	3,621	3,196	(5,238)	4,741	(78,902)	(20,449)
(78)	(629)	(646)	268	(283)	(523)	9	370	438
9,466	7,359	7,548	7,762	6,878	(1,446)	9,382	(77,836)	36,740

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
VETERANS MORTGAGE PROGRAM BONDS AND NOTES - STATE GUARANTEED
For the Year Ended June 30, 2008
(in thousands of dollars)

	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series
Cash flows from operating activities:				
Interest income on mortgages and loans	1,668	1,281	3,061	1,660
Principal payments received on mortgages and loans	3,736	3,160	7,965	3,835
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	-	433	-	-
Payments to employees and other payroll disbursements	-	-	-	-
Payments for goods and services	-	-	-	-
Cash received for externally funded programs	-	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund Receipts	6,093	4,639	11,178	5,925
Interfund Payments	(5,429)	(4,459)	(11,072)	(5,518)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	6,068	5,054	11,132	5,902
Cash flows from noncapital financing activities:				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(3,500)	(3,630)	(7,345)	(3,795)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(125)	(806)	(2,356)	(1,299)
Proceeds from issuance of short term debt	-	-	-	-
Payment of short term debt	-	-	-	-
Contributions to the State of Alaska or other State agencies	-	-	-	-
Transfers (to) from other funds	(9,831)	-	(788)	(664)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(13,456)	(4,436)	(10,489)	(5,758)
Cash flows from capital financing activities:				
Acquisition of capital assets	-	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	-	-
Proceeds from the direct financing lease payments	-	-	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-	-
Cash flows from investing activities:				
Purchase of investments	(43,368)	(40,753)	(28,620)	(16,615)
Proceeds from maturity of investments	50,326	39,772	27,679	16,286
Interest received from investments	430	363	298	185
Net cash provided by (used for) investing activities	7,388	(618)	(643)	(144)
Net Increase (decrease) in cash	-	-	-	-
Cash at the beginning of year	-	-	-	-
Cash at the end of period	-	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	2,298	663	815	371
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(466)	(98)	(159)	(9)
Amortization of bond issuance costs	343	24	57	33
Net change in the fair value of investments	3	(1)	-	-
Transfers between funds for operating activity	(366)	236	281	149
Interest received from investments	(430)	(363)	(298)	(185)
Interest paid	125	806	2,356	1,299
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	3,736	3,593	7,965	3,835
Net increase (decrease) in assets and liabilities	825	194	115	409
Net cash provided by (used for) operating activities	6,068	5,054	11,132	5,902

Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
1,558	1,048	7,425	2,455	20,156
3,214	2,820	9,314	1,151	35,195
-	-	-	-	-
-	(909)	(62,510)	(57,866)	(120,852)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5,549	3,488	15,778	3,180	55,830
(4,790)	(3,881)	(16,802)	(3,618)	(55,569)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5,531	2,566	(46,795)	(54,698)	(65,240)
-	-	-	57,393	57,393
(3,235)	(270)	(1,590)	-	(23,365)
-	-	-	-	-
-	-	-	-	-
(1,205)	(699)	(8,794)	(1,209)	(16,493)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(616)	(401)	(1,849)	1,650	(12,499)
-	-	-	-	-
(5,056)	(1,370)	(12,233)	57,834	5,036
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(15,862)	(15,733)	(106,287)	(17,048)	(284,286)
15,271	14,469	159,902	13,863	337,568
116	68	5,413	49	6,922
(475)	(1,196)	59,028	(3,136)	60,204
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
354	291	1,100	(1,471)	4,421
-	-	-	-	-
(46)	4	1,430	1,787	2,443
9	-	14	16	496
-	(1)	(6)	(1)	(6)
156	117	1,513	1,021	3,107
(116)	(68)	(5,413)	(49)	(6,922)
1,205	699	8,794	1,209	16,493
3,214	1,911	(53,196)	(56,715)	(85,657)
755	(387)	(1,031)	(495)	385
5,531	2,566	(46,795)	(54,698)	(65,240)

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
OTHER HOUSING BONDS
For the Year Ended June 30, 2008
(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Cash flows from operating activities:				
Interest income on mortgages and loans	62	22,347	13,653	6,964
Principal payments received on mortgages and loans	43	34,496	45,327	18,753
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(13,870)	(106,619)	(64,558)	-
Payments to employees and other payroll disbursements	-	-	-	-
Payments for goods and services	-	-	-	-
Cash received for externally funded programs	-	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund Receipts	31	58,922	58,605	23,973
Interfund Payments	(106)	(57,059)	(58,027)	(24,529)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	1,308	17	-
Other operating cash payments	-	(1,318)	(15)	-
Net cash provided by (used for) operating activities	(13,840)	(47,923)	(4,998)	25,161
Cash flows from noncapital financing activities:				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	(8,460)	(1,810)	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	-	(15,700)	(14,601)	(7,151)
Proceeds from issuance of short term debt	-	-	-	-
Payment of short term debt	-	-	-	-
Contributions to the State of Alaska or other State agencies	-	-	-	-
Transfers (to) from other funds	-	(7,626)	-	200
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	(31,786)	(16,411)	(6,951)
Cash flows from capital financing activities:				
Acquisition of capital assets	-	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	-	-
Proceeds from the direct financing lease payments	-	-	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	-	-	-	-
Cash flows from investing activities:				
Purchase of investments	(116,156)	(758,365)	(506,222)	(712,067)
Proceeds from maturity of investments	128,918	832,056	523,534	691,001
Interest received from investments	1,078	6,018	3,881	3,021
Net cash provided by (used for) investing activities	13,840	79,709	21,193	(18,045)
Net Increase (decrease) in cash	-	-	(216)	165
Cash at the beginning of year	-	-	216	-
Cash at the end of period	-	-	-	165
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(2,696)	6,424	1,189	1,021
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	3,676	1,406	(565)	576
Amortization of bond issuance costs	-	144	45	36
Net change in the fair value of investments	41	(14)	5	(11)
Transfers between funds for operating activity	145	3,511	2,029	1,218
Interest received from investments	(1,078)	(6,018)	(3,881)	(3,021)
Interest paid	-	15,700	14,601	7,151
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	(13,827)	(72,123)	(19,231)	18,753
Net increase (decrease) in assets and liabilities	(101)	3,047	810	(562)
Net cash provided by (used for) operating activities	(13,840)	(47,923)	(4,998)	25,161

Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
394	13,528	56,948
1,106	35,485	135,210
-	-	-
-	(74,389)	(259,436)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	49,659	191,190
-	(49,207)	(188,928)
-	-	-
-	9	1,334
-	(8)	(1,341)
1,500	(24,923)	(65,023)
-	-	-
-	(3,940)	(14,210)
-	-	-
-	-	-
(701)	(6,397)	(44,550)
-	-	-
-	-	-
-	-	-
-	-	(7,426)
-	-	-
(701)	(10,337)	(66,186)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
(17,953)	(207,692)	(2,318,455)
17,018	240,278	2,432,805
136	2,674	16,808
(799)	35,260	131,158
-	-	(51)
-	-	216
-	-	165
(209)	6,059	11,788
-	-	-
-	1,087	6,180
7	56	288
(1)	11	31
181	2,545	9,629
(136)	(2,674)	(16,808)
701	6,397	44,550
1,106	(38,904)	(124,226)
(149)	500	3,545
1,500	(24,923)	(65,023)

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
NON-HOUSING BONDS
For the Year Ended June 30, 2008
(in thousands of dollars)

	State Capital Project Bonds 2002 A,B,C	State Capital Project Bonds 2006 A	State Capital Project Bonds 2007 A & B	State Building Lease Bonds 1999
Cash flows from operating activities:				
Interest income on mortgages and loans	2,115	4,676	249	-
Principal payments received on mortgages and loans	6,010	10,554	540	-
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	-	-	-	-
Payments to employees and other payroll disbursements	-	-	-	-
Payments for goods and services	(25)	-	-	-
Cash received for externally funded programs	-	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund Receipts	8,543	15,425	10,990	-
Interfund Payments	(8,161)	(15,294)	(11,782)	-
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	814
Other operating cash payments	-	(4)	-	(747)
Net cash provided by (used for) operating activities	8,482	15,357	(3)	67
Cash flows from noncapital financing activities:				
Proceeds from the issuance of bonds	-	-	99,392	-
Principal paid on bonds	(14,917)	(1,450)	(320)	(2,085)
Payment to defease bonds	-	-	(44,636)	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(1,199)	(4,456)	(2,935)	(507)
Proceeds from issuance of short term debt	-	-	-	-
Payment of short term debt	-	-	-	-
Contributions to the State of Alaska or other State agencies	(263)	-	-	-
Transfers (to) from other funds	(12,941)	-	(29,358)	1,939
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(29,320)	(5,906)	22,143	(653)
Cash flows from capital financing activities:				
Acquisition of capital assets	-	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	(3,254)	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	(3,119)	-	-	-
Proceeds from the direct financing lease payments	-	-	535	3,029
Other cash payments	-	-	(22,930)	-
Net cash provided by (used for) capital financing activities	(6,373)	-	(22,395)	3,029
Cash flows from investing activities:				
Purchase of investments	(151,930)	(214,509)	(173,832)	(9,903)
Proceeds from maturity of investments	177,221	203,875	173,833	7,471
Interest received from investments	1,920	1,183	254	10
Net cash provided by (used for) investing activities	27,211	(9,451)	255	(2,422)
Net Increase (decrease) in cash	-	-	-	21
Cash at the beginning of year	-	-	-	275
Cash at the end of period	-	-	-	296
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(62)	1,137	(1,880)	803
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(62)	(281)	606	-
Amortization of bond issuance costs	21	18	16	11
Net change in the fair value of investments	(488)	(53)	-	-
Transfers between funds for operating activity	235	562	802	57
Interest received from investments	(1,920)	(1,183)	(254)	(10)
Interest paid	4,318	4,456	2,935	507
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	6,010	10,554	540	-
Net increase (decrease) in assets and liabilities	430	147	(2,768)	(1,301)
Net cash provided by (used for) operating activities	8,482	15,357	(3)	67

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
565	4,364	5,146	4,435	21,550
1,434	10,742	14,753	19,090	63,123
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(25)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,052	16,025	21,276	23,725	98,036
(1,974)	(15,158)	(19,987)	(23,590)	(95,946)
-	-	-	-	-
-	-	2	-	816
(34)	(13)	-	-	(798)
2,043	15,960	21,190	23,660	86,756
-	-	-	-	99,392
(6,230)	(5,540)	(964)	(3,425)	(34,931)
-	-	-	-	(44,636)
-	-	-	-	-
(603)	(4,205)	(6,656)	(7,730)	(28,291)
-	-	-	-	-
-	-	-	-	-
-	-	(5,275)	-	(5,538)
4,977	-	(2,466)	437	(37,412)
-	-	-	-	-
(1,856)	(9,745)	(15,361)	(10,718)	(51,416)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	(62)	-	(3,316)
-	-	-	-	-
-	-	(425)	-	(3,544)
-	-	-	438	4,002
-	-	-	-	(22,930)
-	-	(487)	438	(25,788)
(8,626)	(419,439)	(498,403)	(575,198)	(2,051,840)
7,867	410,766	489,900	558,567	2,029,500
572	2,458	3,161	3,251	12,809
(187)	(6,215)	(5,342)	(13,380)	(9,531)
-	-	-	-	21
-	-	-	-	275
-	-	-	-	296
462	2,541	1,483	(414)	4,070
-	-	-	-	-
(49)	(636)	(50)	(185)	(657)
59	14	35	40	214
(1)	(5)	(574)	(7)	(1,128)
57	970	737	644	4,064
(572)	(2,458)	(3,161)	(3,251)	(12,809)
603	4,205	7,081	7,730	31,835
1,434	10,742	14,753	19,090	63,123
50	587	886	13	(1,956)
2,043	15,960	21,190	23,660	86,756

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
OTHER PROGRAM FUNDS
For the Year Ended June 30, 2008
(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Cash flows from operating activities:				
Interest income on mortgages and loans	-	-	-	-
Principal payments received on mortgages and loans	-	-	-	-
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	-	-	-	-
Payments to employees and other payroll disbursements	(170)	(6,188)	(1,644)	(2,460)
Payments for goods and services	(386)	(6,048)	(1,301)	(338)
Cash received for externally funded programs	2,467	12,043	2,327	3,101
Cash received for Federal HAP subsidies	-	-	-	28,175
Payments for Federal HAP subsidies	-	-	-	(28,388)
Interfund Receipts	7,660	14,227	3,355	2,799
Interfund Payments	(2,495)	(24,153)	(3,028)	(2,847)
Grant payments to other agencies	(7,106)	-	-	-
Other operating cash receipts	3	5,964	1,833	1
Other operating cash payments	-	(10)	(3)	-
Net cash provided by (used for) operating activities	(27)	(4,165)	1,539	43
Cash flows from noncapital financing activities:				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	-	(499)	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	-	-	(53)	-
Proceeds from issuance of short term debt	-	-	-	-
Payment of short term debt	-	-	-	-
Contributions to the State of Alaska or other State agencies	-	-	-	-
Transfers (to) from other funds	-	-	(21,000)	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	-	(21,552)	-
Cash flows from capital financing activities:				
Acquisition of capital assets	-	(1,989)	-	-
Proceeds from the disposal of capital assets	-	23	8	-
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	-	-	-	-
Proceeds from the direct financing lease payments	-	-	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	-	(1,966)	8	-
Cash flows from investing activities:				
Purchase of investments	(6,283)	-	-	-
Proceeds from maturity of investments	6,225	-	-	-
Interest received from investments	86	17	103	4
Net cash provided by (used for) investing activities	28	17	103	4
Net Increase (decrease) in cash	1	(6,114)	(19,902)	47
Cash at the beginning of year	-	10,141	23,305	1,256
Cash at the end of period	1	4,027	3,403	1,303
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(5,522)	(2,480)	(656)	(831)
Adjustments:				
Depreciation expense	-	5,223	1,143	6
Provision for loan losses	-	-	-	-
Amortization of bond issuance costs	-	-	-	-
Net change in the fair value of investments	13	-	-	-
Transfers between funds for operating activity	838	1,954	631	(93)
Interest received from investments	(86)	(17)	(103)	(4)
Interest paid	-	-	53	-
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	-	-	-	-
Net increase (decrease) in assets and liabilities	4,730	(8,845)	471	965
Net cash provided by (used for) operating activities	(27)	(4,165)	1,539	43

Other Programs	Combined Total
-	-
-	-
-	-
-	-
(637)	(11,099)
(225)	(8,298)
18,090	38,028
6,863	35,038
(6,941)	(35,329)
21,982	50,023
(18,619)	(51,142)
(21,123)	(28,229)
1,051	8,852
(661)	(674)
(220)	(2,830)
-	-
-	(499)
-	-
-	-
-	(53)
-	-
-	-
-	-
(10)	(21,010)
-	-
(10)	(21,562)
-	(1,989)
-	31
-	-
-	-
-	-
-	-
-	-
-	-
-	(1,958)
-	(6,283)
-	6,225
-	210
-	152
(230)	(26,198)
231	34,933
1	8,735
(17,870)	(27,359)
79	6,451
-	-
-	-
-	13
15,553	18,883
-	(210)
-	53
-	-
2,018	(661)
(220)	(2,830)

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APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Alaska (the "State") and a record of proceedings relating to the issuance of $80,870,000 aggregate principal amount of Home Mortgage Revenue Bonds, 2009 Series C (the "2009 Series C Bonds"), and $80,870,000 aggregate principal amount of Home Mortgage Revenue Bonds, 2009 Series D (the "2009 Series D Bonds"; together with the 2009 Series C Bonds, the "2009 Bonds") of the Alaska Housing Finance Corporation (the "Corporation"), a public corporation and government instrumentality of the State created by and existing under Alaska Statutes 18.55 and 18.56, as amended (the "Act").

In such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

The 2009 Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted June 24, 2009, and are issued pursuant to the Indenture by and between the Corporation and U.S. Bank National Association (previously known as U.S. Bank, N.A.), as trustee (the "Trustee"), dated as of May 1, 2002 (the "General Indenture"), and the 2009 Series C Supplemental Indenture (the "2009 Series C Supplemental Indenture") and the 2009 Series D Supplemental Indenture (the "2009 Series D Supplemental Indenture"; together with the General Indenture and the 2009 Series C Supplemental Indenture, the "Indenture"), both by and between the Corporation and the Trustee, and dated as of August 1, 2009, executed pursuant to the General Indenture.

The 2009 Bonds mature and are subject to redemption as provided in the Indenture.

Capitalized terms used herein and not defined herein are used as defined in the Indenture.

Applicable Federal tax law establishes certain requirements that must be met subsequent to the issuance of the 2009 Bonds in order for interest on the 2009 Bonds not to be included in gross income for Federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended and, as applicable, the Internal Revenue Code of 1954, as amended (collectively, the "Code"). The Corporation has covenanted that it will comply with such requirements and that it will do all things necessary to ensure that interest on the 2009 Bonds will be, and remain, not included in gross income for Federal income tax purposes. We have examined the program documentation adopted by the Corporation, which, in our opinion, establishes procedures and covenants under which, if followed, such requirements can be met.

In rendering this opinion, we have assumed compliance with, and enforcement of, the provisions of such program procedures and covenants.

As to any facts material to our opinion, we have relied upon various statements and representations of officers and other representatives of the Corporation including without limitation those contained in the Indenture, the Corporation's Certificate as to matters affecting the tax-exempt status of the 2009 Bonds, the Corporation's Regulations and Program Materials and the certified proceedings and other certifications of public officials and certifications by officers of the Corporation furnished to us (which are material to the opinion expressed below) without undertaking to verify the same by independent investigation.

Subject to the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the State of Alaska (the "State"), the Corporation has been duly created, organized, and validly exists as a public corporation and government instrumentality in good standing under the laws of the State, performing an essential public function with full corporate power and authority under the Act, among other things, to enter into, and to perform its obligations under the terms and conditions of, the Indenture.

2. The Indenture has been duly authorized, executed and delivered, is in full force and effect, and is valid and binding upon the Corporation and enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other laws affecting creditors' rights generally from time to time in effect).

3. The 2009 Bonds have been duly and validly authorized, sold and issued by the Corporation in accordance with the Indenture and Constitution and laws of the State, including the Act and, pursuant to the Act, are issued by a public corporation and government instrumentality of the State for an essential public and governmental purpose.

4. Subject to agreements heretofore or hereafter made with the holders of any notes or other bonds of the Corporation pledging any particular revenues or assets not pledged under the Indenture and the exclusion by the Act of a pledge of funds in the Housing Development Fund (as described in the Act), the 2009 Bonds are valid and legally binding general obligations of the Corporation for the payment of which, in accordance with their terms, the full faith and credit of the Corporation have been legally and validly pledged, are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture.

5. The 2009 Bonds are secured by a pledge in the manner and to the extent set forth in the Indenture. The Indenture creates a valid pledge of a lien on all funds established by the Indenture and moneys and securities therein which the Indenture purports to create, to the extent and on the terms provided therein.

6. Under existing laws, regulations, rulings and judicial decisions, interest on the 2009 Bonds is excluded from gross income for Federal income tax purposes.

7. Interest on the 2009 Series C Bonds is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, and such interest is not included in calculating the "adjusted current earnings" of corporations for purposes of calculating the alternative minimum tax imposed on corporations. We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2009 Series C Bonds.

8. Interest on the 2009 Series D Bonds is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; *however*, such interest is included in calculating the "adjusted current earnings" of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2009 Series D Bonds.

9. Under existing laws, interest on the 2009 Bonds is free from taxation of every kind by the State, and by municipalities and all other political subdivisions of the State (except that no opinion is expressed as to such exemption from State inheritance and estate taxes and taxes of transfers by or in anticipation of death).

10. Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken, upon the advice or with the opinion of counsel. Except to the extent of our concurrence therewith, we express no opinion as to any 2009 Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other counsel.

Sincerely,

BIRCH, HORTON, BITTNER AND CHEROT

By: ________________________________

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APPENDIX C

FORM OF OPINION OF SPECIAL TAX COUNSEL

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale of $80,870,000 aggregate principal amount of Alaska Housing Finance Corporation Home Mortgage Revenue Bonds, 2009 Series C (the "2009 Series C Bonds"), and $80,870,000 aggregate principal amount of Alaska Housing Finance Corporation Home Mortgage Revenue Bonds, 2009 Series D (the "2009 Series D Bonds"; together with the 2009 Series C Bonds, the "Bonds"). The Bonds will be issued pursuant to the Indenture by and between the Alaska Housing Finance Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"), dated as of May 1, 2002 (the "General Indenture"), and the 2009 Series C Supplemental Indenture (the "2009 Series C Supplemental Indenture") and the 2009 Series D Supplemental Indenture (the "2009 Series D Supplemental Indenture"; together with the General Indenture and the 2009 Series C Supplemental Indenture, the "Indenture"), both by and between the Corporation and the Trustee, and dated as of August 1, 2009, authorizing the issuance of the Bonds. Capitalized terms not otherwise defined herein are used as defined in the Indenture.

In connection with the issuance of the Bonds, we have examined the Indenture, the Tax Regulatory Agreement and No Arbitrage Certificate of the Corporation and such other opinions, documents, certificates and letters as we deem relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that, assuming compliance by the Corporation with certain restrictions, conditions and requirements contained in the Indenture and the Arbitrage Certificate designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for Federal income tax purposes and is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code.

We are further of the opinion that interest on the 2009 Series C Bonds is not included in adjusted current earnings of corporations for purposes of for purposes of the alternative minimum tax provisions imposed on such corporations by the Code.

Interest on the 2009 Series D Bonds, however, is included in the adjusted current earnings (*i.e.,* alternative minimum taxable income as adjusted for certain items including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the Bonds.

The opinions expressed herein are rendered in reliance upon the opinion of Birch, Horton, Bittner and Cherot, Bond Counsel, as to the validity of the Bonds under the Constitution and laws of the State of Alaska.

Very truly yours,
/s/ Kutak Rock LLP

APPENDIX D

CERTAIN DEFINITIONS WITH RESPECT TO THE 2009 SERIES D BONDS

"Alternate Liquidity Facility" means any Liquidity Facility subsequent to the Initial Liquidity Facility that the Corporation may provide pursuant to the 2009 Series D Supplemental Indenture. This Official Statement is intended only to describe 2009 Series D Bonds that are covered by the Initial Liquidity Facility.

"Bondholder" or "Holder" means, for purposes of this Official Statement, any Holder (as defined under the Indenture) of Offered Bonds, except that (i) where the context so requires, such terms shall mean Holders of Bonds under the Indenture and (ii) except under "Tax Matters" herein, so long as the Offered Bonds are immobilized in the custody of DTC, such terms shall mean, for purposes of giving notice to such Bondholders or Holders, DTC or its nominee. (See "DTC and Book-Entry" herein.)

"Conversion Date" means the Business Day on which any of the 2009 Series D Bonds are Converted to Fixed Interest Rates or an Indexed Rate.

"Convert", "Converted" or "Conversion", as appropriate, means the conversion of the interest rate on the 2009 Series D Bonds to Fixed Interest Rates or an Indexed Rate as herein described.

"Effective Rate" means the rate of interest, which rate shall be less than or equal to the Maximum Rate, payable on the 2009 Series D Bonds prior to Conversion, determined for each Effective Rate Period as herein described.

"Effective Rate Date" means the date on which the 2009 Series D Bonds begin to bear interest at the Effective Rate.

"Effective Rate Period" means the period during which interest accrues under a particular Mode from one Effective Rate Date to and including the day preceding the next Effective Rate Date.

"Fixed Interest Rates" means long-term interest rates fixed to maturity of a 2009 Series D Bond, established in accordance with the 2009 Series D Supplemental Indenture. This Official Statement is not intended to describe the 2009 Series D Bonds following a Conversion to Fixed Interest Rates.

"Indexed Rate" means an index-based variable rate determined in accordance with the 2009 Series D Supplemental Indenture. This Official Statement is not intended to describe the 2009 Series D Bonds following a Conversion to an Indexed Rate.

"Liquidity Expiration Event" means either (i) the Corporation has determined to terminate the Initial Liquidity Facility in whole or in part in accordance with its terms or (ii) the Trustee has not received written notice from the Corporation on or prior to 30 days prior to the scheduled expiration of the Initial Liquidity Facility that it will be extended, renewed, or replaced.

"Maximum Rate" (i) with respect to Weekly Rate Bonds, means 15% per annum; and (ii) with respect to Bank Bonds, has the meaning ascribed to such term in the Liquidity Facility; provided, however, that in no event may the Maximum Rate exceed the lesser of (x) 25% or such higher rate as approved by the Corporation's Board of Directors or (y) the maximum rate permitted by applicable law.

"Mode" means the manner in which the interest rate is determined on each Rate Determination Date, consisting of a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, and Semiannual Rate. This Official Statement is not intended to describe 2009 Series D Bonds bearing interest at other than a Weekly Rate.

"Mode Change" means a change in Mode Period.

"Mode Period" means each period beginning on the first Effective Rate Date for the 2009 Series D Bonds, or the first Effective Rate Date following a change from one Mode to another, and ending on the date immediately preceding the first Effective Rate Date following the next such change in Mode.

"Notice Parties" means the Corporation, the Remarketing Agent, the Bank, the Tender Agent, and the Trustee.

"Rate Determination Date" means the date on which the Effective Rate for the Effective Rate Period following each such Rate Determination Date is determined, which, with respect to an Effective Rate Period during which the 2009 Series D Bonds are to bear interest at a Weekly Rate, is by 11:00 A.M. on the related Effective Rate Date (unless such day is not a Business Day, in which case by 4:00 P.M. on the immediately preceding Business Day).

"Remarketing Agent" means Merrill Lynch and its successors and assigns; in each case unless another remarketing agent shall be duly appointed in accordance with the Indenture.

"SIFMA Index" means (a) the SIFMA Rate or (b) if the SIFMA Rate is no longer available or no longer published, the S&P Index - High Grade (formerly known as the Kenny Index), or if neither the SIFMA Rate nor the S&P Index - High Grade is published, the index determined to equal the prevailing rate determined by the Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Securities Industry and Financial Markets Association to determine the SIFMA Rate just prior to when the Securities Industry and Financial Markets Association stopped publishing the SIFMA Rate. The Paying Agent shall make the determination required by this definition, upon notification from the Corporation, if there is no Remarketing Agent, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement.

"SIFMA Rate" means the Securities Industry and Financial Markets Association Municipal Swap Index of Municipal Market Data, formerly the Bond Market Association/PSA Municipal Swap Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions) most recently available as of the date of determination.

“Tender Agent” means U.S. Bank National Association, organized and existing under the laws of the United States of America, and its successors and assigns.

“Variable Rate Bonds” means 2009 Series D Bonds bearing interest at a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, or Semiannual Rate. This Official Statement is not intended to describe 2009 Series D Bonds bearing interest at other than a Weekly Rate.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the Alaska Housing Finance Corporation (the "Corporation") in connection with the issuance of $80,870,000 aggregate principal amount of its Home Mortgage Revenue Bonds, 2009 Series C (the "Subject Bonds"). The Subject Bonds are being issued pursuant to an Indenture, dated as of May 1, 2002 (the "General Indenture"), by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented, including as supplemented by a 2009 Series C Supplemental Indenture, dated as of August 1, 2009 (the "2009 Series C Supplemental Indenture"; together with the General Indenture, the "Indenture"), by and between the Corporation and the Trustee. The Corporation covenants and agrees with the registered owners and the beneficial owners of the Subject Bonds as follows:

SECTION 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Corporation for the sole and exclusive benefit of the registered owners and beneficial owners of the Subject Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Corporation pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"Disclosure Representative" shall mean the Executive Director/Chief Executive Officer of the Corporation or his or her designee.

"Fiscal Year" shall mean any twelve-month period ending on June 30 or on such other date as the Corporation may designate from time to time.

"Listed Events" shall mean any of the events listed in Section 5 of this Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Certificate.

"Official Statement" shall mean the Corporation's final Official Statement with respect to the Subject Bonds, dated August 13, 2009.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports. The Corporation shall provide to the MSRB an Annual Report for the preceding Fiscal Year (commencing with the Fiscal Year ending June 30, 2010) which is consistent with the requirements of Section 4 of this Certificate. The Annual Report shall be provided not later than 135 days after the Fiscal Year to which it relates. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the Corporation may be submitted separately from the balance of the Annual Report, and later than the date required for the filing of the Annual Report if not available by that date.

SECTION 4. Content of Annual Reports. The Corporation's Annual Report shall include (i) the Corporation's audited financial statements for the fiscal year ended on the previous June 30, prepared in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board, if available, or unaudited financial statements for such fiscal year, (ii) an update of the financial information and operating data contained in the final Official Statement under the caption "The Corporation," (iii) the amount and type of investments (and cash) in the accounts and subaccounts established in the Indenture, (iv) the outstanding principal balances of each maturity of Subject Bonds and the sinking fund installment amounts as applicable, and (v) financial information and operating data with respect to any other series of Bonds.

If not provided as part of the Annual Report by the date required (as described above under "Provision of Annual Reports"), the Corporation shall provide audited financial statements, when and if available, to the MSRB.

Any or all of the items listed above may be incorporated by specific reference to other documents (i) available to the public on the MSRB Internet Web Site or (ii) filed with the SEC.

SECTION 5. Reporting of Significant Events.

This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies on the Subject Bonds or any other Bonds;

2. Non-payment related defaults under the Indenture and any Supplemental Indenture;

3. Unscheduled draws on debt service reserve reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events affecting the tax-exempt status of the Subject Bonds;

7. Modifications to rights of Subject Bondholders;

8. Unscheduled Subject Bond calls;

9. Defeasances of Subject Bonds;

10. Release, substitution or sale of property securing repayment of the Subject Bonds; and

11. Rating changes for the Subject Bonds.

Upon the occurrence of a Listed Event that is material, the Corporation shall file a notice of such occurrence with the MSRB. Each notice of a Listed Event hereunder shall indicate that it is a notice of a Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (8) and (9) need not be given under this section any earlier than the notice (if any) of the underlying event is given to the owners of affected Subject Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Corporation's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Subject Bonds.

SECTION 7. Dissemination Agent. The Corporation may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Corporation under this Certificate, and revoke or modify any such designation.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Certificate, the Corporation may amend this Certificate if the following conditions are met:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof or a change in the identity, nature or status of the Corporation or the type of business conducted thereby;

(b) The Certificate, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Subject Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Subject Bonds as determined either by a party unaffiliated with the Corporation (such as Bond Counsel) or by approving vote of the registered owners of a majority in principal amount of the Subject Bonds pursuant to the terms of the Indenture.

The Corporation shall deliver a copy of any such amendment to the MSRB.

To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided pursuant to this Certificate, the first annual financial information provided thereafter will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 9. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 10. Default. *Except* as described in this paragraph, the provisions of this Certificate will create no rights in any other person or entity. The obligation of the Corporation to comply with the provisions of this Certificate are enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data, and notices, by any beneficial owner of Outstanding Subject Bonds, or by the Trustee on behalf of the registered owners of Outstanding Subject Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information, and operating data so provided, by the Trustee on behalf of the registered owners of Outstanding Subject Bonds; *provided, however,* that the Trustee shall not be required to take any enforcement action *except* at the direction of the registered owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. A default under this Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Corporation or the Trustee to comply with this Certificate shall be an action to compel performance.

SECTION 11. Governing Law. This Certificate shall be construed and interpreted in accordance with the laws of the State of Alaska, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State, *provided* that, to the extent this Certificate addresses matters of Federal securities laws, including the Rule, this Certificate shall be construed in accordance with such Federal securities laws and official interpretations thereof.

SECTION 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Corporation, and the registered owners and beneficial owners from time to time of the Subject Bonds, and shall create no rights in any other person or entity.

Date: August 26, 2009

ALASKA HOUSING FINANCE CORPORATION

By: ___________________________________

Exhibit A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Alaska Housing Finance Corporation (the "Corporation")

Name of Bond Issue: $80,870,000 Home Mortgage Revenue Bonds, 2009 Series C

Date of Issuance: August 26, 2009

NOTICE IS HEREBY GIVEN that the Corporation has not provided an Annual Report with respect to the above-named bond issue as required by the certificate of the Corporation.

Dated: ______________________________

ALASKA HOUSING FINANCE CORPORATION

By: __________________________________

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APPENDIX F

CERTAIN INFORMATION RELATING TO THE BANK

The following information has been provided by Bank of America, N.A. Neither the Corporation nor the Underwriters have undertaken any independent investigation of the operations of Bank of America, N.A. or Bank of America Corporation and no representation is made herein as to the accuracy or adequacy of such information.

Bank of America, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of March 31, 2009, the Bank had consolidated assets of $1.4 trillion, consolidated deposits of $947 billion and stockholder's equity of $136 billion based on regulatory accounting principles.

Bank of America Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding Bank of America Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2008, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning Bank of America Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

Moody's Investors Service, Inc. ("Moody's") currently rates the Bank's long-term debt as "Aa3" and short-term debt as "P-1." The outlook is stable. Standard & Poor's currently rates the Bank's long-term debt as "A+" and its short-term debt as "A-1." The outlook is stable. Fitch Ratings, Inc. ("Fitch") currently rates long-term debt of the Bank as "A+" and short-term debt as "F1+." The outlook is stable. Further information with respect to such ratings may be obtained from Moody's, Standard & Poor's and Fitch, respectively. No assurances can be given that the current ratings of the Bank's instruments will be maintained.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the

Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communication

The delivery hereof shall not create any implication that there has been no change in the affairs of Bank of America Corporation or the Bank since the date hereof, or that the information contained or referred to in this Appendix F is correct as of any time subsequent to its date.

APPENDIX G

PROJECTED WEIGHTED AVERAGE LIVES OF THE SERIES C TERM BONDS

The weighted average life of a bond refers to the average of the length of time that will elapse from the date of issuance of such bond to the date each installment of principal is paid, weighted by the amount of such installment. The weighted average life of a bond is determined by (i) multiplying the amount of each principal payment by the number of years from the date of issuance of the bond to the related principal payment date, (ii) adding the results and (iii) dividing the sum by the total principal paid on the bond. The weighted average lives of the 2009 Series C Bonds maturing on December 1, 2024, December 1, 2029, December 1, 2034 and December 1, 2039 (collectively, the "Series C Term Bonds") will be influenced by, among other factors, the rate at which principal prepayments are received on Mortgage Loans financed with proceeds attributable to the 2009 Series C Bonds ("Series C Mortgage Loans").

Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. One such standard or model is the Securities Industry and Financial Markets Association ("SIFMA", formerly the Bond Market Association) standard prepayment speed assumption model for 30-year mortgage loans (the "SIFMA Prepayment Model"). The SIFMA Prepayment Model represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of new mortgage loans. The SIFMA Prepayment Model does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Series C Mortgage Loans. One hundred percent (100%) of the SIFMA Prepayment Model assumes a series of prepayment rates beginning with 0.2% per year of the then-unpaid principal balance of such mortgage loans in the first month of the life of a pool of mortgage loans and increased by 0.2% per year in each month thereafter until the 30th month. Beginning in the 30th month and in each month thereafter during the life of the mortgage loans, 100% of the SIFMA Prepayment Model assumes a constant prepayment rate of 6% per year. Percentages of the SIFMA Prepayment Model are calculated from such series of rates. For example, 200% of the SIFMA Prepayment Model assumes prepayment rates will be 0.4% per year in the first month, 0.8% per year in the second month, reaching 12% per year in month 30 and remaining constant at 12% per year thereafter.

Set forth in the following table are the projected weighted average lives (in years) of the Series C Term Bonds, based upon various rates of prepayment of the Series C Mortgage Loans expressed as percentages of the SIFMA Prepayment Model. The Corporation has made no projections as to the weighted average lives of the Series C Term Bonds at rates of prepayment of the Series C Mortgage Loans exceeding 500% of the SIFMA Prepayment Model. The table assumes, among other things, that (i) proceeds of the 2009 Series C Bonds will be used to purchase Series C Mortgage Loans as described in (3) under "Assumptions Regarding Revenues, Debt Service Requirements and Program Expenses," (ii) all such Mortgage Loans are prepaid at the percentage of the SIFMA Prepayment Model indicated on the table, (iii) all principal prepayments and scheduled principal repayments of such Mortgage Loans are timely received and the Corporation experiences no foreclosure losses on such Mortgage Loans, (iv) there will be no optional redemption of such Bonds, (v) amounts available under the Indenture to be applied to the special redemption of Bonds will only be used to redeem Bonds of the related Series, and

(vi) the remaining Bonds of a Series will not be redeemed as a consequence of the aggregate principal amount of such Bonds then Outstanding becoming equal to or less than 15% of the original aggregate principal amount of such Bonds. Some or all of such assumptions are unlikely to reflect actual experience.

The projected weighted average lives of the Series C Term Bonds shown in the following table are based on the assumption that scheduled principal payments and prepayments of Series C Mortgage Loans received during any period less scheduled principal and sinking fund payments then due on the 2009 Series C Bonds will be applied to timely redeem the Series C Term Bonds on a pro rata basis.

Projected Weighted Average Lives (in years)
of Series C Term Bonds (Pro Rata Redemptions)

Prepayment Speed (as a percentage of the SIFMA Prepayment Model)	2009 Series C Term Bonds Maturing December 1, 2024	2009 Series C Term Bonds Maturing December 1, 2029	2009 Series C Term Bonds Maturing December 1, 2034	2009 Series C Term Bonds Maturing December 1, 2039
0%	13.0	18.0	22.9	26.4
25%	13.0	17.9	22.8	27.8
50%	12.1	16.1	19.8	23.2
75%	11.2	14.5	17.3	19.6
100%	10.5	13.1	15.2	16.8
200%	8.2	9.3	9.9	10.2
300%	6.6	7.0	7.2	7.3
400%	5.5	5.7	5.7	5.7
500%	4.7	4.8	4.8	4.8

The SIFMA Prepayment Model does not purport to be a prediction of the anticipated rate of prepayment of the Series C Mortgage Loans, and there is no assurance that such principal prepayments will conform to any of the assumed prepayment rates. No representation is made as to the percentage of the principal balance of the Series C Mortgage Loans that will be paid as of any date, as to the overall rate of prepayment or as to the projections or methodology set forth under this heading.

The Corporation may apply principal prepayments and scheduled principal repayments and other revenues, and may redeem Bonds, in any manner permitted by the Indenture, including purchasing additional Mortgage Loans in lieu of redeeming Bonds.

ALASKA HOUSING FINANCE CORPORATION • HOME MORTGAGE REVENUE BONDS, 2009 SERIES C AND 2009 SERIES D

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